Johnson Controls

FISCAL Q1

2024 Earnings Conference Call

January 30, 2024

The power behind **your mission**

FORWARD-LOOKING AND CAUTIONARY 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, debt levels and market outlook 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 its control, that could cause its actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to Johnson Controls ability to develop or acquire new products and technologies that achieve market acceptance and meet applicable quality and regulatory requirements; the ability to manage general economic, business and capital market conditions, including the impact of recessions, economic downturns and global price inflation; fluctuations in the cost and availability of public and private financing for its customers; the ability to innovate and adapt to emerging technologies, ideas and trends in the marketplace, including the incorporation of technologies such as artificial intelligence; the ability to manage macroeconomic and geopolitical volatility, including shortages impacting the availability of raw materials and component products and the conflicts between Russia and Ukraine and Israel and Hamas; managing the risks and impacts of potential and actual security breaches, cyberattacks, privacy breaches or data breaches, including business, service, or operational disruptions, the unauthorized access to or disclosure of data, financial loss, reputational damage, increased response and remediation costs, legal, and regulatory proceedings or other unfavorable outcomes; our ability to remediate our material weakness; maintaining and improving the capacity, reliability and security of Johnson Controls enterprise information technology infrastructure; the ability to manage the lifecycle cybersecurity risk in the development, deployment and operation of Johnson Controls digital platforms and services; changes to laws or policies governing foreign trade, including economic sanctions, tariffs, foreign exchange and capital controls, import/export controls or other trade restrictions; fluctuations in currency exchange rates; changes or uncertainty in laws, regulations, rates, policies, or interpretations that impact Johnson Controls business operations or tax status; the ability to adapt to global climate change, climate change regulation and successfully meet Johnson Controls public sustainability commitments; the outcome of litigation and governmental proceedings; the risk of infringement or expiration of intellectual property rights; Johnson Controls ability to manage disruptions caused by catastrophic or geopolitical events, such as natural disasters, armed conflict, political change, climate change, pandemics and outbreaks of contagious diseases and other adverse public health developments; the ability of Johnson Controls to drive organizational improvement; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions; the ability to hire and retain senior management and other key personnel; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; labor shortages, work stoppages, union negotiations, labor disputes and other matters associated with the labor force; and the cancellation of or changes to commercial arrangements. 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 2023 fiscal year filed with the SEC on December 14, 2023, which is available at www.sec.gov and www.johnsoncontrols.com under the “Investors” tab. The description of certain of these risks is supplemented in Item 1A of Part II of Johnson Controls subsequently filed Quarterly Reports on Form 10-Q. 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

This presentation contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include restructuring and impairment costs, net mark-to-market adjustments, certain transaction / separation costs, cyber incident costs, warehouse fire loss, and discrete tax items. Financial information regarding organic revenue growth, EBIT, EBIT margin, adjusted EBIT, adjusted EBIT margin, adjusted segment EBITA, adjusted segment EBITA margin, adjusted Corporate expense, net debt/EBITDA, cash provided by operating activities from continuing operations, excluding JC Capital, adjusted free cash flow, adjusted free cash flow conversion and adjusted net income from continuing operations are also presented, which are non-GAAP performance measures. 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 Johnson Controls. 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. For further information on the calculation of the non-GAAP measures and a reconciliation of these non-GAAP measures, refer to the attached footnotes.

Johnson Controls

Fiscal Q1: CEO Summary

Delivering on Our Commitments While Positioning for the Future

- **Delivered solid Q1 results while managing through Cyber disruption**
- **Gaining momentum as leading Building Solutions provider with growing record backlog**
- **Favorable secular trends entering stronger seasonal period**
- **Updating FY2024 guidance**
- **Recent announcement of CFO transition to Marc Vandiepenbeeck**

Value Creation Framework

Accelerating Our Strategy

Positioned to capture secular trends across sustainable and healthy buildings

Enhanced Products, **Services**, and Solutions through the adoption of OpenBlue

Driving margin expansion

Disciplined capital allocation

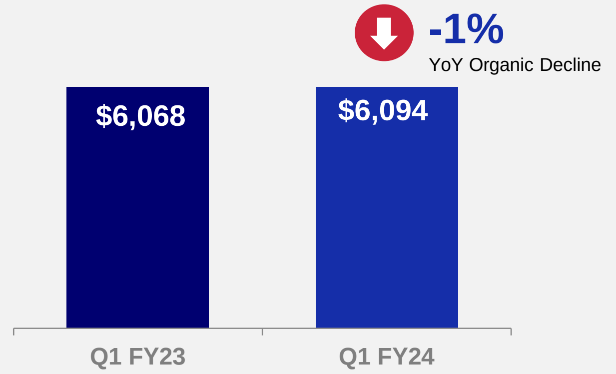
Built on Our Strong Foundation of Operational Excellence and Culture of Leadership

Fiscal Q1 Results

Solid Results While Managing Through Cyber Incident

JCI Sales - Organic % Growth

($ in Millions)

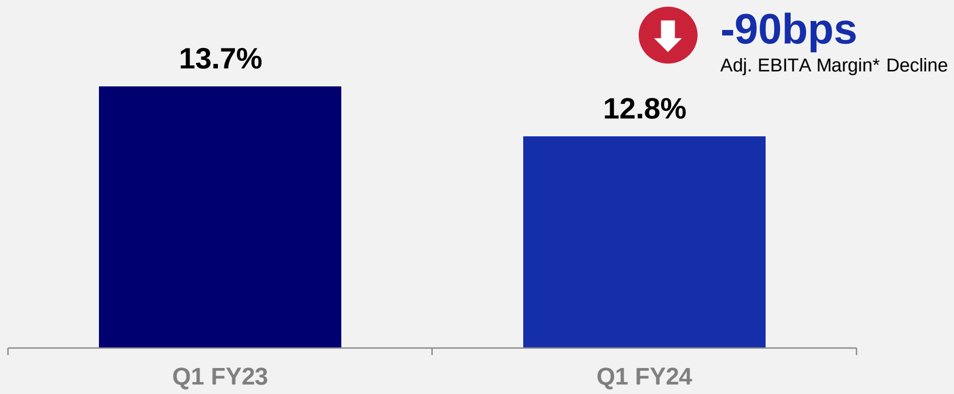


- Service +5%
- Install (4%)
- Global Products (1%)

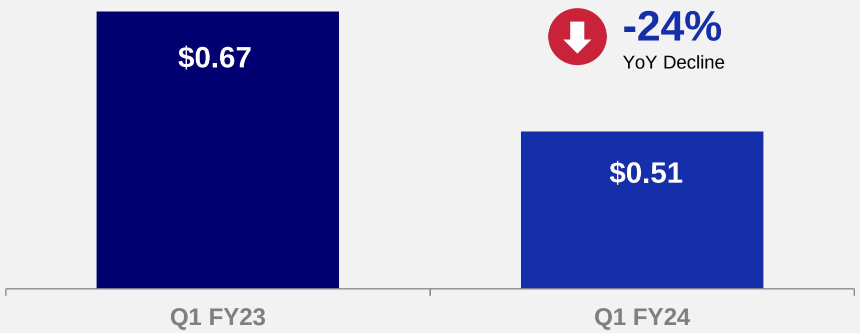
- FX: ~$30M
- M&A&D: ~$40M
- Growth: ~($45M)

JCI Adj. Segment EBITA/Margin*

($ in Millions)

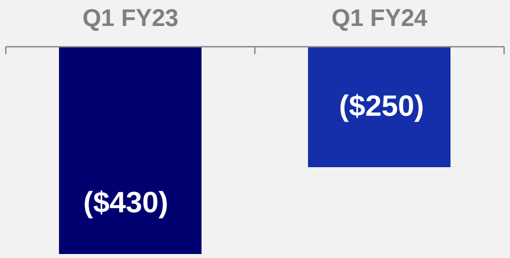


Adjusted EPS* (Continuing Operations)



Balance Sheet and Reported Adjusted Free Cash Flow*

($ in Millions)



Balance Sheet

- 89% fixed rate debt
- ~$1.8B cash position
- 2.2X Net Debt / EBITDA*

Adjusted Free Cash Flow*

- Normal Seasonal Usage; Stronger Start to the Year

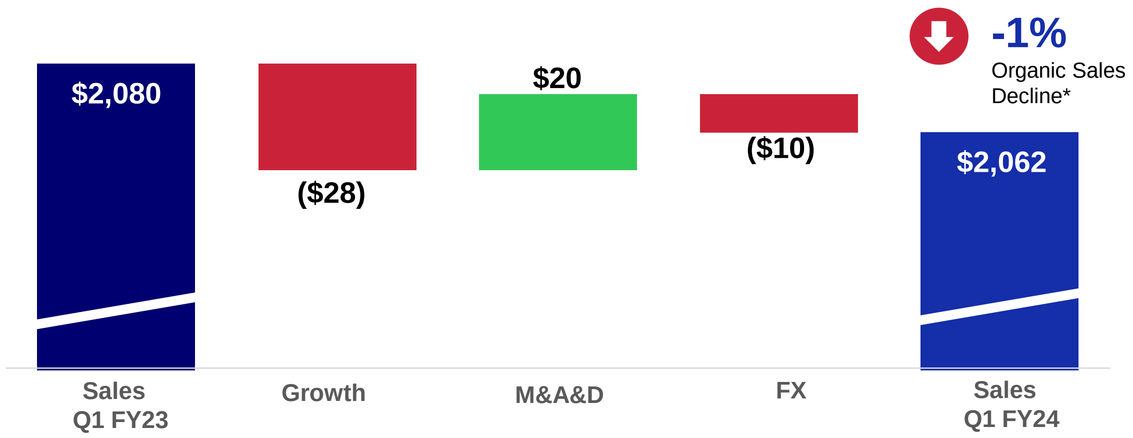
* Organic Sales Growth, Adjusted Segment EBITA/Margin, Adjusted Free Cash Flow, and Net Debt / EBITDA are non-GAAP measures and exclude special items. See footnotes for reconciliation.

Fiscal Q1 Results

Global Products Performance

Global Products Sales

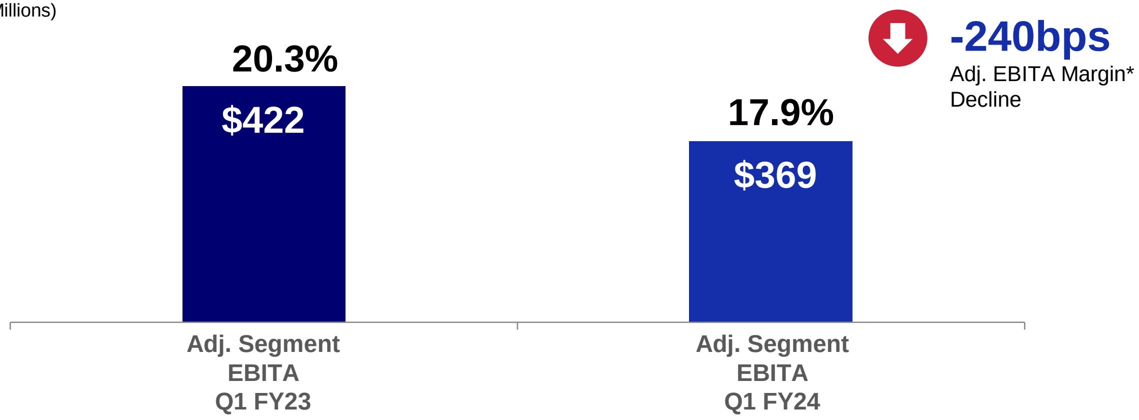
($ in Millions)



- Price +3% / Volume (4%)
- Commercial HVAC[2] +LSD
- Residential HVAC (HSD); NA Residential (>20%)
- Fire and Security (LSD)
- Industrial Refrigeration +>35%
- 3rd party backlog of $2.3B (10%)

Global Products Adj. Segment EBITA/Margin*

($ in Millions)



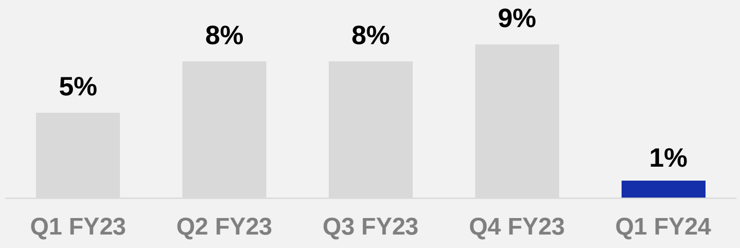
- Growth / Mix: ~($20M)
- Other: ~($40M)

*Organic Sales Growth and Adjusted Segment EBITA/Margin are non-GAAP measures and exclude special items. See footnotes for reconciliation.
[1] Lost and deferred sales
[2] Includes large commercial applied HVAC equipment, BMS and Controls, global unitary and VRF equipment and represents indirect sales of chiller and air handling equipment.

Fiscal Q1 Results

Building Solutions Performance

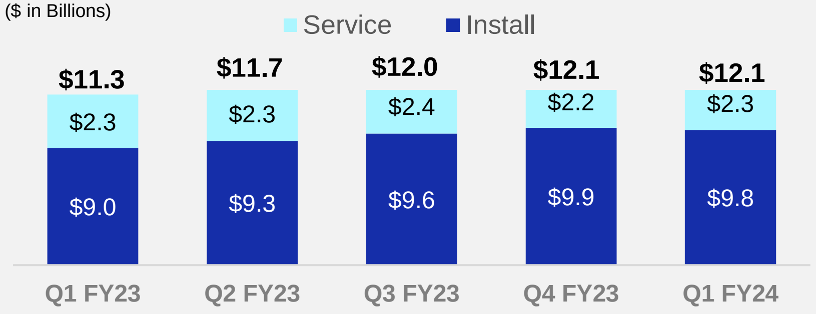
Building Solutions Orders - Organic % Growth



+1%
YoY Organic Growth

Service	**+5%**
Install	**-2%**

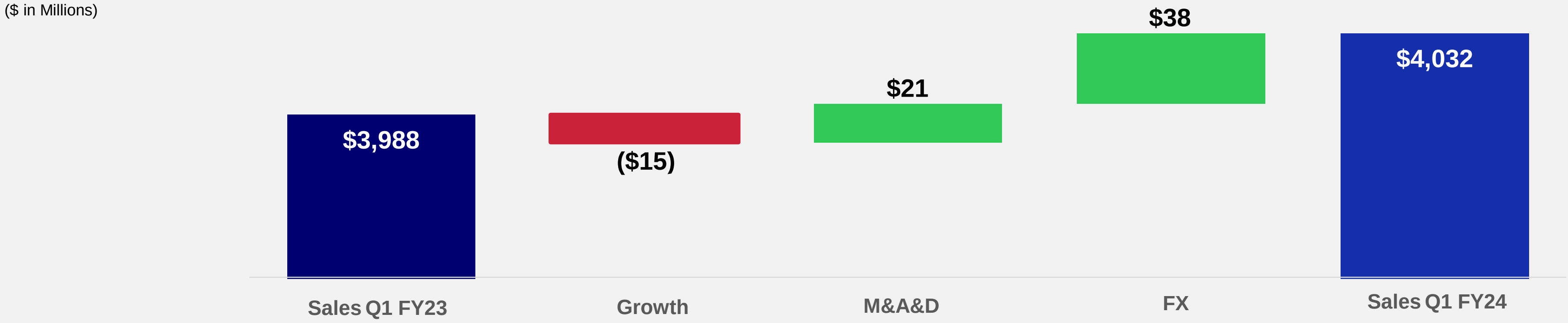
Building Solutions Backlog



+7%
YoY Organic Growth

Service	**+0%**
Install	**+8%**

Building Solutions Sales



+0%
Organic Sales Growth*

Service	**+5%**
Install	**-4%**

*Organic Sales Growth is a non-GAAP measure. See footnotes for reconciliation.

Fiscal Q1 Results

Building Solutions Performance by Segment

	Orders *Organic % Growth*	Orders / Backlog Comments	Sales *Organic % YoY**	Sales Comments	Adj. Segment EBITA/Margin* *Change YoY*	Adj. Segment EBITA Comments
NA	**+6%** Q1 FY23: 6% Q1 FY24: 6%	▪ **Orders** - Service +2% - Install +9% ▪ **Backlog** $8.4B, +11% - Service (3%) - Install +15%	**+4%** Q1 FY23: $2.4B Q1 FY24: $2.5B	▪ Service +4% ▪ Install +4% - Applied[1]: +low-teens - F&S[2]: (MSD) - SI: +LSD	**+20bps** Q1 FY23: $267, 11.3% Q1 FY24: $285, 11.5%	▪ Growth / Mix: ~$15M
EMEALA	**+5%** Q1 FY23: 5% Q1 FY24: 5%	▪ **Orders** - Service +12% - Install flat ▪ **Backlog** $2.4B, +10% - Service +10% - Install +10%	**+2%** Q1 FY23: $1.0B Q1 FY24: $1.0B	▪ Service +8% ▪ Install (3%) - Applied[1]: +LSD - F&S[2]: +LSD - IR: +LSD	**Flat** Q1 FY23: $75, 7.7% Q1 FY24: $80, 7.7%	▪ Growth / Mix: ~$15M ▪ Other: ~($10M)
APAC	**-31%** Q1 FY23: -1% Q1 FY24: -31%	▪ **Orders** - Service +2% - Install (43%) ▪ **Backlog** $1.3B, (21%) - Service (8%) - Install (22%)	**-21%** Q1 FY23: $0.6B Q1 FY24: $0.5B	▪ Service +5% ▪ Install (30%) - Applied[1]: (high-teens) - F&S[2]: (20%) - IR: (>40%)	**-140bps** Q1 FY23: $68, 10.5% Q1 FY24: $46, 9.1%	▪ Growth / Mix: ~($15M) ▪ Other: ~($5M)

*Organic Sales Growth and Adjusted Segment EBITA/Margin are non-GAAP measures and exclude special items. See footnotes for reconciliation.
[1] Includes large commercial applied HVAC equipment, BMS and Controls.
[2] Includes Retail.

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Outlook Summary

Introducing Q2 and Updating Full Year Guidance

	Q2'24	FY'24	FY'24 Comments
Organic Revenue*	~Flat	Up ~MSD (previous Up ~MSD)	▪ Anticipate continued China weakness ▪ Normalized seasonality ▪ Global Products stabilize 2H ▪ Strong backlog conversion ▪ Service up HSD
Segment EBITA Margin*	~14.5%	Up ~50 to 75bps (previous ~25bps+)	
Adjusted EPS*	~$0.74 to $0.78	~$3.60 to $3.75 (previous ~$3.65 to $3.80)	
Other Items*	Corp Expense: ~$95M Amort Expense:~$125M NFC: ~$105M NCI: ~$45M	Corp Expense: ~$360M Amort Expense: ~$500M NFC: ~$420M NCI: ~$215M	▪ Tax Rate: ~13.75% ▪ Shares: ~675M ▪ Adjusted Free Cash Flow: ~85%

*Organic Sales Growth, Segment EBITA/Margin, Adjusted Free Cash Flow conversion, and Adjusted EPS are non-GAAP measures and exclude special items. See footnotes for reconciliation.

Appendix

Fiscal Q1 Results

Broad-Based Global Reach

Organic Sales Growth* %	% of FY23 Sales	North America	EMEALA	Asia Pac	Global Products	Consolidated JCI
Applied[1]	40%	+low-teens	+LSD	(high-teens)	+LSD[2]	+LSD
Light Commercial[3]	6%				+LSD	+LSD
Commercial HVAC	46%				+LSD	+LSD
NA Residential	3%				(>20%)	(>20%)
ROW Residential	7%				+LSD	+LSD
Residential HVAC	10%				(HSD)	(HSD)
Fire and Security[4]	37%	(MSD)	+LSD	(20%)	(LSD)	(LSD)
Sustainability Infrastructure	3%	+LSD				+LSD
Industrial Refrigeration	4%		+LSD	(>40%)	+>35%	+LDD
Total	**100%**	**+4%**	**+2%**	**(21%)**	**(1%)**	**(1%)**

[1] Includes large commercial applied HVAC equipment, BMS and Controls.
[2] Represents indirect sales of chiller and air handling equipment.
[3] Includes global unitary and VRF equipment.
[4] Includes Retail.

*Organic Sales Growth is a non-GAAP measure. See footnotes for reconciliation.

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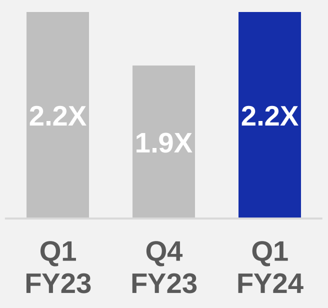
Disciplined Capital Allocation

Capital Structure ($ millions)	Q1 FY23	Q4 FY23	Q1 FY24
Short-term debt and current portion of long-term debt	$1,963	$1,030	$2,650
Long-term debt	$7,784	$7,818	$7,959
Total debt	**$9,747**	**$8,848**	**$10,609**
Less: cash and cash equivalents	$1,509	$835	$1,801
Net debt*	**$8,238**	**$8,013**	**$8,808**

Debt and liquidity

- **89% fixed** rate debt
- **3.4%** weighted avg interest rate
- **~$1.8B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)[1]
- ~$3B undrawn credit facilities
- Target Net Debt/EBITDA ~**2.0-2.5X**

Net Debt / EBITDA*



Adj. Free Cash Flow ($ millions)	Q1 FY23	Q1 FY24
Cash from operating activities, excluding JC Capital*	($296)	($158)
Capital expenditures, excluding JC Capital*	($134)	($92)
Reported Adj. FCF*	**($430)**	**($250)**

Free cash flow*

- Normal seasonal usage
- Working capital improvement continues in FY24

[1] The security ratings set forth above are issued by unaffiliated third-party rating agencies and are not a recommendation to buy, sell or hold securities. The ratings may be subject to revision or withdrawal by the assigning rating organization at any time.
*Non-GAAP measures. See footnotes for reconciliation.

Effective January 1, 2023, the Company has excluded the impact of its financing entity, JC Capital, from the calculation of free cash flow. Management believes this provides a more true representation of the company's operational ability to convert cash, without the contrary impact from financing activities.

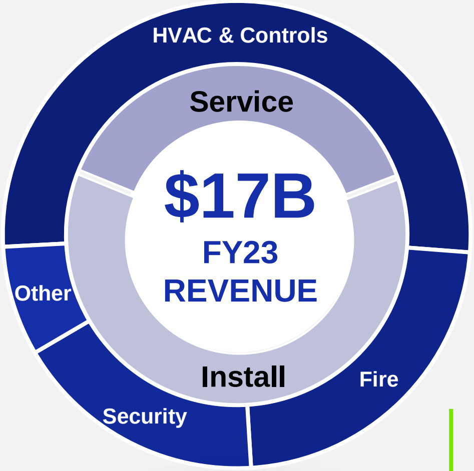
A Leader in Building Solutions

~$400B+ OPPORTUNITY[1]

Direct Channel

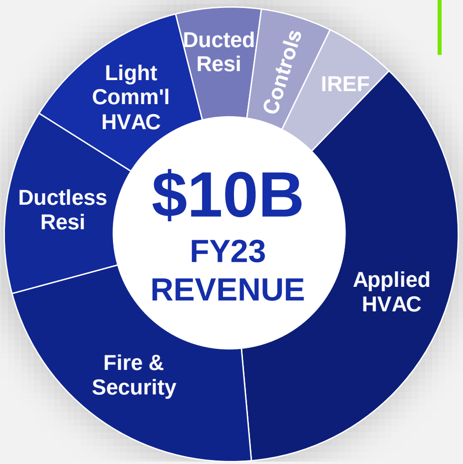
Indirect Channel

Building Solutions



- Installed systems during construction and retrofit
- Proactive services, maintenance, and parts
- Sustainability solutions

Global Products



- Full domain expertise
- Best-in-class product portfolio
- Go-to-Market through Indirect Channel and Direct Channel

ENABLED BY DIGITAL

OpenBlue

fm:systems

ENABLED BY DIGITAL

ENTERPRISE SOFTWARE SOLUTIONS

Single Pane of Glass Experience

Delivering Customer Outcomes

- Drive Energy Efficiency
- Achieve Sustainability
- Optimize Building Systems & Equipment
- Improve Real Estate Footprint Utilization
- Create Productive and Healthy Workspaces

SMART BUILDING PLATFORM

- Largest Repository of Building Equipment and Workplace Data
- Zero-trust Cybersecurity
- Award-winning AI
- Tailored, Actionable Insights

CONNECTED SERVICES

Connected Chillers
Connected Controls
Connected Security

Enhances Service Delivery to Customers

- Predictive Maintenance
- AI-powered Insight
- Local Technicians with Performance Data and Expertise

*Figures represent revenue for FY23

1. Service: ~$160B opportunity. Dodge, Navigant, CBRE, JCI Analysis; annual market size from 2021 through 2024 Decarbonization: ~$240B opportunity. Energy Information Administration, Guidehouse, Urban Green Council, Rocky Mountain Institute, JCI Analysis represents incremental opportunity; majority of total opportunity is retrofit. Remainder is rooftop solar and advisory services; total addressable market opportunity by 2035 Healthy Buildings: ~$10-$15B opportunity. CleanTech Research & Markets, Guidehouse; includes Install and Service; annual market size from 2021 through 2030

Fiscal Q1 2024

Consolidated Financial Results (Continuing Operations)

($ in Millions, except earnings per share)	Q1 FY23 GAAP	Q1 FY24 GAAP	Q1 FY23* NON-GAAP	Q1 FY24* NON-GAAP	% Change NON-GAAP
Sales	$6,068	$6,094	$6,068	$6,094	0%
Gross profit (% of sales)	$2,091 34.5%	$1,992 32.7%	$2,092 34.5%	$1,992 32.7%	-5%
SG&A expenses	$1,571	$1,513	$1,508	$1,512	0%
Restructuring and impairment costs	$345	$39	-	-	
Equity income	$62	$62	$62	$62	0%
EBIT*	$237	$502	$646	$542	-16%
EBIT margin*	**3.9%**	**8.2%**	**10.6%**	**8.9%**	
Net financing charges	$67	$99	$67	$99	48%
Income before income taxes	$170	$403	$579	$443	-23%
Income tax provision (benefit)	$14	$(1)	$78	$61	-22%
Net income	$156	$404	$501	$382	-24%
Income attributable to non-controlling interests	$38	$30	$38	$32	-16%
Net income attributable to JCI	$118	$374	$463	$350	-24%
Diluted EPS	**$0.17**	**$0.55**	**$0.67**	**$0.51**	**-24%**

*Non-GAAP excludes special items. See footnotes for reconciliation.

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Fiscal Q1 2024

Special Items (Continuing Operations)

($ in Millions, except EPS)

Q1 FY24	Pre-tax income (Expense)	Tax (Expense) benefit	NCI (Expense) income	After-tax/NCI income (Expense)	EPS impact
Mark-to-market adjustments	$22	$(5)	-	$17	$0.02
Restructuring and impairment costs	$(39)	$7	$2	$(30)	$(0.04)
Cyber incident costs	$(23)	$3	-	$(20)	$(0.03)
Discrete income tax items	-	$57	-	$57	$0.08
Total*	**$(40)**	**$62**	**$2**	**$24**	**$0.04**

Q1 FY23	Pre-tax income (Expense)	Tax (Expense) benefit	NCI (Expense) income	After-tax/NCI income (Expense)	EPS impact
Mark-to-market adjustments	$3	-	-	$3	$0.00
Restructuring and impairment costs	$(345)	$52	-	$(293)	$(0.42)
Transaction / separation costs	$(27)	$2	-	$(25)	$(0.04)
Warehouse fire loss	$(40)	$10	-	$(30)	$(0.05)
Total*	**$(409)**	**$64**	**$-**	**$(345)**	**$(0.50)**

*Totals may not sum due to rounding.

Johnson Controls

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JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	Three Months Ended December 31,	
	2023	2022
Net sales	$ 6,094	$ 6,068
Cost of sales	4,102	3,977
Gross profit	1,992	2,091
Selling, general and administrative expenses	1,513	1,571
Restructuring and impairment costs	39	345
Net financing charges	99	67
Equity income	62	62
Income before income taxes	403	170
Income tax provision (benefit)	(1)	14
Net income	404	156
Less: Income attributable to noncontrolling interests	30	38
Net income attributable to JCI	$ 374	$ 118
Diluted earnings per share	$ 0.55	$ 0.17
Diluted weighted average shares	682.4	690.3
Shares outstanding at period end	681.5	687.2

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	December 31, 2023	September 30, 2023
ASSETS		
Cash and cash equivalents	$ 1,801	$ 835
Accounts receivable - net	6,045	6,006
Inventories	3,006	2,776
Other current assets	1,202	1,120
Current assets	12,054	10,737
Property, plant and equipment - net	3,131	3,136
Goodwill	18,124	17,936
Other intangible assets - net	4,835	4,888
Investments in partially-owned affiliates	1,144	1,056
Other noncurrent assets	4,693	4,489
Total assets	$ 43,981	$ 42,242
LIABILITIES AND EQUITY		
Short-term debt and current portion of long-term debt	$ 2,650	$ 1,030
Accounts payable and accrued expenses	4,910	5,226
Other current liabilities	4,849	4,828
Current liabilities	12,409	11,084
Long-term debt	7,959	7,818
Other noncurrent liabilities	5,739	5,646
Shareholders' equity attributable to JCI	16,698	16,545
Noncontrolling interests	1,176	1,149
Total liabilities and equity	$ 43,981	$ 42,242

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	Three Months Ended December 31,	
	2023	2022
Operating Activities		
Net income attributable to JCI	$ 374	$ 118
Income attributable to noncontrolling interests	30	38
Net income	404	156
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	231	203
Pension and postretirement benefit income	(10)	(6)
Pension and postretirement contributions	(6)	(9)
Equity in earnings of partially-owned affiliates, net of dividends received	(56)	(56)
Deferred income taxes	(70)	(92)
Non-cash restructuring and impairment costs	9	294
Other - net	8	3
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	61	(88)
Inventories	(203)	(348)
Other assets	(191)	(68)
Restructuring reserves	(14)	14
Accounts payable and accrued liabilities	(414)	(338)
Accrued income taxes	5	39
Cash used by operating activities	(246)	(296)
Investing Activities		
Capital expenditures	(92)	(134)
Acquisition of businesses, net of cash acquired	(2)	(79)
Other - net	20	24
Cash used by investing activities	(74)	(189)
Financing Activities		
Increase in short and long-term debt - net	1,530	420
Stock repurchases and retirements	-	(154)
Payment of cash dividends	(252)	(241)
Other - net	(50)	(16)
Cash provided by financing activities	1,228	9
Effect of exchange rate changes on cash, cash equivalents and restricted cash	60	(14)
Increase (decrease) in cash, cash equivalents and restricted cash	$ 968	$ (490)

FOOTNOTES

1. Financial Summary

The Company evaluates the performance of its business units primarily on segment earnings before interest, taxes and amortization (EBITA), which represents income before income taxes and noncontrolling interests, excluding general corporate expenses, intangible asset amortization, net mark-to-market adjustments related to restricted asbestos investments and pension and postretirement plans, restructuring and impairment costs and net financing charges.

(in millions; unaudited)	Three Months Ended December 31, 2023 Actual	2023 Adjusted Non-GAAP	2022 Actual	2022 Adjusted Non-GAAP
Segment EBITA (1)				
Building Solutions North America	$ 285	$ 285	$ 267	$ 267
Building Solutions EMEA/LA	80	80	75	75
Building Solutions Asia Pacific	46	46	68	68
Global Products	$ 369	$ 369	$ 382	$ 422
Net income attributable to JCI	$ 374	$ 350	$ 118	$ 463
Income attributable to noncontrolling interests (2)	30	32	38	38
Net income	404	382	156	501
Less: Income tax benefit (provision) (3)	1	(61)	(14)	(78)
Income before income taxes	403	443	170	579
Net financing charges	99	99	67	67
EBIT (4)	$ 502	$ 542	$ 237	$ 646
EBIT margin (4)	8.2%	8.9%	3.9%	10.6%

(1) The Company's press release contains financial information regarding adjusted segment EBITA and adjusted segment EBITA margins, which are non-GAAP performance measures. The Company's definition of adjusted segment EBITA excludes other non-recurring items that are not considered to be directly related to the underlying operating performance of its businesses. Management believes these non-GAAP measures are useful to investors in understanding the ongoing operations and business trends of the Company.

The following is the three months ended December 31, 2023 and 2022 reconciliation of segment EBITA and segment EBITA margin as reported to adjusted segment EBITA and adjusted segment EBITA margin (unaudited):

(in millions)	Building Solutions North America 2023	2022	Building Solutions EMEA/LA 2023	2022	Building Solutions Asia Pacific 2023	2022	Global Products 2023	2022
Segment EBITA as reported	$ 285	$ 267	$ 80	$ 75	$ 46	$ 68	$ 369	$ 382
Segment EBITA margin as reported (5)	11.5%	11.3%	7.7%	7.7%	9.1%	10.5%	17.9%	18.4%
Adjusting items:								
Warehouse fire loss	-	-	-	-	-	-	-	40
Adjusted segment EBITA	$ 285	$ 267	$ 80	$ 75	$ 46	$ 68	$ 369	$ 422
Adjusted segment EBITA margin (5)	11.5%	11.3%	7.7%	7.7%	9.1%	10.5%	17.9%	20.3%

(2) Adjusted income attributable to noncontrolling interests for the three months ended December 31, 2023 excludes impact from restructuring and impairment costs of $2 million.

(3) Adjusted income tax provision for the three months ended December 31, 2023 excluded tax benefits related to Switzerland tax reform of $80 million and the net tax benefit of pre-tax adjusting items of $5 million, partially offset by tax provisions related to China APB23 adjustments of $23 million. Adjusted income tax provision for the three months ended December 31, 2022 excludes the net tax benefit of pre-tax adjusting items of $64 million.

(4) Management defines earnings before interest and taxes (EBIT) as income before net financing charges, income taxes and noncontrolling interests. EBIT margin is defined as EBIT divided by net sales. EBIT and EBIT margin are non-GAAP performance measures. Management believes these non-GAAP measures are useful to investors in understanding the ongoing operations and business trends of the Company. A reconciliation of net income to EBIT is shown earlier within this footnote. Adjusted EBIT for the three months ended December 31, 2023 excludes restructuring and impairment costs of $39 million, net mark-to-market gains on restricted asbestos investments of $22 million and certain cyber incident costs of $23 million. Adjusted EBIT for the three months ended December 31, 2022 excludes restructuring and impairment costs of $345 million, net mark-to-market gains on restricted asbestos investments and pension and postretirement plans of $3 million and certain transaction/separation costs of $27 million.

(5) Segment EBITA margin is defined as segment EBITA divided by segment net sales, as disclosed in the Company's press release.

The Company's press release and earnings presentation include forward-looking statements regarding organic revenue growth, adjusted segment EBITA margin improvement, adjusted free cash flow and adjusted EPS, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts excluded is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period and the high variability of certain amounts, such as mark-to-market adjustments. Organic revenue growth excludes the effect of acquisitions, divestitures and foreign currency. We are unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort or expense. The unavailable information could have a significant impact on the Company's fiscal 2024 second quarter and full year GAAP financial results.

2. Diluted Earnings Per Share Reconciliation

The Company's press release contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items shown in the table below are excluded because these items are not considered to be directly related to the underlying operating performance of the Company. Management believes this non-GAAP measure is useful to investors in understanding the ongoing operations and business trends of the Company.

A reconciliation of diluted earnings per share as reported to adjusted diluted earnings per share for the respective periods is shown below (unaudited):

	Net Income Attributable to JCI plc	
	Three Months Ended December 31,	
	2023	2022
Earnings per share as reported for JCI plc	$ 0.55	$ 0.17
Adjusting items:		
Net mark-to-market adjustments	(0.03)	-
Related tax impact	0.01	-
Restructuring and impairment costs	0.05	0.50
Related tax impact	(0.01)	(0.08)
Transaction/separation costs	-	0.04
Cyber incident costs	0.03	-
Warehouse fire loss	-	0.06
Related tax impact	-	(0.01)
Net discrete tax items	(0.08)	-
Adjusted earnings per share for JCI plc*	$ 0.51	$ 0.67

* May not sum due to rounding

The following table reconciles the denominators used to calculate basic and diluted earnings per share for JCI plc (in millions; unaudited):

	Three Months Ended December 31,	
	2023	2022
Weighted average shares outstanding for JCI plc		
Basic weighted average shares outstanding	680.7	687.0
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	1.7	3.3
Diluted weighted average shares outstanding	682.4	690.3

3. Organic Growth Reconciliation

The components of the change in net sales for the three months ended December 31, 2023 versus the three months ended December 31, 2022, including organic growth, are shown below (unaudited):

(in millions)	Net Sales for the Three Months Ended December 31, 2022	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Three Months Ended December 31, 2022	Acquisitions		Organic Growth		Net Sales for the Three Months Ended December 31, 2023	
Building Solutions North America	$ 2,367	$ -	-	$ 6	-	$ 2,373	$ 16	1%	$ 98	4%	$ 2,487	5%
Building Solutions EMEA/LA	975	-	-	42	4%	1,017	3	-	18	2%	1,038	6%
Building Solutions Asia Pacific	646	(17)	-3%	(10)	-2%	619	19	3%	(131)	-21%	507	-22%
Total Building Solutions	3,988	(17)	-	38	1%	4,009	38	1%	(15)	-	4,032	1%
Global Products	2,080	(2)	-	(10)	-	2,068	22	1%	(28)	-1%	2,062	-1%
Total net sales	$ 6,068	$ (19)	-	$ 28	-	$ 6,077	$ 60	1%	$ (43)	-1%	$ 6,094	-

The components of the change in total service revenue for the three months ended December 31, 2023 versus the three months ended December 31, 2022, including organic growth, are shown below (unaudited):

(in millions)	Service Revenue for the Three Months Ended December 31, 2022	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Service Revenue for the Three Months Ended December 31, 2022	Acquisitions		Organic Growth		Service Revenue for the Three Months Ended December 31, 2023	
Building Solutions North America	$ 916	$ -	-	$ 1	-	$ 917	$ 14	2%	$ 38	4%	$ 969	6%
Building Solutions EMEA/LA	423	(1)	-	8	2%	430	2	-	34	8%	466	10%
Building Solutions Asia Pacific	173	(17)	-10%	(2)	-1%	154	8	5%	8	5%	170	-2%
Total Building Solutions	1,512	(18)	-1%	7	-	1,501	24	2%	80	5%	1,605	6%
Global Products	-	-	-	-	-	-	-	-	-	-	-	-
Total service revenue	$ 1,512	$ (18)	-1%	$ 7	-	$ 1,501	$ 24	2%	$ 80	5%	$ 1,605	6%

The components of the change in total install revenue for the three months ended December 31, 2023 versus the three months ended December 31, 2022, including organic growth, are shown below (unaudited):

(in millions)	Install Revenue for the Three Months Ended December 31, 2022	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Install Revenue for the Three Months Ended December 31, 2022	Acquisitions		Organic Growth		Install Revenue for the Three Months Ended December 31, 2023	
Building Solutions North America	$ 1,451	$ -	-	$ 5	-	$ 1,456	$ 2	-	$ 60	4%	$ 1,518	5%
Building Solutions EMEA/LA	552	1	-	34	6%	587	1	-	(16)	-3%	572	4%
Building Solutions Asia Pacific	473	-	-	(8)	-2%	465	11	2%	(139)	-30%	337	-29%
Total Building Solutions	2,476	1	-	31	1%	2,508	14	1%	(95)	-4%	2,427	-2%
Global Products	2,080	(2)	-	(10)	-	2,068	22	1%	(28)	-1%	2,062	-1%
Total install revenue	$ 4,556	$ (1)	-	$ 21	-	$ 4,576	$ 36	1%	$ (123)	-3%	$ 4,489	-1%

4. Adjusted Free Cash Flow Conversion

The Company's press release contains financial information regarding adjusted free cash flow and adjusted free cash flow conversion, which are non-GAAP performance measures. We also present below free cash flow conversion from the GAAP measure of net income attributable to JCI. Effective January 1, 2023, the Company has excluded the impact of its financing entity, JC Capital, from the calculation of adjusted free cash flow. Management believes this provides a more true representation of the Company's operational ability to convert cash, without the contrary impact from financing activities. The impact on interim and annual periods prior to January 1, 2023 was not material. JC Capital cash flows that are excluded from the calculation of adjusted free cash flow primarily include activity associated with finance/notes receivables and inventory and/or capital expenditures related to lease arrangements. JC Capital net income that is excluded is primarily related to interest income on the finance/notes receivable and profit recognized on arrangements with sales-type lease components.

Adjusted free cash flow is defined as cash provided (used) by operating activities, excluding JC Capital, less capital expenditures, excluding JC Capital. Free cash flow conversion from net income is defined as free cash flow divided by net income attributable to JCI. Adjusted free cash flow conversion is defined as free cash flow divided by adjusted net income attributable to JCI, excluding JC Capital. Management believes these non-GAAP measures are useful to investors in understanding the strength of the Company and its ability to generate cash. These non-GAAP measures can also be used to evaluate our ability to generate cash flow from operations and the impact that this cash flow has on our liquidity.

The following is the three months ended December 31, 2023 and 2022 calculation of free cash flow and adjusted free cash flow (unaudited):

	Three Months Ended December 31, 2023		Three Months Ended December 31, 2022	
(in millions)	Consolidated JCI plc	Consolidated JCI plc, excluding JC Capital	Consolidated JCI plc	Consolidated JCI plc, excluding JC Capital
Cash used by operating activities	$ (246)	$ (158)	$ (296)	$ (296)
Capital expenditures	(92)	(92)	(134)	(134)
Free cash flow / Adjusted free cash flow (excluding JC Capital)	$ (338)	$ (250)	$ (430)	$ (430)

The following is the three months ended December 31, 2023 and 2022 calculation of free cash flow conversion from net income and adjusted free cash flow conversion (unaudited):

	Three Months Ended December 31, 2023		Three Months Ended December 31, 2022	
(in millions)	Consolidated JCI plc	Consolidated JCI plc, excluding JC Capital	Consolidated JCI plc	Consolidated JCI plc, excluding JC Capital
Net income attributable to JCI	$ 374	$ 372	$ 118	$ 118
Free cash flow conversion from net income	-90%	-67%	-364%	-364%
Adjusted net income attributable to JCI	$ 350	$ 348	$ 463	$ 463
Adjusted free cash flow conversion	-97%	-72%	-93%	-93%

5. Debt Ratios

The Company's earnings presentation provides financial information regarding net debt to adjusted EBITDA, which is a non-GAAP performance measure. We also present below net debt to income before income taxes. The Company believes these ratios are useful to understanding the Company's financial condition as they provide an overview of the extent to which the Company relies on external debt financing for its funding and are a measure of risk to its shareholders. The following is the December 31, 2023, September 30, 2023, and December 31, 2022 calculation of net debt to income before income taxes and net debt to adjusted EBITDA (unaudited):

(in millions)	December 31, 2023	September 30, 2023	December 31, 2022
Short-term debt and current portion of long-term debt	$ 2,650	$ 1,030	$ 1,963
Long-term debt	7,959	7,818	7,784
Total debt	10,609	8,848	9,747
Less: cash and cash equivalents	1,801	835	1,509
Total net debt	$ 8,808	$ 8,013	$ 8,238
Last twelve months income before income taxes	$ 1,943	$ 1,710	$ 1,390
Total net debt to income before income taxes	4.5x	4.7x	5.9x
Last twelve months adjusted EBITDA	$ 4,051	$ 4,127	$ 3,783
Total net debt to adjusted EBITDA	2.2x	1.9x	2.2x

The following is the last twelve months ended December 31, 2023, September 30, 2023, and December 31, 2022 reconciliation of net income to adjusted EBIT and adjusted EBITDA, which are non-GAAP performance measures (unaudited):

(in millions)	Last Twelve Months Ended December 31, 2023	Last Twelve Months Ended September 30, 2023	Last Twelve Months Ended December 31, 2022
Net income	$ 2,281	$ 2,033	$ 1,460
Income tax benefit	(338)	(323)	(70)
Net financing charges	313	281	227
EBIT	2,256	1,991	1,617
Adjusting items:			
Net mark-to-market adjustments	73	92	20
Restructuring and impairment costs	758	1,064	1,017
Environmental remediation and related reserves adjustment	-	-	255
Silent-Aire other nonrecurring costs	-	-	6
Silent-Aire earn-out adjustment	(30)	(30)	(43)
Charges attributable to the suspension of operations in Russia	-	-	11
Warehouse fire loss	-	40	40
Cyber incident costs	23	-	-
Transaction/separation costs	95	122	57
Adjusted EBIT (1)	3,175	3,279	2,980
Depreciation and amortization	876	848	803
Adjusted EBITDA (1)	$ 4,051	$ 4,127	$ 3,783

(1) The Company's definition of adjusted EBIT and adjusted EBITDA excludes special items that are not considered to be directly related to the underlying operating performance of its businesses. Management believes this non-GAAP measure is useful to investors in understanding the ongoing operations and business trends of the Company.

6. Income Taxes

The Company's effective tax rate before consideration of net mark-to-market adjustments, restructuring and impairment costs, discrete tax items, certain transaction/separation costs, cyber incident costs and warehouse fire loss for the three months ending December 31, 2023 and December 31, 2022 is approximately 13.75% and 13.5%, respectively.