



Fourth Quarter 2018 Earnings Release

January 31, 2019

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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, performance of our worldwide end markets, full year 2019 earnings per share, expected organic revenue, tax rate and segment operating profit; segment margins, capital expenditures, cash flow, tax rate, corporate expenses, projected revenue growth and foreign currency exchange impact. 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: 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 integrating acquisitions; 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.

Highlights of Q4 Results

- \$1.46 earnings per share, up 13%* and above midpoint of guidance
- Sales of \$5.5B
 - Organic revenues up 7%, ahead of 6% guidance, partially offset by negative (2)% currency translation
 - Bookings growth generally strong
- Segment margins of 17.4%, 100 basis points above Q4 2017
 - All-time record margins in Electrical Systems & Services and Aerospace
- Operating cash flow of \$1.1B, up 27% from \$879M in 4Q17, excluding \$300M of arbitration payment related to legacy Cooper business
- Share repurchases of \$700M shares in Q4, 2.3% of shares outstanding at start of quarter

* Excludes \$62M income from U.S. tax reform in Q4 2017

Financial Summary

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$5,459	\$5,213	↑ 5%
Segment Operating Profit	\$950	\$857	↑ 11%
Segment Operating Margin	17.4%	16.4%	↑ 100 bps
Net Income	\$631	\$634	---
Net Income excluding 2017 income related to U.S. tax bill*	\$631	\$572	↑ 10%

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

Earnings per share	\$1.46
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* Excludes \$62M income from U.S. tax reform in Q4 2017

Electrical Products Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$1,797	\$1,750	↑ 3%
Segment Operating Profit	\$327	\$318	↑ 3%
Operating Margin	18.2%	18.2%	---

Sales Growth:	Organic	5%
	Forex	(2)%
	Total	3%

- Orders up 3% driven by solid growth in both industrial and residential markets in the Americas
- Backlog up 15%

Electrical Systems & Services Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$1,611	\$1,498	↑ 8%
Segment Operating Profit	\$268	\$225	↑ 19%
Operating Margin	16.6%	15.0%	↑ 160 bps

Sales Growth:	Organic	10%
	Forex	(1)%
	Divestiture	(1)%
	Total	8%

- Orders up 12% led by strong growth in all major end markets in the Americas and EMEA
- Backlog up 13%
- Record segment margins of 16.6%

Hydraulics Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$653	\$614	↑ 6%
Segment Operating Profit	\$85	\$74	↑ 15%
Operating Margin	13.0%	12.1%	↑ 90 bps

Sales Growth:	Organic	8%
	Forex	(2)%
	Total	6%

- Orders down (4)% with strength in APAC offset by weakness in EMEA
 - Americas 0%
 - APAC +10%
 - EMEA down (24)%
- Order weakness in Q4 driven by declines in EMEA, similar to Q2 and Q3
- Backlog up 6%

Aerospace Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$497	\$441	↑ 13%
Segment Operating Profit	\$114	\$88	↑ 30%
Operating Margin	22.9%	20.0%	↑ 290 bps

Sales Growth:	Organic	13%
	Forex	0%
	Total	13%

- Orders up 17%, with particular strength in commercial transports, military fighters, and both commercial and military aftermarket
- Backlog up 13%
- Record segment margins of 22.9%

Vehicle Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$821	\$837	↓ 2%
Segment Operating Profit	\$147	\$142	↑ 4%
Operating Margin	17.9%	17.0%	↑ 90 bps

Sales Growth:	Organic	0%
	Forex	(2)%
	Total	(2)%

- NAFTA Class 8 truck production 83K in Q4 and 324K for FY 2018
- Global light vehicle markets modestly down in Q4
- Eaton Cummins JV revenue up 45% in the quarter

eMobility Segment

(M)	<u>4Q '18</u>	<u>4Q '17</u>	<u>V '17</u>
Sales	\$80	\$73	↑ 10%
Segment Operating Profit	\$9	\$10	↓ 10%
Operating Margin	11.3%	13.7%	↓ 240 bps

Sales Growth:	Organic	11%
	Forex	(1)%
	Total	10%

- Ahead of most 2018 year-end objectives
- Good progress in new product development

Highlights of Full Year 2018 Results

- Market growth accelerated with organic revenues up 6% over 2017
- Segment margins of 16.8% increased 100bps over 2017
- Net income per share of \$5.39, excluding \$0.48 impact of arbitration decision related to legacy Cooper business, up 16% above 2017*
- In 2018, fully offset the impact of tariff and commodity inflation with price increases
- Operating cash flow of \$3.0B, excluding \$300M impact from arbitration payment
- Returned \$2.45B to shareholders in 2018
 - \$1.15B in dividends
 - Repurchased \$1.3B (17.5M shares), 4% of shares outstanding at beginning of 2018

* Excluding \$1.89 gain from formation of Eaton Cummins JV and \$0.14 income from U.S. tax reform

2019 Organic Growth Expected to be 4-5%

Segment	2019 organic revenue growth	Key market drivers
Electrical Products	4 - 5%	<ul style="list-style-type: none"> ++ Industrial markets and large commercial projects up mid-single digits + Lighting up low-to-mid single digits + Single-phase power quality to grow low-single digits + Small commercial projects to grow low-single digits
Electrical Systems and Services	5 - 6%	<ul style="list-style-type: none"> ++ Power distribution assemblies in the Americas show strong growth ++ Data center markets to grow high-single digits + Harsh and hazardous markets grow mid-single digits + Utilities markets up low-single digits
Hydraulics	5 - 6%	<ul style="list-style-type: none"> + Mobile equipment markets showing continued strength in Asia and North America + Industrial equipment markets in North America remain strong
Aerospace	8 - 9%	<ul style="list-style-type: none"> ++ Commercial OEM and aftermarket markets showing solid growth ++ Continued strength in military OEM and aftermarket
Vehicle	(2) - (1)%	<ul style="list-style-type: none"> ++ Growth in Brazil truck markets ● NAFTA Class 8 truck market flat with 2018 at high levels ● Global light vehicle market flat
eMobility	11 - 12%	<ul style="list-style-type: none"> + Continued progress on over 30 growth opportunities
Eaton	4 - 5%	

2019 Segment Operating Margin Guidance

	2018	2019
Electrical Products	18.4%	18.6% - 19.2%
Electrical S & S	14.9%	15.2% - 15.8%
Hydraulics	13.4%	14.0% - 14.6%
Aerospace	21.0%	21.4% - 22.0%
Vehicle	17.5%	17.4% - 18.0%
eMobility	13.8%	6.1% - 6.7%
Total	16.8%	17.0% – 17.4%

2019 Guidance

2019 Full Year Outlook	
Earnings Per Share	\$5.70 - \$6.00, 9% growth at midpoint*
Organic Revenue Growth	4 - 5%
Currency Translation	\$(250)M
Segment Operating Margins	17.0% - 17.4%
Corporate Expenses (interest, pension, other corporate)	Flat with 2018 levels
Tax Rate	14.0% - 16.0%
Operating Cash Flow	\$3.1B - \$3.3B
Free Cash Flow	\$2.5B - \$2.7B
Capex	\$600M
Share Repurchases	\$400M
1 st Quarter Outlook	
Earnings Per Share	\$1.18 - \$1.28, 12% growth at midpoint
Organic Revenue Growth	~4%
Segment Operating Margins	15.5% - 15.9%
Tax Rate	13% - 14%

* Excludes \$0.48 impact from 2018 arbitration decision



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