Fiscal Q1 2023 Earnings Conference Call

February 1, 2023

The power behind **your mission**

Johnson Controls

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, debt levels and market outlook are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Johnson Controls cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond its control, that could cause its actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to Johnson Controls ability to manage general economic, business and capital market conditions, including recessions and other economic downturns, the ability to manage macroeconomic and geopolitical volatility, including global price inflation, shortages impacting the availability of raw materials and component products and the conflict between Russia and Ukraine; the ability to develop or acquire new products and technologies that achieve market acceptance and meet applicable regulatory requirements; the strength of the U.S. or other economies; fluctuations in currency exchange rates; changes or uncertainty in laws, regulations, rates, policies or interpretations that impact Johnson Controls business operations or tax status; changes to laws or policies governing foreign trade, including economic sanctions, 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; 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 ability of Johnson Controls to drive organizational improvement; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions; the 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; 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 2022 fiscal year filed with the SEC on November 15, 2022, which is available at www.sec.gov and www.johnsoncontrols.com under the “Investors” tab. The description of certain of these risks is supplemented in Item 1A of Part II of Johnson Controls subsequently filed Quarterly Reports on Form 10-Q. Shareholders, potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this communication are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this communication.

Non-GAAP Financial Information

This presentation contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include restructuring and impairment costs, net mark-to-market adjustments, Silent-Aire other nonrecurring items, certain transaction / separation costs, and warehouse fire loss. Financial information regarding organic sales growth, adjusted sales, EBIT, EBIT margin, adjusted EBIT, adjusted EBIT margin, organic segment EBITA growth, total segment EBITA, adjusted segment EBITA, adjusted segment EBITA margin, adjusted Corporate expense, free cash flow, free cash flow conversion and adjusted net income from continuing operations are also presented, which are non-GAAP performance measures. Management believes that, when considered together with unadjusted amounts, these non-GAAP measures are useful to investors in understanding period-over-period operating results and business trends of Johnson Controls. Management may also use these metrics as guides in forecasting, budgeting and long-term planning processes and for compensation purposes. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. For further information on the calculation of the non-GAAP measures and a reconciliation of these non-GAAP measures, refer to the attached footnotes.

Delivered Strong Service Performance, EBIT Margin Expansion, and Adjusted EPS Growth

- Strong service orders and revenue growth with acceleration of digital service capabilities across our vectors of growth

- Disciplined pricing approach drove significant gross margin expansion and increased profitability

- Grew Field Backlog of $11.3B by 11% organically YoY with robust demand

- On pace to meet our productivity plan of ~$340M in savings for FY23; realized ~$90M in savings for Q1

Johnson Controls

DIGITALIZING THE PORTFOLIO

Expanding Capabilities and Insights with OpenBlue

1 Solving Customer Needs

Dynamic building modes
Customer Vision workshops
Energy optimization
Connected experiences
Predictive maintenance
Higher tenant satisfaction
Remote diagnostics
Increased productivity
Optimized processes
Reduce operating costs
Clean Air
Risk insight
Improved asset safety
Touchless environments
Active compliance management
Cyber Solutions
Advanced Security
Healthy Buildings

Facilities at Leading Tech Manufacturer

OpenBlue Companion

- **Installed OpenBlue Companion to give insights into space utilization and enhance employee productivity**
- **Serves as a model for workplace experience across the company's real estate portfolio**

2 Uniquely Positioned with Expanded Digital Capabilities

Connected Services / Capabilities

Q1 Updates

✓ *Open**Blue** Chillers*
- *Advancing predictive AI*
- *3rd Party Chiller Support*

✓ *Open**Blue Controls & BAS***
- *Improved fault detection and analysis*

✓ *Open**Blue Platform (Cloud + Edge)***
- *Foghorn (AI-at-the-edge) and Tempered (Zero-trust security) integrated with OpenBlue Bridge edge device*
- *18 new 3rd party integrations*
- *Improved interoperability*
- *Continuing partnership with Microsoft, including their Cloud for Sustainability*

Outcome Analysis

✓ *Open**Blue** Indoor Air Quality*
✓ *Open**Blue** NetZero Advisor*
- *New goals and target setting*

Smart Building Solutions

✓ *Open**Blue** Enterprise Management on AliCloud*
✓ *Open**Blue Companion***
- *Smart Parking and Dining integration*

3 Delivering Results*

TOTAL Q1 REVENUE FROM CONNECTED DEVICES	**~$1.2B, +HSD** YoY Growth
TOTAL CHILLER CONNECTIONS	**~11,370, 79%** YoY Growth

Q1 Awards and Recognitions

NASSCOM CLOUD SUMMIT
LEVERAGING CLOUD FOR SUSTAINABILITY
Johnson Controls
WINNER

NASSCOM Leveraging Cloud for Sustainability

Customer Quote on OpenBlue

"From what we have seen, the OpenBlue Central Utility Plant system operates the chiller plant better than our own building automation system. It also provides a great snapshot of the efficiency of the plant."

- Hospital Facility Manager, Spokane, WA

*Figures represent organic connections and revenue.

Johnson Controls

ACCELERATING DIGITAL SERVICE TRANSFORMATION | $160B Global Service Market Opportunity[1]

Service Growth Flywheel Accelerating Digital Adoption

1 Service Growth Strategy

The JCI Digital Advantage

- **Vendor-agnostic** connectivity
- **Multi-tenant cloud** environment
- **Digital twin** data models
- Intelligent **connected edge**
- **Zero trust** cybersecurity

Connected Services (e.g., chillers)

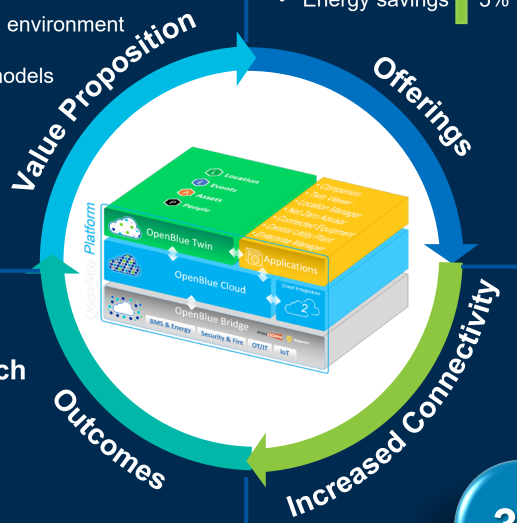
- Uptime ↑ 50%
- Repair cost savings ↑ 20%
- Energy savings ↑ 5%

Outcomes as a Service

- Net Zero
- Indoor Air Quality
- Space Mgmt
- Cooling & Heating

Target verticals

- Healthcare
- Government
- Education
- CRE



500 bps/year
Increase in Attach Rate

3-4X
Increase in $ / Customer

100 bps/year
Decrease in Attrition

3X increase in connectivity

(e.g., connected chillers)

2 Digital Services Journey

Phase 1 FY21	Implemented Data Mining Capabilities
Phase 2 FY22	Access Data at Scale and Increase Connectivity
Phase 3 FY23	Global Standardization of Field Operations

3 Delivering Results*

	Q1
SERVICE ORDERS:	~$1.6B, +10% YoY Growth
SERVICE REVENUE:	~$1.5B, +10% YoY Growth
ATTACH RATE IMPROVEMENT:	+200 bps YoY
ATTRITION RATE:	+39 bps YoY

Increased Attach Rate + Increased Connectivity + Digital Services & Apps – Lower Attrition = **>$2B** REVENUE OPPORTUNITY FY21 – FY24

*Figures represent organic orders, revenue and growth rates. Organic revenue and organic revenue growth are non-GAAP measures. See footnotes for reconciliation.
Sources: 1) Dodge, Navigant, CBRE, JCI Analysis; annual market size from 2021 through 2024.

Sustainability Initiatives Supporting Secular Trends

1 Q1 Regulatory Environment[2]

California joins national coalition of states and local governments **strengthening building performance standards**

White House announces first-ever federal building performance standard, helping **lower energy costs and cutting emissions**

European Union energy ministers agreed on regulatory framework to **accelerate permitting process** for renewable energy projects, including **heat pumps and solar**

Customer Insights

Major Market NFL Stadium:
Self-funded project with a variety of integrated options to meet their decarbonization goals

Leading Global Automaker:
Management of multi-site building environment lifecycle risk of joint venture EV Battery manufacturing facility

2 Sustainable Infrastructure Partnership Ecosystem Offers Comprehensive Customer Solutions

Goal Setting and Advisory Services

- ✓ Established partnerships accelerating our customers decarbonization and efficiency goals (KPMG)
- ✓ Serves as an entry point for customers to leverage our full sustainability infrastructure solutions (accenture)

Renewable Energy Supply Services

- ✓ Strategic partnerships in renewable energy supply and distributed energy solutions, providing customers carbon reduction services (3Degrees, Constellation, World Kinect Energy Services)
- ✓ Expands the comprehensive OpenBlue Net Zero Buildings as a Service Offering

3 Delivering Results*

	Q1
TTM ORDERS:	~$930M, ~6% YoY Growth
ORGANIC REVENUE:	~$200M, +20% YoY Growth

PIPELINE[3]
~$7.9B+
+20% YoY

*Figures represent organic orders, revenue and growth rates.
1) Energy Information Administration, Guidehouse, Urban Green Council, Rocky Mountain Institute, JCI analysis represents incremental opportunity; majority of total opportunity is retrofit. Remainder is rooftop solar and advisory services; total addressable market opportunity by 2035. 2) White House factsheet, California Energy Commission, and Council of the EU 3) Unfactored Pipeline.

VECTORS OF GROWTH: HEALTHY BUILDINGS | $10-15B Healthy Buildings Opportunity[1]

Accelerating Indoor Air Quality (IAQ) Growth through Innovation

1 Finding Solutions at the Intersection of IAQ, Decarbonization, and Space Utilization

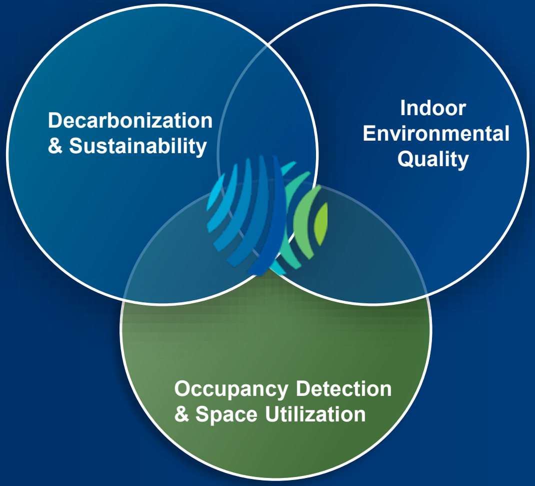
WELL LIVING LAB

Initiated ground-breaking IAQ research collaboration with **Well Living Lab, Delos, and Mayo Clinic**

✓ Establish a clinical research-backed connection between IAQ improvements and health and productivity outcomes

Hybrid work models can lead to energy waste through over-conditioning and over-cleaning air

We are further investing in OpenBlue as the leading platform to drive **"occupant-centric IAQ"**



2 Unlocking Valuable Outcomes for our Customers through Innovative IAQ Solutions

Leading Pharmaceutical Manufacturer
Stockholm, Sweden

✓ Customer has committed to **health/wellness, space utilization, and energy consumption improvements** in critical company facility

✓ JCI delivering IAQ and space management sensors plus OpenBlue Enterprise Manager, **enables customer friendly user interface to track commitments**

✓ OpenBlue is **best positioned to support customer's global scale**

3 IAQ is a Critical Growth Driver*

~$550M, ~11% YoY
HEALTHY BUILDINGS ORDER TTM

~$1.2B, ~26% YoY
HEALTHY BUILDINGS PIPELINE[2]

*Figures represent organic orders and growth rates.

1) CleanTech Research & Markets, Guidehouse; includes Install and Service; annual market size from 2021 through 2030. 2) Unfactored Pipeline

Johnson Controls

NOTABLE AWARDS

Honored to be Recognized as an ESG Leader I Q1 Recognitions

Leading by Example

- ✓ Johnson Controls proudly recognizes ***10th year supporting the American Red Cross Annual Disaster giving program***
- ✓ ***Transforming K-12 environments and delivering healthier and more positive education outcomes***, in collaboration with the Asthma and Allergy Foundation of America
- ✓ ***Continuing to implement decarbonization programs*** at plants and facilities, providing customer insights into ***best practices***, with a Scope 1 and Scope 2 ***net zero target by 2040***

ecovadis

Awarded Platinum Sustainability Rating by EcoVadis

- Awarded highest distinction granted, in the top 1% of more than 100,000 companies assessed worldwide

WomenInc.

CSO Katie McGinty Named One of 2022's Most Influential Women Executives for Sustainability Leadership

- Highlighting Ms. McGinty's sustainability leadership and efforts to create positive changes in the buildings sector

WiredScore CERTIFIED

Awarded New Accredited Solution Certification for Smart, Connected Buildings

- OpenBlue is one of the first to be certified as an Accredited Solution by WiredScore, a leading global standards organization recognizing best-in-class smart building solutions

界面 JIEMIAN.COM

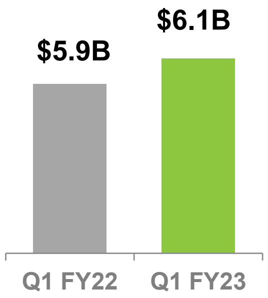
Recognized for Two Distinct 2022 ESG Pioneer 60 Awards by Jiemian.com

- Granted the "Top 60 of ESG Pioneer" award for exceptional ESG performance
- Anu Rathninde, president, Asia Pacific, received the "ESG Exploration Character Award of the Year"

Johnson Controls

Solid Execution in a Challenging Environment

Sales



+9%
ORGANIC SALES GROWTH

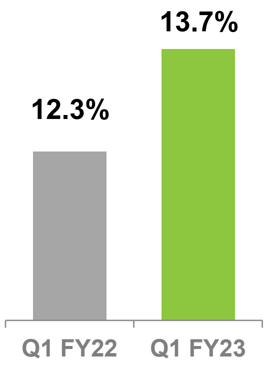
- \+ Price +10% / Volume -1%
- \+ Field Solutions +10%; Service / Install +10%
- \+ Global Products +7%
- \- FX Headwind (6%) / ~$300M

Adjusted EPS

+24%

- \+ Increased profitability
- \+ Lower share count
- \- FX Headwind of 4c

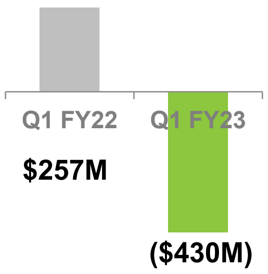
Adjusted Segment EBITA Margin



+140bps

- \+ Price/Cost
- \+ Productivity benefits
- \+ Segment EBITA $ +15%
- \- Volume leverage
- \- Mix

Free Cash Flow



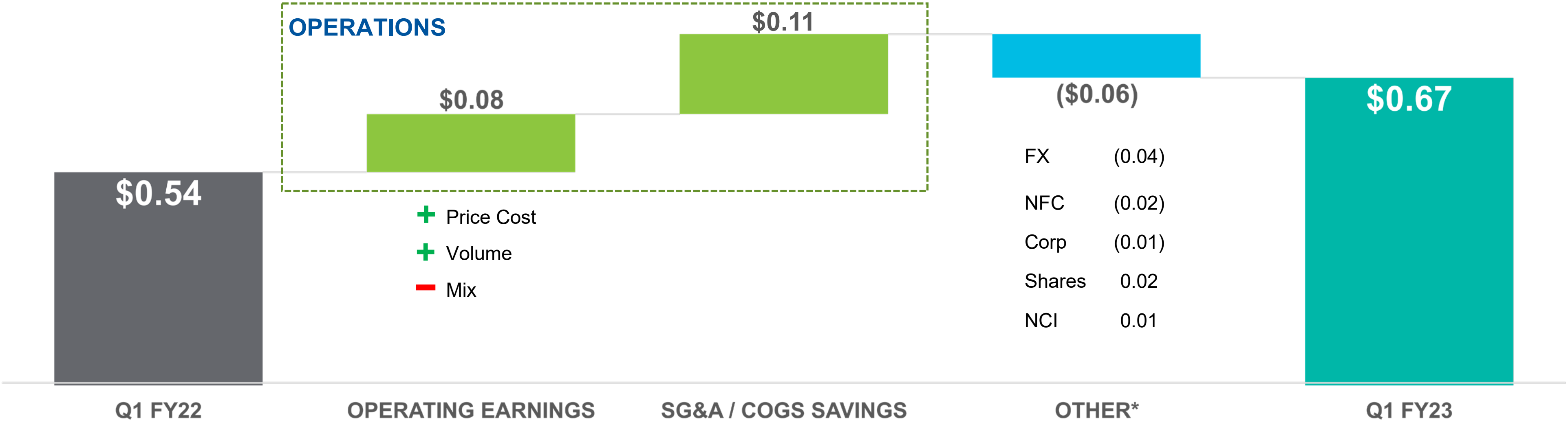
Normalized Seasonal Usage

- \- Elevated Trade Working Capital due to supply chain disruptions

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

FISCAL Q1 ADJUSTED EPS BRIDGE* (CONTINUING OPERATIONS)

Delivering on Our Commitments

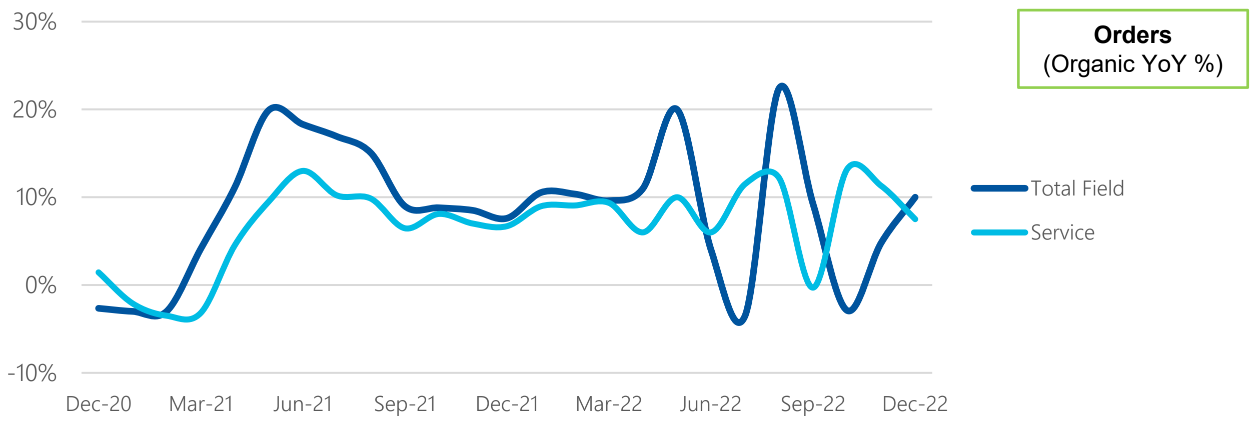


*Non-GAAP EPS from continuing operations, excluding special items. See footnotes for reconciliation. Other items may not sum due to rounding

ORDER VELOCITY

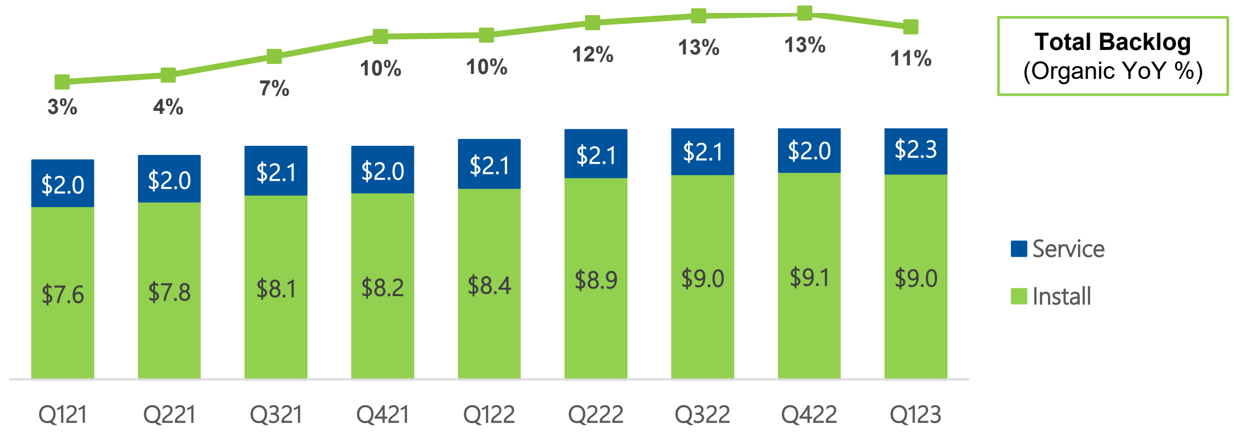
Strong Service Orders & Backlog Remains at Record Levels

Trailing 3-mo Field Orders (YoY % Chg)



- **Trailing 3-month Field Orders +5% YoY**
  - Service orders +10%
  - Install orders +1%

Backlog ($ billions; proforma for prospective service/install shift)



- Field backlog of $11.3B, +11%
- Service backlog +13%; growth across all regions
- Install backlog +10%; led by order activity in NA
- Global Products 3rd party backlog $2.8B, +>30% YoY

FISCAL Q1 SEGMENT RESULTS*

Capitalizing on Strong Demand

($M)	**Sales** *Organic % YoY*	**Adjusted EBITA Margin*** *Change YoY*	**Comments**
North America	**$2,367** *+10%*	**11.3%** *(30bps)*	▪ Service +7% / Install +12% ▪ Double-digit growth in New Construction ▪ Positive price/cost and the benefits from productivity savings offset by unfavorable project mix ▪ Orders +6%; Backlog $7.5B, +16% YoY
EMEALA	**$975** *+12%*	**7.7%** *(310bps)*	▪ Service +15% / Install +10% ▪ Strong performance in HVAC, Fire, and Security; partially offset by IREF ▪ Margin impacted by unfavorable mix and dilutive price/cost ▪ Orders +5%; Backlog $2.2B, +5% YoY
Asia Pac	**$646** *+7%*	**10.5%** *+40bps*	▪ Service +11% / Install +6% ▪ China +1% growth due to COVID induced lockdowns; Service +LDD ▪ Positive price/cost and productivity savings offset by lower volume leverage and FX headwinds ▪ Orders -1%; Backlog $1.6B, -1% YoY
Global Products	**$2,080** *+7%*	**20.3%** *+580bps*	▪ Broad-based demand for Commercial; Includes ~11ppts of price ▪ Margin performance driven by positive price/cost and productivity savings ▪ 3rd Party Backlog of $2.8B, +>30% YoY
Total Segment	**$6,068** *+9%*	**13.7%** *+140bps*	▪ Field: Service +10% / Install +10%; Products +7% ▪ Price +10% / Volume -1% ▪ Strong Service performance ▪ Positive price/cost ▪ Field orders +5%; Field backlog $11.3B, +11% YoY

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

FISCAL Q1 SEGMENT END MARKET PERFORMANCE*

Broad Based Growth, Strong Price Realization

Organic Sales % Change	% of FY22 Sales	North America	EMEALA	Asia Pac	Global Products	Consolidated JCI
Applied[1]	33%	+MDD	+high-teens	+MSD	+HSD[2]	+LDD
Light Commercial[3]	9%				+mid-teens	+mid-teens
Commercial HVAC	42%				+LDD	+LDD
NA Residential	5%				~(20%)	~(20%)
ROW Residential	8%				+LSD	+LSD
Residential HVAC	13%				(HSD)	(HSD)
Fire & Security[4]	38%	+HSD	+LDD	Flat	+HSD	+HSD
Sustainability Infrastructure	3%	+LDD				+LDD
Industrial Refrigeration	4%		+LSD		+>25%	+mid-teens
Total	**100%**	**+10%**	**+12%**	**+7%**	**+7%**	**+9%**

[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.

BALANCE SHEET & FREE CASH FLOW*

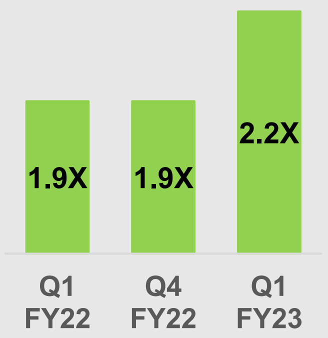
Disciplined Capital Allocation

Capital Structure ($ millions)	Q1 FY22	Q4 FY22	Q1 FY23
Short-term debt and current portion of long-term debt	$612	$1,534	$1,963
Long-term debt	7,437	7,426	7,784
Total debt	**8,049**	**8,960**	**9,747**
Less: cash and cash equivalents	1,207	2,031	1,509
Net debt*	**$6,842**	**$6,929**	**$8,238**

DEBT & LIQUIDITY

- **92% fixed** rate debt
- **2.9%** weighted avg interest rate
- **~$1.5B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)[1]
- ~$3B undrawn credit facilities
- Target Net Debt/EBITDA ~**2.0-2.5X**

Net Debt / EBITDA*



Free Cash Flow ($ millions)	Q1 FY22	Q1 FY23
Cash from operating activities	$392	($296)
Capital expenditures	(135)	(134)
Reported FCF*	**$257**	**($430)**

FREE CASH FLOW*

- Normalized Seasonal Usage
- Elevated Trade Working Capital due to supply chain disruptions
- Capex flat YoY in Q1

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

*Non-GAAP figures. See footnotes for reconciliation.

Q2 and High End of FY23 Guidance Reflects Ongoing Momentum

FY 2023 Commentary

- Q2 guidance supported by continued positive momentum
- Backlog and end markets remain strong
- Value proposition continues to resonate with our customers
- Free cash flow conversion ~80% to 90%

	FQ2	FY23
Organic Revenue	~10%	+HSD to LDD
Segment EBITA Margin	100 to 110bps	90 to 120bps *Prior: 80 to 120 bps*
Adjusted EPS	$0.72 – $0.74 (15% to 18% growth)	$3.30 – $3.60 (10% to 20% growth) *Prior: $3.20 - $3.60* *(7% to 20% growth)*

Wide FY23 EPS Range Continues to Reflect Macro Economic Uncertainty[1]

[1] World GDP based on weighted average of JCI geographic revenue mix / vertical revenue mix.

* Non-GAAP excludes special items.

Johnson Controls

Appendix

Additional FY 2023 Guidance Items

	FY23
Adjusted Corporate Expense	~$300 - $310M
Amortization Expense	~$415 - $425M
NFC	~$285 – $310M
Tax Rate	~13.5%
NCI	~$215 – $245M
Shares	~687M

Consolidated Financial Results (Continuing Operations)

($ in millions, except earnings per share)	Q1 FY22 GAAP	Q1 FY23 GAAP	Q1 FY22* NON-GAAP	Q1 FY23* NON-GAAP	% Change NON-GAAP
Sales	$5,862	$6,068	$5,862	$6,068	4%
Gross profit	1,891	2,091	1,882	2,092	11%
% of sales	*32.3%*	*34.5%*	*32.1%*	*34.5%*	
SG&A expenses	1,369	1,571	1,410	1,508	7%
Restructuring & impairment costs	49	345	-	-	
Equity income	70	62	70	62	(11%)
EBIT	543	237	542	646	19%
EBIT margin	***9.3%***	***3.9%***	***9.2%***	***10.6%***	
Net financing charges	53	67	53	67	26%
Income before income taxes	490	170	489	579	18%
Income tax provision	71	14	66	78	18%
Net income	419	156	423	501	18%
Income attributable to noncontrolling interests	38	38	43	38	(12%)
Net income attributable to JCI	$381	$118	$380	$463	22%
Diluted EPS	**$0.54**	**$0.17**	**$0.54**	**$0.67**	24%

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

FISCAL Q1 2023

Special Items (Continuing Operations)

$ In millions, except EPS

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

Q1 FY22	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Mark-to-market adjustments	$57	$(14)	$-	$43	$0.06
Restructuring & impairment costs	(49)	7	5	(37)	(0.05)
Acquisition related items	(7)	2	-	(5)	(0.01)
Total*	**$1**	**$(5)**	**$5**	**$1**	**$0.00**

*Totals may not sum due to rounding

OpenBlue Enables Outcomes Across All Vectors of Growth
Goal: Deliver Scalable Digital Growth from an integrated platform

OpenBlue Connected Services

- HVAC
- Controls
- Fire
- Security

OpenBlue Enterprise Solutions

Industry-Based

Healthcare
Comm'l Real Estate
Higher Ed

Need-Based

Energy & Sustainability
Asset Health
Space Health
Command Center
Safety & Security

OpenBlue Outcomes as a Service (XaaS)

NetZero Buildings as a Service
Infrastructure as a Service
Healthy Buildings

OB Enterprise Manager – Single Pane of Glass Console

Sustainability Apps
Sustainability Manager
Tenant Manager
Central Utility Plant

Asset Health Apps
Asset Manager
Connected Equipment
Remote Advisory Services
Vibration Analysis

Space Health & Compliance Apps
Space Manager
Location Manager
Companion
Compliance Manager

Command Center Apps
Command Center
Integrated OB Viewer
Alarm Manager
Notifications

Safety & Security Apps
Risk Insights
Active Responder

Foundational Capabilities

Digital Twin, Analytics, AI/ML, AI at the EDGE

ZeroTrust CyberSecurity, Multi-Cloud, Microservices, DevOps & SRE capabilities

HVAC

Controls

Fire

Security

Johnson Controls

IR Contacts

Jim Lucas
Vice President, Investor Relations
jim.lucas@jci.com

Michael Gates
Senior Director, Investor Relations
michael.j.gates@jci.com

YouTube

www.johnsoncontrols.com

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	Three Months Ended December 31, 2022	2021
Net sales	$ 6,068	$ 5,862
Cost of sales	3,977	3,971
Gross profit	2,091	1,891
Selling, general and administrative expenses	1,571	1,369
Restructuring and impairment costs	345	49
Net financing charges	67	53
Equity income	62	70
Income before income taxes	170	490
Income tax provision	14	71
Net income	156	419
Income attributable to noncontrolling interests	38	38
Net income attributable to JCI	$ 118	$ 381
Diluted earnings per share	$ 0.17	$ 0.54
Diluted weighted average shares	690.3	709.5
Shares outstanding at period end	687.2	702.8

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	December 31, 2022	September 30, 2022
ASSETS		
Cash and cash equivalents	$ 1,509	$ 2,031
Accounts receivable - net	5,722	5,528
Inventories	2,895	2,510
Assets held for sale	418	387
Other current assets	1,293	1,229
Current assets	11,837	11,685
Property, plant and equipment - net	3,098	3,042
Goodwill	17,684	17,328
Other intangible assets - net	4,673	4,641
Investments in partially-owned affiliates	1,053	963
Noncurrent assets held for sale	588	751
Other noncurrent assets	3,864	3,748
Total assets	$ 42,797	$ 42,158
LIABILITIES AND EQUITY		
Short-term debt and current portion of long-term debt	$ 1,963	$ 1,534
Accounts payable and accrued expenses	5,050	5,219
Liabilities held for sale	310	236
Other current liabilities	4,240	4,250
Current liabilities	11,563	11,239
Long-term debt	7,784	7,426
Other noncurrent liabilities	6,145	6,029
Noncurrent liabilities held for sale	62	62
Shareholders' equity attributable to JCI	16,046	16,268
Noncontrolling interests	1,197	1,134
Total liabilities and equity	$ 42,797	$ 42,158

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Operating Activities		
Net income attributable to JCI	$ 118	$ 381
Income attributable to noncontrolling interests	38	38
Net income	156	419
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation and amortization	203	224
Pension and postretirement benefit income	(6)	(82)
Pension and postretirement contributions	(9)	(41)
Equity in earnings of partially-owned affiliates, net of dividends received	(56)	(18)
Deferred income taxes	(92)	(32)
Noncash restructuring and impairment costs	294	-
Other - net	3	1
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	(88)	(75)
Inventories	(348)	(376)
Other assets	(68)	(63)
Restructuring reserves	14	19
Accounts payable and accrued liabilities	(338)	333
Accrued income taxes	39	83
Cash provided (used) by operating activities from continuing operations	(296)	392
Investing Activities		
Capital expenditures	(134)	(135)
Acquisition of businesses, net of cash acquired	(79)	(108)
Other - net	24	25
Cash used by investing activities from continuing operations	(189)	(218)
Financing Activities		
Increase in short and long-term debt - net	420	394
Stock repurchases and retirements	(154)	(526)
Payment of cash dividends	(241)	(191)
Proceeds from the exercise of stock options	19	8
Dividends paid to noncontrolling interests	(10)	-
Employee equity-based compensation withholding taxes	(30)	(47)
Other - net	5	5
Cash provided (used) by financing activities from continuing operations	9	(357)
Discontinued Operations		
Net cash used by operating activities	-	(4)
Net cash used by investing activities	-	-
Net cash used by financing activities	-	-
Net cash flows used by discontinued operations	-	(4)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(14)	67
Decrease in cash, cash equivalents and restricted cash	$ (490)	$ (120)

FOOTNOTES

1. Financial Summary

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

(in millions; unaudited)	Three Months Ended December 31, 2022 Actual	2022 Adjusted Non-GAAP	2021 Actual	2021 Adjusted Non-GAAP
Segment EBITA (1)				
Building Solutions North America	$ 267	$ 267	$ 250	$ 250
Building Solutions EMEA/LA	75	75	104	104
Building Solutions Asia Pacific	68	68	68	68
Global Products	382	422	301	301
Segment EBITA	792	832	723	723
Corporate expenses (2)	(109)	(82)	(70)	(70)
Amortization of intangible assets (3)	(104)	(104)	(118)	(111)
Net mark-to-market gains (4)	3	-	57	-
Restructuring and impairment costs (5)	(345)	-	(49)	-
EBIT (6)	237	646	543	542
EBIT margin (6)	3.9%	10.6%	9.3%	9.2%
Net financing charges	(67)	(67)	(53)	(53)
Income before income taxes	170	579	490	489
Income tax provision (7)	(14)	(78)	(71)	(66)
Net income	156	501	419	423
Income attributable to noncontrolling interests (8)	(38)	(38)	(38)	(43)
Net income attributable to JCI	$ 118	$ 463	$ 381	$ 380

(1) The Company's press release contains financial information regarding total 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 other non-recurring 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 total segment EBITA to net income is shown earlier within this footnote. The following is the three months ended December 31, 2022 and 2021 reconciliation of total segment EBITA and segment EBITA margin as reported to adjusted segment EBITA and adjusted segment EBITA margin (unaudited):

(in millions)	Building Solutions North America 2022	2021	Building Solutions EMEA/LA 2022	2021	Building Solutions Asia Pacific 2022	2021	Global Products 2022	2021	Consolidated JCI plc 2022	2021
Segment EBITA as reported	$ 267	$ 250	$ 75	$ 104	$ 68	$ 68	$ 382	$ 301	$ 792	$ 723
Segment EBITA margin as reported (9)	11.3%	11.6%	7.7%	10.8%	10.5%	10.1%	18.4%	14.5%	13.1%	12.3%
Adjusting items:										
Warehouse fire loss (10)	-	-	-	-	-	-	40	-	40	-
Adjusted segment EBITA	$ 267	$ 250	$ 75	$ 104	$ 68	$ 68	$ 422	$ 301	$ 832	$ 723
Adjusted segment EBITA margin	11.3%	11.6%	7.7%	10.8%	10.5%	10.1%	20.3%	14.5%	13.7%	12.3%

(2) Adjusted Corporate expenses for the three months ended December 31, 2022 excludes certain transaction/separation costs of $27 million.

(3) Adjusted amortization of intangible assets for the three months ended December 31, 2021 excludes $7 million of nonrecurring intangible asset amortization related to Silent-Aire purchase accounting.

(4) Adjusted results for the three months ended December 31, 2022 exclude net mark-to-market gains on restricted asbestos investments and pension and postretirements plans of $3 million. Adjusted results for the three months ended December 31, 2021 exclude net mark-to-market gains on restricted asbestos investments and pension and postretirements plans of $57 million.

(5) Adjusted results for the three months ended December 31, 2022 exclude restructuring and impairment costs of $345 million. These costs are related primarily to the impairment of assets associated with businesses classified as held for sale, workforce reductions and other related costs. Adjusted results for the three months ended December 31, 2021 exclude restructuring and impairment costs of $49 million. These costs are related primarily to workforce reductions and other related costs.

(6) Management defines earnings before interest and taxes (EBIT) as income before net financing charges, income taxes and noncontrolling interests. EBIT margin is defined as EBIT divided by net sales. EBIT and EBIT margin are non-GAAP performance measures. Management believes these non-GAAP measures are useful to investors in understanding the ongoing operations and business trends of the Company. A reconciliation of EBIT to net income is shown earlier within this footnote.

(7) Adjusted income tax provision for the three months ended December 31, 2022 excludes the net tax benefit of pre-tax adjusting items of $64 million. Adjusted income tax provision for the three months ended December 31, 2021 excludes the net tax expense of pre-tax adjusting items of $5 million.

(8) Adjusted income attributable to noncontrolling interests for the three months ended December 31, 2021 excludes $5 million impact from restructuring and impairment costs.

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

(10) Adjusted segment EBITA for the three months ended December 31, 2022 excludes a $40 million uninsured loss attributable to a fire at a warehouse in Menominee, Michigan.

The Company's press release and earnings presentation include forward-looking statements regarding organic revenue growth, adjusted segment EBITA margin improvement, free cash flow and adjusted EPS, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts excluded is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period and the high variability of certain amounts, such as mark-to-market adjustments. Organic revenue growth excludes the effect of acquisitions, divestitures and foreign currency. We are unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort or expense. The unavailable information could have a significant impact on the Company's fiscal 2023 second quarter and full year GAAP financial results.

2. Diluted Earnings Per Share Reconciliation

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

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

	Net Income Attributable to JCI plc	
	Three Months Ended December 31,	
	2022	2021
Earnings per share as reported for JCI plc	$ 0.17	$ 0.54
Adjusting items:		
Net mark-to-market adjustments	-	(0.08)
Related tax impact	-	0.02
Restructuring and impairment costs	0.50	0.07
Related tax impact	(0.08)	(0.01)
NCI impact of restructuring and impairment costs	-	(0.01)
Transaction/separation costs	0.04	-
Silent-Aire other nonrecurring costs	-	0.01
Warehouse fire loss	0.06	-
Related tax impact	(0.01)	-
Adjusted earnings per share for JCI plc*	$ 0.67	$ 0.54

* 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,	
	2022	2021
Weighted average shares outstanding for JCI plc		
Basic weighted average shares outstanding	687.0	704.3
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	3.3	5.2
Diluted weighted average shares outstanding	690.3	709.5

3. Organic Growth Reconciliation

The components of the change in net sales for the three months ended December 31, 2022 versus the three months ended December 31, 2021, including organic growth, are shown below (unaudited):

(in millions)	Net Sales for the Three Months Ended December 31, 2021	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Three Months Ended December 31, 2021	Acquisitions		Organic Growth		Net Sales for the Three Months Ended December 31, 2022	
Building Solutions North America	$ 2,152	$ -	-	$ (15)	-1%	$ 2,137	$ 7	-	$ 223	10%	$ 2,367	10%
Building Solutions EMEA/LA	959	(18)	-2%	(89)	-9%	852	20	2%	103	12%	975	2%
Building Solutions Asia Pacific	675	-	-	(71)	-11%	604	-	-	42	7%	646	-4%
Total field	3,786	(18)	-	(175)	-5%	3,593	27	1%	368	10%	3,988	5%
Global Products	2,076	-	-	(125)	-6%	1,951	-	-	129	7%	2,080	-
Total net sales	$ 5,862	$ (18)	-	$ (300)	-5%	$ 5,544	$ 27	-	$ 497	9%	$ 6,068	4%

The components of the change in total service revenue for the three months ended December 31, 2022 versus the three months ended December 31, 2021, including organic growth, is shown below (unaudited):

(in millions)	Service Revenue for the Three Months Ended December 31, 2021	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Service Revenue for the Three Months Ended December 31, 2021	Acquisitions		Organic Growth		Service Revenue for the Three Months Ended December 31, 2022	
Building Solutions North America	$ 853	$ -	-	$ (6)	-1%	$ 847	$ 6	1%	$ 63	7%	$ 916	7%
Building Solutions EMEA/LA	415	(11)	-3%	(41)	-10%	363	4	1%	56	15%	423	2%
Building Solutions Asia Pacific	174	-	-	(18)	-10%	156	-	-	17	11%	173	-1%
Total field	1,442	(11)	-1%	(65)	-5%	1,366	10	1%	136	10%	1,512	5%
Global Products	-	-	-	-	-	-	-	-	-	-	-	-
Total service revenue	$ 1,442	$ (11)	-1%	$ (65)	-5%	$ 1,366	$ 10	1%	$ 136	10%	$ 1,512	5%

The components of the change in total segment EBITA for the three months ended December 31, 2022 versus the three months ended December 31, 2021, including organic growth, is shown below (unaudited):

(in millions)	Adjusted Segment EBITA for the Three Months Ended December 31, 2021	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Segment EBITA for the Three Months Ended December 31, 2021	Acquisitions		Organic Growth		Adjusted Segment EBITA for the Three Months Ended December 31, 2022	
Total segment EBITA	$ 723	$ (1)	-	$ (36)	-5%	$ 686	$ 5	1%	$ 141	21%	$ 832	15%

4. Free Cash Flow Conversion

The Company's press release contains financial information regarding free cash flow and free cash flow conversion, which are non-GAAP performance measures. We also present below free cash flow conversion from the GAAP measure of net income attributable to JCI. Free cash flow is defined as cash provided by operating activities less capital expenditures. Free cash flow conversion from net income is defined as free cash flow divided by net income attributable to JCI. Free cash flow conversion is defined as 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. These non-GAAP measures can also be used to evaluate our ability to generate cash flow from operations and the impact that this cash flow has on our liquidity.

The following is the three months ended December 31, 2022 and 2021 reconciliation of free cash flow and the calculations of free cash flow conversion from net income and free cash flow conversion (unaudited):

	Three Months Ended	
(in millions)	December 31, 2022	December 31, 2021
Cash provided (used) by operating activities from continuing operations	$ (296)	$ 392
Capital expenditures	(134)	(135)
Free cash flow	$ (430)	$ 257
Net income attributable to JCI	$ 118	$ 381
Free cash flow conversion from net income	-364%	67%
Adjusted net income attributable to JCI	$ 463	$ 380
Free cash flow conversion	-93%	68%

5. Debt Ratios

The Company's earnings presentation provides financial information regarding net debt to adjusted EBITDA, which is a non-GAAP performance measure. We also present below net debt to income before income taxes. The Company believes these ratios are useful to understanding the Company's financial condition as it provides an overview 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, 2022, September 30, 2022, and December 31, 2021 calculation of net debt to income before income taxes and net debt to adjusted EBITDA (unaudited):

(in millions)	December 31, 2022	September 30, 2022	December 31, 2021
Short-term debt and current portion of long-term debt	$ 1,963	$ 1,534	$ 612
Long-term debt	7,784	7,426	7,437
Total debt	9,747	8,960	8,049
Less: cash and cash equivalents	1,509	2,031	1,207
Total net debt	$ 8,238	$ 6,929	$ 6,842
Last twelve months income before income taxes	$ 1,390	$ 1,710	$ 2,671
Total net debt to income before income taxes	5.9x	4.1x	2.6x
Last twelve months adjusted EBITDA	$ 3,783	$ 3,693	$ 3,599
Total net debt to adjusted EBITDA	2.2x	1.9x	1.9x

The following is the last twelve months ended December 31, 2022, September 30, 2022, and December 31, 2021 reconciliation of income to adjusted EBIT and adjusted EBITDA, which are non-GAAP performance measures (unaudited):

(in millions)	Last Twelve Months Ended December 31, 2022	Last Twelve Months Ended September 30, 2022	Last Twelve Months Ended December 31, 2021
Net income	$ 1,460	$ 1,723	$ 1,793
Income tax (benefit) provision	(70)	(13)	878
Net financing charges	227	213	200
EBIT	1,617	1,923	2,871
Adjusting items:			
Net mark-to-market adjustments	20	(34)	(438)
Restructuring and impairment costs	1,017	721	291
Environmental remediation and related reserves adjustment	255	255	-
Silent-Aire other nonrecurring costs	6	13	30
Silent-Aire earn-out adjustment	(43)	(43)	-
Warehouse fire loss	40	-	-
Charges attributable to the suspension of operations in Russia	11	11	-
Transaction/separation costs	57	30	-
Adjusted EBIT (1)	2,980	2,876	2,754
Depreciation and amortization	803	817	845
Adjusted EBITDA (1)	$ 3,783	$ 3,693	$ 3,599

(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 investors in understanding the ongoing operations and business trends of the Company.

6. Income Taxes

The Company's effective tax rate from continuing operations excluding net mark-to-market adjustments, restructuring and impairment costs, Silent-Aire nonrecurring intangible asset amortization, certain transaction/separation costs and warehouse fire loss for the three months ended December 31, 2022 and December 31, 2021 is approximately 13.5%.