Q1 2020 results

COVID-19 impacts results; weighs on outlook

Björn Rosengren, CEO | Timo Ihamuotila, CFO
This presentation includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates," "targets," "plans," "outlook," "on track," "framework" or similar expressions.

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- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and
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Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Some of the planned changes might be subject to any relevant I&C processes with the Employee Council Europe and / or local employee representatives / employees.

On December 17, 2018, ABB announced an agreed sale of its Power Grids ("PG") business. Consequently, the results of the Power Grids business are presented as discontinued operations.

The company's results for all periods have been adjusted accordingly. Net income, EPS and Cash flow from operating activities include results from continuing and discontinued operations.

This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the “Supplemental reconciliations and definitions” section of “Financial Information” under “Quarterly results and annual reports” on our website at www.abb.com/investorrelations.
Q1 2020 key take-aways
COVID-19 impacts results

1. Orders retain positive momentum
   Large order wins help build backlog

2. Majority of operations fully or partially operational throughout
   Quick reopening of operations in China

3. Margins hurt by fall in demand and disruption to project and service activities,
   despite strong cost mitigation

4. Power Grids readied for sale
   Close expected end Q2, 2020, as planned
First days at ABB

Meeting the team

Initial tour of operations before COVID-19 restrictions

COVID-19 pandemic, #1 priority Health & Safety, while securing business continuity

Strong respect for ABB’s technologies, expertise, people

Sharing first perspectives with colleagues
Q1 2020: an extraordinary macro-environment
COVID-19 pandemic and oil price drop

Economic downturn

Manufacturing PMI (% yoy)

Demand impacts

- Weaker short-cycle demand led by automotive and consumer facing sectors
- Strong large orders in transport, process
- China stabilized through March, rest of world deteriorating

Supply impacts

- Majority of production fully or partially operational
- Supply chain, logistics constraints emerging
- Travel and site restrictions curtailing services and project installations
Swift and full response from ABB

Leadership response

#1 priority, Health & Safety
- Led by dedicated Group Steering Co, Country Task Forces
- Following government guidelines by jurisdiction

10% reduction in Board and EC compensation for duration of crisis

Supporting communities
- Free UPS services to healthcare
- Donation of essential supplies
- Co-operation with International Red Cross (ICRC)

Operational mitigation

Focus on serving customers
- Supply of critical infrastructure goods and services maintained
- Maximizing use of digital, including free remote services
- Factories mostly fully operational

Businesses have mandate to act
- Non-essential discretionary costs reduced, e.g. travel, entertainment
- Adjusting capacity, short-time work
- Non-essential capex stopped
## Q1 2020 results summary

**Orders +1%**

<table>
<thead>
<tr>
<th></th>
<th>Q1 19</th>
<th>Q1 20</th>
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</thead>
<tbody>
<tr>
<td>Orders</td>
<td>$7.61 bn</td>
<td>$7.35 bn</td>
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</table>

**Revenues -7%**

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<thead>
<tr>
<th></th>
<th>Q1 19</th>
<th>Q1 20</th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$6.85 bn</td>
<td>$6.22 bn</td>
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**Operational EBITA margin -100 bps**

<table>
<thead>
<tr>
<th></th>
<th>Q1 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Op. EBITA margin</td>
<td>11.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Stranded costs</td>
<td>-100</td>
<td>-30</td>
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**Operational EPS**

- $0.30 (-2%)
- $0.18 (-30%)

**Basic EPS**

- $0.18 (-30%)

**Cash flow from operating activities**

- ($577 mn)

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1. yoy comparable; 2. Cash flow from operating activities, continuing and discontinued operations

Note: USD reported orders and revenues are impacted by foreign exchange and changes in the business portfolio
### Q1 2020 orders

Regional demand influenced by timing of COVID-19 spread

**Order development yoy**

Growth by region and largest 3 country markets in $ terms

- **Americas**
  - USA: +2%
  - Canada: -4%
  - Brazil: +57%

- **AMEA**
  - China: -16%
  - India: +13%
  - S. Korea: +16%

- **Europe**
  - Germany: -4%
  - Italy: -18%
  - UK: +89%

- **AMEA**
  - AMEA: -7%

**Americas**

IA and RA strong, MO robust and EL steady

USA: strong in RA and IA, steady in EL, MO subdued

**Europe**

MO and IA strong, EL moderate, RA weak

Germany: solid growth in RA and EL, MO and IA challenged

**AMEA**

MO and IA solid, offset by challenged RA and EL

China: challenged in RA and EL, weak in MO while IA strong

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All data presented on a yoy comparable basis; all growth comments refer to comparable growth trends

AMEA = Asia, Middle East and Africa, EL = Electrification, IA = Industrial Automation, MO = Motion, RA = Robotics & Discrete Automation
Q1 2020 Electrification

Short-cycle slowdown

Orders $3,121 mn
Tough comparison
Distribution utilities, infrastructure resilient
General industry, renewables subdued
Buildings slowing

Revenues $2,773 mn
Tough comparison
China production outages in Feb
Constrained project activities in distribution solutions
Order backlog end Q4 +9%, end Q1 +9% yoy

Operational EBITA $318 mn
Margin yoy -100 bps, of which -15 bps solar
Lower volumes
Improvement in Installation Products

Note: Solar inverter business exit completed February 29, 2020
Q1 2020 Industrial Automation

Adverse business mix

Orders $1,757 mn
Strong large orders led by mining, pulp & paper, ports
Conv. power generation challenged
Oil & Gas (particularly unconventional) slowed

Revenues $1,462 mn
Subdued book-and-bill
Order backlog end Q4 +2%, end Q1 +6% yoy

Operational EBITA $144 mn
Margin yoy -380 bps
Unfavorable business mix
Project execution delays
Mobility constrained service activities
Q1 2020 Motion

Solid delivery

Orders $1,901 mn
- Large orders strong in rail, water
- Broad-based short-cycle downturn
- New OEM customer wins
- Rebound in China

Revenues $1,510 mn
- Tough comparison
- Lower book-and-bill, mainly in China
- Select delivery constraints
- Order backlog end Q4 +9%, end Q1 +15% yoy

Operational EBITA $230 mn
- Margin yoy -110 bps
- Lower volumes
- Incremental logistics costs
- Supportive cost mitigation

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Q1 2020 results | Slide 11
Q1 2020 Robotics & Discrete Automation

Very challenged

Orders $811 mn
Sharp decline for autos, tier 1
Machine builders strong

Revenues $671 mn
Reduced system and service activities
Order backlog end Q4 -5%, end Q1 -2% yoy

Operational EBITA $59 mn
Margin yoy -240 bps
Lower volumes
Supportive cost mitigation
Resilient for medium term

Balanced operations
Serving +30 end-markets
Globally diversified: Americas (32%), AMEA (31%), Europe (36%)\(^1\)
Supply-demand alignment within regions

Continued transformation
ABB-OS increases speed of response to downturn

Robust financial position
PG sale close targeted end Q2, 2020
$2 bn RCF available
Shareholder approved 2019 DPS of CHF 0.80

Solid cash generation track-record\(^2\)
Group operating cash flow / operational EBITA ratio

\(^1\)Revenue split, FY19; \(^2\)Management estimate, including Power Grids in all periods. Operating cash flow calculated using cash flow from operating activities less interest and tax costs. RCF = Revolving Credit Facility. DPS = Dividend Per Share
Continuing our daily business
Resilient end-markets

**Electrification**
- EV charger installations for bus stations, Transdev Chile
  - Sequential charging to maximize vehicle availability
  - Efficient connection to grid

**Industrial Automation**
- 5 year service frame agreement, China COSCO Shipping Co.
  - Optimized maintenance
  - Increased availability
  - Lower costs

**Motion**
- Upgraded ultra energy efficient motor launched
  - Up to 50% lower energy losses¹
  - No rare earth materials
  - Enhanced reliability

**Robotics & Discrete Automation**
- F&B robotic solutions for Gyermelyi Co., Hungary
  - Flexible sorting, automated packaging, palletizing
  - Improved productivity

¹Meets new IE5 ultra-premium energy efficiency class defined by the International Electrotechnical Commission (IEC); energy losses estimated in comparison to equivalent IE2 version of this induction motor
Immediate priorities

Securing business continuity

Priority #1, Health & Safety
Challenging quarters ahead
Mitigation efforts intensifying, speed is key

Continued transformation

Decentralization ongoing
PG sale close targeted end Q2, 2020

June 10, 2020: CEO First perspectives webcast

Short-term outlook, by end-market

- 0% or higher
- 0% to -5%
- -5% to -15%
- -15% or lower

Distribution utilities
F&B, pharma
Rail
Data centers
Warehouse automation

Conv. power generation
Mining, metals
Other process
3C
Other marine

Buildings
Autos, machinery
Other discrete
O&G, chemicals
Glass, cement
Cruise
Renewables
Q&A

Together.

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Q1 2020 results | Slide 16
Q1 2020 operational EBITA bridge

Operational EBITA bridge Q1 2019 to Q1 2020 ($ mn)

- 11.2% op. EBITA margin
- 10.2% op. EBITA margin

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<tbody>
<tr>
<td>766</td>
<td>103</td>
<td>7</td>
<td>-148</td>
<td>0</td>
<td>-61</td>
<td>-23</td>
<td>-8</td>
<td>636</td>
</tr>
</tbody>
</table>

*Inclusive of COVID-19 related mobility constrained service activities
Others includes stranded costs
## 2020 framework

### Corporate and Other operational EBITA

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 framework</th>
<th>Q1 2020</th>
<th>Q2 2020 framework</th>
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<tbody>
<tr>
<td>Of which stranded costs, gross</td>
<td>~550</td>
<td>(15)</td>
<td>~150</td>
</tr>
<tr>
<td></td>
<td>~40</td>
<td>(21)</td>
<td>~20</td>
</tr>
</tbody>
</table>

### Non-operating items

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 framework</th>
<th>Q1 2020</th>
<th>Q2 2020 framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal restructuring</td>
<td>~100</td>
<td>(6)</td>
<td>~25</td>
</tr>
<tr>
<td>Simplification program(^1)</td>
<td>~250</td>
<td>(34)</td>
<td>~65</td>
</tr>
<tr>
<td>Transaction and separation related costs (PG, solar inverters)</td>
<td>~250</td>
<td>(51)</td>
<td>~100</td>
</tr>
<tr>
<td>GEIS acquisition related expenses and integration costs</td>
<td>~50</td>
<td>(2)</td>
<td>~10</td>
</tr>
<tr>
<td>PPA-related amortization</td>
<td>~260</td>
<td>(65)</td>
<td>~65</td>
</tr>
</tbody>
</table>

### New or revised guidance

- **Net finance expenses (continuing)**
  - FY 2020 framework: ~120
  - Q1 2020: (4)
  - Q2 2020 framework: ~40

- **Effective tax rate**
  - FY 2020 framework: ~27%
  - Q1 2020: 19.5%
  - Q2 2020 framework: ~27%

- **PG tax impact**
  - FY 2020 framework: (200)-(300)
  - Q1 2020: 0
  - Q2 2020 framework: ~0

- **Capital expenditure (continuing)**
  - FY 2020 framework: ~750
  - Q1 2020: (163)
  - Q2 2020 framework: ~175

\(^1\): ABB-OS simplification program expected to incur ~$350 million restructuring and ~$150 million related implementation costs over ~2 years from Q4 18. As at end Q1 2020, $172 million restructuring and $113 million related implementation costs have been recorded on a cumulative basis.
**Q1 2020 net income drivers**

### Operational EBITA to net income walk ($ mn)

<table>
<thead>
<tr>
<th>Item</th>
<th>Value ($ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 20 Op. EBITA</td>
<td>636</td>
</tr>
<tr>
<td>PPA-related amortization</td>
<td>65</td>
</tr>
<tr>
<td>Restructuring related</td>
<td>46</td>
</tr>
<tr>
<td>Acquisition / separation costs (1)</td>
<td>11</td>
</tr>
<tr>
<td>Other non-operational items (2)</td>
<td>-147</td>
</tr>
<tr>
<td>Q1 20 Income from operations</td>
<td>373</td>
</tr>
<tr>
<td>Finance expense, taxes, other</td>
<td>47</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>54</td>
</tr>
<tr>
<td>Minorities</td>
<td>4</td>
</tr>
<tr>
<td>Q1 20 Net income</td>
<td>376</td>
</tr>
</tbody>
</table>

### Key non-operational items

- **Restructuring and related costs** includes $16 mn ABB-OS simplification
- **Power Grids related transaction and separation** costs $44 mn
- **Other** includes net loss of $80 mn from commodity / FX timing differences

### Discontinued operations (Power Grids)

Net income $54 mn, reflects transfer of stranded costs from ABB, commodity/ FX timing differences and ongoing restructuring

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(1) Acquisition / separation costs contains acquisition and acquisition related costs, integration costs and separation and transaction related costs; (2) Certain other non-operational items plus changes in obligations related to divested businesses, changes in pre-acquisition estimates, gains and losses from sale of businesses and foreign exchange / commodity timing differences