

First Quarter 2024 Earnings Release

Craig Arnold & Olivier Leonetti | April 30, 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 second quarter 2024 adjusted earnings per share, 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; end markets growth and long-term mega-project revenue. 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; geo-political 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 second 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

Adjusted earnings per share of \$2.40, up 28% versus 1Q23, a Q1 record.







Q1 record segment margins of 23.1%, up 340 bps versus 1Q23.

Order growth of 7% in Electrical and 2% in Aerospace on a rolling 12-month basis.

Electrical and Aerospace backlog up 27% and 11% in 1Q24 with book-to-bill ratio at 1.2 and 1.1, respectively.

Raising 2024 Eaton guidance for organic growth, segment margins and adjusted EPS.

Key drivers of Eaton's long term growth outlook

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

Megaprojects momentum continues, surpassing \$1 trillion

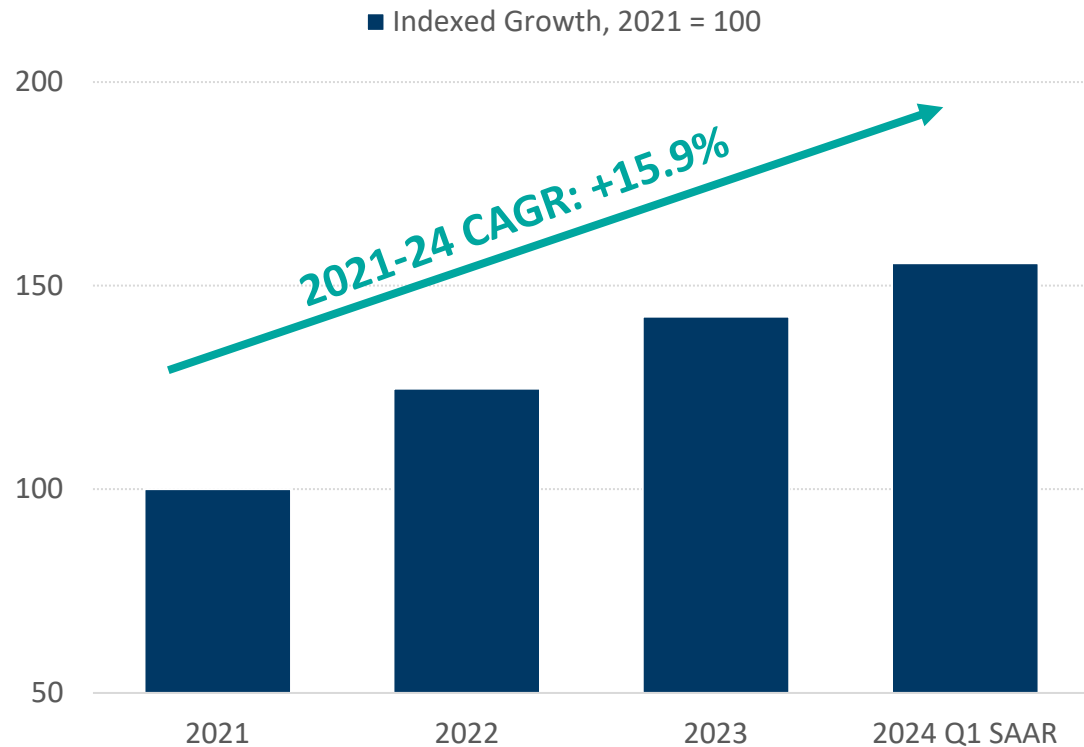
\$1.2T

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

- 42 Megaproject announcements in Q1'2024 totaling \$130B+
- 54% of projects are related to federal government incentives (IRA, IIJA, CHIPS)
- Only 16% of these projects have started construction – multi-year runway
- Megaprojects represented 15% of total nonresidential construction starts in 2023
- Win rate of approximately 40%

Nonresidential construction starts less than \$1B also reaching new heights

Dodge Nonresidential Project Starts <\$1B



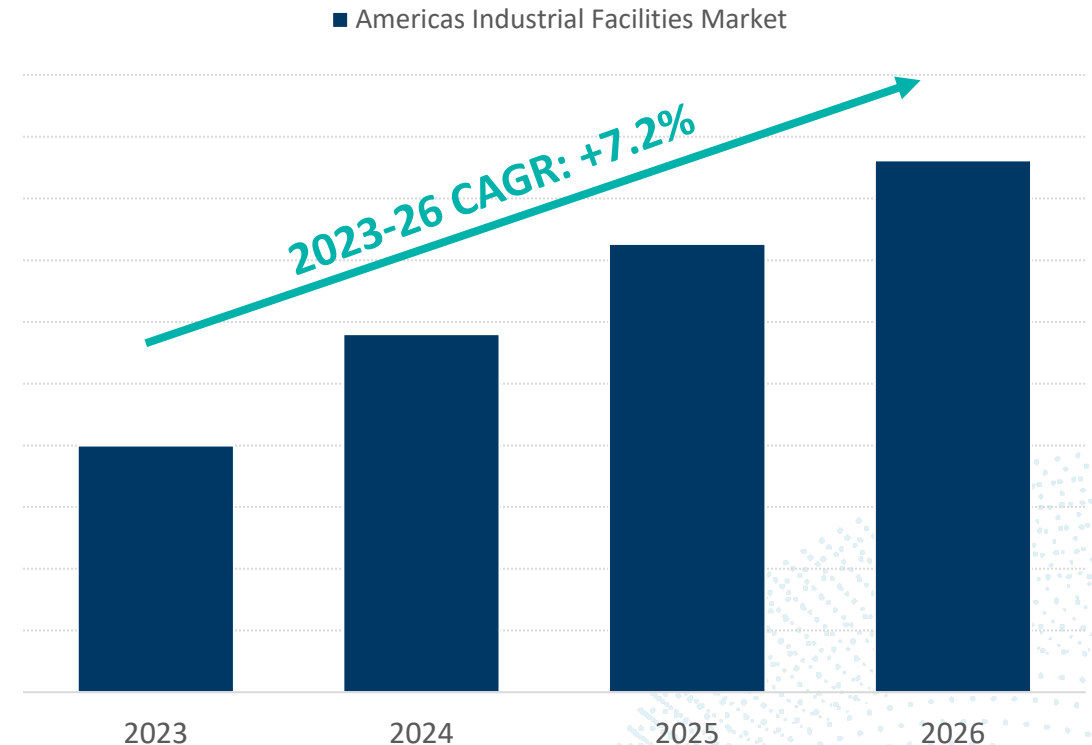
- Nonresidential project starts <\$1B projected to exceed >\$500B in 2024, up ~56% since 2021
- Nonresidential project starts up 10% YTD
- Since 2021, megatrends have contributed to strong end market growth in:
 - Power & Renewables
 - Water & Wastewater
 - Manufacturing
 - Data Centers
- Win rate of approximately 35%

Industrial markets supported by reindustrialization, sustainability and productivity

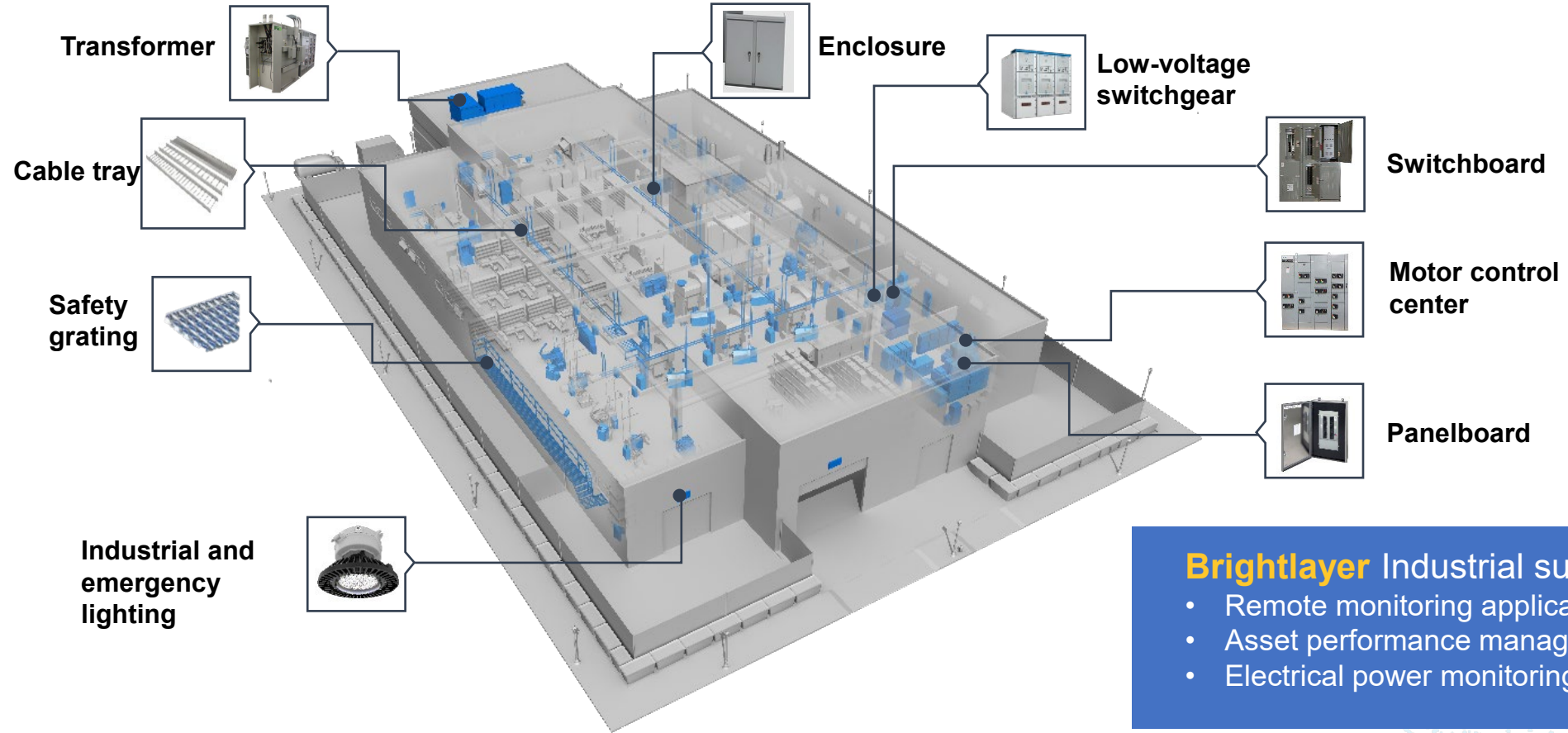
Key Drivers:

- **Reindustrialization** supported by government stimulus programs (IRA, IIJA, CHIPS) are driving increased North American **mega-project activity**
- Focus on **sustainability** driving to net zero operations by 2030 – 2050
- Improve **productivity** through the use of digital technologies

Industrial Facilities End Market – Indexed Growth



Eaton offers the broadest portfolio of industrial solutions



Brightlayer Industrial suite software

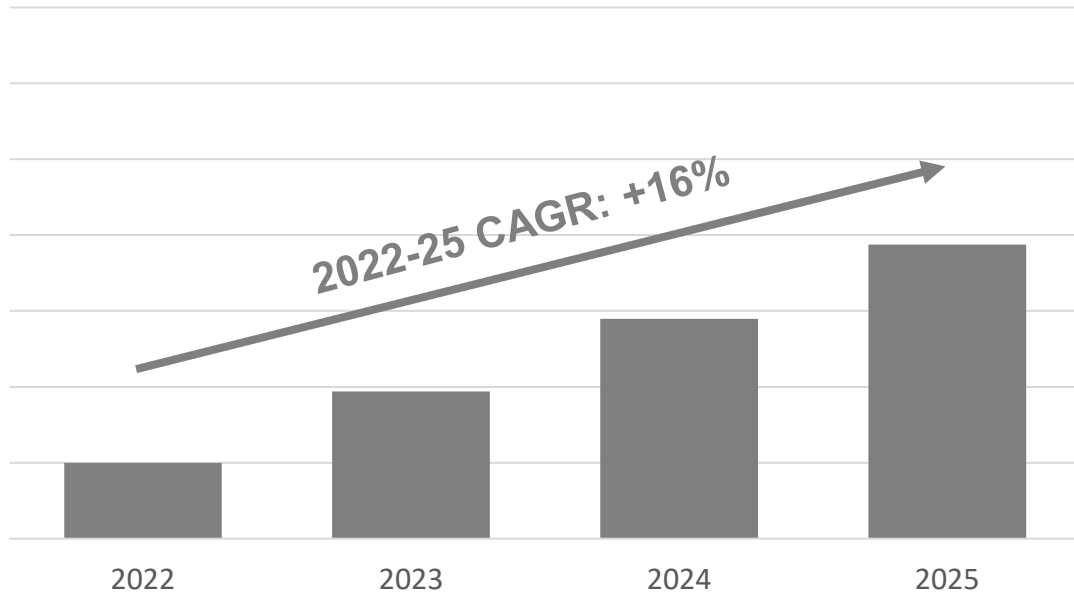
- Remote monitoring application
- Asset performance management
- Electrical power monitoring system

Data Center end market continuing to gain steam, resetting expectations

Prior View (3Q'23 Earnings)

Data Centers End Market – Indexed Growth

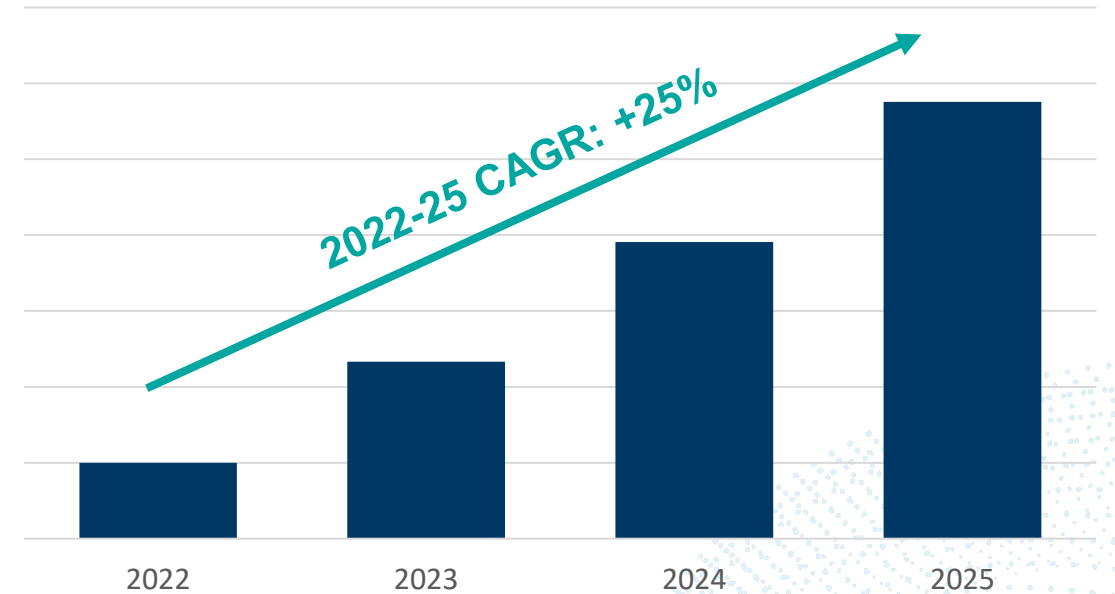
■ Global Product Addressable Market



Current View

Data Centers End Market – Indexed Growth

■ Global Product Addressable Market



Financial Summary

(M)	1Q '24	1Q '23	V '23
Sales	\$5,943	\$5,483	↑ 8%
Segment Operating Profit	1,371	1,082	↑ 27%
Segment Operating Margin	23.1%	19.7%	↑ 340 bps
Adjusted Earnings	966	753	↑ 28%
Adjusted EPS	\$2.40	\$1.88	↑ 28%

\$5,943M	Q1 Quarterly Record Sales
\$1,371M	Q1 Quarterly Record Segment operating profit
23.1%	Q1 Quarterly Record Segment operating margin

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

Electrical Americas Segment

(M)	1Q '24	1Q '23	V '23
Sales	\$2,690	\$2,294	↑ 17%
Operating Profit	785	525	↑ 50%
Operating Margin	29.2%	22.9%	↑ 630 bps

- All-time record sales, operating profit and margin.
- Orders up 8% on a rolling 12-month basis.
- Backlog up 31% year-over-year.
- Book-to-bill ratio of 1.2 on rolling 12-month basis.

Sales Growth:

Organic	17%
Forex	--
Total	17%

Electrical Global Segment

(M)	1Q '24	1Q '23	V '23
Sales	\$1,500	\$1,500	--
Operating Profit	274	274	--
Operating Margin	18.3%	18.3%	--

- Orders **up 4%** on a rolling 12-month basis.
- Backlog up **12%** year-over-year.
- Book-to-bill ratio of **1.1** on a rolling 12-month basis.

Sales Growth:

Organic	1%
Forex	(1%)
Total	0%

Aerospace Segment

(M)	1Q '24	1Q '23	V '23
Sales	\$871	\$803	↑ 9%
Operating Profit	201	180	↑ 12%
Operating Margin	23.1%	22.5%	↑ 60 bps

- Q1 record sales, operating profit and margin.
- Orders up 2% on a rolling 12-month basis.
- Backlog up 11% year-over-year.
- Book-to-bill ratio of 1.1 on a rolling 12-month basis.

Sales Growth:	
Organic	9%
Forex	--
Total	9%

Vehicle Segment

(M)	1Q '24	1Q '23	V '23
Sales	\$724	\$739	▼ (2)%
Operating Profit	116	107	▲ 8%
Operating Margin	16.0%	14.5%	▲ 150 bps





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

Sales Growth:

Organic	(3)%
Forex	1%
Total	(2)%

eMobility Segment

(M)	1Q '24	1Q '23	V '23
Sales	\$158	\$147	 7%
Operating Profit	(4)	(4)	--
Operating Margin	(2.7)%	(2.7)%	--

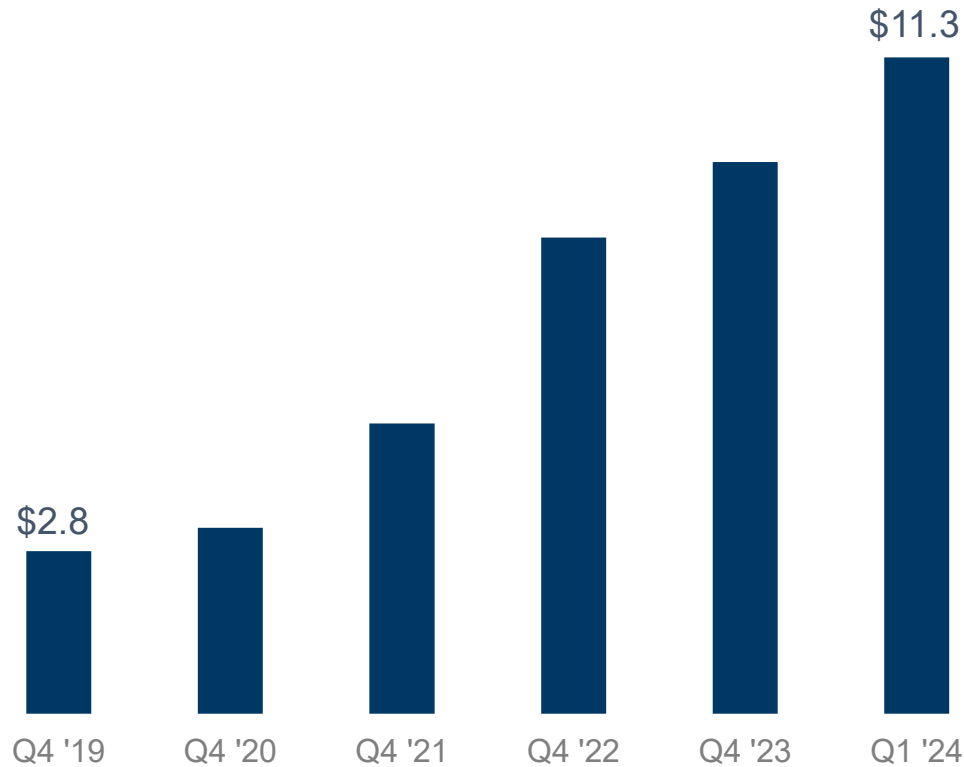
 New program launches & ramp-ups through remainder of 2024 driving **significant outgrowth** versus the market.

Sales Growth:

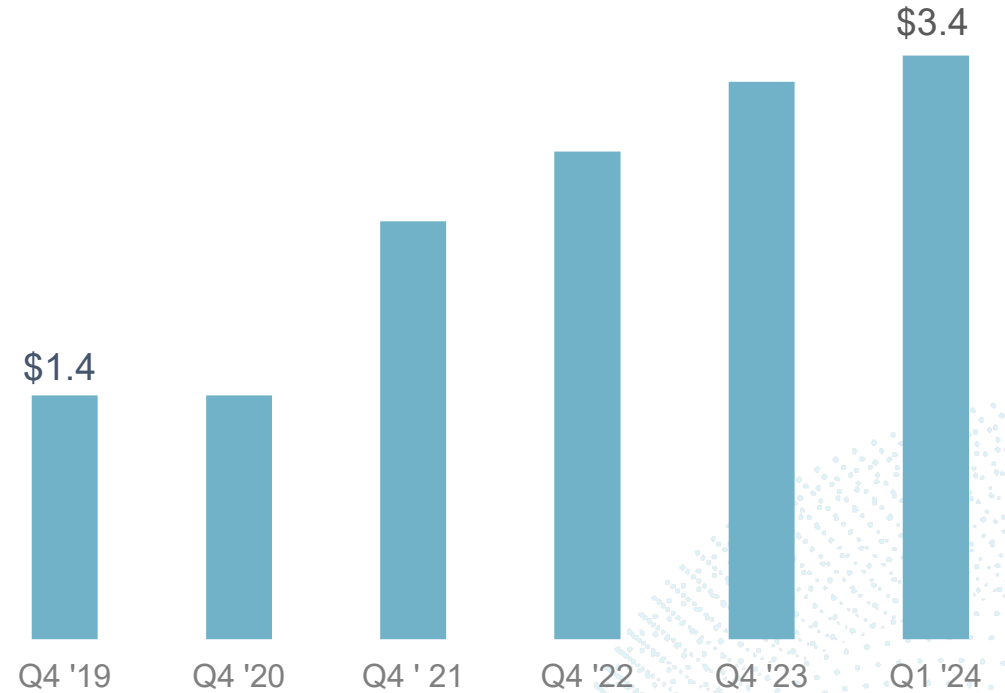
Organic	7%
Forex	--
Total	7%

Electrical and Aerospace backlogs remain robust and growing

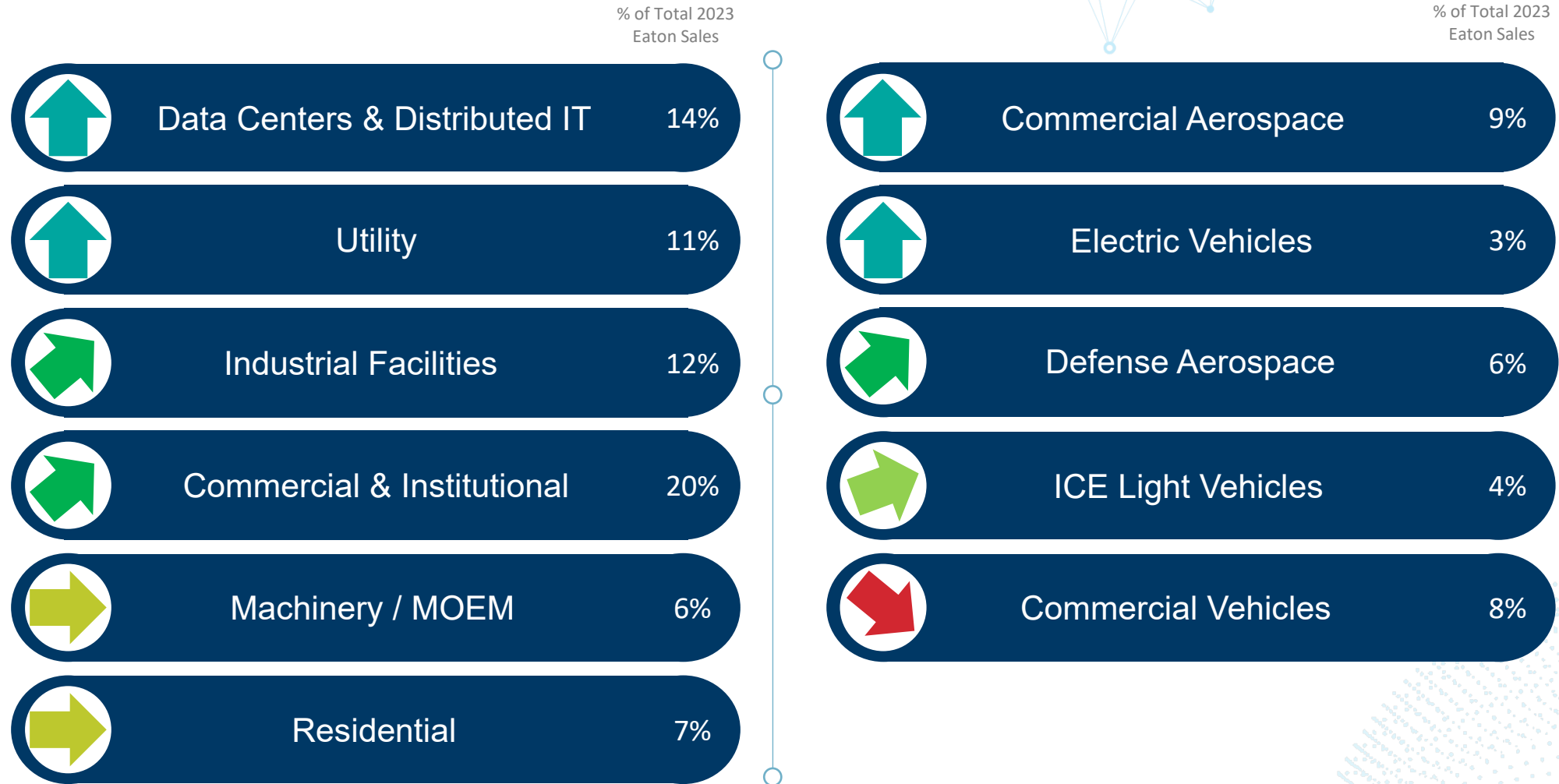
Electrical Sector Historical Backlog
(\$ blns)



Aerospace Segment Historical Backlog
(\$ blns)



Eaton's 2024 end market growth assumptions



Declining Flat Modest Growth Solid Growth Strong/Double Digit Growth

2024 Organic Growth and Operating Margin Guidance

Segment	Organic Growth Guidance	Operating Margin Guidance
Electrical Americas	▲ 10 – 12%	▲ 27.8 – 28.2%
Electrical Global	2.5 – 4.5%	19.4 – 19.8%
Aerospace	9 – 11%	23.3 – 23.7%
Vehicle	(4) – 0%	16.3 – 16.7%
eMobility	25 – 35%	1 – 2%
Eaton	▲ 7 – 9%	▲ 22.8 – 23.2%

2024 Guidance

2nd Quarter Outlook

2024 FY Outlook

Updated Guidance

Adjusted Earnings Per Share	\$2.52 – \$2.62	▲	\$10.20 – \$10.60
Organic Revenue	6.5 – 8.5%	▲	7 – 9%
Segment Operating Margins	22.4 – 22.8%	▲	22.8 – 23.2%
Operating Cash Flow	N/A		\$4.0B – \$4.4B
Free Cash Flow	N/A		\$3.2B – \$3.6B
Share Repurchases	N/A		\$1.5B to \$2.5B

Summary

Robust project activity tied to megatrends continued in Q1

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

We delivered a strong first quarter of financial results on both revenue and profit

- Outstanding execution across our businesses and functions

It was a record quarter for orders, resulting in a significant increase in our backlog

- Confidence in our multi-year growth outlook continues to improve

Raising 2024 guidance for organic revenue growth, margin improvement and adjusted EPS growth

- Expect to deliver another exceptional year

EATON

Powering Business Worldwide

Appendix

2024 Guidance – Additional Modeling Assumptions

	2 nd Quarter Outlook	2024 FY Outlook
Currency Translation	~\$0	~\$0
Corporate Expenses	~flat with 2Q23	\$700M
Tax Rate on Adjusted Earnings	16.5 – 17.5%	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

	1Q 2023	2023	1Q 2024	Q2 2024 Guidance		2024 Guidance	
				Low	High	Low	High
Net income attributable to Eaton ordinary shareholders	\$ 638	\$ 3,218	\$ 821				
Acquisition and divestiture charges, after-tax	11	39	13				
Restructuring program charges, after-tax	8	46	49				
Intangible asset amortization expense, after-tax	97	353	84				
Adjusted earnings	\$ 753	\$ 3,657	\$ 966				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 1.59	\$ 8.02	\$ 2.04	\$ 2.19	\$ 2.29	\$ 8.95	\$ 9.35
Per share impact of acquisition and divestiture charges, after-tax	0.03	0.10	0.03	0.02	0.02	0.09	0.09
Per share impact of restructuring program charges, after-tax	0.02	0.11	0.12	0.10	0.10	0.33	0.33
Per share impact of intangible asset amortization expense, after-tax	0.24	0.89	0.21	0.21	0.21	0.83	0.83
Adjusted earnings per ordinary share	\$ 1.88	\$ 9.12	\$ 2.40	\$ 2.52	\$ 2.62	\$ 10.20	\$ 10.60

Acquisition and divestiture charges:

	1Q 2023	2023	1Q 2024
Acquisition integration, divestiture charges and transaction costs	\$ 13	\$ 54	\$ 17
Income tax benefit	3	15	4
Total charges after income taxes	\$ 11	\$ 39	\$ 13
Per ordinary share - diluted	\$ 0.03	\$ 0.10	\$ 0.03

Restructuring program charges:

	1Q 2023	2023	1Q 2024
Restructuring program charges	\$ 10	\$ 57	\$ 63
Income tax benefit	2	11	14
Total charges after income taxes	\$ 8	\$ 46	\$ 49
Per ordinary share - diluted	\$ 0.02	\$ 0.11	\$ 0.12

Intangible asset amortization expense:

	1Q 2023	2023	1Q 2024
Intangible asset amortization expense	\$ 124	\$ 450	\$ 106
Income tax benefit	27	98	23
Total after income taxes	\$ 97	\$ 353	\$ 84
Per ordinary share - diluted	\$ 0.24	\$ 0.89	\$ 0.21

Reconciliation of operating cash flow to free cash flow

	1Q 2023	1Q 2024	2024 Guidance (\$ Billions)	
			Low	High
Operating cash flow	\$ 335	\$ 475	\$ 4.0	\$ 4.4
Capital expenditures for property, plant and equipment	(126)	(183)	(0.8)	(0.8)
Free cash flow	\$ 209	\$ 292	\$ 3.2	\$ 3.6