ABB

# Q4 2024 RESULTS

ZURICH, SWITZERLAND | JANUARY 30, 2025 | MORTEN WIEROD, CEO; TIMO IHAMUOTILA, CFO

Ending record-high 2024 with strong order growth and positive 2025 outlook

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# 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,” “guidance”, “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:**

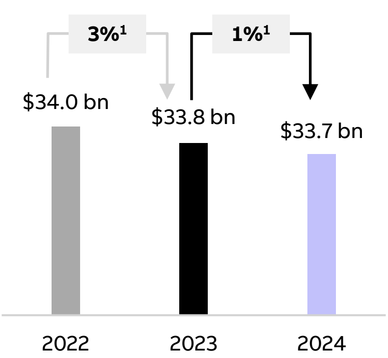
- business risks associated with the volatile global economic environment and political conditions
- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates.

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.**

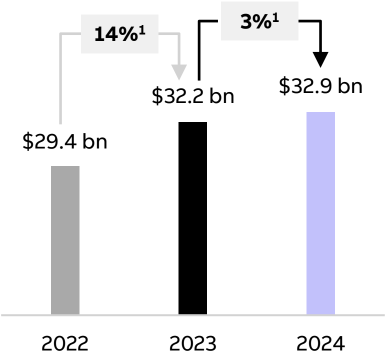
This presentation contains alternative performance measures. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the “Supplemental Reconciliations and Definitions” section of the “Financial Information” booklet found under “Q4 2024” on our website at global.abb/group/en/investors/quarterly-results.

# Record-high profitability and cash
# Progress on virtually all headline numbers

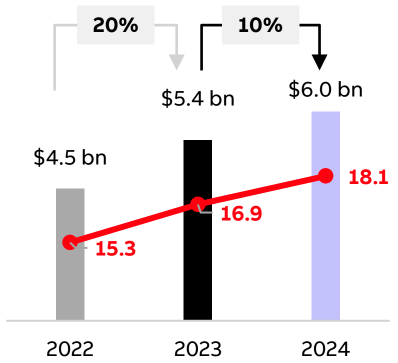
### Orders



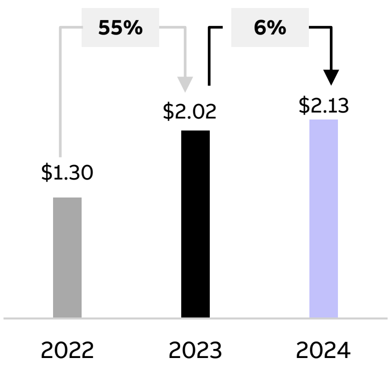

### Revenues



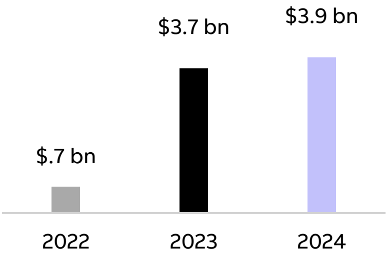

### Operational EBITA and margin



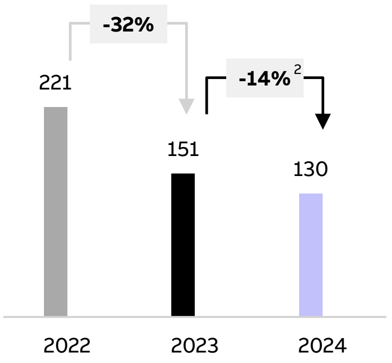

### Basic EPS




### Free cashflow




### Scope 1 & 2 GHG emissions




1. YoY comparable. 2. Rolling twelve months $CO_2$ equivalent emissions from sites, energy use, $SF_6$ and fleet, with one quarter delay.

## 2024 highlights – a new record year

- **Book-to-bill >1; Orders +1%[1]; Revenues +3%[1]**
- **Record-high** Operational EBITA of $6.0 bn and margin of **18.1%**
- **Free cashflow $3.9 bn;** meeting ambition to improve YoY
- **New all-time-high ROCE of 22.9%**
- Share buybacks:
  - **$1.0 bn** spent during 2024
  - New larger **share buyback plan of up to $1.5 bn** announced
- Proposed **DPS raised to CHF 0.90**

### Operational highlights

- Focus on profitable growth:
  - Increased R&D as % of revenues to 4.5%, +40bps yoy
  - total acquisitions announced but not closed during 2024 adding revenues within target growth range
- ABB Way operating model is here to stay – go deeper to achieve higher performance

### Sustainability highlights

- Scope 1, 2 & 3 targets approved by SBTi

**Well positioned to enable the energy transition and help customers electrify and automate their operations**

# Q4 2024 selected highlights

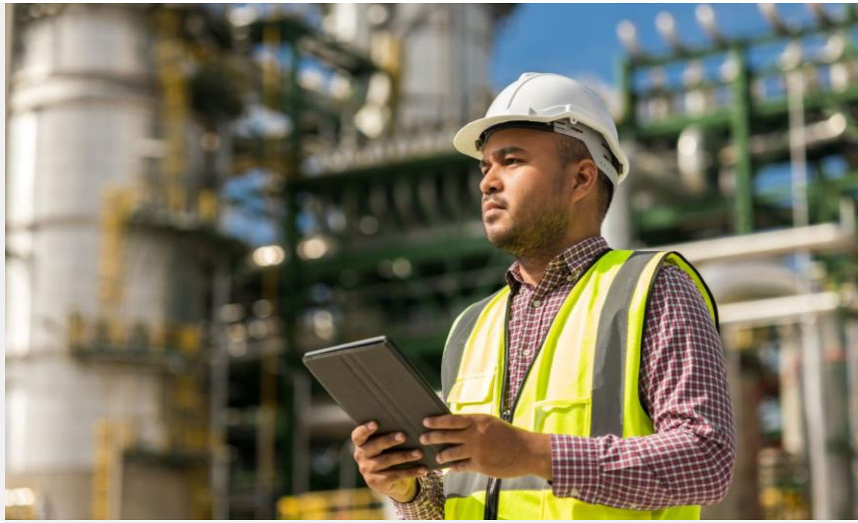
## Ending record-high 2024 with strong order growth

### 01. Financial performance

- Order growth +7%[1], revenues +5%[1]
- Op. EBITA margin +40 bps improvement to 16.7%
- CFO of $1,537 mn, -$360 mn YoY (up $385 mn full year), following solid NWC management throughout the year and high comparable

### 02. New brand positioning

- "We help industries outrun – leaner and cleaner"
- Articulates what ABB wants to be known for in the minds of our customers
- ABB's new tagline is '**Engineered to Outrun**'.

### 03. Future proofing

- Acquisitions announced during the quarter expected to add ~$200 million in annual revenues
- Launch of AI enabled Genix Copilot with Microsoft
- Medium voltage UPS HiPerGuard for data centers cover the entire power system closer to the grid power connection point
- Second investment in edge-to-cloud solution provider Pratexo

1. YoY comparable.

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# ABB medium voltage UPS HiPerGuard is unique in the market

AI implementation means **rising power demand** in data centers

The use of **Medium Voltage UPS** technology allows for less complex designs and larger power blocks – **reducing costs and increasing flexibility**

**CAPEX on power infrastructure reduced by up to 30%**

- Lower number of units by using larger blocks at higher voltage for UPS, switchgears, backup power generators, battery solutions
- Reduced cabling complexity

**Less Service**

Medium Voltage UPS uses a higher power architecture - means less units to install and maintain

**Reduced complexity – increased reliability**

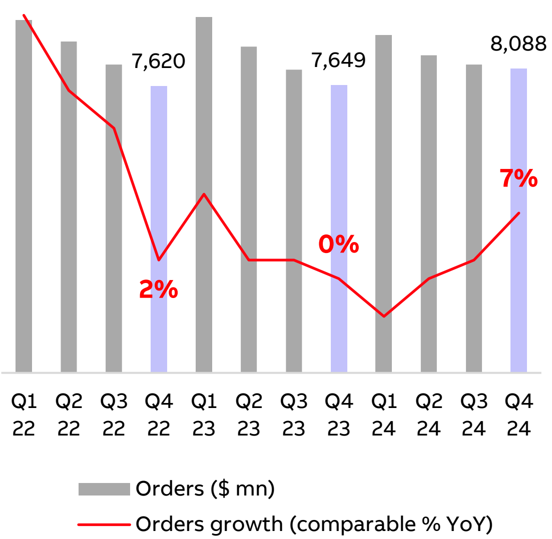
The low voltage power distribution becomes less complex and therefore more reliable

**Scalability – future proof**

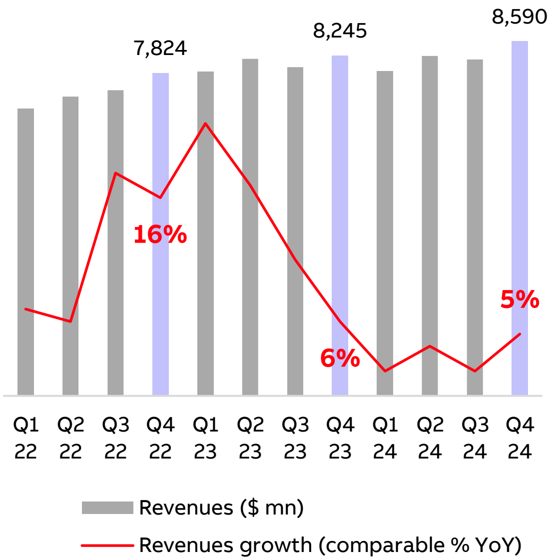
Medium Voltage UPS systems can be easily scaled up due to modular design. This gives greater flexibility to data centers for changes in power requirements due to frequent changes in server technology. Replaces complex upgrade of large number of LV UPS architecture

# Robust overall trading environment
# Record-high quarterly revenues
Strongest momentum in Electrification

**Orders +7%[1]**




**Revenues +5%[1]**




**Book-to-bill** 0.94

1. YoY comparable.

## Notable orders developments

(comparable % YoY, unless otherwise indicated)

**Short-cycle**
Low double-digit growth; up in 3 out of 4 Business Areas

**Data centers & Utilities**
Very strong

**Discrete**
Positive in automotive, despite tough underlying market, food & beverage, and general industry, partly offset by stable to negative trends in consumer electronics and metals; machine builder orders impacted by backlog review

**Process**
Stable or improved in most customer segments, with a decline primarily in chemicals.

**Transport & infrastructure**
Good momentum in marine & ports but down on large order comps; strength in infrastructure; Rail down on tough large order comps

**Buildings**
Up year-on-year driven by commercial building outside of China; residential stable at low base outside China

**Order backlog at $21.2 bn, +4%[1]**

# Order growth across all regions

## Q4 2024 regional, country orders

| **The Americas** | **+7%** |
|---|---|
| **USA**<br>Underlying strong;<br>base orders +5%<br>Strong growth in EL and RA, decline in MO and strong decline in PA | **+1%** |
| **Canada** | **+0%** |
| **Brazil** | **+193%** |

| **Europe** | **+9%** |
|---|---|
| **Germany**<br>Growth in all business areas | **+18%** |
| **Italy** | **-39%** |
| **Netherlands** | **+107%** |

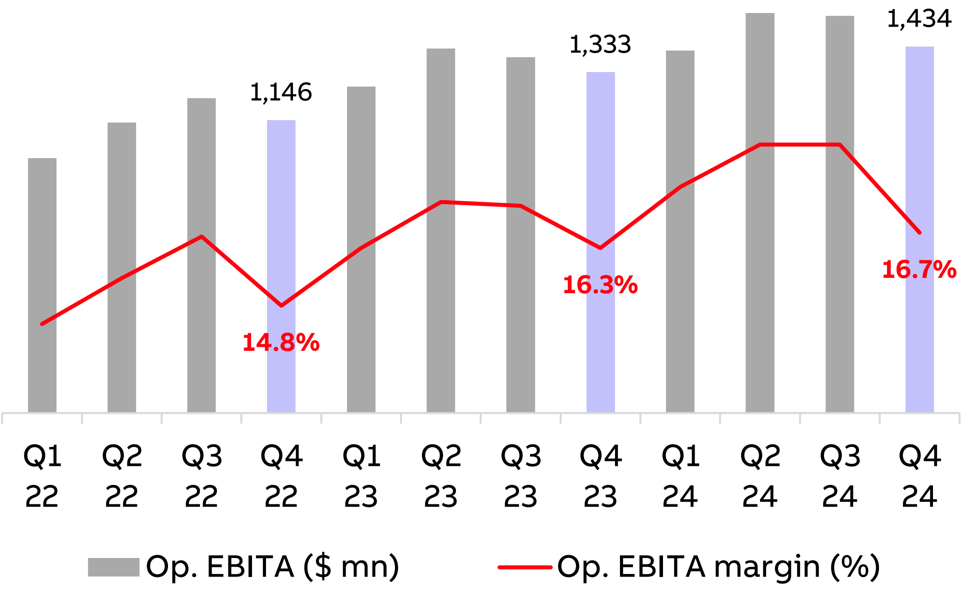
| **AMEA** | **+4%** |
|---|---|
| **China**<br>Slight decline in EL and MO; steep decline in PA and RA | **-11%** |
| **India** | **-21%** |
| **UAE** | **+111%** |

All data presented on a YoY comparable basis; all growth comments refer to comparable growth trends. Performance highlighted for largest 3 countries in $ mn terms in each region.
EL = Electrification. MO = Motion. PA = Process Automation. RA = Robotics & Discrete Automation.

# Improving Operational EBITA margin

## Up in 3 out of 4 Business Areas

**Operational EBITA** +8%




**Operational EBITA margin** +40 bps

## Profitability drivers

### Gross Profit

- +8%[1]
- Gross profit as a % of revenues increased from 34.5% to 35.5%, +100 bps; up in 2 out of 4 BAs

### SG&A expenses

- +2%[1;] SG&A expenses as a % of revenues at 17.5%, down from 18.0% in the prior year

### R&D expenses

- +13%[1]; R&D as a % of revenue at 4.8%, up from 4.4% in the prior year

### Corporate and Other Operational EBITA

- -$131 mn, -$64mn vs prior year:
- Corporate costs and other -$59 mn, helped by settlement of non-core project ~$20 mn; E-mobility -$72 mn

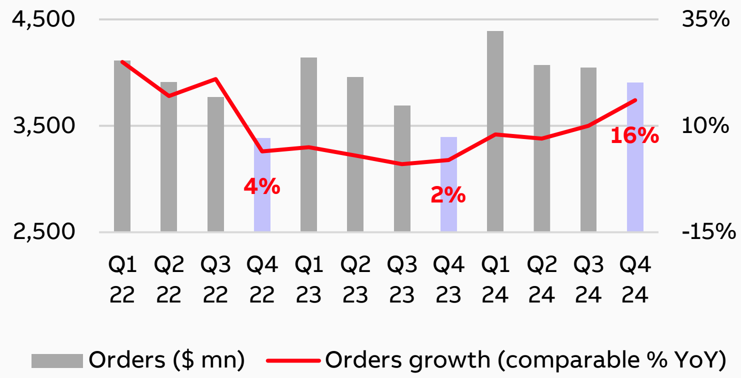
| | | | |
|---|---|---|---|
| **Basic EPS** | **$0.54** **+$0.04 YoY** | **Cash flow** from operating activities | **+$1,537 mn** **-$360 mn YoY** |

1. Constant currency.

# Strong order growth in Q4 ends a record performance year

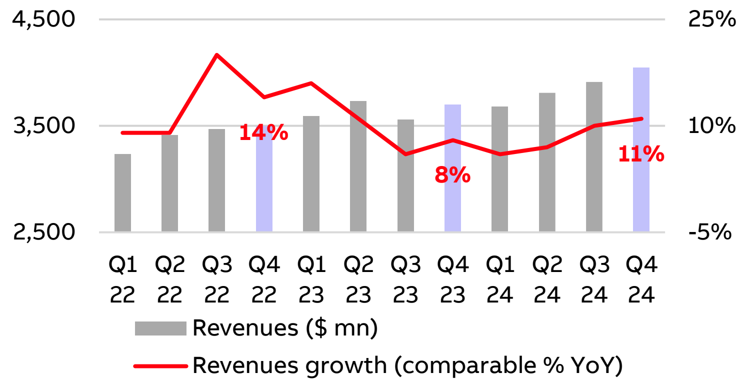
## Q4 2024 Electrification

### Orders $3,908 mn



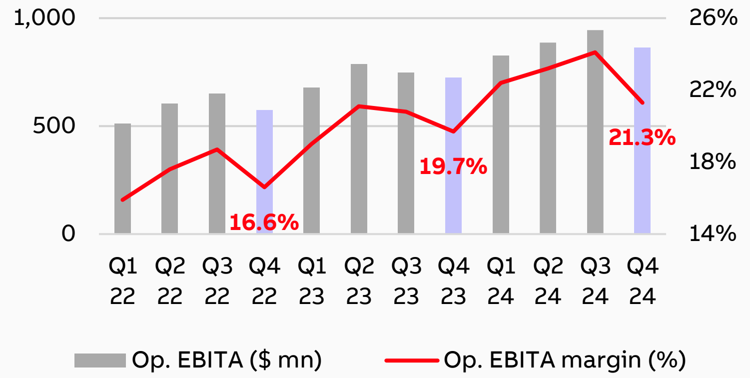

- Double-digit order growth in both project business and short-cycle product areas
- Particular strength in data centers and utilities
- Buildings strongly improved driven by commercial areas while residential was broadly stable
- Continued soft trading environment in several segments in China
- Double-digit growth in all regions
- Backlog $7.5 bn (prior Q-end $7.9 bn)

### Revenues $4,046 mn




- Record-high revenue was primarily driven by volume, with some additional support from pricing
- Growth exceeded expectations due to higher project business deliveries
- Book-to-bill 0.97x

### Operational EBITA $863 mn, +19% YoY

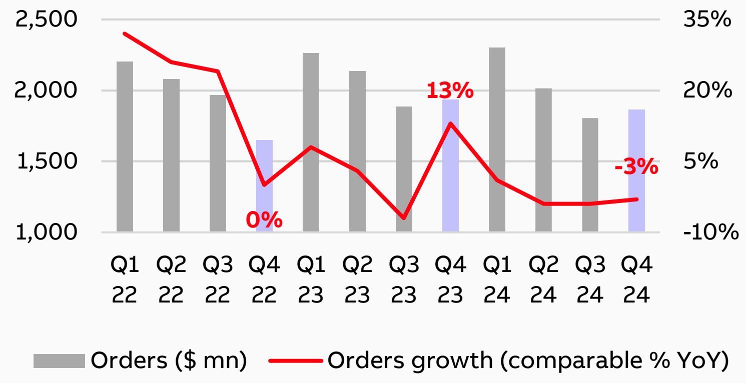



- Operational EBITA margin +160 bps YoY
- Higher gross margin drove profitability, supported by volume leverage and positive pricing.
- R&D and SG&A expenses rose slightly but decreased as a combined percentage of revenue.
- Profitability was impacted by a stronger-than-expected mix shift toward project business.

# Record revenues achieved surpassing $2 billion

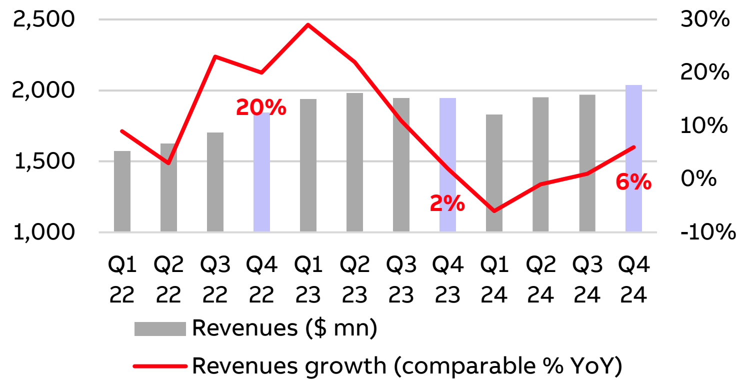
## Q4 2024 Motion

### Orders $1,866 mn



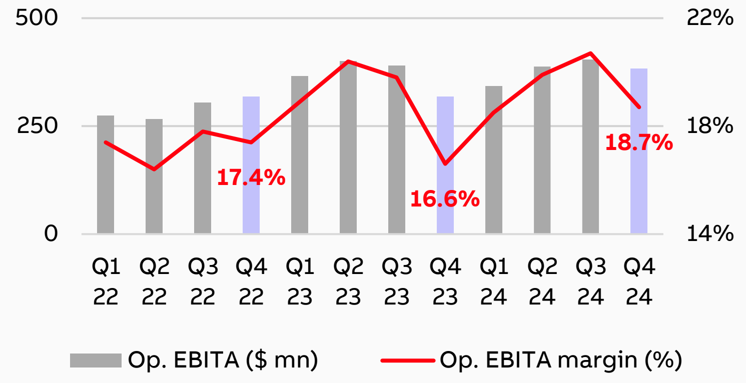

- Short-cycle growth offset by lower project and system orders
- Strength in commercial building HVAC, water & wastewater and power generation
- Orders declined in oil & gas, chemicals, food & beverage. Rail down due to tough comparable
- Orders declined in the Americas and AMEA, offsetting growth in Europe
- Backlog $5.2 bn (prior Q-end $5.8 bn)

### Revenues $2,038 mn




- Record-high revenues was primarily driven by volume, with additional support from some targeted pricing actions
- Most divisions saw positive development, supported by strong backlog execution and improving short-cycle demand
- Book-to-bill 0.92x

### Operational EBITA $383 mn, +20% YoY

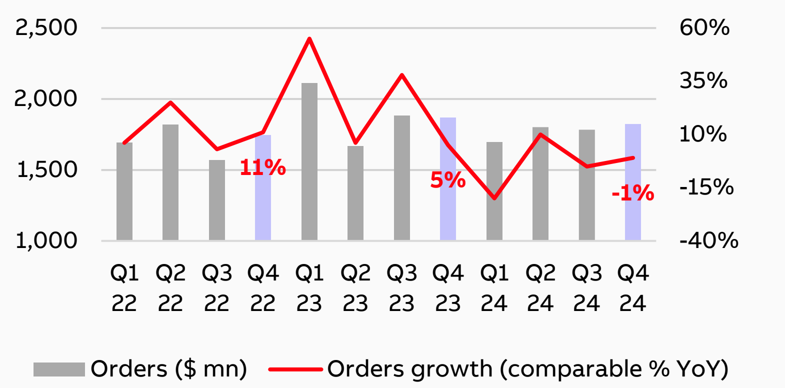



- Margin +210 bps YoY; Prior year included one-time product quality costs with impact of ~60 bps
- The gross margin improvement year-on-year was supported by the operational leverage on higher volumes and a positive price development, more than offsetting the impact from higher R&D and SG&A spend
- Operational EBITA improved in majority of divisions

# Solid markets – positive book-to-bill for 17th straight quarter

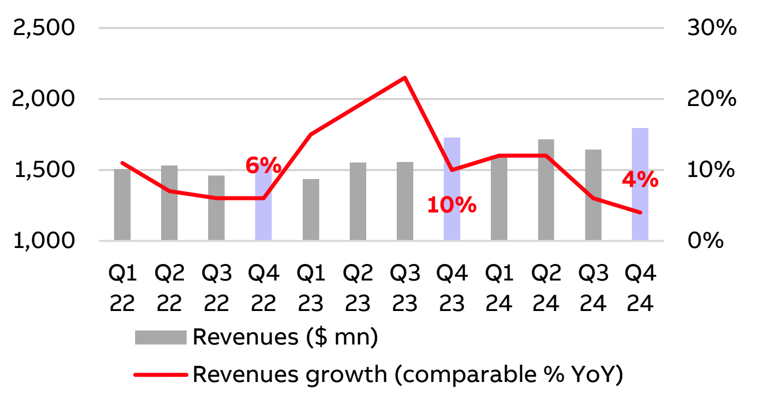
## Q4 2024 Process Automation

### Orders $1,823 mn



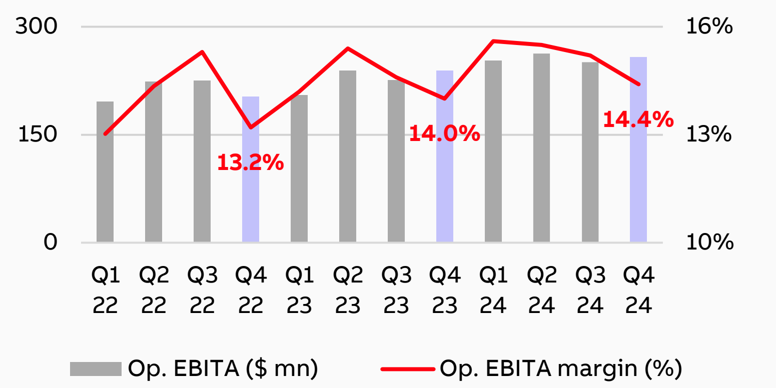

- Orders remained broadly stable despite a ~$150 mn large order booked last year
- Strong customer activity in marine and ports, although order intake declining due to large orders in prior year
- Stable to positive order growth in energy and process industries, except for weakness in chemicals
- Backlog $7.4 bn (prior Q-end $7.8 bn)

### Revenues $1,795 mn




- Growth driven by execution of the high order backlog as well as service
- Growth in all regions with the strongest growth in the Americas including the US
- Book-to-bill 1.02x

### Operational EBITA $258 mn, +8% YoY

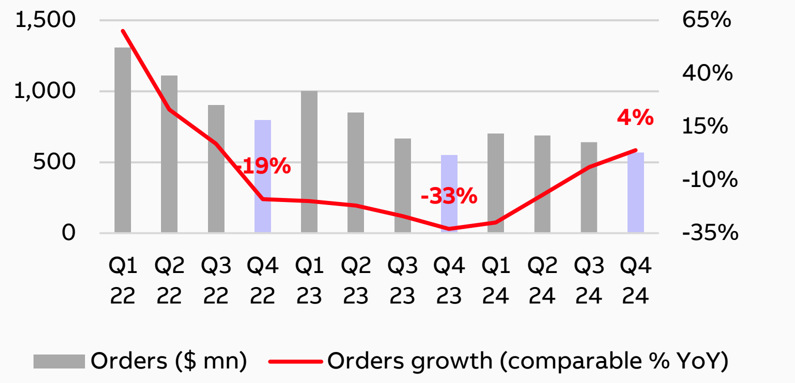



- Margin +40 bps YoY
- Increase driven by higher volumes as well as improved operational efficiency and mix, which all combined, more than offset the impacts from higher R&D and SG&A expenses

# Solid Robotics offset by weak Machine Automation; order growth impacted by backlog review

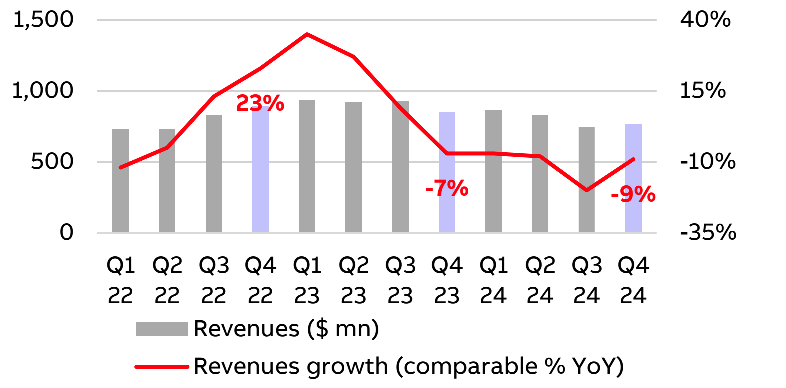
## Q4 2024 Robotics & Discrete Automation

### Orders $567 mn



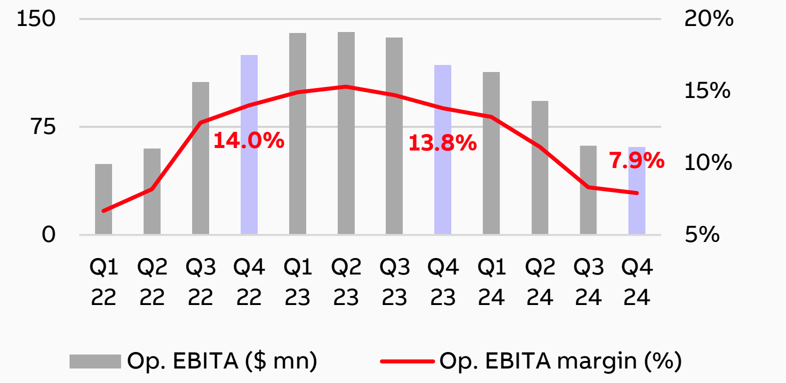

- Orders impacted by re-confirmation of backlog; de-bookings of ~$130 mn; majority in Machine Automation
- Robotics orders up by low double-digits. Auto up despite a challenging underlying market. Up also in F&B and general industry. Down in electronics and metals.
- Machine Automation orders declined due the backlog adjustment; otherwise strong growth from a low base. Market sequentially stable. Still expect machine builders' inventory to stabilize during Q1 or latest during Q2 2025
- Expect orders to slightly increase sequentially in both divisions in the first quarter of 2025, also excl. de-bookings in Q4.
- Backlog $1.4 bn (prior Q-end $1.7 bn)

### Revenues $769 mn




- Robotics revenues grew at a low double-digit rate; more than offset by a sharp volume decline in Machine Automation
- Growth in AMEA led by China was offset by steep declines in Europe; while the Americas were broadly stable
- Book-to-bill 0.74x

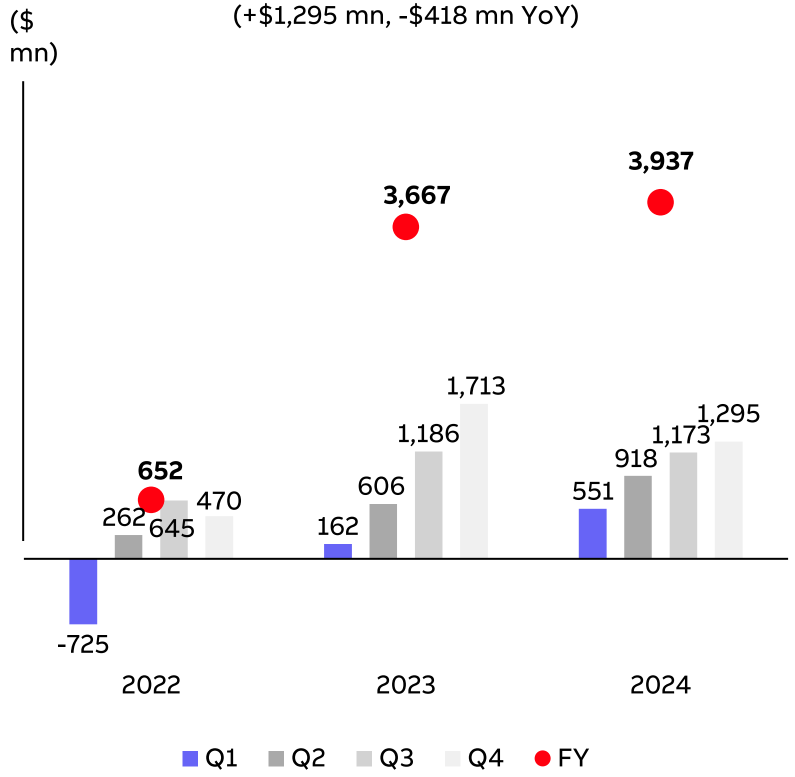
### Operational EBITA $61 mn, -48% YoY




- Margin -590 bps YoY
- Cost saving measures began to show results late in quarter in Machine Automation but did not offset underabsorption from lower production volumes.
- Robotics margin remained in double-digit territory

# Full year Cash flow ambition achieved

**Free cash flow**
(+$1,295 mn, -$418 mn YoY)




1. YoY comparable.

**Free cash flow in Q4 declined year-on-year following very strong cash collection in first 9 months driven by:**

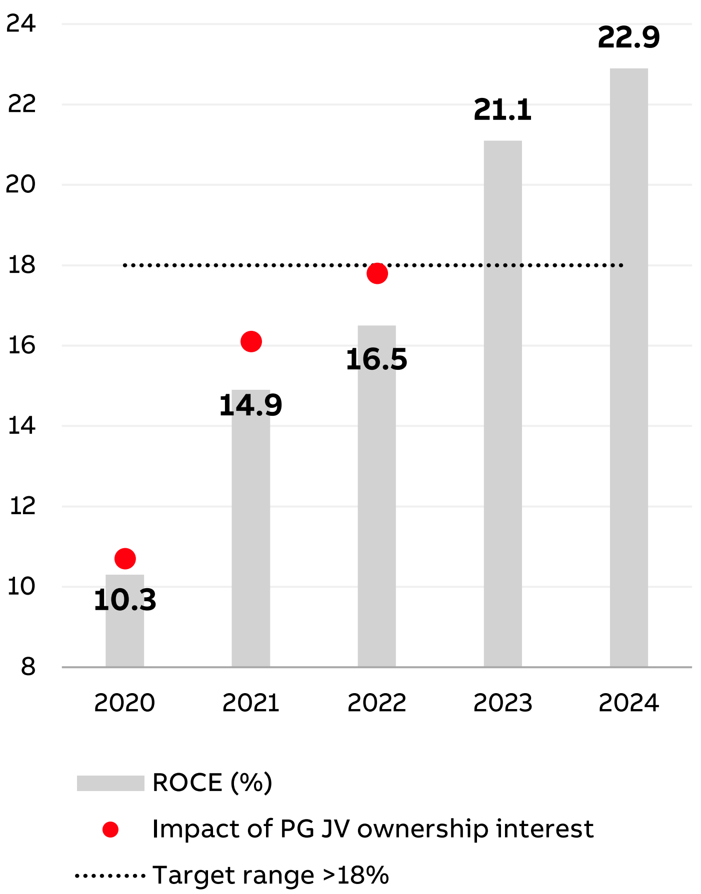
Improved operational performance

Offset by less reduction in NWC this year versus prior year

Increase in CAPEX

**Expect another year of strong cash generation**

# Best-in-class Return on Capital Employed




## Return on Capital Employed (ROCE)

(22.9%, +180 bps YoY)

Strong ROCE improvement in 2024 well above the target range

Improvement driven by higher Operational EBITA compared with last year while the avg. capital employed decreased slightly driven by stringent NWC management

# Reporting changes as from 1Q 2025

Closer alignment with day-to-day operations

Drive operational focus and improvement

Restated and new numbers to be available on ABB IR website during February 2025

01.

**Gross profit definition**

**Gross margin**

02.

**New KPI:**
**Trade Net Working Capital**

03.

**Return on Capital Employed calculation (ROCE)**

# Reporting changes as from 1Q 2025

## 01. Gross profit / Gross margin

**REASON**

- Re-classification of IT costs; moving to cost allocation by nature of IT system vs earlier cost allocation by headcount
- Closer alignment to actual business activity

**IMPACT**

- Certain IT costs reclassified on the income statement, primarily from gross profit to SG&A
- Increase of gross margin by ~100bps

| Restated | 2022 | 2023 | 2024 |
|---|---|---|---|
| Gross profit ($ mn) | 10,102 | 11,665 | 12,790 |
| Gross margin | 34.3% | 36.2% | 38.9% |

| Previously reported | 2022 | 2023 | 2024 |
|---|---|---|---|
| Gross margin | 33.0% | 34.8% | 37.4% |

## 02. New KPI: Trade Net Working Capital (Trade NWC)

**REASON**

- Introducing additional measure with closer links to business activities with the ambition to further drive capital efficiency
- New definition to include only trade receivables, trade payables, inventories, contract balances, accrued liabilities (does not include: prepaids, employee related accruals, non-trade payables, non-trade receivables)
- % of revenues calculation based on 4Q average

**IMPACT**

- Increase of % in relation to revenues compared with former KPI which was based on total Net Working Capital

| New | 2022 | 2023 | 2024 |
|---|---|---|---|
| Trade NWC % of revenues | 14.7% | 16.2% | 14.7% |

## 03. Return on Capital Employed (ROCE)

**REASON**

- Calculation based on 4Q average (from end of year average, based on 2 data points) which will remove impacts from volatility within the year
- Tax rate used in calculation to be aligned with estimated operational level, from earlier historical weighted average
- Group ROCE to be disclosed on a quarterly basis

**IMPACT**

- Reduction of ROCE by ~100bps, but still aligned with the unchanged target of >18%

| Restated | 2022 | 2023 | 2024 |
|---|---|---|---|
| ROCE | 16.1% | 20.0% | 22.4% |

| Previously reported | 2022 | 2023 | 2024 |
|---|---|---|---|
| ROCE | 16.5% | 21.1% | 22.9% |

# Outlook

## Q1 2025

**Revenues**

- Comparable growth in the mid-single digit range

**Operational EBITA %**

- Operational EBITA margin to be broadly stable year-on-year

## FY 2025

**Revenues**

- Comparable growth in the mid-single digit range
- Book-to-bill above 1

**Operational EBITA %**

- Operational EBITA margin to improve year-on-year.

# Q&A

# APPENDIX

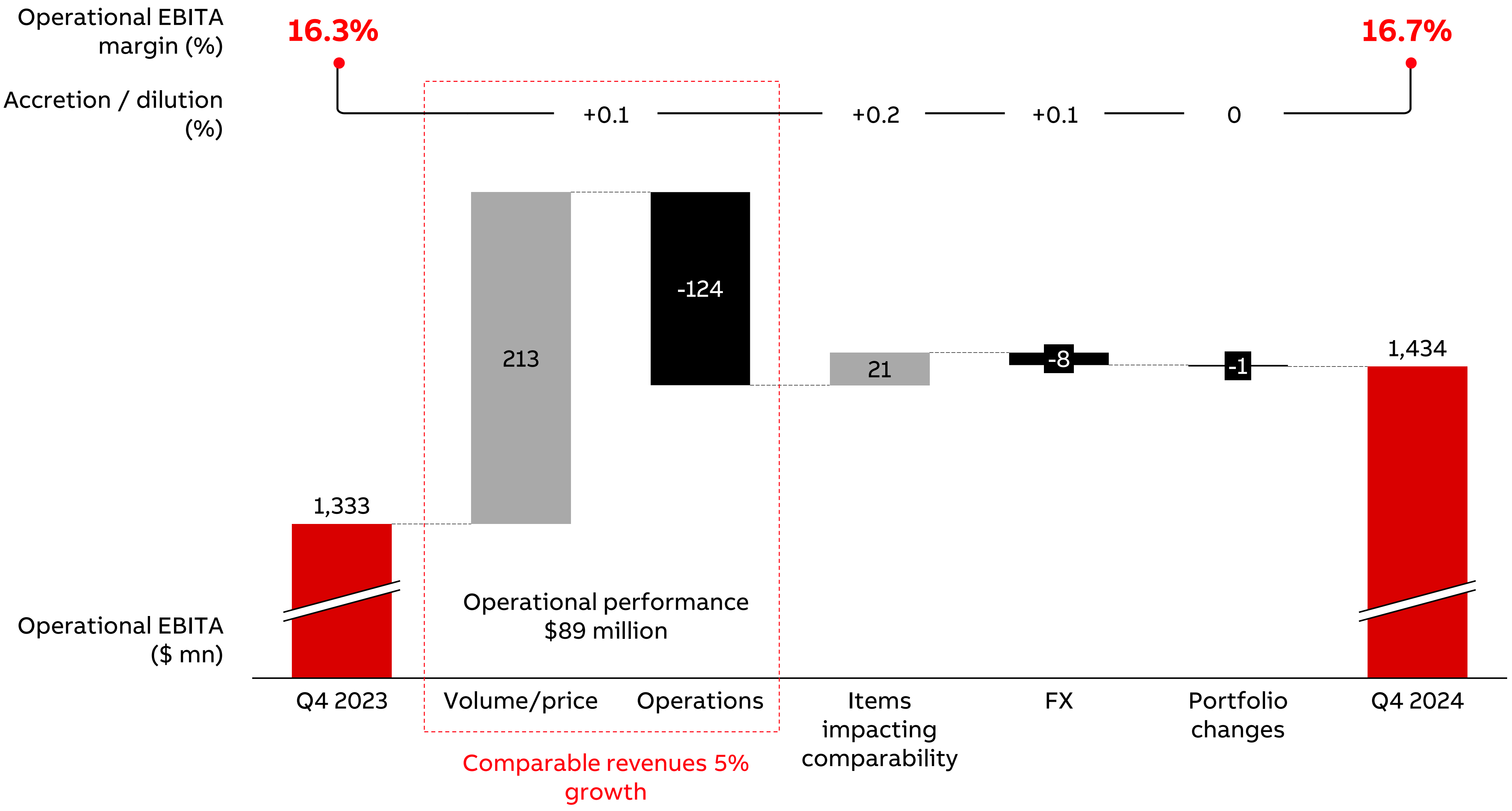
# 2025 framework

| $ mn unless otherwise stated | Q4 24 | Q1 25 framework | 2025[1] framework |
|---|---|---|---|
| **Corporate and Other Operational EBITA[2]** | (59) | ~(75) | ~(300) |
| **Non-operating items:** | | | |
| PPA-related amortization | (46) | ~(45) | ~(180) |
| Restructuring and related[3] | (100) | ~(70) | ~(250) |
| ABB Way transformation | (54) | ~(50) | ~(150) |

| | 2024 | 2025 framework |
|---|---|---|
| **Finance net** | 107 | 40 |
| **Effective tax rate[4]** | 24.4% | ~25% |
| **Capital expenditure** | (845) | ~(900) |

1. Excludes one project estimated to a total of ~$100 million, that is ongoing in the non-core business. Exact exit timing is difficult to assess due to legal proceedings etc.
2. Excludes Operational EBITA from E-mobility business.
3. Includes restructuring and restructuring-related as well as separation & integration costs.
4. Excludes the impact of acquisitions or divestments or any significant non-operational items.

# Operational EBITA bridge




Items impacting comparability: Non-core business. Portfolio changes: SEAM Group acquisition, Födisch Group acquisition, Niedax JV and Incharge divestment

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