



Fourth Quarter 2020 Earnings Release February 2, 2021

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Forward-looking Statements and Non-GAAP Financial Information

This presentation or the comments we make on our call today contain forward-looking statements concerning, among other matters, 2021 organic revenue growth, adjusted earnings per share, free cash flow, operating cash flow, capital expenditures, share buybacks, tax rate, corporate expenses, segment operating margins, impact from currency translation, and planned acquisitions and divestitures, 2021 first quarter organic revenue growth, currency translation impact, acquisitions and divestitures, tax rate and segment operating margins as well as our long-term strategy and expected adjusted earnings per share growth. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside the company's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: the course of the COVID – 19 pandemic and government responses thereto, unanticipated changes in the markets for the company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; unanticipated changes in the cost of material and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; the performance of recent acquisitions; unanticipated difficulties closing or integrating acquisitions; unexpected difficulties completing divestitures, new laws and governmental regulations; interest rate changes; stock market and currency fluctuations; war, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

This presentation includes certain non-GAAP measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is provided in the investor relations section of our website at www.eaton.com.

Richard H. Fearon – Vice Chairman and Chief Financial & Planning Officer, 2002-2021



- Will retire effective March 31, 2021
- Has been an influential figure in helping Eaton change the mix of our business and increasing the profitability and valuation of our company
- 19 years with ETN with TSR ~880%

Thomas B. Okray – Executive Vice President and Chief Financial Officer, 2021



- Joins Eaton from W.W. Grainger, one of the largest industrial distributors in the U.S.
- Seasoned CFO with a strong operational background
- Experienced global leader in all geographies

Recent Highlights

- Announced acquisitions of Tripp Lite for \$1.65B and Cobham Mission Systems for \$2.83B
- Earnings per share of \$1.18
- Adjusted earnings per share of \$1.28, excluding charges of (\$0.06) per share related to acquisitions and divestitures and (\$0.04) per share related to multi-year restructuring program
- Sales of \$4.7B
 - Organic revenue down (5)%
 - Acquisitions +2% and divestitures (8)%
- Segment margins of 17.4%
 - Decremental margins of 21%
- Q4 Operating cash flow of \$943M and free cash flow \$845M
- 2020 Free cash flow of \$2.6B and all-time record FCF to sales of 14.3%

Financial Summary

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$4,687	\$5,238	↓ 11%
Segment Operating Profit	815	933 ⁽²⁾	↓ 13%
Segment Operating Margin	17.4%	17.8% ⁽²⁾	↓ 40 bps
Net Income	475	452	↑ 5%
Adjusted Earnings	512 ⁽¹⁾	605 ⁽³⁾	↓ 15%
Adjusted EPS	\$1.28 ⁽¹⁾	\$1.46 ⁽³⁾	↓ 12%

Sales Growth:	Organic	(5)%
	Acquisition / Divestiture	(6)%
	Total	(11)%

- Earnings per share \$1.18
- Adjusted earnings per share \$1.28 ⁽¹⁾

Footnotes (1) (2) (3) described in Appendix

Electrical Americas Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$1,703	\$2,089	↓ 18%
Operating Profit	359	416	↓ 14%
Operating Margin	21.1%	19.9%	↑ 120 bps

Sales Growth:	Organic	(1)%
	Acquisition / Divestiture	(17)%
	Total	(18)%

- Orders down (1)% on a rolling 12 month basis, excluding Lighting. We saw particular strength in residential and data center markets.
- Backlog up 12% y-o-y
- Announced acquisition of Tripp Lite for \$1.65B

Electrical Global Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$1,252	\$1,311	↓ 5%
Operating Profit	208	223	↓ 7%
Operating Margin	16.6%	17.0%	↓ 40 bps

Sales Growth:	Organic	(7)%
	Forex	2%
	Total	(5)%

- Orders down (6)% on a rolling 12 month basis with declines driven by oil and gas and industrial markets, partially offset by strength in data center and residential markets.
- Backlog up 14% y-o-y
- Announced acquisition of 50% of HuanYu High Tech

Hydraulics Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$485	\$477	↑ 2%
Operating Profit	51	30	↑ 70%
Operating Margin	10.5%	6.3%	↑ 420 bps

Sales Growth:	Organic	2%
	Total	2%

- Q4 orders up 25% driven by strength in mobile equipment markets.

Aerospace Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$542	\$622	↓ 13%
Operating Profit	99	150	↓ 34%
Operating Margin	18.3%	24.1%	↓ 580 bps

Sales Growth:	Organic	(25)%
	Acquisition	11%
	Forex	1%
	Total	<u>(13)%</u>

- Orders down (33)% on rolling 12 month basis driven by the downturn in commercial markets.
- Backlog down (14)% y-o-y
- Announced acquisition of Cobham Mission Systems for \$2.83B.

Vehicle Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$620	\$664	↓ 7%
Operating Profit	103	113 ⁽¹⁾	↓ 9%
Operating Margin	16.6%	17.0% ⁽¹⁾	↓ 40 bps

Sales Growth:	Organic	(1)%
	Divestiture	(5)%
	Forex	(1)%
	Total	(7)%

- NAFTA Class 8 production down (6)% in Q4
- Global LMV market production grew 1% in Q4

(1) Excluding \$50M related to expected Vehicle warranty costs

eMobility Segment

(M)	<u>4Q '20</u>	<u>4Q '19</u>	<u>V '19</u>
Sales	\$85	\$75	↑ 13%
Operating Profit (Loss)	(5)	1	---
Operating Margin	(5.9)%	1.3%	↓ 720 bps

Sales Growth:	Organic	11%
	Forex	2%
	Total	13%

- Organic revenues up 11% with growth in all regions
- Margin decline driven by additional R&D investments

Highlights of Full Year 2020 Results

- Resilient Electrical business posted year-over-year margin improvement
- Strong decremental margins of 23%
- Resilient free cash flow of \$2.6B and record FCF to sales of 14.3%
- Launched \$280M multi-year restructuring program yielding \$200M of mature year benefits
- Delivered significant portfolio transformation including \$1.4B sale of Lighting, \$3.3B signed deal to sell Hydraulics, acquisition of Power Distribution, Inc. and signed deal for 50% of HuanYu High Tech
- Returned \$2.8B to shareholders in 2020
 - \$1.2B in dividends
 - Repurchased \$1.6B (17.1M shares), 4% of shares outstanding at beginning of 2020
- Total shareholder return of 31% in 2020, 20 percentage points over median of proxy peers

2021 Organic Growth and Margin Guidance

Segment	Organic Revenue Growth	Segment Operating Margin
Electrical Americas	3 – 5%	20.1% – 20.7%
Electrical Global	3 – 5%	16.1% – 16.7%
Hydraulics	4 – 6%	11.7% – 12.3%
Aerospace	2 – 4%	19.7% – 20.3%
Vehicle	10 – 12%	15.6% – 16.2%
eMobility	14 – 16%	(3.7)% – (4.3)%
Eaton	4 – 6%	17.6% – 18.0%

Adjusted EPS

	Actual 2020	Guidance 2021
Adjusted EPS (prior definition)	\$4.24	\$4.60 - \$5.00 ⁽¹⁾
Intangible Amortization (after-tax) ⁽²⁾	\$0.67	\$0.70
Net Accretion from Tripp Lite & Cobham ⁽³⁾	---	<u>\$0.10</u>
Adjusted EPS (new definition)	\$4.91	\$5.40 - \$5.80

(1) Assuming net proceeds from Hydraulics used for share repurchases.

(2) Applicable tax rate for intangibles is 23.5% based on tax jurisdictions.

(3) Accretion from the acquisitions of \$0.25, partially offset by \$0.15 of reduced share repurchases and additional financing costs.

2021 Guidance

2021 Full Year Outlook	
Adjusted Earnings Per Share (1)	\$5.40 - \$5.80
Organic Revenue	4 – 6%
Currency Translation	\$200M
Acquisition & Divestiture	(8)%
Segment Operating Margins	17.6% - 18.0%
Corporate Expenses (interest, pension, other corporate)	Flat with 2020
Tax Rate on Adjusted Earnings	15.5% - 16.5%
Adjusted Operating Cash Flow (2)	\$2.3B - \$2.7B
Adjusted Free Cash Flow (2)	\$1.8B - \$2.2B
Capex	\$500M
Share Repurchases	\$500M - \$700M
1 st Quarter Outlook	
Adjusted Earnings Per Share	\$1.17 - \$1.27
Organic Revenue	(3) – (4)%
Currency Translation	2 - 3%
Acquisition & Divestiture	(5)%
Segment Operating Margins	15.7% - 16.1%
Tax Rate on Adjusted Earnings	15.5% - 16.5%

(1) Adjusted EPS is the only element of guidance which includes impact for announced Tripp Lite and CMS acquisitions.

(2) Excluding \$450M of estimated cash taxes on Hydraulics sale and \$200M U.S. qualified pension contribution.

Summary

- Eaton is an intelligent power management company with differentiated businesses in large global markets
- Our businesses are supported by secular growth trends and we are investing for organic growth
- We have an unyielding commitment to industry-leading ESG practices
- Our strategy is working as reflected in higher margins and more consistent earnings
- Cash flow in 2020 was resilient, and we have significant cash optionality, including \$4.5B of recently announced deals
- Eaton performed well through the challenges of 2020 and is well-positioned for growth in 2021
- We are poised to deliver 8% - 10% EPS growth over the next 5 years

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Appendix

Footnotes from page 6:

- (1) Excluding charges of \$25M (\$23M after-tax) related to Acquisitions and Divestitures and \$17M (\$14M after-tax) from multi-year restructuring program
- (2) Excluding \$50M related to expected Vehicle warranty costs
- (3) Excluding charges of \$133M (\$114M after-tax) related to Acquisitions and Divestitures and \$50M (\$39M after-tax) related to expected Vehicle warranty costs