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ZURICH, SWITZERLAND | OCTOBER 20, 2022 | BJÖRN ROSENGREN, CEO; TIMO IHAMUOTILA, CFO

## **Q3 2022 results**

Strong order growth, high revenues and  
historically 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 “Q3 2022” on our website at [global.abb/group/en/investors/quarterly-results](https://global.abb/group/en/investors/quarterly-results).



# Q3 2022 highlights

## 01.

**Strong order growth +16%**<sup>1</sup>, 7<sup>th</sup> consecutive quarter with book-to-bill >1

**Revenue growth +18%**<sup>1</sup>, driven both by volume and price

**Historically high Op. EBITA margin of 16.6%**, +150 bps, with improvements noted in all business areas

1. YoY comparable.

## 02.

Completed **Accelleron spin-off** on October 3

Agreement to **divest** remaining 19.9% stake in **Hitachi Energy**

Provision taken for **legacy Kusile project** awarded in 2015, settlement expected in the near term

Remain **committed to list E-mobility**, but no longer expect it to happen this year

## 03.

Agreement to purchase **Siemens' low voltage NEMA motor business**

Announcement to acquire the **PowerTech Converter business**

Acquisition of **ASKI Energy**

# Continued strong momentum

## Q3 2022 results

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



### Short-cycle

Very strong growth across all business areas



### Services

Orders +13%<sup>1</sup> and revenues +7%<sup>1</sup>, both up in all business areas



### Discrete

Strong development in food & beverage; normalizing order patterns in general industries and automotive



### Process

Improvement in gas; power gen, pulp & paper broadly stable; initial signs of headwinds in metals

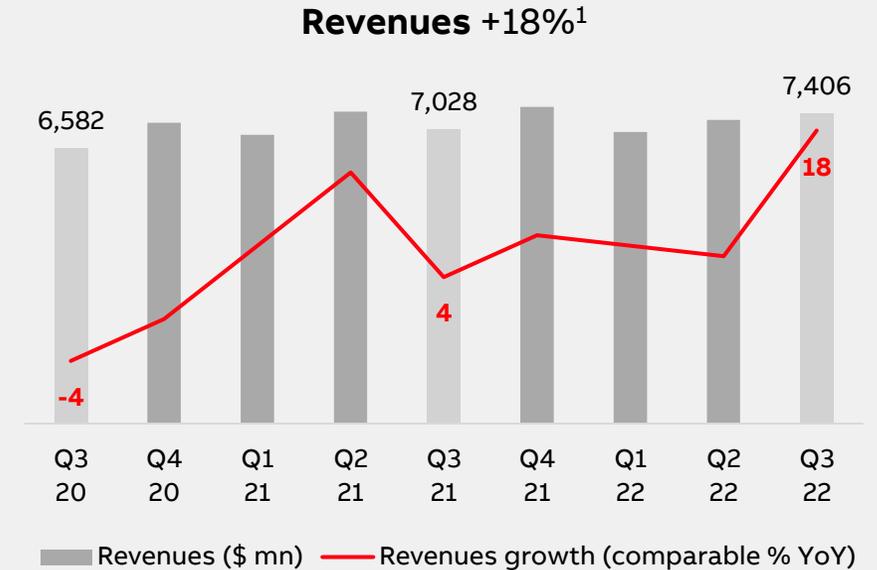


### Transport & infrastructure

Strong in renewables; positive development in buildings; timing of order placement impacting marine growth, while pipeline remains strong



**Very high order backlog of \$19.4 bn, +35%<sup>1</sup>**



**Book-to-bill 1.11**

# Strong demand in the Americas and Europe

## Q3 2022 regional, country orders

### Americas +25%

#### USA +29%

Steep growth in EL and MO; very strong growth in PA and RA

#### Canada +7%

#### Mexico +8%

### Europe +20%

#### Germany +8%

Steep growth in MO, PA and RA; very strong decline in EL

#### Italy +26%

#### Switzerland +156%

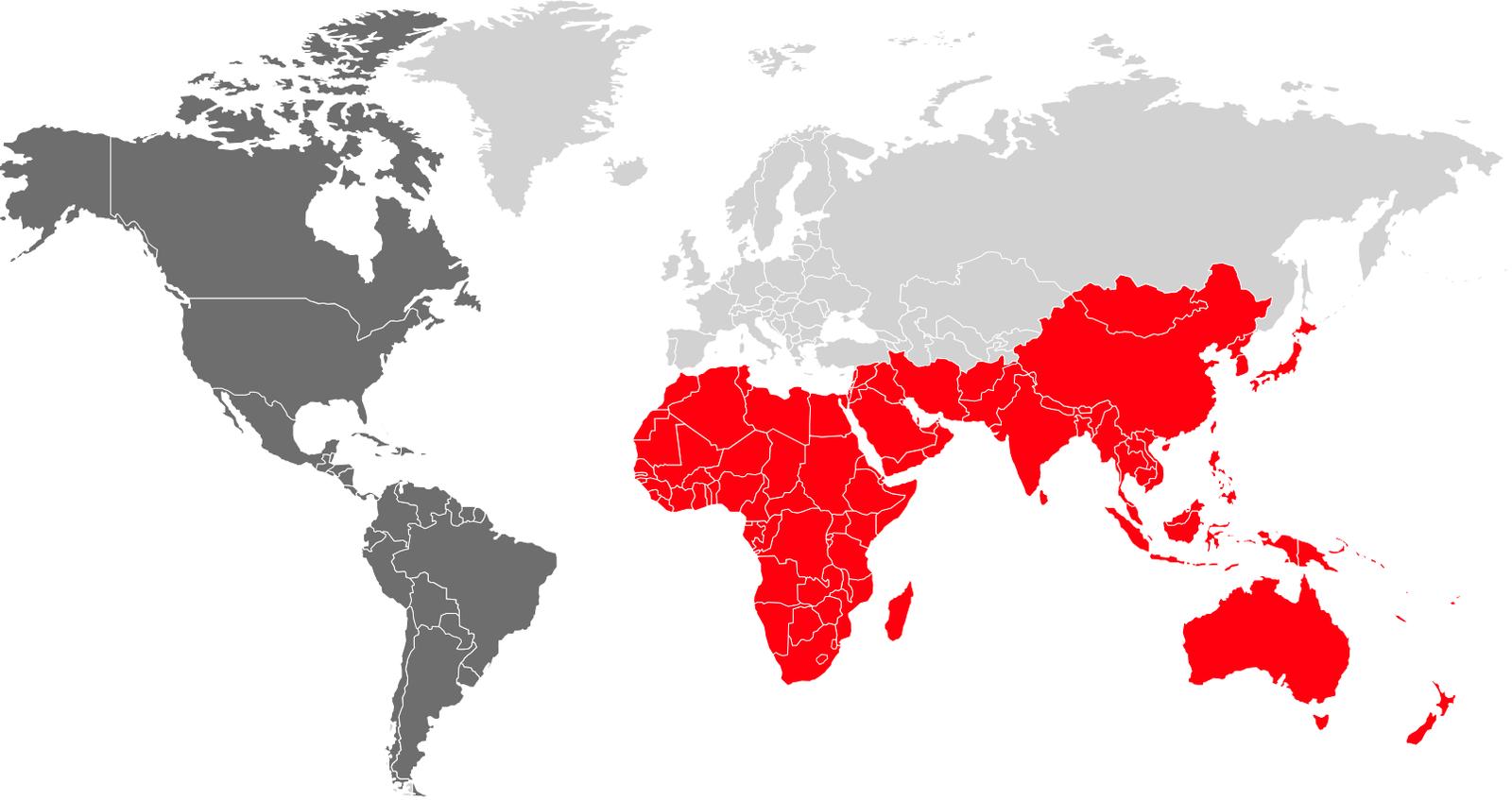
### AMEA +4%

#### China -2%

Very strong growth in MO; decline in EL and RA; very strong decline in PA

#### India +44%

#### Australia -57%



# Q3 profitability positively impacted by volumes and pricing

## Profitability drivers



### Gross Profit

+19%<sup>1</sup>

Gross profit as a % of revenues increased from 32.6% to 33.5%; increases in all business areas except for a small decline in RA



### SG&A expenses

+13%<sup>1</sup>

SG&A expense as a % of revenues declined from 17.5% to 17.2%



### Corporate and Other Operational EBITA

-\$52 mn, -\$15 mn YoY

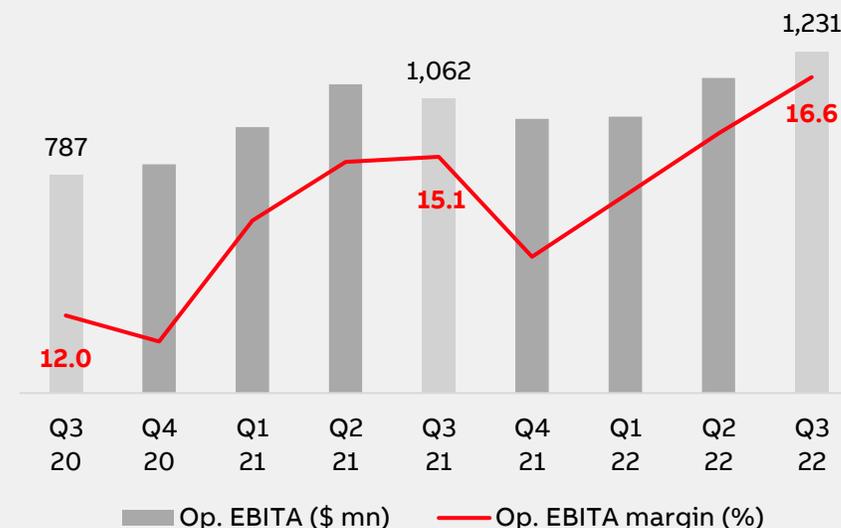
**Basic  
EPS**

**\$0.19**  
**-\$0.14 YoY**

**Cash flow** | from operating  
activities in continuing operations

**+\$793 mn**  
**-\$326 mn YoY**

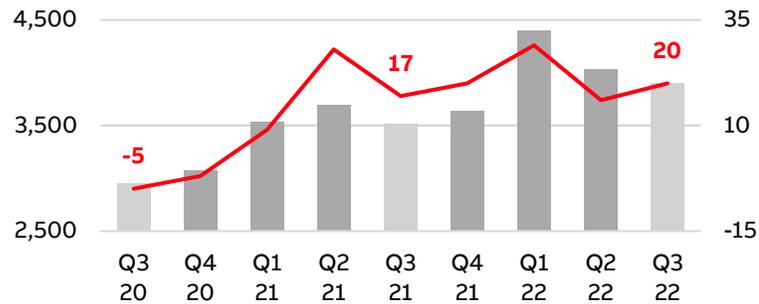
## Operational EBITA +16%



## Operational EBITA margin +150 bps

# Strong price execution and operating leverage

## Q3 2022 Electrification



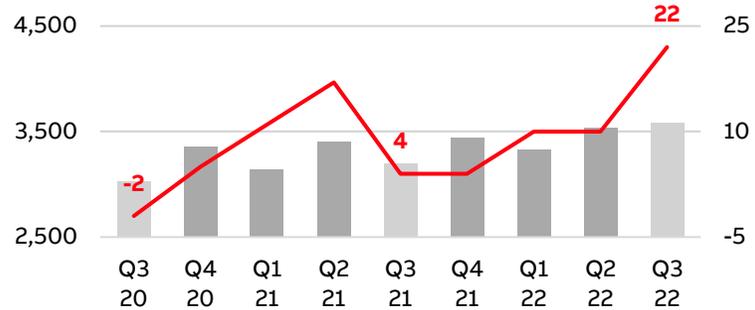
Orders (\$ mn) Orders growth (comparable % YoY)

### Orders \$3,902 mn

Strong customer activity across most segments

Strong growth in all regions; most pronounced in the Americas; softness noted in China; normalization of distributors' inventory levels in Germany noted, seemingly completed by quarter end

Backlog \$6.8 bn (prior Q-end \$6.7 bn)



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

### Revenues \$3,584 mn

Revenue growth driven by strong volume and continued pricing execution

Easing of supply chain disruptions drives volume recovery, including in the Distributions Solutions division

Book-to-bill 1.09x



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

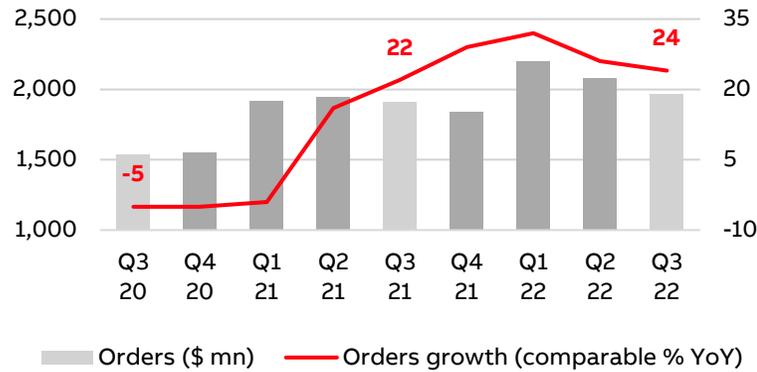
### Operational EBITA \$647 mn, +27% YoY

Margin +210 bps YoY to highest level in recent history; incl. approximately +50 bps impact from an insurance recovery payment

Margin improvement primarily driven by volume and price more than offsetting cost inflation

# Continued strong execution

## Q3 2022 Motion

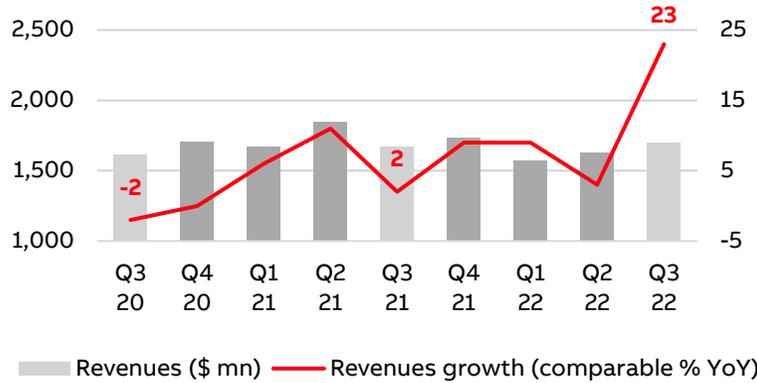


### Orders \$1,966 mn

Strong order growth driven by virtually all divisions and most customer segments

Demand increased in all regions with strong growth in Europe supported by \$170 mn in orders<sup>1</sup> to enhance Europe's railway network

Backlog \$4.6 bn (prior Q-end \$4.6 bn)

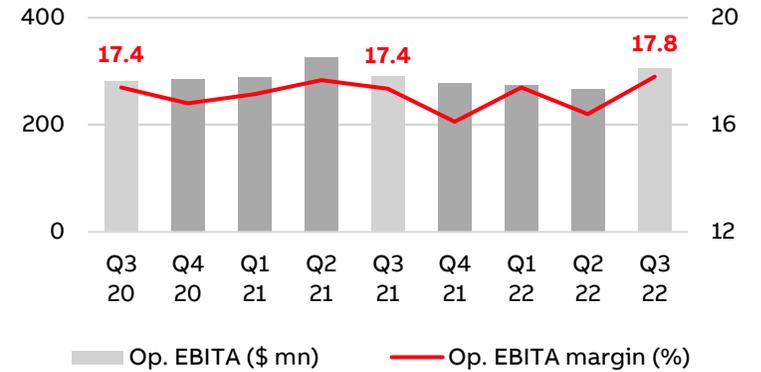


### Revenues \$1,702 mn

Strong volume recovery and continued pricing execution drive revenue growth

Sequential improvement in customer deliveries in China as Covid-related business disruptions eased

Book-to-bill 1.16x



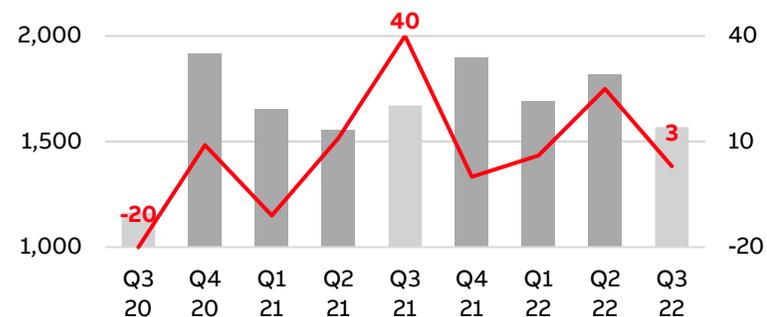
### Operational EBITA \$305 mn, +5% YoY

Margin +40 bps YoY to highest level in recent history; incl. approximately -60 bps impact from Dodge divestment

Margin increase primarily driven by volumes and strong price execution offsetting negative impact from higher input costs

# Systematically improving profitability

## Q3 2022 Process Automation



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

### Orders \$1,568 mn

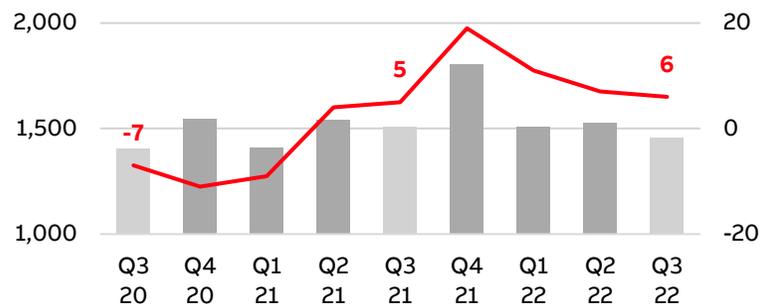
Order intake impacted by timing issues; pipeline remains strong

Strong momentum in gas, mining and refining; some signs of headwinds in metals due to high energy costs

Continued momentum in Europe and the Americas; China lower due to strong prior year base

Backlog \$6.0 bn (prior Q-end \$6.2 bn)

Slide 9



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

### Revenues \$1,458 mn

All divisions contributing to revenue growth

Sequential easing of component shortages; some impact expected to continue next quarter

Book-to-bill 1.08x



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

### Operational EBITA \$225 mn, +9% YoY

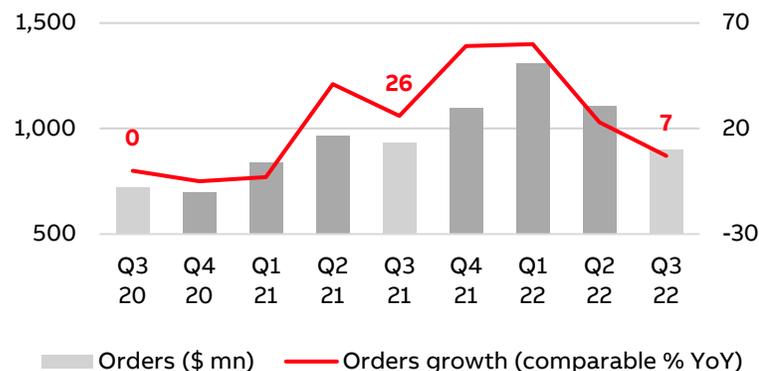
Margin +160 bps YoY to highest level in recent history

All divisions with double-digit margins and contributing to margin expansion

Profitability improvement driven by volume, mix and efficiency measures

# Strong sequential performance improvement

## Q3 2022 Robotics & Discrete Automation

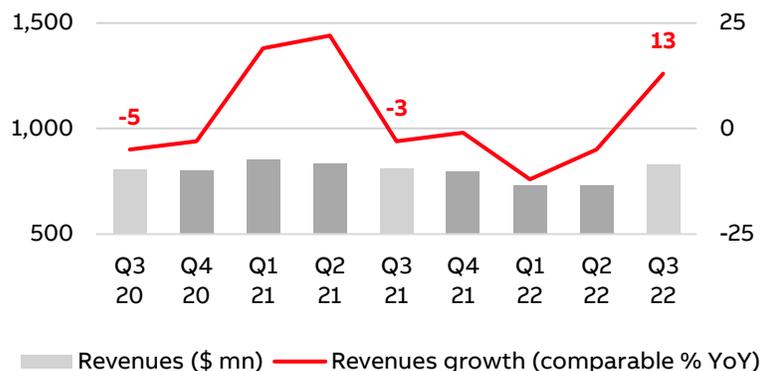


### Orders \$901 mn

High customer activity with normalizing order patterns on the back of anticipated shorter delivery lead times

Some signs of customers taking slightly longer to place orders due to increased uncertainties, but opportunity pipeline continues to be strong into next year

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

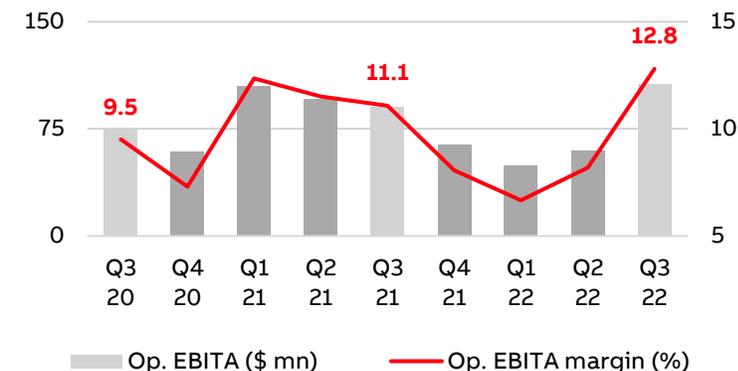


### Revenues \$828 mn

Revenue growth driven by both volume and price

General supply chain constraints eased sequentially, but not normalized yet

Book-to-bill 1.09x



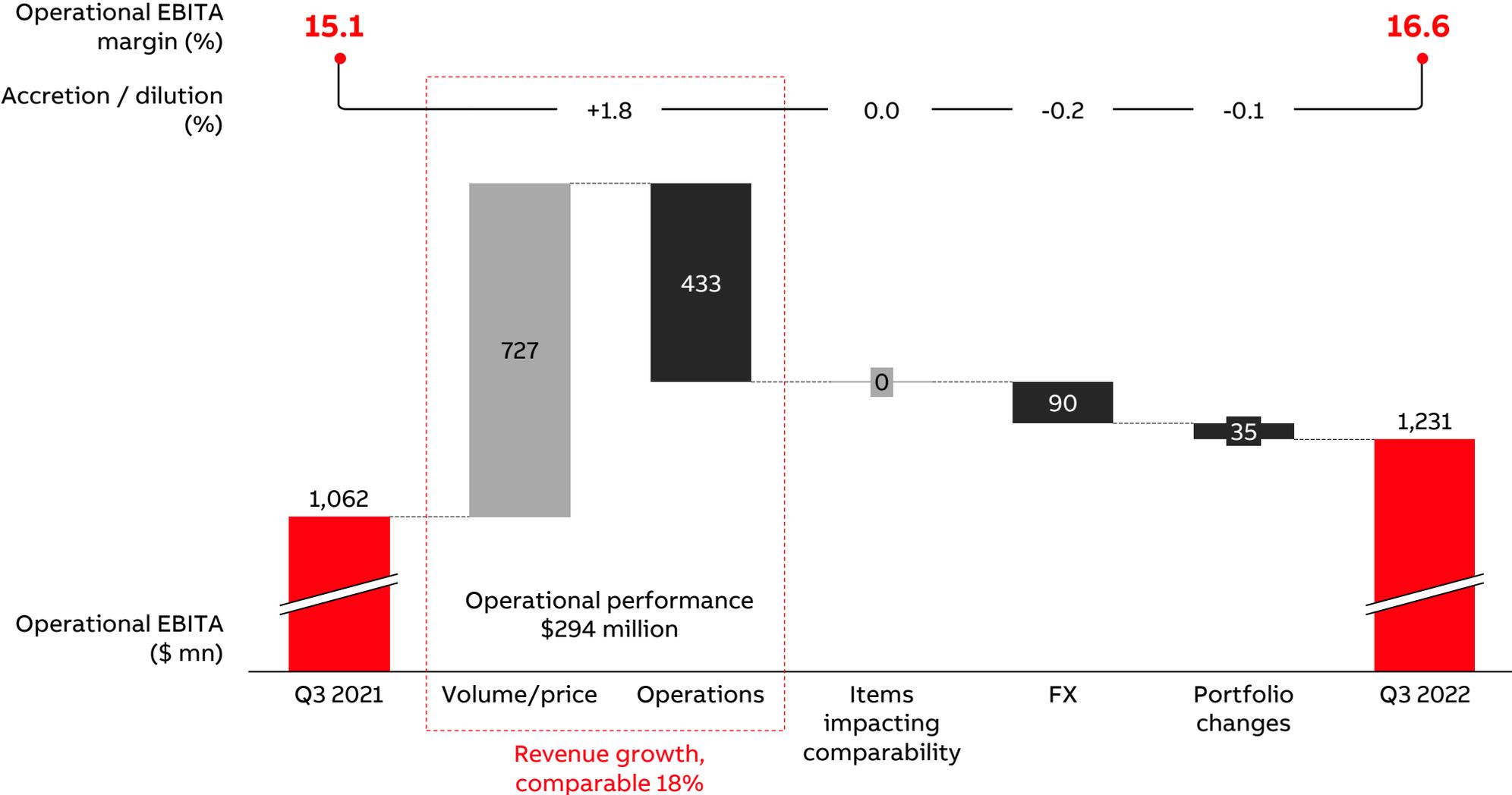
### Operational EBITA \$106 mn, +18% YoY

Margin +170 bps YoY

Both divisions with double-digit margins

Improving volumes drive margin expansion; additional support from better pricing execution starting to come through

# Operational EBITA bridge



# Cash generation analysis

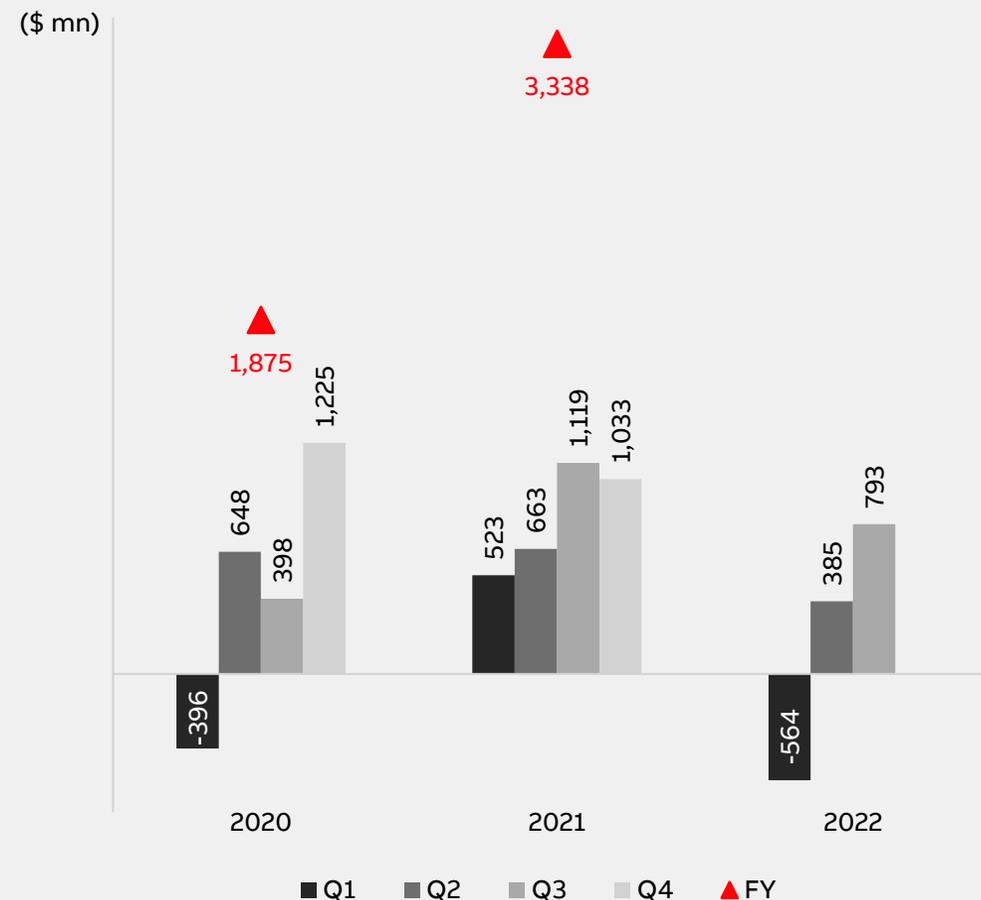
## Q3 2022 cash flow drivers

**Cash flow from operating activities<sup>1</sup>** (+\$793 mn, -\$326 mn YoY)

- Better operational performance
- More-than-offset by higher trade working capital, mainly driven by build-up of inventories to support future deliveries on the high order intake as well as less favorable change in trade receivables YoY
- Additional negative impact of ~\$125 mn due to earlier announced exit of non-core full train retrofit business

**Q4 expected to be the strongest cash flow quarter in 2022**

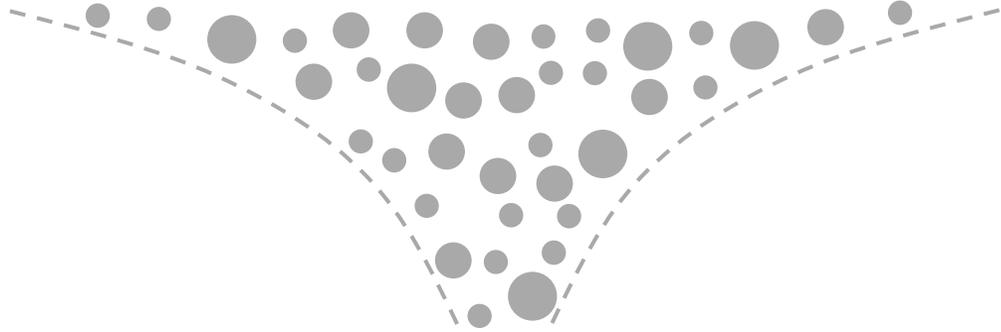
**Cash flow from operating activities<sup>1</sup>**  
+\$793 mn



# Divisions accountable to drive acquisition strategy

Pace accelerating in 2022

PRODUCT WHITESPACE	NEW SEGMENTS	MARKET ACCESS	ECONOMIES OF SCALE
Filling a technology gap	Complement offering for high growth segments	New geographic market opportunities	Market consolidation



ambition is a run-rate of **≥5 small to mid-size bolt-ons per year**

**January** **March** **April**

**InCharge Energy** **Zaphiro** **ChargeLab** **Cassia Networks**  
 EL E-mobility EL Distribution EL E-mobility MO Service  
 Revenues<sup>1</sup>: ~\$16 mn Solutions

**May** **June** **July**

**Morrow Batteries** **YKC Charging** **Mavenoid** **Numocity**  
 MO Traction EL E-mobility EL Smart Buildings EL E-mobility  
 Revenues<sup>1</sup>: <\$1 mn

**August** **September**

**Siemens LV NEMA motor business<sup>2</sup>** **Hydrogen Optimized** **PowerTech Converter<sup>3</sup>** **Samotics**  
 MO NEMA motors PA Process MO Traction MO Service  
 Revenues<sup>1</sup>: ~\$63 mn Industries Revenues<sup>1</sup>: ~€60 mn

**October**

**ASKI Energy** **Scalable Robotics**  
 EL Smart Power RA Robotics  
 Revenues<sup>1</sup>: ~\$2 mn

● Majority acquisitions ● Minority investments

1. Represents the estimated annual revenues for the last fiscal year prior to the announcement of the respective acquisition. 2. Announced, expected to close in Q2 2023. 3. Announced, expected to close in Q4 2022.



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# Outlook

## Q4 2022

### Revenues

Low double-digit comparable revenue growth, impacted by the high revenue level in Q4 2021

### Operational EBITA %

Typical pattern of a sequentially lower margin

## FY 2022

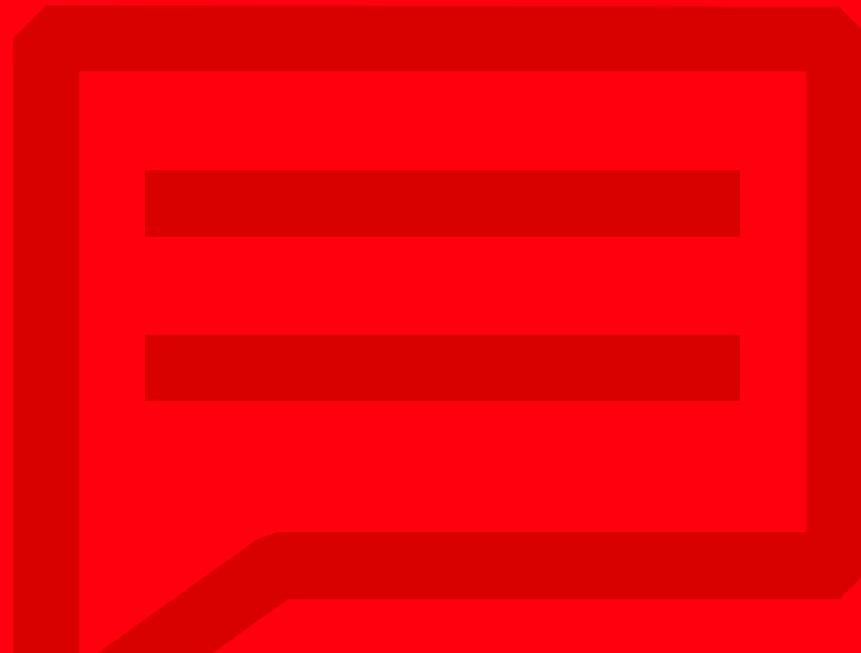
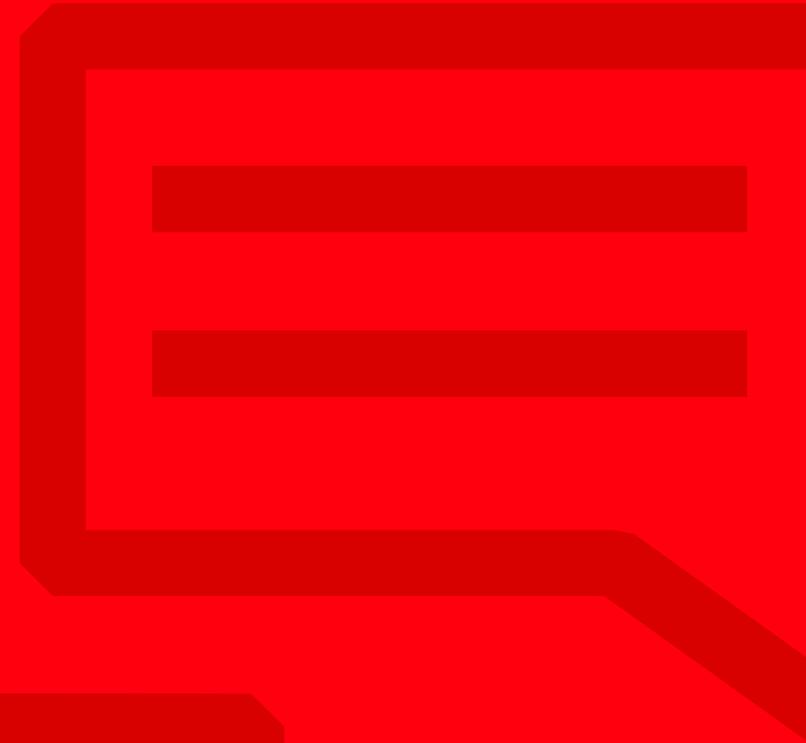
### Orders and revenues

Strong top-line execution

### Operational EBITA %

Likely to achieve early the 2023 target of at least 15%, supported by increased efficiency as we fully incorporate the decentralized operating model and performance culture in all our divisions

# Q&A





# Appendix



# 2022 framework

\$ mn unless otherwise stated	Q3 22	Q4 22 framework	2022 framework <sup>1</sup>
<b>Corporate and Other Operational EBITA</b>	(52)	~(75)	↓~(170) from ~(200)
<b>Non-operating items:</b>			
Acquisition-related amortization	(55)	~(55)	~(230)
Restructuring and restructuring-related	(20)	~(50)	~(100) + (252) <sup>2</sup>
Separation costs <sup>3</sup>	(59)	~(30)	~(180)
ABB Way transformation	(34)	~(50)	~(150)
<b>Net finance expenses</b>	(28)	~(40)	~(100)
<b>Non-operational pension (cost) / credit</b>	34	~(10)	↓~90 from ~120
<b>Effective tax rate</b>	41.2%	~25% <sup>4</sup>	~25% <sup>4</sup>
<b>Capital expenditure</b>	(165)	~(200)	↓~(700) from ~(750)

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. Includes restructuring-related expenses of \$195 million from the exit of the full train retrofit business as well as \$57 million respectively from the exit of the Russian market in Q2 2022.

3. Costs relating to the announced exits and the potential E-mobility listing.
4. Excluding impact of acquisitions or divestments or any significant non-operational items.

↑↓ Revised guidance

**ABB**