



Quarterly update FY 2015 fourth quarter

October 29, 2015

Johnson
Controls



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Agenda

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Introduction

Glen Ponczak, Vice President, Global Investor Relations

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Fourth quarter highlights

Alex Molinaroli, Chairman and Chief Executive Officer

3

Business results

Bruce McDonald, Vice Chairman and Executive Vice President

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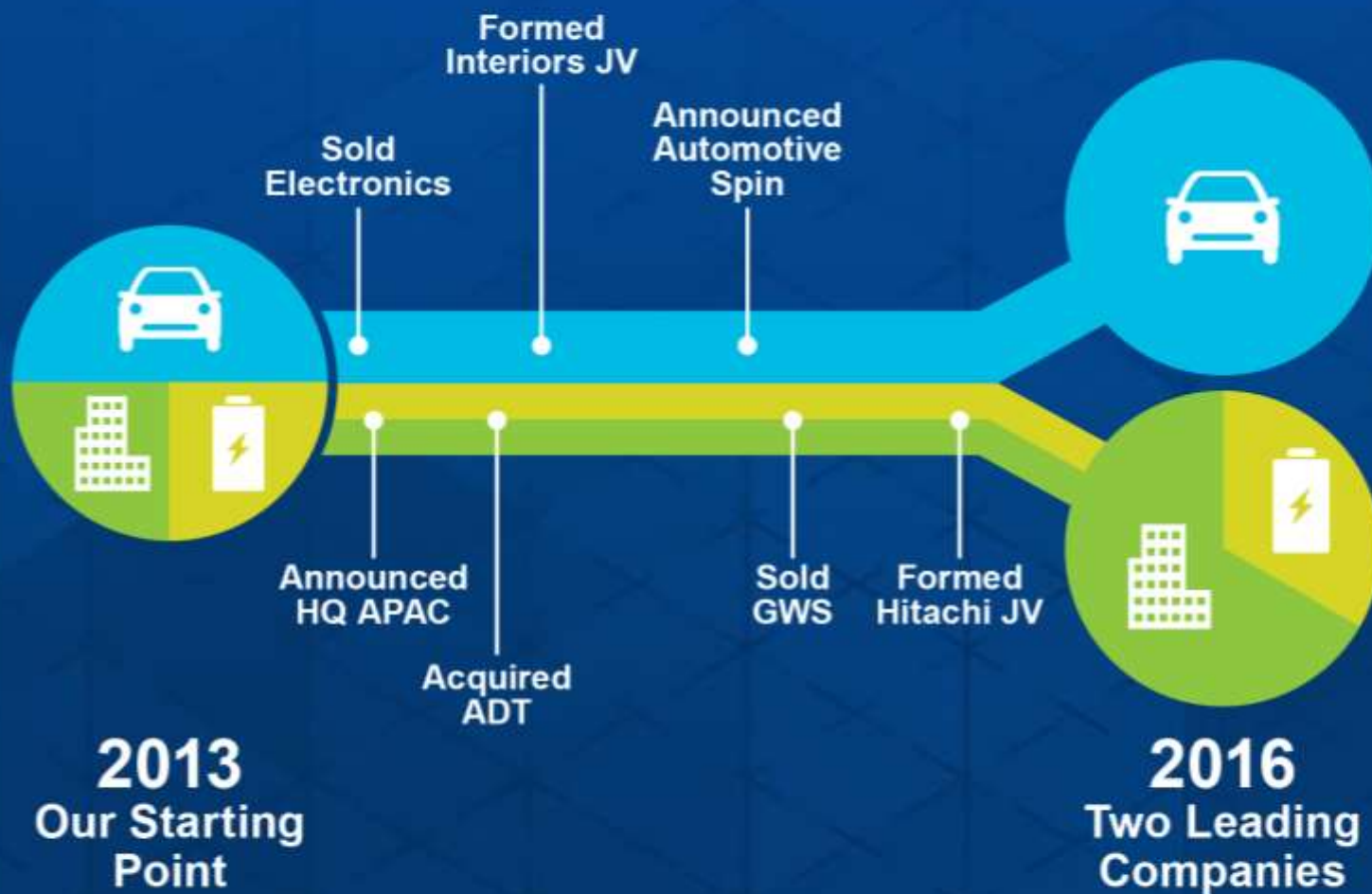
Financial review

Brian Stief, Executive Vice President and Chief Financial Officer

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Q&A

A record of excellence in transformation and execution



FY 2015*

+120 bps
Segment Margin

\$3.42



\$3.00

Diluted EPS Growth

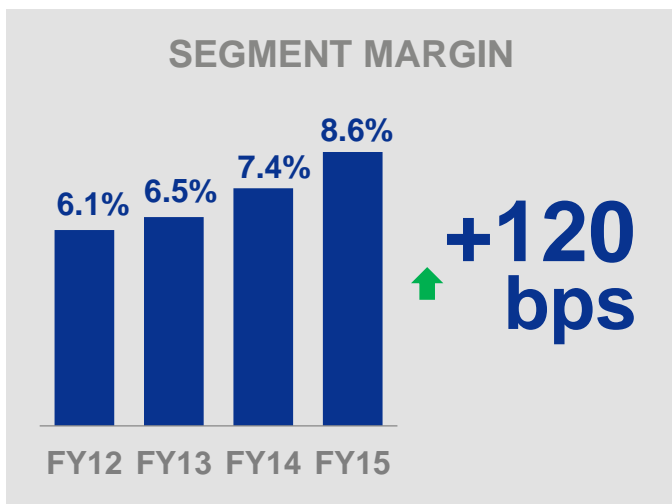
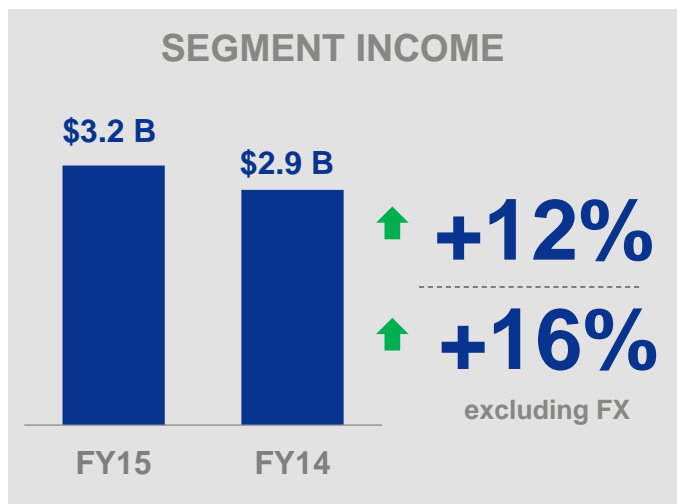
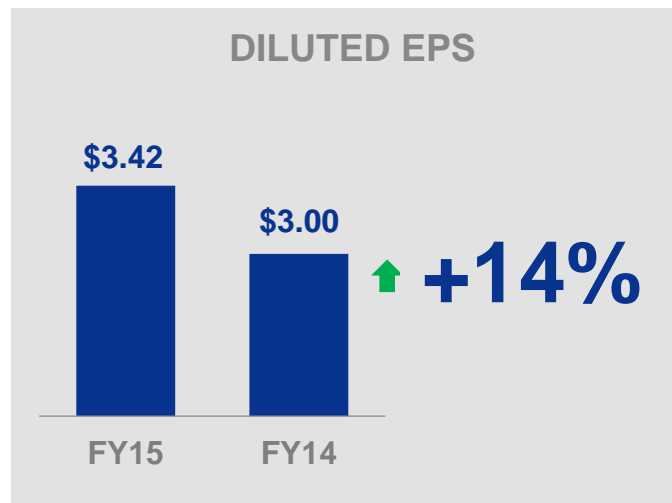
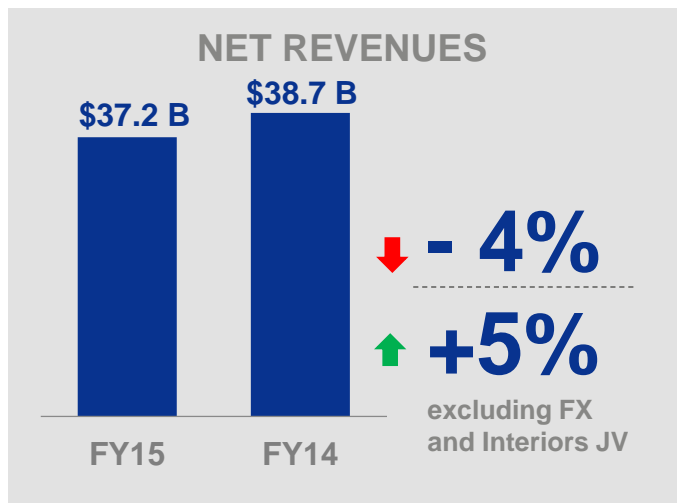
\$1.4B

Shares Repurchased

+18%

Quarterly Dividend

Record FY15 earnings from continuing operations*



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

FY2015 fourth quarter highlights*

■ Executing well during significant portfolio changes

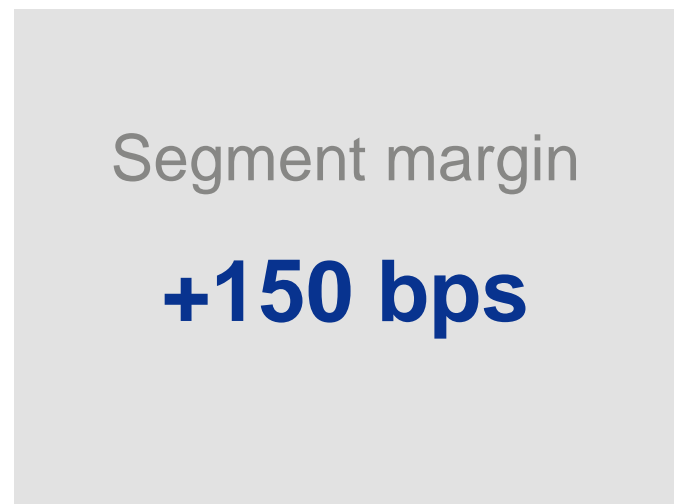
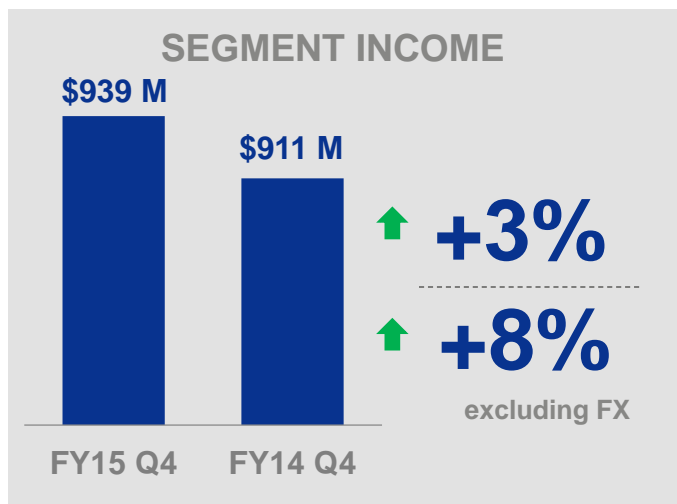
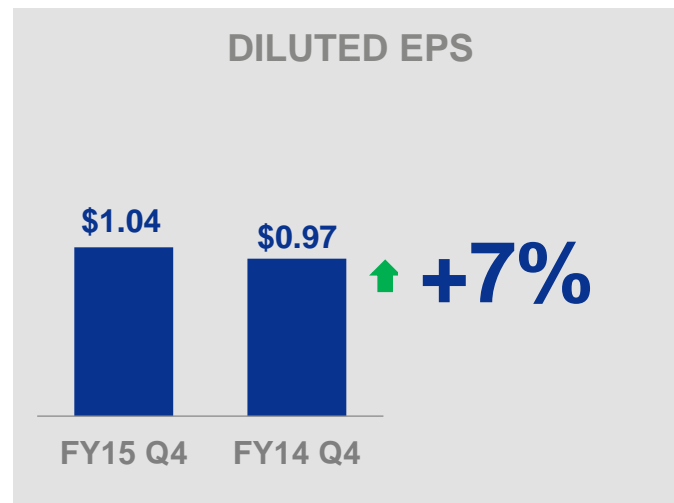
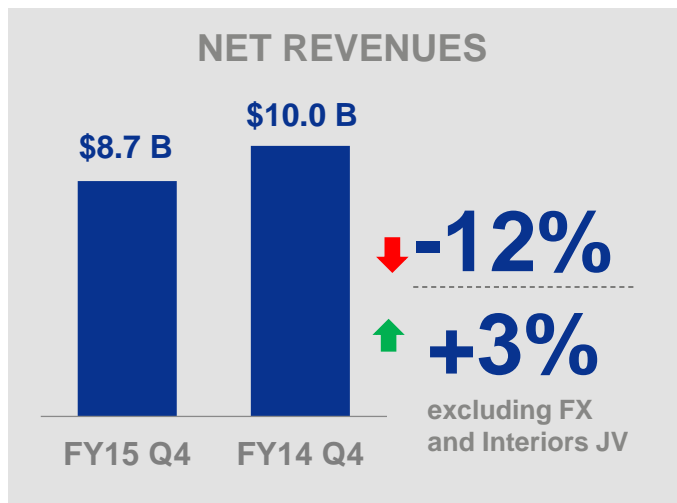
- Record fourth quarter earnings from continuing operations
- GWS, Interiors JV and Hitachi JV now closed
- Johnson Controls Operating System expanding and delivering increasing benefits
- Continued focus on cost structure in anticipation of AE spin-off

■ Markets supporting continued growth

- China automotive production improving by the end of Q4
- Building Efficiency core North American branch orders up more than 4%
 - North American bidding activity robust
- Hitachi JV provides significant VRF growth opportunity
- Battery volumes up in every region; strong AGM demand

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

Record FY15 Q4 earnings from continuing operations*



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

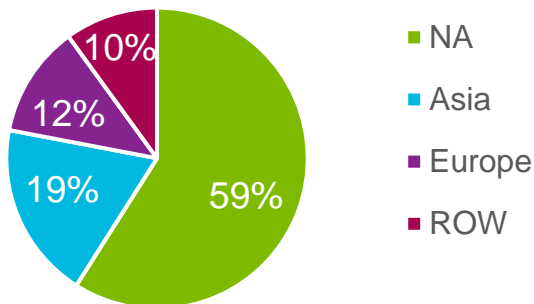
Building Efficiency Orders and backlog

Q4 orders and backlog (excluding FX)

- Orders -4%
 - NA branch up 4.4%
 - NA Federal Gov't down 37%
 - Funding timing/constraints
 - Europe down 10%
 - Asia down 4%
- Backlog -1%
 - Level excluding Federal Gov't

- Increasingly more of a products business vs. a projects/backlog business
 - Products: shorter lead times; not a backlog business
- With Hitachi, only half of the BE business will run through backlog
 - Will continue to decline with further portfolio/business model changes
- BE growth increasingly less dependent on backlog growth

FY2015 Orders



Bidding activity remains strong
across key vertical markets

Investing in Growth – BE and PS

■ Building Efficiency: supporting product-centric strategies

- Launched Champion LX Series packaged units
- Launched Hitachi VRF in North America; opened VRF training center
- Unveiled P2000 enhanced security management system
- Won Innovative Power Technology of the Year award
- Launched on-line order system for residential HVAC equipment

■ Power Solutions: adding capacity and new products

- Building new plant in Shenyang with 6 million unit capacity by 2018
- Debuted new dual battery system for advanced start-stop vehicles (12-volt lithium ion with 12-volt AGM)
- Signed MOU for sales and manufacturing JVs with BAIC
- New product offerings for lithium ion distributed energy storage market

Investing in Growth - AE

- Automotive Experience: building global technology leadership
 - Introduced new personalization options for car seat trim covers
 - Successful seating system launch for the BMW 7-Series in Czech Republic
 - Commercialization of core product portfolio mechanism families (T/L 3000 Recliner, HA3000 Height Adjuster)
 - Unveiled new seat and interior technology for autonomous mobility

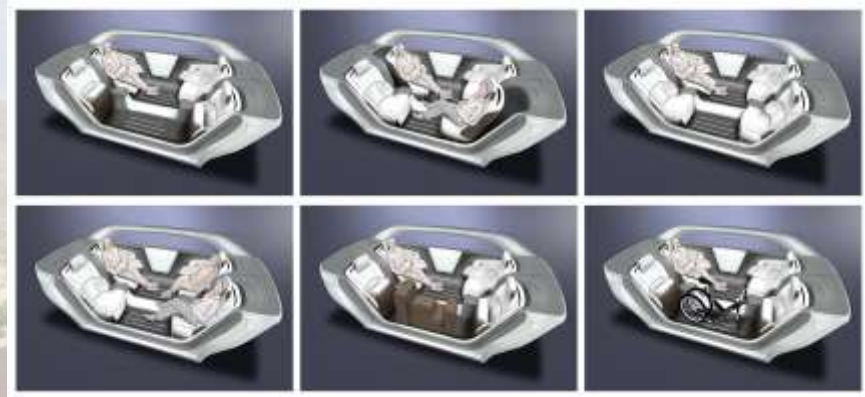


Image of new interior seating and technology for autonomous vehicles

Expectations entering fiscal 2016

Good momentum

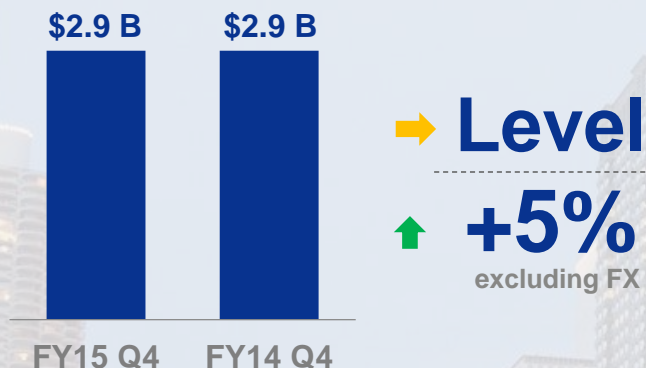
- Improving late cycle markets
- Continued focus on operational excellence, driving further margin improvements
- Ongoing benefits of cost discipline and commercial excellence initiatives
- Pipeline of investment opportunities for long-term growth and margin expansion
- AE separation activities well underway and progressing as planned

Excellent progress on transformation to a leading multi-industrial company

Building Efficiency*

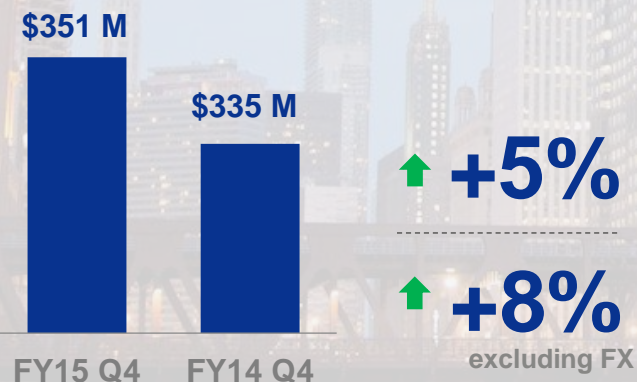
Improved profitability and margin expansion

NET REVENUES



- Sales level
 - North America up 5% (up 6% ex. FX)
 - Asia down 7% (level ex. FX)
 - Middle East strength offset by weakness in Europe

SEGMENT INCOME



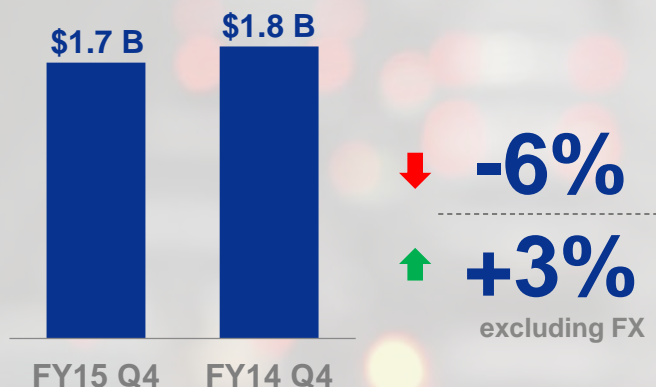
- Segment margin **+60 bps**
- Higher volumes and favorable price/mix
- Improved margins in North America, Europe and the Middle East partially offset by lower margins in Asia
- ADT performance in-line with expectations
- Full year segment margins **+70 bps**

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

Power Solutions*

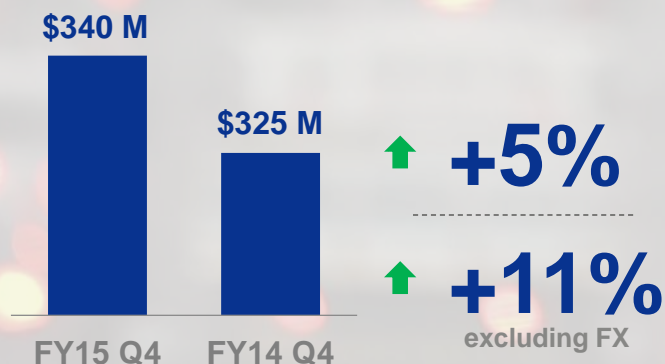
Strong operational performance and profitability

NET REVENUES



- Higher volumes in all regions
- Global shipments of start-stop AGM +44%
- Aftermarket shipments +1%
- OE shipments +2%

SEGMENT INCOME



- Segment margins **+200 bps**
- Higher volumes
- Improved mix from AGM volumes
- Operational efficiencies
- Full year segment margins **+160 bps**

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

Automotive Experience*

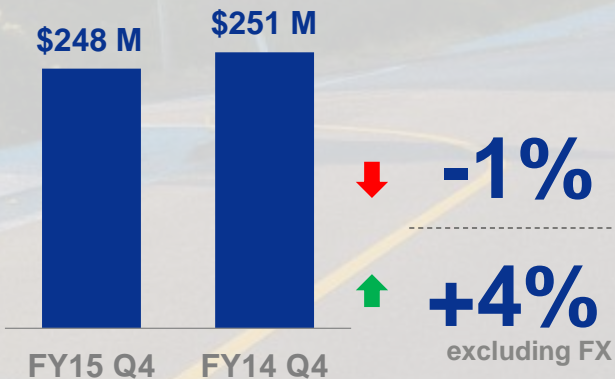
Strong global volumes and profitability

NET REVENUES



- Q4 industry production
 - North America up 5%
 - Europe up 5%
 - China down 5%
- China sales (mostly non-consolidated) up 27%; down 3% excluding Interiors JV
- Interiors JV closed July 2, 2015 (equity accounting)

SEGMENT INCOME



- Segment margins **+120 bps**
- Higher global seating volumes
- Full year segment margins **+100 bps**

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

Fourth quarter FY2015

Financial highlights (continuing operations)

<i>(in millions)</i>	2015 ¹	2014 ¹	% Change	2015 (reported)	2014 (revised)
Sales	\$8,749	\$9,952	-12%	\$8,749	\$9,952
Gross profit	1,715	1,790	-4%	1,559	1,747
% of sales	19.6%	18.0%		17.8%	17.6%
SG&A expenses	881	1,001	-12%	1,031	1,229
Equity income	105	122	-14%	100	122
Operating income	\$939	\$911	+3%	\$628	\$640
	10.7%	9.2%			

Gross margin

Improvement of 160 bps includes improved product mix and JCOS benefits

SG&A

Reduction primarily due to Interiors deconsolidation and foreign exchange

Equity income

Interiors JV income and prior year equity interest gain

Operating margin

Improvement of 150 bps reflects operational execution and cost management

¹ Excluding Q4 2015 and 2014 items, refer to Appendix.

Fourth quarter FY2015

Financial highlights (continuing operations)

(in millions, except earnings per share)

	2015 ¹	2014 ¹	2015 (reported)	2014 (revised)
Operating income	\$939	\$911	\$628	\$640
Restructuring and impairment	-	-	397	162
Financing charges - net	73	66	73	66
Income from continuing ops. before taxes	866	845	158	412
Income tax provision	162	161	135	49
Net income from continuing ops.	704	684	23	363
Income attributable to non-controlling interests	20	32	20	32
Net income from continuing operations attributable to JCI	\$684	\$652	\$3	\$331
Diluted EPS from continuing operations	\$1.04	\$0.97	\$0.00	\$0.49

Financing charges

2015 increase due to higher average debt levels throughout the quarter

Income tax provision

Underlying Q4 tax rate of approximately 19% in both years


¹ Excluding Q4 2015 and 2014 items, refer to Appendix.

Balance Sheet, Cash Flow and Guidance

- FY15 share repurchases of \$1.4B; dividends of \$0.7B
- GWS divestiture proceeds of \$1.4B on 9/1/15
- Discretionary tax audit settlements and pension contributions of \$0.8B
- Strong balance sheet; net debt to capitalization of 36.7% at 9/30/15
- Net debt of \$6.0B at 9/30/15; Q4 net debt reduction of \$1.3B
- Pension/OPEB 85% funded
- FY15 capex lower than expected by \$0.2B

FY16 Guidance	FY16 Q1	FY16 Full Year
Diluted EPS	\$0.80 - \$0.83* +8% - +12%	To be provided at 12/1/15 analyst day in NYC

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



Appendix

Q4 Non-Recurring Items – Continuing Operations

(in millions, except earnings per share)

2015

	Income (Expense)	Tax (Expense) Benefit	After-tax Income (Expense)	EPS Impact
Transaction, Integration & Separation Costs	(\$34)	\$6	(\$28)	(\$0.04)
Pension / OPEB MTM	(422)	165	(257)	(\$0.39)
Net Gain on Business Divestitures	145	(107)	38	\$0.06
Restructuring and Impairment Costs	(397)	87	(310)	(\$0.47)
Income Taxes	-	(124)	(124)	(\$0.19)
Total*	(\$708)	\$27	(\$681)	(\$1.04)

2014

	Pre-Tax Income (Expense)	Tax (Expense) Benefit	After-tax Income (Expense)	EPS Impact
Transaction, Integration & Separation Costs	(\$19)	\$4	(\$15)	(\$0.02)
Pension / OPEB MTM	(252)	64	(188)	(\$0.28)
Restructuring and Impairment costs	(162)	27	(135)	(\$0.20)
Income Taxes	-	17	17	\$0.03
Total*	(\$433)	\$112	(\$321)	(\$0.48)

*May not sum due to rounding.

2015 Q4 Restructuring and Impairment Costs

\$M's

Severance and Other Cash Costs

Corporate	\$28
Automotive Experience	154
Building Efficiency	21
Power Solutions	<u>11</u>
Total Severance and Other Cash Costs	<u>214</u>

Asset Impairment (Non-Cash)	<u>183</u>
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Total Restructuring and Impairment Costs	<u>\$397</u>
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2015 free cash flow

Actual free cash flow as reported	\$	0.5 B
Tax audit settlements		0.4
Pension contributions		0.4
Net unfavorable impact of Interiors JV		0.1
Transaction/integration/separation costs		0.1
Transaction related tax payments		0.1
Favorable capital expenditures		(0.2)
Adjusted free cash flow	\$	1.4 B

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