



Quarterly update FY 2015 first quarter

January 22, 2015



Agenda

Introduction

- Glen Ponczak, Vice President, Global Investor Relations

Overview

- Alex Molinaroli, Chairman and Chief Executive Officer

Business results

- Bruce McDonald, Vice Chairman and Executive Vice President

Financial review

- Brian Stief, Executive Vice President and Chief Financial Officer

Q&A

FORWARD-LOOKING STATEMENTS

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Record 2015 First Quarter*

- **Net revenues: \$10.7 billion, up 1%**

(up 5%, excluding currency)

vs. \$10.6 billion in Q1 2014

- **Segment income: \$768 million, up 18%**

vs. \$650 million in Q1 2014

- **EPS: \$0.79 per diluted share, up 20%**

vs. \$0.66 in Q1 2014

Improved profitability

- 7.2 percent segment income margin
- 110 basis point increase year-over-year



**From continuing operations, excluding transaction / integration costs.*

2015 First Quarter Macro Environment

- **Higher global automotive industry production**
 - North America +5%
 - Europe -2% (Eastern Europe down / Western Europe up)
 - China +6%
- **Aftermarket battery demand returning to normal**
 - Channel inventories stabilized
 - Volumes up 4% in Q1
- **Strengthening US dollar offsets lower commodity costs**
 - Expect minimal full year P/L impact
 - Expect headwind in fiscal Q2
- **Continued improvement in commercial HVAC demand**



2015 First Quarter Highlights

- Substantial progress on portfolio initiatives
 - Signed definitive agreement with Hitachi on January 21, 2015 for HVAC joint venture
- Announced 18% increase in quarterly dividend
- Completed \$600 million in share repurchases (\$1.8 B cumulative) as part of a three-year, \$3.6 B program
- Johnson Controls Operating System delivering bottom line benefits
 - Jeff Williams appointed Vice President, Enterprise Operations and Engineering to accelerate implementation

HVAC Market Leadership

Depth and leadership in all of the main segments of the global commercial HVAC market



Controls

Chillers

VRF

Rooftops

Airside

Joint Venture with Hitachi

Definitive agreement announced yesterday

- Johnson Controls, with the Hitachi joint venture, becomes the world's largest commercial air conditioning company
- Strategic partnership with technology leader
- Complementary technologies and products to drive growth in Asia
- Access to expanded distribution



Johnson Controls / Hitachi Joint Venture

- Expected 2016 revenues approx. \$3.0 billion
- JCI investment approx. \$525 million
- Ownership
 - Johnson Controls 60%
 - Hitachi 40%
- Expected initial margins 4-5%
- Expected to be accretive \$0.05 to \$0.07 / share in 2016, excluding transaction / integration costs

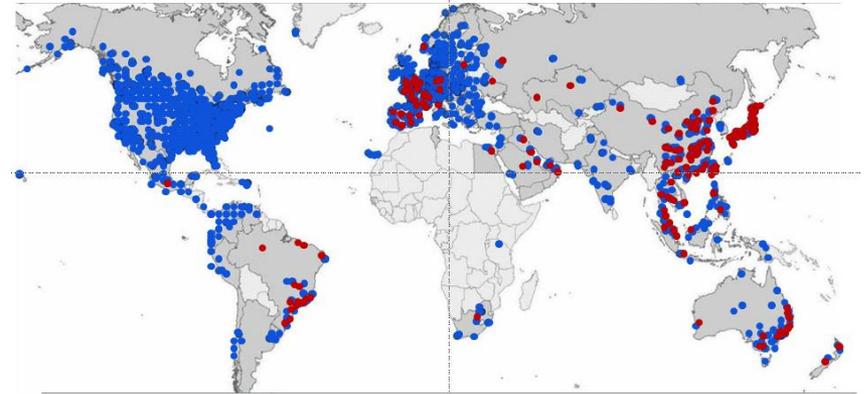
Consolidation vs. equity accounting treatment under review

Closing expected in Q4 2015

Consistent with our strategic vision to broaden Building Efficiency product offerings

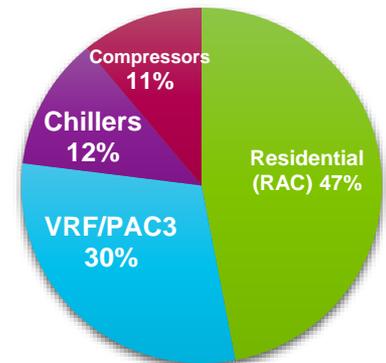
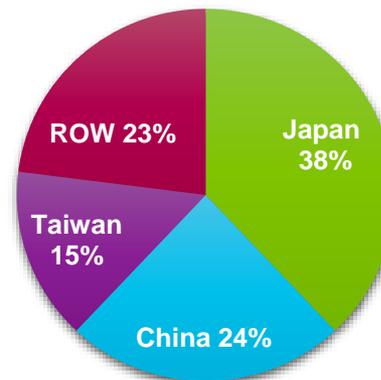
Joint Venture with Hitachi Overview

- Top 3 global market share for Variable Refrigerant Flow (VRF) products
 - #2 position in fast-growing China market
- Expanded manufacturing capabilities
 - 24 Hitachi manufacturing plants, including JVs
- Scroll compressor technology
- Strong brand
- Best-in-class distribution channels
- Complementary residential air conditioning technologies



● Johnson Controls Building Efficiency distribution
● Hitachi Air Conditioning distribution

% of 2014 revenues



Market Leadership Complementary Commercial Products

Hitachi

Johnson Controls

VRF & PAC*

- Top 3 market share globally
- Top efficiency rating in Japan



Rooftop

- Top 3 market share in NA
- Full range from light commercial to applied



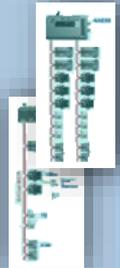
Air Handling

- Top 3 market share globally
- Full range of air handlers and fan coils
- Global manufacturing coverage for cost competitiveness



Building Management System

- Top 2 market share globally
- Full range of light commercial to highly complex offerings



Water Cooled Chiller

- Top 3 market share globally
- Top efficiency ratings



Centrifugal Chiller

- #1 market share globally
- Top efficiency ratings



Absorption Chiller

- Top efficiency ratings
- Hitachi offering complements other Johnson Controls chillers



Air Cooled Chiller

- Top 3 market share globally
- Hitachi + Johnson Controls offerings complete lineup



The broadest range of products in the industry

* Variable Refrigerant Flow & Packaged Air Conditioner

2015 First Quarter Automotive Experience*

	<u>2015</u>	<u>2014</u>	
Net sales	\$5.3B	\$5.4B	-3%
Segment income	\$249M	\$197M	+26%
Segment income margin	4.7%	3.6%	+110 bps

Fiscal Q1 production

- North America up 5%
- Europe down 2%
- China up 6%

- Revenue decline due to foreign exchange. Adjusted for currency, revenue increased 2%
- China sales (mostly non-consolidated) up 15% to \$2.1B
- Continued profitability improvements attributable to strong operational performance
 - Seating margins 5.0% (+90 bps)
 - Interiors margins 3.6% (+170 bps)

*Excluding transaction / integration costs.

2015 First Quarter Building Efficiency*

	<u>2015</u>	<u>2014</u>	
Net sales	\$3.5B	\$3.4B	+5%
Segment income	\$201M	\$146M	+38%
Segment income margin	5.7%	4.3%	+140 bps

- BE sales (ex GWS) up 1% adjusted for FX and M&A
 - North America up 3%
 - Asia up 1%
 - Latin America down double-digits
- BE margins (ex-GWS) 6.7%; up 110 bps
 - North America results improved
 - ADT performance in-line with company expectations
- Global Workplace Solutions revenues down 3%, margins up 150 bps
 - Includes gain associated with contract settlement

Commercial backlog and orders (at December 31, 2014)

- Backlog \$4.6B, down 4% adjusted for FX
- Orders level, adjusted for FX
 - Hawaii DOT order in prior year of \$150M

*Excluding transaction / integration costs.

2015 First Quarter Power Solutions

	<u>2015</u>	<u>2014</u>	
Net sales	\$1.8B	\$1.8B	+4%
Segment income	\$318M	\$307M	+4%
Segment income margin	17.2%	17.3%	-10 bps

- Excluding lead and foreign exchange, sales up 8%
- Improved aftermarket and OE volumes globally
 - Americas up 2%
 - Asia up 9%
 - Europe up 7%
- AGM volumes up 31%
- Prior year includes a \$19M non-recurring gain on the consolidation of a joint venture
 - Excluding the impact of gain, segment margins up 90 bps
- Managing lead price volatility



AGM



Micro Hybrid



Electric Vehicle

Update on Portfolio Initiatives

■ Automotive Interiors joint venture

- Regulatory approval received in most major geographies
- Chinese approvals expected in March with formal joint venture signing expected in April
- On track for July 1, 2015 closing



■ Global Workplace Solutions divestiture

- Divestiture process tracking as expected
- Strong buyer interest
- Anticipate a Q3 announcement
- Brookfield Asset Management to purchase JCI interest in Brookfield Johnson Controls Canada (BJCC) and Brookfield Johnson Controls Australia/NZ (BJCA) joint ventures; estimate proceeds of \$200M in Q2



First Quarter 2015 Financial Highlights (continuing operations)

<i>(in millions)</i>	2015 ¹	2014	% change	2015 (reported)	2014 (reported)
Sales	\$10,666	\$10,574	+1%	\$10,666	\$10,574
Gross profit	1,680	1,576	+7%	1,680	1,576
<i>% of sales</i>	15.8%	14.9%		15.8%	14.9%
SG&A expenses	1,014	1,038	-2%	1,034	1,038
Equity income	102	112	-9%	102	112
Operating income	\$768	\$650	+18%	\$748	\$650
	7.2%	6.1%			

- **Gross margin** – Improvement of 90 bps reflect focus on operational execution
- **SG&A** – Improved cost management
- **Equity income** – Improved performance from Automotive JVs; 2014 gain from the consolidation of a Power Solutions equity joint venture
- **Segment margin** – Improvement of 110 bps reflects operational execution and cost management

¹ Excluding Q1 2015 items: \$19 million after tax transaction / integration-related costs

First Quarter 2015 Financial Highlights (continuing operations)

(in millions, except earnings per share)

	2015 ¹	2014	2015 (reported)	2014 (reported)
Operating income	\$768	\$650	\$748	\$650
Financing charges - net	71	55	71	55
Income from continuing ops. before taxes	697	595	677	595
Income tax provision	132	111	131	111
Net income from continuing ops.	565	484	546	484
Income attributable to non-controlling interests	39	33	39	33
Net income from continuing operations attributable to JCI	\$526	\$451	\$507	\$451
Diluted EPS from continuing operations	\$0.79	\$0.66	\$0.76	\$0.66

- **Financing charges** – Increased 2015 financing charges resulting from ADT acquisition and share repurchase program
- **Income tax provision** – Underlying Q1 2015 tax rate of approximately 19%

¹ Excluding Q1 2015 items: \$19 million after tax transaction / integration-related costs

Balance Sheet / Cash Flow / Financial Guidance

- Q1 free cash flow improved \$0.2 billion from Q1 FY14
- Year-over-year improvement in trade working capital as a percentage of sales, adjusted for businesses held for sale
- Capital spending in line with company expectations
- Share repurchases of \$0.6 billion in Q1
- Net debt to capitalization of 40.5% at 12/31/14

2015 second quarter outlook

- Diluted EPS: \$0.74 - \$0.76*

2015 full year outlook

Reaffirming fiscal 2015 guidance

- Diluted EPS: \$3.55 - \$3.70*

*Excludes transaction / integration costs

