



# Quarterly update FY 2015 second quarter

April 23, 2015



# Agenda

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## 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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# 2015 Second Quarter (continuing operations)\*

- **Net revenues: \$9.2 billion, down 3%**  
vs. \$9.5 billion in Q2 2014  
- **Excluding currency, up 4%**
- **Segment income: \$698 million, up 18%**  
vs. \$593 million in Q2 2014
- **Improved profitability :** Segment income margin increase of 130 basis points
- **EPS: \$0.73 per diluted share, up 20%**  
vs. \$0.61 in Q2 2014



**Total\*\* diluted earnings  
per share of \$0.77 vs.  
\$0.66 last year, up 17%\***

*\*Excluding transaction / integration costs and non-recurring items*

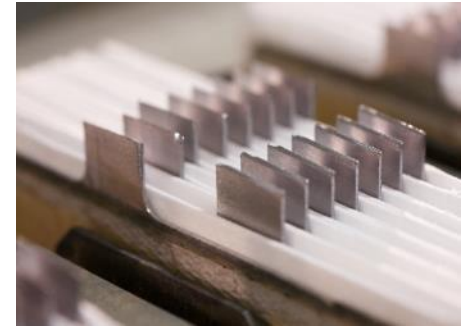
*\*\*Including discontinued operations*

# 2015 second quarter

## Improving Macroeconomic Environment

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- Increased orders in U.S. and Asia commercial HVAC markets
  - Double digit improvements in North America government and education vertical markets
- Higher global automotive industry production
  - North America 2%
  - Europe level
  - China 6%
- Higher OE and aftermarket battery demand
  - Increased year-over-year shipments in all geographies versus strong North America comparables in 2014
- Increasing signs of recovery in Europe
  - New car registrations up 9% vs. last year; 19 consecutive monthly increases
  - Aftermarket battery shipments up 30%





# 2015 Second Quarter Highlights

- Substantial progress on portfolio initiatives
  - Definitive agreement to sell GWS for \$1.475 billion
  - Completed \$200 million sale of JCI interest in two GWS joint ventures
  - Signed an agreement formally establishing the previously announced automotive interiors joint venture with SAIC HASCO - Yanfeng
- Announced plans to increase Chinese traditional and AGM lead acid battery manufacturing capacity
- Introduced new high efficiency York Quantech air-cooled chillers and LX Series packaged HVAC units
- Johnson Controls Operating System delivering bottom line benefits



**April 10, 2015 signing: New \$8.5 billion joint venture will be world's largest automotive interiors supplier**

## Market Leadership

- Named General Motors 2014 "Supplier of the Year"
- Awarded Toyota "Superior TNGA Promotion Award" for next-gen seat structure
- Named to 2015 "World's Most Ethical Company®" list by the Ethisphere Institute
- "Best Company in Corporate Social Responsibility" by China Charity Festival

# 2015 Second Quarter

## Building Efficiency\* (*GWS reported as a discontinued operation*)

	<u>2015</u>	<u>2014</u>	
<b>Net sales</b>	<b>\$2.4B</b>	<b>\$2.3B</b>	<b>+4%</b>
<b>Segment income</b>	<b>\$173M</b>	<b>\$127M</b>	<b>+36%</b>
<b>Segment income margin</b>	<b>7.3%</b>	<b>5.6%</b>	<b>+170 bps</b>

### Revenue

- North America systems / services level
- Asia down 6% (level, excluding currency)
- Latin America down double-digits
- Incremental revenues from ADT

### Segment income

- Margins 7.3%; up 170 bps
  - Improved margins in North America, Europe and the Middle East
  - ADT performance in-line with company expectations

### Commercial backlog and orders (at March 31, 2015)

- Backlog \$4.6B – level, adjusted for FX
- Orders up 8%, adjusted for FX and M&A
  - North American region +11%

\*Excluding transaction / integration costs

# 2015 Second Quarter Power Solutions

	<u>2015</u>	<u>2014</u>	
<b>Net sales</b>	<b>\$1.6B</b>	<b>\$1.6B</b>	<b>+2%</b>
<b>Segment income</b>	<b>\$264M</b>	<b>\$234M</b>	<b>+13%</b>
<b>Segment income margin</b>	<b>16.6%</b>	<b>15.0%</b>	<b>+160 bps</b>

- Excluding foreign exchange, sales up 8%
- Improved aftermarket and OE volumes globally
  - Americas up 2%
  - Asia up 10%
  - Europe up 21%
- AGM volumes up 34%
- Segment income margins up 160 basis points
  - Higher volumes
  - Improved mix



**AGM**



**Micro Hybrid**



**Electric Vehicle**

# 2015 Second Quarter Automotive Experience\*

	<u>2015</u>	<u>2014</u>	
<b>Net sales</b>	<b>\$5.2B</b>	<b>\$5.6B</b>	<b>-7%</b>
<b>Segment income</b>	<b>\$261M</b>	<b>\$232M</b>	<b>+13%</b>
<b>Segment income margin</b>	<b>5.0%</b>	<b>4.1%</b>	<b>+90 bps</b>

## Fiscal Q2 production

- North America up 2%
- Europe level
- China up 6%

- Revenue decline due to foreign exchange. Adjusted for currency, revenue increased 1%
- China sales (mostly non-consolidated) up 17% to \$1.9B
- Continued profitability improvements attributable to operational benefits from the Johnson Controls Operating System, increased China joint venture income and benefits from earlier restructuring initiatives
  - Seating segment income margins 5.5% (+40 bps)
  - Interiors segment income margins 2.9% (+260 bps)

\*Excluding transaction / integration costs



# Second Quarter 2015

## Financial Highlights (continuing operations)

<i>(in millions)</i>	2015 <sup>1</sup>	2014	% Change	2015 (reported)	2014 (reported)
Sales	\$9,198	\$9,467	-3%	\$9,198	\$9,467
Gross profit	1,573	1,472	+7%	1,573	1,472
% of sales	17.1%	15.5%		17.1%	15.5%
SG&A expenses	957	952	+1%	975	952
Equity income	82	73	+12%	82	73
Operating income	\$698	\$593	+18%	\$680	\$593
	<b>7.6%</b>	<b>6.3%</b>			

- **Gross margin** – Improvement of 160 bps reflects focus on operational execution
- **Equity income** – Improved performance from Automotive JVs in China
- **Segment margin** – Improvement of 130 bps reflects operational execution and cost management

<sup>1</sup> Excluding Q2 2015 items: \$18 million pre-tax transaction / integration-related costs (\$16 million after tax)

# Second Quarter 2015

## Financial Highlights (continuing operations)

<i>(in millions, except earnings per share)</i>	2015 <sup>1</sup>	2014	2015 (reported)	2014 (reported)
Operating income	\$698	\$593	\$680	\$593
Financing charges - net	69	56	69	56
Income from continuing ops. before taxes	629	537	611	537
Income tax provision	117	101	132	101
Net income from continuing ops.	512	436	479	436
Income attributable to non-controlling interests	27	26	27	26
Net income from continuing operations attributable to JCI	\$485	\$410	\$452	\$410
Diluted EPS from continuing operations	\$0.73	\$0.61	\$0.68	\$0.61

- **Financing charges** – Increased 2015 financing charges resulting from ADT acquisition and share repurchase program
- **Income tax provision** – Underlying Q2 tax rates of approximately 19%

<sup>1</sup> Excluding Q2 2015 items: \$16 million after tax transaction / integration-related costs, \$17 million non-cash tax charge in Japan

# Financial Guidance

- FY15 currency headwinds substantially offset by lower commodity prices and Johnson Controls Operating System benefits
- Johnson Controls Operating System delivering measurable cost savings, helping to offset currency headwinds and improve profitability
  - Enterprise manufacturing system introduced in 60% of our global plants (net \$25 million benefit in FY15)
  - Centralized indirect procurement to drive standardization and leverage scale (\$50 million benefit in FY15)

**Updating guidance to reflect GWS as a discontinued operation and Euro at \$1.05**

## **2015 third quarter outlook**

- Diluted EPS from continuing operations: \$0.90 - \$0.92\*

## **2015 full year outlook**

- Diluted EPS from continuing operations: \$3.30 - \$3.45\*

\*Excludes transaction / integration costs and non-recurring items

# GWS Reported as a Discontinued Operation\*

Earnings per share

<b>FY 2014</b>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY14</u>
Previously Adjusted - Continuing Ops	\$ 0.66	\$ 0.64	\$ 0.84	\$ 1.04	\$ 3.18
GWS - Discontinued Ops	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.05)</u>	<u>(0.07)</u>	<u>(0.18)</u>
Adjusted - Continuing Ops	<u>\$ 0.63</u>	<u>\$ 0.61</u>	<u>\$ 0.79</u>	<u>\$ 0.97</u>	<u>\$ 3.00</u>

<b>FY 2015</b>	<u>Q1</u>	Actuals Q2	FY15 Revised Guidance	
			Q3	FY15
Previously Adjusted - Continuing Ops	\$ 0.79	\$ 0.77	\$0.90 - 0.92	\$3.30 - 3.45
GWS - Discontinued Ops	<u>(0.05)</u>	<u>(0.04)</u>		
Adjusted - Continuing Ops	<u>\$ 0.74</u>	<u>\$ 0.73</u>		
Year over Year Growth Percentage	17%	20%	14 - 16%	10 - 15%

\* Excludes transaction / integration costs and other non-recurring items

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# APPENDIX



# Appendix

## Discontinued Ops Reconciliation\*

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### Sales

	FY14				FY15	
	Q1	Q2	Q3	Q4	Full Year	Q1
Previously Reported Sales - Continuing Ops	\$ 10,574	\$ 10,463	\$ 10,812	\$ 10,979	\$ 42,828	\$ 10,666
GWS - Discontinued Ops	1,077	996	979	1,027	4,079	1,042
Adjusted Sales - Continuing Ops	\$ 9,497	\$ 9,467	\$ 9,833	\$ 9,952	\$ 38,749	\$ 9,624

### Segment Income

	FY14				FY15	
	Q1	Q2	Q3	Q4	Full Year	Q1
Previously Reported Segment Income - Continuing Ops	\$ 650	\$ 629	\$ 794	\$ 983	\$ 3,056	\$ 768
GWS - Discontinued Ops	29	36	49	72	186	49
Adjusted Segment Income - Continuing Ops	\$ 621	\$ 593	\$ 745	\$ 911	\$ 2,870	\$ 719

\*Excludes transaction / integration costs and other non-recurring items

# Appendix

## Continuing Ops & Discontinued Ops

### Reconciliation of Transaction / Integration Costs and Non-recurring Items

	FY14*					FY15*
	Q1	Q2	Q3	Q4	Total*	Q1
As Reported - Continuing Ops	\$ 0.66	\$ 0.64	\$ 0.35	\$ 0.46	\$ 2.12	\$ 0.76
Adjustments:						
Pension settlement loss				0.01	0.01	
Mark-to-market pension charge				0.27	0.27	
Transaction / integration costs			0.02	0.02	0.05	0.02
Loss on business divestitures			0.20		0.20	
Restructuring and impairment costs			0.22	0.20	0.42	
Tax valuation / other items				(0.03)	(0.03)	
GWS - Non-recurring items			0.04	0.09	0.13	0.01
Adjusted	\$ 0.66	\$ 0.64	\$ 0.84	\$ 1.04	\$ 3.18	\$ 0.79
GWS - Operations	0.03	0.03	0.05	0.07	0.18	0.05
Adjusted - Continuing Ops	<u>\$ 0.63</u>	<u>\$ 0.61</u>	<u>\$ 0.79</u>	<u>\$ 0.97</u>	<u>\$ 3.00</u>	<u>\$ 0.74</u>
Discontinued Operations:						
Electronics ( <i>As Reported</i> )	\$ 0.03	\$ (0.26)	\$ (0.09)	\$	\$ (0.32)	\$
GWS - Operations ( <i>New</i> )	0.03	0.03	0.05	0.07	0.18	0.05
GWS - Non-recurring items ( <i>New</i> )**			(0.04)	(0.09)	(0.13)	(0.01)
Total	<u>\$ 0.05</u>	<u>\$ (0.22)</u>	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.28)</u>	<u>\$ 0.04</u>

\* May not sum due to rounding

\*\* FY14 Q3 - \$0.04 loss on business divestiture; FY14 Q4 - \$0.05 foreign earnings repatriation provision & \$0.04 mark-to-market pension charge; FY15 Q1: \$0.01 transaction / integration costs