

ZÜRICH, SWITZERLAND | JULY 20, 2023 | BJÖRN ROSENGREN, CEO; TIMO IHAMUOTILA, CFO

## **Q2 2023 results**

Comparable order growth from a high base and record-high Operational EBITA margin



# 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 US 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.**

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 the “Financial Information” booklet found under “Q2 2023” on our website at [global.abb/group/en/investors/quarterly-results](https://global.abb/group/en/investors/quarterly-results).

# Q2 2023 highlights



01.

**Order growth from a high base and record-high Operational EBITA margin**

Orders +2%<sup>1</sup> from last year's already high level

Revenues +17%<sup>1</sup> supported by backlog execution, book-to-bill 1.06

Record high Operational EBITA margin 17.5%, +200 bps YoY

Cash flow from operating activities +\$760 mn, +\$378 mn YoY

02.

**Completed acquisition of Siemens low voltage NEMA motors business**

**Acquisition of Eve Systems** which strengthens smart home technology portfolio

**Completed sale of the Power Conversion division** which marked the completion of our planned divisional exits

03.

Unveiled **ABB Dynafin™** revolutionary propulsion technology to significantly increase ship efficiency

**Collaboration** with Lhyfe and Skyborn on one of **Europe's largest renewable hydrogen projects**

1. YoY comparable.

# Positive momentum in medium voltage offering

## Q2 2023 results

**Notable orders developments** (comparable % YoY, unless otherwise indicated)



### Short-cycle

Slight softening in short-cycle orders from last year's high level



### Services

Orders +7%<sup>1</sup> and revenues +19%<sup>1</sup>



### Discrete

Automotive stable while the general industry and consumer-related robotics segments declined



### Process

Strong across the board; particular strength in oil & gas; refining, power generation, pulp & paper holding up well too

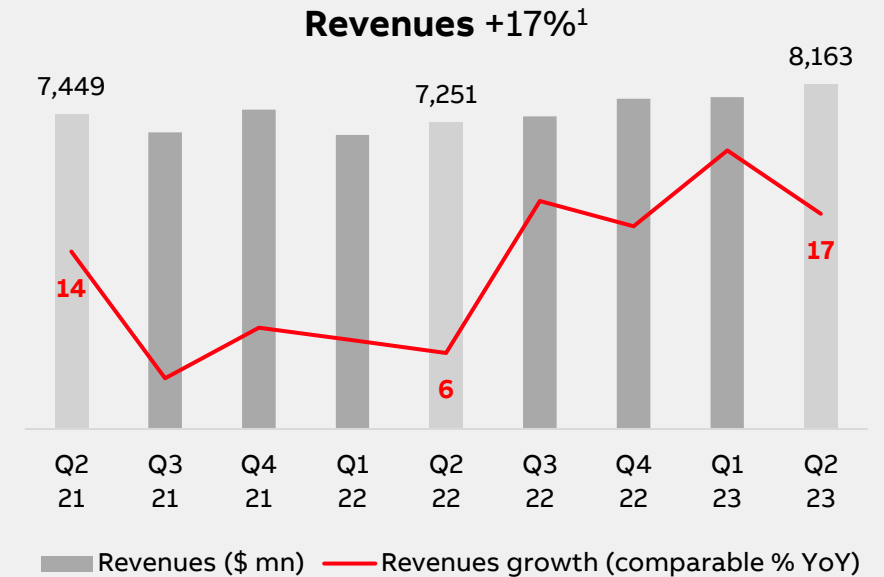
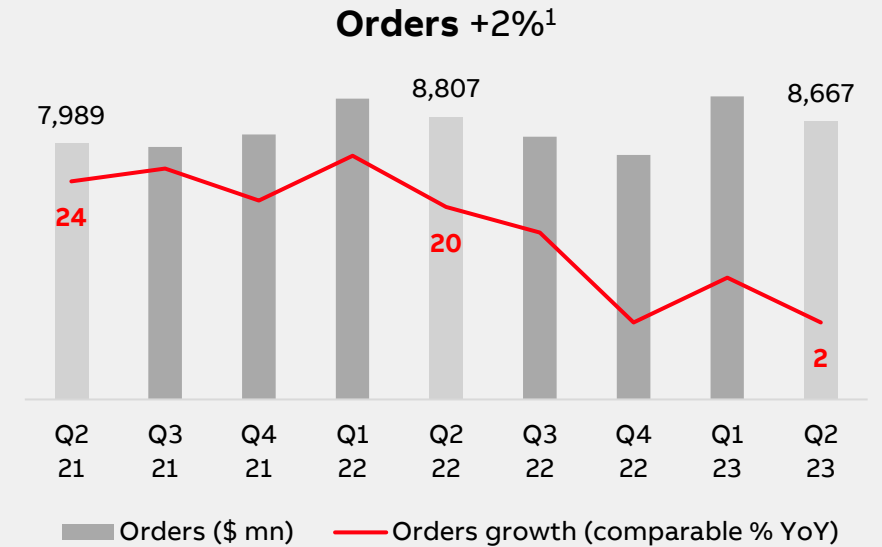


### Transport & infrastructure

Positive in marine & ports and renewables; residential buildings weak; commercial construction stable in US with weakness in China and Germany



**Order backlog grew +14%<sup>1</sup> to \$21.9 bn**



**Book-to-bill 1.06**



# The Americas and Europe supportive; AMEA subdued

## Q2 2023 regional, country orders

**The Americas** **+6%**

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**USA** **+4%**  
Strong growth in EL and PA; decline in MO; very strong decline in RA

**Canada** **+15%**

**Mexico** **+32%**

**Europe** **+1%**

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**Germany** **-2%**  
Steep growth in MO; steep decline in EL, PA and RA

**Italy** **-3%**

**Norway** **+46%**

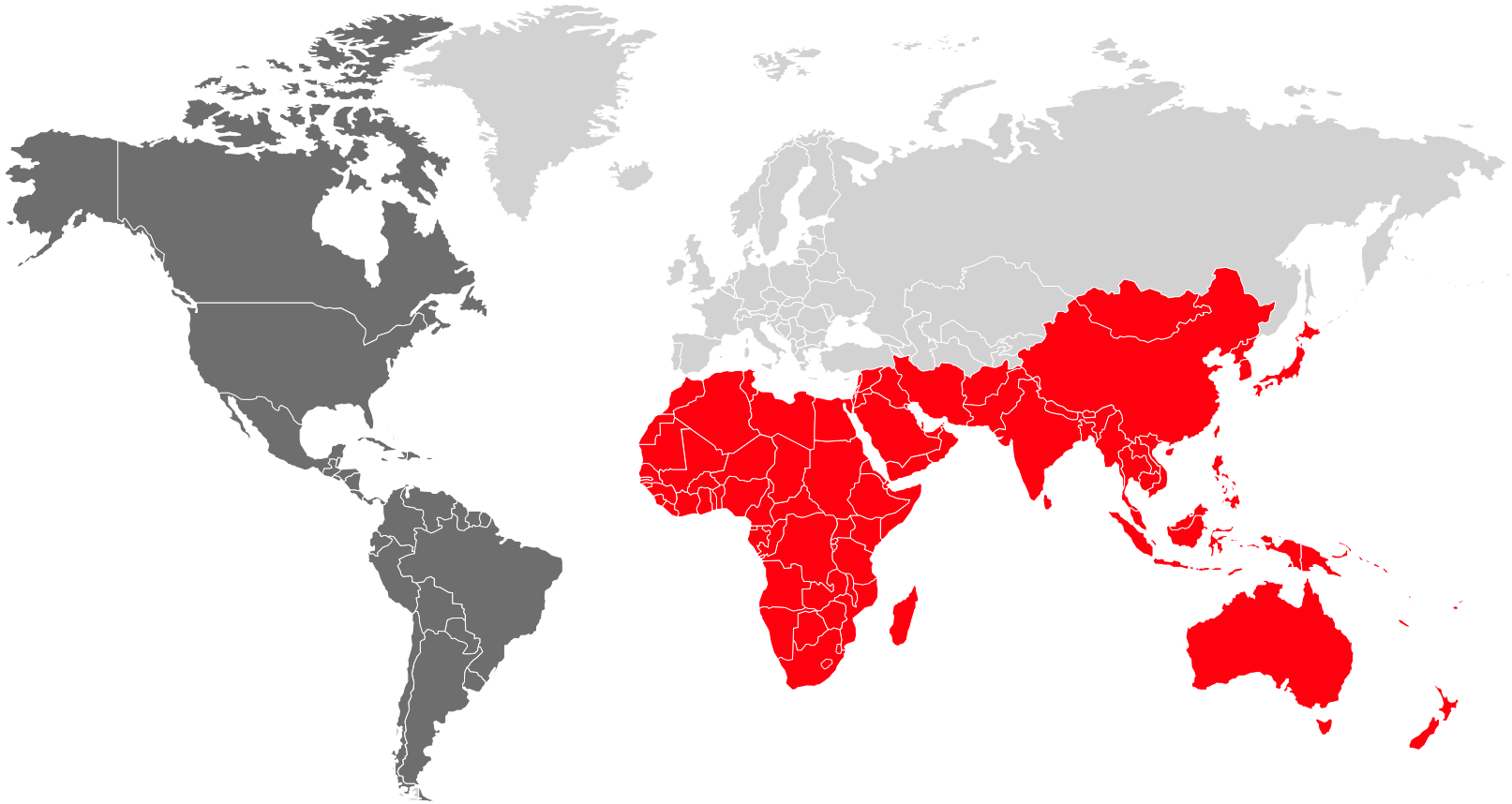
**AMEA** **-1%**

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**China** **-9%**  
Very strong growth in PA; decline in EL and MO; steep decline in RA

**India** **+7%**

**Australia** **-2%**



# Record-high profitability driven by price and volume

## Profitability drivers



### Gross Profit

+28%<sup>1</sup>

Gross profit as a % of revenues increased from 31.6% to 35.4%; expansion in all business areas driven by strong pricing and higher volumes improving cost absorption



### SG&A expenses

+6%<sup>1</sup>

SG&A expense as a % of revenues declined from 18.2% to 17.0%; declines in all business areas



### Corporate and Other Operational EBITA

-\$143 mn, -\$124 mn YoY

of which Corporate costs and Other -\$76 mn and E-mobility -\$67 mn

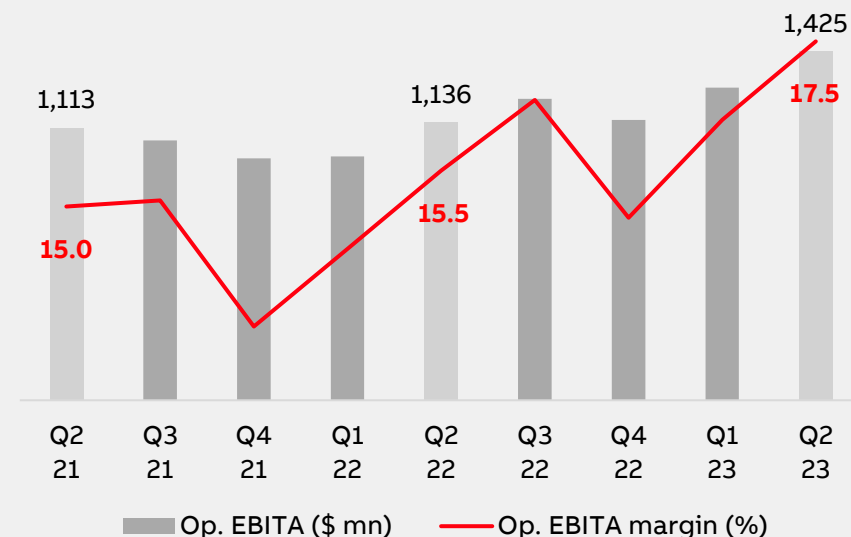
**Basic EPS**

**\$0.49**  
**+\$0.29 YoY**

**Cash flow** from  
operating activities

**+\$760 mn**  
**+\$378 mn YoY**

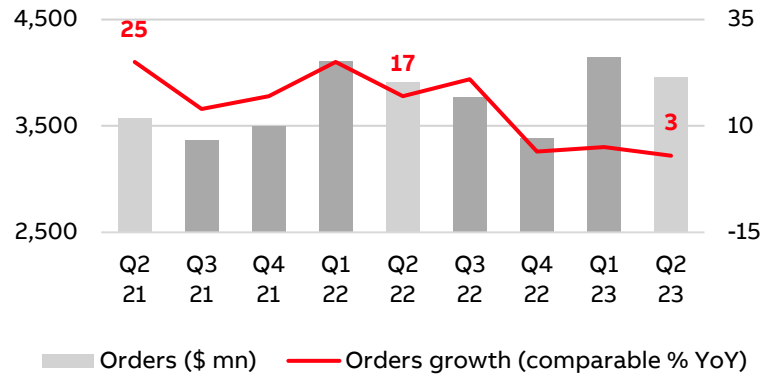
## Operational EBITA +25%



## Operational EBITA margin +200 bps

# Hitting record-high profitability – volume, price and self-help

## Q2 2023 Electrification

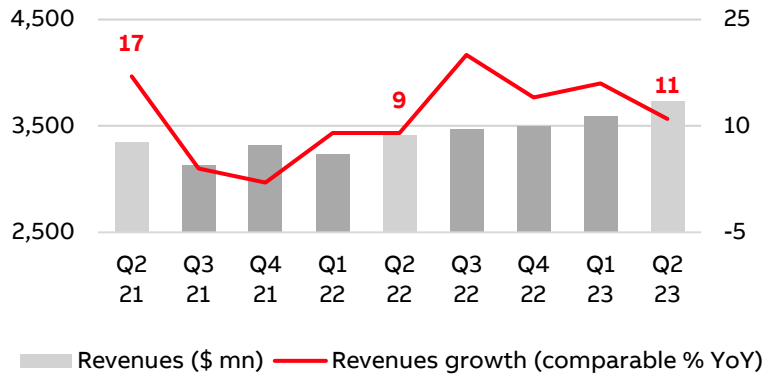


### Orders \$3,960 mn

Comparable growth from high base as demand remains firm in most segments; strength in data centers and oil & gas noted

Weakness in residential construction; commercial construction stable in US, some weakness noted in China and Germany

Backlog \$7.3 bn (prior Q-end \$7.1 bn)

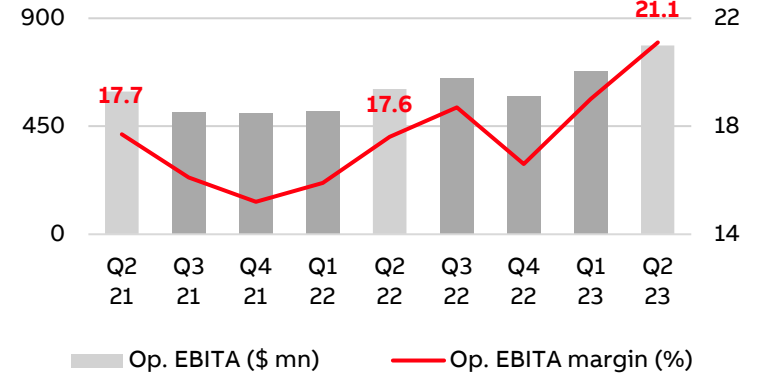


### Revenues \$3,735 mn

All divisions grew double digit except those with residential construction exposure

Growth driven equally by both pricing and volume, supported by solid execution of order backlog

Book-to-bill 1.06x



### Operational EBITA \$787 mn, +30% YoY

Margin +350 bps YoY to all-time-high

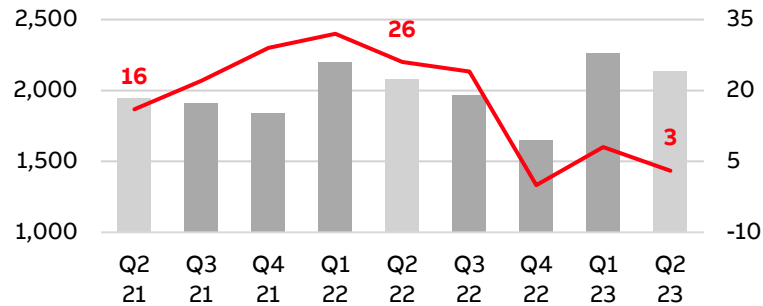
Margin improvement driven by operational leverage and strong pricing activities

Distribution Solutions reaping rewards of the structural profitability efforts and backlog execution

Margin improvement in all divisions except Smart Buildings which was hampered by weakness in residential construction

# Excellent backlog execution in Q2 and strong order momentum in medium voltage

## Q2 2023 Motion



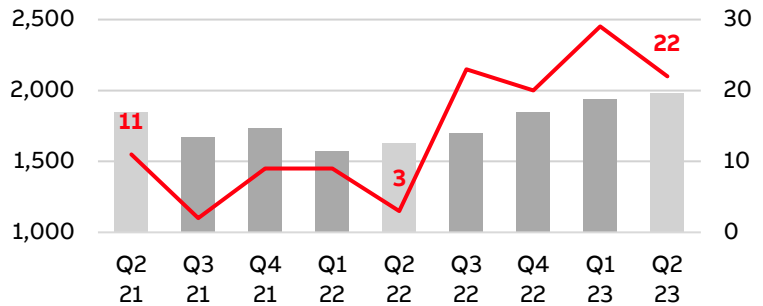
Orders (\$ mn) Orders growth (comparable % YoY)

### Orders \$2,137 mn

Strong momentum in the systems-related offering led to steep growth in the System Drives, Large Motors and Generators and Service divisions, offsetting some softness in the more short-cycle businesses

Comparable growth in all regions

Backlog \$5.3 bn (prior Q-end \$5.1 bn)



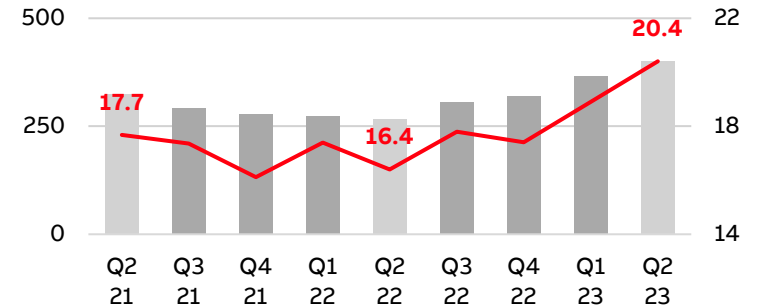
Revenues (\$ mn) Revenues growth (comparable % YoY)

### Revenues \$1,981 mn

High double-digit growth recorded in most divisions

Continued support from increased volumes and pricing; strong backlog execution

Book-to-bill 1.08x



Op. EBITA (\$ mn) Op. EBITA margin (%)

### Operational EBITA \$401 mn, +51% YoY

Margin +400 bps YoY passing the 20% threshold for the first time

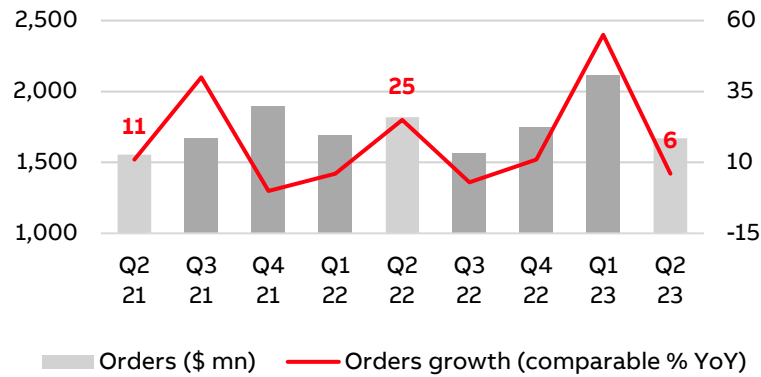
Margin increase primarily driven by earlier implemented price increases and efficient execution of increased volumes

Some support from positive mix due to strong growth in the drives business and self help in the Large Motors and Generators division



# Operational improvements offsetting portfolio changes for a +15% margin

## Q2 2023 Process Automation

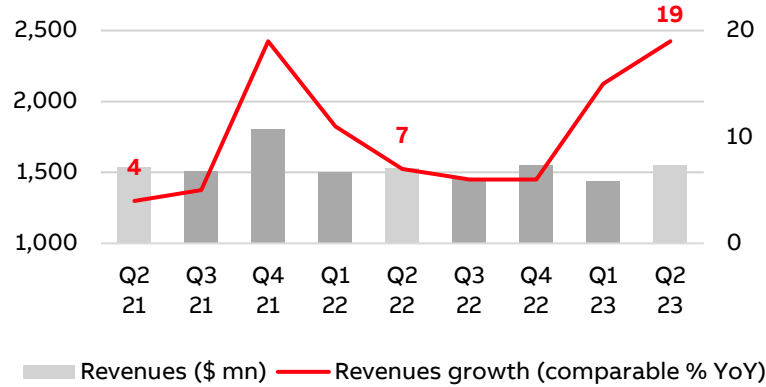


### Orders \$1,669 mn

Continued strength across all segments, with pipeline remaining robust despite timing of larger orders impacting growth rates in Q2

Positive order growth in 3 out of 4 divisions; growth in Europe and Asia, Middle East and Africa, while the Americas was stable despite growth in the US

Backlog \$6.8 bn (prior Q-end \$6.9 bn)



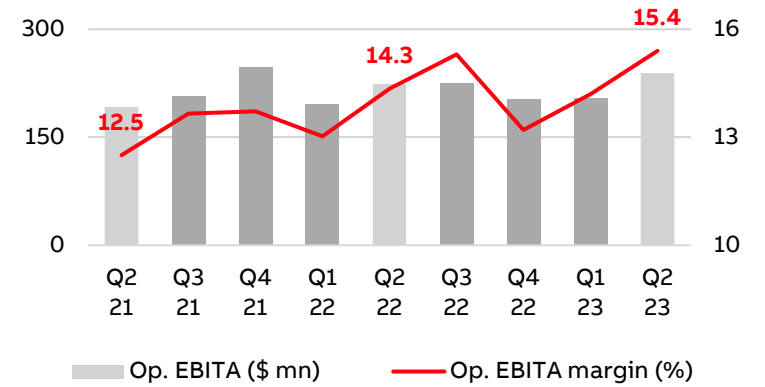
### Revenues \$1,553 mn

Strong growth driven by order backlog execution and normalized semiconductor availability

All divisions contributing to revenue growth

Absolute numbers impacted by Accelleron spin-off

Book-to-bill 1.07x



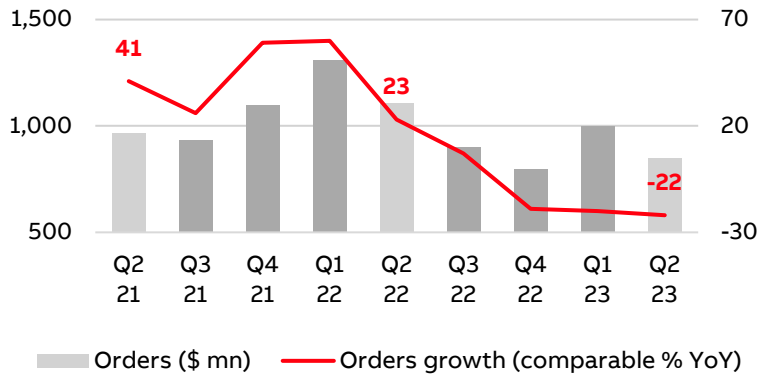
### Operational EBITA \$239 mn, +7% YoY

Margin +110 bps YoY; more than offsetting the adverse margin impact of ~190 bps related to the exit of the high-margin Accelleron business

Underlying profitability improvement driven by volume and better project execution; continued gross margin improvement and underlying turnaround in the Measurement & Analytics division

# Reaching +15% margin through continued strong execution and price

## Q2 2023 Robotics & Discrete Automation

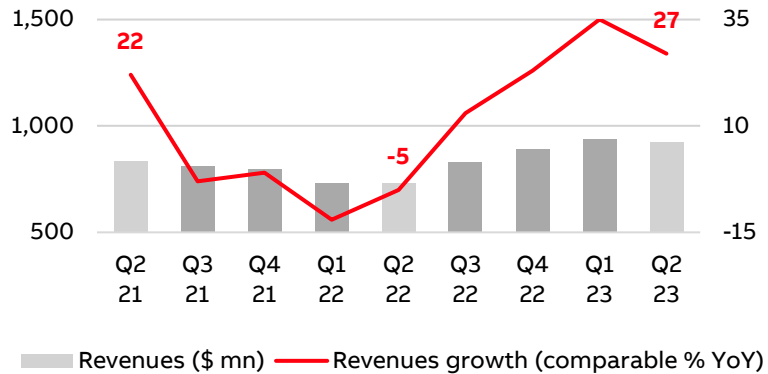


### Orders \$850 mn

Impacted by the normalization of order patterns on the back of shortened lead times, along with the continuation of inventory adjustments from non-auto customers, particularly in China

Growth in the Americas was more than offset by steep order declines in Europe and Asia, Middle East and Africa

Backlog \$2.7 bn (prior Q-end \$2.8 bn)



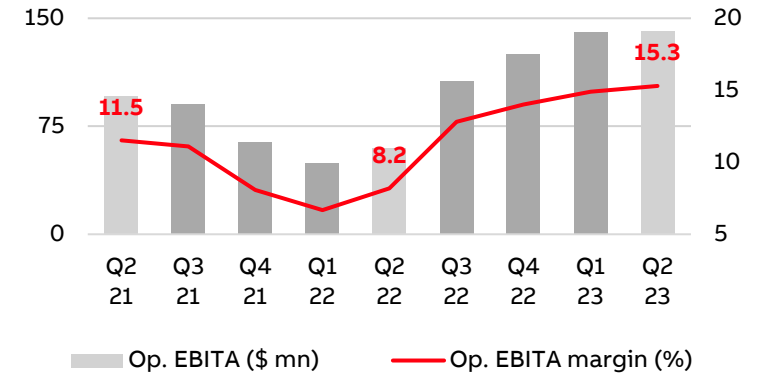
### Revenues \$922 mn

Execution of the high order backlog triggered strong growth

Material price increases from prior year coming through

Double-digit growth in both divisions and up in all regions

Book-to-bill 0.92x



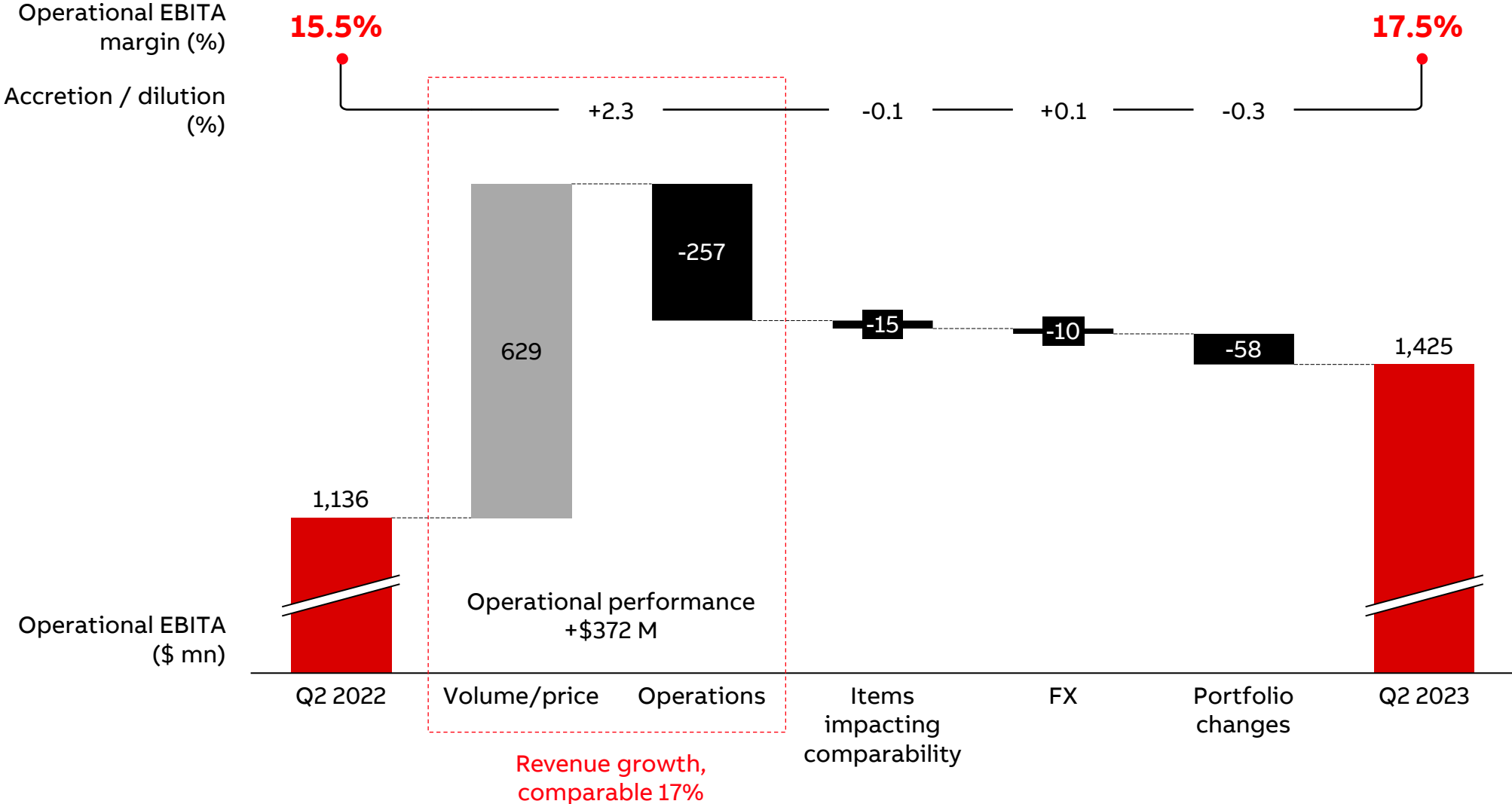
### Operational EBITA \$141 mn, +135% YoY

Margin +710 bps YoY from last year's low level

Improved cost absorption due to significantly increased volumes

Strong contribution from positive mix in revenues and earlier implemented price actions more than offsetting inflation

# Operational EBITA bridge



# Cash generation analysis

## Q2 2023 cash flow drivers

### Cash flow from operating activities

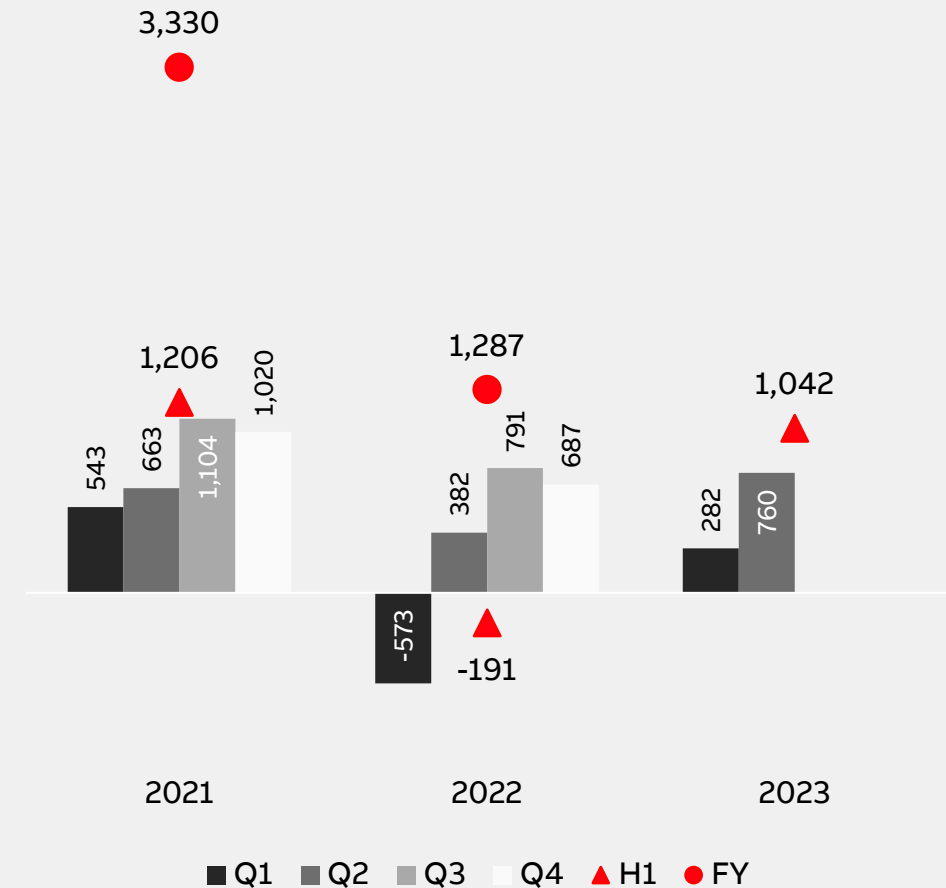
(+\$760 mn, +\$378 mn YoY)

- Positive cash flow in all business areas
- Better operational performance
- Lower build-up in net working capital YoY

Good cash delivery expected for 2023

### Cash flow from operating activities +\$760 mn

(\$ mn)





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# Outlook

## Q3 2023

### Revenues

Low double-digit  
comparable revenue  
growth

### Operational EBITA %

Margin slightly up from  
16.6%

## FY 2023

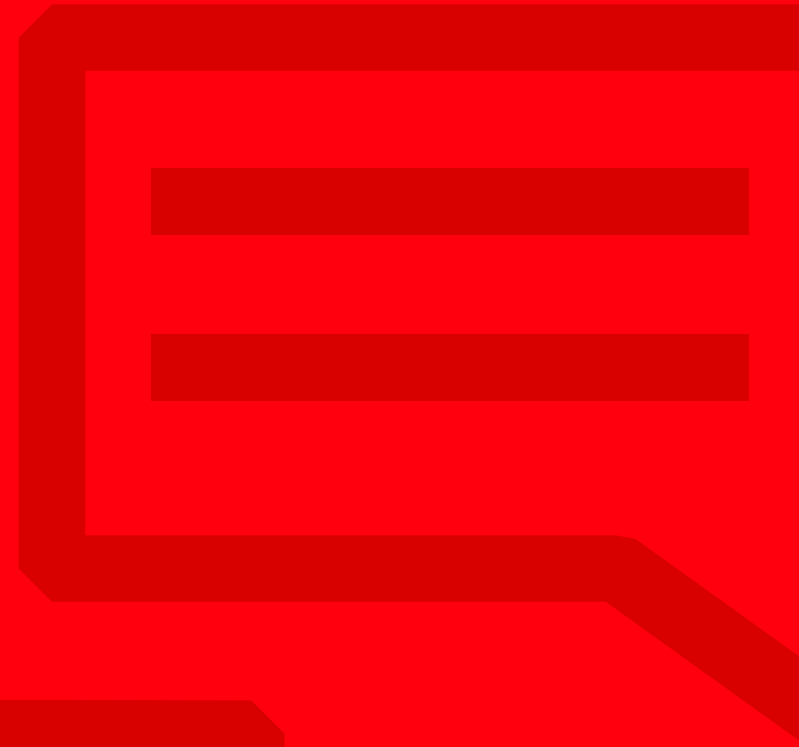
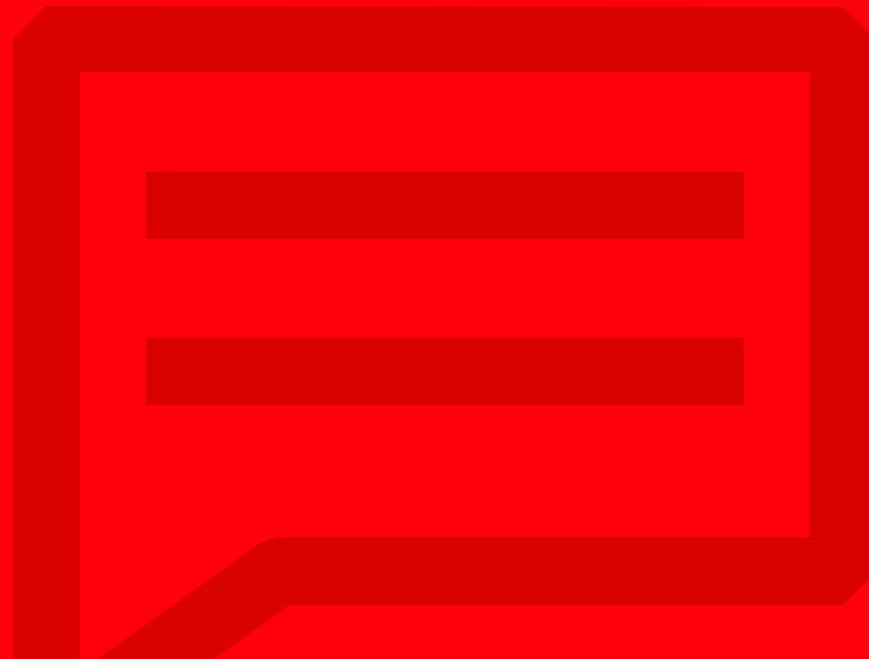
### Revenues

Comparable revenue  
growth to be at least 10%,  
despite current market  
uncertainty

### Operational EBITA %

Margin above 16%

# Q&A





# Appendix



# 2023 framework

\$ mn unless otherwise stated	Q2 23	Q3 23 framework	2023 <sup>1</sup> framework
<b>Corporate and Other Operational EBITA<sup>2</sup></b>	(76)	~(75)	~(300)
<b>Non-operating items:</b>			
PPA-related amortization	(55)	~(55)	~(220)
Restructuring and related <sup>3</sup>	(40)	~(40)	~(150)
ABB Way transformation	(42)	~(50)	~(180)

	H1 2023	2023 framework
<b>Net finance expenses</b>	(46)	↓~(130) from ~(150)
<b>Effective tax rate</b>	19%	~21% <sup>4</sup>
<b>Capital expenditure</b>	(331)	~(800)

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 costs.

4. Includes net positive tax impact of \$206 million linked to a favorable resolution of certain prior year tax matters in Q1 2023 but excludes the impact of acquisitions or divestments or any significant non-operational items.

↑↓ Revised guidance



**ABB**