Johnson Controls

Fiscal Q4 2021 Earnings Conference Call

November 5, 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 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 general economic, business, capital market and geopolitical conditions, including global price inflation and shortages impacting the availability of raw materials and component products; Johnson Controls’ ability to manage the impacts of natural disasters, climate change, 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 and meet applicable regulatory requirements; changes to laws or policies governing foreign trade, including increased tariffs or trade restrictions; maintaining 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; 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; the outcome of litigation and governmental proceedings; 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; fluctuations in currency exchange rates; 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 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, integration costs, an acquisition related compensation charge, net mark-to-market adjustments, Silent-Aire transaction costs and other nonrecurring costs, Power Solutions divestiture reserve adjustment and discrete tax items. Financial information regarding organic sales, adjusted 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, an acquisition related compensation charge, Silent-Aire transaction costs and other nonrecurring 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.

2021 Year in Review
Executing on Our Commitments

- **Solid financial results across the board**
  - Demand remains strong – record backlog; end markets continue to recover
  - Managing price/cost and supply constraints, offsetting significant headwinds
- **Bold new commitments**
  - New ESG goals
  - COGS & SG&A cost savings programs
  - 3-year financial targets
- **Advancing our growth strategy**
  - Significant traction on key growth vectors
- **Positioned to outperform**
  - Leadership, culture and innovation

	Original Guidance*	FY21 Results*
Organic Revenue Growth	+L/MSD	**+4%** ✓
Seg. EBITA Margin Expansion	+40-60bps	**+90bps** ✓
EPS	$2.45 – $2.55	**$2.65** ✓
Free Cash Flow Conversion	~95%	**105%** ✓

*All figures are adjusted and/or non-GAAP. Non-GAAP figures exclude special items. See footnotes for reconciliation. Initial FY21 guidance for Free Cash Flow conversion provided on Q4FY20 call. All other guidance items provided on Q1FY21 call.

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Leading in ESG and Continuing to Make Strides

Solutions
Provide increasing sustainable products and services

OpenBlue **Net Zero Buildings** as a Service launched

First S&P 500 industrial company to **publish both an integrated sustainable finance framework** and **issue $500 million sustainability-linked bond**. Framework establishes **interim targets** tied to our longer-term science-based targets **to reduce Scope 1, 2 & 3 emissions**

People
Foster a culture of sustainability that engages and attracts people who want to make a difference

53% minority participation in Inaugural Future Leader's Internship program; increased **global female representation by 2.4%** in leadership positions

Employees recorded **30,677 volunteer hours** in fiscal 2021, finding ways to volunteer safely to continue to improve the communities where we live and work

Partnerships
Lead in global partnerships that significantly increase our sustainability impact

THE CLIMATE PLEDGE Paris... 10 years Early

Johnson Controls **Joins The Climate Pledge**, co-founded by Amazon and Global Optimism, **committing to reach net-zero carbon emissions by 2040**, ten years ahead of the goal set out in the UN Paris Climate Agreement

BR

George Oliver named **Chair of Business Roundtable Energy & Environment Committee**

Performance
Improve our sustainability performance and track our progress

In FY21 our **science-based targets** consistent with the most ambitious 1.5°C IPCC scenario were **approved** by Science Based Targets initiative

By Q3 FY21 **>10%* reduction in GHG intensity**

Invested in a new **wind farm** capable of generating energy equivalent to the entire consumption of our **1.3 million square-foot HVAC manufacturing plant** in Wichita, KS. Also, 100% of FY21 GHG emissions from U.S. manufacturing plants offset with renewable energy

Governance
Demonstrate our commitment from the top

Linked executive compensation to sustainability and diversity goals to drive leadership accountability. Sustainability or diversity in nearly 10,000 employees' goals

Sustainability oversight elevated to Board of Directors & integrated into Enterprise Risk Management. Chief Sustainability Officer elevated to executive committee

*Unaudited figure to be verified by third-party in Dec. 2021

Strategic Partnerships
Advancing Our Leadership as a Smart Buildings Solutions Leader

Johnson Controls, Alibaba & Accenture MOU Addressing the Sustainability Needs of an estimated Multi-Billion Dollar Data Center Market in China

- Long-term strategic collaboration includes development of digital and integrated IoT solutions
- Team to focus on providing more efficient and intelligent cooling systems

Technology Partnership Accelerates Differentiation in Product & Services and Adoption of OpenBlue Services

- Zero-trust secure network provides industry-leading differentiated solution
- Adds additional robust layer of protection into the OpenBlue communications gateway for AI-powered service solutions
- Complements cybersecurity partnerships with Pelion/ARM and DigiCert for enhanced operational technology security

IAQ/IEQ Collaboration with UL & SafeTraces Allows Targeted and Effective Investment of ~$195B in Federal Stimulus for K-12 Schools

- Industry-first alliance pairs independent data from UL and SafeTraces with Johnson Controls OpenBlue Healthy Buildings
- New program evaluates efficacy of indoor air/environmental quality and infection control strategies for airborne disease.
- Compelling demand

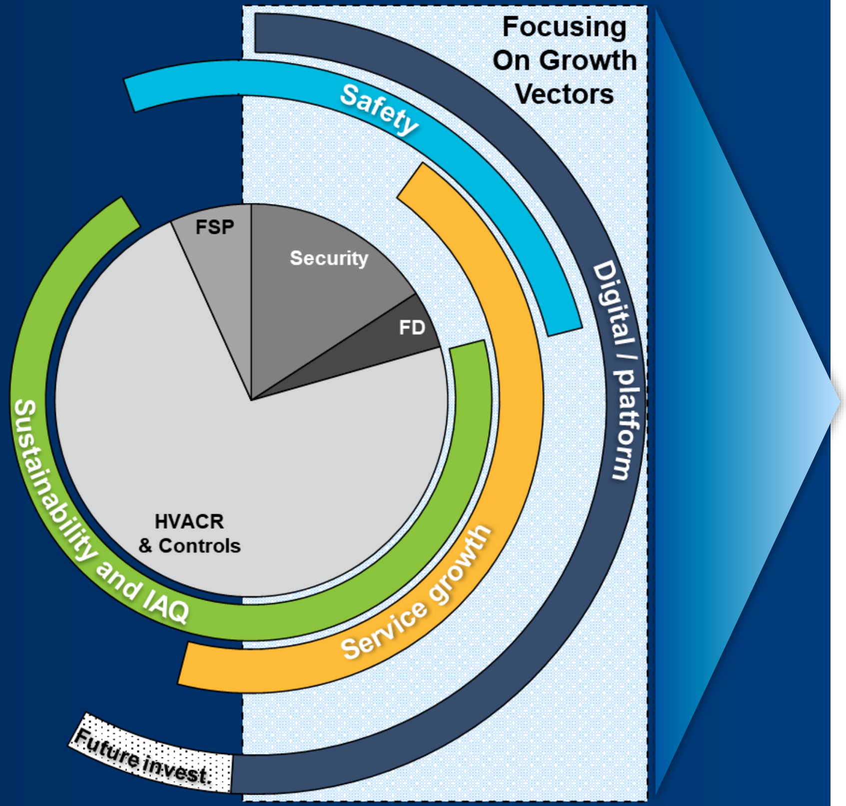
Strategic Alliance with Phylagen to Advance Global $10-15B Healthy Buildings Market

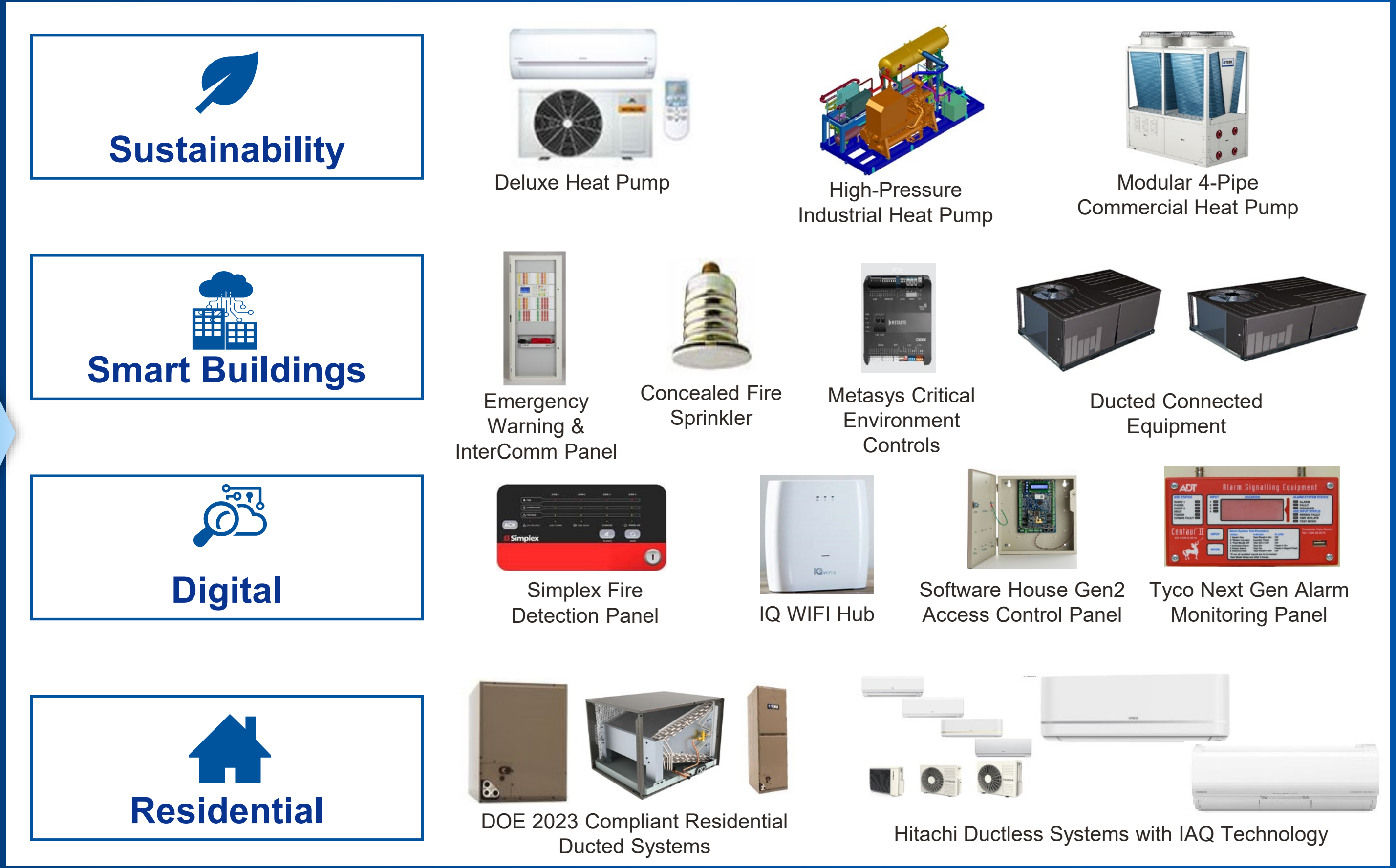
- Phylagen is a leading biotechnology company in the field of **microbiome optimization of indoor environments**
- Agreement to jointly develop technology leveraging Phylagen’s science to advance the future of healthy buildings
- Additional capability to further unlock increased share

ACCELERATING REVENUE GROWTH

Product/Technology

Driving Product Innovation – Focused on Digital & Sustainability





~150 New Products in FY21

175+ New Products Planned in FY22; Continuing to Expand Heat Pumps Portfolio

ACCELERATING REVENUE GROWTH

Optimizing & Transforming Service

$6B+
SERVICE REVENUE

~55%
RECURRING REVENUE

MSD
ANNUAL GROWTH RATE

2x MARGIN*
COMPANY EBITA MARGIN RATE

Q4 Revenue +8%	+HSD Growth in each region
Q4 Orders +7%	Positive on 2-yr stack in each region
Attach Rate ~40%	Exceeded FY21 guidance of +300 to +400bps improvement

Digital Services & Products Revenue up mid-teens

*Adjusted and/or non-GAAP. Non-GAAP figures exclude special items.

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ACCELERATING REVENUE GROWTH

Vectors of Growth Continuing to Gain Traction

Vectors of Growth

Healthy Buildings

- $10-15B[1] industry through 2030
- IAQaaS expands value proposition
  - Focuses on customer outcomes
  - Introduces an optional recurring subscription model
- Customer drivers:
  - Guaranteed clean air delivery
  - One source turnkey delivery
  - Science-backed approach
  - Flexible risk sharing models
- **FY21 Healthy Buildings revenue ~$350M**
  - **Orders ~$400M**

Decarbonization

- $240B[1] industry through 2035
- As OEM and solutions provider, we have the technology and capabilities to provide complete solutions
- Direct channel is a competitive advantage
- Decades of experience guaranteeing outcomes and critical sustainability KPIs
- Innovative deal structure
- **FY21 Performance Infrastructure revenue $685M; +mid-teens organically**
  - **Orders growth +38%**

Smart Buildings

- $70B[1] industry through 2030
- Increasing acceptance that digital offerings deliver real economic value
- Complements building systems such as HVAC and Security to deliver new operational insights – creating financial value
- Projects generate **10X** pull through of JCI products on average
- **FY21 Digital revenue $4.2B[2]; low double-digit growth organically**
  - **momentum built throughout the year**

Incremental Market Revenue Opportunity of $250B Over Next Decade

[1] Source: Navigant, Guidehouse, Memoori, JCI analysis; excluding overlap between markets, incremental market revenue opportunity of $250B over the next decade

[2] Includes software & digital products as well as digital services

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ACCELERATING REVENUE GROWTH

Customer Win – University of North Dakota

Vectors of Growth

- Long-standing customer; second long-term performance infrastructure project
- **~$220M 'Buildings-as-a-Service'** project featuring OpenBlue Enterprise Manager
- Includes the design, construction, renovation, and operations & maintenance services over 30 years
  - Construction of 2 new student residence halls
  - Renovation of 1 existing housing facility
  - Lifecycle service/replacement
  - Adds >1,000 beds impacting over 370k square feet

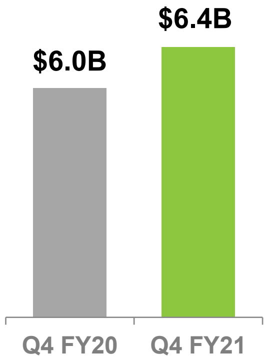
20% **Improved efficiency**

- Customer directive: improve the student experience by modernizing the facilities, increase **energy efficiency**, and promote **indoor air quality**
- **JCI Solutions:**
  - Metasys BAS
  - OpenBlue Enterprise Manager
  - Connected Chiller system
  - Air handling, filtration
  - Dedicated Outdoor Air Supply units
- **Value to JCI:** • **Recurring Revenues** • **Service Growth** • **Pull-through**

***OpenBlue Healthy Buildings** enabled nearly **900** colleges & universities to safely and efficiently welcome back students, staff and faculty this fall.*

Q4 FY21 Financial Summary*
Strong Execution in a Challenging Environment

SALES



+5% Organic

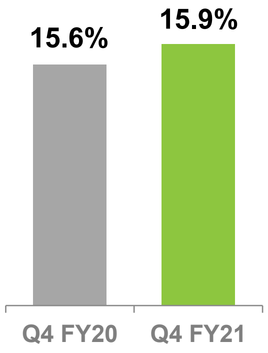
- + Field organic growth +4%
- + Global Products organic revenue +7%
- + Service organic revenue +8%

EPS

+16%

- + Increased profitability
- + Lower share count

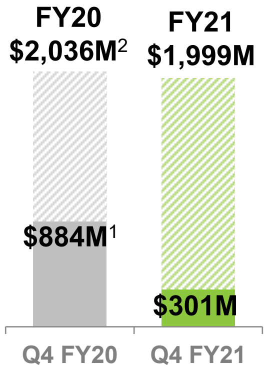
Segment EBITA MARGIN



+30bps

- + Volume leverage; mix
- + Benefit of SG&A actions taken in FY21
- - Net impact of permanent / temporary cost actions taken in FY20
- - Price/cost; supply chain disruptions

FCF



+105% Conversion FY

- + Strong Trade Working Capital management
- - Higher Capex vs. prior year
- - Reversal of YTD timing benefits

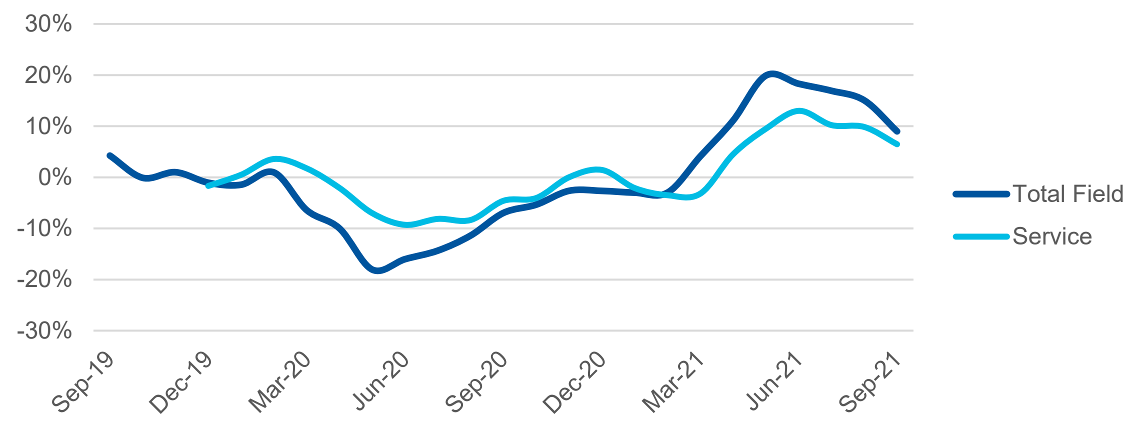
[1] Prior year Reported FCF includes ~$160M of one-time cash items that were previously excluded

[2] Prior YTD Reported FCF includes ~$600M tax benefit related to prior period tax planning, as well as ~$500M of other one-time cash items that were previously excluded

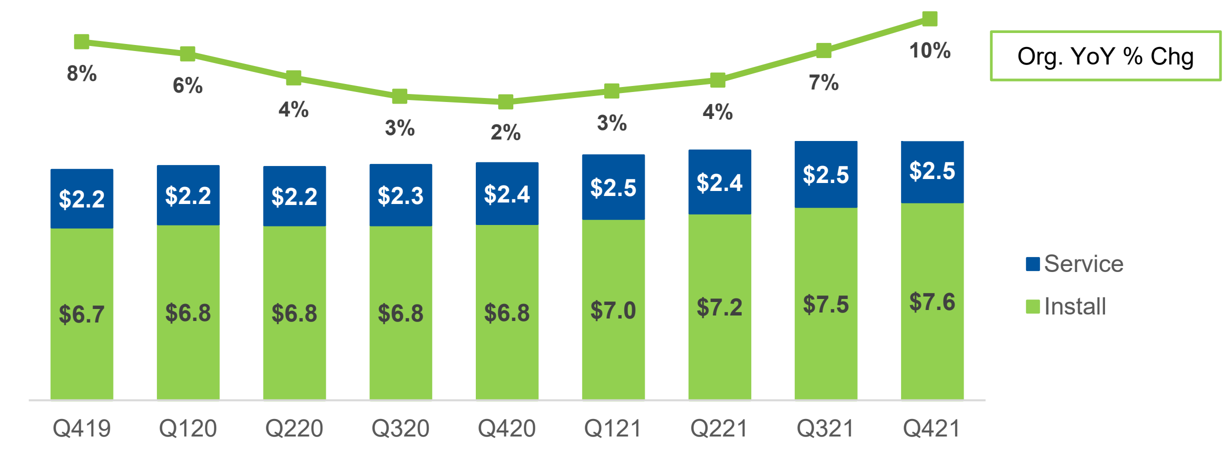
*All figures other than sales are adjusted and/or non-GAAP. Non-GAAP figures exclude special items. See footnotes for reconciliation.

Order Momentum Continues & Backlog Visibility Improves

Trailing 3-mo Field Orders (YoY % Chg)



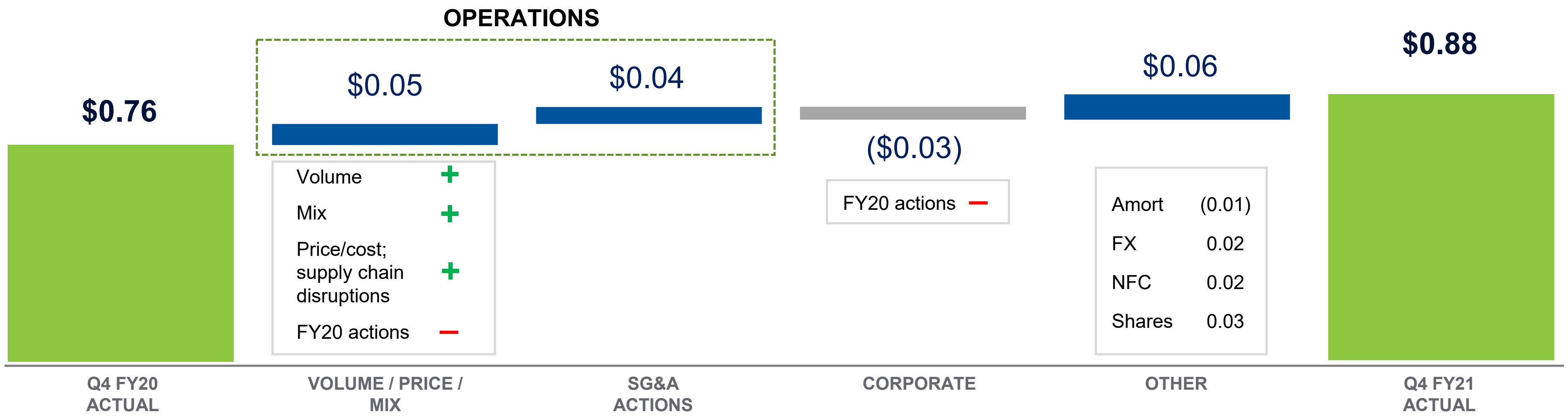
Backlog ($, billions)



- Trailing 3-month Field Orders +9% YoY
  - Service orders +7%
  - Install orders accelerating +11% YoY

- Backlog of $10.1B +10% YoY organic
- Service backlog +5% YoY; conversion accelerating
- Install backlog +11% YoY; sequential improvement led by higher retrofit activity; new construction still recovering from depressed FY20 levels
- Backlog continues to remix towards shorter cycle projects

Q4 FY21 EPS Bridge* (Continuing Operations)
Strong Operational Performance



- Strong and accelerating operational performance
- Disciplined price / cost execution; offsetting significant increase in costs and supply chain disruptions
- Underlying incrementals of ~30% despite significant price/cost dynamics
- Headwind from net impact of temporary / permanent actions taken in FY20 partially offset by accelerating SG&A productivity actions

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

Q4 Segment Results*
Strengthening Performance Across the Segments

($M)	**Sales** *Organic % YoY*	**EBITA Margin** *Change YoY*	**Comments**
North America	**$2,347** *+4%*	**15.2%** *(20bps)*	▪ Service +7% / Install +2% ▪ Solid growth across HVAC & Controls, Fire & Security and performance infrastructure ▪ Significant headwind related to net impact of temp/perm actions taken in FY20 ▪ Orders +11%; Backlog $6.5B, +10% YoY
EMEALA	**$962** *+3%*	**11.1%** *(30bps)*	▪ Service +8% / Install (3%) ▪ Growth led by Fire & Security and Industrial Refrigeration ▪ Margin impacted by prior year favorability related to gain on sale ▪ Orders +7%; Backlog $1.9B, +15% YoY
Asia Pac	**$724** *+7%*	**15.5%** *+80bps*	▪ Service +8% / Install +6% ▪ China continues to lead other regions; revenue growth up mid-teens ▪ Margin performance driven by volume leverage and favorable reserve adjustment ▪ Orders +4%; Backlog $1.8B, +4% YoY
Global Products	**$2,362** *+7%*	**18.7%** *+90bps*	▪ Broad-based demand strength ▪ Strong volume leverage, positive mix and net productivity ▪ Significant headwinds from supply chain disruptions, material availability, material & freight inflation, and operational inefficiencies
Total Segment	**$6,395** *+5%*	**15.9%** *+30bps*	▪ Field: Service +8% / Install +2%; Products +7% ▪ Strong operational execution ▪ Order momentum continuing to build; strong growth in service and installation ▪ Field orders +9%; Field backlog $10.1B, +10% YoY

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

Q4 Segment End Market Performance*
Continuing to Gain Share

Organic Sales % Change	% of FY21 Sales	North America	EMEALA	Asia PAC	Global Products	Consolidated JCI
Applied[1]	33%	+MSD	(LSD)	+LDD	+mid-teens[2]	+HSD
Light Commercial[3]	8%				+HSD	+HSD
Commercial HVAC	41%				+LDD	+HSD
NA Residential	4%				+MSD	+MSD
ROW Residential	9%				+MSD	+MSD
Residential HVAC	13%				+MSD	+MSD
Fire & Security[4]	39%	+LSD	+MSD	(MSD)	+HSD	+MSD
Performance Infrastructure	3%	+LDD				+LDD
Industrial Refrigeration	4%		+MSD		(MSD)	+LSD
Total	**100%**	**+4%**	**+3%**	**+7%**	**+7%**	**+5%**

Underlying Market Continues To Improve; Managing Through Supply Chain Constraints

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

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

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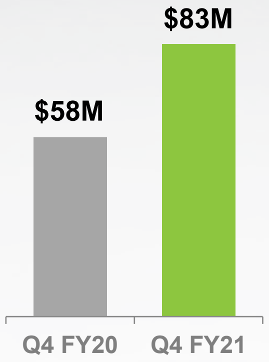
Corporate Expense* & Other Items

Corporate Expense



- Reversal of temporary costs

Fiscal 2022 Guidance Items

- Corporate expense $280 to $290M
- Amortization expense ~$450M
- NFC $230 to $240M
- NCI $240 to $265M

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

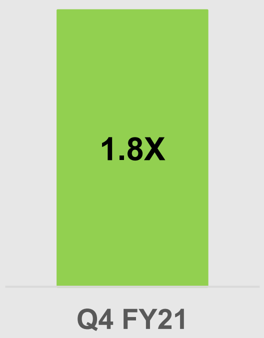
Balance Sheet & Free Cash Flow*
Ample Liquidity and Strong Free Cash Flow Conversion

Capital Structure ($ millions)	Q4 FY20	Q3 FY21	Q4 FY21
Short-term debt and current portion of long-term debt	$293	$461	$234
Long-term debt	7,526	7,318	7,506
Total debt	**7,819**	**7,779**	**7,740**
Less: cash and cash equivalents	1,951	1,450	1,336
Net debt*	**$5,868**	**$6,329**	**$6,404**

DEBT & LIQUIDITY

- **97% fixed** rate debt
- **2.85%** weighted avg interest rate
- **$1.3B** 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)	Q4 FY20	Q4 FY21	YTD FY20	YTD FY21
Cash from operating activities	$980	$529	$2,479	$2,551
Capital expenditures	(96)	(228)	(443)	(552)
Reported FCF*	**$884[1]**	**$301**	**$2,036[2]**	**$1,999**

[1] Prior year Reported FCF includes ~$160M of one-time cash items that were previously excluded

[2] Prior YTD Reported FCF includes ~$600M tax benefit related to prior period tax planning, as well as ~$500M of other one-time cash items that were previously excluded

FREE CASH FLOW

- Trade Working Capital % of Sales **down 160 bps YoY to 9.7%**
- Capex spend **up 138% YoY Q4; up 25% FY**

*Non-GAAP figures. See footnotes for reconciliation.

ADJUSTED EPS PHASING*

Q1 Above Normal Seasonality

HISTORICAL Q1 FY18-FY21[1] % OF FULL YEAR	14.6%
Q1 FY22 EPS GUIDANCE	$0.52 - $0.54
FY22 EPS GUIDANCE	$3.22 - $3.32
FQ1 FY22 % OF FULL YEAR AT MID-PT	15.9% - 16.5%

- **Q1 historically ~15% of full year EPS**
  - Implied Q1'22 EPS ~$0.50 (+15% YoY)
  - Each 1ppt variance = ~$0.03 in EPS
- **Fiscal H1/H2 historical weighting = ~32%/~68%**
  - Improving H1/H2 vs historical seasonality
- **COGS & SG&A savings nearly linear in FY22**

[1]FY20 Q1 EPS as % of full year calculated based on original guidance provided

*Non-GAAP exclude special items.

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Fiscal 2022 Q1 & Full Year Guidance*
Continuing Strong Performance in a Challenging Environment

FY 2022 Commentary

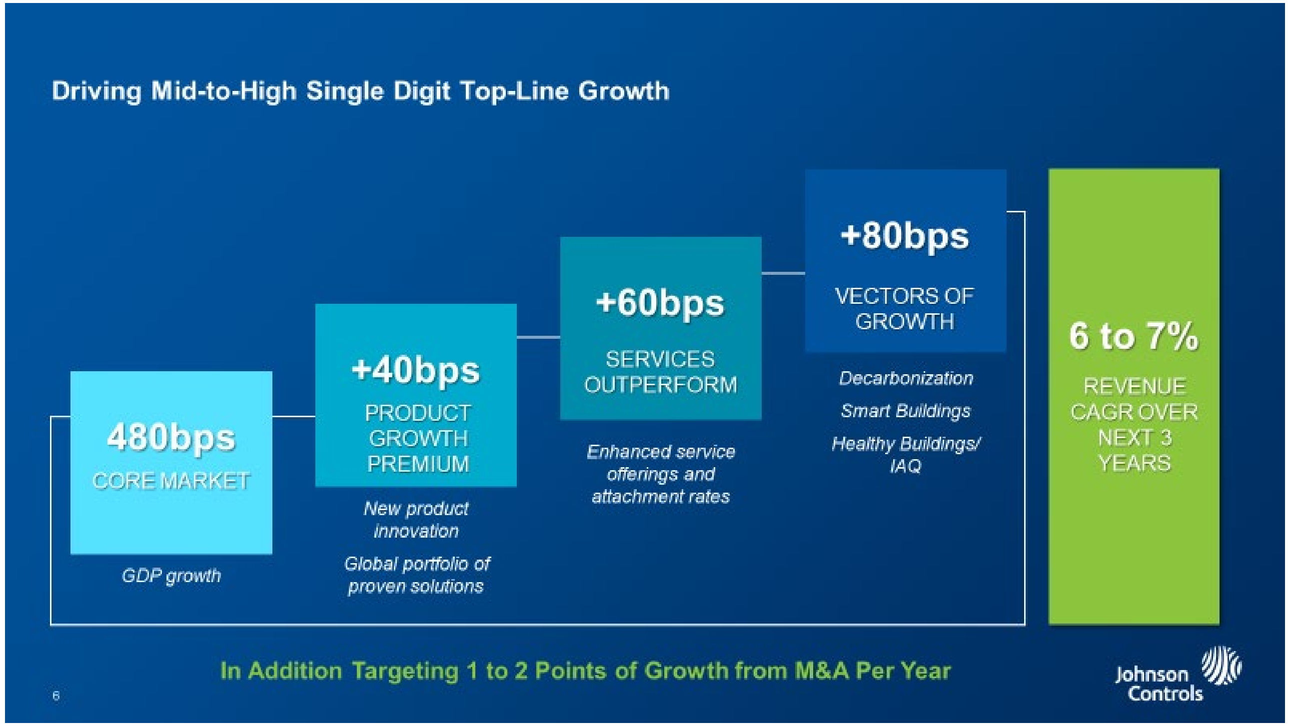
- Underlying market is continuing to improve
- Supply chain constraints / highly inflationary environment expected to continue
  - Price / cost positive on FY EPS basis; ~40bps headwind segment EBITA margin
- SG&A / COGS net savings of $230M
- Tax rate 13.5%
- Free cash flow conversion ~100%
- Disciplined capital allocation
  - ~$1.4B of share repurchases
  - Pursuing M&A opportunities

Guidance	Q1FY22	FY22
Organic Revenue	+MSD	+HSD
Segment EBITA Margin	+40 to +50bps	+70 to +80bps
EPS	$0.52 - $0.54 (21 to 26% increase yoy)	$3.22 - $3.32 (22 to 25% increase yoy)
Weighted-Average Shares	~712M	~707M

* Non-GAAP excludes special items.

Growth Accelerators Ramping

FY24 Targets:



FY 2022 Commentary*

- Healthy NPI pipeline; ~175 new products in FY22
- Service growth accelerates, organic service growth of +6-7% in FY22; 20+ new digital service offerings
- Broadening pipeline of opportunities; Decarb / Performance Infrastructure factored pipeline ~$1.2B and growing
- FY22 Healthy Buildings orders growth >40%
- Connected equipment accelerating

Expect to Grow Organic Revenue by 7 to 9 points in FY22

*Non-GAAP exclude special items.

Well on Our Way to FY24 Targets

Building Long-Term Shareholder Value

MSD+ Sales Growth

- Accelerated service growth
- Above market product growth
- Secular trends

250 to 300bps Of Margin Expansion

- Strong leverage
- SG&A / COGS program

100% FCF Conversion

- Continued improvement in WC as % of sales
- Disciplined capex

~$8B In Capital Deployment Potential

- Organic re-investment
- Attractive dividend
- Share repurchase
- M&A

Double Digit Adjusted EPS Growth

- Revenue growth
- Accelerated margin expansion
- Capital deployment

FY22 through FY24

Targeting 1 To 2 Points of Top-Line Growth From M&A

Note: Non-GAAP excludes special items.

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Appendix

IR CONTACTS

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FY21 Fourth Quarter
Financial Results (Continuing Operations)

($ in millions, except earnings per share)	Q4 FY20 GAAP	Q4 FY21 GAAP	Q4 FY20* NON-GAAP	Q4 FY21* NON-GAAP	% Change NON-GAAP
Sales	$5,954	$6,392	$5,954	$6,395	7%
Gross profit	1,975	2,191	2,042	2,137	5%
% of sales	*33.2%*	*34.3%*	*34.3%*	*33.4%*	
SG&A expenses	1,453	1,344	1,333	1,383	4%
Restructuring & impairment costs	-	67	-	-	
Equity income	61	73	61	73	20%
EBIT	583	853	770	827	7%
EBIT margin	***9.8%***	***13.3%***	***12.9%***	***12.9%***	
Net financing charges	62	47	62	47	(24%)
Income before income taxes	521	806	708	780	10%
Income tax provision	31	490	96	105	9%
Net income	490	316	612	675	10%
Income attributable to noncontrolling interests	49	47	49	47	(4%)
Net income attributable to JCI	$441	$269	$563	$628	12%
Diluted EPS	**$0.60**	**$0.38**	**$0.76**	**$0.88**	16%

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

Special Items (Continuing Operations)

$ In millions, except EPS

Q4 FY21	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Mark-to-market adjustments	$106	$(18)	$-	$88	$0.12
Restructuring & impairment costs	(67)	9	-	(58)	(0.08)
Acquisition related items	(13)	2	-	(11)	(0.02)
Discrete income tax items[1]	-	(378)	-	(378)	(0.53)
Total*	**$26**	**$(385)**	**$-**	**$(359)**	**$(0.50)**

Q4 FY20	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Integration costs	$(28)	$3	$-	$(25)	$(0.03)
Net mark-to-market adjustments	(120)	27	-	(93)	(0.13)
Acquisition related compensation charge	(39)	9	-	(30)	(0.04)
Discrete income tax items	-	26	-	26	0.04
Total*	**$(187)**	**$65**	**$-**	**$(122)**	**$(0.17)**

*Totals may not sum due to rounding

[1]During the quarter, the Company recorded a tax charge of $417 million related to the tax impacts of an intra-entity sale of certain of the Company's intellectual property as well as a tax benefit of $39 million related to valuation allowance adjustments

JOHNSON CONTROLS INTERNATIONAL PLC

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

	Three Months Ended September 30,	
	2021	2020
Net sales	$ 6,392	$ 5,954
Cost of sales	4,201	3,979
Gross profit	2,191	1,975
Selling, general and administrative expenses	(1,344)	(1,453)
Restructuring and impairment costs	(67)	-
Net financing charges	(47)	(62)
Equity income	73	61
Income from continuing operations before income taxes	806	521
Income tax provision	490	31
Income from continuing operations	316	490
Income from discontinued operations, net of tax	-	-
Net income	316	490
Less: Income from continuing operations attributable to noncontrolling interests	47	49
Less: Income from discontinued operations attributable to noncontrolling interests	-	-
Net income attributable to JCI	$ 269	$ 441
Income from continuing operations	$ 269	$ 441
Income from discontinued operations	-	-
Net income attributable to JCI	$ 269	$ 441
Diluted earnings per share from continuing operations	$ 0.38	$ 0.60
Diluted earnings per share from discontinued operations	-	-
Diluted earnings per share	$ 0.38	$ 0.60
Diluted weighted average shares	717.0	738.1
Shares outstanding at period end	708.7	726.2

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	Twelve Months Ended September 30, 2021	Twelve Months Ended September 30, 2020
Net sales	$ 23,668	$ 22,317
Cost of sales	15,609	14,906
Gross profit	8,059	7,411
Selling, general and administrative expenses	(5,258)	(5,665)
Restructuring and impairment costs	(242)	(783)
Net financing charges	(206)	(231)
Equity income	261	171
Income from continuing operations before income taxes	2,614	903
Income tax provision	868	108
Income from continuing operations	1,746	795
Income from discontinued operations, net of tax	124	-
Net income	1,870	795
Less: Income from continuing operations attributable to noncontrolling interests	233	164
Less: Income from discontinued operations attributable to noncontrolling interests	-	-
Net income attributable to JCI	$ 1,637	$ 631
Income from continuing operations	$ 1,513	$ 631
Income from discontinued operations	124	-
Net income attributable to JCI	$ 1,637	$ 631
Diluted earnings per share from continuing operations	$ 2.10	$ 0.84
Diluted earnings per share from discontinued operations	0.17	-
Diluted earnings per share	$ 2.27	$ 0.84
Diluted weighted average shares	721.1	753.6
Shares outstanding at period end	708.7	726.2

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	September 30, 2021	September 30, 2020
ASSETS		
Cash and cash equivalents	$ 1,336	$ 1,951
Accounts receivable - net	5,613	5,294
Inventories	2,057	1,773
Other current assets	992	1,035
Current assets	9,998	10,053
Property, plant and equipment - net	3,228	3,059
Goodwill	18,335	17,932
Other intangible assets - net	5,549	5,356
Investments in partially-owned affiliates	1,066	914
Noncurrent assets held for sale	156	147
Other noncurrent assets	3,558	3,354
Total assets	$ 41,890	$ 40,815
LIABILITIES AND EQUITY		
Short-term debt and current portion of long-term debt	$ 234	$ 293
Accounts payable and accrued expenses	4,754	3,958
Other current liabilities	4,110	3,997
Current liabilities	9,098	8,248
Long-term debt	7,506	7,526
Other noncurrent liabilities	6,533	6,508
Shareholders' equity attributable to JCI	17,562	17,447
Noncontrolling interests	1,191	1,086
Total liabilities and equity	$ 41,890	$ 40,815

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Operating Activities		
Net income from continuing operations attributable to JCI	$ 269	$ 441
Income from continuing operations attributable to noncontrolling interests	47	49
Net income from continuing operations	316	490
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	218	206
Pension and postretirement benefit expense (income)	(158)	76
Pension and postretirement contributions	(28)	(18)
Equity in earnings of partially-owned affiliates, net of dividends received	(51)	(45)
Deferred income taxes	30	(389)
Non-cash restructuring and impairment costs	4	-
Other - net	29	(39)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	14	106
Inventories	(15)	250
Other assets	(134)	68
Restructuring reserves	(17)	(87)
Accounts payable and accrued liabilities	(41)	14
Accrued income taxes	362	348
Cash provided by operating activities from continuing operations	529	980
Investing Activities		
Capital expenditures	(228)	(96)
Acquisition of businesses, net of cash acquired	(18)	(18)
Business divestitures, net of cash divested	-	135
Other - net	42	30
Cash provided (used) by investing activities from continuing operations	(204)	51
Financing Activities		
Increase (decrease) in short and long-term debt - net	36	(422)
Stock repurchases and retirements	(306)	(737)
Payment of cash dividends	(192)	(194)
Dividends paid to noncontrolling interests	(9)	(47)
Proceeds from the exercise of stock options	18	33
Cash paid to acquire a noncontrolling interest	-	(132)
Employee equity-based compensation withholding taxes	(3)	(1)
Other - net	(25)	(8)
Cash used by financing activities from continuing operations	(481)	(1,508)
Discontinued Operations		
Net cash used by operating activities	(8)	(5)
Net cash provided by investing activities	-	-
Net cash provided by financing activities	-	-
Net cash flows used by discontinued operations	(8)	(5)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	49	87
Changes in cash held for sale	-	-
Decrease in cash, cash equivalents and restricted cash	$ (115)	$ (395)

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Twelve Months Ended September 30, 2021	2020
Operating Activities		
Net income from continuing operations attributable to JCI	$ 1,513	$ 631
Income from continuing operations attributable to noncontrolling interests	233	164
Net income from continuing operations	1,746	795
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	845	822
Pension and postretirement benefit expense (income)	(551)	118
Pension and postretirement contributions	(68)	(61)
Equity in earnings of partially-owned affiliates, net of dividends received	(117)	(36)
Deferred income taxes	36	(537)
Non-cash restructuring and impairment costs	98	582
Other - net	(9)	(16)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	(143)	534
Inventories	(219)	45
Other assets	(164)	(52)
Restructuring reserves	(44)	(29)
Accounts payable and accrued liabilities	813	(717)
Accrued income taxes	328	1,031
Cash provided by operating activities from continuing operations	2,551	2,479
Investing Activities		
Capital expenditures	(552)	(443)
Acquisition of businesses, net of cash acquired	(725)	(77)
Business divestitures, net of cash divested	19	135
Other - net	168	127
Cash used by investing activities from continuing operations	(1,090)	(258)
Financing Activities		
Increase (decrease) in short and long-term debt - net	(28)	385
Stock repurchases and retirements	(1,307)	(2,204)
Payment of cash dividends	(762)	(790)
Proceeds from the exercise of stock options	178	75
Dividends paid to noncontrolling interests	(142)	(114)
Cash paid to acquire a noncontrolling interest	(14)	(132)
Employee equity-based compensation withholding taxes	(33)	(34)
Other - net	(23)	(10)
Cash used by financing activities from continuing operations	(2,131)	(2,824)
Discontinued Operations		
Net cash used by operating activities	(64)	(260)
Net cash used by investing activities	-	-
Net cash used by financing activities	-	(113)
Net cash flows used by discontinued operations	(64)	(373)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	116	115
Changes in cash held for sale	-	-
Decrease in cash, cash equivalents and restricted cash	$ (618)	$ (861)

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 September 30,				Twelve Months Ended September 30,			
	2021		2020		2021		2020	
	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP
Net sales (1)								
Building Solutions North America	$ 2,347	$ 2,347	$ 2,243	$ 2,243	$ 8,685	$ 8,685	$ 8,605	$ 8,605
Building Solutions EMEA/LA	962	962	906	906	3,727	3,727	3,440	3,440
Building Solutions Asia Pacific	724	724	661	661	2,654	2,654	2,403	2,403
Global Products	2,359	2,362	2,144	2,144	8,602	8,608	7,869	7,869
Net sales	$ 6,392	$ 6,395	$ 5,954	$ 5,954	$ 23,668	$ 23,674	$ 22,317	$ 22,317
Segment EBITA (1)								
Building Solutions North America	$ 357	$ 357	$ 341	$ 345	$ 1,204	$ 1,204	$ 1,157	$ 1,168
Building Solutions EMEA/LA	107	107	101	103	391	391	338	340
Building Solutions Asia Pacific	112	112	90	97	349	349	319	326
Global Products	436	442	337	381	1,441	1,454	1,134	1,186
Segment EBITA	1,012	1,018	869	926	3,385	3,398	2,948	3,020
Corporate expenses (2)	(83)	(83)	(68)	(58)	(290)	(290)	(371)	(269)
Amortization of intangible assets (3)	(115)	(108)	(98)	(98)	(435)	(425)	(386)	(386)
Net mark-to-market adjustments (4)	106	-	(120)	-	402	-	(274)	-
Restructuring and impairment costs (5)	(67)	-	-	-	(242)	-	(783)	-
EBIT (6)	853	827	583	770	2,820	2,683	1,134	2,365
EBIT margin	13.3%	12.9%	9.8%	12.9%	11.9%	11.3%	5.1%	10.6%
Net financing charges	(47)	(47)	(62)	(62)	(206)	(206)	(231)	(231)
Income from continuing operations before income taxes	806	780	521	708	2,614	2,477	903	2,134
Income tax provision (7)	(490)	(105)	(31)	(96)	(868)	(334)	(108)	(288)
Income from continuing operations	316	675	490	612	1,746	2,143	795	1,846
Income from continuing operations attributable to noncontrolling interests	(47)	(47)	(49)	(49)	(233)	(233)	(164)	(158)
Net income from continuing operations attributable to JCI	$ 269	$ 628	$ 441	$ 563	$ 1,513	$ 1,910	$ 631	$ 1,688

(1) The Company's press release contains financial information regarding adjusted net sales, segment EBITA, adjusted segment EBITA and adjusted segment EBITA margins, which are non-GAAP performance measures. The Company's definition of adjusted net sales and adjusted segment EBITA excludes special items because these items 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 September 30, 2021 and 2020 reconciliation of net sales, segment EBITA and segment EBITA margin as reported to adjusted net sales, 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales as reported	$ 2,347	$ 2,243	$ 962	$ 906	$ 724	$ 661	$ 2,359	$ 2,144	$ 6,392	$ 5,954
Adjusting items:										
Nonrecurring Silent-Aire purchase accounting impacts	-	-	-	-	-	-	3	-	3	-
Adjusted net sales	$ 2,347	$ 2,243	$ 962	$ 906	$ 724	$ 661	$ 2,362	$ 2,144	$ 6,395	$ 5,954
Segment EBITA as reported	$ 357	$ 341	$ 107	$ 101	$ 112	$ 90	$ 436	$ 337	$ 1,012	$ 869
Segment EBITA margin as reported	15.2%	15.2%	11.1%	11.1%	15.5%	13.6%	18.5%	15.7%	15.8%	14.6%
Adjusting items:										
Nonrecurring Silent-Aire purchase accounting impacts and transaction costs	-	-	-	-	-	-	6	-	6	-
Integration costs	-	4	-	2	-	7	-	5	-	18
Acquisition related compensation charge	-	-	-	-	-	-	-	39	-	39
Adjusted segment EBITA	$ 357	$ 345	$ 107	$ 103	$ 112	$ 97	$ 442	$ 381	$ 1,018	$ 926
Adjusted segment EBITA margin	15.2%	15.4%	11.1%	11.4%	15.5%	14.7%	18.7%	17.8%	15.9%	15.6%

The following is the twelve months ended September 30, 2021 and 2020 reconciliation of net sales, segment EBITA and segment EBITA margin as reported to adjusted net sales, 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales as reported	$ 8,685	$ 8,605	3,727	3,440	2,654	2,403	8,602	7,869	$ 23,668	$ 22,317
Adjusting items:										
Nonrecurring Silent-Aire purchase accounting impacts	-	-	-	-	-	-	6	-	6	-
Adjusted net sales	$ 8,685	$ 8,605	$ 3,727	$ 3,440	$ 2,654	$ 2,403	$ 8,608	$ 7,869	$ 23,674	$ 22,317
Segment EBITA as reported	$ 1,204	$ 1,157	$ 391	$ 338	$ 349	$ 319	$ 1,441	$ 1,134	$ 3,385	$ 2,948
Segment EBITA margin as reported	13.9%	13.4%	10.5%	9.8%	13.1%	13.3%	16.8%	14.4%	14.3%	13.2%
Adjusting items:										
Nonrecurring Silent-Aire purchase accounting impacts and transaction costs	-	-	-	-	-	-	13	-	13	-
Integration costs	-	11	-	2	-	7	-	13	-	33
Acquisition related compensation charge	-	-	-	-	-	-	-	39	-	39
Adjusted segment EBITA	$ 1,204	$ 1,168	$ 391	$ 340	$ 349	$ 326	$ 1,454	$ 1,186	$ 3,398	$ 3,020
Adjusted segment EBITA margin	13.9%	13.6%	10.5%	9.9%	13.1%	13.6%	16.9%	15.1%	14.4%	13.5%

(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 September 30, 2020 excludes $10 million of integration costs. Adjusted Corporate expenses for the twelve months ended September 30, 2020 excludes $102 million of integration costs.

(3) Adjusted amortization of intangible assets for the three months ended September 30, 2021 excludes $7 million of nonrecurring asset amortization related to Silent-Aire purchase accounting. Adjusted amortization of intangible assets for the twelve months ended September 30, 2021 excludes $10 million of nonrecurring asset amortization related to Silent-Aire purchase accounting.

(4) The three months ended September 30, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $106 million. The twelve months ended September 30, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $402 million. The three months ended September 30, 2020 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $120 million. The twelve months ended September 30, 2020 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $274 million.

(5) Restructuring and impairment costs for the three months ended September 30, 2021 of $67 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the twelve months ended September 30, 2021 of $242 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the twelve months ended September 30, 2020 of $783 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.

(6) Management defines earnings before interest and taxes (EBIT) as income 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 from continuing operations is shown earlier within this footnote.

(7) Adjusted income tax provision for the three months ended September 30, 2021 excludes tax provisions from an intra-entity sale of certain of the Company's intellectual property of $417 million and net mark-to-market adjustments of $18 million, partially offset by tax benefits related to valuation allowance adjustments of $39 million, restructuring and impairment costs of $9 million, and Silent-Aire nonrecurring purchase accounting of $2 million. Adjusted income tax provision for the twelve months ended September 30, 2021 excludes tax provisions from an intra-entity sale of certain of the Company's intellectual property of $417 million, a Mexico valuation allowance adjustment $105 million, and net mark-to-market adjustments of $93 million, partially offset by tax benefits related to other valuation allowance adjustments of $39 million, restructuring and impairment costs of $39 million, and Silent-Aire nonrecurring purchase accounting of $3 million. Adjusted income tax provision for the three months ended September 30, 2020 excludes tax benefits from net mark-to-market adjustments of $27 million, valuation allowance adjustments of $26 million, an acquisition related compensation charge of $9 million and integration costs of $3 million. Adjusted income tax provision for the twelve months ended September 30, 2020 excludes tax benefits from net mark-to-market adjustments of $65 million, restructuring and impairment costs of $48 million, tax audit reserve adjustments of $44 million, valuation allowance adjustments of $26 million, integration costs of $18 million and an acquisition related compensation charge of $9 million, partially offset by tax provisions related to Switzerland tax reform of $30 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 integration costs, net mark-to-market adjustments, an acquisition related compensation charge, restructuring and impairment costs, Silent-Aire transaction costs and other nonrecurring 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		Net Income Attributable to JCI plc		Net Income Attributable to JCI plc from Continuing Operations	
	Three Months Ended September 30,		Three Months Ended September 30,		Twelve Months Ended September 30,		Twelve Months Ended September 30,	
	2021	2020	2021	2020	2021	2020	2021	2020
Earnings per share as reported for JCI plc	$ 0.38	$ 0.60	$ 0.38	$ 0.60	$ 2.27	$ 0.84	$ 2.10	$ 0.84
Adjusting items:								
Integration costs	-	0.04	-	0.04	-	0.18	-	0.18
Related tax impact	-	-	-	-	-	(0.02)	-	(0.02)
Acquisition related compensation charge	-	0.05	-	0.05	-	0.05	-	0.05
Related tax impact	-	(0.01)	-	(0.01)	-	(0.01)	-	(0.01)
Net mark-to-market adjustments	(0.15)	0.16	(0.15)	0.16	(0.56)	0.36	(0.56)	0.36
Related tax impact	0.03	(0.04)	0.03	(0.04)	0.13	(0.09)	0.13	(0.09)
Restructuring and impairment costs	0.09	-	0.09	-	0.34	1.04	0.34	1.04
Related tax impact	(0.01)	-	(0.01)	-	(0.05)	(0.06)	(0.05)	(0.06)
NCI impact of restructuring and impairment costs	-	-	-	-	-	(0.01)	-	(0.01)
Silent-Aire transaction costs and other nonrecurring costs	0.02	-	0.02	-	0.03	-	0.03	-
Power Solutions divestiture reserve adjustment	-	-	-	-	(0.17)	-	-	-
Discrete tax items	0.53	(0.04)	0.53	(0.04)	0.67	(0.05)	0.67	(0.05)
NCI impact of discrete tax items	-	-	-	-	-	0.01	-	0.01
Adjusted earnings per share for JCI plc*	$ 0.88	$ 0.76	$ 0.88	$ 0.76	$ 2.65	$ 2.24	$ 2.65	$ 2.24

* 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 September 30,		Twelve Months Ended September 30,	
	2021	2020	2021	2020
Weighted average shares outstanding for JCI plc				
Basic weighted average shares outstanding	711.7	735.2	716.6	751.0
Effect of dilutive securities:				
Stock options, unvested restricted stock and unvested performance share awards	5.3	2.9	4.5	2.6
Diluted weighted average shares outstanding	717.0	738.1	721.1	753.6

The Company has presented forward-looking statements regarding adjusted corporate expense, 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, income or cash flows 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 2022 full year and first 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 full year and first quarter 2022 GAAP financial results.

3. Organic Growth Reconciliation

The components of the changes in adjusted net sales for the three months ended September 30, 2021 versus the three months ended September 30, 2020, including organic growth, are shown below (unaudited):

(in millions)	Adjusted Net Sales for the Three Months Ended September 30, 2020	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Three Months Ended September 30, 2020	Acquisitions		Organic Growth		Adjusted Net Sales for the Three Months Ended September 30, 2021	
Building Solutions North America	$ 2,243	$ -	-	$ 12	1%	$ 2,255	$ 4	-	$ 88	4%	$ 2,347	5%
Building Solutions EMEA/LA	906	-	-	16	2%	922	14	2%	26	3%	962	6%
Building Solutions Asia Pacific	661	(2)	-	18	3%	677	-	-	47	7%	724	10%
Total field	3,810	(2)	-	46	1%	3,854	18	-	161	4%	4,033	6%
Global Products	2,144	(79)	-4%	11	1%	2,076	132	6%	154	7%	2,362	10%
Total net sales	$ 5,954	$ (81)	-1%	$ 57	1%	$ 5,930	$ 150	3%	$ 315	5%	$ 6,395	7%

The components of the changes in adjusted net sales for the twelve months ended September 30, 2021 versus the twelve months ended September 30, 2020, including organic growth, are shown below (unaudited):

(in millions)	Adjusted Net Sales for the Twelve Months Ended September 30, 2020	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Twelve Months Ended September 30, 2020	Acquisitions		Organic Growth		Adjusted Net Sales for the Twelve Months Ended September 30, 2021	
Building Solutions North America	$ 8,605	$ -	-	$ 49	1%	$ 8,654	$ 4	-	$ 27	-	$ 8,685	1%
Building Solutions EMEA/LA	3,440	-	-	135	4%	3,575	37	1%	115	3%	3,727	8%
Building Solutions Asia Pacific	2,403	(9)	-	117	5%	2,511	-	-	143	6%	2,654	10%
Total field	14,448	(9)	-	301	2%	14,740	41	-	285	2%	15,066	4%
Global Products	7,869	(266)	-3%	146	2%	7,749	212	3%	647	8%	8,608	9%
Total net sales	$ 22,317	$ (275)	-1%	$ 447	2%	$ 22,489	$ 253	1%	$ 932	4%	$ 23,674	6%

4. Free Cash Flow Conversion

The Company's press release contains financial information regarding free cash flow, adjusted free cash flow and adjusted free cash flow conversion, which are non-GAAP performance measures. Free cash flow is defined as cash provided by operating activities less capital expenditures. Fiscal 2020 adjusted free cash flow excludes special items, as included in the table below, because these cash flows were not considered to be directly related to its underlying businesses. For fiscal 2021, there were no items excluded from the calculation of adjusted free cash flow. Adjusted free cash flow conversion is defined as adjusted free cash flow divided by adjusted net income attributable to JCI. Management believes these non-GAAP measures are useful to investors in understanding the strength of the Company and its ability to generate cash. This non-GAAP measure 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 and twelve months ended September 30, 2021 and 2020 reconciliation of free cash flow, adjusted free cash flow and adjusted free cash flow conversion for continuing operations (unaudited):

	Three Months Ended September 30,		Twelve Months Ended September 30,	
(in millions)	2021	2020	2021	2020
Cash provided by operating activities from continuing operations	$ 529	$ 980	$ 2,551	$ 2,479
Capital expenditures	(228)	(96)	(552)	(443)
Reported free cash flow	301	884	1,999	2,036
Adjusting items:				
Transaction/integration costs	-	77	-	241
Restructuring payments	-	87	-	230
Nonrecurring tax payments (refunds)	-	-	-	(565)
Total adjusting items	-	164	-	(94)
Adjusted free cash flow	$ 301	$ 1,048	$ 1,999	$ 1,942
Adjusted net income from continuing operations attributable to JCI	$ 628	$ 563	$ 1,910	$ 1,688
Adjusted free cash flow conversion	48%	186%	105%	115%

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 September 30, 2021 calculation of net debt to adjusted EBITDA (unaudited):

(in millions)	September 30, 2021
Short-term debt and current portion of long-term debt	$ 234
Long-term debt	7,506
Total debt	7,740
Less: cash and cash equivalents	1,336
Total net debt	$ 6,404
Last twelve months adjusted EBITDA	$ 3,518
Total net debt to adjusted EBITDA	1.8x

The following is the last twelve months ended September 30, 2021 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 September 30, 2021
Income from continuing operations	$ 1,746
Income tax provision	868
Net financing charges	206
EBIT	2,820
Adjusting items:	
Net mark-to-market adjustments	(402)
Restructuring and impairment costs	242
Silent-Aire transaction and other nonrecurring costs	23
Adjusted EBIT (1)	2,683
Depreciation and amortization	835
Adjusted EBITDA (1)	$ 3,518

(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 these non-GAAP measures are useful to investors 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 and cash equivalents, 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 September 30, 2021 and September 30, 2020 calculation of trade working capital as a percentage of net sales (unaudited):

(in millions)	September 30, 2021	September 30, 2020
Current assets	$ 9,998	$ 10,053
Current liabilities	(9,098)	(8,248)
Total working capital	900	1,805
Less: cash and cash equivalents	(1,336)	(1,951)
Less: other current assets	(992)	(1,035)
Add: short-term debt	8	31
Add: current portion of long-term debt	226	262
Add: accrued compensation and benefits	1,008	838
Add: other current liabilities	2,473	2,562
Trade working capital	$ 2,287	$ 2,512
Last twelve months net sales	$ 23,668	$ 22,317
Trade working capital as a percentage of net sales	9.7%	11.3%

7. Income Taxes

The Company's effective tax rate from continuing operations before consideration of transaction/integration costs, net mark-to-market adjustments, Silent-Aire nonrecurring purchase accounting, restructuring and impairment costs, acquisition related compensation charge, and discrete tax items for the three and twelve months ending September 30, 2021 and September 30, 2020 is approximately 13.5%.

8. Restructuring and Impairment Costs

The three months ended September 30, 2021 include restructuring and impairment costs of $67 million related primarily to workforce reductions, asset impairments and other related costs. The twelve months ended September 30, 2021 include restructuring and impairment costs of $242 million related primarily to workforce reductions, asset impairments and other related costs. The twelve months ended September 30, 2020 include restructuring and impairment costs of $783 million related primarily to workforce reductions, plant closures, asset impairments, and indefinite-lived intangible asset and goodwill impairments primarily related to the Company's retail business.