
ZURICH, SWITZERLAND, NOVEMBER 19, 2020

ABB Capital Markets Day 2020

ABB will be hosting its Capital Markets Day today, November 19, starting 11.30 am CET, at which CEO, Björn Rosengren, and CFO, Timo Ihamuotila, as well as the four business area Presidents, will give an update on the recent strategic and operational developments, including:

- Improving performance under ABB Way
- Review of business portfolio
- ABB's digital strategy
- Updated financial framework and long-term sustainability targets

"ABB is a leading technology company, now and in the future. We have the global R&D capabilities, digital solutions and innovation focus to support our customers. The COVID-19 pandemic still weighs on the near-term outlook, but the long-term market trends of electrification, automation, digitalization and energy efficiency remain intact. At the same time, we are taking additional steps to improve performance in order to drive value creation for all stakeholders going forward," said CEO Björn Rosengren.

Improved performance in the making

Since the start of this year, ABB has further decentralized its organization to bring operating decisions closer to the customer and successfully rolled out its new operating model called ABB Way, including the introduction of a scorecard-based performance management system reinforced through incentivization. This creates a clear focus on stability and profitability before growth in order to strengthen underperforming divisions.

Furthermore, ABB has carried out a portfolio review of its divisions to ascertain whether it is ultimately the best owner. As a result, ABB has decided to explore all options to exit three divisions:

- Turbocharging (Industrial Automation)
- Mechanical Power Transmission (Motion)
- Power Conversion (Electrification)

These divisions represent roughly \$1.75 billion of combined annual revenues or approximately six percent of ABB's total revenues.

"All three divisions are high-quality businesses, with Operational EBITA margins above the group's target margin corridor. In this process, we will seek the best value-accretive solution for ABB and those businesses and not put ourselves under time pressure," said Rosengren. "Furthermore, portfolio reviews will continue to be a key element of the ABB Way."

ABB will increase the number of divisions to 20 as of January 1, 2021, due to a split in the Motion business area portfolio, while Industrial Automation will be renamed Process Automation to better reflect its customer base.

CFO Timo Ihamuotila will highlight in his presentation that ABB has delivered on sustainable cost reductions: "Due to the reorganization of the Group, the ABB-OS target of \$500 million net savings has been reached one year ahead of plan."

ABB's digital strategy

ABB has recently carried out a review of its digital strategy under the ABB Ability™ brand, which is comprised of software-enabled products and systems, as well as software and digital services. The company intends to accelerate the expansion of its digital offering that is tailored to specific sectors or applications based on ABB's domain expertise. This will be done through increasing R&D and investments to about 5 percent of revenues per year and will be led by the business. This approach creates superior value for customers and drives a higher quality of revenues for the company. ABB will also continue to pursue select strategic partnerships in the digital sphere, as well as synergetic bolt-on acquisitions.

Updated financial framework

ABB is retaining its financial framework with modifications to certain targets in order to align with the ABB Way.

	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% (previously 14-18%) 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

ABB's capital allocation priorities remain unchanged, including funding organic growth, a rising sustainable dividend per share and value-creating acquisitions. As previously announced, ABB intends to return to shareholders net cash proceeds from the Power Grids divestment of \$7.6-7.8 billion.

"ABB aims to deliver attractive returns to shareholders and retain a 'single A' credit rating," said CFO Timo Ihamuotila. "We also aim to complete most of our capital structure optimization program by the end of the year in order to further de-risk our balance sheet and further improve performance."

Long-term sustainability targets

ABB is announcing the launch of its new sustainability strategy and targets for 2030, which is rooted in ABB's Purpose and centered on an intensive stakeholder listening phase comprised of interviews and analyzed feedback. Based on this, the company has created a comprehensive sustainability strategy that combines ABB's higher ambition, impact, measurability and accountability across its value chain of operations, customers, suppliers and society at large.

¹ Calculated to exclude FX impacts and transformational acquisitions and divestments, includes bolt-on acquisitions and divestments within divisions.

We enable a low carbon society	We preserve resources	We promote social progress
Carbon neutrality in own operations	80% of ABB products and solutions covered by circularity approach	Zero harm to our people and contractors
Support our customers in reducing annual CO ₂ emissions by >100 Mt ²	Zero waste to landfill ³	Comprehensive D&I framework ⁴ ; 25% women among ABB leaders
Supply chain emissions reduction	Supplier sustainability framework	Top-tier employee engagement score in our industry
		Impactful support for community-building initiatives
Integrity and transparency across our value chain		
Further details available at go.abb/sustainability		

“ABB is embedding sustainability in everything we do in order to create long-term value. Foremost, we are enabling customers to reduce their emissions and preserve resources because this is where ABB’s technology can have the greatest impact. Furthermore, our new targets will be tied to employee incentive plans thus driving performance and culture within our group, while we are proud to be contributing to the United Nations’ Sustainable Development Goals,” said Rosengren.

Note to editors: The Capital Markets Day, CEO/CFO presentation, as well as presentations from Business Areas and Divisions, can be followed under: <https://global.abb/group/en/investors/strategy-events/capital-markets-day-2020> from 11.30 am to 5.15 pm CET.

ABB (ABBN: SIX Swiss Ex) is a leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB’s success is driven by about 110,000 talented employees in over 100 countries. www.abb.com

Important notice about forward-looking information

This press release includes forward-looking information and statements which are based on current expectations, estimates and projections about the factors that may affect our future performance, including the economic conditions of the regions and industries that are major markets for ABB. These expectations, estimates and projections are generally identifiable by statements containing words such as “anticipates”, “expects”, “believes”, “estimates”, “plans”, “targets”, “aims” or similar expressions. However, there are many 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 press release 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 COVID-19 pandemic, 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.

² Annual savings in the year 2030 from all solutions provided to customers 2021-30

³ Wherever local conditions allow

⁴ Diversity & Inclusion framework

For more information please contact:

Media Relations

Phone: +41 43 317 71 11

Email: media.relations@ch.abb.com

Investor Relations

Phone: +41 43 317 71 11

Email: investor.relations@ch.abb.com

ABB Ltd

Affolternstrasse 44

8050 Zurich

Switzerland