# Fiscal Q3 2021 Earnings Conference Call

July 30, 2021

The power behind **your mission**

# Forward Looking & Cautionary Statements / Non-GAAP Financial Information

**Johnson Controls International plc Cautionary Statement Regarding Forward-Looking Statements**

Johnson Controls International plc has made statements in this communication that are forward-looking and therefore are subject to risks and uncertainties. All statements in this document other than statements of historical fact are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In this communication, statements regarding Johnson Controls’ future financial position, sales, costs, earnings, cash flows, other measures of results of operations, synergies and integration opportunities, capital expenditures and debt levels are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Johnson Controls cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Johnson Controls’ control, that could cause Johnson Controls’ actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: Johnson Controls’ ability to manage general economic, business, capital market and geopolitical conditions, including global inflation; 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; changes to laws or policies governing foreign trade, including increased tariffs or trade restrictions; maintaining the capacity, reliability and security of Johnson Controls’ enterprise and product information technology infrastructure; the risk of infringement or expiration of intellectual property rights; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions such as its merger with Tyco and the disposition of the Power Solutions business; the outcome of litigation and governmental proceedings; the ability to hire and retain key senior management; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; the availability of raw materials and component products; fluctuations in currency exchange rates; labor shortages, work stoppages, union negotiations, labor disputes and other matters associated with the labor force; the cancellation of or changes to commercial arrangements. A detailed discussion of risks related to Johnson Controls' business is included in the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2020 filed with the United States Securities and Exchange Commission ("SEC") on November 16, 2020, which is available at www.sec.gov and www.johnsoncontrols.com under the "Investors" tab. Shareholders, potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this communication are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this communication.

**Non-GAAP Financial Information**

This presentation contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include restructuring and impairment costs, integration costs, 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, 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.

# Q3 Summary

- Strong Q3 results across the board
  - Offset significant headwind related to temporary actions in the prior year
  - Managing price/cost and supply constraints
- End markets continue to improve; order growth accelerating driven by retrofit with new construction beginning to recover
- Strategic momentum gaining further traction; gaining share
  - Service growth
  - Net Zero Buildings



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# Strategic Announcements & External Recognition

## OpenBlue "Net Zero Buildings as a Service"

- Impactful OpenBlue sustainability innovations and real-time performance dashboards & reporting that analyzes energy, water, materials and GHG emissions
- Uniquely positioned to offer an "as a Service" model that delivers a net zero outcome and risk management tools for a predictable, monthly fee

## Cybersecurity Partnership with DigiCert®

- Leverages DigiCert's IOT Device Manager, built on the DigiCert ONE digital certificate platform to provide the most advanced secure connectivity to OpenBlue smart buildings solutions
- Builds upon recent Pelion partnership to ensure digital identities of edge devices maintain the most stringent level of trust across OpenBlue solutions

digicert®

## Investing in the Technicians of Tomorrow, Today

- Launched the Johnson Controls Community College Partnership Program to support the expansion of associate degree and certificate programs in HVAC, Fire & Security, and Digital BAS systems
- Supporting institutions with funding and supporting their students through volunteerism and mentorships, empowering people to build life-long careers that will transform their lives and their cities

## Recognized for Diversity & Inclusion, and our commitment to Sustainability

- **Named one of the 2021 Best Companies for Multicultural Women by Seramount** – Recognized as a company that creates and uses best practices in hiring, retaining and promoting multicultural women in the U.S.
- **Ranked on Forbes Best Employers for Diversity List 2021** – Investing in talent to make healthy buildings possible by developing a rich culture of inclusion with our employees and in our communities, is a strategic imperative
- **Named to prestigious FT European Climate Leaders List** – Johnson Controls was 1 of 300 companies selected from 4,000 across Europe that have demonstrated the highest reduction of their emission intensity

SERAMOUNT

FT FINANCIAL TIMES statista CLIMATE LEADERS 2021

Forbes 2021 THE BEST EMPLOYERS FOR DIVERSITY POWERED BY STATISTA

Johnson Controls

# Accelerating Services Through Digital Enablement

**$6B+**
SERVICE REVENUE

**~55%**
RECURRING REVENUE

**MSD**
ANNUAL GROWTH RATE

**2x MARGIN**
COMPANY EBITA MARGIN RATE

| | |
|---|---|
| **Q3 Revenue Growth +11%** | **Double-digit Growth In each region** |
| **Order Growth +13%** | **Double-digit Growth In each region** |
| **Attach Rate +370bps YTD** (to ~40%) | **Achieved FY21 guidance of +300 to +400bps improvement** |

**Digital Services & Products Revenue up mid-teens**



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**OpenBlue**
**Net Zero Buildings**

# Addressing a $240B market[1] Over the Next Decade

Includes a full spectrum of sustainability offerings tailored to schools, campuses, data centers, healthcare facilities as well as commercial and industrial.

We make net zero leadership easy with a proven path to hit decarbonization & renewable energy goals. We provide an unmatched turnkey solution suite to assess, benchmark, plan, execute, track and achieve net zero buildings.

- **Expert Advisory**
- **One source turnkey delivery**
- **Trade up instead of trade off**
- **Flexible risk sharing models**

**Digitalization is the key:**

- Built on our OpenBlue platform
- Infused with award-winning AI
- Flexible and customizable with our open digital architecture
- Brings together core systems, digital technology, insights and data.


[1] Source: Energy Information Administration, Guidehouse, Urban Green Council, Rocky Mountain Institute & JCI Analysis.
Represents incremental opportunity; majority of total opportunity is retrofit. Remainder is onsite renewables and advisory services



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# OpenBlue

## Net Zero Buildings *…leading our customers achievement of decarbonization & sustainability goals*

### DEWA HQ (Al Shera'a)
(Dubai Electricity & Water Authority)

- Al Shera'a will be the world's tallest, largest & smartest government building with net zero carbon emissions
- **Demonstrates the strength of our digital partner ecosystem**
- New building will include the latest in digital twin, IoT, cybersecurity, AI and smart building management solutions

### The Rose Theater
(Mt. Fuji, Japan)

- Adopted 15-year energy performance contract to retrofit its facility and improve energy & operational efficiency
- **Solutions include Metasys, AHU inverter, $CO_2$ monitoring system for inverter control & various efficient heating systems**
- Energy consumption reduced by 49%
- $CO_2$ emissions cut by 42%
- Energy costs down 40%

### Beijing Municipal Administration Center
(Tongzhou District, Beijing, China)

- Low-carbon eco-city showcase for the efficient use of geothermal energy
- **Includes intelligent & reliable large-scale district heating & cooling systems**
- Johnson Controls installed 4 heat pump systems (39MW capacity) to supply heating & cooling to 960k sq meters of office space
- $CO_2$ emissions cut by 35%

### Standard Chartered Bank
(Various Sites Across APAC)

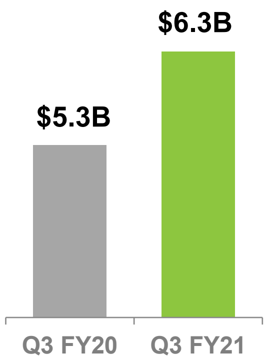
- Evolution of a long-standing relationship
- Standard Chartered committed to net-zero carbon emissions by 2030
- **Solutions include OpenBlue Enterprise Manager (OBEM) in >20 office locations to-date; eventually >90 locations**
- Pilot demonstrated 7% annual energy savings and won the "International Facility Management Associate Management Award of Excellence"

### City of La Crosse
(La Crosse, WI)

- Expansion of the city's ongoing sustainability initiative
- Johnson Controls has partnered with the City of La Crosse since 2019, updating the city's infrastructure, driving energy & operational efficiency improvements without raising taxes
- Total investment of $9M
- **Combined energy savings will reduce energy consumption by 35% over the next 20 years**
- **Enables the city to realize its pledge to achieve carbon neutrality by 2050**

# Q3 FY21 Financial Summary*

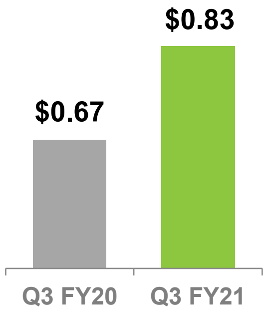
## SALES




### +15% Organic

- + Strong growth across all segments
- + Global products organic revenue growth above 20%
- + Service revenue up LDD

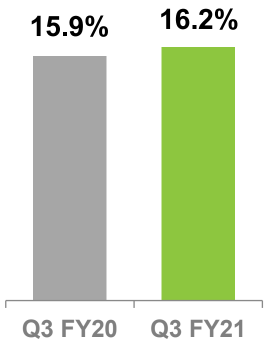
## EPS




### +24%

- + Increased profitability
- + Lower share count

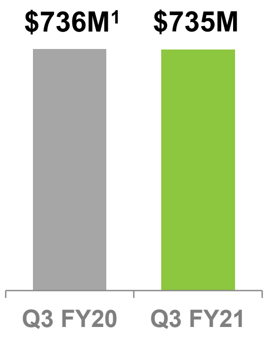
## Segment EBITA MARGIN




### +30bps

- + Strong execution
- - Net impact of permanent / temporary cost actions taken in FY20

## FCF




### Flat

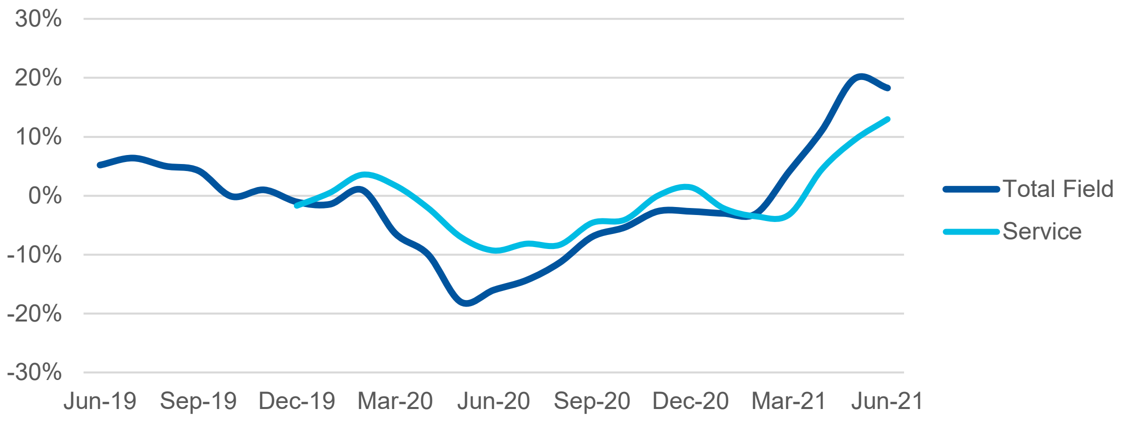
- + Operating cash flow up slightly YoY
- + Strong Trade Working Capital management
- - Higher Capex vs. prior year

[1] Prior year Reported FCF includes ~$60M of one-time cash items that were previously excluded

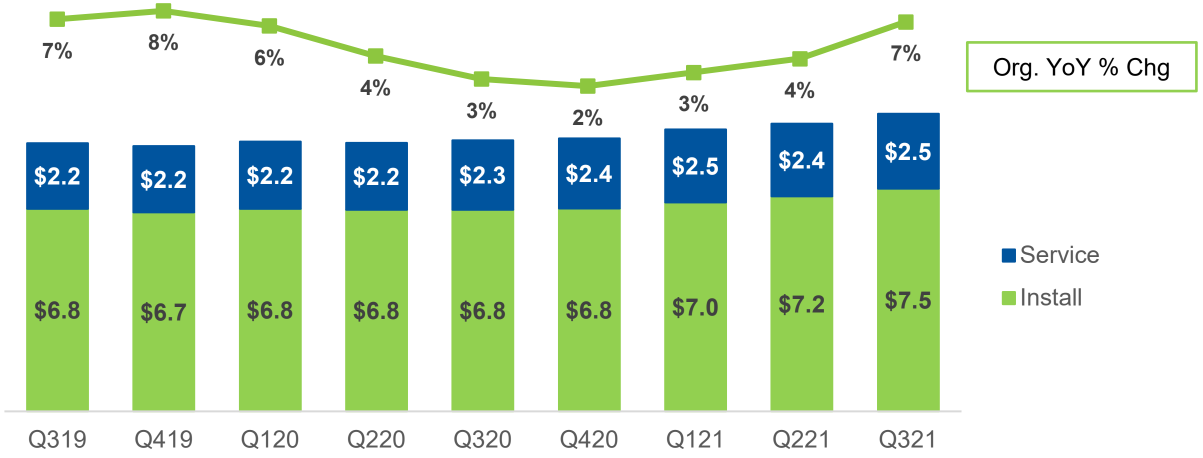
*All figures other than sales are adjusted and/or non-GAAP. Non-GAAP figures exclude special items. See footnotes for reconciliation.

# Order Momentum Continues & Backlog Visibility Improves

## Trailing 3-mo Field Orders (YoY % Chg)



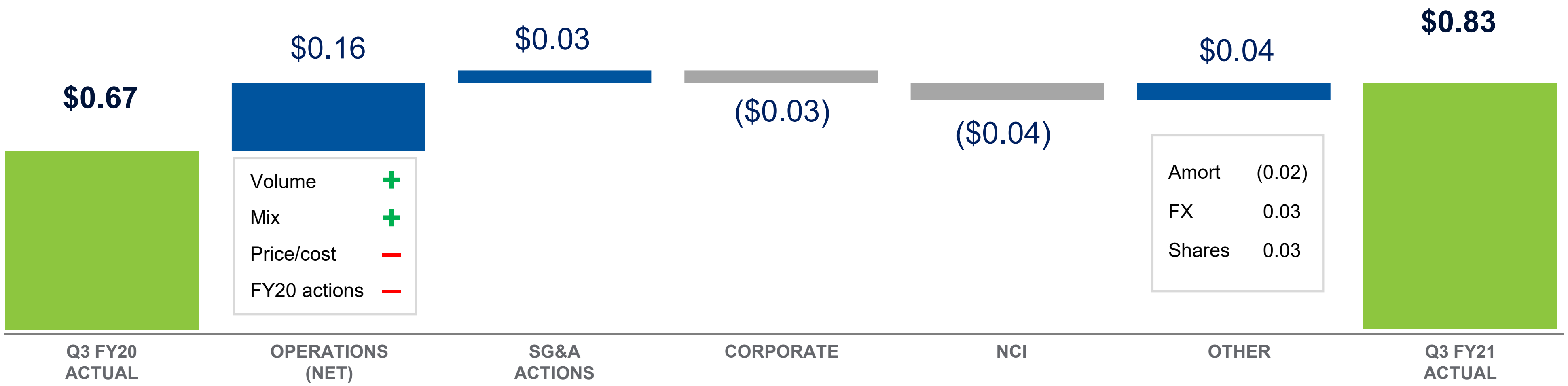

## Backlog ($, billions)




- Trailing 3-month Field Orders +18% YoY
  - Service orders +13%
  - Install orders accelerating, +23% YoY

- Backlog of $10.0B +7% YoY organic
- Service backlog +5% YoY; conversion accelerating
- Install backlog +7% YoY; sequential improvement led by higher retrofit activity; new construction beginning to recover
- Backlog continue to remix towards shorter cycle projects
- Long cycle backlog provides visibility

# Q3 FY21 EPS Bridge* (Continuing Operations)




- Strong and accelerating operational performance
- Disciplined price / cost execution; actions mitigating majority of significant increase in costs
- Underlying incrementals of 30%+; significant headwind from net impact of temporary / permanent actions taken in FY20
- SG&A productivity actions bearing fruit

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

# Q3 Segment Results*

| ($M) | Sales<br>*Organic % YoY* | EBITA Margin<br>*Change YoY* | Comments |
|---|---|---|---|
| **North America** | **$2,212**<br>*+8%* | **14.7%**<br>*(70bps)* | ▪ Service +10% / Install +7%<br>▪ Sequential improvement in HVAC & Controls and F&S; continued strong growth in performance infrastructure driven by sustainability needs<br>▪ Significant headwind related to net impact of temp/perm actions taken in FY20<br>▪ Orders +18%; Backlog $6.2B, +6% YoY |
| **EMEALA** | **$962**<br>*+17%* | **10.7%**<br>*+250bps* | ▪ Service +12% / Install +24%<br>▪ Sharp acceleration in Fire & Security (including Retail) and Industrial Refrigeration; all above 2019 levels<br>▪ Orders +22%; Backlog $2.0B, +9% YoY |
| **Asia Pac** | **$712**<br>*+14%* | **11.8%**<br>*(380bps)* | ▪ Service +14% / Install +14%<br>▪ China continues to lead other regions; orders and revenue growth both up high-teens<br>▪ Margin headwind related to geographic mix and PY temporary actions<br>▪ Orders +14%; Backlog $1.8B, +5% YoY |
| **Global Products** | **$2,458**<br>*+21%* | **20.9%**<br>*+140bps* | ▪ Continued growth in Residential HVAC; Commercial HVAC accelerated sequentially<br>▪ Strong execution and operating leverage more than offsetting headwind related to PY temporary actions and price/cost<br>▪ Key markets continue to recover / maintain strength |
| **Total Segment** | **$6,344**<br>*+15%* | **16.2%**<br>*+30bps* | ▪ Field: Service +11% / Install +12%; Products +21%<br>▪ Overall revenue growth above 2019 levels strong operational execution<br>▪ Strong order momentum continuing to build; retrofit and new construction driving the improvement<br>▪ Field orders +18%; Field backlog $10.0B, +7% YoY |

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

# Q3 Segment End Market Performance*

| Organic Sales % Change | % of FY20 Sales | North America | EMEALA | Asia PAC | Global Products | Consolidated JCI |
|---|---|---|---|---|---|---|
| Applied[1] | 31% | +MSD | +HSD | +mid-teens | +>25%[2] | +LDD |
| Light Commercial[3] | 9% | | | | +high-teens | +high-teens |
| Commercial HVAC | 40% | | | | +>20% | +LDD |
| NA Residential | 4% | | | | +mid-teens | +mid-teens |
| ROW Residential | 8% | | | | +high-teens | +high-teens |
| Residential HVAC | 12% | | | | +mid-teens | +mid-teens |
| Fire & Security[4] | 41% | +LDD | +>20% | +HSD | +>30% | +high-teens |
| Performance Contracting | 3% | +LDD | | | | +LDD |
| Industrial Refrigeration | 4% | | +20% | | +HSD | +mid-teens |
| | | | | | | |
| **Total** | **100%** | **+8%** | **+17%** | **+14%** | **+21%** | **+15%** |

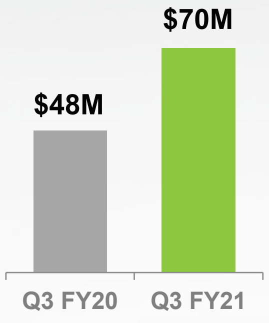
**Underlying Market Continues To Improve**

[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.

# Corporate Expense* & Other Items

## Corporate Expense




- Reversal of temporary costs

+ Continuous structural cost reductions

## Full Year Guidance Items

- Corporate expense $280 to $285M
- Amortization expense ~$425M
- NFC ~$215
- NCI $230 to $240M

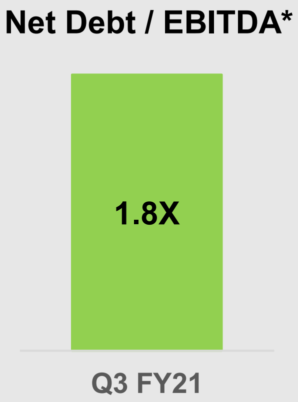
*Non-GAAP excludes special items. See footnotes for reconciliation.

# Balance Sheet & Free Cash Flow*

| **Capital Structure** ($ millions) | **Q4 FY20** | **Q2 FY21** | **Q3 FY21** |
|---|---|---|---|
| Short-term debt and current portion of long-term debt | $293 | $444 | $461 |
| Long-term debt | 7,526 | 7,323 | 7,318 |
| **Total debt** | **7,819** | **7,767** | **7,779** |
| Less: cash and cash equivalents | 1,951 | 1,883 | 1,450 |
| **Net debt*** | **$5,868** | **$5,884** | **$6,329** |

## DEBT & LIQUIDITY

- **94% fixed** rate debt
- **2.8%** weighted avg interest rate
- **$1.5B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)
- ~$3B undrawn credit facilities
- Target Net Debt/EBITDA ~**2.0-2.5X**




| **Free Cash Flow** ($ millions) | **Q3 FY20** | **Q3 FY21** | **YTD FY20** | **YTD FY21** |
|---|---|---|---|---|
| Cash from operating activities | $833 | $862 | $1,499 | $2,022 |
| Capital expenditures | (97) | (127) | (347) | (324) |
| **Reported FCF*** | **$736**[1] | **$735** | **$1,152**[2] | **$1,698** |

[1] Prior year Reported FCF includes ~$60M 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 ~$300M of other one-time cash items that were previously excluded

## FREE CASH FLOW

- Trade Working Capital % of Sales **down 230 bps YoY to 10.2%**
- Capex spend **up 31% YoY Q3; down 7% YTD**

*Non-GAAP figures. See footnotes for reconciliation.

# Fiscal 2021 Q4 & Raised Full Year Guidance*

## FY 2021 Commentary

- Underlying market is continuing to improve
- Continued share gains
- Tax rate 13.5%
- Free cash flow conversion ~105%
- Disciplined capital allocation
  - ~$1.0B of share repurchases completed
  - Expect incremental ~$350M of share repurchase in Q4

| Guidance[1] | Q4FY21 | FY21 |
|---|---|---|
| Organic Revenue | +MSD | +MSD |
| Segment EBITA Margin | ~+30bps | +80 to +90bps |
| EPS | $0.86 - $0.88 (13 to 16% increase yoy) | $2.64 - $2.66 (18 to 19% increase yoy) |
| Weighted-Average Shares | ~716M | ~721M |

[1] All guidance items now include the announced acquisition of Silent-Aire

**Continued Strong Performance In Challenging Environment**

* Non-GAAP excludes special items.

# 2021 Virtual Investor Day

## Save The Date

Wednesday, September 8, 2021

*Further details to follow*

# Appendix

## IR CONTACTS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# FY21 Third Quarter
# Financial Results (Continuing Operations)

| *($ in millions, except earnings per share)* | Q3 FY20 GAAP | Q3 FY21 GAAP | Q3 FY20* NON-GAAP | Q3 FY21* NON-GAAP | % Change NON-GAAP |
|---|---|---|---|---|---|
| **Sales** | $5,343 | $6,341 | $5,343 | $6,344 | 19% |
| **Gross profit** | 1,832 | 2,197 | 1,853 | 2,187 | 18% |
| ***% of sales*** | *34.3%* | *34.6%* | *34.7%* | *34.5%* | |
| **SG&A expenses** | 1,334 | 1,367 | 1,193 | 1,413 | 18% |
| **Restructuring & impairment costs** | 610 | 79 | - | - | |
| **Equity income** | 47 | 74 | 47 | 74 | 57% |
| **EBIT** | (65) | 825 | 707 | 848 | 20% |
| **EBIT margin** | ***(1.2%)*** | ***13.0%*** | ***13.2%*** | ***13.4%*** | |
| **Net financing charges** | 58 | 56 | 58 | 56 | (3%) |
| **Income (loss) before income taxes** | (123) | 769 | 649 | 792 | 22% |
| **Income tax provision (benefit)** | (1) | 108 | 87 | 107 | 23% |
| **Net income (loss)** | (122) | 661 | 562 | 685 | 22% |
| **Income attributable to noncontrolling interests** | 60 | 87 | 60 | 87 | 45% |
| **Net income (loss) attributable to JCI** | ($182) | $574 | $502 | $598 | 19% |
| **Diluted EPS** | **($0.24)** | **$0.80** | **$0.67** | **$0.83** | 24% |

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



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# Special Items (Continuing Operations)

*$ In millions, except EPS*

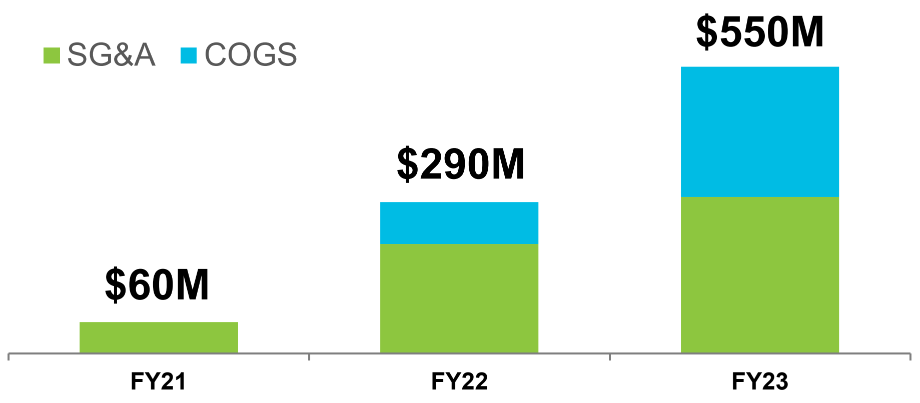
| Q3 FY21 | Pre-tax Income (Expense) | Tax (Expense) Benefit | NCI (Expense) Income | After-tax/NCI Income (Expense) | EPS Impact |
|---|---|---|---|---|---|
| **Mark-to-market adjustments** | $66 | $(17) | $- | $49 | $0.07 |
| **Restructuring & impairment costs** | (79) | 15 | - | (64) | (0.09) |
| **Acquisition related items** | (10) | 1 | - | (9) | (0.01) |
| **Total** | **$(23)** | **$(1)** | **$-** | **$(24)** | **$(0.03)** |

| Q3 FY20 | Pre-tax Income (Expense) | Tax (Expense) Benefit | NCI (Expense) Income | After-tax/NCI Income (Expense) | EPS Impact |
|---|---|---|---|---|---|
| **Integration costs** | $(30) | $4 | $- | $(26) | $(0.03) |
| **Net mark-to-market adjustments** | (132) | 34 | - | (98) | (0.13) |
| **Restructuring and impairment charge** | (186) | 28 | - | (158) | (0.21) |
| **Goodwill impairment charge (Retail)** | (424) | - | - | (424) | (0.57) |
| **Discrete income tax items** | - | 22 | - | 22 | 0.03 |
| **Total*** | **$(772)** | **$88** | **$-** | **$(684)** | **$(0.92)** |

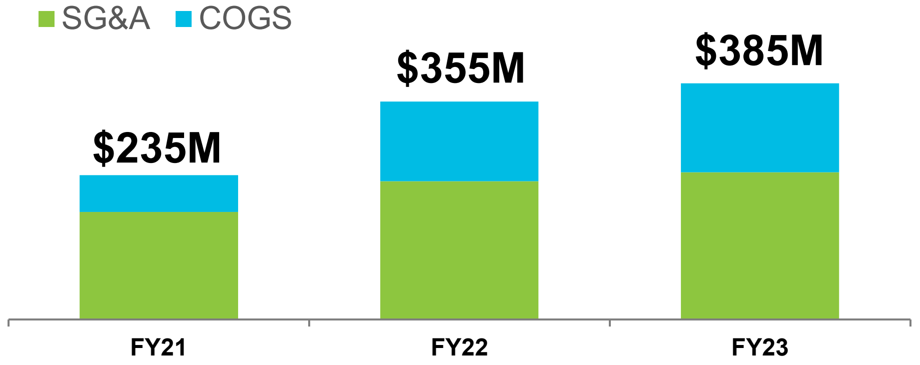
*Totals may not sum due to rounding

# Reduced Cost Structure & Improved Productivity Creating Significant Margin Runway

## Cumulative Net Cost Reductions[1]




## Cumulative One Time Restructuring & Implementation Costs




~80% Cash


[1] Includes operating investments to achieve, excludes one-time restructuring and implementation costs

## JOHNSON CONTROLS INTERNATIONAL PLC

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 |
|---|---|---|
| Net sales | $ 6,341 | $ 5,343 |
| Cost of sales | 4,144 | 3,511 |
| Gross profit | 2,197 | 1,832 |
| Selling, general and administrative expenses | (1,367) | (1,334) |
| Restructuring and impairment costs | (79) | (610) |
| Net financing charges | (56) | (58) |
| Equity income | 74 | 47 |
| Income (loss) from continuing operations before income taxes | 769 | (123) |
| Income tax provision (benefit) | 108 | (1) |
| Income (loss) from continuing operations | 661 | (122) |
| Income from discontinued operations, net of tax | - | - |
| Net income (loss) | 661 | (122) |
| Less: Income from continuing operations attributable to noncontrolling interests | 87 | 60 |
| Less: Income from discontinued operations attributable to noncontrolling interests | - | - |
| Net income (loss) attributable to JCI | $ 574 | $ (182) |
| Income (loss) from continuing operations | $ 574 | $ (182) |
| Income from discontinued operations | - | - |
| Net income (loss) attributable to JCI | $ 574 | $ (182) |
| Diluted earnings (loss) per share from continuing operations | $ 0.80 | $ (0.24) |
| Diluted earnings per share from discontinued operations | - | - |
| Diluted earnings (loss) per share | $ 0.80 | $ (0.24) |
| Diluted weighted average shares | 719.7 | 744.0 |
| Shares outstanding at period end | 712.2 | 744.0 |

**JOHNSON CONTROLS INTERNATIONAL PLC**

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net sales | $ 17,276 | $ 16,363 |
| Cost of sales | 11,408 | 10,927 |
| Gross profit | 5,868 | 5,436 |
| Selling, general and administrative expenses | (3,914) | (4,212) |
| Restructuring and impairment costs | (175) | (783) |
| Net financing charges | (159) | (169) |
| Equity income | 188 | 110 |
| Income from continuing operations before income taxes | 1,808 | 382 |
| Income tax provision | 378 | 77 |
| Income from continuing operations | 1,430 | 305 |
| Income from discontinued operations, net of tax | 124 | - |
| Net income | 1,554 | 305 |
| Less: Income from continuing operations attributable to noncontrolling interests | 186 | 115 |
| Less: Income from discontinued operations attributable to noncontrolling interests | - | - |
| Net income attributable to JCI | $ 1,368 | $ 190 |
| Income from continuing operations | $ 1,244 | $ 190 |
| Income from discontinued operations | 124 | - |
| Net income attributable to JCI | $ 1,368 | $ 190 |
| Diluted earnings per share from continuing operations | $ 1.72 | $ 0.25 |
| Diluted earnings per share from discontinued operations | 0.17 | - |
| Diluted earnings per share | $ 1.89 | $ 0.25 |
| Diluted weighted average shares | 722.5 | 758.9 |
| Shares outstanding at period end | 712.2 | 744.0 |

## JOHNSON CONTROLS INTERNATIONAL PLC

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

| | June 30, 2021 | September 30, 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,450 | $ 1,951 |
| Accounts receivable - net | 5,668 | 5,294 |
| Inventories | 2,064 | 1,773 |
| Other current assets | 1,128 | 1,035 |
| Current assets | 10,310 | 10,053 |
| | | |
| Property, plant and equipment - net | 3,111 | 3,059 |
| Goodwill | 18,445 | 17,932 |
| Other intangible assets - net | 5,679 | 5,356 |
| Investments in partially-owned affiliates | 1,016 | 914 |
| Noncurrent assets held for sale | 185 | 147 |
| Other noncurrent assets | 3,389 | 3,354 |
| Total assets | $ 42,135 | $ 40,815 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Short-term debt and current portion of long-term debt | $ 461 | $ 293 |
| Accounts payable and accrued expenses | 4,715 | 3,958 |
| Other current liabilities | 4,109 | 3,997 |
| Current liabilities | 9,285 | 8,248 |
| | | |
| Long-term debt | 7,318 | 7,526 |
| Other noncurrent liabilities | 6,535 | 6,508 |
| Shareholders' equity attributable to JCI | 17,840 | 17,447 |
| Noncontrolling interests | 1,157 | 1,086 |
| Total liabilities and equity | $ 42,135 | $ 40,815 |

**JOHNSON CONTROLS INTERNATIONAL PLC**

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| **Operating Activities** | | |
| Net income (loss) from continuing operations attributable to JCI | $ 574 | $ (182) |
| Income from continuing operations attributable to noncontrolling interests | 87 | 60 |
| Net income (loss) from continuing operations | 661 | (122) |
| Adjustments to reconcile net income (loss) from continuing operations to cash provided by operating activities: | | |
| Depreciation and amortization | 208 | 202 |
| Pension and postretirement benefit expense (income) | (94) | 122 |
| Pension and postretirement contributions | (15) | (16) |
| Equity in earnings of partially-owned affiliates, net of dividends received | 41 | 20 |
| Deferred income taxes | (19) | (87) |
| Non-cash restructuring and impairment costs | 40 | 466 |
| Other - net | (6) | (33) |
| Changes in assets and liabilities, excluding acquisitions and divestitures: | | |
| Accounts receivable | (324) | 184 |
| Inventories | 7 | 56 |
| Other assets | 60 | 30 |
| Restructuring reserves | (3) | 96 |
| Accounts payable and accrued liabilities | 344 | (126) |
| Accrued income taxes | (38) | 41 |
| Cash provided by operating activities from continuing operations | 862 | 833 |
| **Investing Activities** | | |
| Capital expenditures | (127) | (97) |
| Acquisition of businesses, net of cash acquired | (697) | (1) |
| Other - net | 57 | 77 |
| Cash used by investing activities from continuing operations | (767) | (21) |
| **Financing Activities** | | |
| Increase (decrease) in short and long-term debt - net | (31) | 974 |
| Stock repurchases and retirements | (340) | - |
| Payment of cash dividends | (193) | (194) |
| Dividends paid to noncontrolling interests | (32) | (62) |
| Proceeds from the exercise of stock options | 27 | 3 |
| Employee equity-based compensation withholding taxes | (1) | (1) |
| Other - net | (1) | - |
| Cash provided (used) by financing activities from continuing operations | (571) | 720 |
| **Discontinued Operations** | | |
| Net cash used by operating activities | (19) | (47) |
| Net cash used by investing activities | - | - |
| Net cash used by financing activities | - | (113) |
| Net cash flows used by discontinued operations | (19) | (160) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 58 | (36) |
| Changes in cash held for sale | - | - |
| **Increase (decrease) in cash, cash equivalents and restricted cash** | $ (437) | $ 1,336 |

**JOHNSON CONTROLS INTERNATIONAL PLC**

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| **Operating Activities** | | |
| Net income from continuing operations attributable to JCI | $ 1,244 | $ 190 |
| Income from continuing operations attributable to noncontrolling interests | 186 | 115 |
| Net income from continuing operations | 1,430 | 305 |
| Adjustments to reconcile net income from continuing operations to cash provided by operating activities: | | |
| Depreciation and amortization | 627 | 616 |
| Pension and postretirement benefit expense (income) | (393) | 42 |
| Pension and postretirement contributions | (40) | (43) |
| Equity in earnings of partially-owned affiliates, net of dividends received | (66) | 9 |
| Deferred income taxes | 6 | (148) |
| Non-cash restructuring and impairment costs | 94 | 582 |
| Other - net | (38) | 23 |
| Changes in assets and liabilities, excluding acquisitions and divestitures: | | |
| Accounts receivable | (157) | 428 |
| Inventories | (204) | (205) |
| Other assets | (30) | (120) |
| Restructuring reserves | (27) | 58 |
| Accounts payable and accrued liabilities | 854 | (731) |
| Accrued income taxes | (34) | 683 |
| Cash provided by operating activities from continuing operations | 2,022 | 1,499 |
| **Investing Activities** | | |
| Capital expenditures | (324) | (347) |
| Acquisition of businesses, net of cash acquired | (707) | (59) |
| Business divestitures, net of cash divested | 19 | - |
| Other - net | 126 | 97 |
| Cash used by investing activities from continuing operations | (886) | (309) |
| **Financing Activities** | | |
| Increase (decrease) in short and long-term debt - net | (64) | 807 |
| Stock repurchases and retirements | (1,001) | (1,467) |
| Payment of cash dividends | (570) | (596) |
| Proceeds from the exercise of stock options | 160 | 42 |
| Dividends paid to noncontrolling interests | (133) | (67) |
| Cash paid to acquire a noncontrolling interest | (14) | - |
| Employee equity-based compensation withholding taxes | (30) | (33) |
| Other - net | 2 | (2) |
| Cash used by financing activities from continuing operations | (1,650) | (1,316) |
| **Discontinued Operations** | | |
| Net cash used by operating activities | (56) | (255) |
| Net cash used by investing activities | - | - |
| Net cash used by financing activities | - | (113) |
| Net cash flows used by discontinued operations | (56) | (368) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 67 | 28 |
| Changes in cash held for sale | - | - |
| **Decrease in cash, cash equivalents and restricted cash** | $ (503) | $ (466) |

## 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 (loss) 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 June 30, | | | | Nine Months Ended June 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 | $ 2,212 | $ 2,212 | $ 2,020 | $ 2,020 | $ 6,338 | $ 6,338 | $ 6,362 | $ 6,362 |
| Building Solutions EMEA/LA | 962 | 962 | 756 | 756 | 2,765 | 2,765 | 2,534 | 2,534 |
| Building Solutions Asia Pacific | 712 | 712 | 588 | 588 | 1,930 | 1,930 | 1,742 | 1,742 |
| Global Products | 2,455 | 2,458 | 1,979 | 1,979 | 6,243 | 6,246 | 5,725 | 5,725 |
| Net sales | $ 6,341 | $ 6,344 | $ 5,343 | $ 5,343 | $ 17,276 | $ 17,279 | $ 16,363 | $ 16,363 |
| Segment EBITA (1) | | | | | | | | |
| Building Solutions North America | $ 326 | $ 326 | $ 307 | $ 311 | $ 847 | $ 847 | $ 816 | $ 823 |
| Building Solutions EMEA/LA | 103 | 103 | 62 | 62 | 284 | 284 | 237 | 237 |
| Building Solutions Asia Pacific | 84 | 84 | 92 | 92 | 237 | 237 | 229 | 229 |
| Global Products | 507 | 514 | 378 | 385 | 1,005 | 1,012 | 797 | 805 |
| Segment EBITA | 1,020 | 1,027 | 839 | 850 | 2,373 | 2,380 | 2,079 | 2,094 |
| Corporate expenses (2) | (70) | (70) | (67) | (48) | (207) | (207) | (303) | (211) |
| Amortization of intangible assets (3) | (112) | (109) | (95) | (95) | (320) | (317) | (288) | (288) |
| Net mark-to-market adjustments (4) | 66 | - | (132) | - | 296 | - | (154) | - |
| Restructuring and impairment costs (5) | (79) | - | (610) | - | (175) | - | (783) | - |
| EBIT (6) | 825 | 848 | (65) | 707 | 1,967 | 1,856 | 551 | 1,595 |
| EBIT margin | 13.0% | 13.4% | -1.2% | 13.2% | 11.4% | 10.7% | 3.4% | 9.7% |
| Net financing charges | (56) | (56) | (58) | (58) | (159) | (159) | (169) | (169) |
| Income (loss) from continuing operations before income taxes | 769 | 792 | (123) | 649 | 1,808 | 1,697 | 382 | 1,426 |
| Income tax benefit (provision) (7) | (108) | (107) | 1 | (87) | (378) | (229) | (77) | (192) |
| Income from continuing operations | 661 | 685 | (122) | 562 | 1,430 | 1,468 | 305 | 1,234 |
| Income from continuing operations attributable to noncontrolling interests | (87) | (87) | (60) | (60) | (186) | (186) | (115) | (109) |
| Net income (loss) from continuing operations attributable to JCI | $ 574 | $ 598 | $ (182) | $ 502 | $ 1,244 | $ 1,282 | $ 190 | $ 1,125 |

(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 (loss) from continuing operations is shown earlier within this footnote. The following is the three months ended June 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 | $ 2,212 | $ 2,020 | $ 962 | $ 756 | $ 712 | $ 588 | $ 2,455 | $ 1,979 | $ 6,341 | $ 5,343 |
| Adjusting items: | | | | | | | | | | |
| Nonrecurring Silent-Aire purchase accounting impacts | - | - | - | - | - | - | 3 | - | 3 | - |
| Adjusted net sales | $ 2,212 | $ 2,020 | $ 962 | $ 756 | $ 712 | $ 588 | $ 2,458 | $ 1,979 | $ 6,344 | $ 5,343 |
| Segment EBITA as reported | $ 326 | $ 307 | $ 103 | $ 62 | $ 84 | $ 92 | $ 507 | $ 378 | $ 1,020 | $ 839 |
| Segment EBITA margin as reported | 14.7% | 15.2% | 10.7% | 8.2% | 11.8% | 15.6% | 20.7% | 19.1% | 16.1% | 15.7% |
| Adjusting items: | | | | | | | | | | |
| Nonrecurring Silent-Aire purchase accounting impacts and transaction costs | - | - | - | - | - | - | 7 | - | 7 | - |
| Integration costs | - | 4 | - | - | - | - | - | 7 | - | 11 |
| Adjusted segment EBITA | $ 326 | $ 311 | $ 103 | $ 62 | $ 84 | $ 92 | $ 514 | $ 385 | $ 1,027 | $ 850 |
| Adjusted segment EBITA margin | 14.7% | 15.4% | 10.7% | 8.2% | 11.8% | 15.6% | 20.9% | 19.5% | 16.2% | 15.9% |

The following is the nine months ended June 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 | $ 6,338 | $ 6,362 | $ 2,765 | $ 2,534 | $ 1,930 | $ 1,742 | $ 6,243 | $ 5,725 | $ 17,276 | $ 16,363 |
| Adjusting items: | | | | | | | | | | |
| Nonrecurring Silent-Aire purchase accounting impacts | - | - | - | - | - | - | 3 | - | 3 | - |
| Adjusted net sales | $ 6,338 | $ 6,362 | $ 2,765 | $ 2,534 | $ 1,930 | $ 1,742 | $ 6,246 | $ 5,725 | $ 17,279 | $ 16,363 |
| Segment EBITA as reported | $ 847 | $ 816 | $ 284 | $ 237 | $ 237 | $ 229 | $ 1,005 | $ 797 | $ 2,373 | $ 2,079 |
| Segment EBITA margin as reported | 13.4% | 12.8% | 10.3% | 9.4% | 12.3% | 13.1% | 16.1% | 13.9% | 13.7% | 12.7% |
| Adjusting items: | | | | | | | | | | |
| Nonrecurring Silent-Aire purchase accounting impacts and transaction costs | - | - | - | - | - | - | 7 | - | 7 | - |
| Integration costs | - | 7 | - | - | - | - | - | 8 | - | 15 |
| Adjusted segment EBITA | $ 847 | $ 823 | $ 284 | $ 237 | $ 237 | $ 229 | $ 1,012 | $ 805 | $ 2,380 | $ 2,094 |
| Adjusted segment EBITA margin | 13.4% | 12.9% | 10.3% | 9.4% | 12.3% | 13.1% | 16.2% | 14.1% | 13.8% | 12.8% |

(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 June 30, 2020 excludes $19 million of integration costs. Adjusted Corporate expenses for the nine months ended June 30, 2020 excludes $92 million of integration costs.

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

(4) The three months ended June 30, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $66 million. The nine months ended June 30, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $296 million. The three months ended June 30, 2020 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $132 million. The nine months ended June 30, 2020 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $154 million.

(5) Restructuring and impairment costs for the three months ended June 30, 2021 of $79 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the nine months ended June 30, 2021 of $175 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the three months ended June 30, 2020 of $610 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the nine months ended June 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 (loss) from continuing operations before net financing charges, income taxes and noncontrolling interests. EBIT is a non-GAAP performance measure. Management believes this non-GAAP measure is useful to investors in understanding the ongoing operations and business trends of the Company. A reconciliation of EBIT to income from continuing operations is shown earlier within this footnote.

(7) Adjusted income tax provision for the three months ended June 30, 2021 excludes tax provisions from net mark-to-market adjustments of $17 million, partially offset by tax benefits related to restructuring and impairment costs of $15 million, and tax benefits related to Silent-Aire nonrecurring purchase accounting of $1 million. Adjusted income tax provision for the nine months ended June 30, 2021 excludes tax provisions from a Mexico valuation allowance adjustment of $105 million and net mark-to-market adjustments of $75 million, partially offset by tax benefits related to restructuring and impairment costs of $30 million, and tax benefits related to Silent-Aire nonrecurring purchase accounting of $1 million. Adjusted income tax provision for the three months ended June 30, 2020 excludes tax benefits from net mark-to-market adjustments of $34 million, restructuring and impairment costs of $28 million, tax audit reserve adjustments of $22 million, and integration costs of $4 million. Adjusted income tax provision for the nine months ended June 30, 2020 excludes tax benefits from restructuring and impairment costs of $48 million, tax audit reserve adjustments of $44 million, net mark-to-market adjustments of $38 million, and integration costs of $15 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, 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 Three Months Ended June 30, | | Net Income Attributable to JCI plc from Continuing Operations Three Months Ended June 30, | | Net Income Attributable to JCI plc Nine Months Ended June 30, | | Net Income Attributable to JCI plc from Continuing Operations Nine Months Ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Earnings per share as reported for JCI plc | $ 0.80 | $ (0.24) | $ 0.80 | $ (0.24) | $ 1.89 | $ 0.25 | $ 1.72 | $ 0.25 |
| Adjusting items: | | | | | | | | |
| Integration costs | - | 0.04 | - | 0.04 | - | 0.14 | - | 0.14 |
| Related tax impact | - | (0.01) | - | (0.01) | - | (0.02) | - | (0.02) |
| Net mark-to-market adjustments | (0.09) | 0.18 | (0.09) | 0.18 | (0.41) | 0.20 | (0.41) | 0.20 |
| Related tax impact | 0.02 | (0.05) | 0.02 | (0.05) | 0.10 | (0.05) | 0.10 | (0.05) |
| Restructuring and impairment costs | 0.11 | 0.82 | 0.11 | 0.82 | 0.24 | 1.03 | 0.24 | 1.03 |
| Related tax impact | (0.02) | (0.04) | (0.02) | (0.04) | (0.04) | (0.06) | (0.04) | (0.06) |
| NCI impact of restructuring and impairment | - | - | - | - | - | (0.01) | - | (0.01) |
| Silent-Aire transaction costs and other nonrecurring costs | 0.01 | - | 0.01 | - | 0.01 | - | 0.01 | - |
| Power Solutions divestiture reserve adjustment | - | - | - | - | (0.21) | - | - | - |
| Related tax impact | - | - | - | - | 0.04 | - | - | - |
| Discrete tax items | - | (0.03) | - | (0.03) | 0.15 | (0.02) | 0.15 | (0.02) |
| NCI impact of discrete tax items | - | - | - | - | - | 0.01 | - | 0.01 |
| Adjusted earnings per share for JCI plc* | $ 0.83 | $ 0.67 | $ 0.83 | $ 0.67 | $ 1.77 | $ 1.48 | $ 1.77 | $ 1.48 |

* 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 June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average shares outstanding for JCI plc | | | | |
| Basic weighted average shares outstanding | 714.5 | 744.0 | 718.2 | 756.3 |
| Effect of dilutive securities: | | | | |
| Stock options, unvested restricted stock and unvested performance share awards | 5.2 | - | 4.3 | 2.6 |
| Diluted weighted average shares outstanding | 719.7 | 744.0 | 722.5 | 758.9 |

The Company has presented forward-looking statements regarding adjusted corporate expense, adjusted EPS, organic revenue, adjusted segment EBITA margin and free cash flow conversion, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts, expenses, or income from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from these non-GAAP financial measures are a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period, including but not limited to the high variability of the net mark-to-market adjustments and the effect of foreign currency exchange fluctuations. Our fiscal 2021 full year and fourth 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 fourth quarter 2021 GAAP financial results.

**3. Organic Growth Reconciliation**

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

| (in millions) | Adjusted Net Sales for the Three Months Ended June 30, 2020 | Base Year Adjustments - Divestitures and Other | | Base Year Adjustments - Foreign Currency | | Adjusted Base Net Sales for the Three Months Ended June 30, 2020 | Acquisitions | | Organic Growth | | Adjusted Net Sales for the Three Months Ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building Solutions North America | $ 2,020 | $ - | - | $ 21 | 1% | $ 2,041 | $ - | - | $ 171 | 8% | $ 2,212 | 10% |
| Building Solutions EMEA/LA | 756 | - | - | 56 | 7% | 812 | 10 | 1% | 140 | 17% | 962 | 27% |
| Building Solutions Asia Pacific | 588 | (3) | -1% | 41 | 7% | 626 | - | - | 86 | 14% | 712 | 21% |
| Total field | 3,364 | (3) | - | 118 | 4% | 3,479 | 10 | - | 397 | 11% | 3,886 | 16% |
| Global Products | 1,979 | (54) | -3% | 47 | 2% | 1,972 | 80 | 4% | 406 | 21% | 2,458 | 24% |
| Total net sales | $ 5,343 | $ (57) | -1% | $ 165 | 3% | $ 5,451 | $ 90 | 2% | $ 803 | 15% | $ 6,344 | 19% |

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

| (in millions) | Adjusted Net Sales for the Nine Months Ended June 30, 2020 | Base Year Adjustments - Divestitures and Other | | Base Year Adjustments - Foreign Currency | | Adjusted Base Net Sales for the Nine Months Ended June 30, 2020 | Acquisitions | | Organic Growth | | Adjusted Net Sales for the Nine Months Ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Building Solutions North America | $ 6,362 | $ - | - | $ 37 | 1% | $ 6,399 | $ - | - | $ (61) | -1% | $ 6,338 | - |
| Building Solutions EMEA/LA | 2,534 | - | - | 119 | 5% | 2,653 | 23 | 1% | 89 | 3% | 2,765 | 9% |
| Building Solutions Asia Pacific | 1,742 | (7) | - | 99 | 6% | 1,834 | - | - | 96 | 5% | 1,930 | 11% |
| Total field | 10,638 | (7) | - | 255 | 2% | 10,886 | 23 | - | 124 | 1% | 11,033 | 4% |
| Global Products | 5,725 | (187) | -3% | 135 | 2% | 5,673 | 80 | 1% | 493 | 9% | 6,246 | 9% |
| Total net sales | $ 16,363 | $ (194) | -1% | $ 390 | 2% | $ 16,559 | $ 103 | 1% | $ 617 | 4% | $ 17,279 | 6% |

**4. Free Cash Flow Reconciliation**

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

The following is the three months and nine months ended June 30, 2021 and 2020 reconciliation of free cash flow for continuing operations (unaudited):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2021 | 2020 | 2021 | 2020 |
| Cash provided by operating activities from continuing operations | $ 862 | $ 833 | $ 2,022 | $ 1,499 |
| Capital expenditures | (127) | (97) | (324) | (347) |
| Reported free cash flow | $ 735 | $ 736 | $ 1,698 | $ 1,152 |

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

| (in millions) | June 30, 2021 |
|---|---|
| Short-term debt and current portion of long-term debt | $ 461 |
| Long-term debt | 7,318 |
| Total debt | 7,779 |
| Less: cash and cash equivalents | 1,450 |
| Total net debt | $ 6,329 |
| Last twelve months adjusted EBITDA | $ 3,459 |
| Total net debt to adjusted EBITDA | 1.8x |

The following is the last twelve months ended June 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 June 30, 2021 |
|---|---|
| Income from continuing operations | $ 1,920 |
| Income tax provision | 409 |
| Net financing charges | 221 |
| EBIT | 2,550 |
| Adjusting items: | |
| Integration costs | 28 |
| Silent-Aire transaction costs and other nonrecurring costs | 10 |
| Net mark-to-market adjustments | (176) |
| Restructuring and impairment costs | 175 |
| Acquisition related compensation charge | 39 |
| Adjusted EBIT (1) | 2,626 |
| Depreciation and amortization | 833 |
| Adjusted EBITDA (1) | $ 3,459 |

(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. Trade Working Capital as a Percentage of Net Sales**

The Company provides financial information regarding trade working capital as a percentage of net sales, which is a non-GAAP performance measure. Trade working capital is defined as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt, the current portion of assets and liabilities held for sale, accrued compensation and benefits, and other current assets and liabilities. Management believes this non-GAAP measure, which excludes financing-related items, non-trade related items and businesses to be divested, is a more useful measurement of the Company's operating performance. The following is the June 30, 2021 and June 30, 2020 calculation of trade working capital as a percentage of net sales (unaudited):

| (in millions) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Current assets | $ 10,310 | $ 11,140 |
| Current liabilities | (9,285) | (10,304) |
| Total working capital | 1,025 | 836 |
| Less: cash and cash equivalents | (1,450) | (2,342) |
| Less: assets held for sale | - | (89) |
| Less: other current assets | (1,128) | (1,369) |
| Add: short-term debt | 265 | 1,321 |
| Add: current portion of long-term debt | 196 | 1,102 |
| Add: accrued compensation and benefits | 996 | 685 |
| Add: liabilities held for sale | - | 38 |
| Add: other current liabilities | 2,460 | 2,650 |
| Trade working capital | $ 2,364 | $ 2,832 |
| Last twelve months net sales | $ 23,230 | $ 22,637 |
| Trade working capital as a percentage of net sales | 10.2% | 12.5% |

**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, and discrete tax items for the three and nine months ended June 30, 2021 and June 30, 2020 was approximately 13.5%.

**8. Restructuring and Impairment Costs**

The three months ended June 30, 2021 include restructuring and impairment costs of $79 million related primarily to workforce reductions, asset impairments and other related costs. The nine months ended June 30, 2021 include restructuring and impairment costs of $175 million related primarily to workforce reductions, asset impairments and other related costs. The three months ended June 30, 2020 include restructuring and impairment costs of $610 million related to workforce reductions, asset impairments and goodwill impairments related to the Company's retail business. The nine months ended June 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 related to the Company's retail business.