

Power Solutions Strategic Review

November 13, 2018



Forward Looking/Cautious Statements & Non-GAAP Financial Information

Johnson Controls International plc Cautionary Statement Regarding Forward-Looking Statements

Johnson Controls International plc has made statements in this communication that are forward-looking and therefore are subject to risks and uncertainties. All statements in this document other than statements of historical fact are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In this communication, statements regarding Johnson Controls’ future financial position, sales, costs, earnings, cash flows, other measures of results of operations, synergies and integration opportunities, capital expenditures and debt levels are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Johnson Controls cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Johnson Controls’ control, that could cause Johnson Controls’ actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions such as the merger with Tyco and the spin-off of Adient, changes in tax laws (including, but not limited to the recently enacted Tax Cuts and Jobs Act), regulations, rates, policies or interpretations, the loss of key senior management, the tax treatment of recent portfolio transactions, significant transaction costs and/or unknown liabilities associated with such transactions, the outcome of actual or potential litigation relating to such transactions, the risk that disruptions from recent transactions will harm Johnson Controls’ business, the strength of the U.S. or other economies, changes to laws or policies governing foreign trade, including increased tariffs or trade restrictions, automotive vehicle production levels, mix and schedules, energy and commodity prices, the availability of raw materials and component products, currency exchange rates, cancellation of or changes to commercial arrangements, and with respect to the disposition of the Power Solutions business, the expected financial impact and timing of the Power Solutions disposition, whether and when the required regulatory approvals for the Power Solutions disposition will be obtained, the possibility that closing conditions for the Power Solutions disposition may not be satisfied or waived, and whether the strategic benefits of the Power Solutions transaction can be achieved. A detailed discussion of risks related to Johnson Controls’ business is included in the section entitled “Risk Factors” in Johnson Controls’ Annual Report on Form 10-K for the 2017 fiscal year filed with the SEC on November 21, 2017, and its Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2017, March 31, 2018 and June 30, 2018 filed with the SEC on February 2, 2018, May 3, 2018 and August 2, 2018, respectively, which are and available at www.sec.gov and www.johnsoncontrols.com under the “Investors” tab. Shareholders, potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this communication are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this communication.

Non-GAAP Financial Information

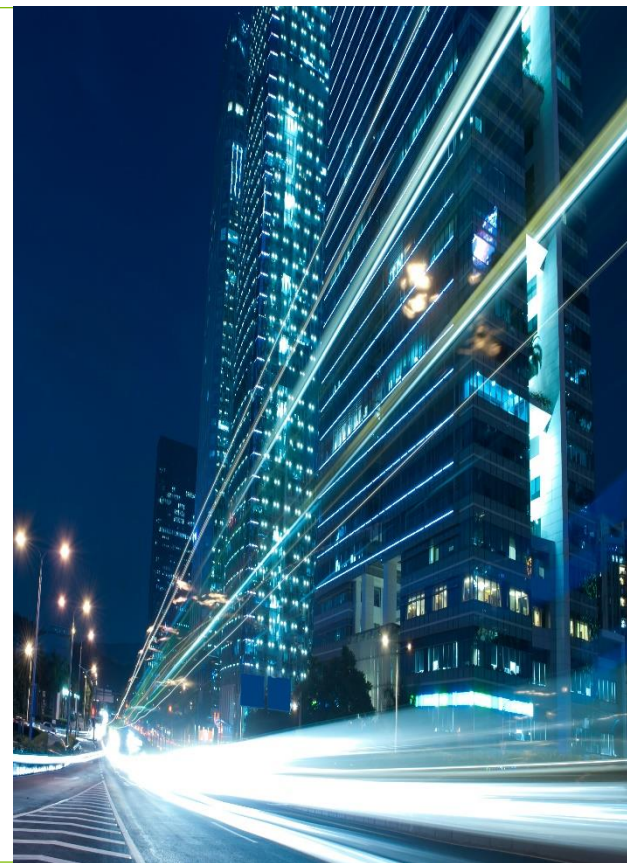
The Company’s press release contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include mark-to-market for pension and postretirement plans, transaction/integration/separation costs, restructuring and impairment costs, nonrecurring purchase accounting impacts related to the Tyco merger, restructuring costs and discontinued operations losses in equity income, unfavorable arbitration award, Scott Safety gain on sale and discrete tax items. Financial information regarding adjusted sales, organic sales, adjusted segment EBITA, adjusted segment EBITA margin, adjusted free cash flow and adjusted free cash flow conversion are also presented, which are non-GAAP performance measures. Adjusted segment EBITA excludes special items such as transaction/integration/separation costs and nonrecurring purchase accounting impacts because these costs are not considered to be directly related to the underlying operating performance of its business units. Management believes that, when considered together with unadjusted amounts, these non-GAAP measures are useful to investors in understanding period-over-period operating results and business trends of the Company. Management may also use these metrics as guides in forecasting, budgeting and long-term planning processes and for compensation purposes. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure.

Strategic Review Of Power Solutions

- Two leading platforms within the portfolio (Buildings & Power Solutions)
 - Each business is a leader within its industry
 - Different strategic and financial profiles as well as changing industry dynamics
- Evaluated strategic alternatives for the portfolio
 - Thorough review of the Power Solutions business through the lens of maximizing shareholder value
 - All alternatives were evaluated against retaining the business as part of our portfolio
- Strategic priority to strengthen and invest in our global market-leading positions in HVAC, Fire & Security and Building Management Systems

Agreement To Sell Power Solutions Business

- Attractive valuation of \$13.2B, net proceeds of \$11.4B
- Proceeds to execute shareholder-centric capital allocation strategy
 - ~\$3.0 to \$3.5B debt pay down; remain investment grade
 - ~\$7.9 to \$8.4B available to return to shareholders
- Pure-play building technologies and solutions provider
 - Focused portfolio to capitalize on secular growth trends
 - Higher FCF conversion, lower capital intensity and continued margin expansion
- Well positioned to benefit from strategic opportunities in the HVAC industry



**Positions Businesses For Long-Term Success
And Maximizes Shareholder Value**

Power Solutions Transaction Details

Transaction Terms

- \$13.2B transaction value
- 7.9X trailing 12-month EBITDA

Financial Impact

- FY18 sales ~\$8.0B
- FY18 EBITDA ~\$1.68B
- Estimated tax (\$1.1B)
- Net cash proceeds of \$11.4B
- Reduce corporate costs ~\$50M

Reporting

- Power Solutions will be reported as discontinued operations beginning Q1 FY19
- Recasted results included in Appendix

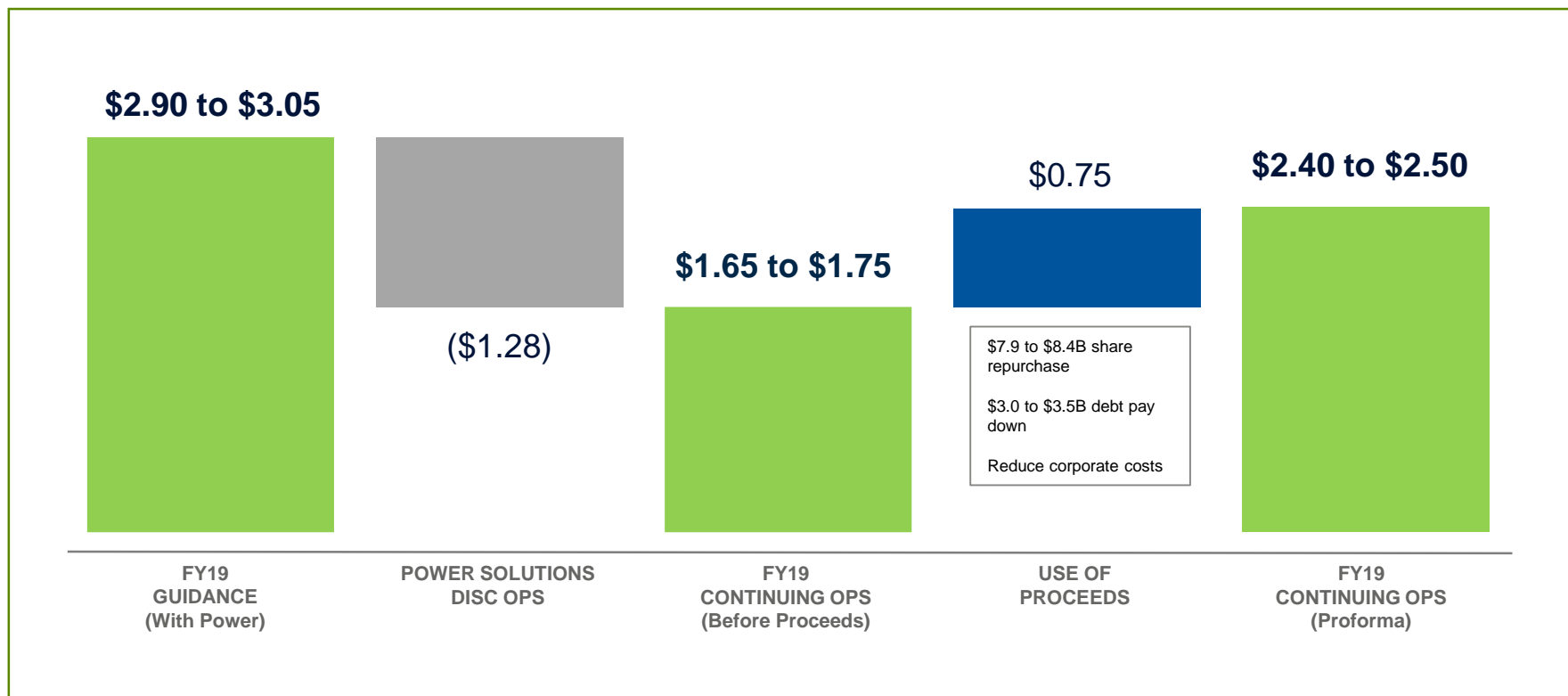


Expected To Close By June 30, 2019



Illustrative Proforma FY19 EPS As If Transaction Occurred 10/1/18

FY19 PROFORMA WALK



* Non-GAAP excludes special items.

** Proforma EPS from Continuing Operations assumes proceeds from Power Solutions fully deployed 10/1/2018 (For purposes of illustration only)

Buildings Overview

Business Profile*

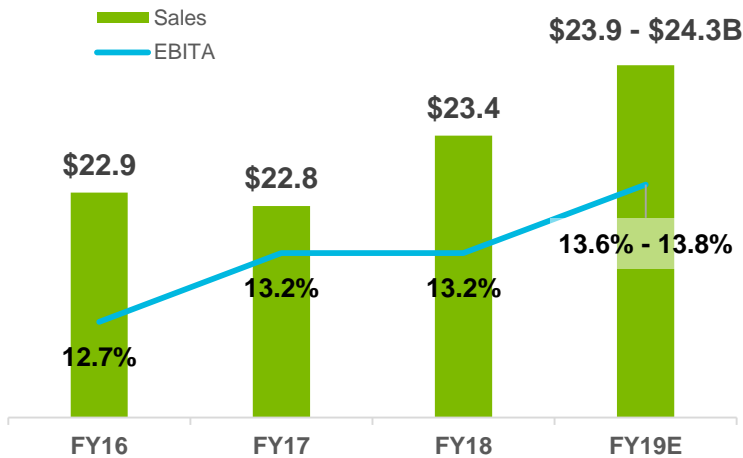
\$23.4B

FY18 Sales

13.2%

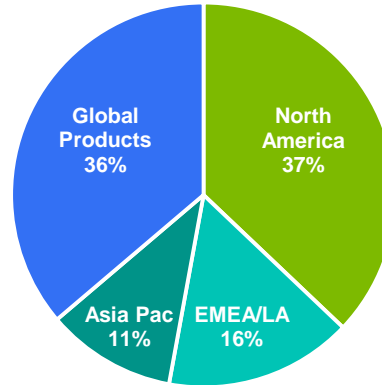
FY18 Segment EBITA

- More focused, streamlined portfolio
- Leadership positions in products and channel
- Advantaged position in “Connected Buildings”
- Improved financial flexibility and free cash flow conversion

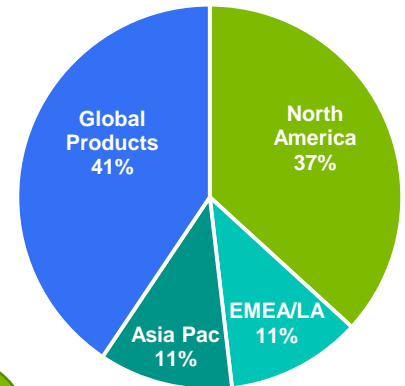


* Non-GAAP excludes special items.

Sales

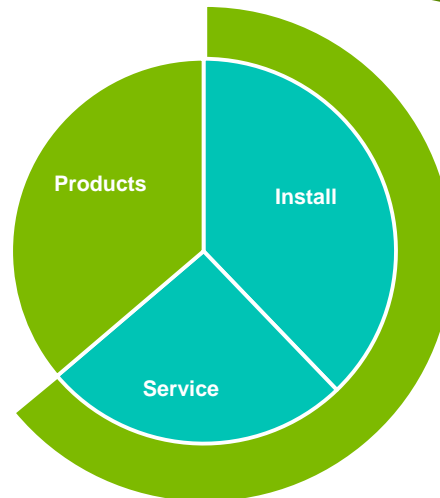


Segment EBITA

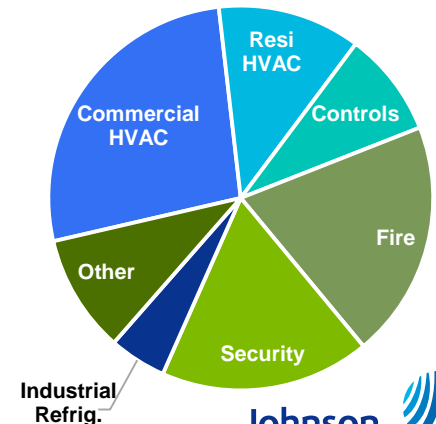


FY18 Sales

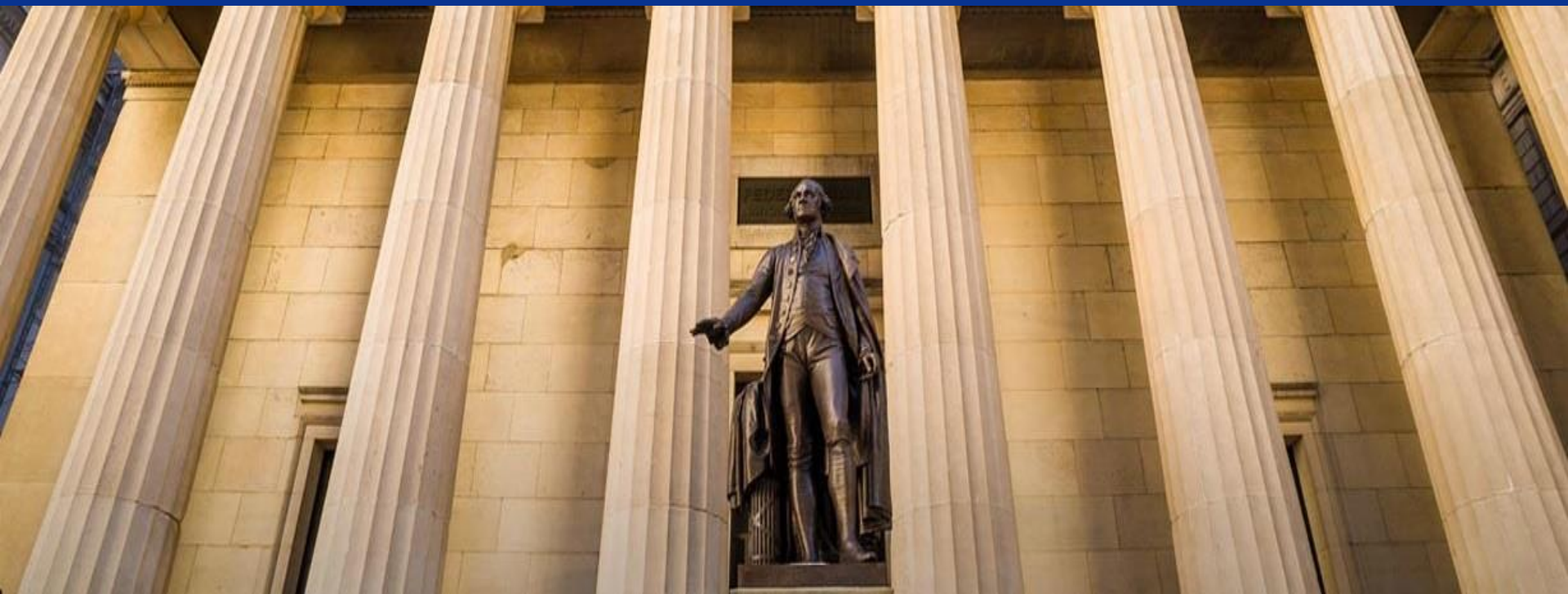
Product Mix






End Markets



Appendix: Supplemental Information



Strong Product Portfolio with Unmatched Direct Sales Footprint

	 HVAC Equipment	 Building Management Systems			 Fire Suppression	
		Controls	Security	Fire Detection		
Global Products	<ul style="list-style-type: none"> Chillers – water-cooler, air-cooled, mini-chillers, absorption Ductless DX (VRF, PAC, RAC) DX-Ducted (rooftops, split systems) Air systems Industrial refrigeration 	<ul style="list-style-type: none"> HVAC controls Refrigeration controls Valves and actuators Thermostats & sensors Specialty products 	<ul style="list-style-type: none"> Intrusion - sensors and detectors, keypads, panels, communicators Access control - cards and readers, panels, software Video surveillance - cameras, recorders, video management systems 	<ul style="list-style-type: none"> Sensors, call-points Control panels Speakers, strobes, sounders 	<ul style="list-style-type: none"> Water (sprinklers, valves) Engineered systems Vehicle systems Restaurant systems Portables Foam 	
	\$6.2B	\$1.2B			\$1.1B	
Regions	North America					\$8.7B
	Asia Pacific					\$2.6B
	Europe, Middle East, Africa & Latin America					\$3.7B

Region field businesses include equipment sales and service, controls, security and fire contracting and service, retail and subscriber businesses

May not sum due to rounding.

Leadership Positions Across Our Businesses



HVAC Equipment



- **Technology leader with global scale** in compressor bearing equipment
- **Regional leader** in airside equipment
- **Comprehensive portfolio** across complex, mid-market and residential



Building Management System



- **Leading portfolio** across key building domains – controls, security and fire detection
- Industry leading **building automation system** – *Metasys*, basis for cross-domain integration, cybersecurity, workflow simplification, user-experience
- **Combined, connected platform offerings and analytics** to enable smart, connected buildings



Fire Suppression



- **Most complete** fire suppression solutions across diverse end-markets – commercial buildings, oil & gas, restaurants, vehicles, portables
- **Innovation-led portfolio** across end-applications
- **Strong brands**



Field Sales, Installation & Service

- **Extensive branch network across the globe** to sell equipment and monetize the lifecycle opportunities for service, retrofit and replacement
- **Strong project development increasing installed base** through domain expertise
- Expanding **high margin service business**

Recasted Financial Information*

	Q1FY18	Organic	Q2FY18	Organic	Q3FY18	Organic	Q4FY18	Organic	FY18	Organic	FY17	
BT&S - North America	2,012	3.1%	2,097	0.6%	2,246	4.8%	2,324	7.7%	8,679	4.1%	8,316	
BT&S - EMEA/LA	915	4.0%	907	-3.3%	926	0.4%	948	5.7%	3,696	1.8%	3,579	
BT&S - APAC	597	2.5%	586	-1.6%	681	4.5%	689	4.1%	2,553	2.5%	2,445	
Global Products	1,781	5.8%	2,040	6.2%	2,429	7.3%	2,222	9.5%	8,472	7.3%	8,461	
Sales	5,305	4.1%	5,630	1.7%	6,282	5.1%	6,183	7.6%	23,400	4.7%	22,801	
		Margin		Margin		Margin		Margin		Margin		Margin
BT&S - North America	236	11.7%	244	11.6%	318	14.2%	336	14.5%	1,134	13.1%	1,070	12.9%
BT&S - EMEA/LA	71	7.8%	78	8.6%	98	10.6%	103	10.9%	350	9.5%	328	9.2%
BT&S - APAC	74	12.4%	71	12.1%	97	14.2%	105	15.2%	347	13.6%	332	13.6%
Global Products	178	10.0%	237	11.6%	441	18.2%	395	17.8%	1,251	14.8%	1,288	15.2%
Segment EBITA	559	10.5%	630	11.2%	954	15.2%	939	15.2%	3,082	13.2%	3,018	13.2%
Amortization of intangibles	(92)		(92)		(98)		(94)		(376)		(374)	
Corporate	(105)		(113)		(103)		(95)		(416)		(467)	
EBIT	362	6.8%	425	7.5%	753	12.0%	750	12.1%	2,290	9.8%	2,177	9.5%
Net Financing Charges	(102)		(107)		(95)		(97)		(401)		(449)	
Income Before Tax	260		318		658		653		1,889		1,728	
Tax	(32)		(40)		(82)		(82)		(236)		(251)	
Tax Rate	12.5%		12.5%		12.5%		12.5%		12.5%		14.5%	
Noncontrolling Interest	(28)		(34)		(72)		(40)		(174)		(153)	
Net Income	200		244		504		531		1,479		1,324	
EPS	\$ 0.21		\$ 0.26		\$ 0.54		\$ 0.57		\$ 1.59		\$ 1.40	
Shares	933.3		932.5		930.7		930.5		931.7		944.6	

*Supplemental unaudited selected historical information for the fiscal years ended as of September 30, 2017 and 2018, as well as for each quarterly period of fiscal 2018, which reflects the continuing operations of the Company as if the Power Solutions business was reported as a discontinued operation as of October 1, 2016. Non-GAAP excludes special items see reconciliation filed on Form 8-K on November 13, 2018.

Non-GAAP Reconciliations

	Power Solutions 2018
Segment earnings before interest, taxes and amortization (EBITA), as reported	\$ 1,417
Adjusting items:	
Transaction costs	8
Restructuring costs and discontinued operations losses in equity income	<u>7</u>
Adjusted segment EBITA	\$ 1,432
Depreciation	<u>248</u>
Segment earnings before interest, taxes, depreciation and amortization (EBITDA)	<u>\$ 1,680</u>

The Company has presented forward-looking statements regarding adjusted EPS from continuing operations for the full fiscal year of 2019, which is non-GAAP financial measure. This non-GAAP financial measure is derived by excluding certain amounts, expenses or income from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from this non-GAAP financial measure is a matter of management judgement and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period, including but not limited to the high variability of the net mark-to-market adjustment related to pension and postretirement plans and the effect of foreign currency exchange fluctuation. We are unable to present a quantitative reconciliation of the aforementioned forward looking non-GAAP financial measure to its most directly comparable forward looking GAAP financial measure because such information is not available and management cannot reliably predict all the necessary components of such GAAP measure without unreasonable effort or expense. The unavailable information could have a significant impact on the Company's full year 2019 GAAP financial results.



johnsoncontrols.com/investors

 [@JCI_IR](https://twitter.com/JCI_IR)

