Second Quarter 2023 Earnings Release

Craig Arnold & Tom Okray | August 1, 2023

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Forward-looking statements and non-GAAP financial information

This presentation or the comments we make on our call today contain forward-looking statements concerning, among other matters, full year and third quarter 2023 adjusted earnings per share, organic revenue growth, segment operating margins, impact from currency translation, tax rate and corporate expenses; full year 2023 operating cash flow, free cash flow, capital expenditures and share repurchases; Aerospace market growth; and progress toward our 2025 financial goals. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside the company's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: the course of the COVID – 19 pandemic and government responses thereto, unanticipated changes in the markets for the company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; continued supply chain disruptions, unanticipated changes in the cost of material, labor and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; the performance of recent acquisitions; unanticipated difficulties closing or integrating acquisitions; unexpected difficulties completing divestitures, new laws and governmental regulations; interest rate changes; stock market and currency fluctuations; war, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

This presentation includes certain non-GAAP measures as defined by SEC rules, including the following: adjusted earnings, adjusted earnings per share, adjusted earnings per share guidance for the third quarter and full year 2023, free cash flow, and free cash flow guidance for full year 2023. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

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Highlights

Q2 adjusted earnings per share of $2.21, up 18% over 2Q22 and above high end of guidance, and segment operating margin of 21.6%, up 150bps, are both all-time records.

Raising 2023 guidance to 10-12% organic growth with increased margins of 21.3%, at midpoint, and Adjusted EPS of $8.75 equal to 16% growth, at midpoint.

Strong growth in Electrical sector backlog up 22% with book-to-bill ratio at 1.2 and Aerospace backlog up 26% with book-to-bill ratio at 1.2.

Robust 1H23 operating cash flow of $1.2B, up 210%, and free cash flow of $899M, up more than 600%, underscores strong performance.

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Key drivers of Eaton's long term growth outlook

	Key Markets							
Megatrends	Commercial Buildings	Data Center	Industrial	Residential Buildings	Utility	Aerospace	e-Mobility	Legacy Vehicle
Electrification	●		●	●	●	●	●	
Energy Transition	●	●	●	●	●			
Digitalization	●	●	●	●	●	●		
Infrastructure Spending	●	●	●	●	●		●	●
Reindustrialization			●		●			●
Green Regulations	●			●	●	●	●	●

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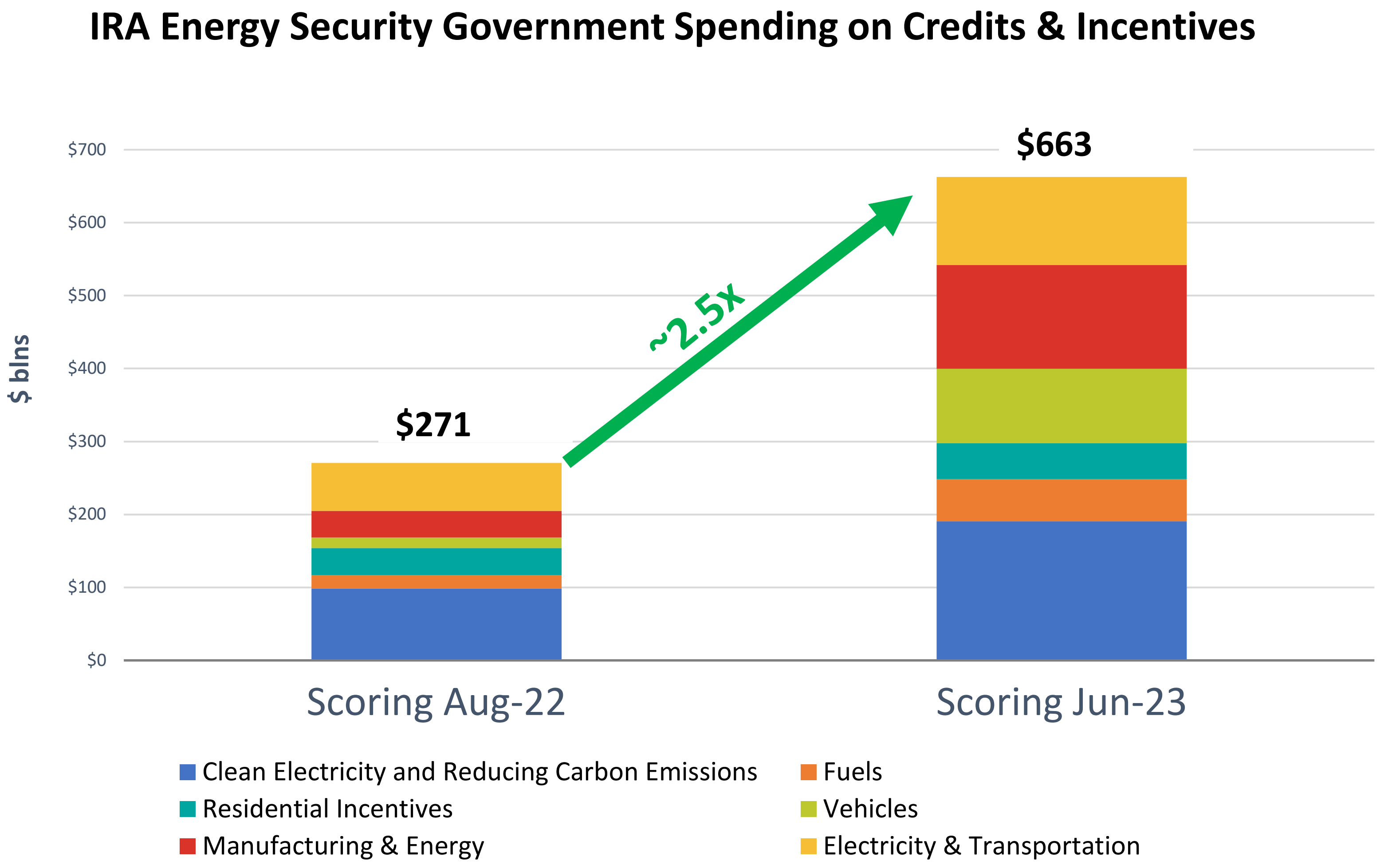
Infrastructure spending – Uncapped Inflation Reduction Act estimates increased significantly



Substantial increase in government credits & incentives

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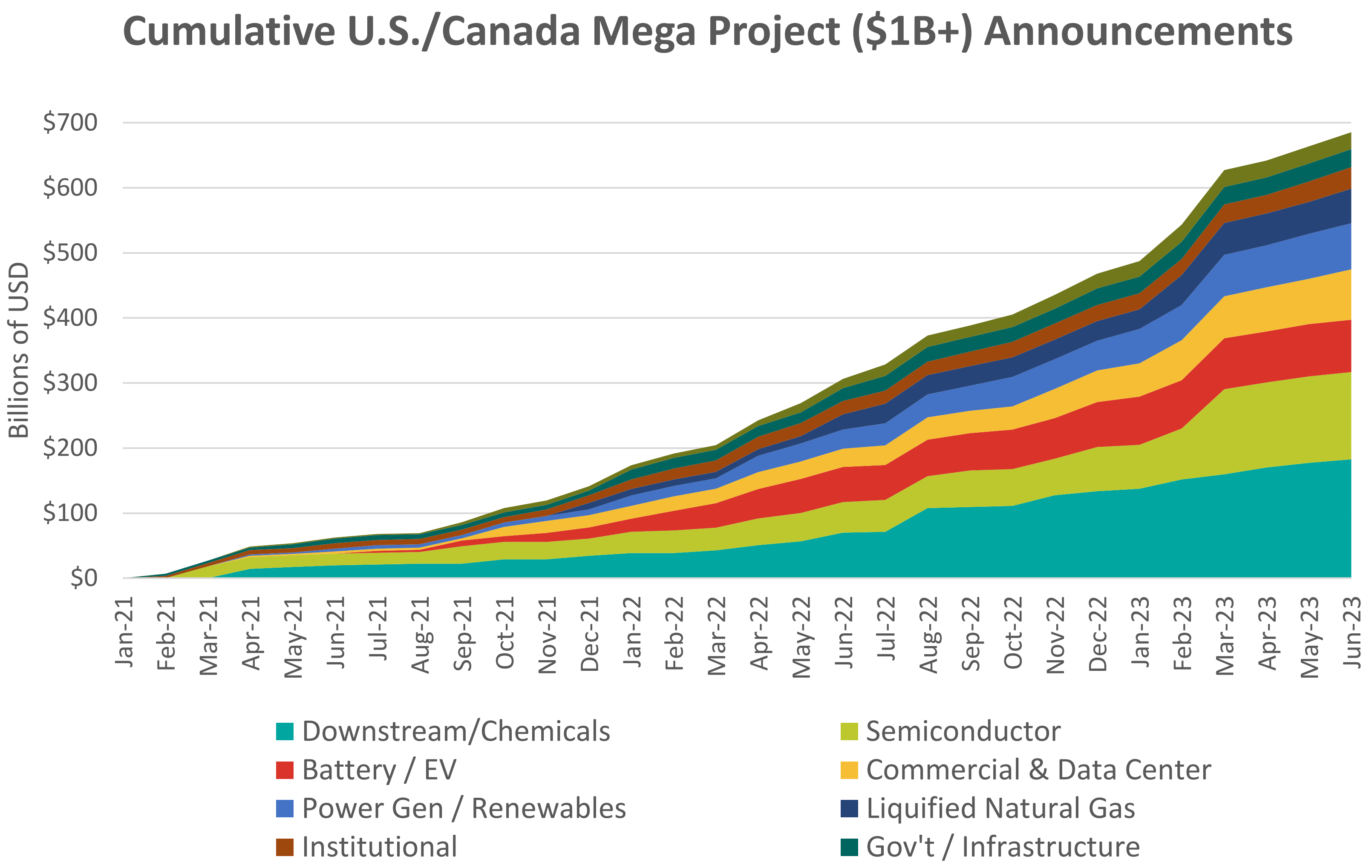
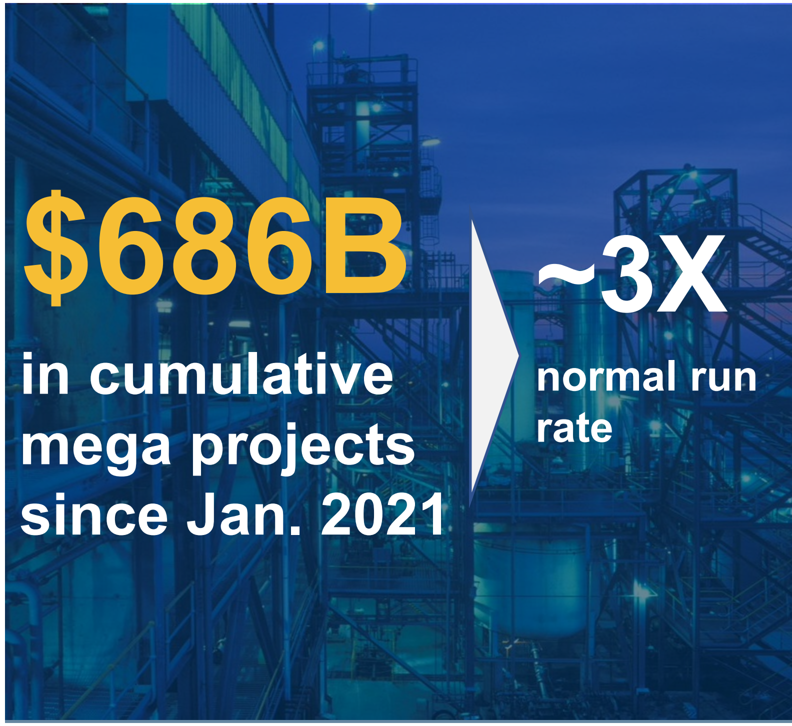
Reindustrialization – momentum continues with mega project announcements





Source: Dodge Data & Analytics, Eaton Economics
Data through July 5, 2023

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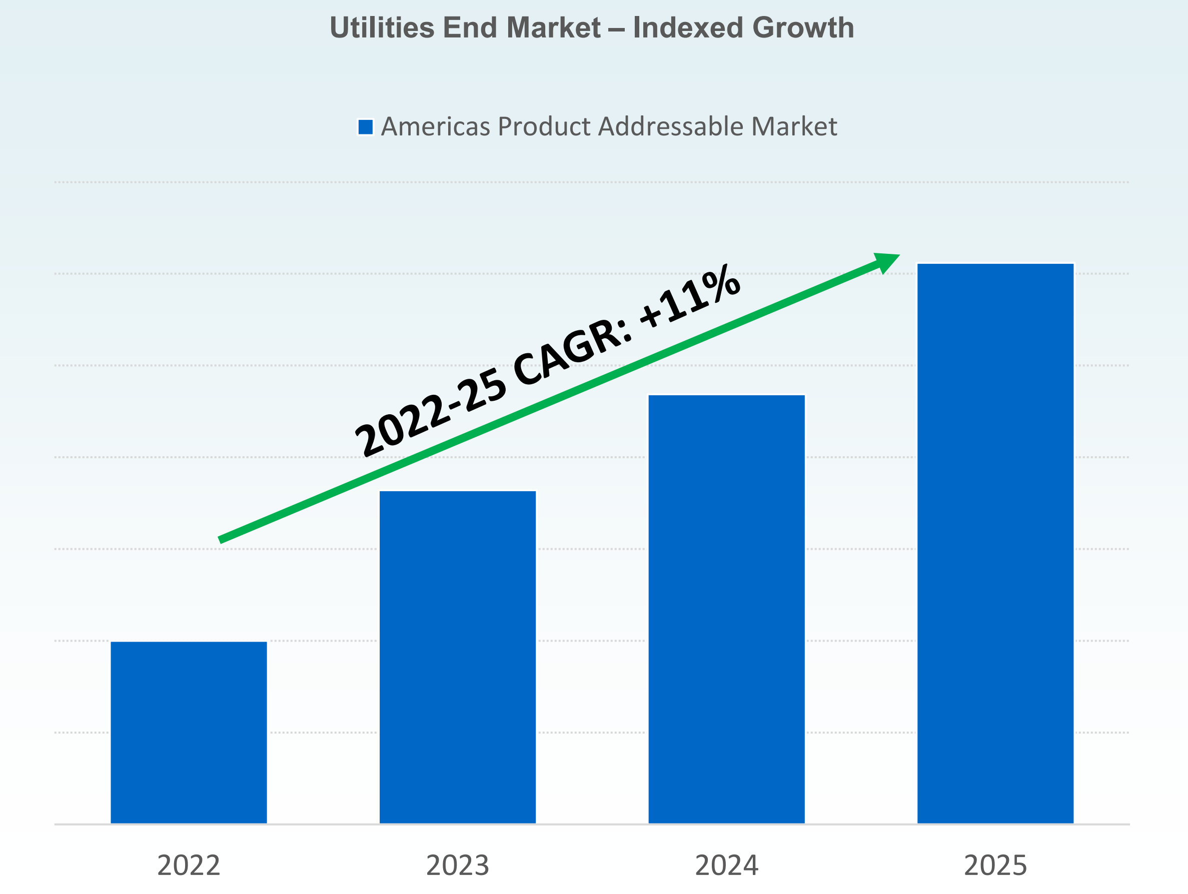
Utility market dynamics are leading to an inflection point of accelerating growth

Key Drivers:

- **Grid modernization** to improve **resiliency**
- Rapid introduction of **renewable energy**, creating additional demand and complexity of the grid
- **Electrification of Everything** is driving higher demand
- Increasing **reliability** expectations and the need for increased **safety**
- Government incentives to invest in the grid with a **guaranteed return on the investments**



Increased need for security, reliability and resiliency

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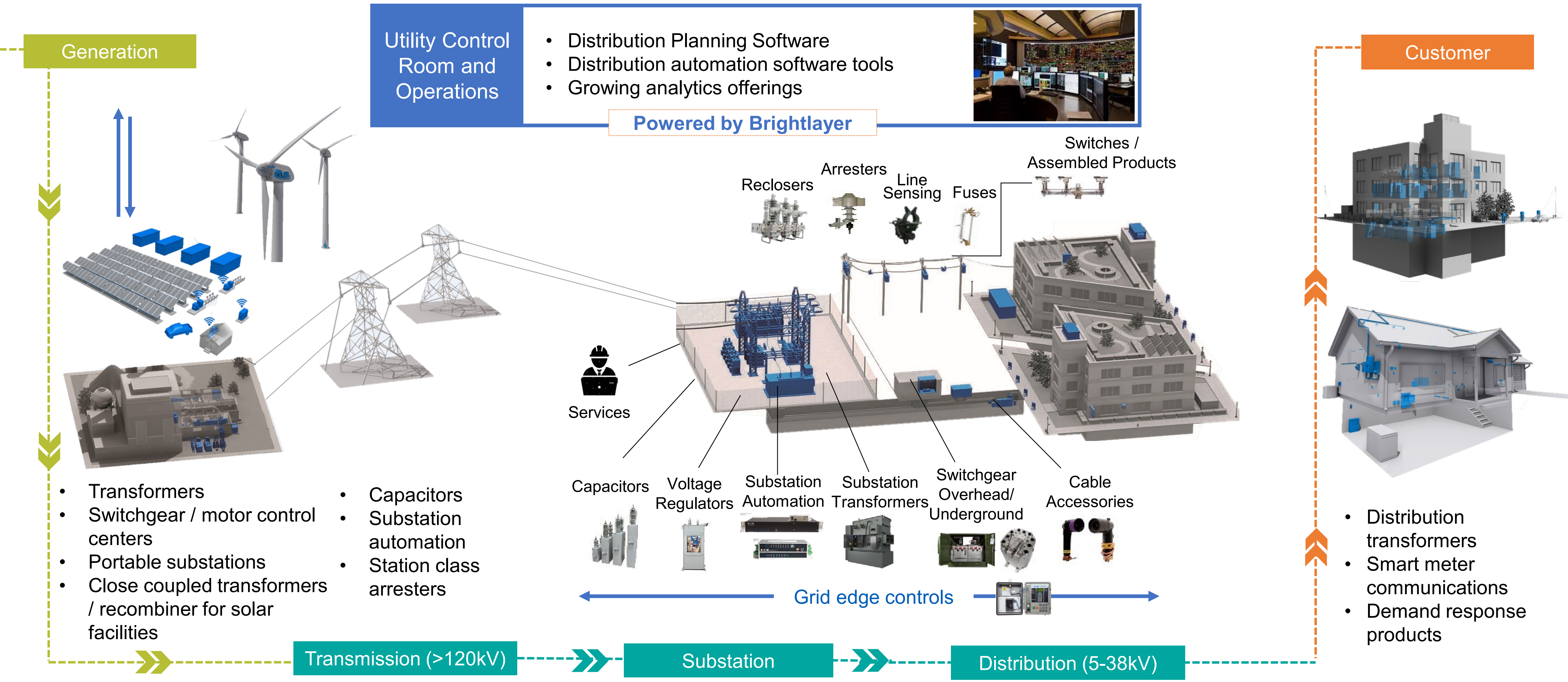
Eaton offers broadest portfolio of utility solutions



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Aerospace Growth Cycle – Robust growth in global travel & aircraft production

Key Drivers

- Commercial **aircraft production ramp-up** as OEMs materially increase output
- **Air traffic recovery** driving increased demand
- **Full commercial aftermarket recovery** projected in 2024
- Increased **defense market demand** driven by geopolitical conflicts
- U.S. continuing large **aircraft fleet recapitalization** and adding **new programs**

Expect double digit market growth annually from 2023 to 2025

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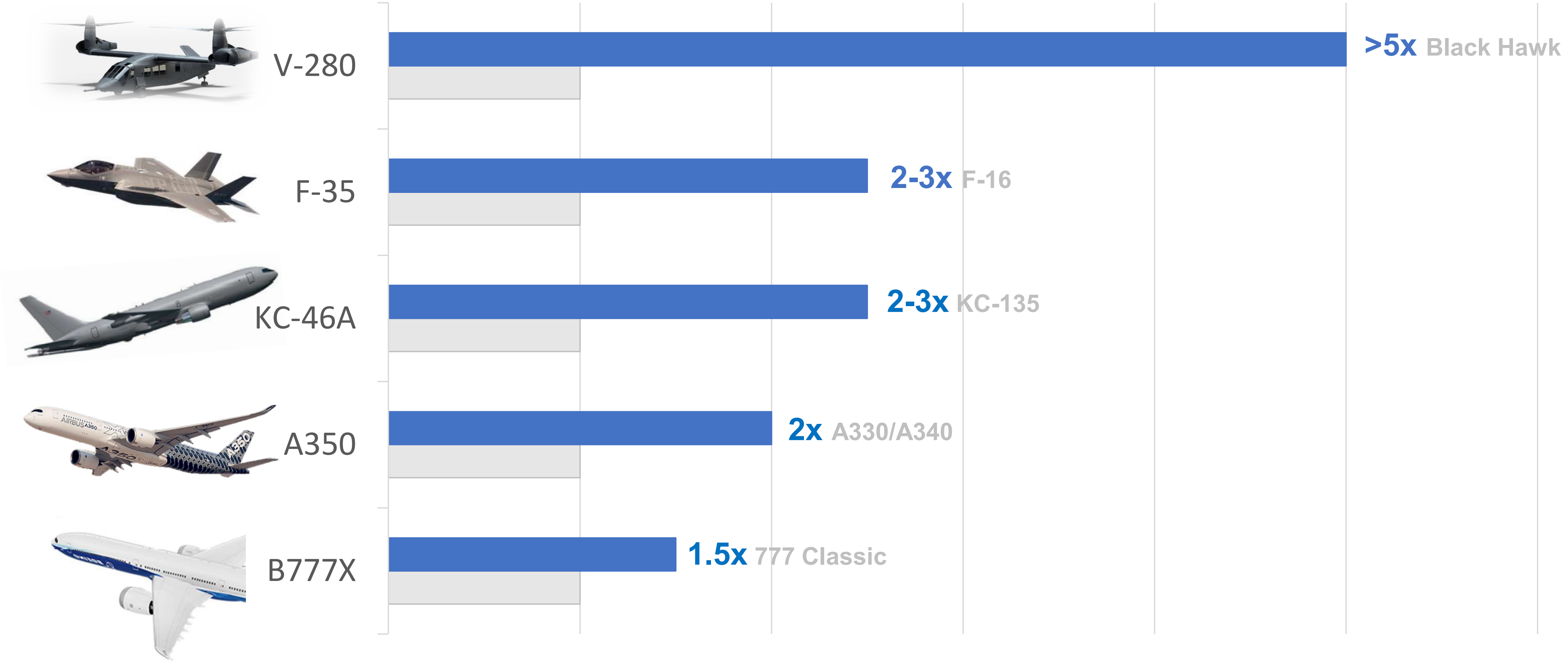
Eaton has growing content on ramping commercial & defense platforms



Well positioned on key platforms with increased content

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Financial Summary

(M)	2Q '23	2Q '22	V '22
Sales	$5,866	$5,212	▲ 13%
Segment Operating Profit	1,264	1,046	▲ 21%
Segment Operating Margin	21.6%	20.1%	▲ 150 bps
Adjusted Earnings	886	751	▲ 18%
Adjusted EPS	$2.21	$1.87	▲ 18%

$2.21 — **All-Time Record** Adjusted earnings per share

$1,264M — **All-Time Record** Segment operating profit

21.6% — **All-Time Record** Segment operating margin

Sales Growth:

Organic	13%
Forex	--
Total	**13%**

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Electrical Americas Segment

(M)	2Q '23	2Q '22	V '22
Sales	$2,538	$2,131	▲ 19%
Operating Profit	669	495	▲ 35%
Operating Margin	26.4%	23.2%	▲ 320 bps

- Orders up 7% on a rolling 12-month basis at high levels with strength driven by data center & IT, industrial and commercial & institutional markets
- Backlog up 30%
- All-time record sales, operating profit and margin

Sales Growth:

Organic	19%
Forex	--
Total	**19%**

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Electrical Global Segment

(M)	2Q '23	2Q '22	V '22
Sales	$1,569	$1,495	▲ 5%
Operating Profit	290	282	▲ 3%
Operating Margin	18.5%	18.9%	▼ 40 bps

- Orders up 1% on a rolling 12-month basis at high levels with strength driven by utility and data center & IT markets
- All-time record sales and 2nd quarter record operating profit

Sales Growth:

Organic	6%
Divestiture	(1)%
Total	**5%**

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Aerospace Segment

(M)	2Q '23	2Q '22	V '22
Sales	$848	$742	▲ 14%
Operating Profit	191	163	▲ 17%
Operating Margin	22.5%	21.9%	▲ 60 bps

- Orders accelerated to 26% on a rolling 12-month basis organically with particular strength in defense OEM and commercial & defense aftermarket
- Backlog growth of 26%
- All-time record sales and 2nd quarter record operating profit

Sales Growth:

Organic	14%
Forex	--
Total	**14%**

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Vehicle Segment

(M)	2Q '23	2Q '22	V '22
Sales	$751	$708	▲ 6%
Operating Profit	115	108	▲ 6%
Operating Margin	15.3%	15.3%	---

- Organic growth driven by strength in North America light motor vehicle, APAC and EMEA.
- Won multiple clean commercial valve actuation programs.
- Won over $60M per year in boosting business extensions and volume increases with multiple OEMs

Sales Growth:

Organic	6%
Total	**6%**

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eMobility Segment

(M)	2Q '23	2Q '22	V '22
Sales	$161	$136	▲ 18%
Operating Profit (Loss)	(1)	(2)	▲ 50%
Operating Margin	(0.5)%	(1.5)%	▲ 100 bps

- 2023 YTD wins of more than $450M of mature year revenues.
- Won program to supply 48-volt programmable power electronics control unit.

Sales Growth:

Organic	18%
Forex	--
Total	**18%**

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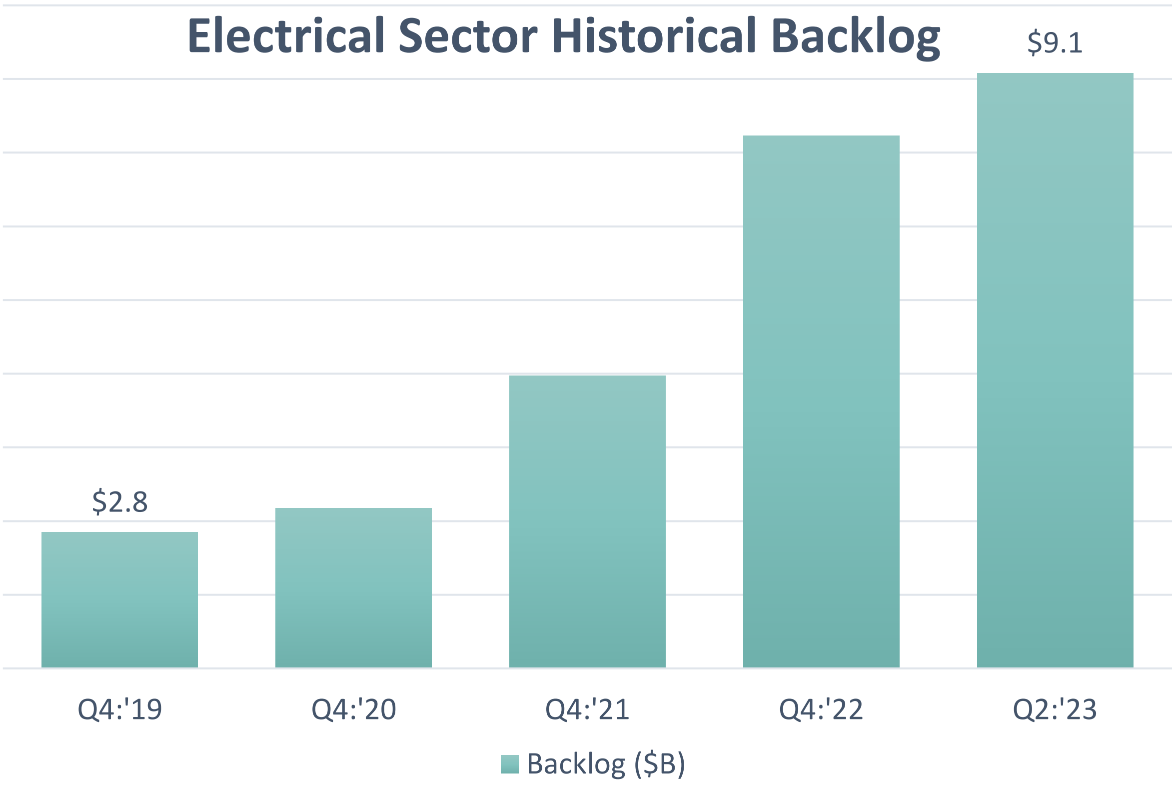
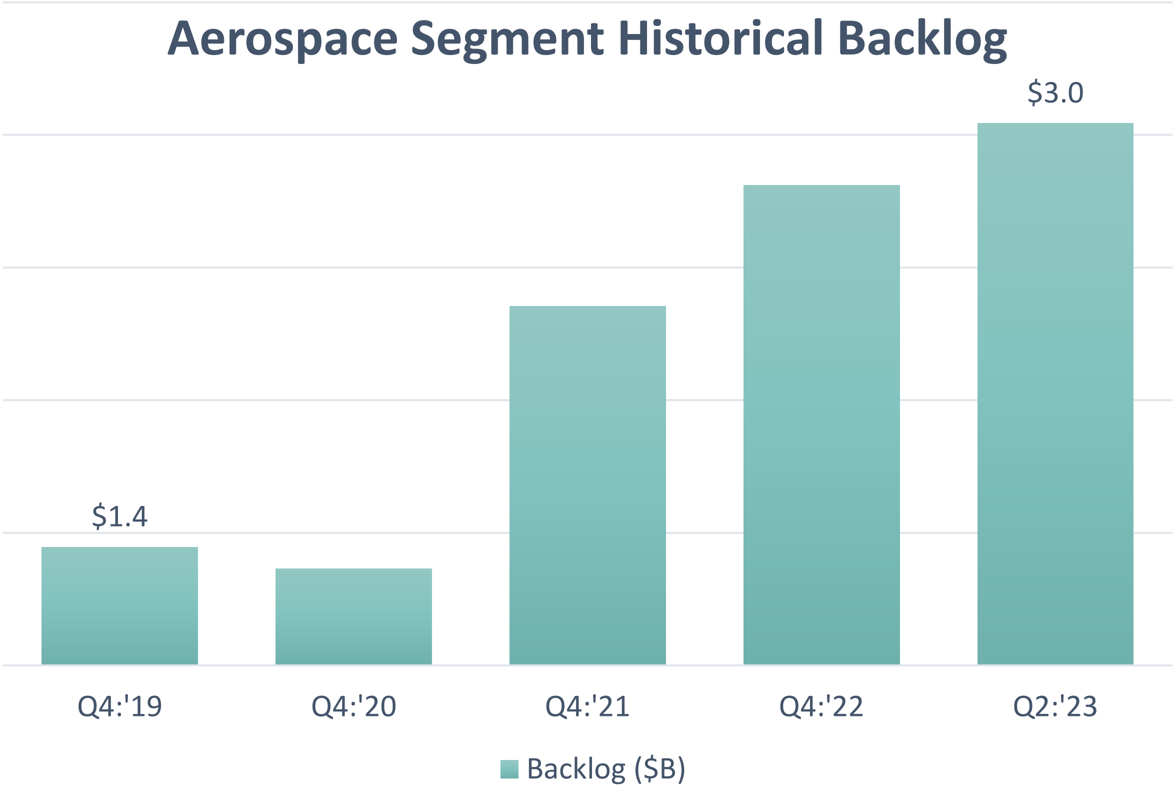
Electrical and Aerospace backlogs remain robust and growing





Record backlog provides tremendous visibility and confidence in 2023 outlook

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2023 Organic Growth and Operating Margin Guidance

Segment	Organic Growth Guidance	Operating Margin Guidance
Electrical Americas	▲ 14 – 16%	▲ 24.1 – 24.5%
Electrical Global	6 – 8%	19.5 – 19.9%
Aerospace	10 – 12%	23.7 – 24.1%
Vehicle	3 – 5%	16.3 – 16.7%
eMobility	25 – 35%	0% – 2.0%
Eaton	▲ 10 – 12%	▲ 21.1 – 21.5%

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2023 Guidance

2023 Full Year Outlook

Adjusted Earnings Per Share	▲ **$8.65 – $8.85**
Organic Revenue	▲ 10 – 12%
Currency Translation	▲ ~$0M
Segment Operating Margins	▲ 21.1% – 21.5%
Corporate Expenses	$710M
Tax Rate on Adjusted Earnings	16% – 17%
Operating Cash Flow	$3.2B – $3.6B
Free Cash Flow	$2.6B – $3.0B
Capex	~ $700M
Share Repurchases	$300M – $600M

3rd Quarter Outlook

Adjusted Earnings Per Share	**$2.27 – $2.37**
Organic Revenue	9 – 11%
Currency Translation	~$50M
Segment Operating Margins	22.0% – 22.4%
Corporate Expenses	$15M to $25M above 3Q22
Tax Rate on Adjusted Earnings	17.5% – 18.5%

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Eaton's end market growth assumptions – *2023 Outlook*

Electrical Sector

End market	% of Total Eaton Sales 2022 FY
Commercial & Institutional *	19%
Data Centers & Distributed IT *	14%
Utility	10%
Industrial Facilities	12%
Machinery / MOEM	6%
Residential	8%

Electrical Total: ~70%

Industrial Sector

End market	% of Total Eaton Sales 2022 FY
Electric Vehicles	3%
Commercial Aerospace	9%
ICE Light Vehicles	6%
Defense Aerospace	6%
Commercial Vehicles	8%

Industrial Total: ~30%

Declining *Flat* *Modest Growth* *Solid Growth* *Strong/Double Digit Growth*

** Denotes change in market assumption versus prior quarter outlook*

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Summary

Large project announcements tied to megatrends, reindustrialization and infrastructure spending continued in Q2 and Eaton remains well positioned to win.

Second quarter record financial performance demonstrates strong ongoing operating execution to deliver profitable growth.

Record backlogs and orders at high levels underpin growth expectations for the year and continued benefits from secular growth tailwinds.

Well positioned to deliver on 2023 results with increased guidance, after posting Q2 that well exceeded our commitments for the quarter.

Continue to expect to exceed our 2025 targets for organic revenue growth, margin improvement and adjusted EPS growth.

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APPENDIX

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Eaton Corporation plc

Reconciliation of Non-GAAP Financial Information

All amounts are in millions except per share amounts, unless otherwise noted. Columns may not add due to rounding.

Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings and net income attributable to Eaton ordinary shareholders per share to adjusted earnings per ordinary share

	2Q 2022	3Q 2022	YTD 6/30/22	2022	2Q 2023	YTD 6/30/23	Q3 2023 Guidance Low	Q3 2023 Guidance High	2023 Guidance Low	2023 Guidance High
Net income attributable to Eaton ordinary shareholders	$ 601	$ 607	$ 1,133	$ 2,462	$ 744	$ 1,382				
Acquisition and divestiture charges, after-tax	44	86	47	147	30	41				
Restructuring program charges, after-tax	8	18	22	29	24	31				
Intangible asset amortization expense, after-tax	99	97	198	394	88	186				
Adjusted earnings	$ 751	$ 807	$ 1,400	$ 3,032	$ 886	$ 1,639				
Net income attributable to Eaton ordinary shareholders per share - diluted	$ 1.50	$ 1.52	$ 2.82	$ 6.14	$ 1.86	$ 3.45	$ 2.00	$ 2.10	$ 7.46	$ 7.66
Per share impact of acquisition and divestiture charges, after-tax	0.11	0.21	0.12	0.37	0.08	0.10	0.05	0.05	0.20	0.20
Per share impact of restructuring program charges, after-tax	0.02	0.04	0.05	0.07	0.06	0.08	0.02	0.02	0.11	0.11
Per share impact of intangible asset amortization expense, after-tax	0.24	0.25	0.50	0.99	0.21	0.46	0.20	0.20	0.88	0.88
Adjusted earnings per ordinary share	$ 1.87	$ 2.02	$ 3.49	$ 7.57	$ 2.21	$ 4.09	$ 2.27	$ 2.37	$ 8.65	$ 8.85

Acquisition and divestiture charges:

	2Q 2022	3Q 2022	YTD 6/30/22	2022	2Q 2023	YTD 6/30/23
Acquisition integration, divesture charges and transaction costs	$ 51	$ 103	$ 79	$ 194	$ 38	$ 51
Gain on sale of the Hydraulics business	-	-	(24)	(24)	-	-
Total charges before income taxes	51	103	55	170	38	51
Income tax benefit	7	17	8	23	7	10
Total charges after income taxes	$ 44	$ 86	$ 47	$ 147	$ 30	$ 41
Per ordinary share - diluted	$ 0.11	$ 0.21	$ 0.12	$ 0.37	$ 0.08	$ 0.10

Restructuring program charges:

	2Q 2022	3Q 2022	YTD 6/30/22	2022	2Q 2023	YTD 6/30/23
Restructuring program charges	$ 10	$ 22	$ 28	$ 33	$ 29	$ 39
Income tax benefit	2	4	6	4	6	8
Total charges after income taxes	$ 8	$ 18	$ 22	$ 29	$ 24	$ 31
Per ordinary share - diluted	$ 0.02	$ 0.04	$ 0.05	$ 0.07	$ 0.06	$ 0.08

Intangible asset amortization expense:

	2Q 2022	3Q 2022	YTD 6/30/22	2022	2Q 2023	YTD 6/30/23
Intangible asset amortization expense	$ 122	$ 124	$ 250	$ 499	$ 113	$ 237
Income tax benefit	23	27	52	105	24	51
Total after income taxes	$ 99	$ 97	$ 198	$ 394	$ 88	$ 186
Per ordinary share - diluted	$ 0.24	$ 0.25	$ 0.50	$ 0.99	$ 0.21	$ 0.46

Reconciliation of operating cash flow to free cash flow

	2Q 2022	YTD 6/30/22	2Q 2023	YTD 6/30/23	2023 Guidance ($ Billions) Low	2023 Guidance ($ Billions) High
Operating cash flow	$ 340	$ 382	$ 851	$ 1,185	$ 3.3	$ 3.7
Capital expenditures for property, plant and equipment	(139)	(254)	(160)	(286)	(0.7)	(0.7)
Free cash flow	$ 201	$ 128	$ 691	$ 899	$ 2.6	$ 3.0

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