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Fiscal Year 2015 Fourth Quarter Conference Call

November 10, 2015



Allen-Bradley • Rockwell Software

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Safe Harbor Statement

- This presentation includes statements related to the expected future results of the company and are therefore forward-looking statements. Actual results may differ materially from those projections due to a wide range of risks and uncertainties, including those that are listed in our SEC filings.
- This presentation also contains non-GAAP financial information and reconciliations to GAAP are included in the appendix. All information should be read in conjunction with our historical financial statements.

Fiscal 2015 Fourth Quarter and Full Year Results

Q4 Results

- Organic sales down 2.3% YOY - particularly weak September
 - US down 2.8%
- Adjusted EPS of \$1.57 including restructuring charges of \$0.06

Full Year Results

- Organic sales up 1.1% YOY in difficult market conditions
- Segment operating margin expanded 120 bps
 - Strong productivity performance in CP&S
- Adjusted EPS grew 3.7% despite 4.8% lower sales
- Record fiscal year free cash flow and ROIC

Returned over \$950M of cash to shareowners in FY15

Key Financial Information: Fourth Quarter

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(in millions, except per share amounts)

	<u>Q4 2015</u>	<u>Q4 2014</u>	<u>YOY B/(W)</u>
Sales	\$ 1,608	\$ 1,782	(9.8)%
Segment Operating Margin	20.9%	22.2%	(130) bps
General Corporate - Net	\$ 20	\$ 22	\$ 2
Adjusted EPS	\$ 1.57	\$ 1.86	(15.6)%
Adjusted Effective Tax Rate	28.2%	27.0%	(120) bps
Free Cash Flow	\$ 309	\$ 282	\$ 27
ROIC	32.6%	30.1%	250 bps

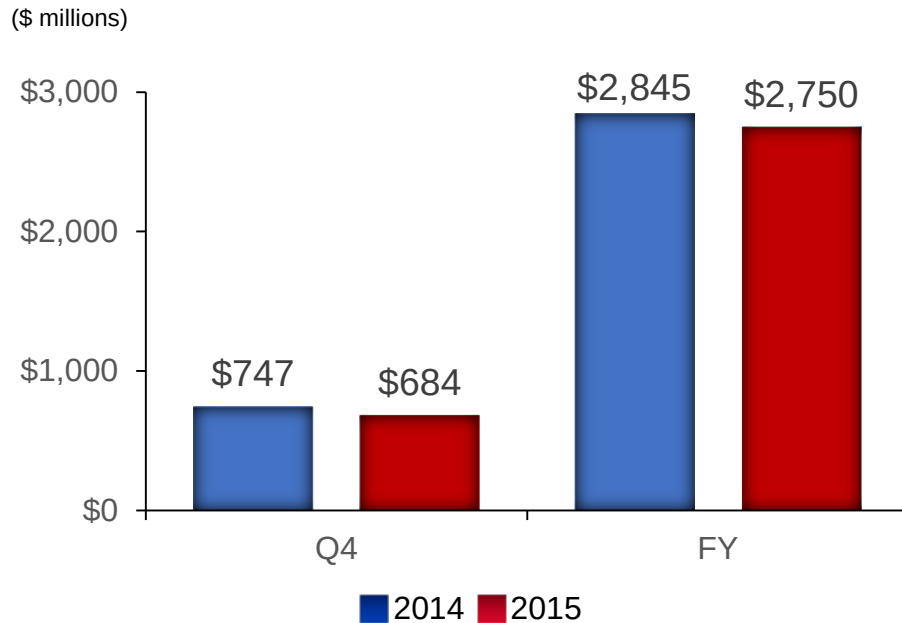
Key Financial Information: Full Year

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(in millions, except per share amounts)

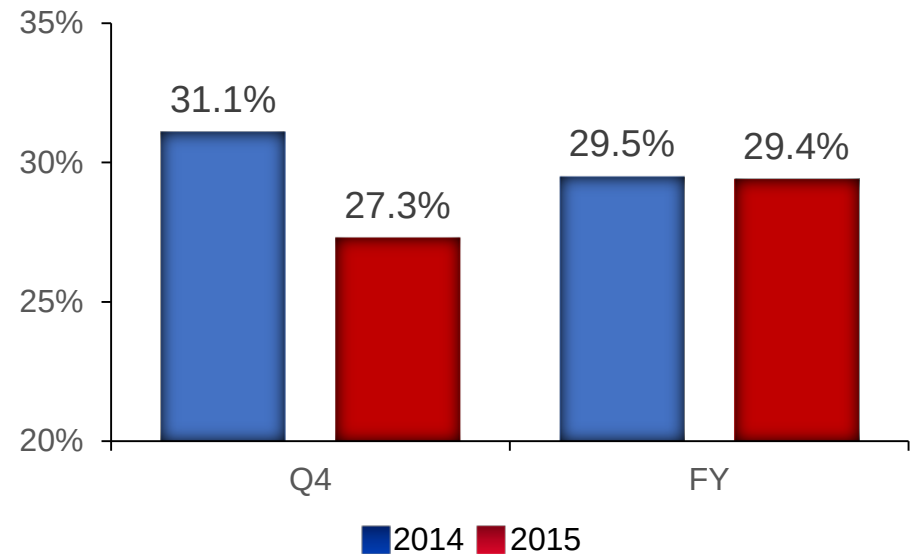
	<u>FY 2015</u>	<u>FY 2014</u>	<u>YOY B/(W)</u>
Sales	\$ 6,308	\$ 6,624	(4.8)%
Segment Operating Margin	21.6%	20.4%	120 bps
General Corporate - Net	\$ 86	\$ 81	\$ (5)
Adjusted EPS	\$ 6.40	\$ 6.17	3.7 %
Adjusted Effective Tax Rate	27.0%	27.5%	50 bps
Free Cash Flow	\$ 1,077	\$ 922	\$ 155
ROIC	32.6%	30.1%	250 bps

Sales



	<u>YOY Sales % Change</u>	
	<u>Q4 2015</u>	<u>FY 2015</u>
Reported	(8.5)%	(3.4)%
Organic	(0.4)%	3.1%

Segment Operating Margin



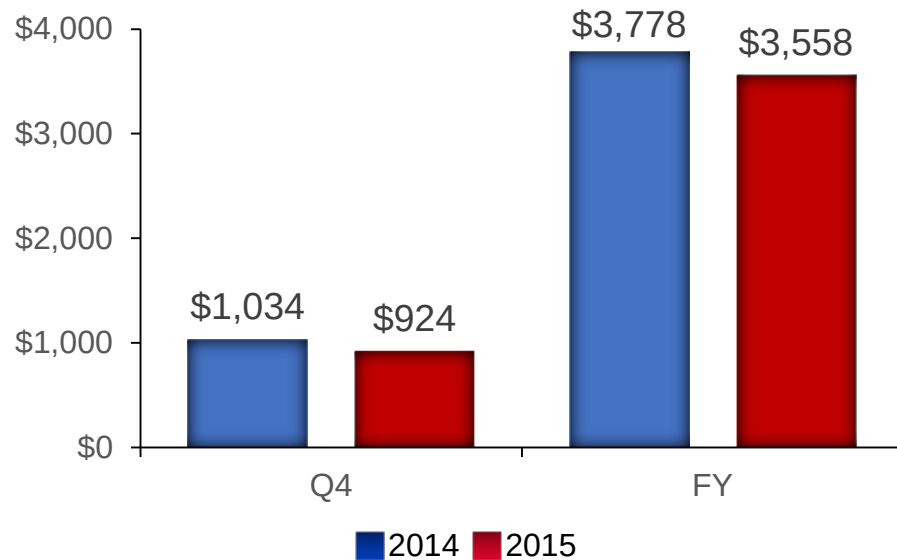
- Fourth quarter segment operating margin contracted 380 bps YOY primarily due to unfavorable currency effects and increased research and development project spending
- Full year segment operating margin contracted 10 bps

Control Products & Solutions

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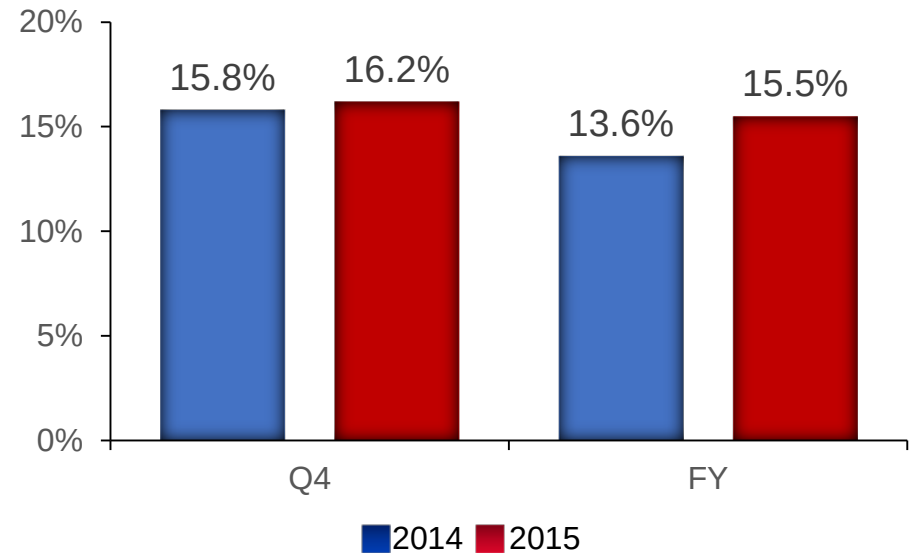
Sales

(\$ millions)



	YOY Sales % Change	
	Q4 2015	FY 2015
Reported	(10.7)%	(5.8)%
Organic	(3.6)%	(0.4)%

Segment Operating Margin



- Fourth quarter segment operating margin expanded 40 bps YOY
- Full year segment operating margin expanded 190 bps primarily due to very strong productivity

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q4 2015</u>		<u>FY 2015</u>	
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>
U.S.	\$ 874	(2.8)%	\$ 3,447	0.9%
Canada	88	(9.6)%	367	(5.3)%
EMEA	306	3.7%	1,174	2.1%
Asia Pacific	213	(10.0)%	834	(1.1)%
Latin America	127	5.2%	486	8.9%
TOTAL	<u>\$ 1,608</u>	(2.3)%	<u>\$ 6,308</u>	1.1%

Fourth Quarter *

- Broad-based decrease in the US
- Continued improvement in EMEA
- China down high-teens

Full Year *

- Emerging markets up mid-single digits, primarily driven by Mexico
- Steady growth in EMEA

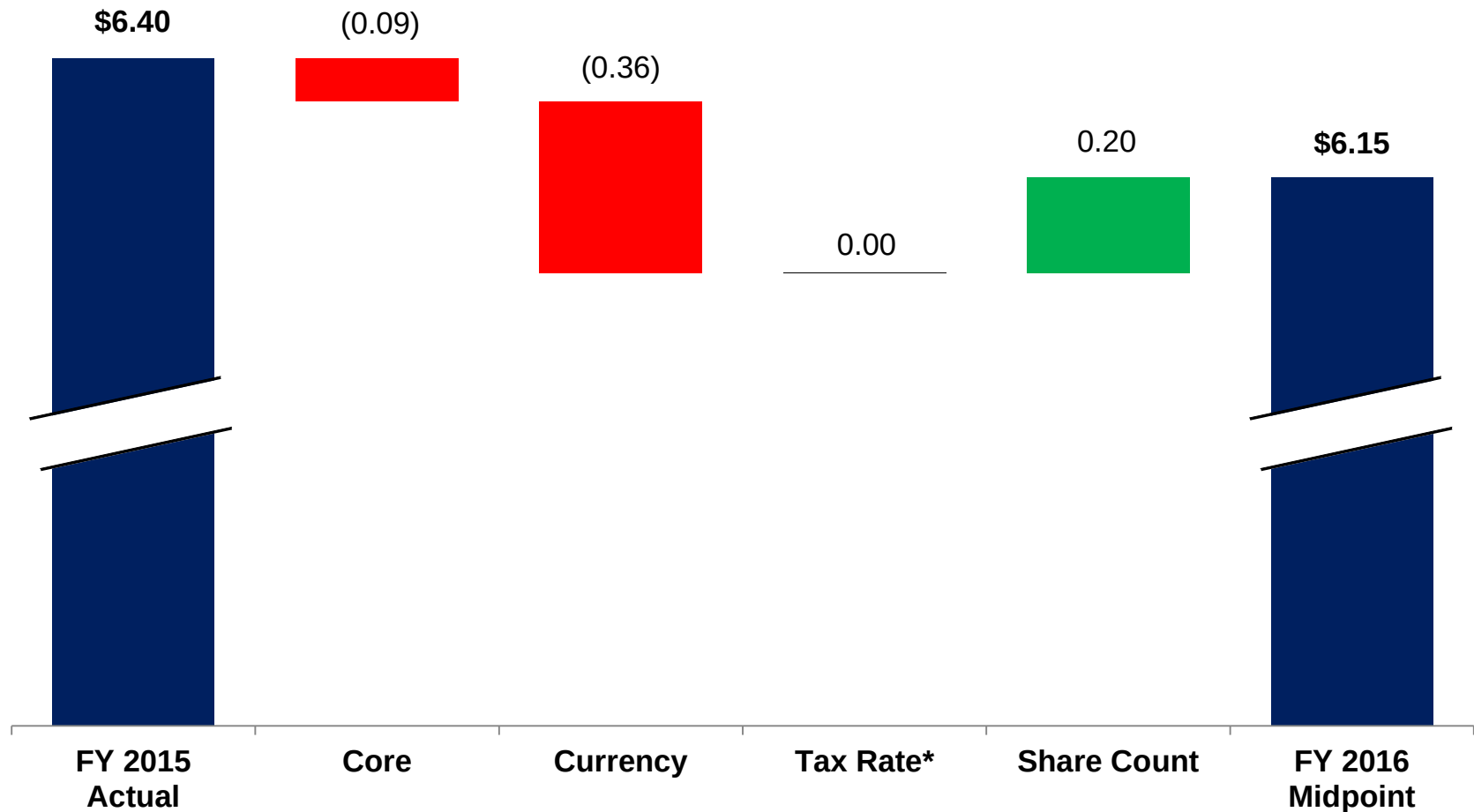
* All growth comments refer to organic growth

	<u>Full Year Outlook</u>
Sales Midpoint	~ \$6.0B
Organic Growth Range	(4)% to 0%
Currency Translation	~ (3)%
Segment Operating Margin	~ 21%
Adjusted Effective Tax Rate	~ 27%
Adjusted EPS	\$5.90 - \$6.40
Free Cash Flow as a % of Adjusted Income	~ 100%

Note: As of November 10, 2015

Fiscal 2015 to Fiscal 2016 Midpoint Adjusted EPS Walk

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*Adjusted Effective Tax Rate

Appendix

Supplemental Financial Information and
Reconciliation to Non-GAAP Measures

Fourth Quarter Results: Summary

(in millions, except per share amounts)

	<u>Q4 2015</u>	<u>Q4 2014</u>
Total Sales	<u>\$ 1,607.5</u>	<u>\$ 1,781.8</u>
Total Segment Operating Earnings	\$ 335.8	\$ 395.8
Purchase Accounting Depreciation and Amortization	(5.2)	(5.7)
General Corporate - Net	(19.5)	(22.3)
Non-Operating Pension Costs	(15.5)	(13.8)
Interest Expense	(16.7)	(15.0)
Income Tax Provision	(77.6)	(90.3)
Net Income	<u>\$ 201.3</u>	<u>\$ 248.7</u>
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	10.0	8.9
Adjusted Income	<u>\$ 211.3</u>	<u>\$ 257.6</u>
Adjusted EPS	<u>\$ 1.57</u>	<u>\$ 1.86</u>
Average Diluted Shares	<u>134.3</u>	<u>138.5</u>

Free Cash Flow

(in millions)	<u>Q4 2015</u>	<u>FY 2015</u>
Net Income	\$ 201.3	\$ 827.6
Depreciation/Amortization	41.6	162.5
Retirement Benefits Expense	34.9	141.3
Receivables/Inventory/Payables	19.1	88.2
Compensation and Benefits	24.2	(33.9)
Pension Contributions	(10.1)	(41.0)
Income Taxes	10.7	(2.0)
Other	26.3	45.0
Cash Flow From Operations	348.0	1,187.7
Capital Expenditures	(39.7)	(122.9)
Excess Income Tax Benefit from Share Based Compensation	0.2	12.4
Free Cash Flow	<u>\$ 308.5</u>	<u>\$ 1,077.2</u>

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

Three Months Ended September 30,								
2015						2014		
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
United States	\$ 874.4	\$ 1.5	\$ 875.9	\$ (1.7)	\$ 874.2	\$ 899.4	(2.8)%	(2.8)%
Canada	87.7	17.2	104.9	—	104.9	116.0	(24.4)%	(9.6)%
Europe, Middle East, Africa	305.8	58.0	363.8	—	363.8	350.7	(12.8)%	3.7%
Asia Pacific	212.9	17.6	230.5	—	230.5	256.2	(16.9)%	(10.0)%
Latin America	126.7	41.1	167.8	—	167.8	159.5	(20.6)%	5.2%
Total	\$ 1,607.5	\$ 135.4	\$ 1,742.9	\$ (1.7)	\$ 1,741.2	\$ 1,781.8	(9.8)%	(2.3)%

Twelve Months Ended September 30,								
2015						2014		
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
United States	\$ 3,446.8	\$ 4.2	\$ 3,451.0	\$ (6.1)	\$ 3,444.9	\$ 3,414.6	0.9%	0.9%
Canada	366.6	47.3	413.9	—	413.9	437.0	(16.1)%	(5.3)%
Europe, Middle East, Africa	1,174.0	208.6	1,382.6	(2.7)	1,379.9	1,351.8	(13.2)%	2.1%
Asia Pacific	834.5	39.5	874.0	—	874.0	884.0	(5.6)%	(1.1)%
Latin America	486.0	97.6	583.6	—	583.6	536.1	(9.3)%	8.9%
Total	\$ 6,307.9	\$ 397.2	\$ 6,705.1	\$ (8.8)	\$ 6,696.3	\$ 6,623.5	(4.8)%	1.1%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

Three Months Ended September 30,								
2015						2014		
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
Architecture & Software	\$ 683.9	\$ 60.6	\$ 744.5	\$ —	\$ 744.5	\$ 747.4	(8.5)%	(0.4)%
Control Products & Solutions	923.6	74.8	998.4	(1.7)	996.7	1,034.4	(10.7)%	(3.6)%
Total	<u>\$ 1,607.5</u>	<u>\$ 135.4</u>	<u>\$ 1,742.9</u>	<u>\$ (1.7)</u>	<u>\$ 1,741.2</u>	<u>\$ 1,781.8</u>	(9.8)%	(2.3)%

Twelve Months Ended September 30,								
2015						2014		
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
Architecture & Software	\$ 2,749.5	\$ 185.6	\$ 2,935.1	\$ (2.2)	\$ 2,932.9	\$ 2,845.3	(3.4)%	3.1%
Control Products & Solutions	3,558.4	211.6	3,770.0	(6.6)	3,763.4	3,778.2	(5.8)%	(0.4)%
Total	<u>\$ 6,307.9</u>	<u>\$ 397.2</u>	<u>\$ 6,705.1</u>	<u>\$ (8.8)</u>	<u>\$ 6,696.3</u>	<u>\$ 6,623.5</u>	(4.8)%	1.1%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014
Sales				
Architecture & Software (a)	\$ 683.9	\$ 747.4	\$ 2,749.5	\$ 2,845.3
Control Products & Solutions (b)	923.6	1,034.4	3,558.4	3,778.2
Total sales (c)	<u>\$ 1,607.5</u>	<u>\$ 1,781.8</u>	<u>\$ 6,307.9</u>	<u>\$ 6,623.5</u>
Segment operating earnings				
Architecture & Software (d)	\$ 186.5	\$ 232.7	\$ 808.6	\$ 839.6
Control Products & Solutions (e)	149.3	163.1	551.9	512.4
Total segment operating earnings (f)	<u>335.8</u>	<u>395.8</u>	<u>1,360.5</u>	<u>1,352.0</u>
Purchase accounting depreciation and amortization	(5.2)	(5.7)	(21.0)	(21.6)
General corporate - net	(19.5)	(22.3)	(85.6)	(81.0)
Non-operating pension costs	(15.5)	(13.8)	(62.7)	(55.9)
Interest expense	(16.7)	(15.0)	(63.7)	(59.3)
Income before income taxes (g)	<u>\$ 278.9</u>	<u>\$ 339.0</u>	<u>\$ 1,127.5</u>	<u>\$ 1,134.2</u>
Segment operating margin:				
Architecture & Software (d/a)	27.3%	31.1%	29.4%	29.5%
Control Products & Solutions (e/b)	16.2%	15.8%	15.5%	13.6%
Total segment operating margin (f/c)	20.9%	22.2%	21.6%	20.4%
Pretax margin (g/c)	17.3%	19.0%	17.9%	17.1%

Reconciliation to Non-GAAP Measures

Adjusted Income and Adjusted EPS

(in millions, except per share amounts)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014
Income from continuing operations	\$ 201.3	\$ 248.7	\$ 827.6	\$ 826.8
Non-operating pension costs	15.5	13.8	62.7	55.9
Tax effect of non-operating pension costs	(5.5)	(4.9)	(21.9)	(20.0)
Adjusted Income	<u>\$ 211.3</u>	<u>\$ 257.6</u>	<u>\$ 868.4</u>	<u>\$ 862.7</u>
Diluted EPS from continuing operations	\$ 1.50	\$ 1.79	\$ 6.09	\$ 5.91
Non-operating pension costs per diluted share	0.11	0.10	0.46	0.40
Tax effect of non-operating pension costs per diluted share	(0.04)	(0.03)	(0.15)	(0.14)
Adjusted EPS	<u>\$ 1.57</u>	<u>\$ 1.86</u>	<u>\$ 6.40</u>	<u>\$ 6.17</u>
	Fiscal 2016 Guidance		Three Months Ended September 30, 2015	Three Months Ended September 30, 2014
Diluted EPS from continuing operations	\$5.53 - \$6.03	Effective tax rate	27.8%	26.6%
Non-operating pension costs per diluted share	0.58	Tax effect of non-operating pension costs	0.4%	0.4%
Tax effect of non-operating pension costs per diluted share	(0.21)			
Adjusted EPS	<u>\$5.90 - \$6.40</u>	Adj. Effective Tax Rate	<u>28.2%</u>	<u>27.0%</u>
				<u>27.5%</u>

Non-Operating Pension Costs

(in millions)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014
Interest cost	\$ 41.6	\$ 43.4	\$ 167.2	\$ 174.2
Expected return on plan assets	(55.6)	(54.4)	(223.2)	(217.9)
Amortization of net actuarial loss	29.5	24.9	118.7	99.7
Settlements	—	(0.1)	—	(0.1)
Non-operating pension costs	<u>\$ 15.5</u>	<u>\$ 13.8</u>	<u>\$ 62.7</u>	<u>\$ 55.9</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended September 30,	
	2015	2014
(a) Return		
Income from continuing operations	\$ 827.6	\$ 826.8
Interest expense	63.7	59.3
Income tax provision	299.9	307.4
Purchase accounting depreciation and amortization	21.0	21.6
Return	<u>1,212.2</u>	<u>1,215.1</u>
(b) Average invested capital		
Short-term debt	166.6	275.5
Long-term debt	1,261.9	905.3
Shareowners' equity	2,521.3	2,680.7
Accumulated amortization of goodwill and intangibles	792.6	772.7
Cash and cash equivalents	(1,376.1)	(1,210.6)
Short-term investments	(639.3)	(485.2)
Average invested capital	<u>2,727.0</u>	<u>2,938.4</u>
(c) Effective tax rate		
Income tax provision	299.9	307.4
Income from continuing operations before income taxes	\$ 1,127.5	\$ 1,134.2
Effective tax rate	<u>26.6%</u>	<u>27.1%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>32.6%</u>	<u>30.1%</u>