



ZÜRICH, SWITZERLAND | JULY 22, 2020

# **Q2 2020 results**

Strong COVID-19 headwinds; Power Grids divestment completed

Björn Rosengren, CEO | Timo Ihamuotila, CFO



# Important notices

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.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this presentation and which could affect our ability to achieve any or all of our stated targets.

**The important factors that could cause such differences include, among others:**

- business risks associated with the volatile global economic environment and political conditions
- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and
- such other factors as may be discussed from time to time in ABB Ltd’s filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F

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](http://www.abb.com/investorrelations)

## Q2 2020 key take-aways



1

Health & Safety remains #1 priority  
Majority of sites operational



2

Q2 results impacted by COVID-19, as expected  
Intensified cost mitigation efforts increase resilience  
Motion performance a highlight



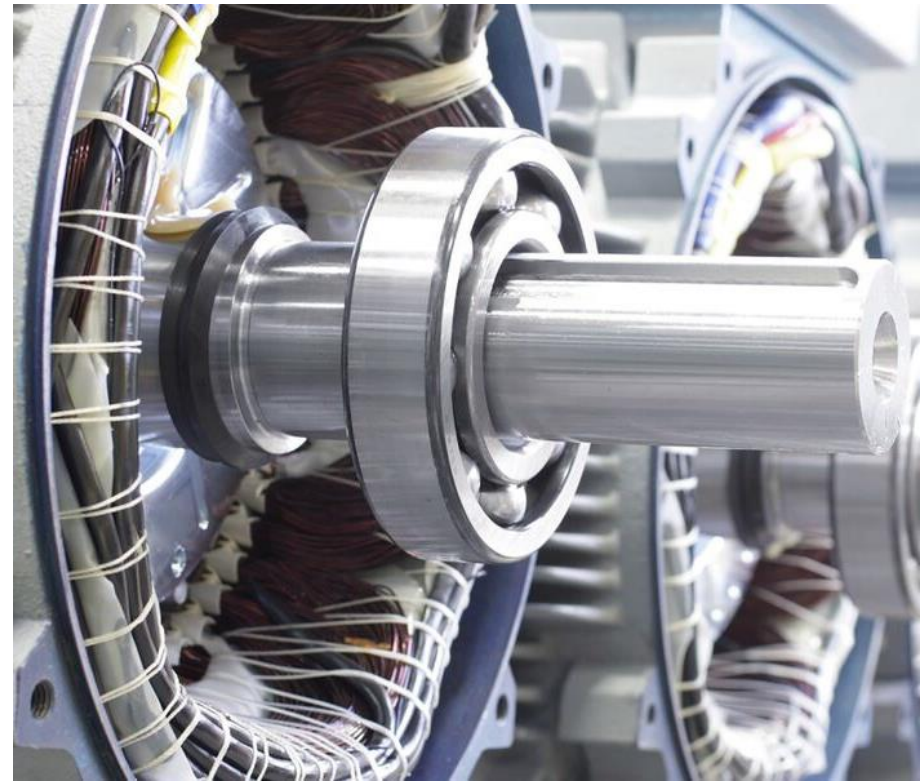
3

Transition to fully decentralized business model  
making strong progress



4

Power Grids divestment completed July 1  
Share buyback program starts imminently



## Cost mitigation efforts continue

Re-sizing for current and anticipated trading environment



**Savings measures include:**

Elimination of discretionary spend, e.g. travel, tradeshow

Modifications in staffing and pay

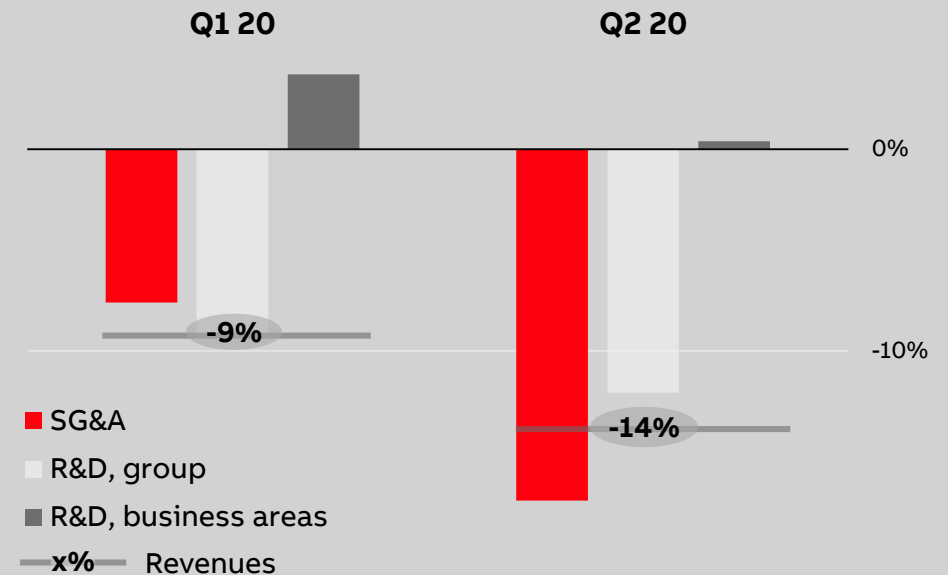
Cut in external resources, e.g. consultants

Postponement of non-critical investments

**Well prepared for continued challenges**

### Revenue and cost development

(% yoy)



All data based on USD nominal change. SG&A = Sales, General and Administrative expenses. R&D = Research and Development expenses, non-order related. Group R&D includes corporate-led expenses

# Power Grids strategic divestment

Crystallized value for shareholders

**Agreed \$11 bn Enterprise Value (100%), 11.2x EV/op. EBITA<sup>1</sup>**

- 80.1% equity share sale completed, as planned
- Vast majority of ~\$300 mn stranded costs eliminated

## Hitachi ABB Power Grids JV operational

- 2 ABB nominees on Board
- Long-term supply agreement established
- Predefined exit option on 19.9% JV holding

1. As announced December 17, 2018, EV/operational EBITA, calculated using results from twelve-month period to end Q3 2018, before share of corporate cost

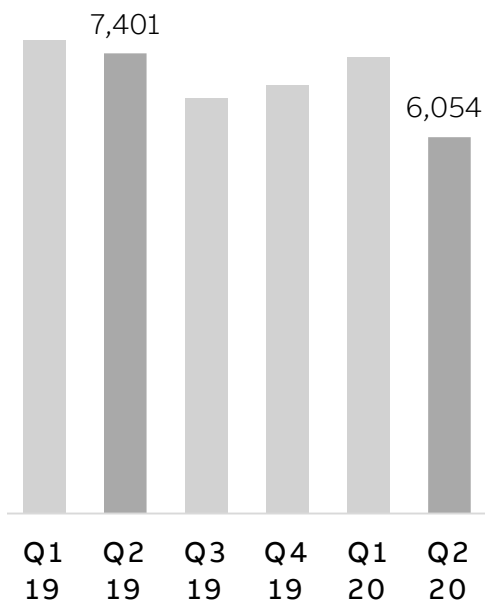


**Simplifies ABB to focus on industrial customers**

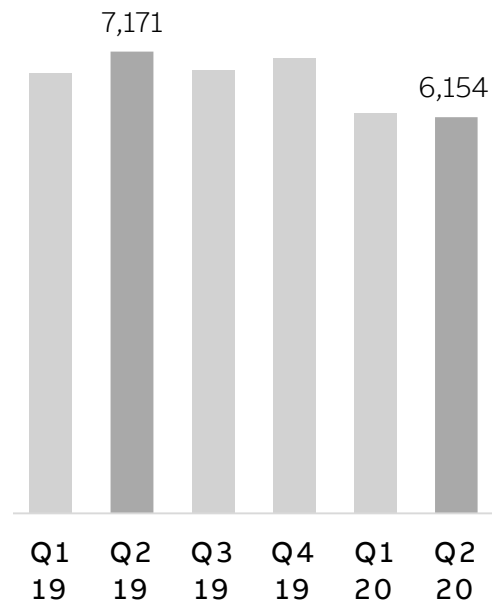


# Q2 2020 results summary

## Orders -14%<sup>1</sup>



## Revenues -10%<sup>1</sup>



## Operational EBITA margin -90 bps

	Q2 19	Q2 20
<i>(% or bps)</i>		
Op. EBITA margin	11.5	10.6
Stranded costs	-90	-30

## Operational EPS \$0.22 -35%

## Basic EPS \$0.15 +398%

## Cash flow from operating activities<sup>2</sup>

\$680 mn

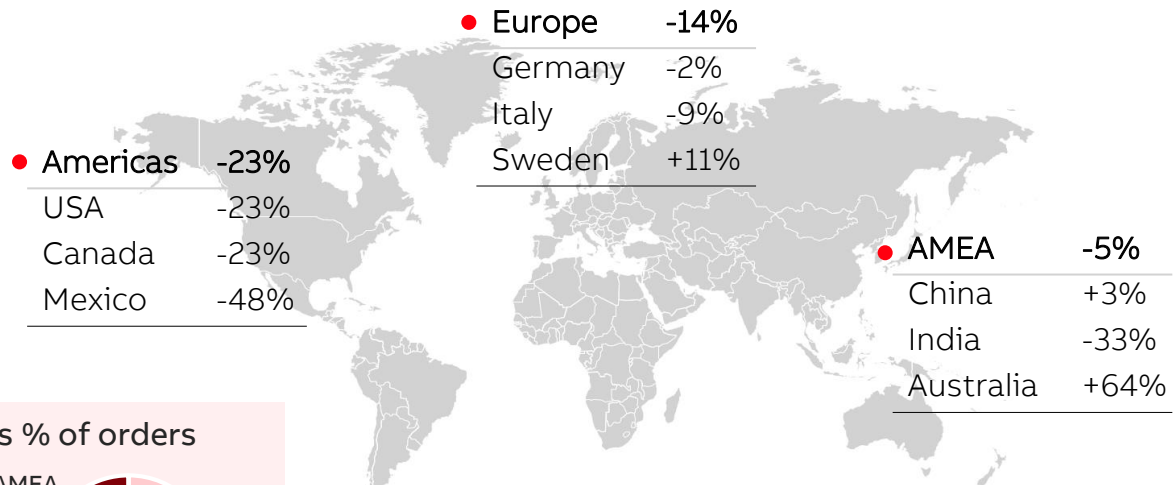
1. yoy comparable; 2. Cash flow from operating activities, continuing and discontinued operations  
Note: USD reported orders and revenues are impacted by foreign exchange and changes in the business portfolio

# Q2 2020 orders

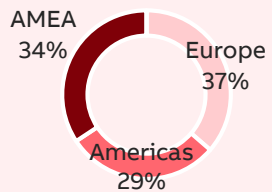
Americas strongly impacted by COVID-19

## Order development yoy

Growth by region and largest 3 country markets in \$ terms



As % of orders



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. BA = Business Area

### Americas

Steep drop as pandemic escalated in all BAs

USA: material decline in EL, severe decline in MO, IA, RA

### Europe

Material decline

Germany: MO strong, EL subdued, steep drop in RA, IA

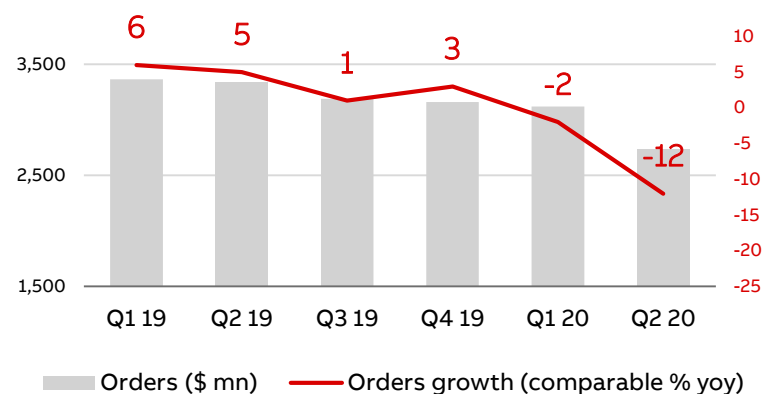
### AMEA

Strong result in MO outweighed by weak EL, IA and RA

China: moderate growth led by strong MO, EL robust, RA subdued, IA impacted more materially

# Q2 2020 Electrification

Lower volumes weigh

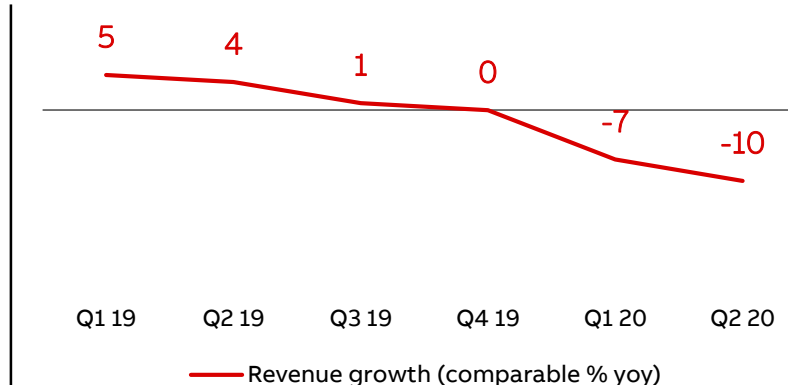


## Orders \$2,737 mn

Short-cycle demand fall incl. buildings

Steep drop in oil and gas, renewables

Distribution utilities, data centers, transport resilient

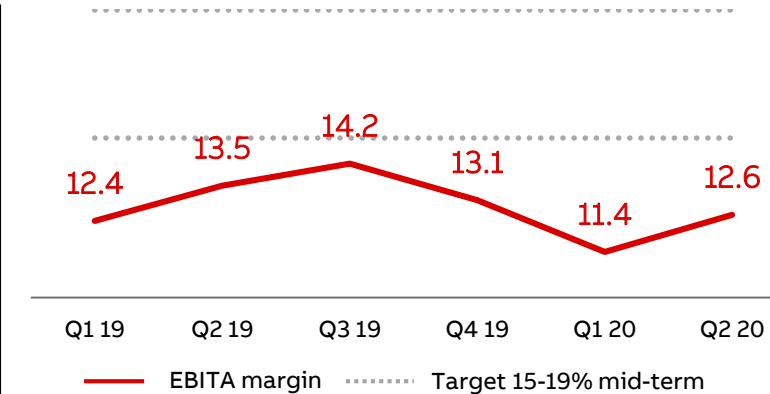


## Revenues \$2,764 mn

Weaker short-cycle business

Constrained project activities in distribution solutions

Order backlog end Q1 +9%, end Q2 +6% yoy



## Operational EBITA \$348 mn

Margin yoy -90 bps

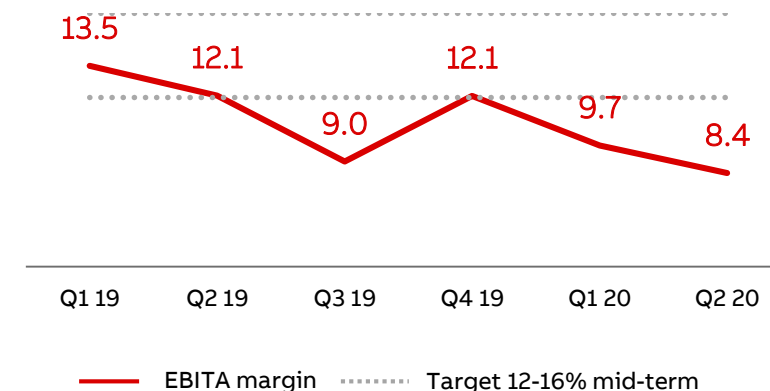
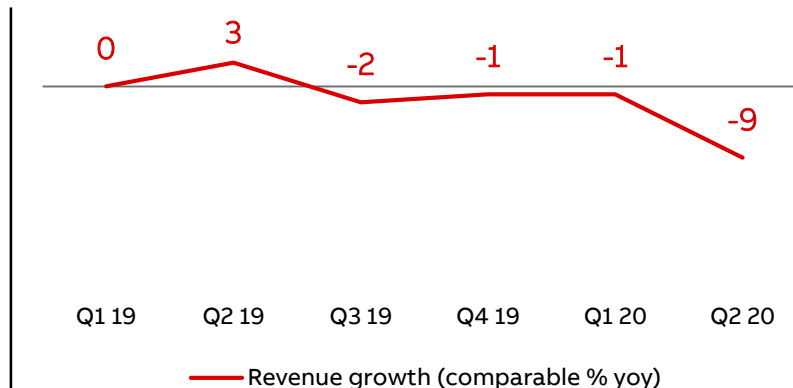
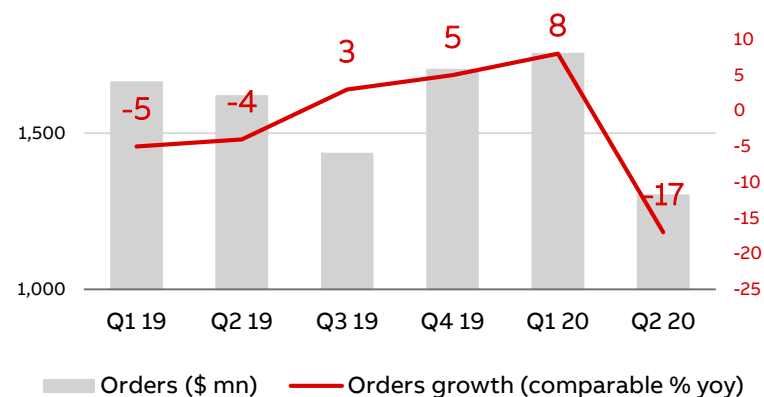
Lower volumes

Supportive cost savings, resilient pricing

GEIS, Installation Products turnaround firmly on track

## Q2 2020 Industrial Automation

Downturn in all end-markets, negative mix, especially service



### Orders \$1,305 mn

Broad-based end-market decline, select large order wins

Project pipeline deferrals, no order cancellations

### Revenues \$1,382 mn

Substantial drop in book-and-bill, particularly mobility constrained services

Order backlog end Q1 +6%, end Q2 +3% yoy

### Operational EBITA \$115 mn

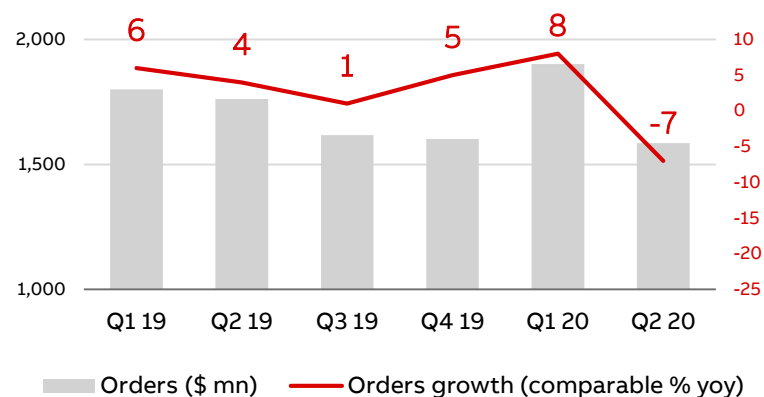
Margin yoy -370 bps

Lower volumes, negative mix

Mobility constrained services

## Q2 2020 Motion

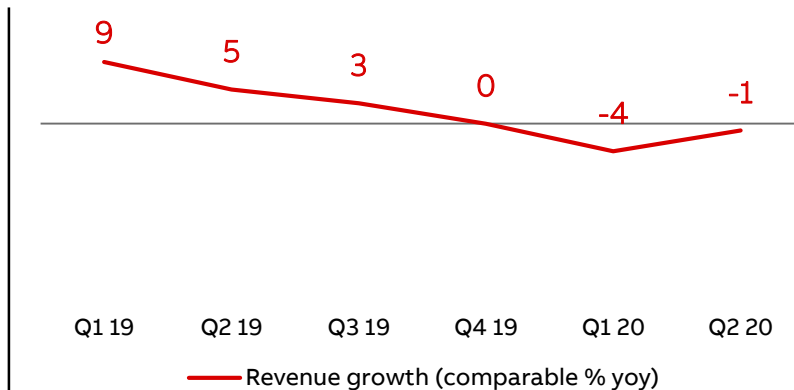
Strong performance



**Orders \$1,586 mn**

Material downturn in many sectors e.g. wind, cement, oil & gas, buildings

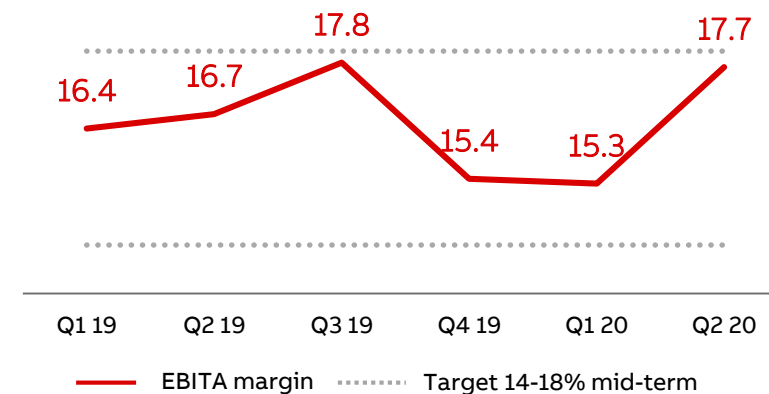
Resilience in chemicals, rail



**Revenues \$1,583 mn**

Solid backlog execution

Order backlog end Q1 +15%, end Q2 +13% yoy



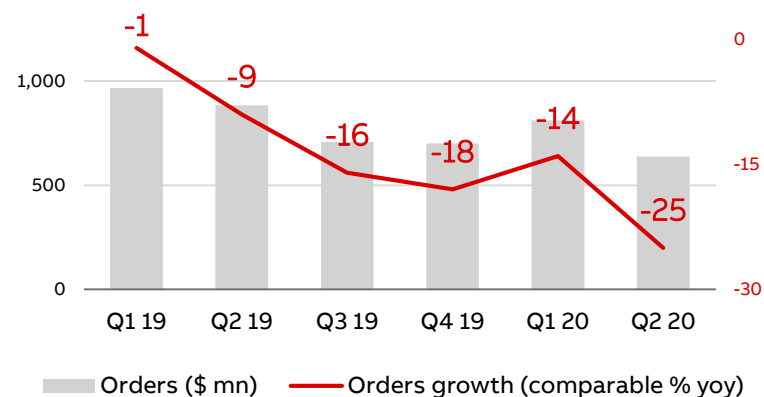
**Operational EBITA \$279 mn**

Margin yoy +100 bps

Strong cost mitigation, favorable mix

# Q2 2020 Robotics & Discrete Automation

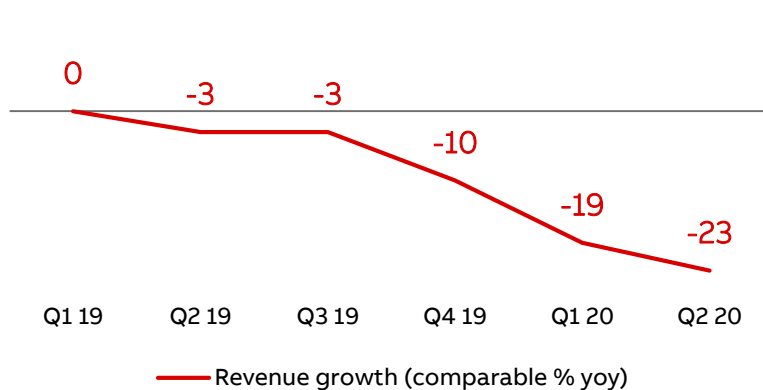
Severe downturn continues



## Orders \$638 mn

Sharp, broad-based decline

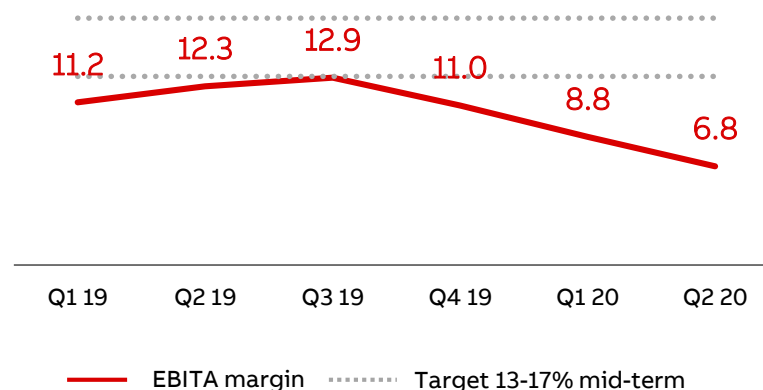
Tough large order comparison



## Revenues \$629 mn

All areas impacted; systems business and service activities constrained

Order backlog end Q1 -2%, end Q2 -4% yoy



## Operational EBITA \$43 mn

Margin yoy -550 bps

Steep volume decline

Strong mitigating cost actions

# Capital structure optimization

\$7.6-7.8 bn of net proceeds from PG sale to be returned to shareholders

## To be executed in efficient, responsible way

- Initial buyback program of 10% of share capital to run until March 25, 2021
- ABB intends to request shareholder approval to cancel shares repurchased at 2021 AGM
- Further program(s) detailed at AGM

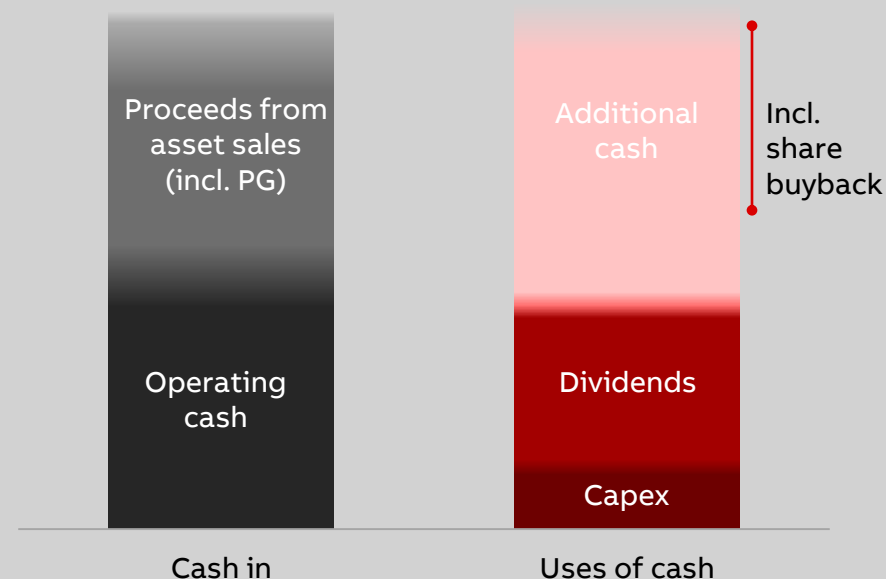
## Target “single A” credit rating

- €2 bn short-term credit facility now fully repaid
- Deleveraging actions incl. certain defined benefit pension structures, further debt optimization

## Improved financial flexibility

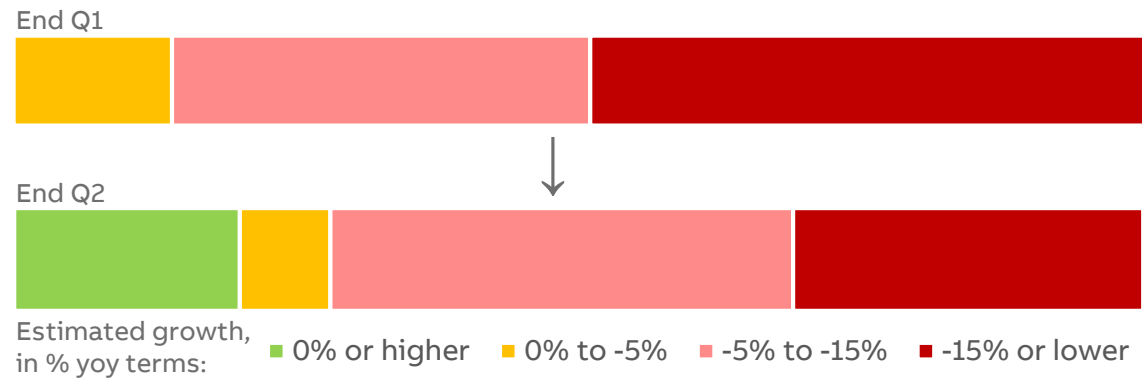
## Balancing sources and uses of cash

2020–22 illustrative



# Outlook & priorities

## Short-term outlook, by end-market



Distribution utilities

Food & Beverage

Select process (e.g. Pulp & Paper, Water & Wastewater)

Select transport, infrastructure (e.g. e-mobility, rail)

3C, semiconductors

Data centers

Mining & Minerals

Buildings

Conv. power generation

Other industry (e.g. metals, chemicals)

Automotive

Machine builders

Oil & Gas

Marine

Renewables

## 1

### Secure path to recovery

- #1 priority, Health & Safety
- Close collaboration with customers
- Cost mitigation continues

## 2

### Accelerating transformation with ABB Way

- Improving profitability in underperforming businesses
- Accelerated ABB-OS cost savings
- Active portfolio review
- Introduction of new performance management system

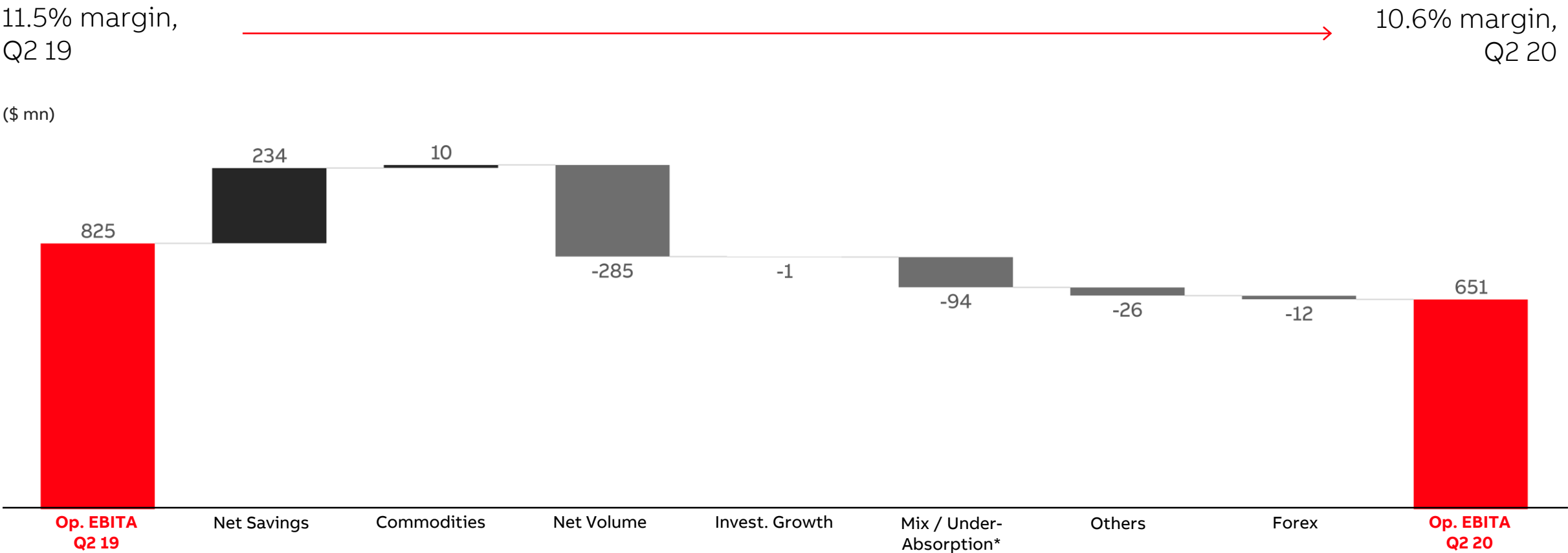
## 3

### Attractive returns to shareholders

- Commence share buyback imminently

# — Appendix

# Q2 2020 operational EBITA bridge







\*Inclusive of COVID-19 related mobility constrained service activities  
Others includes stranded costs

# 2020 framework

Key   New or revised guidance

*\$ mn unless otherwise stated*

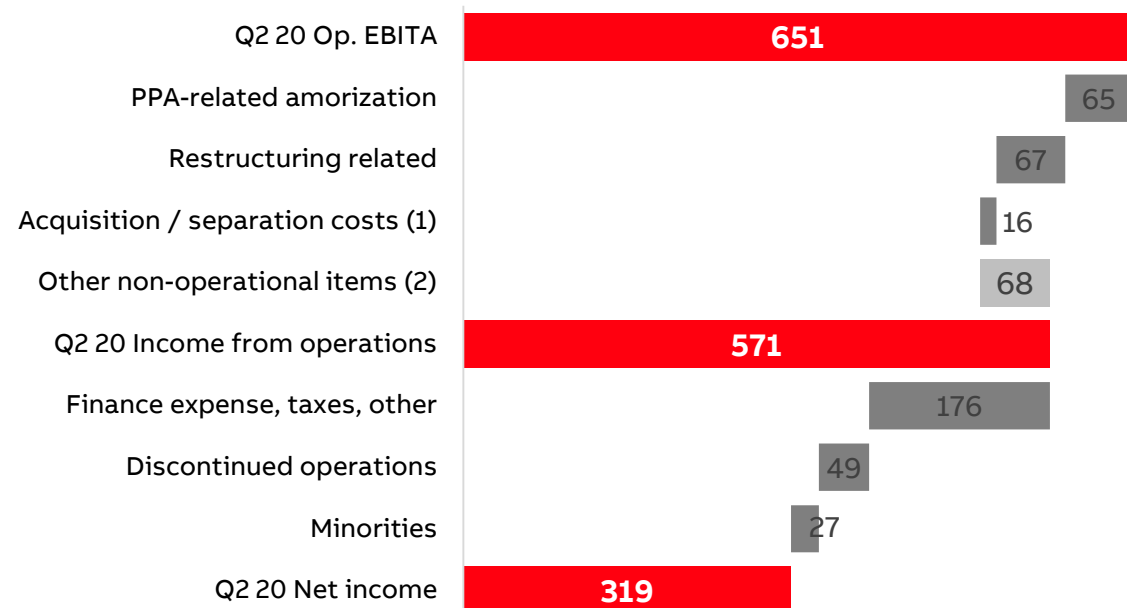
	FY 2020 framework	H1 2020	Q3 2020 framework
<b>Corporate and Other operational EBITA</b>	~(550)	(249)	~(150)
<b>Non-operating items</b>			
Normal restructuring	 ~(80)	(20)	~(25)
Simplification program <sup>1</sup>	~(250)	(87)	~(80)
Transaction and separation related costs (PG, solar inverters)	~(250)	(166) <sup>2</sup>	~(55)
GEIS acquisition related expenses and integration costs	 ~(30)	(11)	~(10)
PPA-related amortization	~(260)	(130)	~(65)

	FY 2020 framework	H1 2020	Q3 2020 framework
<b>Net finance expenses (continuing)</b>	 ~ (190)	(85)	~(70)
<b>Effective tax rate</b>	~27%	22.5%	~27%
PG tax impact	(200)-(300)	0	(200)-(300)
<b>Capital expenditure (continuing)</b>	 ~ (700)	(303)	~(180)

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 Q2 2020, \$211 million restructuring and \$127 million related implementation costs have been recorded on a cumulative basis. 2. H1 2020 including costs booked in discontinued operations of \$49 million

# Q2 2020 net income drivers

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



## Key non-operational items

Restructuring and related costs includes \$14 mn ABB-OS simplification

Power Grids related transaction and separation costs \$55 mn

\$73 mn net gain related to timing differences on commodities and FX

## Discontinued operations (Power Grids)

Net loss -\$49 mn, reflects material non-operational pension charge as well as subdued operational performance during COVID-19 pandemic

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

# P&L reporting for Hitachi ABB Power Grids Joint Venture (“H-A PG JV”)

Until 30 June 2020, inclusive	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Power Grids	Group
Income from continuing operations					Incl. stranded costs, non-core		
Income from discontinued operations						Net income	
Net income							

From Q3 2020	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Power Grids sold / H-A PG JV stake acquired, Jul 1 2020	Group
Income from Operations (or EBIT), of which:							
<i>Income from continuing operations</i>					Incl. non-core		
<i>Other income/expense, incl. income from equity accounted companies</i>						Share of profit (loss) from H-A PG JV <sup>1</sup>	
Income from discontinued operations						PG sale book gain (Q3 20) / Other <sup>2</sup>	
Net income							

1. Income from equity accounted companies to include, in relation to the Power Grids divestment i) ABB's 19.9% share of profit from the H-A PG JV, also incorporating the impact of PPA amortization step-ups, ii) changes in the fair value of ABB's put option on the 19.9% share in H-A PG JV, and iii) adjustments to income for the value assigned to the brand license agreement with H-A PG JV.
2. Changes in the value of certain retained assets and liabilities of the Power Grids business could affect income from discontinued operations beyond Q3 2020.

**ABB**