

FISCAL Q2  
**2025 Earnings  
Conference Call**

May 7, 2025



# 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 some cases, these forward-looking statements can be identified by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “projects,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. 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 manage macroeconomic and geopolitical volatility, including changes to laws or policies governing foreign trade, including tariffs, economic sanctions, foreign exchange and capital controls, import/export controls or other trade restrictions as well as supply chain disruptions; the ability of Johnson Controls to manage general economic, business and capital market conditions, including the impacts of trade restrictions, recessions, economic downturns and global price inflation; Johnson Controls ability to develop or acquire new products and technologies that achieve market acceptance and meet applicable quality and regulatory requirements; the ability of Johnson Controls to execute on its operating model and drive organizational improvement; Johnson Controls ability to successfully execute and complete portfolio simplification, including the completion of the divestiture of the Residential and Light Commercial business, as well as the possibility that the expected benefits of such actions will not be realized or will not be realized within the expected time frame; the ability to hire and retain senior management and other key personnel, including successfully completing the Chief Executive Officer transition; the ability to innovate and adapt to emerging technologies, ideas and trends in the marketplace, including the incorporation of technologies such as artificial intelligence; fluctuations in the cost and availability of public and private financing for Johnson Controls customers; the ability to manage disruptions caused by international conflicts, including Russia and Ukraine and the ongoing conflicts in the Middle East; managing the risks and impacts of potential and actual security breaches, cyberattacks, privacy breaches or data breaches, 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; 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; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions; 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 fiscal year filed with the SEC, which is available at [www.sec.gov](http://www.sec.gov) and [www.johnsoncontrols.com](http://www.johnsoncontrols.com) under the “Investors” tab, and such factors may be updated from time to time in Johnson Controls filings with the SEC, which are or will be accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov). 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, certain earnout liability adjustments, water systems AFFF settlement charges and AFFF insurance recoveries, loss on divestitures, product quality issue costs, one-time EMEALA joint venture losses, and discrete tax items. Financial information regarding organic revenue growth, EBIT, adjusted EBIT, adjusted segment EBITA, adjusted segment EBITA margin, adjusted Corporate expense, net debt/EBITDA, adjusted cash provided by operating activities from continuing operations, 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 footnotes of the Company’s earnings release.

# Key Reminders and Non-GAAP Definitions

- Fiscal year 2025 guidance is being provided on a continuing operations basis, excluding the results of the Residential & Light Commercial (“R&LC”) business, which is classified as a discontinued operation.
- Organic sales represents the change in sales excluding the impact of acquisitions, divestitures and foreign currency.
- Segment margin is calculated based on earnings before interest, taxes and amortization (“EBITA”). Adjusted segment EBITA excludes items such as mark-to-market adjustments and restructuring and impairment costs, amongst other discrete or one-time items. Refer to the appendix for details of adjusting items.
- Free cash flow conversion is a non-GAAP measure calculated as cash provided by operating activities, less capital expenditures, and divided by net income. Adjusted free cash flow conversion excludes the impact of JC Capital financing activity, the AFFF legal settlement, and discontinuing our factoring program.
- For further information on the calculation of non-GAAP measures and a reconciliation of these non-GAAP measures, refer to the footnotes of the Company's earnings release.

# CEO Summary

## Executed across the portfolio and delivered strong results

- Organic sales growth of 7% with broad-based strength
- Adjusted Segment EBITA margin expanded 180 basis points to 16.7%
- Adjusted EPS up 19%
- Strong Q2 cash flow

## Bolstered growth with sustained orders and record backlog

- Orders grew 5% led by high single-digit growth in Service
- Backlog grew 12% to \$14B

## Well positioned with a solid foundation and dedicated team

- Broad-based and sustained demand for Johnson Controls solutions
- Opportunities to drive meaningful performance improvement with a customer-centric and continuous improvement (lean) approach
- Implementing operating model to enable market-leading performance

## Raising Guidance

- Updating FY adjusted EPS guidance to ~\$3.60
- Now expect adjusted FCF conversion of ~100%

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

**140** years  
powering  
your mission

Johnson  
Controls 

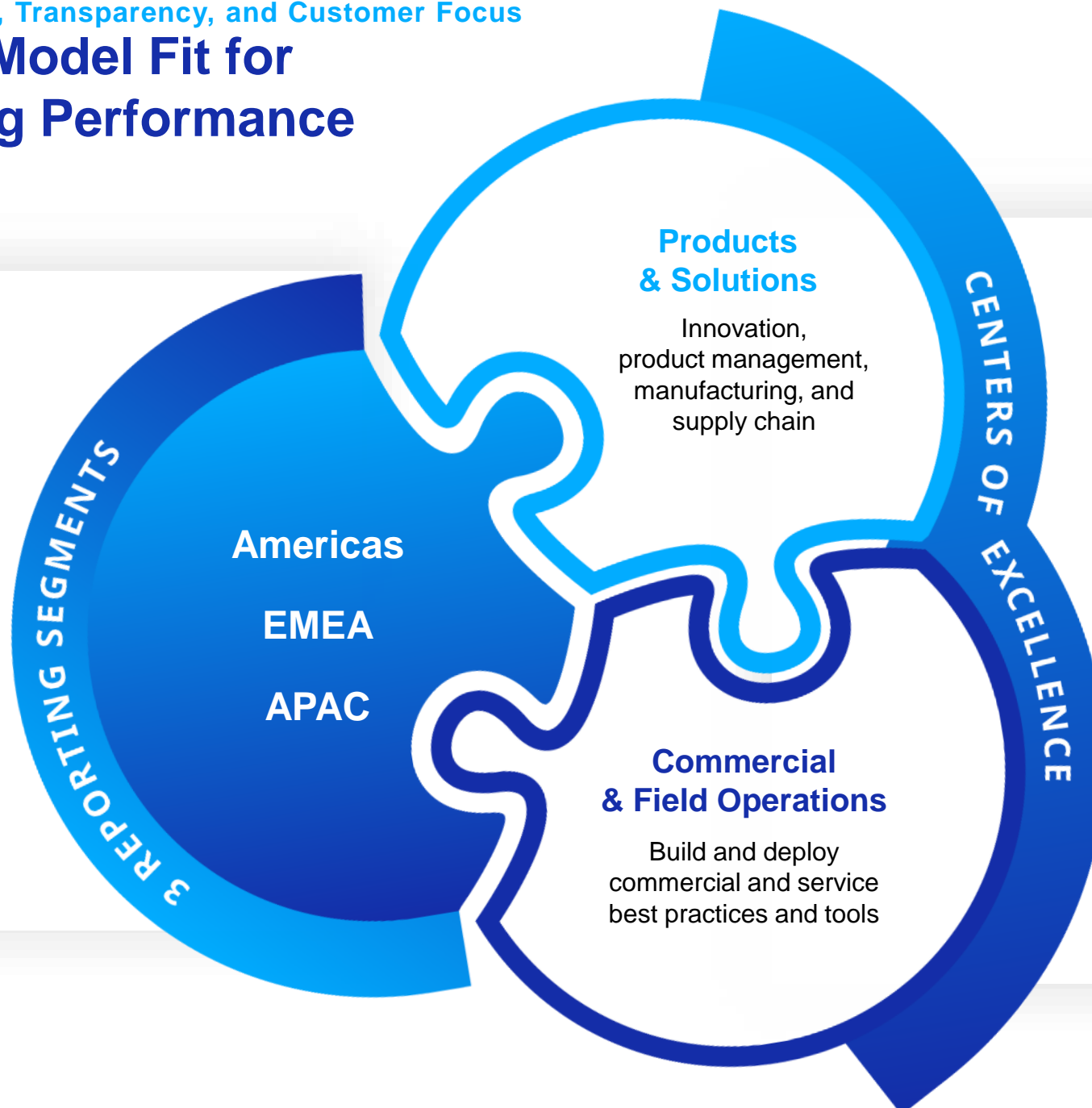
Increases Simplification, Transparency, and Customer Focus

# An Operating Model Fit for Market-Leading Performance

**Delivers** profitable growth and improves customer intimacy

**Serves** as commercial engine across Product, Systems, and Service sales

**Leverages** regional product management and lifecycle solutions



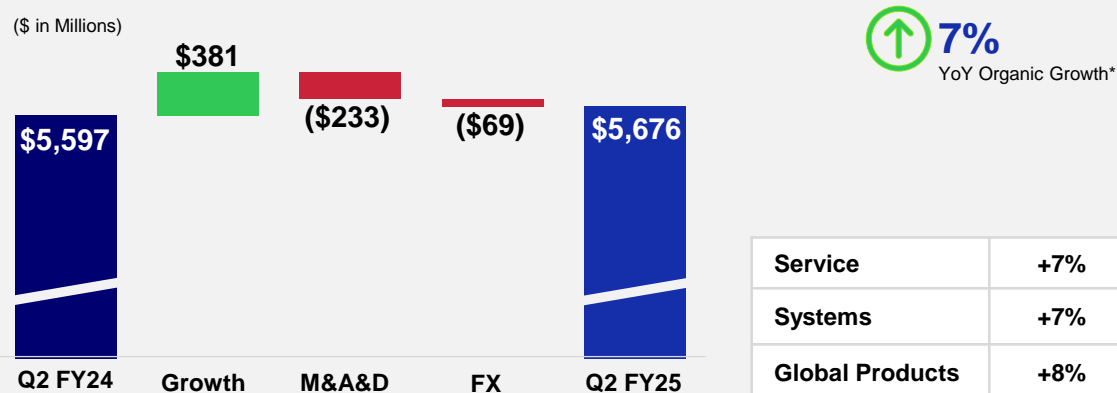
**Accelerates** innovation in world-class products and solutions

**Drives** improvement in manufacturing and supply chain performance

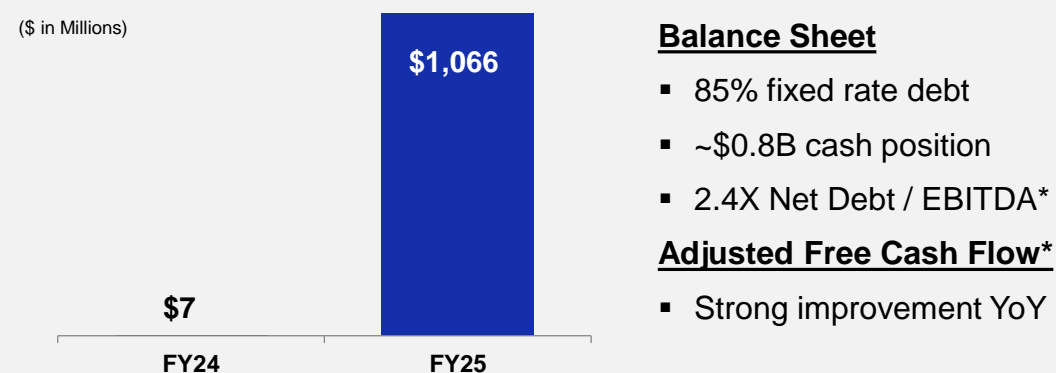
**Enhances** regional field commercial and service performance to accelerate growth and productivity

# Balanced Growth and Strong Margin Expansion

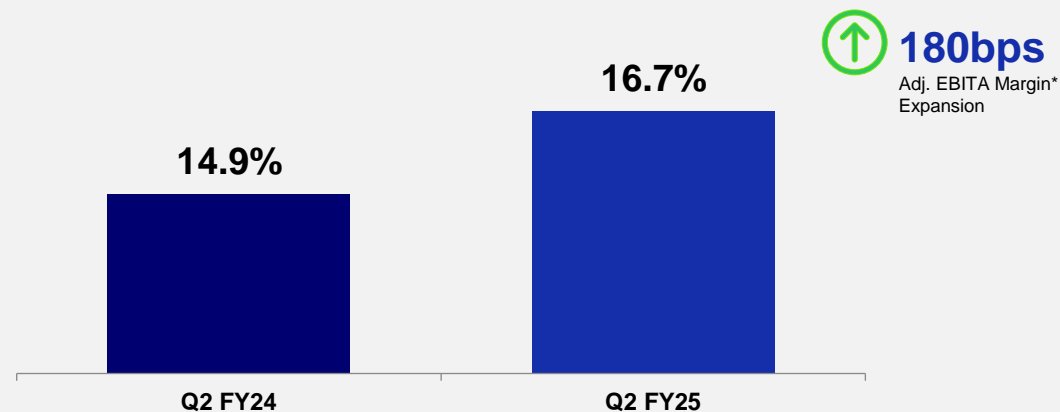
## JCI Sales - Organic % Growth\*



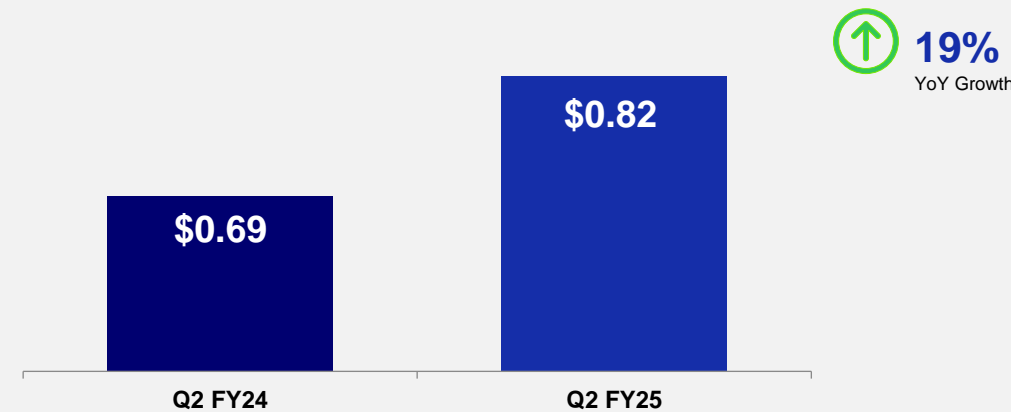
## Balance Sheet and FY25 YTD Adjusted Free Cash Flow\*



## JCI Adjusted Segment EBITA/Margin\*

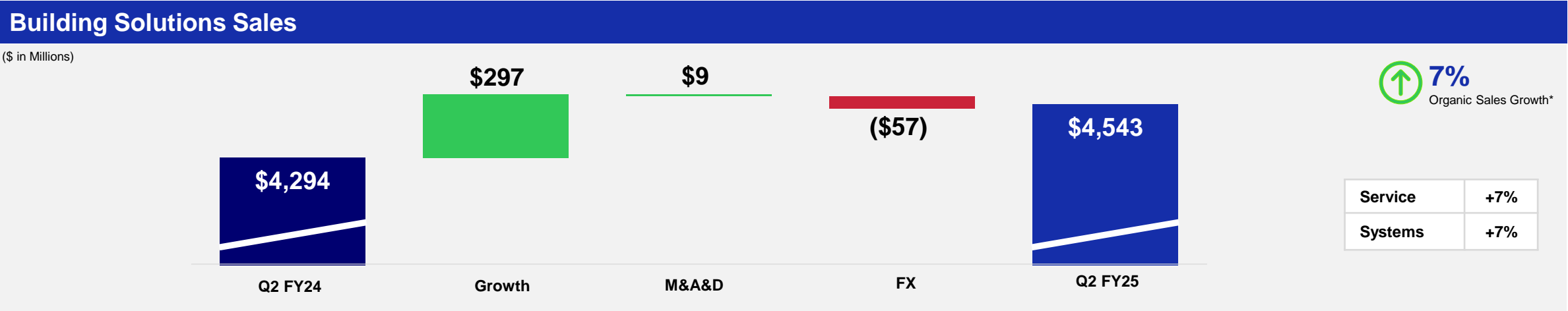
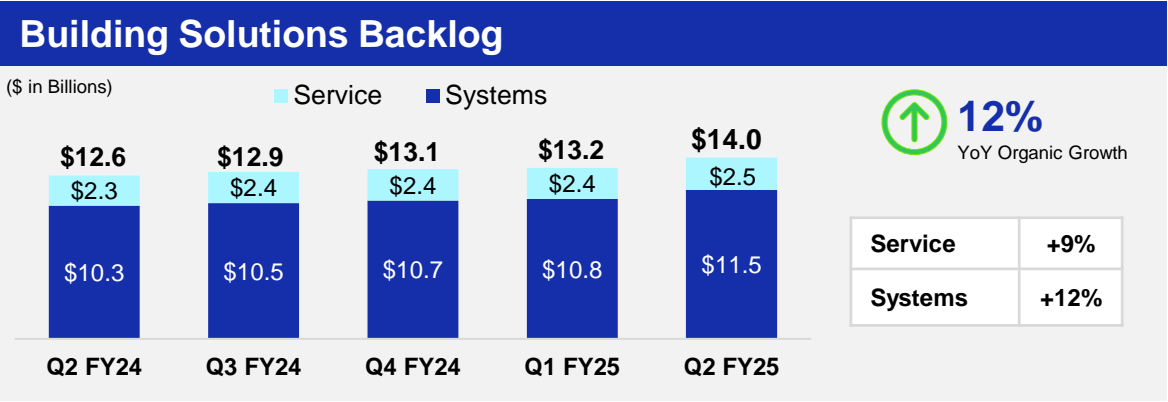
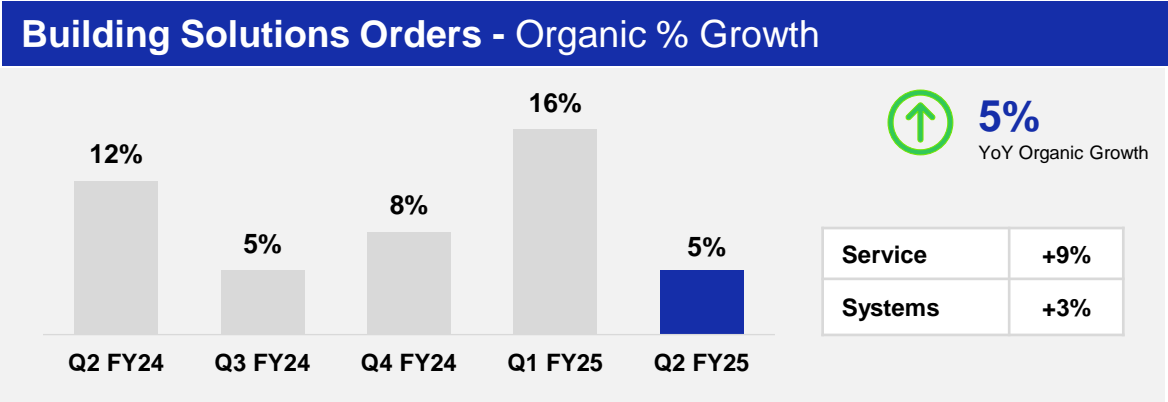


## Adjusted EPS\*



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

# Backlog Remains at Record Levels Supported by Continued Order Growth



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

# 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	<p>19% Q2 FY24      4% Q2 FY25</p>	<ul style="list-style-type: none"> <li><b>Orders</b> <ul style="list-style-type: none"> <li>- Service +6%</li> <li>- Systems +4%</li> </ul> </li> <li><b>Backlog</b> \$9.8B, +11%           <ul style="list-style-type: none"> <li>- Service +5%</li> <li>- Systems +12%</li> </ul> </li> </ul>	<p>\$2.7B      \$2.9B Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Service +5%</li> <li>- Systems +8%</li> <li>- Applied<sup>1</sup>: +low-teens</li> <li>- F&amp;S<sup>2</sup>: Flat</li> </ul>	<p>13.6% \$373      13.4% \$390 Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Net Growth: ~\$15M</li> <li>- Productivity: ~\$5M</li> <li>- Mix: ~(\$5M)</li> </ul>
EMEALA	<p>8%      10% Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li><b>Orders</b> <ul style="list-style-type: none"> <li>- Service +13%</li> <li>- Systems +8%</li> </ul> </li> <li><b>Backlog</b> \$2.7B, +10%           <ul style="list-style-type: none"> <li>- Service +20%</li> <li>- Systems +6%</li> </ul> </li> </ul>	<p>\$1.1B      \$1.1B Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Service +9%</li> <li>- Systems +1%</li> <li>- Applied<sup>1</sup>: +low-teens</li> <li>- F&amp;S<sup>2</sup>: +MSD</li> </ul>	<p>8.4% \$89      12.5% \$136 Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Net Growth: ~\$30M</li> <li>- Productivity: ~\$10M</li> </ul>
APAC	<p>Q2 FY24      0% -9%      Q2 FY25</p>	<ul style="list-style-type: none"> <li><b>Orders</b> <ul style="list-style-type: none"> <li>- Service +18%</li> <li>- Systems (7%)</li> </ul> </li> <li><b>Backlog</b> \$1.5B, +21%           <ul style="list-style-type: none"> <li>- Service +4%</li> <li>- Systems +23%</li> </ul> </li> </ul>	<p>\$0.5B      \$0.5B Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Service +15%</li> <li>- Systems +12%</li> <li>- Applied<sup>1</sup>: +high-teens</li> <li>- F&amp;S<sup>2</sup>: +MSD</li> </ul>	<p>11.0% \$54      14.6% \$79 Q2 FY24      Q2 FY25</p>	<ul style="list-style-type: none"> <li>- Productivity: ~\$30M</li> <li>- Mix: ~(\$5M)</li> </ul>

\*Organic Sales Growth and Adjusted Segment EBITA/Margin are non-GAAP measures and exclude special items. See footnotes for reconciliation.

<sup>1</sup> Includes large commercial applied HVAC equipment, BMS, and Controls.

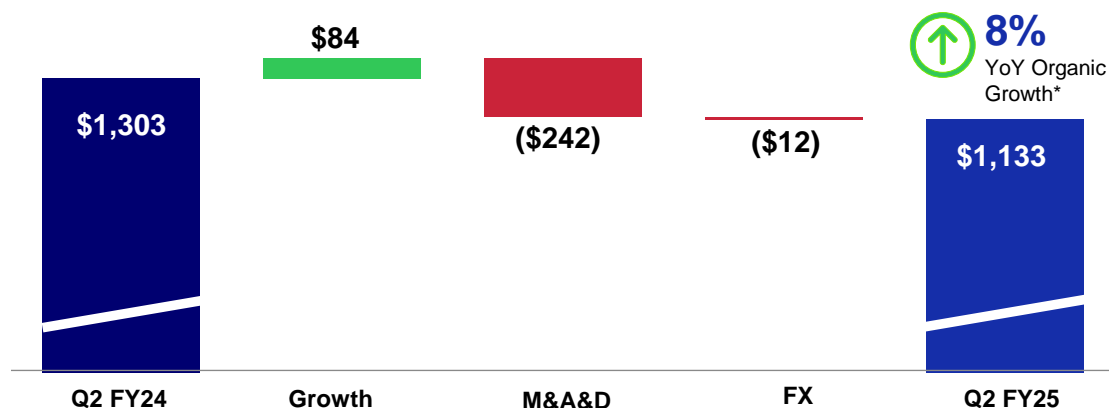
<sup>2</sup> Includes Retail.



# Margin Expansion Fueled by Strong Growth

## Global Products Sales

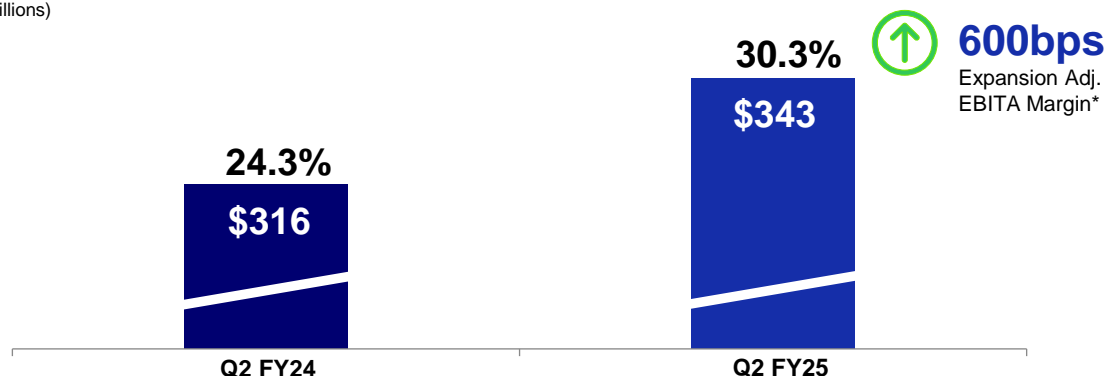
(\$ in Millions)



- Price +2% / Volume +6%
- Applied HVAC<sup>1</sup> +>20%
- Fire & Security +LSD
- Industrial Refrigeration (high-teens)

## Global Products Adj. Segment EBITA/Margin\*

(\$ in Millions)



- Net Growth: ~\$35M
- Productivity: ~\$20M
- Mix: ~(\$10M)
- Divestitures: ~(\$20M)

\*Organic Sales Growth and Adjusted Segment EBITA/Margin are non-GAAP measures and exclude special items. See footnotes for reconciliation.

<sup>1</sup> Includes large commercial applied HVAC equipment, BMS, and Controls, global unitary and VRF equipment and represents indirect sales of chiller and air handling equipment.

# Introducing Q3 and Raising Fiscal '25 Full Year Guidance (Continuing Operations)

	Q3'25	FY'25
Organic Revenue*	Up ~MSD	Up ~MSD (unchanged)
Adjusted Segment EBITA Margin*	~17.5%	Up ~90bps (previous: Up >80bps)
Adjusted EPS*	~\$0.97 to \$1.00	~\$3.60 (previous: ~\$3.50 to \$3.60)
Adjusted Free Cash Flow Conversion*		~100% (previous: 90%+)

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

Long Cycle Business + Resilient Service Mix = Limited Exposure

## Well Positioned to Navigate Tariffs and Market Uncertainty

Tariff exposure represents ~2% of Sales or ~3% of Cost of Goods sold (COGS)



Pricing pass  
through



Change order  
contractual  
adjustments



Regionalized  
manufacturing



Supply chain  
resiliency

# Appendix



## Additional FY 2025 Guidance Items (Continuing Operations)

	Q3'25	FY25
Corporate Expense*	~\$80M	~\$435M
Amortization Expense	~\$120M	~\$470M
NFC	~\$85M	~\$330M
Tax Rate	~12%	~12%
Shares	~658M	~660M

\*Adjusted Corporate expense includes certain stranded costs from divestiture transactions to be addressed by multi-year restructuring program

# Broad-Based Global Reach

Organic Sales Growth* %	% of FY24 Sales	North America	EMEALA	Asia Pac	Global Products	Consolidated JCI
Applied HVAC <sup>1</sup>	46%	+low-teens	+low-teens	+high-teens	+>20%	+mid-teens
Fire and Security <sup>4</sup>	44%	Flat	+MSD	+MSD	+LSD	+LSD
Sustainability Infrastructure	4%	(LSD)				(LSD)
Industrial Refrigeration	6%		(HSD)	+HSD	(high-teens)	(HSD)
<b>Total</b>	<b>100%<sup>5</sup></b>	<b>+7%</b>	<b>+5%</b>	<b>+13%</b>	<b>+8%</b>	<b>+7%</b>

<sup>1</sup> Includes large commercial applied HVAC equipment, BMS, and Controls.

<sup>2</sup> Represents indirect sales of chiller and air handling equipment.

<sup>3</sup> Includes global unitary and VRF equipment.

<sup>4</sup> Includes Retail.

<sup>5</sup> Totals might not add up to 100% due to rounding

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



## Balance Sheet and Adjusted Free Cash Flow

# Disciplined Capital Allocation

Capital Structure (\$ billions)	Q2 FY24	Q1 FY25	Q2 FY25	
Short-term debt and current portion of long-term debt	\$3.4	\$1.4	\$1.8	
Long-term debt	\$7.3	\$8.6	\$8.2	
Total debt	\$10.7	\$10.0	\$10.0	
Less: cash and cash equivalents	\$0.8	\$1.2	\$0.8	
Net debt*	\$9.9	\$8.8	\$9.2	
Adj. Free Cash Flow* (\$ billions)	Q2 FY24	Q2 FY25	YTD FY24	YTD FY25
Free cash flow	(\$0.4)	\$0.5	(\$0.6)	\$0.6
Less: JC Capital free cash flow	-	-	(\$0.1)	(\$0.1)
Less: AFFF Settlement Payments and related insurance recoveries	-	-	-	(\$0.4)
Less: Impact of discontinuation of factoring programs	(\$0.6)	-	(\$0.5)	-
Reported Adj. Free Cash Flow*	\$0.2	\$0.5	\$0.0	\$1.1

\*Non-GAAP measures. See footnotes for reconciliation.

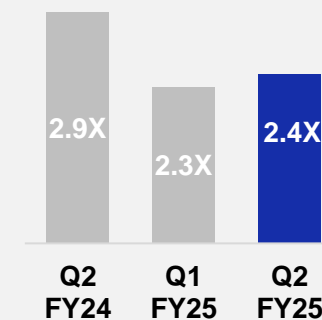
\*Adjusted free cash flow and net debt / EBITDA are non-GAAP measures. Refer to footnotes for reconciliation. During the three months ended March 31, 2024, the Company discontinued its receivables factoring program. Effective January 1, 2024, the Company has excluded the impact of the discontinuation of its accounts receivables factoring programs from the calculation of adjusted free cash flow.

<sup>1</sup>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.

### Debt and liquidity

- **85% fixed** rate debt
- **3.6%** weighted avg interest rate
- **~\$0.8B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)<sup>1</sup>
- ~\$3B undrawn credit facilities
- Target Net Debt/EBITDA **~2.0-2.5X**

### Net Debt / EBITDA\*



# Consolidated Financial Results

(\$ in Millions, except earnings per share)	Q2 FY24 GAAP	Q2 FY25 GAAP	Q2 FY24* NON-GAAP	Q2 FY25* NON-GAAP	% Change NON-GAAP
Sales	\$5,597	\$5,676	\$5,597	\$5,676	1%
Gross profit (% of sales)	\$1,922 34.3%	\$2,069 36.5%	\$1,955 34.9%	\$2,069 36.5%	6%
SG&A expenses	\$2,064	\$1,427	\$1,327	\$1,369	3%
Restructuring and impairment costs	\$239	\$62	-	-	-
Equity income (loss)	\$(1)	1	\$(1)	1	NM
EBIT*	\$(382)	\$581	\$627	\$701	12%
Net financing charges	\$89	\$80	\$89	\$80	-10%
Income (loss) from continuing operations before income taxes	\$(471)	\$501	\$538	\$621	15%
Income tax provision (benefit)	\$(153)	\$26	\$64	\$74	16%
Income (loss) from continuing operations	\$(318)	\$475	\$474	\$547	15%
Income from discontinued operations, net of tax	\$84	\$51	\$104	\$88	-15%
Net income (loss)	\$(234)	\$526	\$578	\$635	10%
Income (loss) from continuing operations attributable to non-controlling interests	\$ 3	\$ 2	\$ 3	\$ 2	-33%
Income from discontinued operations attributable to non-controlling interests	\$40	\$46	\$42	\$46	10%
Net income (loss) attributable to Johnson Controls	\$(277)	\$478	\$533	\$587	10%
Income (loss) from continuing operations	\$(321)	\$473	\$471	\$545	16%
Income from discontinued operations	\$44	\$5	\$62	\$42	-32%
<b>Diluted EPS continuing ops</b>	<b>\$(0.47)</b>	<b>\$0.71</b>	<b>\$0.69</b>	<b>\$0.82</b>	<b>19%</b>
<b>Diluted EPS discontinued ops</b>	<b>\$0.06</b>	<b>\$0.01</b>	<b>\$0.09</b>	<b>\$0.06</b>	<b>-33%</b>
<b>Total EPS</b>	<b>\$(0.41)</b>	<b>\$0.72</b>	<b>\$0.78</b>	<b>\$0.88</b>	<b>13%</b>

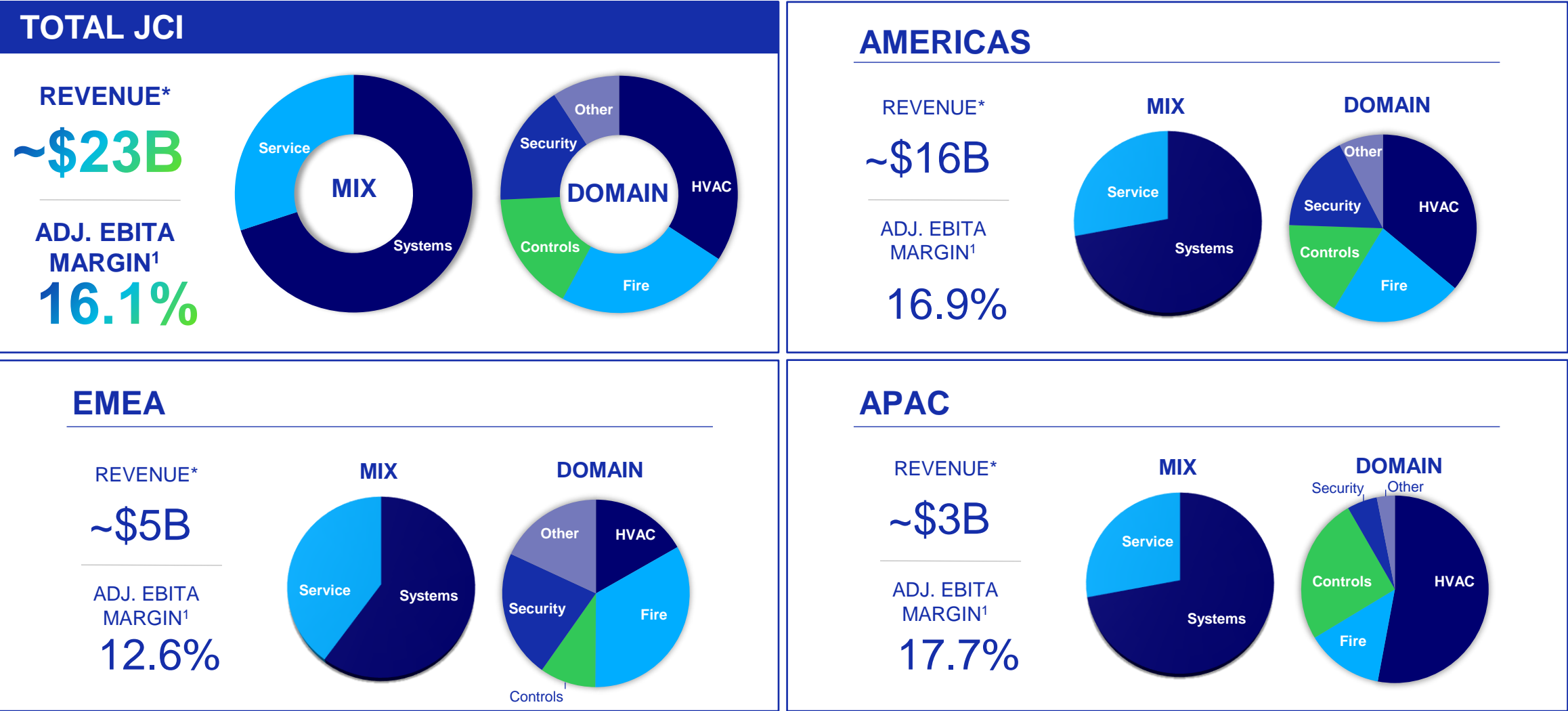


# Special Items

(\$ in Millions, except EPS)

Three Months Ended March 31	Net income (Expense)		EPS impact	
	2024	2025	2024	2025
Net mark-to-market adjustments	\$15	\$(13)	\$0.02	\$(0.02)
Earn-out adjustments	\$7	-	\$0.01	-
Restructuring and impairment costs	\$(239)	\$(62)	\$(0.35)	\$(0.09)
Water systems AFFF settlement	\$(750)	-	\$(1.10)	-
Water systems AFFF insurance recoveries	-	\$8	-	\$0.01
Global Products product quality costs	\$(33)	-	\$(0.05)	-
Transaction/separation costs	\$(5)	\$(7)	\$(0.01)	\$(0.01)
Transformation costs	-	\$(46)	-	\$(0.07)
Cyber incident costs	\$(4)	-	\$(0.01)	-
Discrete tax items	-	\$36	-	\$0.05
Related tax impact	\$217	\$12	\$0.32	\$0.02
<b>Total*</b>	<b>\$(792)</b>	<b>\$(72)</b>	<b>\$(1.16)</b>	<b>\$(0.11)</b>

# A Comprehensive Portfolio of Lifecycle Solutions



\*Represents FY24 Sales from Continuing Operations.  
¹ Adjusted Segment EBITA/Margin is a non-GAAP measure and excludes special items. See footnotes for reconciliation.

# We're celebrating 140 years of industry firsts!

- The first room thermostat
- The first building automation system
- The first air-conditioned commercial building
- The first automatic sprinkler
- The first security panel with a remote arming keypad



**140** years  
powering  
your mission



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[www.johnsoncontrols.com](http://www.johnsoncontrols.com)



## FINANCIAL STATEMENTS

### Johnson Controls International plc Consolidated Statements of Income (in millions, except per share data; unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
Net sales				
Products and systems	\$ 3,865	\$ 3,883	\$ 7,550	\$ 7,487
Services	1,811	1,714	3,552	3,319
	<u>5,676</u>	<u>5,597</u>	<u>11,102</u>	<u>10,806</u>
Cost of sales				
Products and systems	2,523	2,616	4,979	5,107
Services	1,084	1,059	2,128	1,999
	<u>3,607</u>	<u>3,675</u>	<u>7,107</u>	<u>7,106</u>
Gross profit	2,069	1,922	3,995	3,700
Selling, general and administrative expenses	1,427	2,064	2,826	3,398
Restructuring and impairment costs	62	239	95	274
Net financing charges	80	89	166	176
Equity income (loss)	<u>1</u>	<u>(1)</u>	<u>1</u>	<u>(3)</u>
Income (loss) from continuing operations before income taxes	501	(471)	909	(151)
Income tax provision (benefit)	<u>26</u>	<u>(153)</u>	<u>73</u>	<u>(173)</u>
Income (loss) from continuing operations	475	(318)	836	22
Income from discontinued operations, net of tax	<u>51</u>	<u>84</u>	<u>141</u>	<u>148</u>
Net income (loss)	526	(234)	977	170
Income (loss) attributable to noncontrolling interests				
Continuing operations	2	3	—	3
Discontinued operations	46	40	80	70
Net income (loss) attributable to Johnson Controls	<u>\$ 478</u>	<u>\$ (277)</u>	<u>\$ 897</u>	<u>\$ 97</u>
Income (loss) attributable to Johnson Controls				
Continuing operations	\$ 473	\$ (321)	\$ 836	\$ 19
Discontinued operations	<u>5</u>	<u>44</u>	<u>61</u>	<u>78</u>
Total	<u>\$ 478</u>	<u>\$ (277)</u>	<u>\$ 897</u>	<u>\$ 97</u>
Basic earnings (loss) per share attributable to Johnson Controls				
Continuing operations	\$ 0.72	\$ (0.47)	\$ 1.27	\$ 0.03
Discontinued operations	<u>0.01</u>	<u>0.06</u>	<u>0.09</u>	<u>0.11</u>
Total	<u>\$ 0.73</u>	<u>\$ (0.41)</u>	<u>\$ 1.36</u>	<u>\$ 0.14</u>
Diluted earnings (loss) per share attributable to Johnson Controls				
Continuing operations	\$ 0.71	\$ (0.47)	1.26	0.03
Discontinued operations	<u>0.01</u>	<u>0.06</u>	<u>0.09</u>	<u>0.11</u>
Total	<u>\$ 0.72</u>	<u>\$ (0.41)</u>	<u>\$ 1.35</u>	<u>\$ 0.14</u>

**Johnson Controls International plc**  
**Condensed Consolidated Statements of Financial Position**  
(in millions; unaudited)

	March 31, 2025	September 30, 2024
<b>Assets</b>		
Cash and cash equivalents	\$ 795	\$ 606
Accounts receivable - net	5,858	6,051
Inventories	1,756	1,774
Current assets held for sale	1,856	1,595
Other current assets	1,085	1,153
Current assets	<u>11,350</u>	<u>11,179</u>
Property, plant and equipment - net	2,422	2,403
Goodwill	16,509	16,725
Other intangible assets - net	3,883	4,130
Noncurrent assets held for sale	3,101	3,210
Other noncurrent assets	5,102	5,048
Total assets	<u><u>\$ 42,367</u></u>	<u><u>\$ 42,695</u></u>
<b>Liabilities and Equity</b>		
Short-term debt	\$ 1,261	\$ 953
Current portion of long-term debt	558	536
Accounts payable	3,254	3,389
Accrued compensation and benefits	832	1,048
Deferred revenue	2,380	2,160
Current liabilities held for sale	1,544	1,431
Other current liabilities	1,988	2,438
Current liabilities	<u>11,817</u>	<u>11,955</u>
Long-term debt	8,167	8,004
Pension and postretirement benefit obligations	181	217
Noncurrent liabilities held for sale	429	405
Other noncurrent liabilities	4,741	4,753
Long-term liabilities	<u>13,518</u>	<u>13,379</u>
Shareholders' equity attributable to Johnson Controls	15,805	16,098
Noncontrolling interests	1,227	1,263
Total equity	<u>17,032</u>	<u>17,361</u>
Total liabilities and equity	<u><u>\$ 42,367</u></u>	<u><u>\$ 42,695</u></u>

## Consolidated Statements of Cash Flows

(in millions; unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
<b>Operating Activities of Continuing Operations</b>				
Income (loss) from continuing operations attributable to Johnson Controls	\$ 473	\$ (321)	\$ 836	\$ 19
Income from continuing operations attributable to noncontrolling interests	2	3	—	3
Income (loss) from continuing operations	475	(318)	836	22
Adjustments to reconcile net income to cash provided (used) by operating activities:				
Depreciation and amortization	202	215	395	423
Pension and postretirement income and contributions	(21)	(15)	(37)	(31)
Deferred income taxes	(53)	(339)	(107)	(419)
Noncash restructuring and impairment charges	25	244	33	253
Equity-based compensation	31	25	59	54
Other - net	24	(15)	32	(37)
Changes in assets and liabilities:				
Accounts receivable	(191)	(549)	93	(509)
Inventories	(12)	(29)	(27)	(135)
Other assets	(42)	5	(213)	(190)
Restructuring reserves	(5)	(46)	(3)	(60)
Accounts payable and accrued liabilities	180	517	(227)	202
Accrued income taxes	(63)	(21)	(35)	(10)
Cash provided (used) by operating activities from continuing operations	550	(326)	799	(437)
<b>Investing Activities of Continuing Operations</b>				
Capital expenditures	(94)	(128)	(210)	(210)
Other - net	(18)	(4)	(7)	14
Cash used by investing activities from continuing operations	(112)	(132)	(217)	(196)
<b>Financing Activities of Continuing Operations</b>				
Net proceeds from borrowings with maturities less than three months	346	427	358	1,543
Proceeds from debt	—	—	775	422
Repayments of debt	(502)	(163)	(502)	(163)
Stock repurchases and retirements	(330)	(474)	(660)	(474)
Payment of cash dividends	(245)	(252)	(490)	(504)
Proceeds from the exercise of stock options	61	8	105	20
Employee equity-based compensation withholding taxes	(2)	(1)	(31)	(24)
Other - net	(3)	(41)	(29)	(80)
Cash provided (used) by financing activities from continuing operations	(675)	(496)	(474)	740
<b>Discontinued Operations</b>				
Cash provided (used) by operating activities	49	123	47	(12)
Cash used by investing activities	(17)	(5)	(27)	(15)
Cash used by financing activities	(65)	(55)	(65)	(63)
Cash provided (used) by discontinued operations	(33)	63	(45)	(90)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(169)	(41)	(15)	19
Change in cash, cash equivalents and restricted cash held for sale	(1)	(4)	3	1
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	(440)	(936)	51	37
Cash, cash equivalents and restricted cash at beginning of period	1,258	1,890	767	917
Cash, cash equivalents and restricted cash at end of period	818	954	818	954
Less: Restricted cash	23	116	23	116
<b>Cash and cash equivalents at end of period</b>	<b>\$ 795</b>	<b>\$ 838</b>	<b>\$ 795</b>	<b>\$ 838</b>

## FOOTNOTES

### 1. Sale of Residential and Light Commercial HVAC Business

The Company signed a definitive agreement in July 2024 to sell its Residential and Light Commercial ("R&LC") HVAC business, which includes the North America Ducted businesses and the global Residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which Johnson Controls owns 60% and Hitachi owns 40%. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as a discontinued operation and, as a result, its historical financial results are reflected in the consolidated financial statements as a discontinued operation, and assets and liabilities were reclassified as held for sale for all periods presented. Unless otherwise noted, all activities and amounts reported in the following footnotes include only continuing operations of the Company and exclude activities and amounts related to the R&LC HVAC business.

### 2. Non-GAAP Measures

The Company reports various non-GAAP measures in this earnings release and the related earnings presentation. Non-GAAP measures should be considered in addition to, and not as replacements for, the most comparable GAAP measures. Refer to footnotes three through eight for further information on the calculations of the non-GAAP measures and reconciliations of the non-GAAP measures to the most comparable GAAP measures.

#### Organic sales

Organic sales growth excludes the impact of acquisitions, divestitures and foreign currency. Management believes organic sales growth is useful to investors in understanding period-over-period sales results and trends.

#### Cash flow

Management believes free cash flow and adjusted free cash flow 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 the Company's ability to generate cash flow from operations and the impact that this cash flow has on its liquidity. Management also believes adjusted free cash flows are useful to investors in understanding period-over-period cash flows, cash trends and ongoing cash flows of the Company.

Adjusted free cash flow and adjusted free cash flow conversion are non-GAAP measures which exclude the impacts of the following:

- JC Capital cash flows primarily include activity associated with finance/notes receivables and inventory and/or capital expenditures related to lease arrangements. JC Capital net income is primarily related to interest income on the finance/notes receivable and profit recognized on arrangements with sales-type lease components.
- Effective January 1, 2024, the Company has excluded the impact of discontinuing its accounts receivables factoring programs from adjusted free cash flow and adjusted free cash flow conversion. The Company has also re-baselined the prior year adjusted free cash flow measures to present a more comparative measure without the impact of factoring.
- Cash payments related to the water systems AFFF settlement and cash receipts for AFFF-related insurance recoveries.

#### Adjusted financial measures

Adjusted financial measures include adjusted segment EBITA, adjusted segment EBITA margin, adjusted net income, adjusted earnings per share, adjusted EBIT, adjusted EBITDA and adjusted corporate expenses. These non-GAAP measures are derived by excluding certain amounts from the corresponding financial measures determined in accordance with GAAP. The determination of the excluded amounts is a matter of management judgment and depends upon the nature and variability of the underlying expense or income amounts and other factors.

As detailed in the tables included in footnotes five through eight, the following items were excluded from certain financial measures:



- **Net mark-to-market adjustments** are the result of adjusting restricted asbestos investments and pension and postretirement plan assets to their current market value. These adjustments may have a favorable or unfavorable impact on results.
- **Restructuring and impairment costs, net of NCI** represents restructuring costs attributable to Johnson Controls including costs associated with exit plans or other restructuring plans that will have a more significant impact on the underlying cost structure of the organization. Impairment costs primarily relate to write-downs of goodwill, intangible assets and assets held for sale to their fair value.
- **Water systems AFFF settlement and insurance recoveries** include amounts related to a settlement with a nationwide class of public water systems concerning the use of AFFF manufactured and sold by a subsidiary of the Company, and AFFF-related insurance recoveries.
- **Transaction/separation costs** include costs associated with significant mergers and acquisitions.
- **Transformation costs** represent incremental expenses incurred in association with strategic growth initiatives and cost saving opportunities in order to realize the benefits of portfolio simplification and the Company's lifecycle solutions strategy.
- **Earn-out adjustments** relate to earn-out liabilities associated with certain significant acquisitions and may have a favorable or unfavorable impact on results.
- **Cyber incident costs** primarily represent expenses, net of insurance recoveries, associated with the response to, and remediation of, a cybersecurity incident which occurred in September 2023.
- **Global Products product quality costs** are costs related to a product quality issue within the Global Products segment that is unusual due to the magnitude of the expected cost to remediate in comparison to typical product quality issues experienced by the Company.
- **Loss on divestiture** relates to the sale of the ADTi business.
- **EMEA/LA joint venture loss** relates to certain non-recurring losses associated with the equity method accounting of a joint venture company.
- **Discrete tax items, net** includes the net impact of discrete tax items within the period, including the following types of items: changes in estimates associated with valuation allowances, changes in estimates associated with reserves for uncertain tax positions, withholding taxes recorded upon changes in indefinite re-investment assertions for businesses to be disposed of, impacts from statutory rate changes, and the recording of significant tax credits.
- **Related tax impact** includes the tax impact of the various excluded items.

Management believes the exclusion of these items is useful to investors due to the unusual nature and/or magnitude of the amounts. When considered together with unadjusted amounts, adjusted financial measures are useful to investors in understanding period-over-period operating results, business trends and ongoing operations of the Company. Management may also use these metrics as guides in forecasting, budgeting and long-term planning processes and for compensation purposes.

### **Debt ratios**

Management believes that net debt to adjusted EBITDA, a non-GAAP measure, is useful to understanding the Company's financial condition as the ratio provides an overview of the extent to which the Company relies on external debt financing for its funding and also is a measure of risk to its shareholders.

### 3. Sales

The following tables detail the changes in sales from continuing operations attributable to organic growth, foreign currency, acquisitions, divestitures and other (unaudited):

Three Months Ended March 31						
Net sales (in millions)	Building Solutions				Global Products	Total JCI plc
	North America	EMEA/LA	Asia Pacific	Total		
Net sales - 2024	\$ 2,739	\$ 1,064	\$ 491	\$ 4,294	\$ 1,303	\$ 5,597
Base year adjustments						
Divestitures and other	—	—	—	—	(242)	(242)
Foreign currency	(10)	(36)	(11)	(57)	(12)	(69)
Adjusted base net sales	2,729	1,028	480	4,237	1,049	5,286
Acquisitions	—	9	—	9	—	9
Organic growth	187	48	62	297	84	381
Net sales - 2025	<u>\$ 2,916</u>	<u>\$ 1,085</u>	<u>\$ 542</u>	<u>\$ 4,543</u>	<u>\$ 1,133</u>	<u>\$ 5,676</u>
Growth %:						
Net sales	6 %	2 %	10 %	6 %	(13) %	1 %
Organic growth	7 %	5 %	13 %	7 %	8 %	7 %

Six Months Ended March 31						
Net sales (in millions)	Building Solutions				Global Products	Total JCI plc
	North America	EMEA/LA	Asia Pacific	Total		
Net sales - 2024	\$ 5,226	\$ 2,102	\$ 998	\$ 8,326	\$ 2,480	\$10,806
Base year adjustments						
Divestitures and other	—	—	—	—	(475)	(475)
Foreign currency	(13)	(61)	(14)	(88)	(14)	(102)
Adjusted base net sales	5,213	2,041	984	8,238	1,991	10,229
Acquisitions	—	12	—	12	—	12
Organic growth	447	105	85	637	224	861
Net sales - 2025	<u>\$ 5,660</u>	<u>\$ 2,158</u>	<u>\$ 1,069</u>	<u>\$ 8,887</u>	<u>\$ 2,215</u>	<u>\$11,102</u>
Growth %:						
Net sales	8 %	3 %	7 %	7 %	(11) %	3 %
Organic growth	9 %	5 %	9 %	8 %	11 %	8 %

Three Months Ended March 31						
Products and systems revenue	Building Solutions				Global Products	Total JCI plc
	North America	EMEA/LA	Asia Pacific	Total		
(in millions)						
Products and systems revenue - 2024	\$ 1,700	\$ 572	\$ 308	\$2,580	\$ 1,303	\$ 3,883
Base year adjustments						
Divestitures and other	—	—	—	—	(242)	(242)
Foreign currency	(5)	(20)	(7)	(32)	(12)	(44)
Adjusted products and systems revenue	1,695	552	301	2,548	1,049	3,597
Acquisitions	—	7	—	7	—	7
Organic growth	135	6	36	177	84	261
Products and systems revenue - 2025	<u>\$ 1,830</u>	<u>\$ 565</u>	<u>\$ 337</u>	<u>\$2,732</u>	<u>\$ 1,133</u>	<u>\$ 3,865</u>
Growth %:						
Products and systems revenue	8 %	(1) %	9 %	6 %	(13) %	— %
Organic growth	8 %	1 %	12 %	7 %	8 %	7 %

Six Months Ended March 31						
Products and systems revenue	Building Solutions				Global Products	Total JCI plc
	North America	EMEA/LA	Asia Pacific	Total		
(in millions)						
Products and systems revenue - 2024	\$ 3,218	\$ 1,144	\$ 645	\$5,007	\$ 2,480	\$ 7,487
Base year adjustments						
Divestitures and other	—	—	—	—	(475)	(475)
Foreign currency	(5)	(32)	(10)	(47)	(14)	(61)
Adjusted products and systems revenue	3,213	1,112	635	4,960	1,991	6,951
Acquisitions	—	9	—	9	—	9
Organic growth	311	19	36	366	224	590
Products and systems revenue - 2025	<u>\$ 3,524</u>	<u>\$ 1,140</u>	<u>\$ 671</u>	<u>\$5,335</u>	<u>\$ 2,215</u>	<u>\$ 7,550</u>
Growth %:						
Products and systems revenue	10 %	— %	4 %	7 %	(11) %	1 %
Organic growth	10 %	2 %	6 %	7 %	11 %	8 %

Three Months Ended March 31

**Service revenue**

(in millions)

Service revenue - 2024

Base year adjustments

Divestitures and other

Foreign currency

Adjusted base service revenue

Acquisitions

Organic growth

Service revenue - 2025

Building Solutions					
North America	EMEA/LA	Asia Pacific	Total	Global Products	Total JCI plc
\$ 1,039	\$ 492	\$ 183	\$1,714	\$ —	\$ 1,714
—	—	—	—	—	—
(5)	(16)	(4)	(25)	—	(25)
1,034	476	179	1,689	—	1,689
—	2	—	2	—	2
52	42	26	120	—	120
\$ 1,086	\$ 520	\$ 205	\$1,811	\$ —	\$ 1,811

Growth %:

Service revenue

Organic growth

5 %	6 %	12 %	6 %	— %	6 %
5 %	9 %	15 %	7 %	— %	7 %

Six Months Ended March 31

**Service revenue**

(in millions)

Service revenue - 2024

Base year adjustments

Divestitures and other

Foreign currency

Adjusted base service revenue

Acquisitions

Organic growth

Service revenue - 2025

Building Solutions					
North America	EMEA/LA	Asia Pacific	Total	Global Products	Total JCI plc
\$ 2,008	\$ 958	\$ 353	\$3,319	\$ —	\$ 3,319
—	—	—	—	—	—
(8)	(29)	(4)	(41)	—	(41)
2,000	929	349	3,278	—	3,278
—	3	—	3	—	3
136	86	49	271	—	271
\$ 2,136	\$ 1,018	\$ 398	\$3,552	\$ —	\$ 3,552

Growth %:

Service revenue

Organic growth

6 %	6 %	13 %	7 %	— %	7 %
7 %	9 %	14 %	8 %	— %	8 %

#### 4. Cash Flow, Free Cash Flow and Free Cash Flow Conversion

The following table includes operating cash flow conversion, free cash flow and free cash flow conversion (unaudited):

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
Cash provided (used) by operating activities from continuing operations	\$ 550	\$ (326)	\$ 799	\$ (437)
Income (loss) from continuing operations attributable to Johnson Controls	473	(321)	836	19
Operating cash flow conversion	116 %	*	96 %	*
Cash provided (used) by operating activities from continuing operations	550	(326)	799	(437)
Capital expenditures	(94)	(128)	(210)	(210)
Free cash flow (non-GAAP)	\$ 456	\$ (454)	\$ 589	\$ (647)
Income (loss) from continuing operations attributable to Johnson Controls	473	(321)	836	19
Free cash flow conversion from net income (non-GAAP)	96 %	*	70 %	*

\* Measure not meaningful

The following table includes adjusted free cash flow and adjusted free cash flow conversion (unaudited):

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
Free cash flow (non-GAAP)	\$ 456	\$ (454)	\$ 589	\$ (647)
Adjustments:				
JC Capital cash used by operating activities	11	32	77	120
Water systems AFFF settlement cash payments and insurance recoveries	(11)	—	386	—
Impact from discontinuation of factoring programs	7	—	14	—
Adjusted free cash flow (non-GAAP)	463	(422)	1,066	(527)
Prior year impact from factoring programs	—	619	—	534
Re-baselined adjusted free cash flow (non-GAAP)	\$ 463	\$ 197	\$ 1,066	\$ 7
Adjusted net income attributable to JCI (non-GAAP)	\$ 545	\$ 471	\$ 971	\$ 786
JC Capital net income (loss)	9	(3)	4	(5)
Adjusted net income attributable to JCI, excluding JC Capital (non-GAAP)	\$ 554	\$ 468	\$ 975	\$ 781
Adjusted free cash flow conversion (non-GAAP)	84 %	42 %	109 %	1 %

## 5. EBITA, EBIT and Corporate Expense

The Company evaluates the performance of its business units primarily on segment EBITA. The following table includes continuing operations (unaudited):

(in millions)	Three Months Ended March 31,				Six Months Ended March 31,			
	Actual		Adjusted (Non-GAAP)		Actual		Adjusted (Non-GAAP)	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>Segment EBITA</b>								
Building Solutions North America	\$ 390	\$ 373	\$ 390	\$ 373	\$ 722	\$ 658	\$ 722	\$ 658
Building Solutions EMEA/LA	136	89	136	89	244	169	244	169
Building Solutions Asia Pacific	79	54	79	54	128	100	128	100
Global Products	341	290	343	316	667	557	669	583
<b>EBIT (non-GAAP)</b>								
Income (loss) from continuing operations:								
Attributable to Johnson Controls	\$ 473	\$ (321)	\$ 545	\$ 471	\$ 836	\$ 19	\$ 971	\$ 786
Attributable to noncontrolling interests	2	3	2	3	—	3	—	3
Income (loss) from continuing operations	475	(318)	547	474	836	22	971	789
Less: Income tax provision (benefit) <sup>(1)</sup>	26	(153)	74	64	73	(173)	132	105
Income (loss) before income taxes	501	(471)	621	538	909	(151)	1,103	894
Net financing charges	80	89	80	89	166	176	166	176
EBIT (non-GAAP)	<u>\$ 581</u>	<u>\$ (382)</u>	<u>\$ 701</u>	<u>\$ 627</u>	<u>\$ 1,075</u>	<u>\$ 25</u>	<u>\$ 1,269</u>	<u>\$ 1,070</u>

<sup>(1)</sup> Adjusted income tax provision (benefit) excludes the related tax impacts of pre-tax adjusting items.

The following tables include the reconciliations of segment EBITA as reported to adjusted segment EBITA and adjusted segment EBITA margin (unaudited):

(in millions)	Three Months Ended March 31,							
	Building Solutions North America		Building Solutions EMEA/LA		Building Solutions Asia Pacific		Global Products	
	2025	2024	2025	2024	2025	2024	2025	2024
Sales	\$2,916	\$2,739	\$1,085	\$1,064	\$ 542	\$ 491	\$1,133	\$1,303
Segment EBITA	\$ 390	\$ 373	\$ 136	\$ 89	\$ 79	\$ 54	\$341	\$290
Adjusting items:								
Transformation costs	—	—	—	—	—	—	2	—
Earn-out adjustments	—	—	—	—	—	—	—	(7)
Global Products product quality costs	—	—	—	—	—	—	—	33
Adjusted segment EBITA (non-GAAP)	<u>\$ 390</u>	<u>\$ 373</u>	<u>\$ 136</u>	<u>\$ 89</u>	<u>\$ 79</u>	<u>\$ 54</u>	<u>\$343</u>	<u>\$316</u>
Adjusted segment EBITA Margin % (non-GAAP)	13.4 %	13.6 %	12.5 %	8.4 %	14.6 %	11.0 %	30.3 %	24.3 %

(in millions)	Six Months Ended March 31,							
	Building Solutions North America		Building Solutions EMEA/LA		Building Solutions Asia Pacific		Global Products	
	2025	2024	2025	2024	2025	2024	2025	2024
Sales	\$5,660	\$5,226	\$2,158	\$2,102	\$1,069	\$ 998	\$2,215	\$2,480
Segment EBITA	\$ 722	\$ 658	\$ 244	\$ 169	\$ 128	\$ 100	\$667	\$557
Adjusting items:								
Transformation costs	—	—	—	—	—	—	2	—
Earn-out adjustments	—	—	—	—	—	—	—	(7)
Global Products product quality costs	—	—	—	—	—	—	—	33
Adjusted segment EBITA (non-GAAP)	<u>\$ 722</u>	<u>\$ 658</u>	<u>\$ 244</u>	<u>\$ 169</u>	<u>\$ 128</u>	<u>\$ 100</u>	<u>\$669</u>	<u>\$583</u>
Adjusted segment EBITA Margin % (non-GAAP)	12.8 %	12.6 %	11.3 %	8.0 %	12.0 %	10.0 %	30.2 %	23.5 %

The following table reconciles Corporate expense from continuing operations as reported to the comparable adjusted amounts (unaudited):

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
Corporate expense (GAAP)	\$ 186	\$ 92	\$ 357	\$ 231
Adjusting items:				
Transaction/separation costs	(7)	(5)	(18)	(5)
Transformation costs	(44)	—	(77)	—
Cyber incident costs	—	(4)	—	(27)
Adjusted corporate expense (non-GAAP)	<u>\$ 135</u>	<u>\$ 83</u>	<u>\$ 262</u>	<u>\$ 199</u>

## 6. Net Income and Diluted Earnings Per Share

The following tables reconcile income from continuing operations attributable to JCI and diluted earnings per share from continuing operations as reported to the comparable adjusted amounts (unaudited):

(in millions, except per share)	Three Months Ended March 31,			
	Income from continuing operations attributable to JCI		Diluted earnings per share	
	2025	2024	2025	2024
As reported (GAAP)	\$ 473	\$ (321)	\$ 0.71	\$ (0.47)
Adjusting items:				
Net mark-to-market adjustments	13	(15)	0.02	(0.02)
Earn-out adjustments	—	(7)	—	(0.01)
Restructuring and impairment costs, net of NCI	62	239	0.09	0.35
Water systems AFFF settlement	—	750	—	1.10
Water systems AFFF insurance recoveries	(8)	—	(0.01)	—
Global Products product quality costs	—	33	—	0.05
Transaction/separation costs	7	5	0.01	0.01
Transformation costs	46	—	0.07	—
Cyber incident costs	—	4	—	0.01
Discrete tax items	(36)	—	(0.05)	—
Related tax impact	(12)	(217)	(0.02)	(0.32)
Adjusted (non-GAAP)*	\$ 545	\$ 471	\$ 0.82	\$ 0.69

\* May not sum due to rounding

(in millions, except per share)	Six Months Ended March 31,			
	Income from continuing operations attributable to JCI		Diluted earnings per share	
	2025	2024	2025	2024
As reported (GAAP)	\$ 836	\$ 19	\$ 1.26	\$ 0.03
Adjusting items:				
Net mark-to-market adjustments	14	(37)	0.02	(0.05)
Earn-out adjustments	—	(7)	—	(0.01)
Restructuring and impairment costs, net of NCI	95	274	0.14	0.40
Water systems AFFF settlement	—	750	—	1.10
Water systems AFFF insurance recoveries	(12)	—	(0.02)	—
Global Products product quality issue	—	33	—	0.05
Transaction/separation costs	18	5	0.03	0.01
Transformation costs	79	—	0.12	—
Cyber incident costs	—	27	—	0.04
Discrete tax items	(36)	(57)	(0.05)	(0.08)
Related tax impact	(23)	(221)	(0.03)	(0.32)
Adjusted (non-GAAP)*	\$ 971	\$ 786	\$ 1.46	\$ 1.15

\* May not sum due to rounding



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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2025	2024	2025	2024
<b>Weighted average shares outstanding</b>				
Basic weighted average shares outstanding	659.1	679	\$ 660.6	\$ 679.9
Effect of dilutive securities:				
Stock options, unvested restricted stock and unvested performance share awards	1.9	—	2.4	1.6
Diluted weighted average shares outstanding	661.0	679.0	663.0	681.5

For the three months ended March 31, 2024, the total number of potential dilutive shares due to stock options, unvested restricted stock and unvested performance share awards was 1.6 million. However, these items were not included in the computation of diluted loss per share for the three months ended March 31, 2024 since to do so would decrease the loss per share.

## 7. Debt Ratios

The following table includes continuing operations and details net debt to income before income taxes and net debt to adjusted EBITDA (unaudited):

(in millions)	March 31, 2025	December 31, 2024	March 31, 2024
Short-term debt	\$ 1,261	\$ 882	\$ 2,210
Current portion of long-term debt	558	522	1,165
Long-term debt	8,167	8,589	7,348
Total debt	9,986	9,993	10,723
Less: cash and cash equivalents	795	1,237	838
Net debt	\$ 9,191	\$ 8,756	\$ 9,885
Last twelve months income before income taxes	\$ 2,582	\$ 1,610	\$ 811
Net debt to income before income taxes	3.6x	5.4x	12.2x
Last twelve months adjusted EBITDA (non-GAAP)	\$ 3,779	\$ 3,733	\$ 3,423
Net debt to adjusted EBITDA (non-GAAP)	2.4x	2.3x	2.9x

The following table reconciles income from continuing operations to adjusted EBIT and adjusted EBITDA (unaudited):

(in millions)	Twelve Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Income from continuing operations	\$ 2,225	\$ 1,432	\$ 1,457
Income tax provision (benefit)	357	178	(646)
Income before income taxes	2,582	1,610	811
Net financing charges	332	341	306
EBIT	2,914	1,951	1,117
Adjusting items:			
Net mark-to-market adjustments	4	(24)	57
Restructuring and impairment costs	330	507	565
Water systems AFFF settlement	—	750	750
Water systems AFFF insurance recoveries	(379)	(371)	—
Earn-out adjustments	(61)	(68)	(7)
Transaction/separation costs	45	43	68
Transformation costs	79	33	—
Cyber incident costs	—	4	27
Global Products product quality costs	—	33	33
Loss on divestiture	42	42	—
EMEA/LA joint venture loss	17	17	—
Adjusted EBIT (non-GAAP)	2,991	2,917	2,610
Depreciation and amortization	788	816	813
Adjusted EBITDA (non-GAAP)	\$ 3,779	\$ 3,733	\$ 3,423

## 8. Income Taxes

The Company's effective tax rate before consideration of certain excluded items was approximately 12.0% for the three and six months ending March 31, 2025 and 11.9% and 11.7% for the three and six months ending March 31, 2024, respectively.