

Third Quarter 2024 Earnings Release

Craig Arnold & Olivier Leonetti | October 31, 2024

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, full year and fourth quarter 2024 adjusted earnings per share, organic revenue and organic revenue growth, and segment operating margins; full year 2024 operating cash flow, free cash flow, and anticipated share repurchases; assumptions about the impact on the foregoing of currency translation, tax rate, corporate expenses and capital expenditures; and 2025 estimates for end markets growth, restructuring program costs and savings, corporate expense, tax rate, capital expenditures and share repurchases. 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: potential global pandemics, such as COVID -19, 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; continued supply chain disruptions, unanticipated changes in the cost of material, labor 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 at Eaton or at our customers or suppliers; 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; geopolitical tensions, 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, including the following: adjusted earnings, adjusted earnings per share, adjusted earnings per share guidance for the fourth quarter and full year 2024, free cash flow, and free cash flow guidance for full year 2024. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

Highlights

Record adjusted earnings per share of \$2.84, up 15% versus 3Q23.







Record segment margins of 24.3%, up 70 bps versus 3Q23.

Order acceleration to 16% in Electrical Americas and 6% in Aerospace on a rolling 12-month basis.

Electrical Americas and Aerospace backlog up 26% and 14% in 3Q24 with book-to-bill ratio at 1.2 and 1.1, respectively.

Raising 2024 Eaton guidance for segment margins and adjusted EPS.

Key drivers of Eaton's long term growth outlook

Megatrends		Key Markets							
		Commercial & Institutional	Data Center	Industrial	Residential Buildings	Utility	Aerospace	e-Mobility	Legacy Vehicle
	Electrification	●	●	●	●	●	●	●	●
	Energy Transition	●	●	●	●	●	●	●	●
	Digitalization	●	●	●	●	●	●		
	Infrastructure Spending	●	●	●	●	●		●	●
	Reindustrialization			●	●	●			●
	Green Regulations	●	●		●	●	●	●	●






Mega project announcements continue to accelerate

\$1.6T

**in cumulative
North America
mega projects
since Jan. 2021**

- 3Q'24 totals exceed \$175B on 49 projects, up 48% over 2Q'24
- Backlog up 30% YoY, reaching nearly ~\$1.8T and 2025 targeted starts set to hit another record high
- Megaproject announcements have accelerated in the past 6 months with project cancellation rates around 10%, well below historical levels
- Only 16% of these projects have started construction – multi-year runway
- Win rate of almost 40%

We now expect incremental capacity investments of \$1.5B...

<u>Product Families</u>	<u>End markets</u>				
	 Commercial & Institutional	 Data Center	 Industrial Facilities	 Residential Buildings	 Utility
Transformers	●	●	●		●
Panelboards, switchboards, and assemblies	●	●	●		●
UPS	●	●	●		●
Breakers	●	●	●	●	●

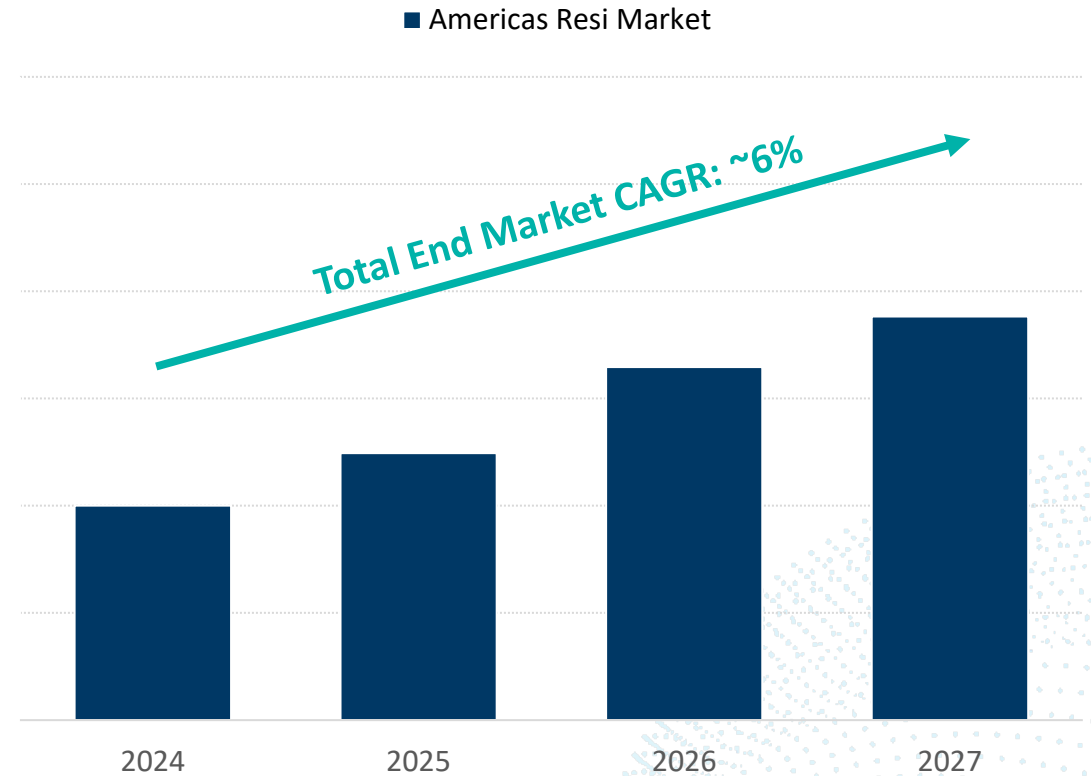
...allowing us the flexibility to shift production across end markets

Residential end markets are being shaped by increased electrification, energy transition, and new codes and standards

Key Drivers:

- More stringent safety requirements and regulations that mandate energy efficiency
- Age of existing housing stock and current housing deficit
- Reduction of mortgage rates with the start of a Federal Reserve rate cut cycle
- Increased adoption of solar panels, heat pumps, energy storage and electric vehicles

Residential End Market - Indexed Growth



Our Home as a Grid approach effectively manages the growing need for energy production and consumption...

Increasing number of electrical loads and sources

Heat pumps, electric water heaters, EVs, bi-directional charging



Generating clean electricity with renewables

Solar PV, battery energy storage, EVs, grid services



More stringent electrical code and standards

NEC 2020, arc-fault and ground-fault breaker requirements



Up to 5x more value per home

...and we recently launched a collaboration with Tesla to streamline new and retrofit home energy storage deployments



Eaton's AbleEdge suite provides intelligent load management for North American home energy storage and solar installations, a market growing at 30% each year

- Tesla's Powerwall will support Eaton's new AbleEdge smart breakers starting in early 2025
- AbleEdge minimizes equipment and wiring, while delivering on safety and high reliability
- Leverages Eaton's domain expertise and relationships with builders, contractors and utilities

Enables homeowners to save 3x - 5x versus traditional service upgrades

Financial Summary

(M)	3Q '24	3Q '23	V '23
Sales	\$6,345	\$5,880	↑ 8%
Segment Operating Profit	1,544	1,386	↑ 11%
Segment Operating Margin	24.3%	23.6%	↑ 70 bps
Adjusted Earnings	1,132	994	↑ 14%
Adjusted EPS	\$2.84	\$2.47	↑ 15%

\$6,345M	Q3 Record Quarterly Sales
\$1,544M	Record Quarterly Segment operating profit
24.3%	Record Quarterly Segment operating margin

Sales Growth:	
Organic	8%
Acquisition	--
Forex	--
Total	8%

Electrical Americas Segment

(M)	3Q '24	3Q '23	V '23
Sales	\$2,963	\$2,594	▲ 14%
Operating Profit	892	719	▲ 24%
Operating Margin	30.1%	27.7%	▲ 240 bps

- **Record** sales, operating profit and margin.
- Order acceleration, **up 16%** on a rolling 12-month basis.
- Backlog up **26%** year-over-year.
- Book-to-bill ratio of **1.2** on rolling 12-month basis.

Sales Growth:

Organic	14%
Acquisition	--
Forex	--
Total	14%

Electrical Global Segment

(M)	3Q '24	3Q '23	V '23
Sales	\$1,573	\$1,503	▲ 5%
Operating Profit	294	328	▼ (10)%
Operating Margin	18.7%	21.8%	▼ (310)bps

- Orders **up 6%** on a rolling 12-month basis.
- Backlog up **19%** year-over-year.
- Book-to-bill ratio of **1.1** on a rolling 12-month basis.

Sales Growth:

Organic	4%
Forex	1%
Total	5%

Aerospace Segment

(M)	3Q '24	3Q '23	V '23
Sales	\$946	\$867	↑ 9%
Operating Profit	230	209	↑ 10%
Operating Margin	24.4%	24.1%	↑ 30 bps

- Record operating profit and Q3 record sales.
- Backlog up **14%** year-over-year.
- Book-to-bill ratio of **1.1** on a rolling 12-month basis.
- **\$2.3B** Life of Program wins year to date.

Sales Growth:	
Organic	8%
Forex	1%
Total	9%

Vehicle Segment

(M)	3Q '24	3Q '23	V '23
Sales	\$696	\$753	▼ (7)%
Operating Profit	135	131	▲ 3%
Operating Margin	19.4%	17.4%	▲ 200 bps

○ Strong **operational performance** producing higher profit on lower sales year-over-year.

Sales Growth:

Organic	(6)%
Forex	(1)%
Total	(7)%

eMobility Segment

(M)	3Q '24	3Q '23	V '23
Sales	\$167	\$163	▲ 2%
Operating Profit / (Loss)	(7)	(0)	▼ --
Operating Margin	(4.4)%	(0)%	▼ (440) bps

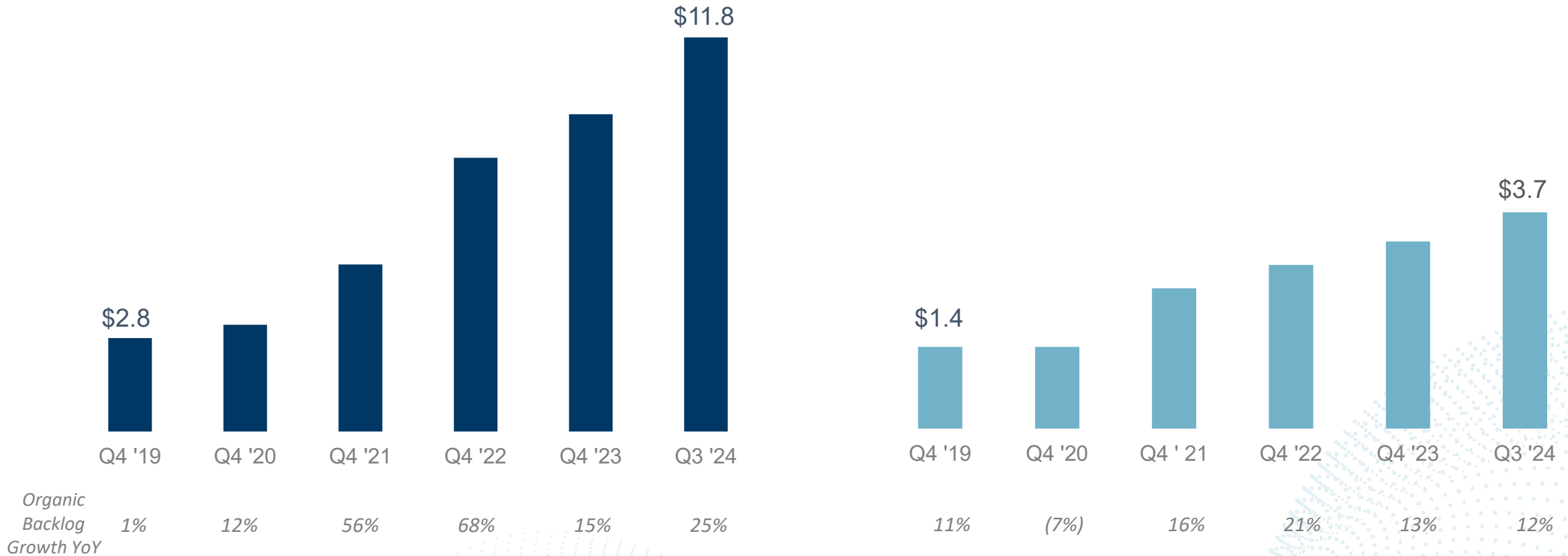
Sales Growth:

Organic	1%
Forex	1%
Total	2%

Electrical and Aerospace backlogs remain robust and growing

Electrical Sector Historical Backlog
(\$ blns)

Aerospace Segment Historical Backlog
(\$ blns)



2024 Organic Growth and Operating Margin Guidance

Segment	Organic Growth Guidance	Operating Margin Guidance
Electrical Americas	▲ 13 – 14%	▲ 29.4 – 29.8%
Electrical Global	2.5 – 4.5%	▼ 18.5 – 18.9%
Aerospace	▼ 8.5 – 10.5%	▼ 22.8 – 23.2%
Vehicle	▼ (3) – (5)%	▲ 17.8 – 18.2%
eMobility	▼ 5 – 7%	▼ (1) – 1%
Eaton	8 – 9%	▲ 23.5 – 23.9%

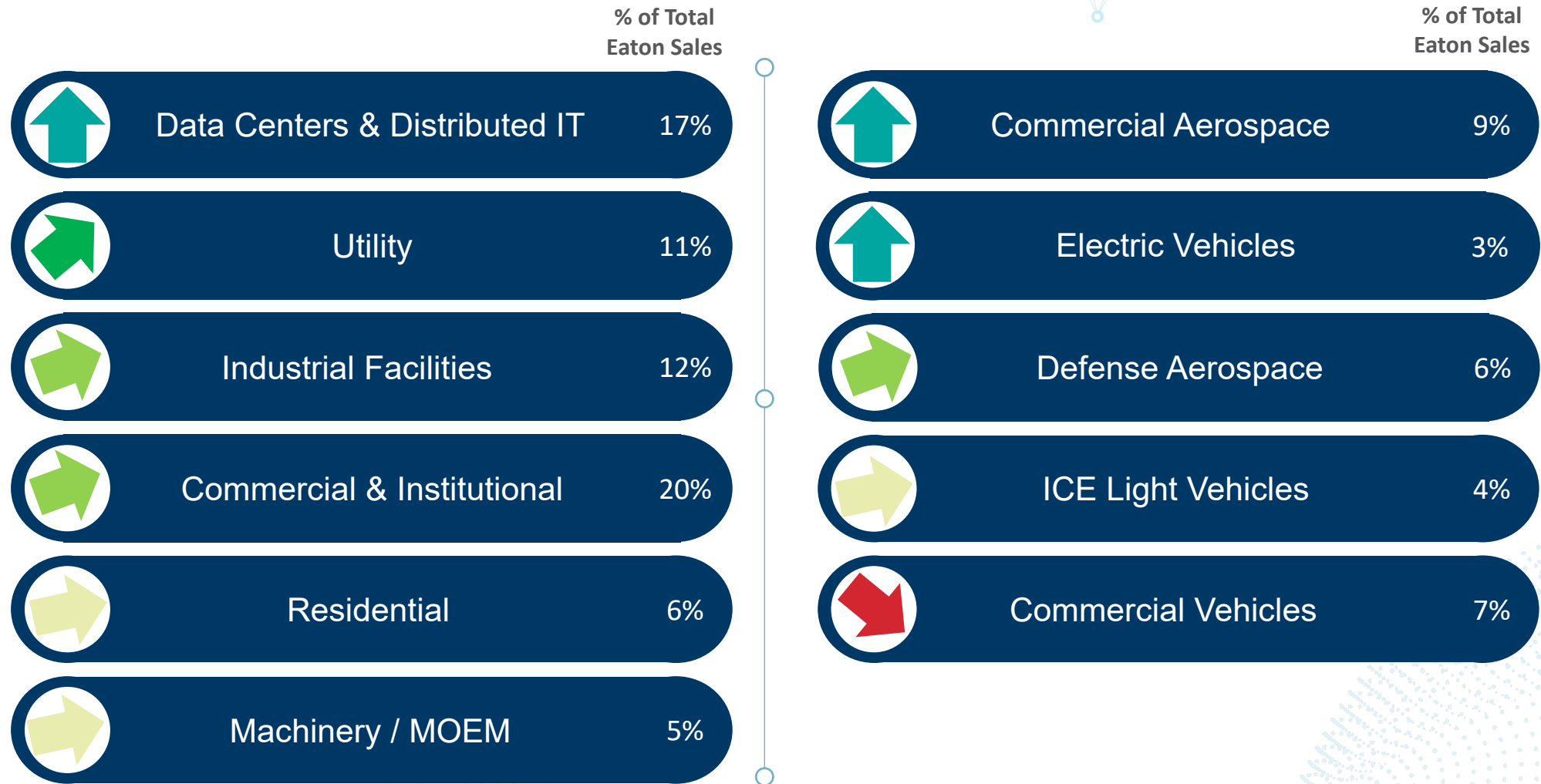
2024 Guidance

4th Quarter Outlook

2024 FY Outlook

Adjusted Earnings Per Share	\$2.78 – \$2.84	▲	\$10.75 – \$10.81
Organic Revenue	6.0 – 7.0%		8 – 9%
Segment Operating Margins	23.6 – 24.0%		23.5 – 23.9%
Operating Cash Flow	N/A		\$4.2B – \$4.4B
Free Cash Flow	N/A		\$3.4B – \$3.6B
Share Repurchases	N/A	▲	\$2.5B

Eaton's end market growth assumptions – 2025 Initial Assumptions



Initial Thoughts on 2025

Expect overall market growth of ~6 – 8%

Incremental contribution margin of ~30 – 35% on organic growth

Interest, Pension and Other Corporate expenses ~20c headwind and Tax Rate estimated at ~18%

Multi-year restructuring program ~\$50M costs and ~\$75M savings

Capital spending of \$900M to \$1.0B and share repurchases of ~\$1.5B - \$2.5B

Summary

Robust project activity tied to megatrends continues

- Reindustrialization, data centers markets and infrastructure spending were strong contributors

We delivered a strong third quarter of financial results

- Record sales, segment operating margin, adjusted earnings and adjusted EPS

Continued strength in orders and record backlog

- Underpins growth expectations for the balance of this year and continued benefits from secular growth

Raising 2024 guidance for segment margins and adjusted EPS

- Expect strong momentum from 2024 to carry forward in 2025

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Powering Business Worldwide

Appendix

2024 Guidance – Additional Modeling Assumptions

	4 th Quarter Outlook	2024 FY Outlook
Currency Translation	~\$20M	~\$0
Corporate Expenses	~\$5M more than 4Q23	\$720M
Tax Rate on Adjusted Earnings	17 – 18%	17 – 18%
Capex	N/A	\$800M

Eaton Corporation plc

Reconciliation of Non-GAAP Financial Information

All amounts are in millions except per share amounts, unless otherwise noted. Columns may not add due to rounding.

Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings and net income attributable to Eaton ordinary shareholders per share to adjusted earnings per ordinary share

	3Q 2023	2023	3Q 2024	Q4 2024 Guidance		2024 Guidance	
				Low	High	Low	High
Net income attributable to Eaton ordinary shareholders	\$ 891	\$ 3,218	\$ 1,009				
Acquisition and divestiture charges (income), after-tax	14	39	(4)				
Restructuring program charges, after-tax	5	46	43				
Intangible asset amortization expense, after-tax	84	353	84				
Adjusted earnings	\$ 994	\$ 3,657	\$ 1,132				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 2.22	\$ 8.02	\$ 2.53	\$ 2.42	\$ 2.48	\$ 9.47	\$ 9.53
Per share impact of acquisition and divestiture charges (income), after-tax	0.03	0.10	(0.01)	0.03	0.03	0.07	0.07
Per share impact of restructuring program charges, after-tax	0.01	0.11	0.11	0.11	0.11	0.37	0.37
Per share impact of intangible asset amortization expense, after-tax	0.21	0.89	0.21	0.22	0.22	0.84	0.84
Adjusted earnings per ordinary share	\$ 2.47	\$ 9.12	\$ 2.84	\$ 2.78	\$ 2.84	\$ 10.75	\$ 10.81

Acquisition and divestiture charges:

	3Q 2023	2023	3Q 2024
Acquisition integration, divestiture charges and transaction costs (income)	\$ 18	\$ 54	\$ (4)
Income tax benefit	4	15	-
Total charges (income) after income taxes	\$ 14	\$ 39	\$ (4)
Per ordinary share - diluted	\$ 0.03	\$ 0.10	\$ (0.01)

Restructuring program charges:

	3Q 2023	2023	3Q 2024
Restructuring program charges	\$ 7	\$ 57	\$ 54
Income tax benefit	1	11	11
Total charges after income taxes	\$ 5	\$ 46	\$ 43
Per ordinary share - diluted	\$ 0.01	\$ 0.11	\$ 0.11

Intangible asset amortization expense:

	3Q 2023	2023	3Q 2024
Intangible asset amortization expense	\$ 107	\$ 450	\$ 106
Income tax benefit	23	98	23
Total after income taxes	\$ 84	\$ 353	\$ 84
Per ordinary share - diluted	\$ 0.21	\$ 0.89	\$ 0.21

Reconciliation of operating cash flow to free cash flow

	3Q 2023	3Q 2024	2024 Guidance (\$ Billions)	
			Low	High
Operating cash flow	\$ 1,140	\$ 1,308	\$ 4.2	\$ 4.4
Capital expenditures for property, plant and equipment	(227)	(183)	(0.8)	(0.8)
Free cash flow	\$ 913	\$ 1,126	\$ 3.4	\$ 3.6