Johnson Controls

First Quarter 2021 Earnings Conference Call

January 29, 2021

The power behind **your mission**

Forward Looking & 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 and debt levels 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 Johnson Controls’ control, that could cause Johnson Controls’ 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 general economic, business, capital market and geopolitical conditions, including the impacts of natural disasters, pandemics and outbreaks of contagious diseases and other adverse public health developments, such as the COVID-19 pandemic; the strength of the U.S. or other economies; changes or uncertainty in laws, regulations, rates, policies or interpretations that impact Johnson Controls’ business operations or tax status; the ability to develop or acquire new products and technologies that achieve market acceptance; changes to laws or policies governing foreign trade, including increased tariffs or trade restrictions; maintaining the capacity, reliability and security of Johnson Controls’ enterprise and product information technology infrastructure; the risk of infringement or expiration of intellectual property rights; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions such as its merger with Tyco and the disposition of the Power Solutions business; the outcome of litigation and governmental proceedings; the ability to hire and retain key senior management; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; the availability of raw materials and component products; fluctuations in currency exchange rates; work stoppages, union negotiations, labor disputes and other matters associated with the labor force; 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 year ended September 30, 2020 filed with the United States Securities and Exchange Commission ("SEC") on November 16, 2020, which is available at www.sec.gov and www.johnsoncontrols.com under the "Investors" tab. 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, transaction costs, integration costs, net mark-to-market adjustments, Power Solutions divestiture reserve adjustment and discrete tax items. Financial information regarding organic sales, EBIT, EBIT margin, total segment EBITA, adjusted segment EBITA, adjusted segment EBITA margin, adjusted Corporate expense, free cash flow, free cash flow conversion, net debt and net debt/EBITDA are also presented, which are non-GAAP performance measures. Adjusted segment EBITA excludes special items such integration costs because these costs are not considered to be directly related to the underlying operating performance of its business units. 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 the Company. 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.

Executing On Our Commitments

- Strong start to the year; solid financial performance
- Remaining focused on:
  - Our Employees & Communities…
  - Our Customers & Suppliers…
  - Improving Fundamentals…
  - Executing Our Strategy…
- Key strategic announcements and external recognition
- Ambitious new ESG commitments
- Significant traction on key vectors of growth
  - OpenBlue Healthy Buildings
  - Services
  - Products

Strategic Announcements & External Recognition

OpenBlue Digital Twin Collaboration with Microsoft

OpenBlue Digital Twin + Azure Digital Twins creates a foundational platform that enables customers to reimagine their physical assets, harnessing the power of AI and cloud computing to build digital replicas and deliver actionable insights

Recognized by CDP for Leadership in Climate Change

Received an A- rating for climate change leadership, in recognition for our actions to reduce emissions and mitigate climate change in 2020, as well as an A rating for risk disclosure and governance

Ranked in Corporate Knights 2021 Global 100 Most Sustainable Companies

Corporate Knight’s Global 100 index annually reviews over 8,000 companies, ranking only 100 based on their score across 24 indicators related to sustainability and diversity, including “clean” revenues and investment, carbon productivity, and the gender and racial diversity of the board and executives

Ranked in Drucker Institute/WSJ Management Top 250

JCI placed # 88 in the Drucker Institutes annual Management Top 250 ranking, scoring the highest marks (5-stars) in social responsibility, and 4-stars in both customer satisfaction and innovation.

Named “IoT Partner Ecosystem of the Year” in 2021 IoT Breakthrough Awards

The company was honored for its OpenBlue digital platform and extensive work implementing a network of OpenBlue Innovation Centers around the world. Both are part of Johnson Controls’ commitment to deliver healthy people, healthy places and a healthy planet.

Sustainability is Fundamental to Our Vision

Achieve **net zero carbon emissions before 2040**

Set **2030 science-based targets** consistent with the most ambitious 1.5°C IPCC scenario

Double customers' annual avoided emissions by 2030 through Johnson Controls OpenBlue digitally-enabled products & services

Use **100% renewable energy by 2040**

Direct **75% of R&D investment** on new product development **to sustainable solutions**

Elevate sustainability as a **key performance metric for preferred suppliers** and **create supplier sustainability council**; provide training to help suppliers cut their emissions

Double the representation of **women** leaders globally **and minority leaders** in the United States within 5 years

Launch **initiative to educate** next generation of diverse sustainable building industry leaders; **partnering with HBCUs**

Launch an initiative focused on underserved markets and **increase spend** with **women and minority owned businesses**

Link executive compensation to sustainability and diversity goals to drive leadership accountability

Maintain a board that is diverse in **gender, ethnicity, citizenship and skills**

Sustainability oversight elevated to Board of Directors (Governance & Sustainability Committee)

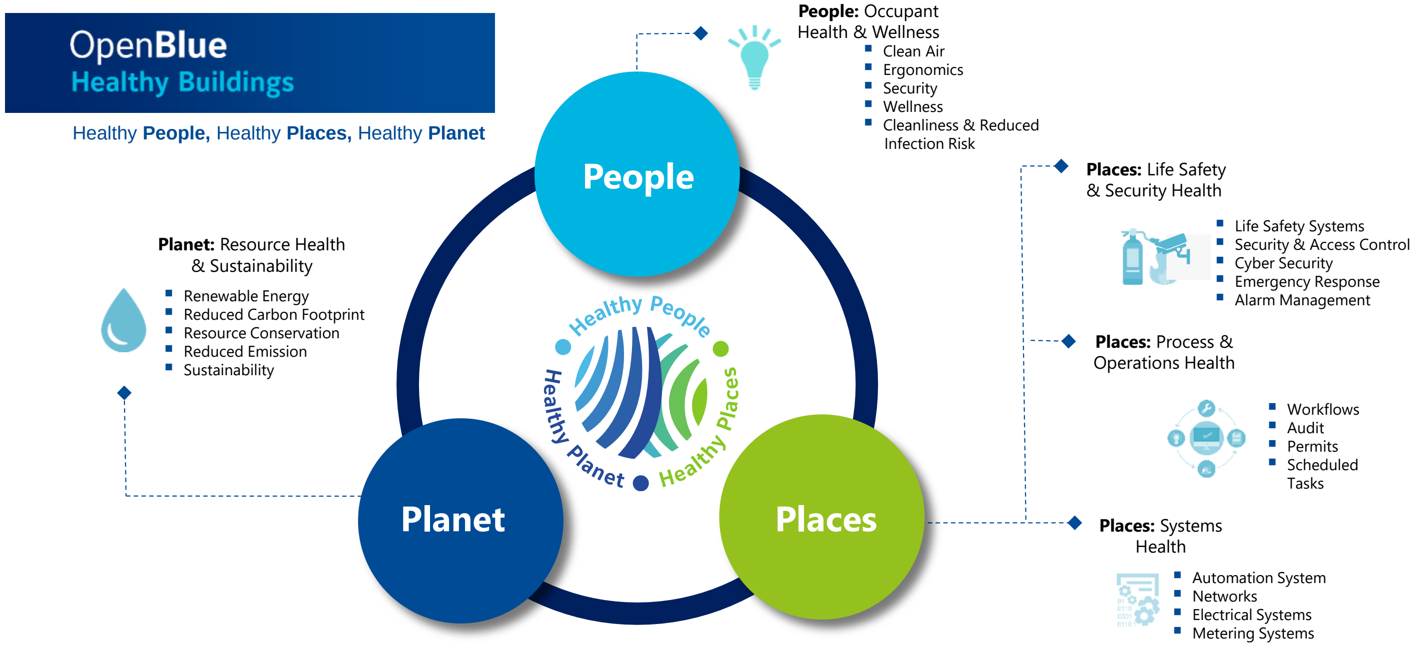
Non-Financial reporting **align with recommendations of the Task Force for Climate-related Financial Disclosures** (TCFD)

History of transparency – sustainability data publicly reported **since 2002**

Johnson Controls

A Clear Shift To Healthy Building Trends

- $10-15B new addressable market growing at double-digit CAGR
  - JCI uniquely positioned
- OpenBlue Healthy Buildings Gaining Traction
  - Independent survey of 800+ building decision makers show a clear shift to increased investment in healthy building trends and technologies
  - 90% of respondents have dedicated resources to healthy buildings initiatives
- Driving higher digital and service content
- Mix positive



27
Available Offerings

28
Patents

2-3X
Pull-through value

Healthy People, Healthy Places, Healthy Planet

Service Revenue Key Vector of Growth & Margin Expansion

$6B+
SERVICE REVENUE

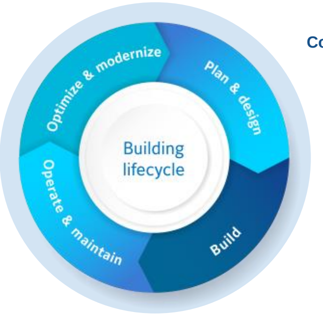
~60%
RECURRING REVENUE

MSD
ANNUAL GROWTH RATE

2x MARGIN
COMPANY EBITA MARGIN RATE

Customer vision workshops
Risk assessment
Expert consulting
Project management

Advanced engineering & integration
Expert installation & commissioning
Comprehensive training
Equipment tests & inspections



Comprehensive audits
Retrofit services
Financing models
Rental solutions

Remote diagnostics
Predictive maintenance
Managed access control & video
Advanced monitoring

Tiered Offerings

Essential powered by OpenBlue	Enhanced powered by OpenBlue	Expert powered by OpenBlue	Optimum powered by OpenBlue
Remote inspection and advisory services delivering data-driven equipment health insights.	Improved equipment uptime supported by advanced Fault Detection and Diagnostics (FDD) and specialist maintenance support.	Proactive optimization of operating costs and equipment reliability through advanced predictive diagnostics and expert maintenance support.	Guaranteed equipment reliability and performance assurance by dedicated expert.

- Average attach rate for full-service contract ~35%; entitlement double current rate
  - Significant focus over last year; improved average attach rate by 90bps on qtr sequential basis
  - Expect to improve 3-400bps in FY21 and continuing to accelerate thereafter
- Enhanced service offerings and go-to-market; leveraging digital
- Capitalizing on higher growth segment of service

We Are Investing In Products, Technology & Channels Driving Share Gains Globally

1 Regulatory and Environmental

- Low GWP refrigerants
- Future regulation ready
- Cost & performance optimized

2 Electrification

- Reduce fossil fuel dependency
- Decarbonization leadership
- Energy saving solutions

3 Digital Connectivity

- Enhanced cyber security
- Modernized architecture
- Performance optimization

4 Healthy Occupants

- Clean air technology
- Enhanced filtration
- Improved outdoor airflow

Q1 Launches


YORK Water Cooled Screw


YORK Residential Packaged


Hitachi Modular Side Flow VRF


Frick Refrigeration Heat Pumps


YORK Modular Heat Pumps


Metasys 11 BAS


Qolsys IQ 2+


Hitachi Premium Ductless

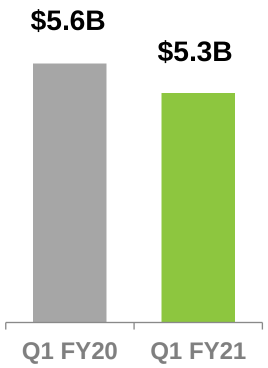

YORK Frameless Air Handling Unit


IsoClean CM Portable HEPA Filtration

- >150 product launches in FY21 across domains
- Multi-year product roadmaps; drives differentiation and market growth
- Gaining share across residential and commercial HVAC, fire and security
- Enhanced points of distribution
- Continuing to strengthen partnerships to expand markets

Q1 FY21 Financial Summary*

SALES



(5%) Organic

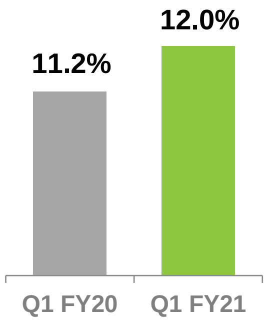
- Volume headwinds
+ Sequential improvement in field and products
+ Service continues to improve

EPS

+8%

+ Increased profitability
+ Lower share count

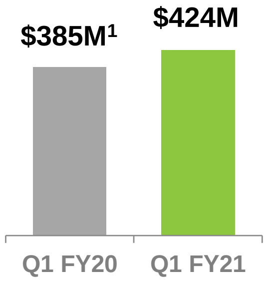
Segment EBITA MARGIN



+80bps

+ Strong execution; price/cost positive
+ Continued operating expense benefits – permanent and temporary costs actions offsetting volume headwinds

FCF



+10% Reported

+ Underlying FCF up significantly YoY, ex-tax refund in prior year
+ Strong Trade Working Capital management
+ Lower Capex vs. prior year
+ COVID benefits

[1] Prior year Reported FCF includes ~$600M tax benefit related to prior period tax planning

*All figures other than sales are adjusted and/or non-GAAP. Non-GAAP figures exclude special items. See footnotes for reconciliation.

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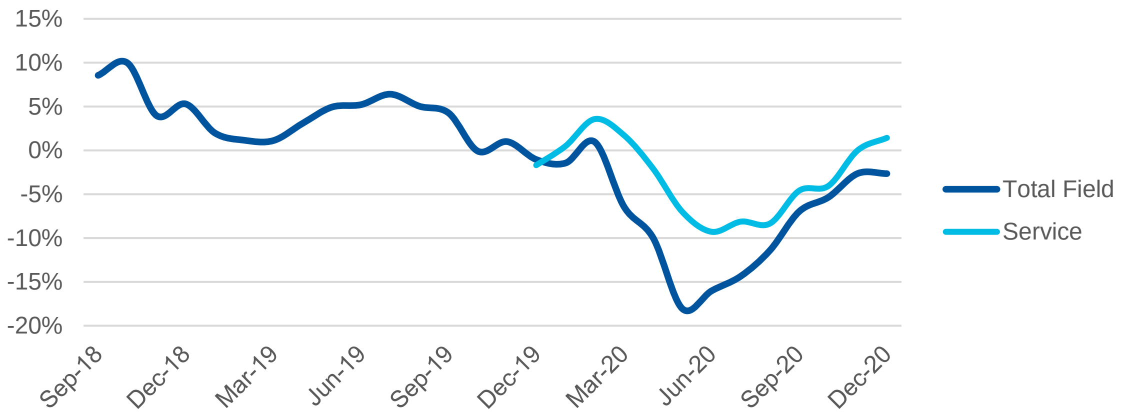
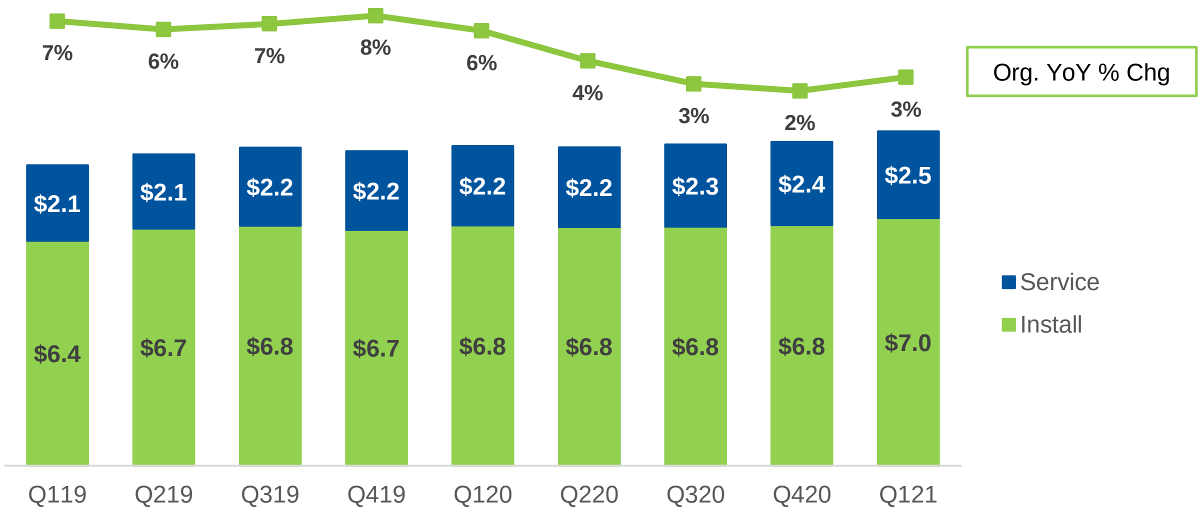
Order Momentum Continues & Backlog Visibility Improves

Trailing 3-mo Field Orders (YoY % Chg)



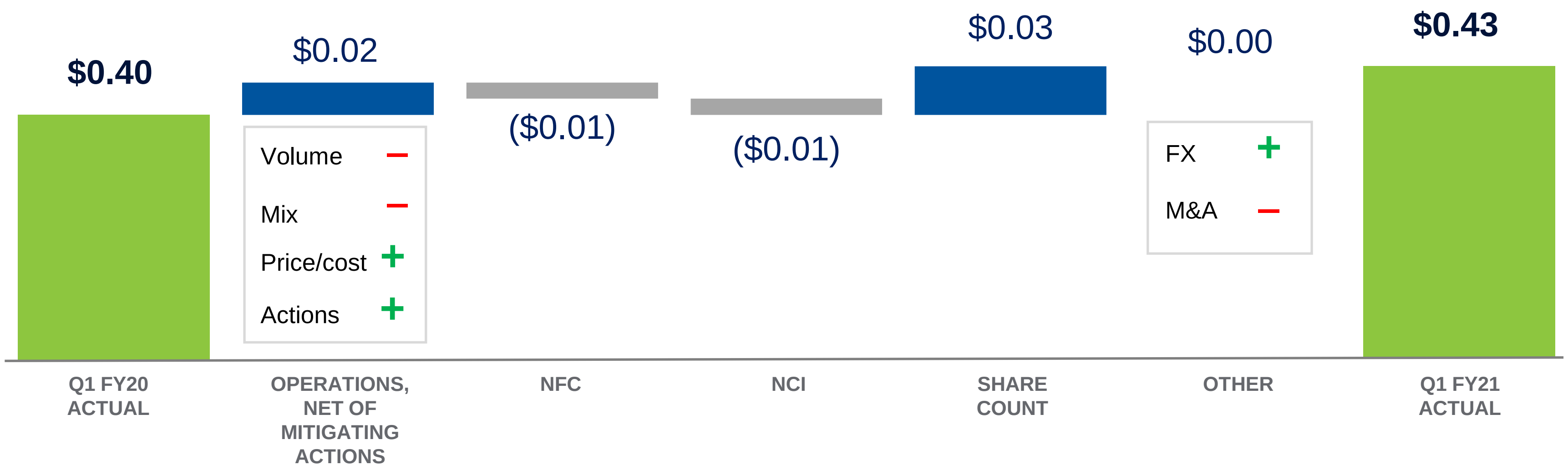
Backlog ($, billions)



- Trailing 3-month Field Orders continue to sequentially improve; down 3% YoY
- Service orders +2%
- Install orders remain under pressure down 7%, with higher retrofit activity offset by softer new construction activity
- Global Products B:B = 1.0X; Resi HVAC orders +170% YoY

- Backlog of $9.5B +3% YoY organic
- Service backlog +8% YoY; conversion accelerating
- Install backlog +2% YoY; sequential improvement led by higher retrofit activity
- Backlog remixing towards shorter cycle projects
- Long cycle backlog provides visibility

Q1 FY21 EPS Bridge* (continuing operations)



- Broad based volume declines related to COVID-19
- Disciplined price / cost execution; mix headwind
- Aggressive temporary and permanent cost mitigation actions
- Reduced share count benefit

*Non-GAAP EPS from continuing operations, excluding special items. See footnotes for reconciliation.

Q1 Segment Results*

($M)	Sales *Organic % YoY*	EBITA Margin *Change YoY*	Comments
North America	**$2,034** *(6%)*	**12.5%** *+50bps*	▪ Service (2%) / Install (9%) ▪ Recurring revenue growth across all domains; retrofit continues to see improvement ▪ Strong gross margin expansion ▪ Orders (7%); Backlog $5.9B, +1% YoY
EMEALA	**$906** *(5%)*	**10.5%** *+80bps*	▪ Service flat / Install (11%) ▪ Sequential revenue improvement in F&S; HVAC & Controls remains under pressure due to Mid-East macro conditions ▪ Orders growth driven by HVAC & Controls and Industrial Refrigeration ▪ Orders +2%; Backlog $1.8B, +5% YoY
Asia Pac	**$615** *(6%)*	**12.8%** *+140bps*	▪ Service +1% / Install (11%) ▪ Service growth driven by HVAC & Controls ▪ China strengthening; orders +16%, revenue growth turned positive ▪ Orders (1%); Backlog $1.8B, +12% YoY
Global Products	**$1,786** *(2%)*	**11.9%** *+90bps*	▪ Continued strong growth in NA residential; gaining share ▪ Sequential improvement in Commercial HVAC and F&S ▪ Strong execution and price/cost offsetting negative mix and absorption ▪ Book-to-bill 1.0X YoY
Total Segment	**$5,341** *(5%)*	**12.0%** *+80bps*	▪ Field: Service (1%) / Install (9%); Products (2%) ▪ Strong operational execution; driving innovation and gaining share ▪ Project pipeline gradually recovering…positive for service orders ▪ Field orders (3%); Field backlog $9.5B, +3% YoY

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

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Q1 Segment End Market Performance*

Organic Sales % Change	% of FY20 Sales	North America	EMEALA	APAC	Global Products	Consolidated JCI
Applied[1]	31%	(MSD)	(LDD)	FLAT	(LSD)[3]	(MSD)
Light Commercial	9%				(LDD)	(LDD)
Commercial HVAC	40%				(HSD)	(MSD)
NA Residential	4%				+>45%	+>45%
ROW Residential	8%				FLAT	FLAT
Residential HVAC	12%				+LDD	+LDD
Fire & Security[2]	41%	(LDD)	(LSD)	(Low 20s)	(LSD)	(HSD)
Performance Contracting	3%	+>20%	-	-		+>20%
Industrial Refrigeration	4%	-	(MSD)	-	(mid-teens)	(HSD)
Total	100%	(6%)	(5%)	(6%)	(2%)	(5%)

Gaining Share In Challenging Environment

[1] Includes BMS Controls
[2] Includes Retail Analytics platform
[3] Represents indirect sales of chiller and air handling equipment

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

Corporate Expense*

Corporate Expense

+ Mitigating cost actions
+ Continuous structural cost reductions

- Expect FY21 Corporate expense to be in the range of $300 to $320M

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

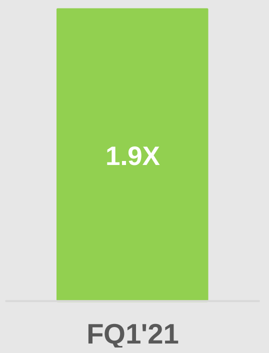
Balance Sheet & Free Cash Flow*

Capital Structure ($ millions)	**Q4 FY20**	**Q1 FY21**
Short-term debt and current portion of long-term debt	$293	$464
Long-term debt	7,526	7,469
Total debt	**7,819**	**7,933**
Less: cash and cash equivalents	1,951	1,839
Net debt*	**$5,868**	**$6,094**

DEBT & LIQUIDITY

- **97% fixed** rate debt
- **2.9%** weighted avg interest rate
- **$1.8B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)
- ~$3B undrawn credit facilities
- Target Net Debt/EBITDA ~**2.0-2.5X**

Net Debt / EBITDA*



Free Cash Flow ($ millions)	**Q1 FY20**	**Q1 FY21**
Cash from Operating Activities	$511	$515
Capital expenditures	(126)	(91)
Reported FCF*	**$385[1]**	**$424**

FREE CASH FLOW

- Trade Working Capital % of Sales **down 100 bps YoY to 10.4%**
- Capex spend **down 28% YoY**

[1] Prior year Reported FCF includes ~$600M tax benefit related to prior period tax planning

*Non-GAAP figures. See footnotes for reconciliation.

Fiscal 2021 Full Year and Q2 Guidance*

FY 2021 Commentary

- Market remains uncertain; higher level of confidence in performance despite the environment
- Continued share gains
- Tax rate 13.5%
- Free cash flow conversion ~100%
- Disciplined capital allocation
  - ~$1.0B of share repurchases

Guidance	Q2FY21	FY21
Organic Revenue	Up slightly	+L/MSD
EBITA Margin	+80 to +100bps	+40 to +60bps
EPS	$0.47 - $0.49 (12 to 17% increase yoy)	$2.45 - $2.55 (9 to 14% increase yoy)
Weighted-Average Shares	~723M	~722M

Continued Strong Performance In Challenging Environment

* Non-GAAP excludes special items.

Appendix

IR CONTACTS

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FY21 First Quarter
Financial Results (continuing operations)

($ in millions, except earnings per share)	Q1 FY20 GAAP	Q1 FY21 GAAP	Q1 FY20* NON-GAAP	Q1 FY21* NON-GAAP	% Change NON-GAAP
Sales	$5,576	$5,341	$5,576	$5,341	(4%)
Gross profit	1,803	1,728	1,803	1,728	(4%)
% of sales	*32.3%*	*32.4%*	*32.3%*	*32.4%*	
SG&A expenses	1,427	1,294	1,398	1,315	(6%)
Restructuring & impairment costs	111	-	-	-	
Equity income	43	58	43	58	35%
EBIT	308	492	448	471	5%
EBIT margin	***5.5%***	***9.2%***	***8.0%***	***8.8%***	
Net financing charges	52	59	52	59	13%
Income before income taxes	256	433	396	412	4%
Income tax provision	65	61	53	56	6%
Net income	191	372	343	356	4%
Income attributable to noncontrolling interests	32	45	37	45	22%
Net income attributable to JCI	$159	$327	$306	$311	2%
Diluted EPS	**$0.21**	**$0.45**	**$0.40**	**$0.43**	8%

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

Special Items (continuing operations)

$ In millions, except EPS

Q1 FY21	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Mark-to-market adjustments	21	(5)	-	16	0.02
Total	**$21**	**$5**	**$-**	**$16**	**$0.02**

Q1 FY20	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax Income (Expense)	EPS Impact
Restructuring & impairment costs	$(111)	$16	$5	$(90)	$ (0.12)
Integration costs	(39)	5	-	(34)	(0.04)
Net mark-to-market adjustments	10	(3)	-	7	0.01
Discrete income tax items	-	(30)	-	(30)	(0.04)
Total	**$(140)**	**$(12)**	**$5**	**$(147)**	**$(0.19)**

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data; unaudited)

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Net sales	$ 5,341	$ 5,576
Cost of sales	3,613	3,773
Gross profit	1,728	1,803
Selling, general and administrative expenses	(1,294)	(1,427)
Restructuring and impairment costs	-	(111)
Net financing charges	(59)	(52)
Equity income	58	43
Income from continuing operations before income taxes	433	256
Income tax provision	61	65
Income from continuing operations	372	191
Income from discontinued operations, net of tax	124	-
Net income	496	191
Less: Income from continuing operations attributable to noncontrolling interests	45	32
Less: Income from discontinued operations attributable to noncontrolling interests	-	-
Net income attributable to JCI	$ 451	$ 159
Income from continuing operations	$ 327	$ 159
Income from discontinued operations	124	-
Net income attributable to JCI	$ 451	$ 159
Diluted earnings per share from continuing operations	$ 0.45	$ 0.21
Diluted earnings per share from discontinued operations	0.17	-
Diluted earnings per share	$ 0.62	$ 0.21
Diluted weighted average shares	726.5	774.0
Shares outstanding at period end	720.3	764.0

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	December 31, 2020	September 30, 2020
ASSETS		
Cash and cash equivalents	$ 1,839	$ 1,951
Accounts receivable - net	5,177	5,294
Inventories	1,913	1,773
Other current assets	1,105	1,035
Current assets	10,034	10,053
Property, plant and equipment - net	3,082	3,059
Goodwill	18,207	17,932
Other intangible assets - net	5,384	5,356
Investments in partially-owned affiliates	1,003	914
Noncurrent assets held for sale	155	147
Other noncurrent assets	3,559	3,354
Total assets	$ 41,424	$ 40,815
LIABILITIES AND EQUITY		
Short-term debt and current portion of long-term debt	$ 464	$ 293
Accounts payable and accrued expenses	4,046	3,958
Other current liabilities	3,976	3,997
Current liabilities	8,486	8,248
Long-term debt	7,469	7,526
Other noncurrent liabilities	6,646	6,508
Shareholders' equity attributable to JCI	17,656	17,447
Noncontrolling interests	1,167	1,086
Total liabilities and equity	$ 41,424	$ 40,815

JOHNSON CONTROLS INTERNATIONAL PLC

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

	Three Months Ended December 31,	
	2020	2019
Operating Activities		
Net income attributable to JCI from continuing operations	$ 327	$ 159
Income from continuing operations attributable to noncontrolling interests	45	32
Net income from continuing operations	372	191
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	207	207
Pension and postretirement benefit income	(46)	(40)
Pension and postretirement contributions	(17)	(12)
Equity in earnings of partially-owned affiliates, net of dividends received	(52)	8
Deferred income taxes	(59)	(3)
Non-cash restructuring and impairment costs	-	54
Other - net	(25)	16
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	224	237
Inventories	(98)	(114)
Other assets	(70)	(92)
Restructuring reserves	(34)	33
Accounts payable and accrued liabilities	91	(498)
Accrued income taxes	22	524
Cash provided by operating activities from continuing operations	515	511
Investing Activities		
Capital expenditures	(91)	(126)
Acquisition of businesses, net of cash acquired	-	(48)
Business divestitures, net of cash divested	11	-
Other - net	43	1
Cash used by investing activities from continuing operations	(37)	(173)
Financing Activities		
Increase (decrease) in short and long-term debt - net	(20)	10
Stock repurchases	(346)	(651)
Payment of cash dividends	(190)	(203)
Dividends paid to noncontrolling interests	-	(5)
Proceeds from the exercise of stock options	31	21
Employee equity-based compensation withholding	(21)	(20)
Other - net	(1)	(2)
Cash used by financing activities from continuing operations	(547)	(850)
Discontinued Operations		
Net cash used by operating activities	(36)	(194)
Net cash provided by investing activities	-	-
Net cash provided by financing activities	-	-
Net cash flows used by discontinued operations	(36)	(194)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(11)	57
Changes in cash held for sale	-	-
Decrease in cash, cash equivalents and restricted cash	$ (116)	$ (649)

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 from continuing operations before income taxes and noncontrolling interests, excluding general corporate expenses, intangible asset amortization, net financing charges, restructuring and impairment costs, and the net mark-to-market adjustments related to restricted asbestos investments and pension and postretirement plans. The financial results shown below are for continuing operations and exclude the Power Solutions business.

(in millions; unaudited)	Three Months Ended December 31,			
	2020		2019	
	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP
Net sales				
Building Solutions North America	$ 2,034	$ 2,034	$ 2,167	$ 2,167
Building Solutions EMEA/LA	906	906	928	928
Building Solutions Asia Pacific	615	615	629	629
Global Products	1,786	1,786	1,852	1,852
Net sales	$ 5,341	$ 5,341	$ 5,576	$ 5,576
Segment EBITA (1)				
Building Solutions North America	$ 255	$ 255	$ 258	$ 259
Building Solutions EMEA/LA	95	95	90	90
Building Solutions Asia Pacific	79	79	72	72
Global Products	213	213	203	204
Segment EBITA	642	642	623	625
Corporate expenses (2)	(67)	(67)	(118)	(81)
Amortization of intangible assets	(104)	(104)	(96)	(96)
Net mark-to-market adjustments (3)	21	-	10	-
Restructuring and impairment costs (4)	-	-	(111)	-
EBIT (5)	492	471	308	448
EBIT margin	9.2%	8.8%	5.5%	8.0%
Net financing charges	(59)	(59)	(52)	(52)
Income from continuing operations before income taxes	433	412	256	396
Income tax provision (6)	(61)	(56)	(65)	(53)
Income from continuing operations	372	356	191	343
Income from continuing operations attributable to noncontrolling interests	(45)	(45)	(32)	(37)
Net income from continuing operations attributable to JCI	$ 327	$ 311	$ 159	$ 306

(1) The Company's press release contains financial information regarding segment EBITA, adjusted segment EBITA and adjusted segment EBITA margins, which are non-GAAP performance measures. The Company's definition of adjusted segment EBITA excludes special items because these costs 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.

A reconciliation of segment EBITA to income from continuing operations is shown earlier within this footnote. The following is the three months ended December 31, 2020 and 2019 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		Building Solutions EMEA/LA		Building Solutions Asia Pacific		Global Products		Consolidated JCI plc	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment EBITA as reported	$ 255	$ 258	$ 95	$ 90	$ 79	$ 72	$ 213	$ 203	$ 642	$ 623
Segment EBITA margin as reported	12.5%	11.9%	10.5%	9.7%	12.8%	11.4%	11.9%	11.0%	12.0%	11.2%
Adjusting items:										
Integration costs	-	1	-	-	-	-	-	1	-	2
Adjusted segment EBITA	$ 255	$ 259	$ 95	$ 90	$ 79	$ 72	$ 213	$ 204	$ 642	$ 625
Adjusted segment EBITA margin	12.5%	12.0%	10.5%	9.7%	12.8%	11.4%	11.9%	11.0%	12.0%	11.2%

(2) Adjusted Corporate expenses excludes special items because these costs are not considered to be directly related to the underlying operating performance of the Company's business. Adjusted Corporate expenses for the three months ended December 31, 2019 excludes $37 million of integration costs.

(3) The three months ended December 31, 2020 exclude the net mark-to-market adjustments on restricted investments of $21 million. The three months ended December 31, 2019 exclude the net mark-to-market adjustments on restricted investments of $10 million.

(4) Restructuring and impairment costs for the three months ended December 31, 2019 of $111 million are excluded from the adjusted non-GAAP results. The restructuring actions and impairment costs related primarily to workforce reductions, plant closures and asset impairments.

(5) Management defines earnings before interest and taxes (EBIT) as income (loss) from continuing operations before net financing charges, income taxes and noncontrolling interests. EBIT is a non-GAAP performance measure. Management believes this non-GAAP measure is useful to investors in understanding the ongoing operations and business trends of the Company. A reconciliation of EBIT to income (loss) from continuing operations is shown earlier within this footnote.

(6) Adjusted income tax provision for the three months ended December 31, 2020 excludes tax provision from net mark-to-market adjustments of $5 million. Adjusted income tax provision for the three months ended December 31, 2019 excludes tax provisions related to Switzerland tax reform of $30 million and net mark-to-market adjustments of $3 million, partially offset by tax benefits for restructuring and impairment costs of $16 million and integration costs of $5 million.

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 include transaction/integration costs, net mark-to-market adjustments, restructuring and impairment costs, Power Solutions divestiture reserve adjustment, and discrete tax items. The Company excludes these items because they are not considered to be directly related to the underlying operating performance of the Company. Management believes these non-GAAP measures are 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		Net Income Attributable to JCI plc from Continuing Operations	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2020	2019	2020	2019
Earnings per share as reported for JCI plc	$ 0.62	$ 0.21	$ 0.45	$ 0.21
Adjusting items:				
Integration costs	-	0.05	-	0.05
Related tax impact	-	(0.01)	-	(0.01)
Net mark-to-market adjustments	(0.03)	(0.01)	(0.03)	(0.01)
Related tax impact	0.01	-	0.01	-
Restructuring and impairment costs	-	0.14	-	0.14
Related tax impact	-	(0.02)	-	(0.02)
NCI impact of restructuring and impairment	-	(0.01)	-	(0.01)
Power Solutions divestiture reserve adjustment	(0.21)	-	-	-
Related tax impact	0.04	-	-	-
Discrete tax items	-	0.04	-	0.04
Adjusted earnings per share for JCI plc*	$ 0.43	$ 0.40	$ 0.43	$ 0.40

* 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,	
	2020	2019
Weighted average shares outstanding for JCI plc		
Basic weighted average shares outstanding	723.1	769.9
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	3.4	4.1
Diluted weighted average shares outstanding	726.5	774.0

The Company has presented forward-looking statements regarding adjusted EPS, organic revenue, adjusted EBITA margin and free cash flow conversion, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts, expenses, or income from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from these non-GAAP financial measures are 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, including but not limited to the high variability of the net mark-to-market adjustments and the effect of foreign currency exchange fluctuations. Our fiscal 2021 full year and second quarter guidance for organic revenue also 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 all of the necessary components of such GAAP measures without unreasonable effort or expense. The unavailable information could have a significant impact on the Company's second quarter and full year 2021 GAAP financial results.

3. Organic Growth Reconciliation

The components of the changes in net sales for the three months ended December 31, 2020 versus the three months ended December 31, 2019, including organic growth, is shown below (unaudited):

(in millions)	Net Sales for the Three Months Ended December 31, 2019	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Three Months Ended December, 2019	Acquisitions		Organic Growth		Net Sales for the Three Months Ended December 31, 2020	
Building Solutions North America	$ 2,167	$ -	-	$ 3	-	$ 2,170	$ -	-	$ (136)	-6%	$ 2,034	-6%
Building Solutions EMEA/LA	928	-	-	21	2%	949	9	1%	(52)	-5%	906	-2%
Building Solutions Asia Pacific	629	(2)	-	28	4%	655	-	-	(40)	-6%	615	-2%
Total field	3,724	(2)	-	52	1%	3,774	9	-	(228)	-6%	3,555	-5%
Global Products	1,852	(71)	-4%	37	2%	1,818	-	-	(32)	-2%	1,786	-4%
Total net sales	$ 5,576	$ (73)	-1%	$ 89	2%	$ 5,592	$ 9	-	$ (260)	-5%	$ 5,341	-4%

4. Free Cash Flow Reconciliation

The Company's press release contains financial information regarding free cash flow which is a non-GAAP performance measure. Free cash flow is defined as cash provided by operating activities less capital expenditures. Management believes this non-GAAP measure is useful to investors in understanding the strength of the Company and its ability to generate cash.

The following is the three months ended December 31, 2020 and 2019 reconciliation of free cash flow for continuing operations (unaudited):

(in billions)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Cash provided by operating activities from continuing operations	$ 0.5	$ 0.5
Capital expenditures	(0.1)	(0.1)
Reported free cash flow	$ 0.4	$ 0.4

5. Net Debt to EBITDA

The Company provides financial information regarding net debt to adjusted EBITDA, which is a non-GAAP performance measure. The Company believes the total net debt to adjusted EBITDA ratio is useful to understanding the Company's financial condition as it provides a review of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders. The following is the December 31, 2020 calculation of net debt to adjusted EBITDA (unaudited):

(in millions)	December 31, 2020
Short-term debt and current portion of long-term debt	$ 464
Long-term debt	7,469
Total debt	7,933
Less: cash and cash equivalents	1,839
Total net debt	$ 6,094
Last twelve months adjusted EBITDA	$ 3,210
Total net debt to adjusted EBITDA	1.9x

The following is the last twelve months ended December 31, 2020 reconciliation of income from continuing operations to adjusted EBIT and adjusted EBITDA, which are non-GAAP performance measures (unaudited):

(in millions)	Last Twelve Months Ended December 31, 2020
Income from continuing operations	$ 976
Income tax provision	104
Net financing charges	238
EBIT	1,318
Adjusting items:	
Integration costs	96
Net mark-to-market adjustments	263
Restructuring and impairment costs	672
Acquisition related compensation charge	39
Adjusted EBIT (1)	2,388
Depreciation and amortization	822
Adjusted EBITDA (1)	$ 3,210

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

6. Trade Working Capital as a Percentage of Net Sales

The Company provides financial information regarding trade working capital as a percentage of net sales, which is a non-GAAP performance measure. Trade working capital is defined as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt, the current portion of assets and liabilities held for sale, accrued compensation and benefits, and other current assets and liabilities. Management believes this non-GAAP measure, which excludes financing-related items, non-trade related items and businesses to be divested, is a more useful measurement of the Company's operating performance. The following is the December 31, 2020 and December 31, 2019 calculation of trade working capital as a percentage of net sales (unaudited):

(in millions)	December 31, 2020		December 31, 2019	
Current assets	$	10,034	$	11,320
Current liabilities		(8,486)		(9,692)
Total working capital		1,548		1,628
Less: cash and cash equivalents		(1,839)		(2,160)
Less: assets held for sale		-		(87)
Less: other current assets		(1,105)		(1,508)
Add: short-term debt		11		20
Add: current portion of long-term debt		453		1,342
Add: accrued compensation and benefits		836		844
Add: liabilities held for sale		-		44
Add: other current liabilities		2,393		2,611
Trade working capital	$	2,297	$	2,734
Last twelve months net sales	$	22,082	$	24,080
Trade working capital as a percentage of net sales		10.4%		11.4%

7. Income Taxes

The Company's effective tax rate from continuing operations before consideration of transaction/integration costs, net mark-to-market adjustments, restructuring and impairment costs and discrete tax items for the three months ending December 31, 2020 and December 31, 2019 is approximately 13.5%.

8. Restructuring and Impairment Costs

The three months ended December 31, 2019 include restructuring and impairment costs of $111 million related primarily to workforce reductions, plant closures and asset impairments.