



**Rockwell
Automation**

expanding human possibility[®]

Q3 Fiscal 2024 Earnings Presentation

August 7, 2024



PUBLIC

SAFE HARBOR STATEMENT

This presentation includes statements related to the expected future results of the company and are therefore forward-looking statements. Actual results may differ materially from those projections due to a wide range of risks and uncertainties, including those that are listed in our SEC filings.




This presentation also contains non-GAAP financial information and reconciliations to GAAP are included in the appendix. All information should be read in conjunction with our historical financial statements.

Q3 FY24 Results Highlights

- ▶ Orders up low single digits sequentially and YOY
- ▶ Reported and organic sales both down (8.4)% YOY
- ▶ Total Annual Recurring Revenue (ARR) up 17% YOY
- ▶ Segment margin of 20.8% up sequentially 180 bps, down (30) bps YOY
- ▶ Adjusted EPS of \$2.71, down (10%) YOY
- ▶ Achieved ~\$40M of productivity savings in Q3; on track for FY24 cost reduction target

Strong execution with sales, margin, and EPS all above our expectations

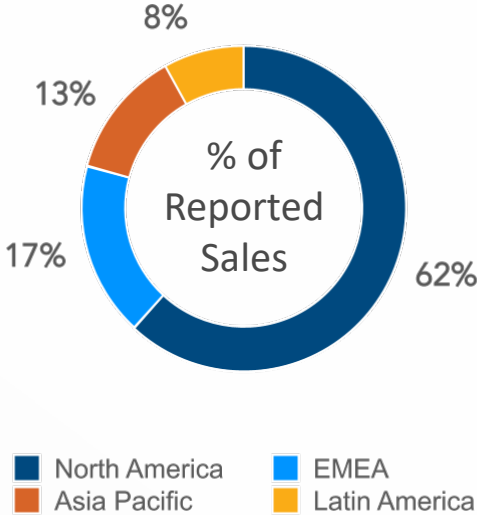
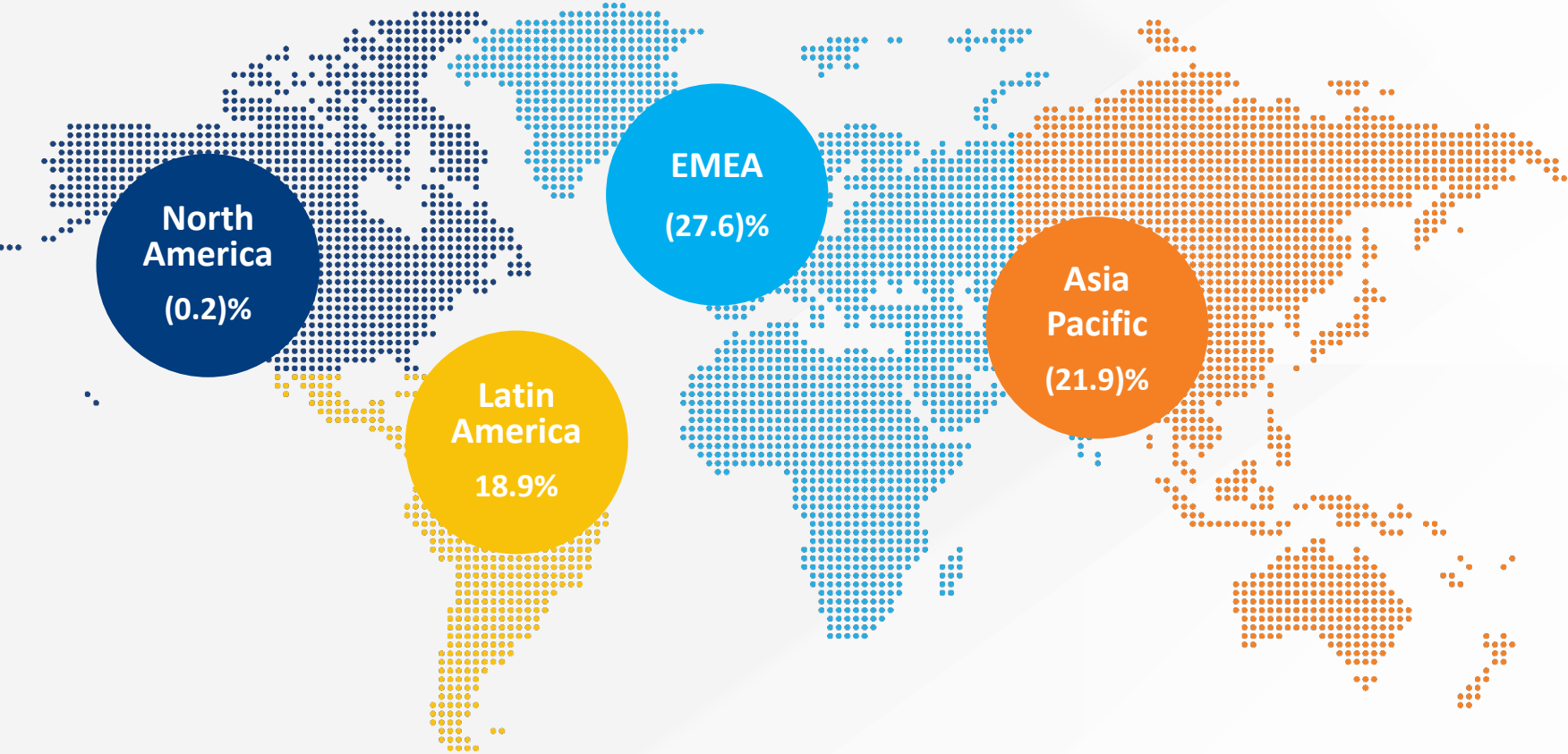
Q3 FY24 Organic Industry Segment Performance

	% of Q3 FY24 Sales	Q3 FY24 vs. Q3 FY23	Q3 FY24 vs. Q3 FY23
 <p>DISCRETE</p>	~25%	Down high single digits	<ul style="list-style-type: none"> ⬇ Automotive down high teens ⬇ Semiconductor down high teens ⬆ e-Commerce & Warehouse Automation up high teens
 <p>HYBRID</p>	~ 40%	Down mid teens	<ul style="list-style-type: none"> ⬇ Food & Beverage down mid teens ⬇ Life Sciences down high teens ⬇ Tire down mid teens
 <p>PROCESS</p>	~ 35%	Flat	<ul style="list-style-type: none"> ⬆ Oil & Gas up low single digits ⬆ Mining up high single digits ⬇ Chemicals down high single digits

Note: Organic sales growth rates depicted above exclude the impact of acquisitions and currency. Arrows reflect positive/negative directional growth vs prior year.



Q3 FY24 Year-Over-Year Organic Sales Growth



Americas continue to be our strongest region in FY24



Full Year Outlook Update

- ▶ Orders of ~\$7.5B expected to be down high single digits YOY
- ▶ Total sales decline of (8.5%); organic sales decline of (10%)
 - ▶ Currency flat YOY
 - ▶ Acquisitions to contribute ~1.5 pts of growth
- ▶ Total ARR still expected to grow ~15% YOY
- ▶ Expect segment margin of ~19%; includes 2H cost reduction benefit of ~\$100M
- ▶ Adjusted EPS target of \$9.60, down (21%) YOY
- ▶ Expect Free Cash Flow conversion of ~60%

Note: Updated Guidance as of August 7, 2024

Gradual sequential orders growth in Q4 and into next year;
continued focus on productivity and execution

Margin Expansion and Productivity

Enterprise Scale and Efficiency	SG&A Cost Reduction	<ul style="list-style-type: none"> • Drive synergies from recent acquisitions • Productivity in HQ functions • Streamline sales operations • Leverage CoEs in low-cost locations
	Process Efficiency	Leverage technology to redesign processes and reduce manual work
Product Cost Reductions	Direct Material Sourcing	Supplier consolidation and negotiation
	Product Redesign	Design changes to improve cost and manufacturability
Indirect and Supply Chain Optimization	Indirect Sourcing	Supplier negotiation and optimization of IT & outside engineering spend
	Logistics	Shift from air to ocean where applicable; logistic supplier negotiation
	Manufacturing Efficiency	Process improvement to increase yield and reduce manufacturing costs
	Real Estate Footprint	Space optimization and elimination of low utilization facilities
Portfolio Optimization	SKU Rationalization	Reduction of low volume/low margin SKUs
	Price Optimization	Increase price on low volume SKUs

Incremental YOY Benefit



**ROK Operating Model
to drive margin expansion
and productivity through
FY25 and beyond**

Q3 FY24 Key Financial Information

(\$ in millions, except per share amounts)

	Q3 FY24	Q3 FY23	YOY B/(W)
Sales	\$2,051	\$2,239	Organic Growth (8.4) % Inorganic Growth +0.6 % Currency Translation (0.6) % <hr/> Reported Growth (8.4) %
Segment Operating Margin	20.8%	21.1%	(30) bps
Corporate and Other	\$29	\$32	\$3
Adjusted EPS	\$2.71	\$3.01	(10)%
Adjusted Effective Tax Rate	13.3%	14.1%	0.8 pts
Free Cash Flow	\$238	\$240	\$(2)

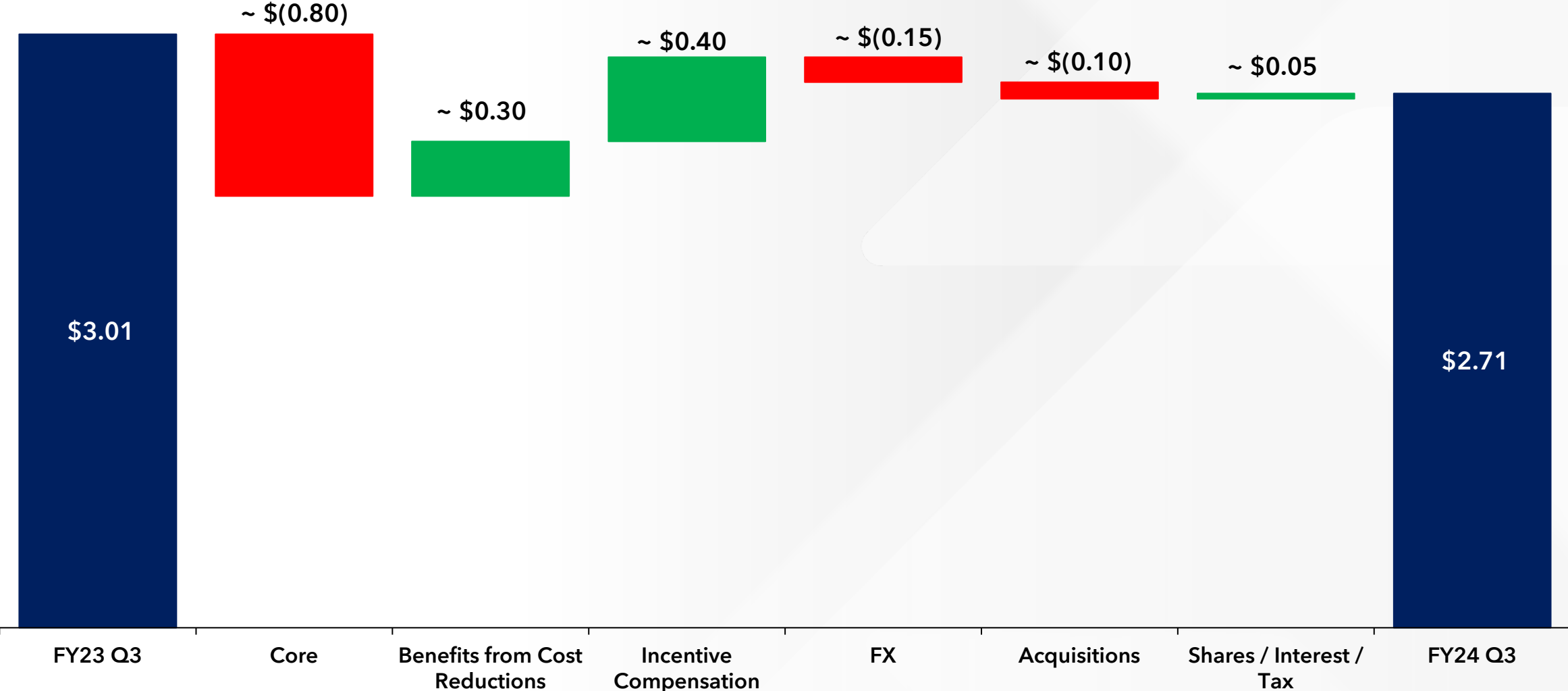


Q3 FY24 Segment Results

	Sales (\$ in millions; YOY growth %)	Segment Operating Margin	Segment Highlights								
Intelligent Devices	<p>\$957M</p> <table border="1"> <tr> <td>Organic</td> <td>(1.2)%</td> </tr> <tr> <td>Inorganic</td> <td>+0.7 %</td> </tr> <tr> <td>Currency</td> <td>(0.6) %</td> </tr> <tr> <td>Reported</td> <td>(1.1)%</td> </tr> </table>	Organic	(1.2)%	Inorganic	+0.7 %	Currency	(0.6) %	Reported	(1.1)%	<p>20.2%</p> <p>+340 bps YOY</p> <p>+370 bps Seq</p>	<p>Higher segment margin YOY driven by positive price/cost, lower incentive compensation, and the benefits of cost reduction actions, offset by lower sales volume.</p>
Organic	(1.2)%										
Inorganic	+0.7 %										
Currency	(0.6) %										
Reported	(1.1)%										
Software & Control	<p>\$512M</p> <table border="1"> <tr> <td>Organic</td> <td>(31.3) %</td> </tr> <tr> <td>Inorganic</td> <td>— %</td> </tr> <tr> <td>Currency</td> <td>(0.5) %</td> </tr> <tr> <td>Reported</td> <td>(31.8) %</td> </tr> </table>	Organic	(31.3) %	Inorganic	— %	Currency	(0.5) %	Reported	(31.8) %	<p>23.6%</p> <p>(1120) bps YOY</p> <p>(210) bps Seq</p>	<p>Lower segment margin driven by lower sales volume, partially offset by positive price/cost, lower incentive compensation, and the benefits from cost reduction actions.</p> <p>Q3 margin was higher than expected due to better sales and favorable mix.</p>
Organic	(31.3) %										
Inorganic	— %										
Currency	(0.5) %										
Reported	(31.8) %										
Lifecycle Services	<p>\$581M</p> <table border="1"> <tr> <td>Organic</td> <td>+11.3 %</td> </tr> <tr> <td>Inorganic</td> <td>+1.3 %</td> </tr> <tr> <td>Currency</td> <td>(0.8) %</td> </tr> <tr> <td>Reported</td> <td>+11.8 %</td> </tr> </table>	Organic	+11.3 %	Inorganic	+1.3 %	Currency	(0.8) %	Reported	+11.8 %	<p>19.3%</p> <p>+1,000 bps YOY</p> <p>+270 bps Seq</p>	<p>Book-to-bill of 1.00</p> <p>Higher segment margin driven by lower incentive compensation, higher sales volume, strong project execution, and ongoing savings from the prior year structural actions.</p>
Organic	+11.3 %										
Inorganic	+1.3 %										
Currency	(0.8) %										
Reported	+11.8 %										



Q3 FY23 to Q3 FY24 Adjusted EPS Walk



Adjusted EPS excludes 2nd half restructuring charges

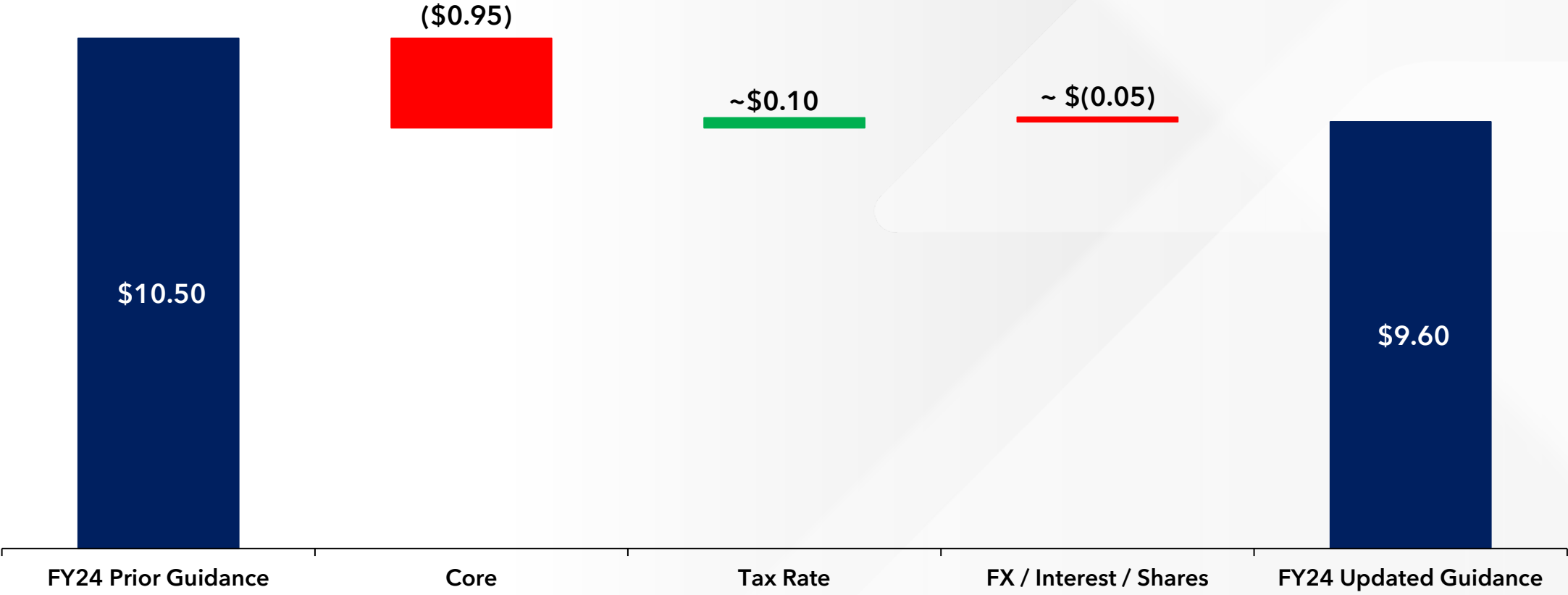


Fiscal Year 2024 Guidance

	Updated Guidance	Prior Guidance
Sales Midpoint	~ \$8.3B	~ \$8.6B
Organic Growth	~ (10.0)%	~ (8.0)% - (6.0)%
Inorganic Growth	~ 1.5%	~ 1.5%
Currency Translation	~ 0.0%	~ 0.5%
Segment Operating Margin	~ 19.0%	~ 20.0%
Adjusted Effective Tax Rate	~ 16.0%	~ 17.0%
Adjusted EPS Target	~ \$9.60	\$10.00 - \$11.00
Free Cash Flow Conversion	~ 60%	~ 80%

Note: Updated Guidance as of August 7, 2024; Prior Guidance as of April 7, 2024

FY24 Updated vs Prior Guidance Adjusted EPS Walk



Adjusted EPS excludes 2nd half restructuring charges

Updated Guidance as of Aug 7, 2024; Prior Guidance as of May 7, 2024





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Appendix



FY24 Organic Industry Segment Outlook

	% of FY24 Sales	FY24 vs. FY23	Assumptions at Guidance	B/(W) vs. Prior Guidance
 <p>DISCRETE</p>	~25%	Down mid teens	<ul style="list-style-type: none"> ↓ Automotive down ~20% ↓ Semiconductor down high teens → e-Commerce & Warehouse Automation flat 	■
 <p>HYBRID</p>	~40%	Down mid teens	<ul style="list-style-type: none"> ↓ Food & Beverage down high teens ↓ Life Sciences down low teens ↓ Tire down high single digits 	■
 <p>PROCESS</p>	~35%	Flat	<ul style="list-style-type: none"> ↑ Oil & Gas up high single digits ↑ Mining up low single digits ↓ Chemicals down high single digits 	■

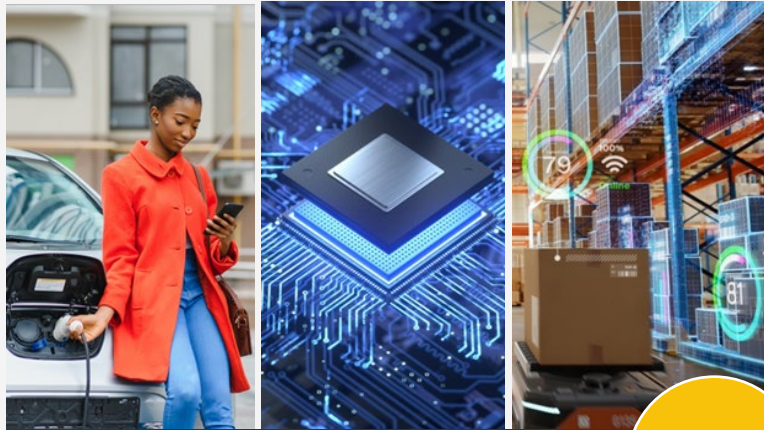
Note: Organic sales growth rates depicted above exclude the impact of acquisitions and currency. Arrows reflect positive/negative directional growth vs prior year.

Updated Guidance as of Aug 7, 2024; Prior Guidance as of May 7, 2024



Industry Segmentation

% of FY23 Sales



DISCRETE

~25%
of sales

- ~10% Automotive
- ~5% Semiconductor
- ~5% e-Commerce & Warehouse Automation
- ~5% General Industries
 - ▶ Printing & Publishing
 - ▶ Marine
 - ▶ Glass
 - ▶ Fiber & Textiles
 - ▶ Airports
 - ▶ Aerospace
 - ▶ Other Discrete



HYBRID

~40%
of sales

- ~20% Food & Beverage
- ~5% Life Sciences
- ~5% Household & Personal Care
- ~5% Tire
- ~5% Eco Industrial
 - ▶ Water / Wastewater
 - ▶ Waste Management
 - ▶ Mass Transit
 - ▶ Renewable Energy



PROCESS

~35%
of sales

- ~10% Oil & Gas
- ~5% Mining
- ~5% Metals
- ~5% Chemicals
- ~5% Pulp & Paper
- ~5% Other Process

Q3 FY24 Results: Summary

(\$ in millions, except per share amounts)

	Three Months Ended	
	Q3 2024	Q3 2023
Total Sales	\$ 2,050.6	\$ 2,238.7
Total segment operating earnings	\$ 426.5	\$ 473.0
Purchase accounting depreciation and amortization	(35.6)	(27.2)
Corporate and other	(28.6)	(32.3)
Non-operating pension and postretirement benefit credit	4.9	5.5
Change in fair value of investments ⁽¹⁾	(5.0)	85.7
Restructuring charges	(69.8)	—
Interest expense, net	(37.4)	(32.9)
Income tax provision	(23.9)	(73.1)
Net income	\$ 231.1	\$ 398.7
Net loss attributable to noncontrolling interests	(0.9)	(1.5)
Net income attributable to Rockwell Automation	\$ 232.0	\$ 400.2
<u>Adjustments</u>		
Non-operating pension and postretirement credit, net of tax	\$ (3.9)	\$ (4.3)
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	27.2	18.2
Change in fair value of investments, net of tax ⁽¹⁾	3.8	(65.0)
Restructuring charges, net of tax	52.2	\$ —
Adjusted income	\$ 311.3	\$ 349.1
Adjusted EPS	\$ 2.71	\$ 3.01
Average Diluted Shares	114.2	115.6

⁽¹⁾ Amount in the three months ended June 30, 2023 primarily relates to the change in fair value of our previous investment in PTC.



Reconciliation to Non-GAAP Measures

Free Cash Flow

(\$ in millions)

	Three Months Ended		Nine Month Ended	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023
Net Income	\$ 231.1	\$ 398.7	\$ 709.1	\$ 1,072.3
Depreciation/Amortization	78.5	62.1	236.2	182.0
Change in Fair Value of Investments ⁽¹⁾	5.0	(85.7)	(0.9)	(289.3)
Retirement Benefits Expense	4.5	4.1	13.5	118.5
Receivables/Inventory/Payables	9.2	(292.5)	86.1	(799.7)
Compensation and Benefits	(12.3)	60.8	(297.1)	74.9
Pension Contributions	(6.7)	(5.1)	(18.7)	(18.5)
Income Taxes	(65.9)	(18.4)	(293.7)	(49.2)
Other	35.7	157.7	(3.0)	244.1
Cash Flow From Operations	279.1	281.7	431.5	535.1
Capital Expenditures	(40.7)	(41.6)	(159.8)	(97.3)
Free Cash Flow	<u>\$ 238.4</u>	<u>\$ 240.1</u>	<u>\$ 271.7</u>	<u>\$ 437.8</u>
Adjusted Income	\$ 311.3	\$ 349.1	\$ 835.3	\$ 984.5
Free Cash Flow Conversion	77 %	69 %	33 %	44 %

⁽¹⁾ Amount in the three and nine months ended June 30, 2023, primarily relates to the change in fair value of our previous investment in PTC.



Reconciliation to Non-GAAP Measures

Organic Sales

(\$ in millions)

	Three Months Ended June 30,								
	2024		2023						
	Reported Sales(a)	Less: Effect of Acquisitions(e)	Effect of Changes in Currency(d)	Organic Sales(b)	Reported Sales(c)	Reported Sales Growth (a)/(c)	Less: Effect of Acquisitions (e)/(c)	Effect of Changes in Currency (d)/(c)	Organic Sales Growth (b)/(c)
North America	\$ 1,268.4	\$ 12.0	\$ (2.4)	\$ 1,258.8	\$ 1,260.9	0.6%	1.0%	(0.2)%	(0.2)%
EMEA	355.3	0.9	(3.7)	358.1	494.4	(28.1)%	0.2%	(0.7)%	(27.6)%
Asia Pacific	260.9	0.4	(7.7)	268.2	343.5	(24.0)%	0.1%	(2.2)%	(21.9)%
Latin America	166.0	0.3	(0.6)	166.3	139.9	18.7%	0.2%	(0.4)%	18.9%
Total	\$ 2,050.6	\$ 13.6	\$ (14.4)	\$ 2,051.4	\$ 2,238.7	(8.4)%	0.6%	(0.6)%	(8.4)%

	Three Months Ended June 30,								
	2024		2023						
	Reported Sales(a)	Less: Effect of Acquisitions(e)	Effect of Changes in Currency(d)	Organic Sales(b)	Reported Sales(c)	Reported Sales Growth (a)/(c)	Less: Effect of Acquisitions (e)/(c)	Effect of Changes in Currency (d)/(c)	Organic Sales Growth (b)/(c)
Intelligent Devices	\$ 957.3	\$ 7.1	\$ (6.4)	\$ 956.6	\$ 968.1	(1.1)%	0.7%	(0.6)%	(1.2)%
Software & Control	512.1	—	(3.8)	515.9	750.6	(31.8)%	—%	(0.5)%	(31.3)%
Lifecycle Services	581.2	6.5	(4.2)	578.9	520.0	11.8%	1.3%	(0.8)%	11.3%
Total	\$ 2,050.6	\$ 13.6	\$ (14.4)	\$ 2,051.4	\$ 2,238.7	(8.4)%	0.6%	(0.6)%	(8.4)%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(\$ in millions)

	Three Months Ended	
	June 30, 2024	June 30, 2023
Sales		
Intelligent Devices (a)	\$ 957.3	\$ 968.1
Software & Control (b)	512.1	750.6
Lifecycle Services (c)	581.2	520.0
Total sales (d)	<u>\$ 2,050.6</u>	<u>\$ 2,238.7</u>
Segment operating earnings		
Intelligent Devices (e)	\$ 193.5	\$ 163.1
Software & Control (f)	120.6	261.5
Lifecycle Services (g)	112.4	48.4
Total segment operating earnings ⁽¹⁾ (h)	<u>426.5</u>	<u>473.0</u>
Purchase accounting depreciation and amortization	(35.6)	(27.2)
Corporate and other	(28.6)	(32.3)
Non-operating pension and postretirement benefit credit	4.9	5.5
Change in fair value of investments	(5.0)	85.7
Rrestructuring charges	(69.8)	—
Interest expense, net	(37.4)	(32.9)
Income before income taxes (i)	<u>\$ 255.0</u>	<u>\$ 471.8</u>
Pretax margin (i/d)	12.4 %	21.1 %
Segment operating margin:		
Intelligent Devices (e/a)	20.2 %	16.8 %
Software & Control (f/b)	23.6 %	34.8 %
Lifecycle Services (g/c)	19.3 %	9.3 %
Total segment operating margin ⁽¹⁾ (h/d)	20.8 %	21.1 %

⁽¹⁾ Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We exclude purchase accounting depreciation and amortization, corporate and other, non-operating pension and postretirement benefit credit, change in fair value of investments, restructuring charges aligned with enterprise-wide strategic initiatives, interest expense, net, and income tax provision because we do not consider these items to be directly related to the operating performance of our segments. We believe total segment operating earnings and total segment operating margin are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our operating segments. Our measures of total segment operating earnings and total segment operating margin may be different from measures used by other companies.

Reconciliation to Non-GAAP Measures

Adjusted Income, Adjusted EPS, and Adjusted Effective Tax Rate

(\$ in millions, except per share amounts)

	Three Months Ended	
	June 30, 2024	June 30, 2023
Net income attributable to Rockwell Automation	\$ 232.0	\$ 400.2
Non-operating pension and postretirement benefit credit	(4.9)	(5.5)
Tax effect of non-operating pension and postretirement benefit credit	1.0	1.2
Purchase accounting depreciation and amortization attributable to Rockwell Automation	32.8	24.1
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(5.6)	(5.9)
Change in fair value of investments ⁽¹⁾	5.0	(85.7)
Tax effect of change in fair value of investments ⁽¹⁾	(1.2)	20.7
Restructuring charges ⁽²⁾	69.8	—
Tax effect of restructuring charges ⁽²⁾	(17.6)	—
Adjusted income	\$ 311.3	\$ 349.1
Diluted EPS	\$ 2.02	\$ 3.45
Non-operating pension and postretirement benefit credit	(0.04)	(0.05)
Tax effect of non-operating pension and postretirement benefit credit	0.01	0.01
Purchase accounting depreciation and amortization attributable to Rockwell Automation	0.28	0.21
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(0.05)	(0.05)
Change in fair value of investments ⁽¹⁾	0.04	(0.74)
Tax effect of change in fair value of investments ⁽¹⁾	(0.01)	0.18
Restructuring charges ⁽²⁾	0.61	—
Tax effect of restructuring charges ⁽²⁾	(0.15)	—
Adjusted EPS	\$ 2.71	\$ 3.01
Effective tax rate	9.4 %	15.5 %
Tax effect of non-operating pension and postretirement benefit credit	(0.2)%	(0.1)%
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	0.4 %	0.6 %
Tax effect of change in fair value of investments ⁽¹⁾	0.3 %	(1.9)%
Tax effect of restructuring charges ⁽²⁾	3.4 %	— %
Adjusted effective tax rate	13.3 %	14.1 %

Non-operating pension and postretirement benefit credit

(in millions)

	Three Months Ended	
	June 30, 2024	June 30, 2023
Interest cost	\$ 37.2	\$ 35.9
Expected return on plan assets	(42.2)	(44.0)
Amortization of net actuarial loss	0.1	0.3
Settlement charge	—	2.2
Non-operating pension and postretirement benefit credit	\$ (4.9)	\$ (5.5)

⁽¹⁾ Amount in the three months ended June 30, 2023, primarily relates to the change in fair value of our previous investment in PTC.

⁽²⁾ Restructuring charges include \$64.7 million for severance benefits and \$5.1 million for strategic advisory services related to the enterprise-wide severance actions.



Reconciliation to Non-GAAP Measures

Return On Invested Capital

(\$ in millions)

	Twelve Months Ended June 30,	
	2024	2023
(a) Return		
Net income	\$ 914.8	\$ 1,408.3
Interest expense	144.6	137.1
Income tax provision	227.6	288.6
Purchase accounting depreciation and amortization	292.9	105.6
Return	<u>\$ 1,579.9</u>	<u>\$ 1,939.6</u>
(b) Average invested capital		
Short-term debt	\$ 740.6	\$ 947.2
Long-term debt	2,747.3	2,986.7
Shareowners' equity	3,675.6	3,189.6
Accumulated amortization of goodwill and intangibles	1,293.8	1,049.9
Cash and cash equivalents	(566.4)	(466.6)
Short-term and long-term investments	(0.5)	(6.5)
Average invested capital	<u>\$ 7,890.4</u>	<u>\$ 7,700.3</u>
(c) Effective tax rate		
Income tax provision	227.6	288.6
Income before income taxes	<u>\$ 1,142.4</u>	<u>\$ 1,696.9</u>
Effective tax rate	19.9 %	17.0 %
(a) / (b) * (1-c) Return On Invested Capital	<u>16.0 %</u>	<u>20.9 %</u>

Reconciliation to Non-GAAP Measures

Fiscal 2024 Guidance

(\$ in billions, except per share amounts)

Organic Sales

Organic sales growth
Inorganic sales growth
Foreign currency impact
Reported sales growth

Segment Operating Margin

Total sales (a)
Total segment operating earnings (b)
Costs not allocated to segments
Income before income taxes (c)
Total segment operating margin (b/a)
Pretax margin (c/a)

Adjusted Effective Tax Rate

Effective tax rate
Tax effect of non-operating pension and postretirement benefit credit
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation
Tax effect of change in fair value of investments ⁽²⁾
Tax effect of restructuring charges
Adjusted effective tax rate

Adjusted EPS

Diluted EPS ⁽¹⁾
Non-operating pension and postretirement benefit credit
Tax effect of non-operating pension and postretirement benefit credit
Purchase accounting depreciation and amortization attributable to Rockwell Automation
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation
Change in fair value of investments ⁽²⁾
Tax effect of change in fair value of investments ⁽²⁾
Restructuring charges
Tax effect of restructuring charges
Adjusted EPS

Fiscal 2024 Guidance

	~ (10)%
	~ 1.5%
	~ —%
	~ 8.5%
\$ ~	8.3
~	1.6
~	(0.5)
\$ ~	1.1
~	19.3 %
~	13.3 %
~	15.4%
~	(0.1)%
~	0.1%
~	—%
~	0.6%
~	16.0%
	~ \$8.32
	(0.17)
	0.04
	1.16
	(0.20)
	(0.01)
	—
	0.61
	(0.15)
	~ \$9.60

(1) Fiscal 2024 guidance based on adjusted income attributable to Rockwell, which includes an adjustment for SLB's non-controlling interest in Sensia.

(2) The actual year-to-date adjustments are used for guidance, as estimates of these adjustments on a forward-looking basis are not available due to variability, complexity, and limited visibility of these items.

Note: Guidance as of August 7, 2024



Reconciliation to Non-GAAP Measures

Free Cash Flow Conversion

(\$ in billions)

	Fiscal 2024 Guidance	
Net income attributable to Rockwell Automation at the mid-point	\$ ~	0.9
Non-operating pension and postretirement benefit credit, net of tax	~	—
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	~	0.1
Change in fair value of investments, net of tax ⁽¹⁾	~	—
Restructuring charges, net of tax	~	0.1
Adjusted income at the mid-point (a)	\$ ~	1.1
Cash provided by operating activities	\$ ~	0.9
Capital expenditures	~	(0.2)
Free cash flow (b)	\$ ~	0.7
Free cash flow conversion (b/a)	~	60%

⁽¹⁾ The actual year-to-date adjustments are used for guidance, as estimates of these adjustments on a forward-looking basis are not available due to variability, complexity, and limited visibility of these items.

Note: Guidance as of August 7, 2024

Performance Metric Definition

Total ARR

Annual recurring revenue (ARR) is a key metric that enables measurement of progress in growing our recurring revenue business. It represents the annual contract value of all active recurring revenue contracts at any point in time. Recurring revenue is defined as a revenue stream that is contractual, typically for a period of 12 months or more, and has a high probability of renewal. The probability of renewal is based on historical renewal experience of the individual revenue streams, or management's best estimates if historical renewal experience is not available. Total ARR growth is calculated as the dollar change in ARR, adjusted to exclude the effects of currency, divided by ARR as of the prior period. The effects of currency translation are excluded by calculating Total ARR on a constant currency basis. Total ARR includes acquisitions even if there was no comparable ARR in the prior period. We believe that Total ARR provides useful information to investors because it reflects our recurring revenue performance period over period including the effect of acquisitions. Our measure of ARR may be different from measures used by other companies. Because ARR is based on annual contract value, it does not represent revenue recognized during a particular reporting period or revenue to be recognized in future reporting periods and is not intended to be a substitute for revenue, contract liabilities, or backlog.

Book to bill

Book to bill is a key metric that provides an indication on the level of demand. Book to bill represents the growth or decline in backlog in the Lifecycle Services segment. A book to bill greater than one indicates a growing backlog while a book to bill less than one indicates a declining backlog. Book to bill is calculated as net orders divided by sales for a specified period. We believe that book to bill provides useful information to investors about the strength of our Lifecycle Services segment backlog. Our measure of book to bill may be different from measures used by other companies.



Thank you



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