



NOVEMBER 19, 2020

Capital Markets Day 2020

Björn Rosengren, CEO

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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,” “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.

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. Reconciliations can be found on the website under “Capital Markets Day 2020”.



Our world

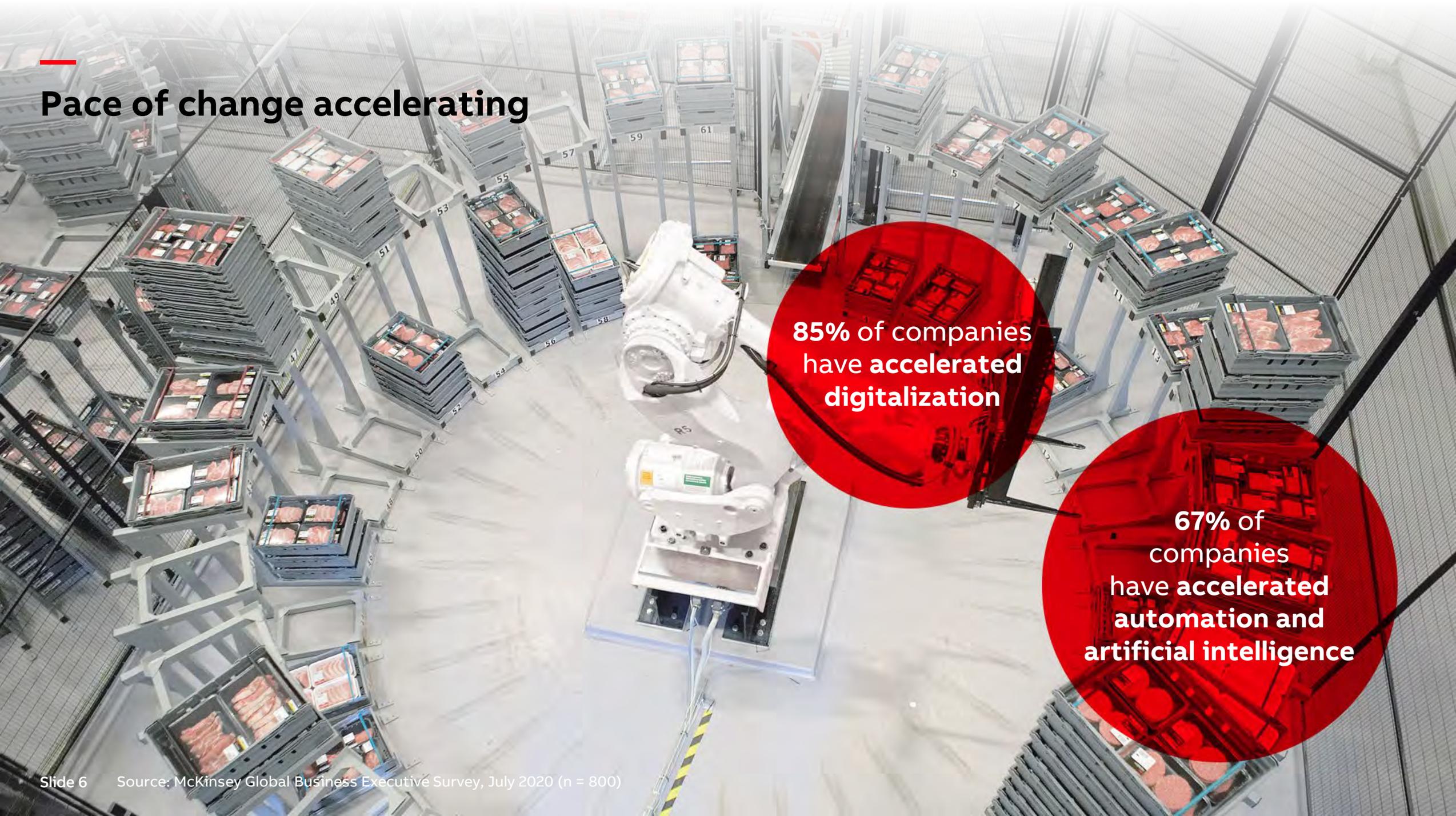
A good foundation to build on



Well aligned to supportive mega-trends

Exposure to strong long-term market trends



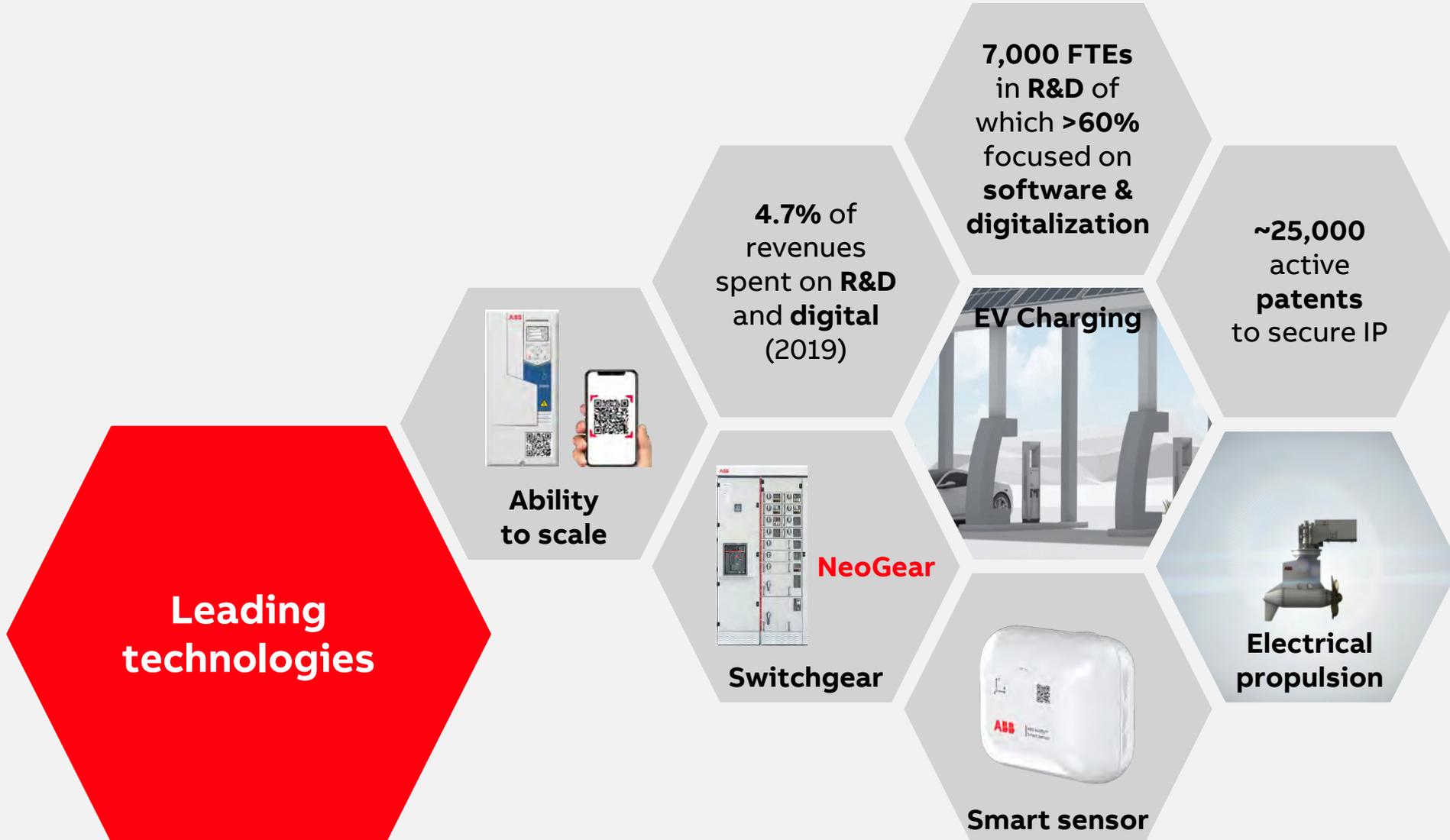


Pace of change accelerating

**85% of companies
have accelerated
digitalization**

**67% of
companies
have accelerated
automation and
artificial intelligence**

Competitive offering to meet productivity, sustainability needs



Investing for sustained technology leadership

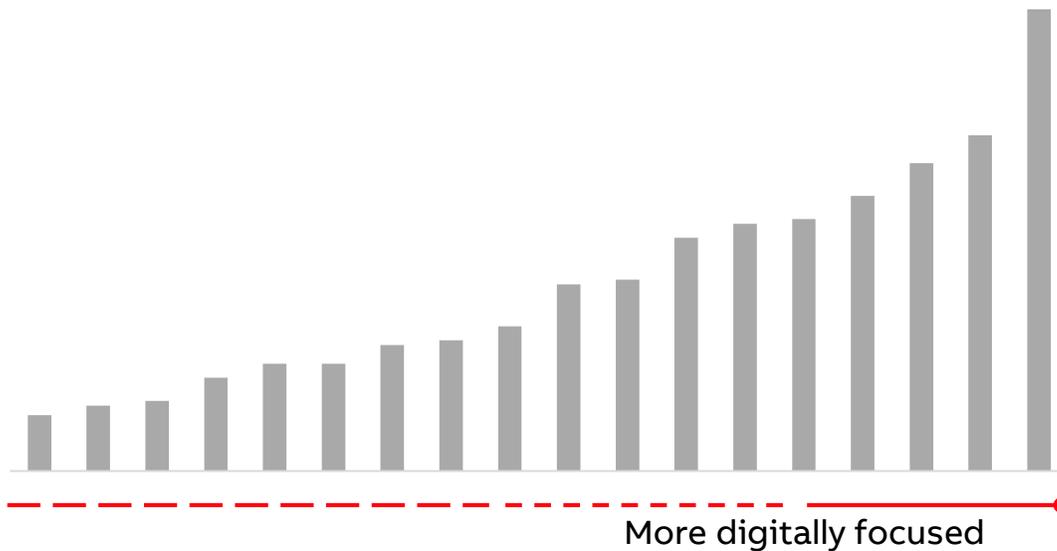
Focused R&D spend by businesses throughout economic downturn, +3.6% yoy¹

Right-sized according to need

(ABB divisional R&D as % revenues¹)

Ranging from...
1.1%

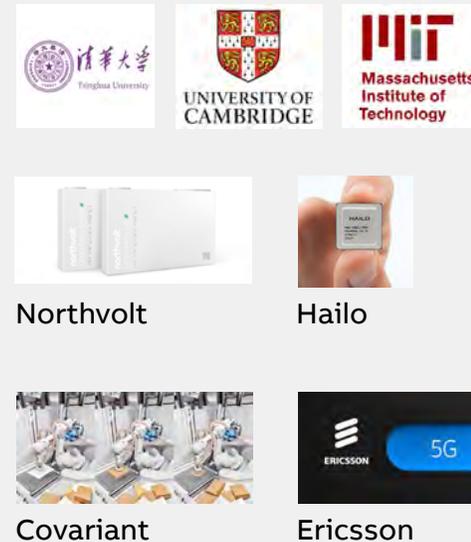
... to
~10%



~1,500 inventions in 2019

Advanced capability supported by extensive innovation ecosystem

Non-exhaustive



>100 universities

Ventures

Partners

Trusted by customers

**No. 1-2
in most of our
segments**

**~2/3rds
of revenues
from segments in
No. 1-2
position**

**Strong domain
expertise
builds customer
relationships**

**Electrification
Global #2**

#1 medium voltage
#2 low voltage
#1 EV fast-charging
#2 installation
products

**Industrial
Automation
Global #2**

#1 DCS & process
automation solutions
#1 turbocharging
#1 process analytics
#1 excitation
#1 marine

**Robotics & Discrete
Automation
Global #2**

#2 robotics
#5 automation

**Motion
Global #1**

#1 motors
#1 drives

No. 1–2, now and in the future

Divisions have the insight
customer needs vs customer offering

Organic growth

- Innovation through customer collaboration
- Focused investments in R&D, sales and service
- Continuous improvements
- Go-to-market

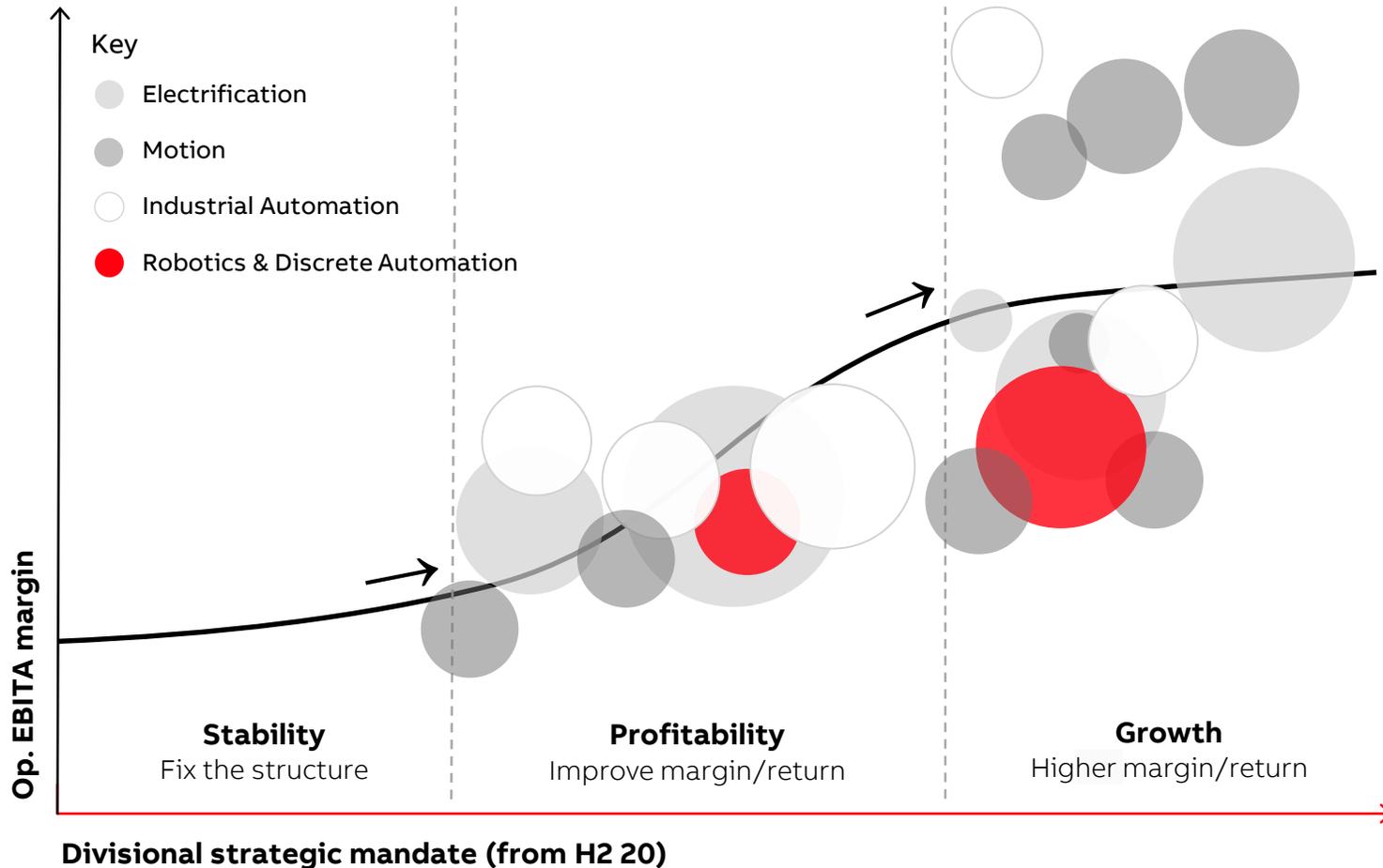
Acquired growth

- Selective portfolio bolt-ons
- Capabilities, know-how
- Increase speed



**Mandate and accountability
in the divisions**

Stability, profitability before growth



Growth

12 divisions¹, of which

37% of revenues 19² (7 divisions) with proven growth track record

of **+5.0%** revenue CAGR 16-19³

Stability | Profitability

8 divisions¹

52% of revenues 19²

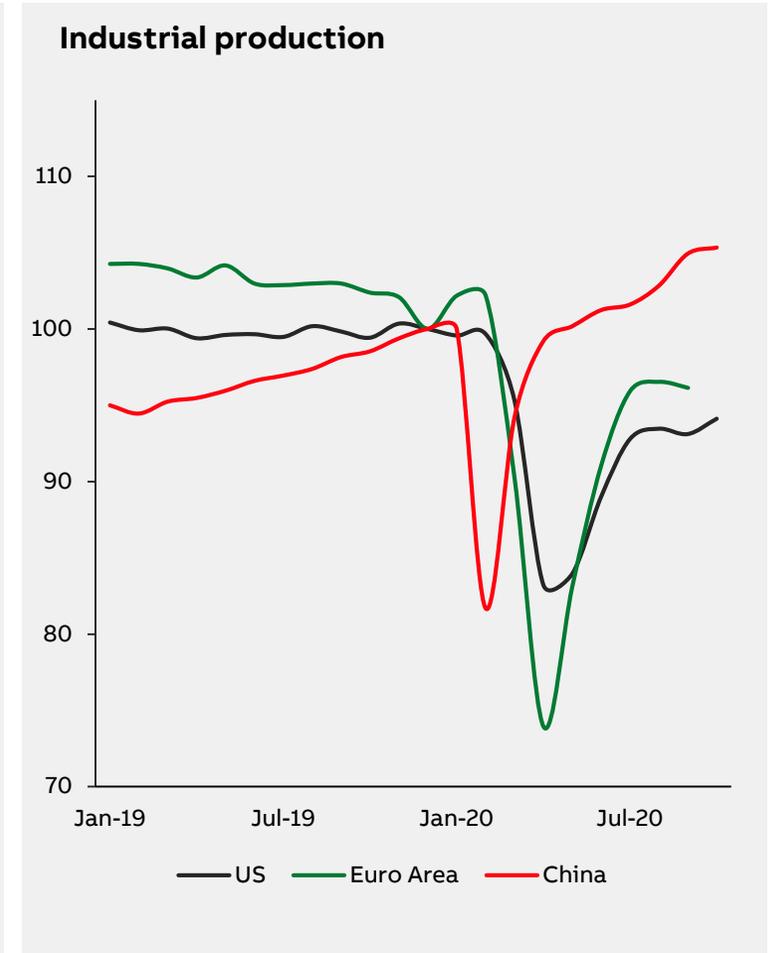
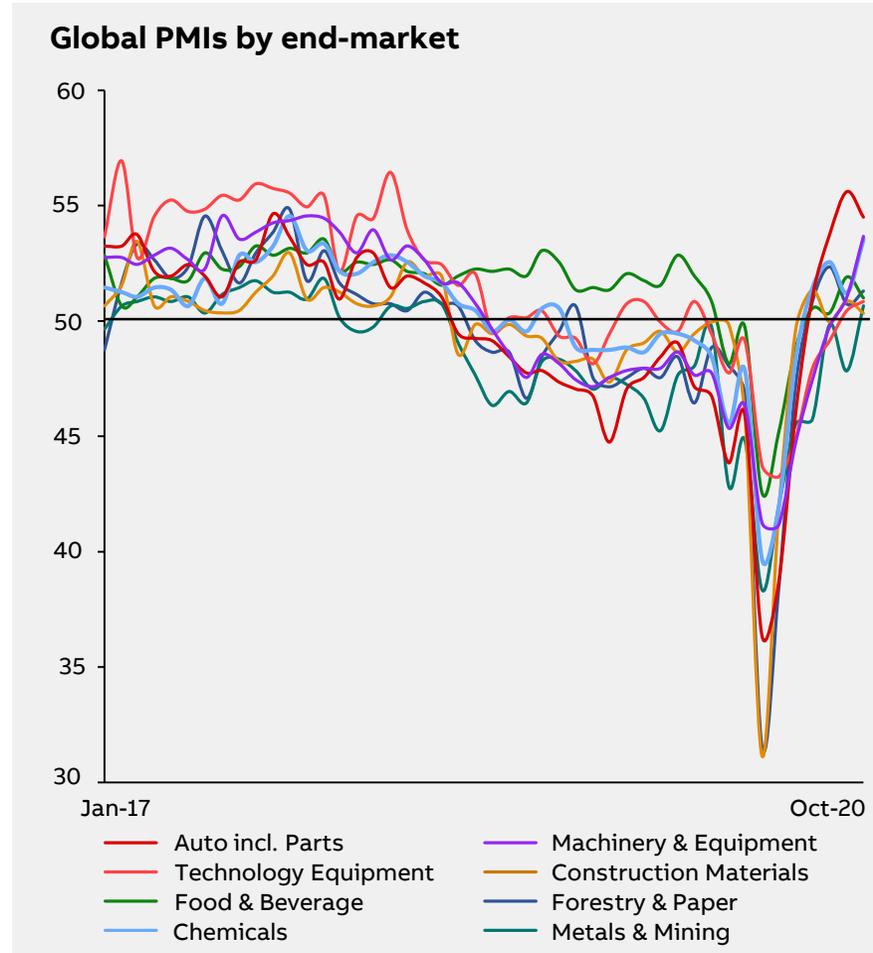
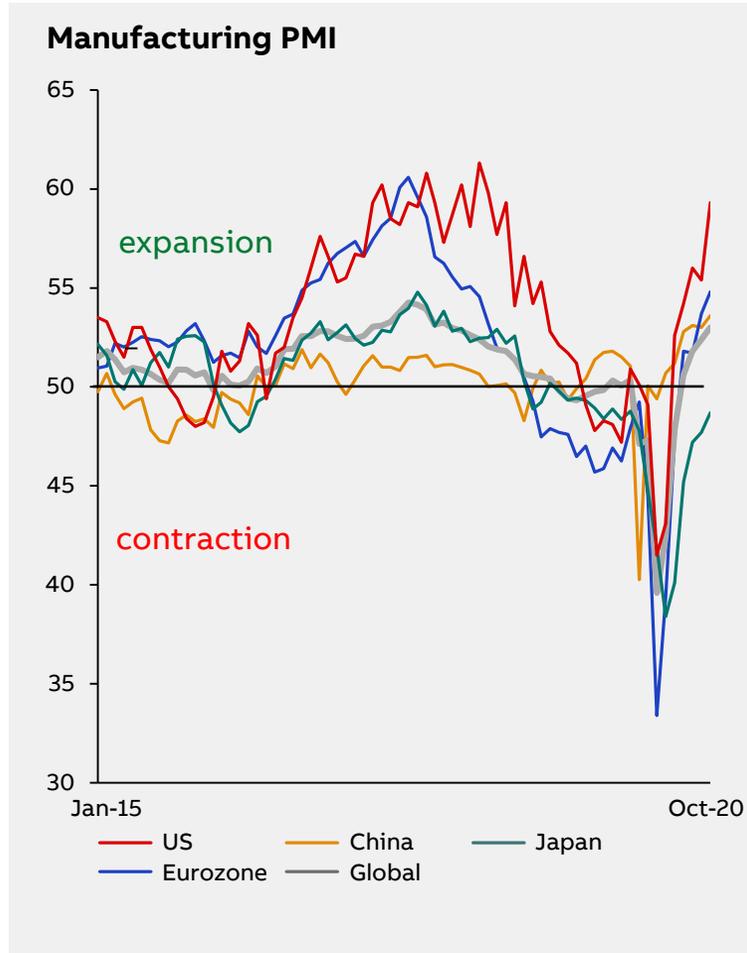
with **10.4%** Op. EBITA margin 19



**Leading
technology and
positions to support
long-term market
trends ...**

**... near-term
uncertainty
due to COVID-19**

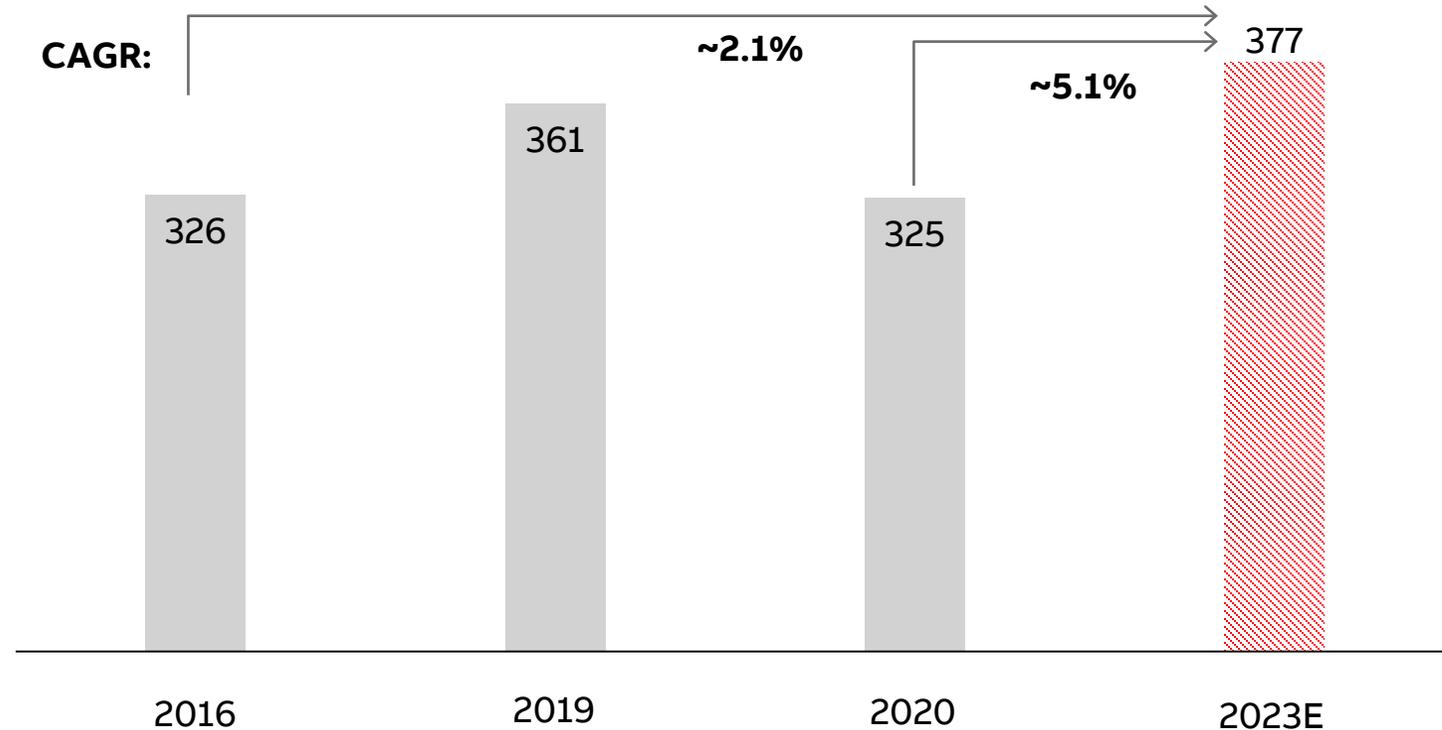
Elevated uncertainty due to COVID-19



Long-term market fundamentals intact

COVID-19 recovery scenario: “swoosh”

Estimated addressable market
(In \$ bn)



Unchanged near-term outlook

Q4 orders and revenue growth rate to remain challenged year-on-year, revenue growth rate to decline sequentially

Operating margins expected to be higher year-on-year

Resilient cash delivery for the full year

Strong momentum for change

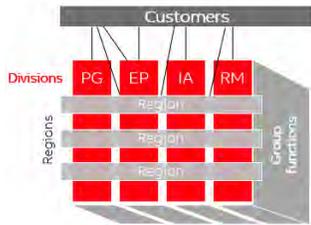
Activities completed Q1 2019 – Q2 2020

Mandate and accountability for operating decisions to business areas and divisions

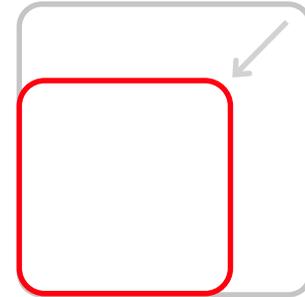
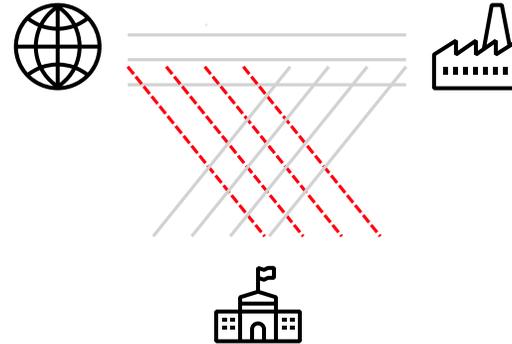
Dismantling of country organization and reduction of central costs

Ongoing business transformation

ABB with "3D matrix" in 2018



Decentralized operating model



Operating decisions close to customers

Net -10,000 FTE reduction
from reducing corporate functions /
transfer to operations (incl. PG)

Successful remedial actions for ~\$3bn
revenues under review / transform
45 sites closed across group

\$500 mn p.a. net savings reached
(ABB-OS simplification program, Q1 19-today)

\$470 mn productivity savings
(gross opex and supply chain management, Q1 19-Q2 20)

↓
transparency • accountability • speed

The ABB Way – select number of common processes

The “glue” of the Group; who we are and how we act

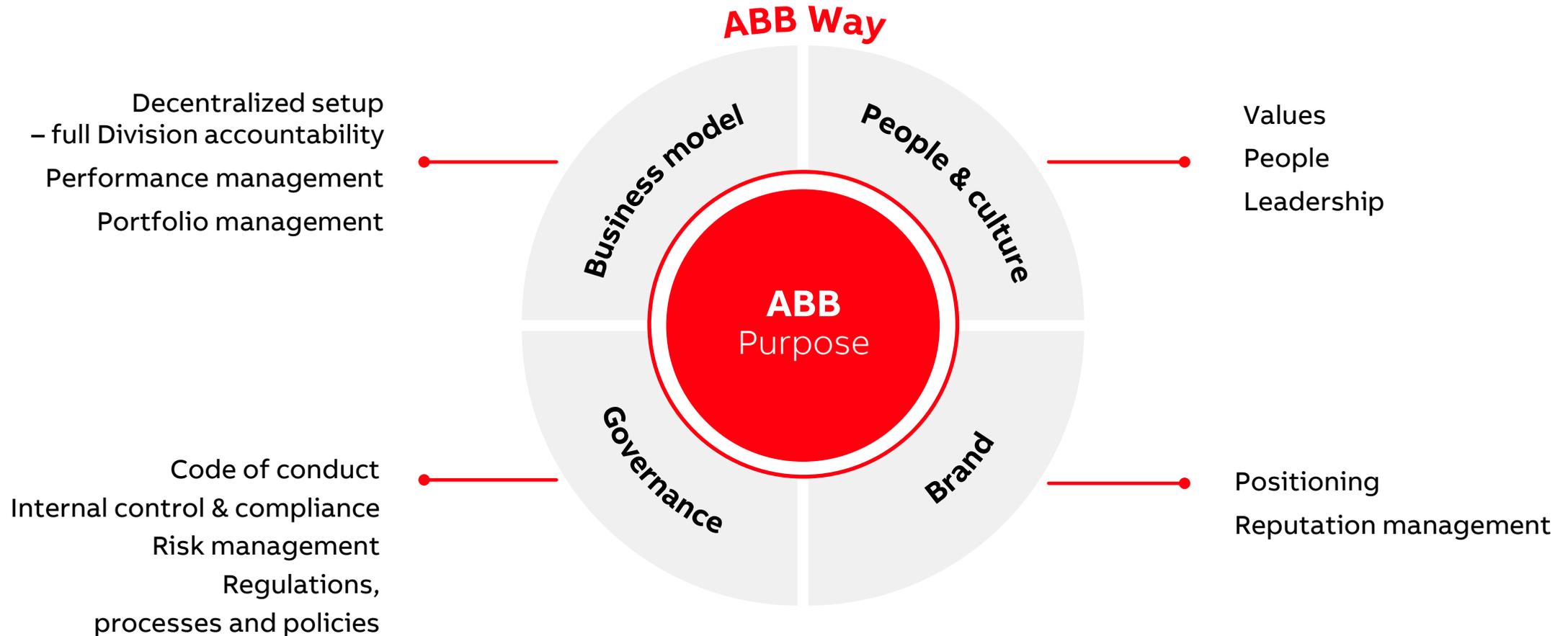


ABB Way – performance with purpose



We succeed by creating superior value.



We push the boundaries of technology to drive performance to new levels.



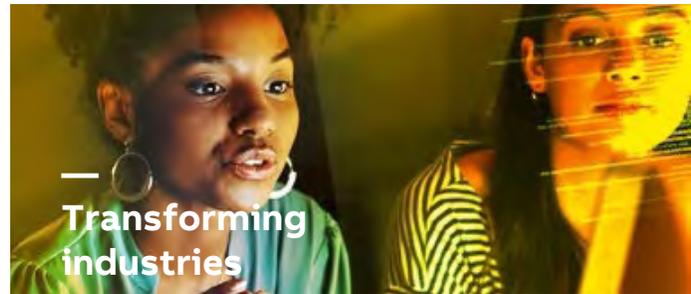
We energize the transformation of society and industry to achieve a more productive, sustainable future.



Creating success



Addressing the world's energy challenges



Transforming industries



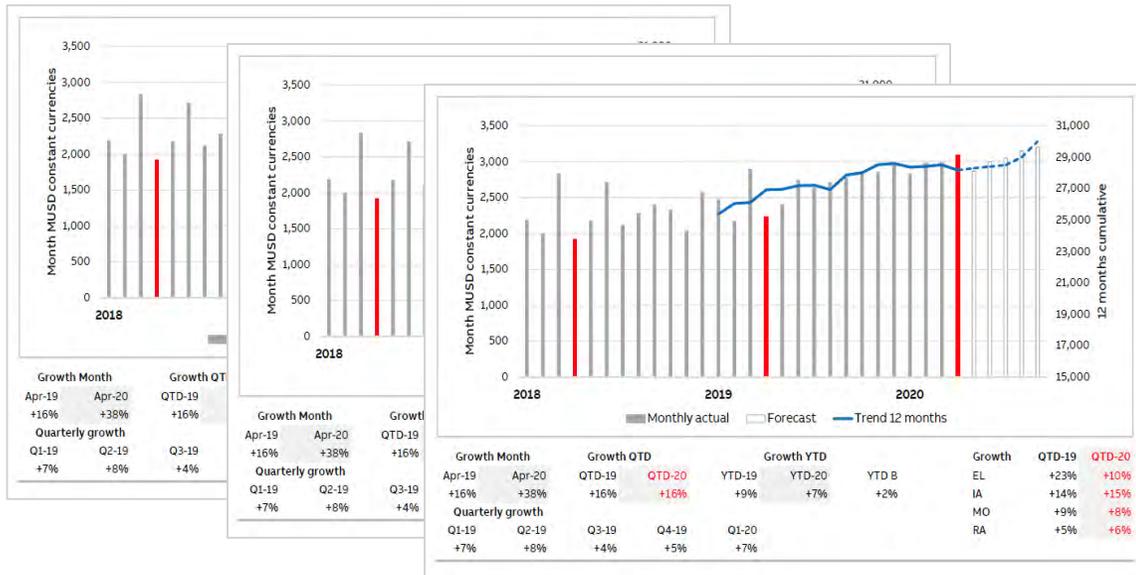
Embedding sustainability



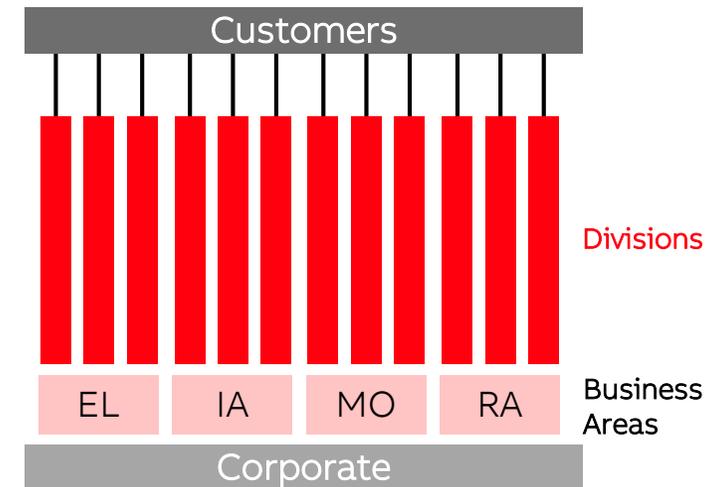
Leading with technology

Implementation of scorecards drives performance management system

Scorecards for operational KPIs



Decentralized operating model



transparency • accountability • speed

Accelerating value creation through digital



**Focused on
creating superior
customer value**



**Differentiation through
domain expertise**



**Expansion driven
by businesses**

Digital strategy focused on creating superior customer value

Comprehensive offering, modular infrastructure



Differentiation and value creation through domain expertise

ABB's differentiation through domain expertise

Deep understanding of customers' needs & operations through

- Large installed base (e.g. DCS, robots, drives)
- Global leadership position in many sectors
- Decades-long history in sector-focused approach to creating customer value with automation, electrification and motion

Business examples



>30% 3yr organic CAGR in software & digital revenues in IA¹
~2,300 customers in sector-specific Collaborative Operations™



EL software-enabled products
3 mn connected, 10 mn connectable
Software configured to need (e.g. energy management)



>30% 2yr CAGR in connected robots
96% of installations use RobotStudio
Growth strategy by target sectors and scalable, modular application cells



>60% large drives sold are connected
>30k smart sensor installed base in MO
Software configured to specific customer use-cases

Positive value drivers

Software & digital services scales by sector and drives **new revenue streams**

Higher embedded software content drives higher **gross margin**

Greater **pull-through** of traditional offering

Expansion driven by businesses

Accelerated execution planned

Focused investment

R&D and digital spend ~5% of revenues p.a.

+

Strategic partnerships

+

Bolt-on acquisitions

Clear execution agenda

Divisions and business areas in lead

Speed and closeness to customer paired with focused scaling of capabilities

Software and digital enable value-based pricing and sustainable productivity offering

Focus on accelerated commercialization and scaling of existing software and digital offering

ABB Ability™ solutions portfolio

Unifying brand; lean and modular platform

E-commerce and digital customer interaction

Positive value drivers

Higher quality revenues

Double-digit software & digital services growth ambition

Improved margins



Superior returns

Review of business portfolio

Continuous process through defined evaluation categories

Is ABB the best owner?



Strategic attractiveness

How attractive is this division on its own?



Value creation potential

What is its full value creation potential to ABB?

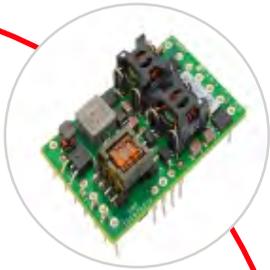


Fit within ABB

How does this division fit within ABB?

Active portfolio management

Three divisions to be exited, maximizing value



Power Conversion, ~3% of Electrification BA
~\$375 mn revenues 2019

Top 5 position as supplier of power conversion products,
>75% to telecoms and data centers; >75% in Americas



Mechanical Power Transmission, ~9% of Motion BA
~\$575 mn revenues 2019

Top 5 position as supplier of mounted bearings,
enclosed gearing and other components to
multiple end-markets; >90% in Americas



Turbocharging, ~12% of Industrial Automation BA
~\$800 mn revenues 2019

#1 position, providing turbochargers and services; ~50% to
marine; ~75% services; ~50% in Europe

**Combined revenues ~\$1.75 bn p.a.,
~6% of group**

**High quality divisions, Operational
EBITA margins above group corridor**

**ABB is not the best owner
to drive businesses to full potential**

**Full value and deal certainty
more important than timing**

Further optimization of operational structure

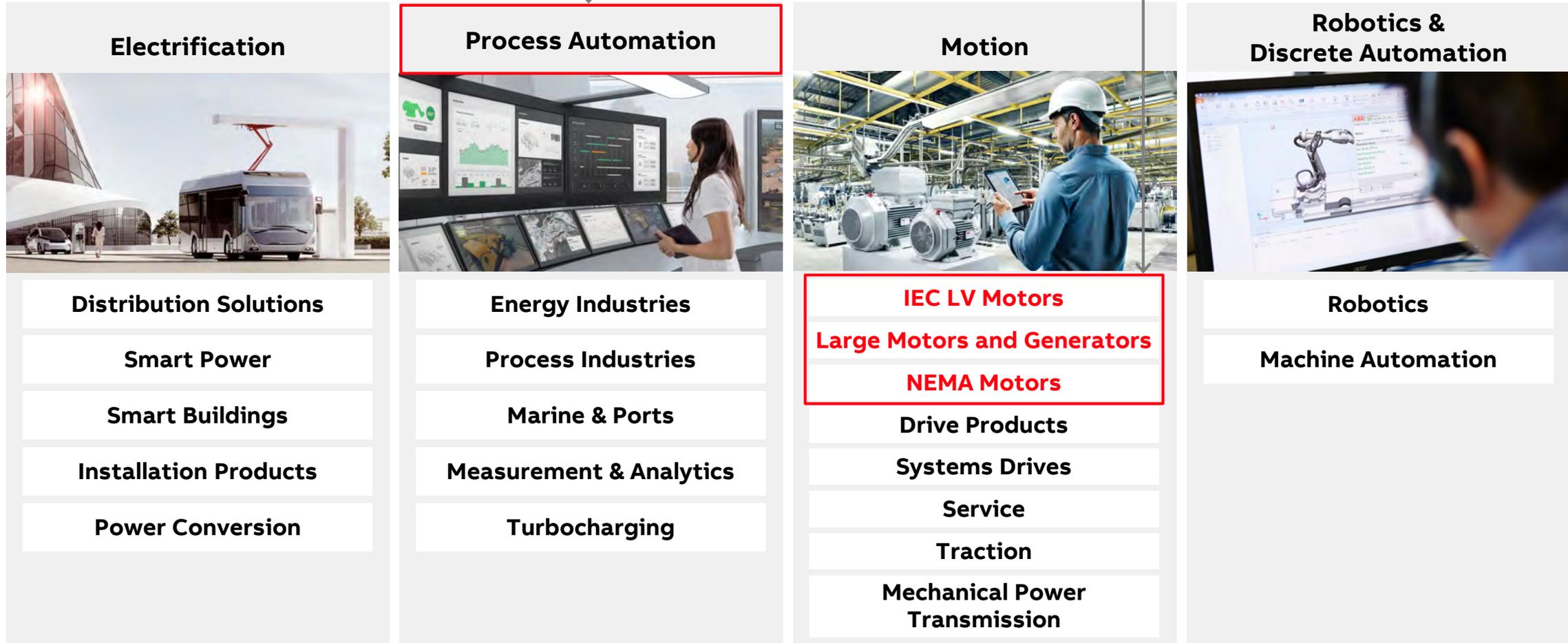
Effective January 1, 2021

Business areas

Divisions

New business area name

New divisional structure





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Improved performance in the making

From ABB-OS to ABB Way

- Quality of revenue
- Sustainable cost savings
- Performance management
- Financial framework
- Capital allocation

Driving quality of revenue

Focus on high-growth segments Notable successes

> Double digit revenue CAGR 2016–19



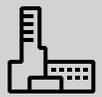
F&B



WWW



Data centers



Buildings



Marine



EV charging

Increased exposure to distributors More short-cycle

+9% revenue CAGR 2016–19 from all ABB distributor channels

ABB EL + GEIS doubled position in US distributors market to 40%

Expansion in digital Better differentiation

>60% R&D employees focused on digital and software innovations

>30% revenues CAGR 2016-19 in software & digital (IA only)

Less EPC Continued ramp down

Large orders ~5% of group, majority now <\$50 mn

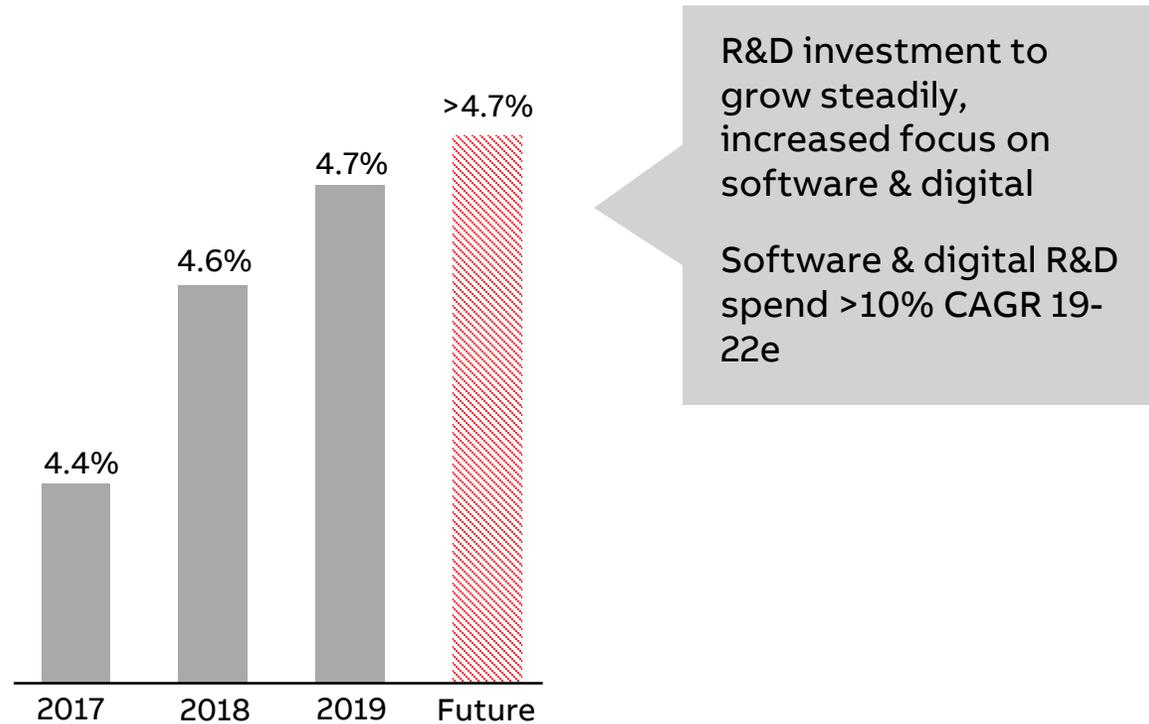
65% ABB content in large orders 2019 (min. 60% target)

Non-core revenues <\$15 mn p.a. (~\$650 mn 2017)

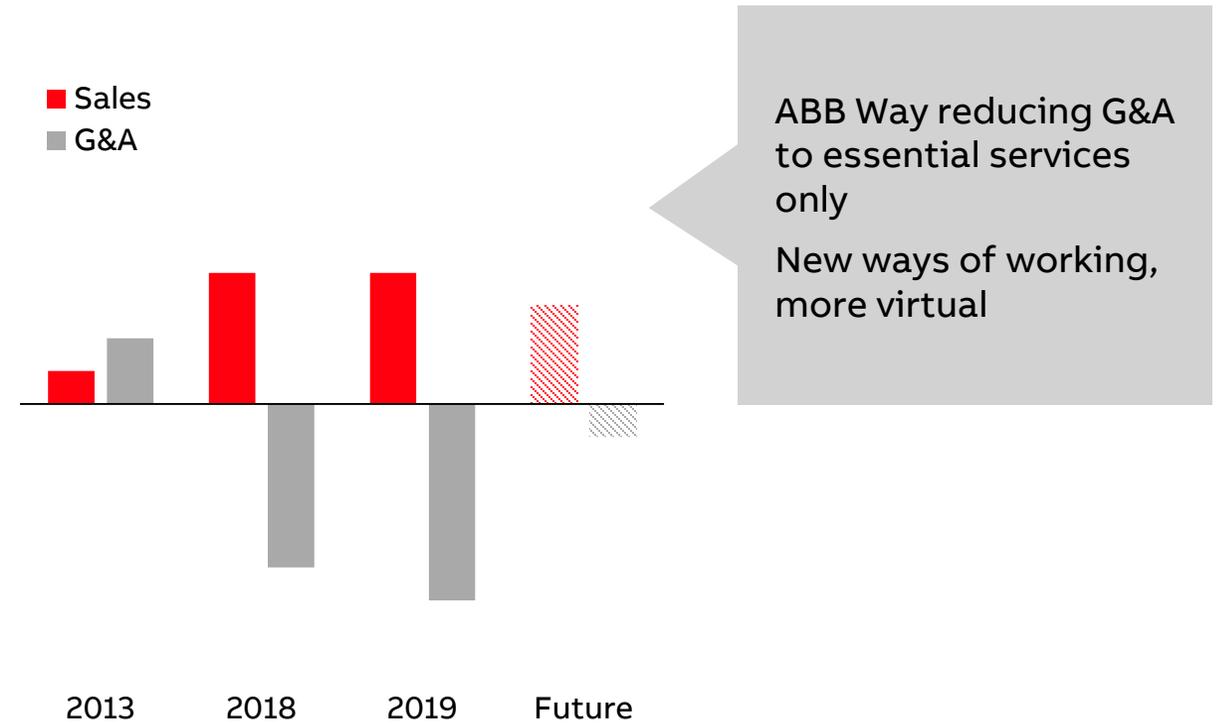
<10 non-core projects in execution (from >200)

Enabled through focused growth investment

R&D and digital investment¹
% of revenues



Sales and G&A spend
% yoy comparable



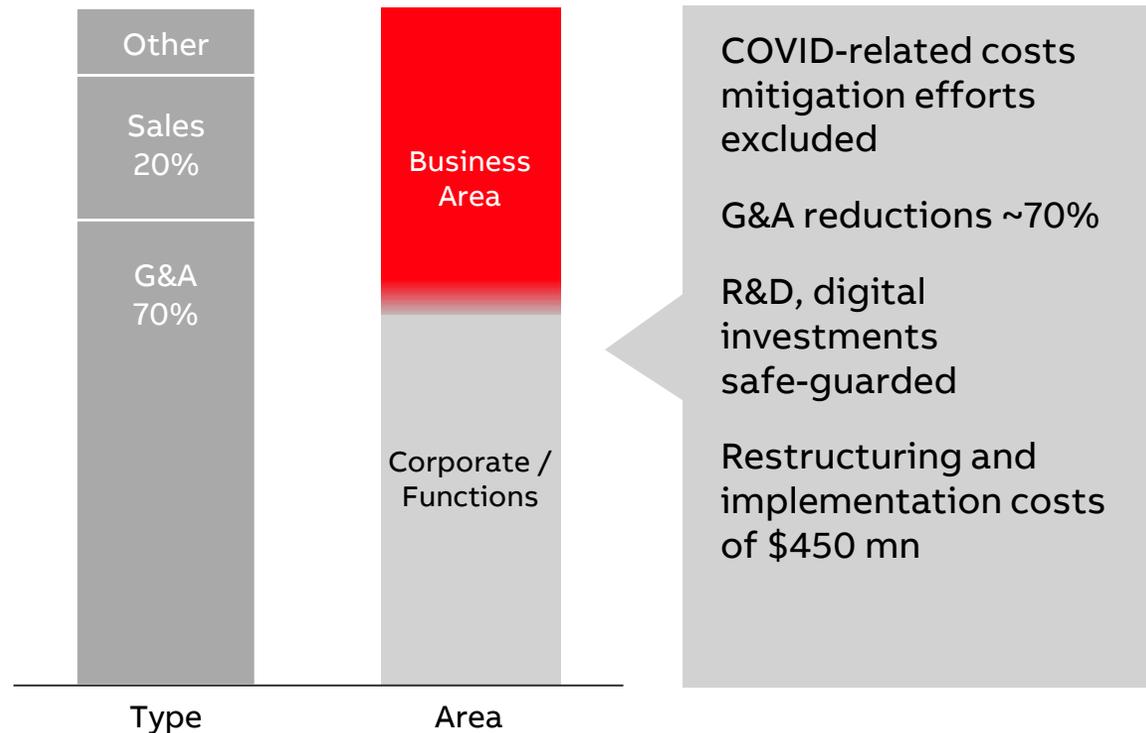
1. Combines non-order related R&D expenses, order related R&D expenses and software and digital services expenses
Note: R&D and SG&A in 2017 as per structure at that time. R&D in 2018, 2019 excluding PG. SG&A in 2018, 2019 excluding PG and stranded costs

Sustainable cost reduction

\$500 mn run-rate savings target achieved ahead of plan

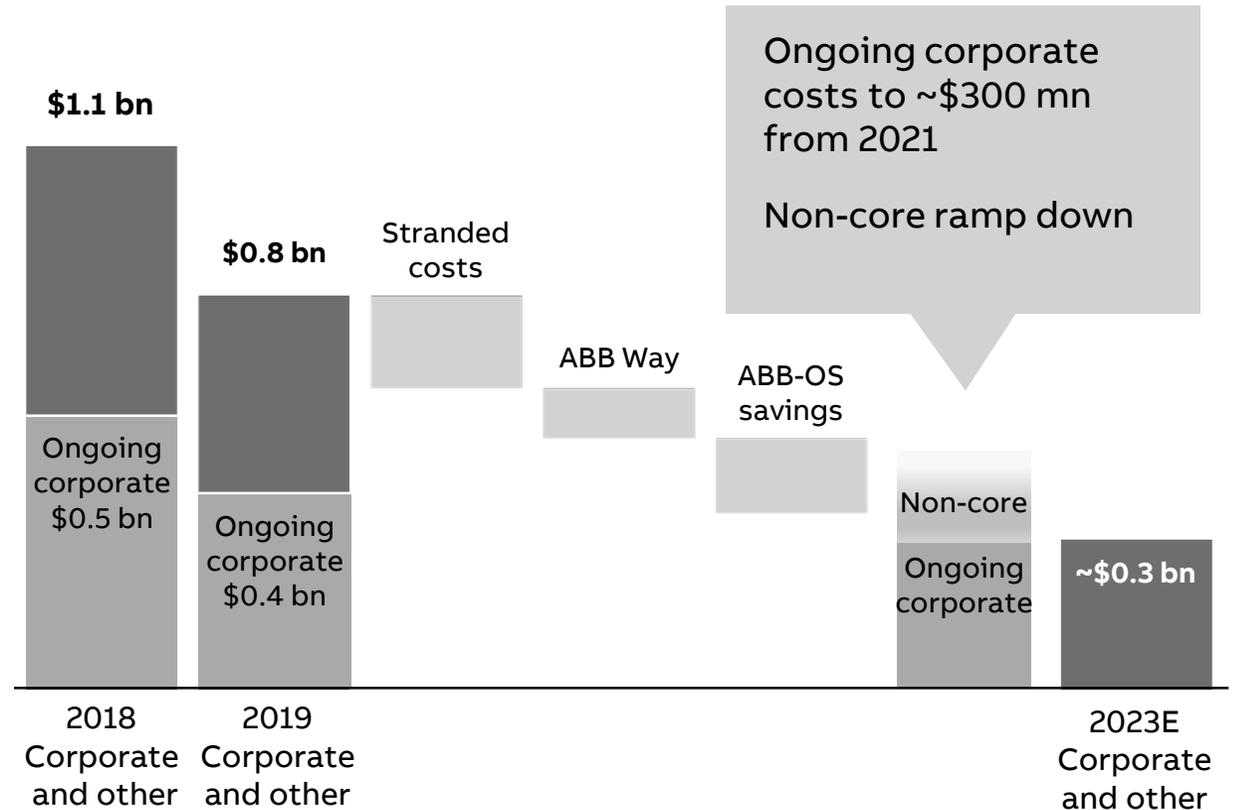
ABB-OS savings target delivered

Cost reductions breakdown



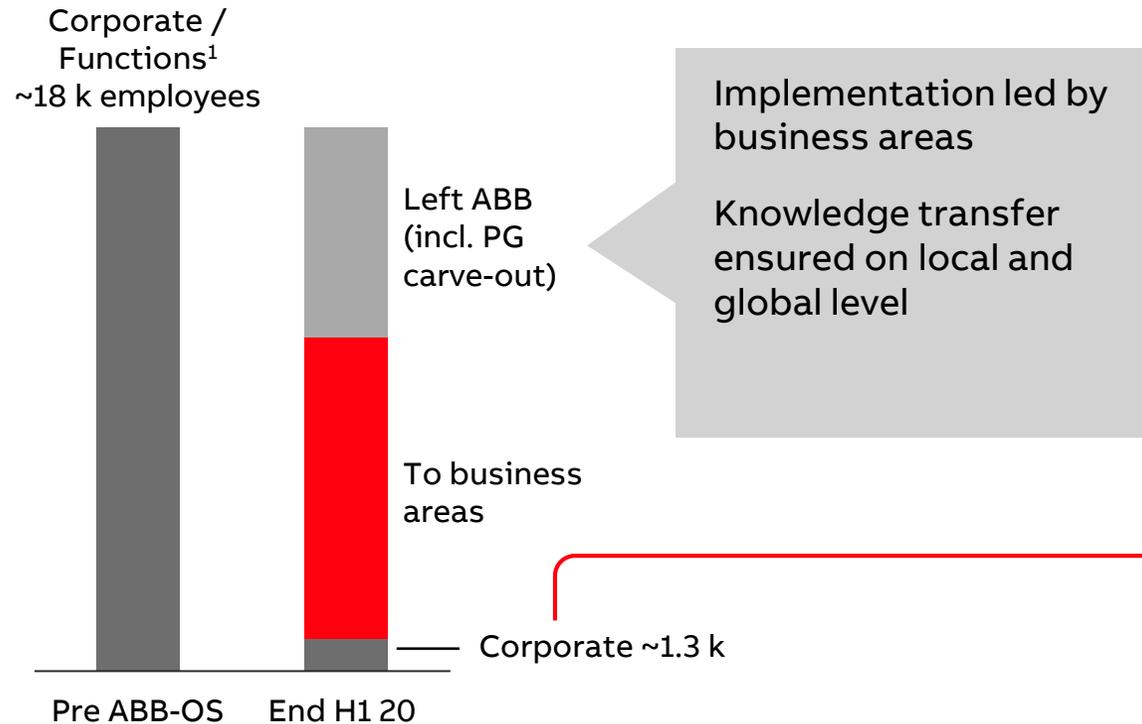
Corporate and other costs head toward ambition

Lean corporate: Operational EBITA bridge

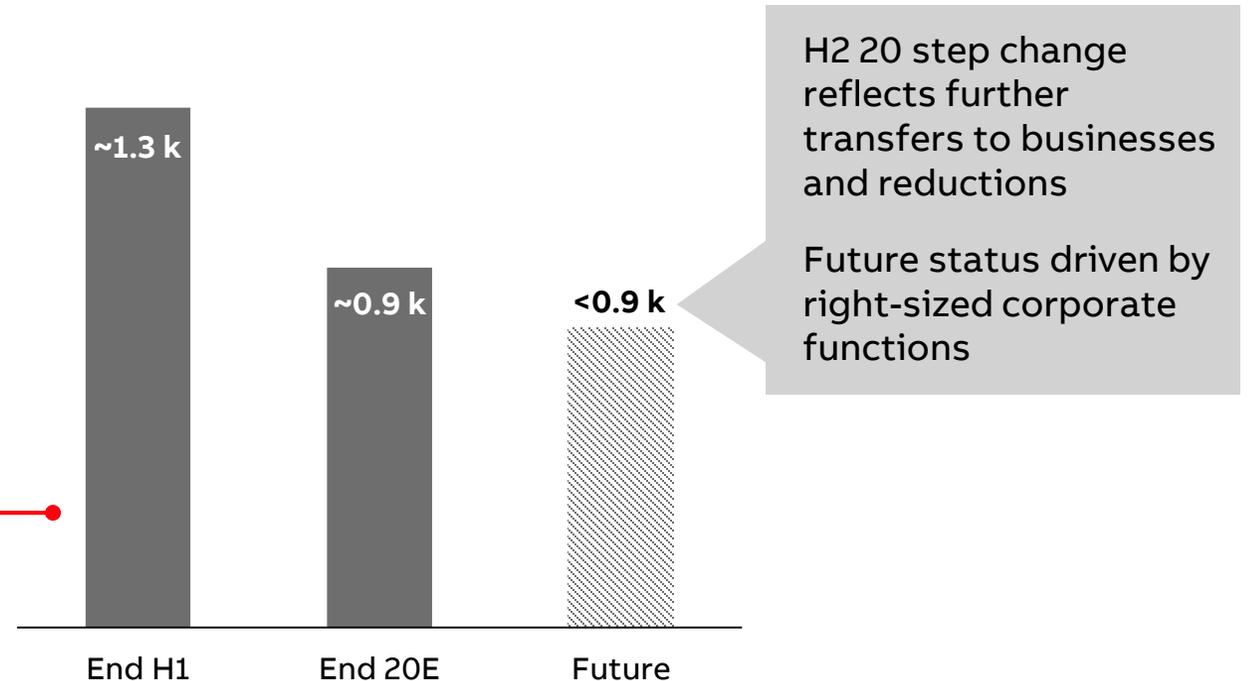


Lean corporate

Decentralization with ABB-OS Past headcount development

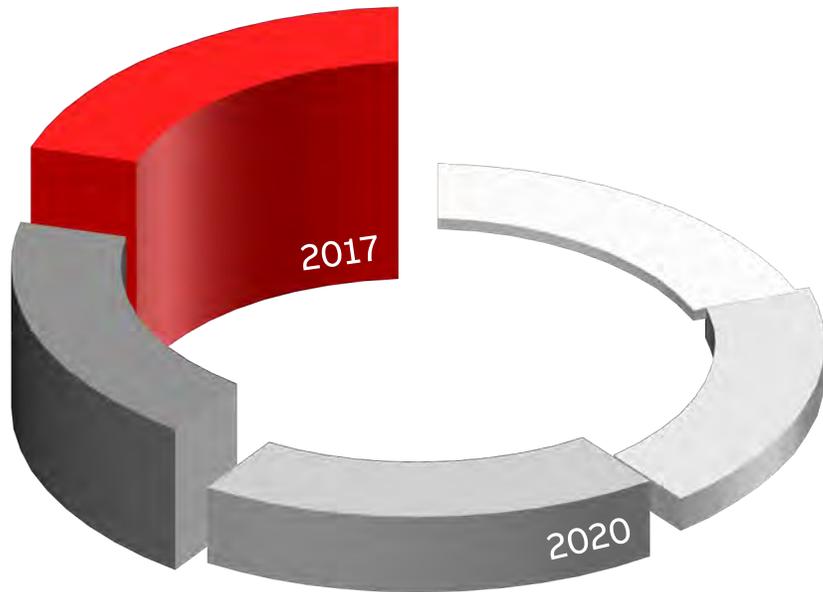


Continued right-sizing with ABB Way Projected headcount development



Minimizing legacy impacts

Non-core ramp down largely complete



Until end 2020

Non-core business activities

<10 projects in execution, from >200
Operational EBITA charges ~\$700 mn since announced exit (Q4 17)

Non-operational charges \$75 mn

Other obligations

Kusile project (IA): proposed settlement with Eskom in S. Africa

Divested assets: increased warranty provisions related to Steel Structures disposal, reflected in ~\$150 mn charge

2021 onwards

Non-core business activities

2 main operational exposures ongoing, below ~\$300 mn¹

Timing of exits depends on legal proceedings; could be later than original plan for end 2021

Further non-operational charges possible

Other obligations

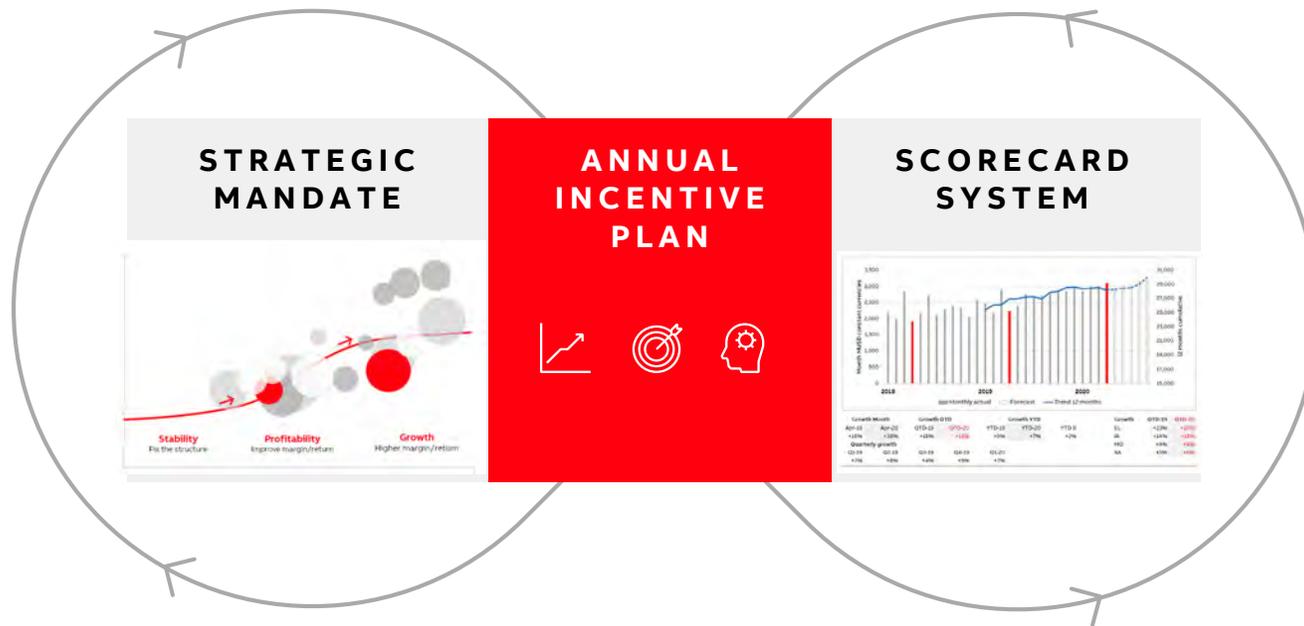
Kusile project: regulatory proceedings outside S. Africa not estimable

Divested assets: targeting Steel Structures settlement during 2021

Power Grids transaction related obligations covered by \$300 mn escrow

Systematic effort to exit as soon as practicable

Performance management: incentive plans aligned



Example of division specific measures

(in order of % weighting)

Profitability mandate

Division X

- Operational EBITA margin, biggest weight
- Operating free cash flow
- min. 3% productivity

Growth mandate

Division Y

- growth in orders or revenues, biggest weight
- Operational EBITA margin
- min. 3% productivity

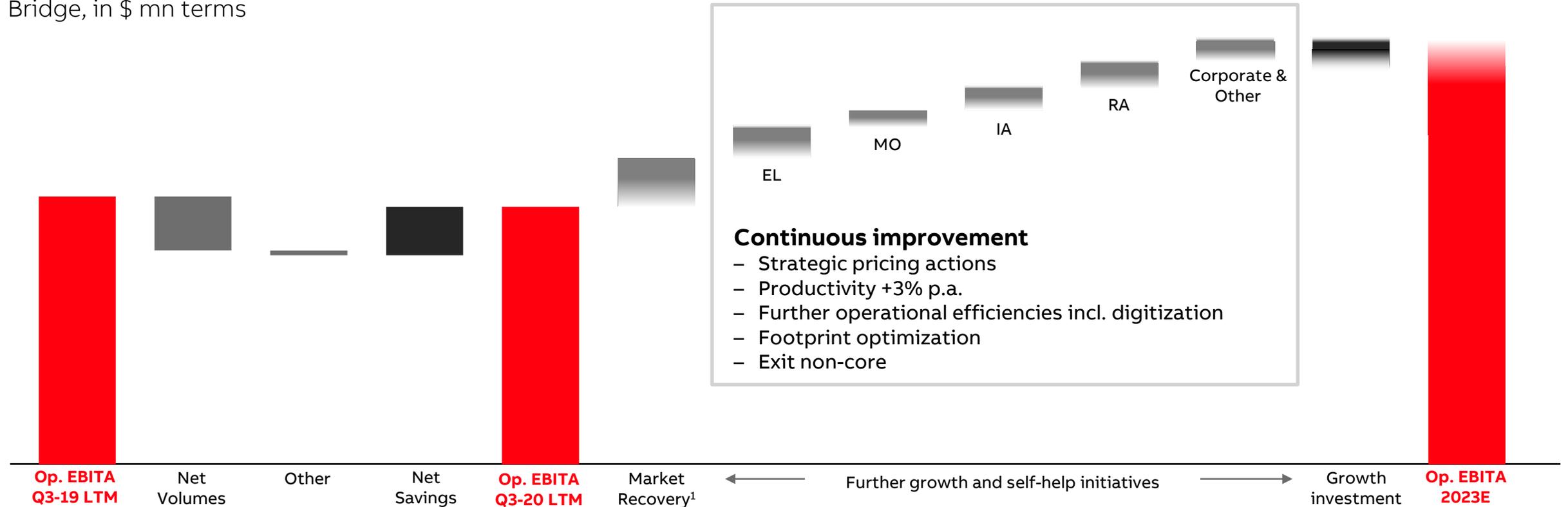
Reaching upper half of Operational EBITA margin range as from 2023

Margin, in % terms

10.7%

13-16%

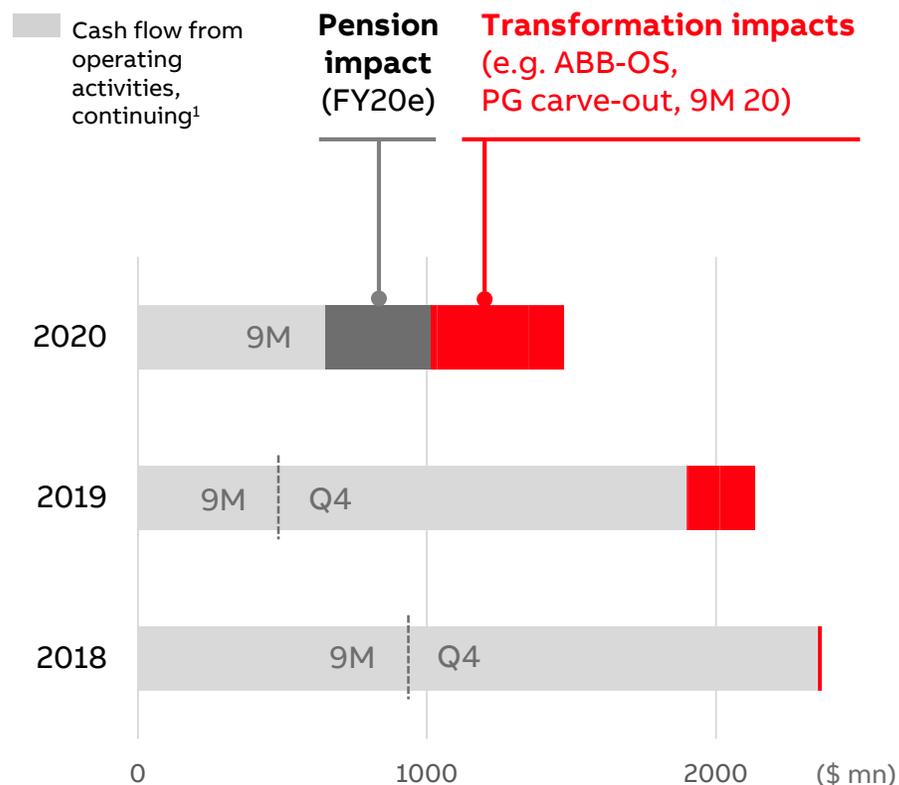
Bridge, in \$ mn terms



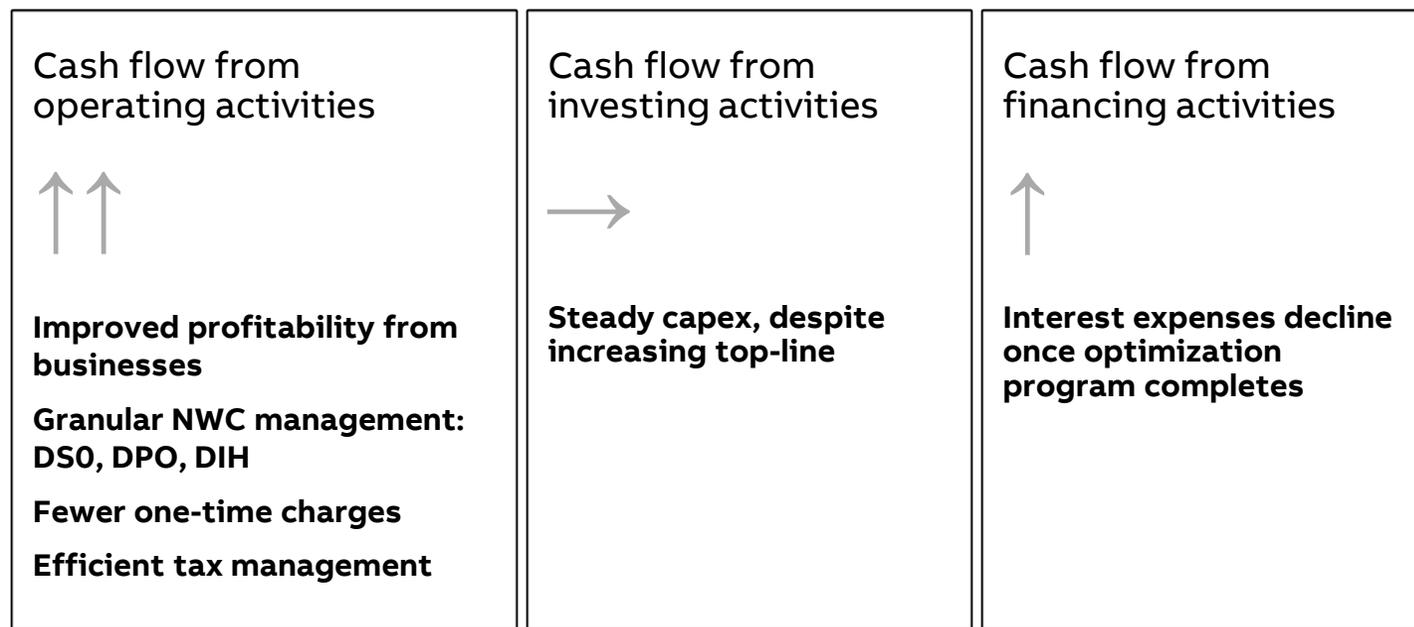
Improving cash generation

Transformation burdens diminish

Historic development in cash flow from operating activities



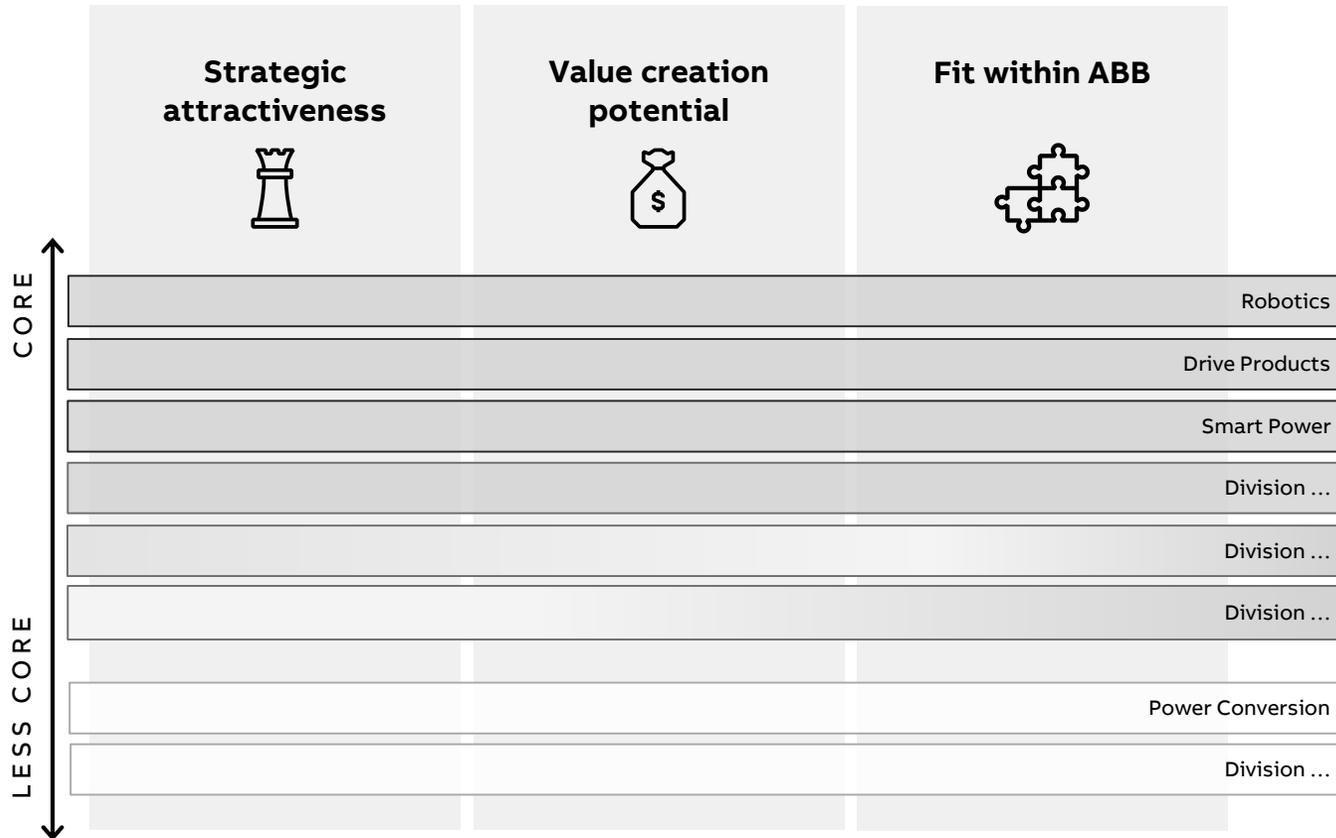
Future cash drivers



Meaningful uplift 2021 onwards

Enhanced systematic portfolio management

Transformation, acquisitions, divestments



Today's announcements

- **5+ small to mid-size (bolt-on) acquisitions p.a.**
Divisions with growth mandates to accelerate growth, fill portfolio gaps
- **Continuous improvement and/or portfolio management**
Within division activities where a step-change in performance is required, or exit
- **Aim to exit 3 divisions with ~\$1.75 bn revenues p.a.**
EL Power Conversion, MO Mechanical Power Transmission, IA Turbocharging

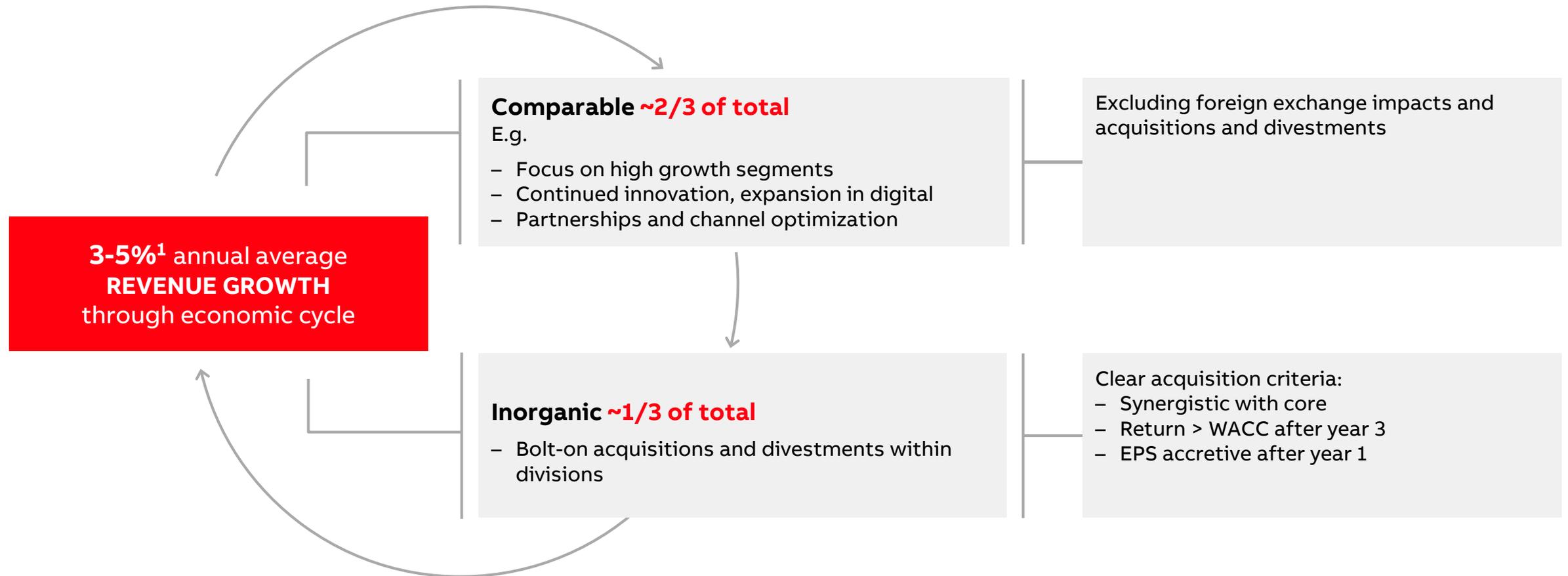
Financial framework

	Guidance	Medium term ambitions
Revenue growth 	3-5% annual average through economic cycle ¹	~2/3 comparable, ~1/3 inorganic
Operational EBITA margin corridor	Group 13-16% Electrification 15-19% Industrial Automation 12-16% Motion 15-19%  Robotics & Discrete Automation 13-17%	Upper half of range as from 2023 
ROCE	15-20%	Steady improvement
FCF conversion to net income	~100%	Maintain solid track record
Basic EPS growth	EPS growth > revenue growth	Effective tax rate ~25% as from 2023  EPS rising strongly due to capital structure optimization program

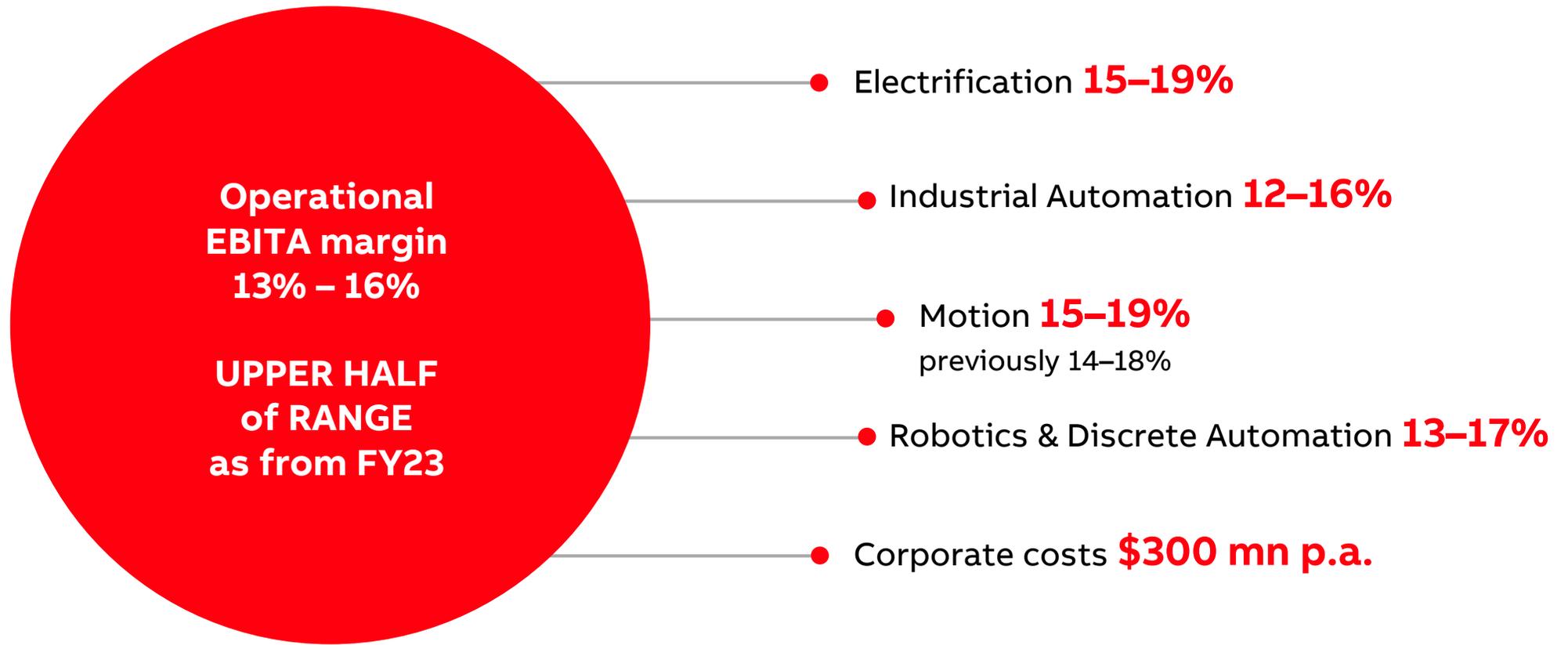
 New or revised guidance / ambition

Financial framework: 3-5% growth through cycle

Increased divisional mandate and accountability to drive growth



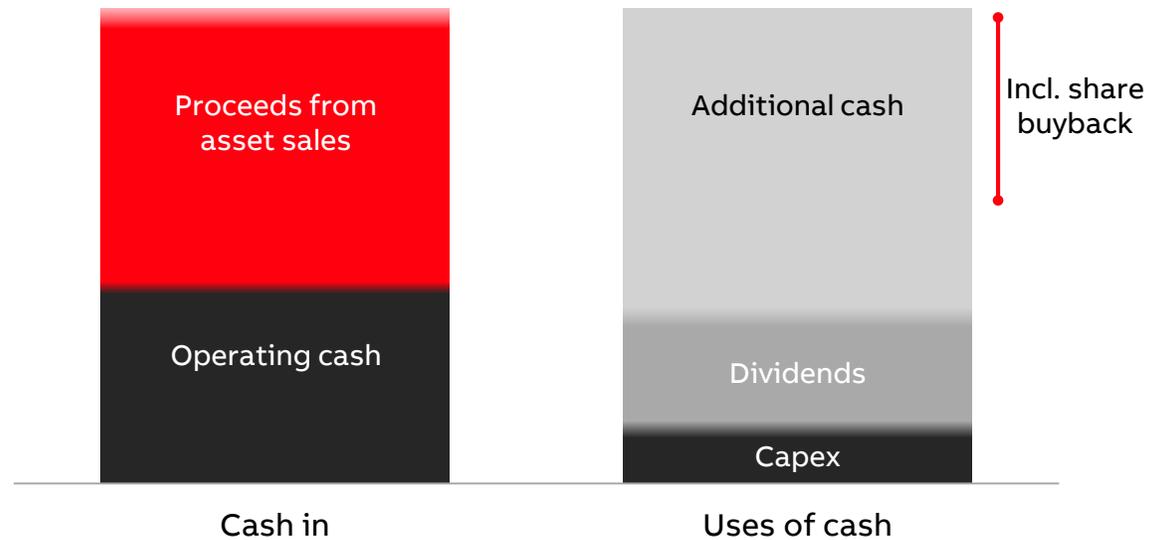
Financial framework: Operational EBITA breakdown



Capital allocation priorities

Balancing sources and uses of cash medium-term

2020–22 illustrative



Attractive returns to shareholders

Capital allocation priorities unchanged

- Fund organic growth, R&D, capex at attractive returns
- Rising sustainable dividend per share
- Value-creating acquisitions
- Returning additional cash to shareholders

Capital structure optimization program underway

- \$7.6-7.8 bn capital return, funded by PG sale proceeds
- Efficient deleveraging via pension plan transfers
- Significant repayments of debt, credit facilities (-\$6.1 bn lower gross debt today vs end Q1 20)

Target to manage ABB long-term with an efficient balance sheet to retain “single A” credit rating

Improved performance in the making

CFO summary



OPERATIONAL PERFORMANCE

\$500 mn net savings p.a. realized through ABB-OS

ABB Way drives future value creation

Quality of revenues to improve
Prioritizing margin expansion, all BAs contributing, corporate costs to reach \$300 mn run-rate
Incentives aligned to strategy, performance, at divisional level



PORTFOLIO MANAGEMENT

Systematic evaluation continues

3 divisions, with ~\$1.75 bn revenues p.a., to exit

Activity within divisions to step-up:

- 5+ small to mid-size bolt-on acquisitions per year
- Continuous improvement and/or portfolio management in the divisions



CAPITAL ALLOCATION

Meaningful uplift in cash generation from 2021

Target “single A” credit rating long-term

Capital allocation priorities and planned return of PG proceeds unchanged
Steady capex, ~\$750 mn p.a., focused growth investment in R&D, sales
Bolt-ons, predominantly funded by businesses

Group Operational EBITA margin in upper half of range as from 2023

Acknowledged history in sustainability, with a new level of ambition

Rooted in Purpose, embedding sustainability across all aspects of value chain



We enable a low-carbon society



We preserve resources



We promote social progress

INTEGRITY AND TRANSPARENCY

Sustainability targets

Contributing to 17 UN Sustainable Development Goals



Ambitious targets as key element in long-term value creation



Systematic, measurable approach based on topics of material importance to stakeholders



Accountability and incentive plans driving action

INTEGRITY AND TRANSPARENCY

We enable
**a low-carbon
society**

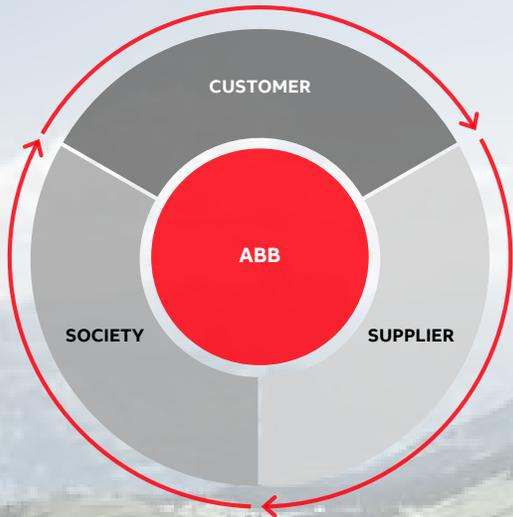
We preserve
resources

We promote
**social
progress**



Main sustainability targets

Striving to achieve all targets by 2030



Sustainable Value Chain

We enable a **low-carbon society**

- **Carbon neutrality** in own operations
- Support our customers in reducing annual CO₂ emissions by **>100 Mt¹**
- Supply chain emission reduction

We preserve **resources**

- **80%** of ABB products & solutions covered by circularity approach
- **Zero waste** to landfill²
- Supplier Sustainability Framework

We promote **social progress**

- **Zero harm** to our people and contractors
- Comprehensive D&I framework³; **25% women** among ABB leaders
- **Top-tier** employee engagement score in our industry
- Impactful support for community-building initiatives

INTEGRITY AND TRANSPARENCY ACROSS OUR VALUE CHAIN

Improved performance in the making

CEO summary



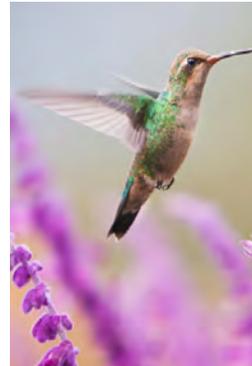
Clear profitability focus for underperforming divisions
Stability and profitability before growth



Active portfolio management
3 divisions to be exited, maximizing value



Domain expertise remains key to digital differentiation
Accelerated expansion of software and digital solutions, driven by businesses



Clear, ambitious financial framework and sustainability targets
Sustainable value creation embedded

ABB