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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2024

Commission file number 000-54863

EATON CORPORATION plc

(Exact name of registrant as specified in its charter)

Ireland	98-1059235
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
Eaton House, 30 Pembroke Road, Dublin 4, Ireland	D04 Y0C2
(Address of principal executive offices)	(Zip Code)

+353 1637 2900
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary shares ($0.01 par value)	ETN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer," “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☑	Accelerated filer	☐	Non-accelerated filer ☐	
Smaller reporting company	☐	Emerging growth company	☐	(Do not check if a smaller reporting company)	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 399.8 million Ordinary Shares outstanding as of March 31, 2024.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31	
(In millions except for per share data)	2024	2023
Net sales	$ 5,943	$ 5,483
Cost of products sold	3,725	3,599
Selling and administrative expense	1,025	904
Research and development expense	189	179
Interest expense - net	30	50
Other income - net	(26)	(11)
Income before income taxes	1,001	762
Income tax expense	179	123
Net income	822	639
Less net income for noncontrolling interests	(1)	(1)
Net income attributable to Eaton ordinary shareholders	$ 821	$ 638
Net income per share attributable to Eaton ordinary shareholders		
Diluted	$ 2.04	$ 1.59
Basic	2.05	1.60
Weighted-average number of ordinary shares outstanding		
Diluted	401.9	400.5
Basic	399.9	398.5
Cash dividends declared per ordinary share	$ 0.94	$ 0.86

The accompanying notes are an integral part of these condensed consolidated financial statements.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Three months ended March 31 2024	Three months ended March 31 2023
Net income	$ 822	$ 639
Less net income for noncontrolling interests	(1)	(1)
Net income attributable to Eaton ordinary shareholders	821	638
Other comprehensive income (loss), net of tax		
Currency translation and related hedging instruments	(53)	119
Pensions and other postretirement benefits	17	(2)
Cash flow hedges	(4)	15
Other comprehensive income (loss) attributable to Eaton ordinary shareholders	(40)	132
Total comprehensive income attributable to Eaton ordinary shareholders	$ 781	$ 770

The accompanying notes are an integral part of these condensed consolidated financial statements.

EATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2024	December 31, 2023
Assets		
Current assets		
Cash	$ 473	$ 488
Short-term investments	1,969	2,121
Accounts receivable - net	4,674	4,475
Inventory	3,868	3,739
Prepaid expenses and other current assets	870	851
Total current assets	11,853	11,675
Property, plant and equipment		
Land and buildings	2,215	2,241
Machinery and equipment	6,577	6,497
Gross property, plant and equipment	8,792	8,738
Accumulated depreciation	(5,234)	(5,208)
Net property, plant and equipment	3,558	3,530
Other noncurrent assets		
Goodwill	14,877	14,977
Other intangible assets	4,975	5,091
Operating lease assets	722	648
Deferred income taxes	481	458
Other assets	2,070	2,052
Total assets	$ 38,535	$ 38,432
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	$ 1	$ 8
Current portion of long-term debt	994	1,017
Accounts payable	3,400	3,365
Accrued compensation	492	676
Other current liabilities	2,726	2,680
Total current liabilities	7,613	7,747
Noncurrent liabilities		
Long-term debt	8,192	8,244
Pension liabilities	730	768
Other postretirement benefits liabilities	177	180
Operating lease liabilities	601	533
Deferred income taxes	419	402
Other noncurrent liabilities	1,478	1,489
Total noncurrent liabilities	11,597	11,616
Shareholders' equity		
Ordinary shares (399.8 million outstanding in 2024 and 399.4 million in 2023)	4	4
Capital in excess of par value	12,630	12,634
Retained earnings	10,605	10,305
Accumulated other comprehensive loss	(3,946)	(3,906)

The accompanying notes are an integral part of these condensed consolidated financial statements.

EATON CORPORATION plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Three months ended March 31 2024	2023
Operating activities		
Net income	$ 822	$ 639
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	225	238
Deferred income taxes	32	17
Pension and other postretirement benefits expense	4	4
Contributions to pension plans	(46)	(29)
Contributions to other postretirement benefits plans	(4)	(5)
Changes in working capital	(524)	(498)
Other - net	(34)	(31)
Net cash provided by operating activities	475	335
Investing activities		
Capital expenditures for property, plant and equipment	(183)	(126)
Proceeds from sales of property, plant and equipment	58	3
Sales (purchases) of short-term investments - net	150	(27)
Proceeds from settlement of currency exchange contracts not designated as hedges - net	11	41
Other - net	(3)	(14)
Net cash provided by (used in) investing activities	33	(124)
Financing activities		
Proceeds from borrowings	—	318
Payments on borrowings	(4)	(3)
Short-term debt, net	(7)	(236)
Cash dividends paid	(368)	(334)
Exercise of employee stock options	41	17
Repurchase of shares	(138)	—
Employee taxes paid from shares withheld	(56)	(40)
Other - net	(4)	(1)
Net cash used in financing activities	(536)	(281)
Effect of currency on cash	13	11
Total decrease in cash	(15)	(59)
Cash at the beginning of the period	488	294
Cash at the end of the period	$ 473	$ 235

The accompanying notes are an integral part of these condensed consolidated financial statements.

EATON CORPORATION plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Amounts are in millions unless indicated otherwise (per share data assume dilution). Columns and rows may not add and the sum of components may not equal total amounts reported due to rounding.

Note 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Eaton Corporation plc (Eaton or the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (US GAAP) for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) have been made that are necessary for a fair presentation of the condensed consolidated financial statements for the interim periods.

This Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in Eaton's 2023 Form 10-K. The interim period results are not necessarily indicative of the results to be expected for the full year. Management has evaluated subsequent events through the date this Form 10-Q was filed with the Securities and Exchange Commission.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07). This accounting standard requires additional segment disclosures on an annual and interim basis, including significant segment expenses that are regularly provided to the chief operating decision maker. The standard does not change how operating segments and reportable segments are determined. ASU 2023-07 is effective for annual reporting periods beginning after December 15, 2023 and interim reporting periods beginning after December 15, 2024. The standard is required to be applied retrospectively to all periods presented in the consolidated financial statements. Eaton plans to adopt the standard for the year ended December 31, 2024. The Company is evaluating the impact of ASU 2023-07 and expects the standard will only impact its segment disclosures with no material impact to the consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09). This accounting standard requires disaggregated income tax disclosures on an annual basis, including information on the Company's effective income tax rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024, and may be applied prospectively or retrospectively. The Company is evaluating the impact of ASU 2023-09 and expects the standard will only impact its income taxes disclosures with no material impact to the consolidated financial statements.

Note 2. INVESTMENT IN ASSOCIATE COMPANY

Acquisition of a 49% stake in Jiangsu Ryan Electrical Co. Ltd.

On April 23, 2023, Eaton acquired a 49 percent stake in Jiangsu Ryan Electrical Co. Ltd., a manufacturer of power distribution and sub-transmission transformers in China. Eaton accounts for this investment on the equity method of accounting and is reported within the Electrical Global business segment.

Note 3. REVENUE RECOGNITION

Sales are recognized when obligations under the terms of the contract are satisfied and control of promised goods or services have transferred to our customers. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. Sales are measured at the amount of consideration the Company expects to be paid in exchange for these products or services.

The following table provides disaggregated sales by lines of businesses, geographic destination, market channel or end market, as applicable, for the Company's operating segments:

	Three months ended March 31	
(In millions)	2024	2023
Electrical Americas		
Products	$ 733	$ 716
Systems	1,957	1,578
Total	$ 2,690	$ 2,294
Electrical Global		
Products	$ 844	$ 882
Systems	656	618
Total	$ 1,500	$ 1,500
Aerospace		
Original Equipment Manufacturers	$ 355	$ 314
Aftermarket	291	264
Industrial and Other	225	225
Total	$ 871	$ 803
Vehicle		
Commercial	$ 435	$ 448
Passenger and Light Duty	290	291
Total	$ 724	$ 739
eMobility	$ 158	$ 147
Total net sales	$ 5,943	$ 5,483

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (revenue recognized exceeds amount billed to the customer), and deferred revenue (advance payments and billings in excess of revenue recognized). Accounts receivable from customers were $4,170 million and $3,966 million at March 31, 2024 and December 31, 2023, respectively. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. Unbilled receivables were $301 million and $289 million at March 31, 2024 and December 31, 2023, respectively, and are recorded in Prepaid expenses and other current assets. The increase in unbilled receivables reflects higher revenue recognized from increased business activity in 2024.

Changes in the deferred revenue liabilities are as follows:

(In millions)	Deferred Revenue
Balance at January 1, 2024	$ 626
Customer deposits and billings	657
Revenue recognized in the period	(612)
Translation	(5)
Balance at March 31, 2024	$ 666

(In millions)	Deferred Revenue
Balance at January 1, 2023	$ 508
Customer deposits and billings	514
Revenue recognized in the period	(421)
Translation	4
Balance at March 31, 2023	$ 605

Deferred revenue liabilities of $651 million and $610 million as of March 31, 2024 and December 31, 2023, respectively, were included in Other current liabilities with the remaining balance presented in Other noncurrent liabilities.

A significant portion of open orders placed with Eaton are by original equipment manufacturers or distributors. These open orders are not considered firm as they have been historically subject to releases by customers. In measuring backlog of unsatisfied or partially satisfied obligations, only the amount of orders to which customers are firmly committed are included. Using this criterion, total backlog at March 31, 2024 was approximately $15 billion. At March 31, 2024, approximately 79% of this backlog is targeted for delivery to customers in the next twelve months and the rest thereafter.

Note 4. CREDIT LOSSES FOR RECEIVABLES

Receivables are exposed to credit risk based on the customers’ ability to pay which is influenced by, among other factors, their financial liquidity position. Eaton’s receivables are generally short-term in nature with a majority outstanding less than 90 days.

Eaton performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. The Company evaluates the collectability of its receivables based on the length of time the receivable is past due, and any anticipated future write-off based on historic experience adjusted for market conditions. The Company's segments, supported by our global credit department, perform the credit evaluation and monitoring process to estimate and manage credit risk. The process includes an evaluation of credit losses for both the overall segment receivable and specific customer balances. The process also includes review of customer financial information and credit ratings, approval and monitoring of customer credit limits, and an assessment of market conditions. The Company may also require prepayment from customers to mitigate credit risk. Receivable balances are written off against an allowance for credit losses after a final determination of collectability has been made.

Accounts receivable are net of an allowance for credit losses of $39 million and $38 million at March 31, 2024 and December 31, 2023, respectively. The change in the allowance for credit losses includes expense and net write-offs, none of which are significant.

Note 5. INVENTORY

Inventory is carried at lower of cost or net realizable value. The components of inventory are as follows:

(In millions)	March 31, 2024	December 31, 2023
Raw materials	$ 1,527	$ 1,515
Work-in-process	999	870
Finished goods	1,341	1,354
Total inventory	$ 3,868	$ 3,739

Note 6. GOODWILL

Changes in the carrying amount of goodwill by segment are as follows:

(In millions)	January 1, 2024	Translation	March 31, 2024
Electrical Americas	$ 7,415	$ (8)	$ 7,407
Electrical Global	4,038	(73)	3,965
Aerospace	2,901	(18)	2,883
Vehicle	289	(1)	288
eMobility	334	—	334
Total	$ 14,977	$ (100)	$ 14,877

Note 7. SUPPLY CHAIN FINANCE PROGRAM

The Company negotiates payment terms directly with its suppliers for the purchase of goods and services. In addition, a third-party financial institution offers a voluntary supply chain finance (SCF) program that enables certain of the Company's suppliers, at the supplier's sole discretion, to sell receivables due from the Company to the financial institution on terms directly negotiated with the financial institution. If a supplier elects to participate in the SCF program, the supplier decides which invoices are sold to the financial institution and the Company has no economic interest in a supplier's decision to sell an invoice. Payments by the Company to participating suppliers are paid to the financial institution on the invoice due date, regardless of whether an individual invoice is sold by the supplier to the financial institution. The amounts due to the financial institution for suppliers that participate in the SCF program are included in Accounts payable on the Consolidated Balance Sheets, and the associated payments are included in operating activities on the Condensed Consolidated Statements of Cash Flows.

The changes in SCF obligations are as follows:

(In millions)	SCF Obligations
Balance at January 1, 2024	$ 369
Invoices confirmed during the period	351
Invoices paid during the period	(359)
Balance at March 31, 2024	$ 361

(In millions)	SCF Obligations
Balance at January 1, 2023	$ 219
Invoices confirmed during the period	297
Invoices paid during the period	(234)
Translation	1
Balance at March 31, 2023	$ 283

Note 8. RETIREMENT BENEFITS PLANS

The components of retirement benefits expense are as follows:

	United States pension benefit expense		Non-United States pension benefit expense	
	Three months ended March 31			
(In millions)	2024	2023	2024	2023
Service cost	$ 5	$ 5	$ 12	$ 11
Interest cost	33	36	21	21
Expected return on plan assets	(47)	(49)	(33)	(30)
Amortization	2	1	3	1
	(7)	(7)	3	3
Settlements	9	9	1	1
Total expense	$ 1	$ 2	$ 4	$ 4

The components of retirement benefits expense other than service costs are included in Other income - net.

During 2020, the Company announced it was freezing its United States pension plans for its non-union employees. The freeze was effective January 1, 2021 for non-union U.S. employees whose retirement benefit was determined under a cash balance formula and is effective January 1, 2026 for non-union U.S. employees whose retirement benefit is determined under a final average pay formula.

Note 9. LEGAL CONTINGENCIES

Eaton is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations and indemnity claims, tax audits, patent infringement, personal injuries, antitrust matters, and employment-related matters. Eaton is also subject to legal claims from historic products which may have contained asbestos. Insurance may cover some of the costs associated with these claims and proceedings. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes they will not have a material adverse effect on the condensed consolidated financial statements.

Note 10. INCOME TAXES

The effective income tax rate for the first quarter of 2024 was expense of 17.9% compared to expense of 16.1% for the first quarter of 2023. The increase in the effective tax rate in the first quarter of 2024 was primarily due to greater levels of income in higher tax jurisdictions, partially offset by a larger impact from the excess tax benefits recognized for employee share-based payments in the quarter.

Brazil Tax Years 2005-2012

The Company has two Brazilian tax cases primarily relating to the amortization of certain goodwill generated from the acquisition of third-party businesses and corporate reorganizations. One case involves tax years 2005-2008 (Case 1), and the other involves tax years 2009-2012 (Case 2). Case 2 is proceeding on a more accelerated timeline than Case 1. For Case 2, the Company received a tax assessment in 2014 that included interest and penalties. In November 2019, the Company received an unfavorable result at the final tax administrative appeals level, resulting in an alleged tax deficiency of $27 million plus $118 million of interest and penalties (translated at the March 31, 2024 exchange rate). The Company is challenging this assessment in the judicial system and, on April 18, 2022, received an unfavorable decision at the first judicial level. On April 27, 2022, the Company filed a motion for clarification relating to that decision. On May 20, 2022, the court largely upheld its prior decision without further clarification. On June 9, 2022, the Company filed its notice of appeal to the second level court. The Company intends to continue its challenge of this assessment in the judicial system.

As previously disclosed for Case 1, the Company received a separate tax assessment alleging a tax deficiency of $33 million plus $120 million of interest and penalties (translated at the March 31, 2024 exchange rate), which the Company is challenging in the judicial system. On April 4, 2024, the court published a favorable decision resulting in a reduction to the Case 1 assessment for the goodwill generated from the acquisition of a third-party business. In the same decision, the court confirmed the cancellation of an additional 75% penalty imposed by the tax authorities. As a result of the favorable decision, the alleged tax deficiency was reduced to $32 million plus $98 million of interest and penalties (translated at the March 31, 2024 exchange rate). The remainder of Case 1 is still pending resolution at the first judicial level.

Both cases are expected to take several years to resolve through the Brazilian judicial system and require provision of certain assets as security for the alleged deficiencies. As of March 31, 2024, the Company pledged Brazilian real estate assets with net book value of $20 million and provided additional security in the form of bank secured bonds and insurance bonds totaling $136 million and a cash deposit of $26 million (translated at the March 31, 2024 exchange rate).

The Company believes that the final resolution of both of the assessments will not have a material impact on its condensed consolidated financial statements. The ultimate outcome of these matters cannot be predicted with certainty given the complex nature of tax controversies. Should the ultimate outcome of these matters deviate from our reasonable expectations, they may have a material adverse impact on the Company’s condensed consolidated financial statements. However, Eaton believes that its interpretations of tax laws and application of tax laws to its facts are correct.

Note 11. EATON SHAREHOLDERS' EQUITY

The changes in Shareholders' equity are as follows:

	Ordinary shares								
(In millions)	Shares	Dollars	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held in trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
Balance at January 1, 2024	399.4	$ 4	$12,634	$10,305	$ (3,906)	$ (1)	$ 19,036	$ 33	$19,069
Net income	—	—	—	821	—	—	821	1	822
Other comprehensive loss, net of tax					(40)		(40)		(40)
Cash dividends paid and accrued	—	—	—	(381)	—	—	(381)	—	(381)
Issuance of shares under equity-based compensation plans	0.9	—	(4)	(1)	—	—	(5)	—	(5)
Repurchase of shares	(0.5)	—	—	(138)	—	—	(138)	—	(138)
Balance at March 31, 2024	399.8	$ 4	$12,630	$10,605	$ (3,946)	$ (1)	$ 19,292	$ 34	$19,326

(In millions)	Ordinary shares: Shares	Ordinary shares: Dollars	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held in trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
Balance at January 1, 2023	397.8	$ 4	$12,512	$ 8,468	$ (3,946)	$ (1)	$ 17,038	$ 38	$17,075
Net income	—	—	—	638	—	—	638	1	639
Other comprehensive income, net of tax					132		132	—	132
Cash dividends paid and accrued	—	—	—	(348)	—	—	(348)	(4)	(352)
Issuance of shares under equity-based compensation plans	0.7	—	(11)	(1)	—	1	(11)	—	(11)
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	—	—	—	—	—	1	1
Balance at March 31, 2023	398.6	$ 4	$12,502	$ 8,757	$ (3,814)	$ —	$ 17,449	$ 36	$17,485

On February 27, 2019, the Board of Directors adopted a share repurchase program for share repurchases up to $5.0 billion of ordinary shares (2019 Program). On February 23, 2022, the Board renewed the 2019 Program by providing authority for up to $5.0 billion in repurchases to be made during the three-year period commencing on that date (2022 Program). Under the 2022 Program, the ordinary shares are expected to be repurchased over time, depending on market conditions, the market price of ordinary shares, capital levels, and other considerations. During the three months ended March 31, 2024, 0.5 million ordinary shares were repurchased under the 2022 program in the open market at a total cost of $138 million. During the three months ended March 31, 2023, no ordinary shares were repurchased.

The changes in Accumulated other comprehensive loss are as follows:

(In millions)	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Total
Balance at January 1, 2024	$ (3,029)	$ (995)	$ 118	$ (3,906)
Other comprehensive income (loss) before reclassifications	(49)	6	4	(39)
Amounts reclassified from Accumulated other comprehensive loss (income)	(4)	11	(9)	(1)
Net current-period Other comprehensive income (loss)	(53)	17	(4)	(40)
Balance at March 31, 2024	$ (3,082)	$ (978)	$ 114	$ (3,946)

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The reclassifications out of Accumulated other comprehensive loss are as follows:

(In millions)	Three months ended March 31, 2024	Consolidated Statements of Income classification
Gains and (losses) on net investment hedges (amount excluded from effectiveness testing)		
Currency exchange contracts	$ 4	Interest expense - net
Tax expense	—	
Total, net of tax	4	
Amortization of defined benefits pensions and other postretirement benefits items		
Actuarial loss and prior service cost	(12) [1]	
Tax benefit	—	
Total, net of tax	(11)	
Gains and (losses) on cash flow hedges		
Floating-to-fixed interest rate swaps	3	Interest expense - net
Currency exchange contracts	8	Net sales and Cost of products sold
Commodity contracts	(1)	Cost of products sold
Tax expense	(2)	
Total, net of tax	9	
Total reclassifications for the period	$ 1	

[1] These components of Accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 8 for additional information about pension and other postretirement benefits items.

Net Income Per Share Attributable to Eaton Ordinary Shareholders

A summary of the calculation of net income per share attributable to Eaton ordinary shareholders is as follows:

(In millions except for per share data)	Three months ended March 31 2024	Three months ended March 31 2023
Net income attributable to Eaton ordinary shareholders	$ 821	$ 638
Weighted-average number of ordinary shares outstanding - diluted	401.9	400.5
Less dilutive effect of equity-based compensation	2.0	2.0
Weighted-average number of ordinary shares outstanding - basic	399.9	398.5
Net income per share attributable to Eaton ordinary shareholders		
Diluted	$ 2.04	$ 1.59
Basic	2.05	1.60

For the first quarter of 2024 and 2023, all stock options were included in the calculation of diluted net income per share attributable to Eaton ordinary shareholders because they were all dilutive.

Note 12. FAIR VALUE MEASUREMENTS

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A summary of financial instruments and contingent consideration recognized at fair value, and the fair value measurements used, is as follows:

(In millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
March 31, 2024				
Cash	$ 473	$ 473	$ —	$ —
Short-term investments	1,969	1,969	—	—
Net derivative contracts	20	—	20	—
Contingent future payments from acquisition of Green Motion	(17)	—	—	(17)
December 31, 2023				
Cash	$ 488	$ 488	$ —	$ —
Short-term investments	2,121	2,121	—	—
Net derivative contracts	11	—	11	—
Contingent future payments from acquisition of Green Motion	(18)	—	—	(18)

Eaton values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities.

On March 22, 2021, Eaton acquired Green Motion SA, a leading designer and manufacturer of electric vehicle charging hardware and related software based in Switzerland. Green Motion SA was acquired for $106 million, including $49 million of cash paid at closing and an initial estimate of $57 million for the fair value of contingent future consideration based on 2023 and 2024 revenue performance. The fair value of contingent consideration liabilities is estimated by discounting contingent payments expected to be made, and may increase or decrease based on changes in revenue estimates and discount rates, with a maximum possible undiscounted value of $114 million. As of March 31, 2024, the fair value of the contingent future payments has been reduced to $17 million based primarily on lower revenue in 2023 and anticipated reductions in projected 2024 revenue compared to the initial estimates at closing.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of $9,186 million and fair value of $8,678 million at March 31, 2024 compared to $9,261 million and $8,924 million, respectively, at December 31, 2023. The fair value of Eaton's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and is considered a Level 2 fair value measurement.

Note 13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, Eaton is exposed to certain risks related to fluctuations in interest rates, currency exchange rates and commodity prices. The Company uses various derivative and non-derivative financial instruments, primarily interest rate swaps, currency forward exchange contracts, currency swaps and commodity contracts to manage risks from these market fluctuations. The instruments used by Eaton are straightforward, non-leveraged instruments. The counterparties to these instruments are financial institutions with strong credit ratings. Eaton maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased and sold for trading purposes.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Consolidated Balance Sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instrument depends on whether it has been designated as part of a hedging relationship, is effective and the nature of the hedging activity. Eaton formally documents all relationships between derivative financial instruments accounted for as designated hedges and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. This process includes linking derivative financial instruments to a recognized asset or liability, specific firm commitment, forecasted transaction, or net investment in a foreign operation. These financial instruments can be designated as:

- Hedges of the change in the fair value of a recognized fixed-rate asset or liability, or the firm commitment to acquire such an asset or liability (a fair value hedge); for these hedges, the gain or loss from the derivative financial instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in income during the period of change in fair value.
- Hedges of the variable cash flows of a recognized variable-rate asset or liability, or the forecasted acquisition of such an asset or liability (a cash flow hedge); for these hedges, the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income and reclassified to income in the same period when the gain or loss on the hedged item is included in income.
- Hedges of the currency exposure related to a net investment in a foreign operation (a net investment hedge); for these hedges, the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income and reclassified to income in the same period when the gain or loss related to the net investment in the foreign operation is included in income.

The gain or loss from a derivative financial instrument designated as a hedge is classified in the same line of the Consolidated Statements of Income as the offsetting loss or gain on the hedged item. The cash flows resulting from these financial instruments are classified in operating activities on the Condensed Consolidated Statements of Cash Flows.

For derivatives that are not designated as a hedge, any gain or loss is immediately recognized in income. The majority of derivatives used in this manner relate to risks resulting from assets or liabilities denominated in a foreign currency and certain commodity contracts that arise in the normal course of business.

Eaton uses currency exchange contracts and certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against foreign currency exposure (net investment hedges). The Company uses the spot rate method to assess hedge effectiveness when currency exchange contracts are used in net investment hedges. Under this method, changes in the spot exchange rate are recognized in Accumulated other comprehensive loss. Changes related to the forward rate are excluded from the hedging relationship and the forward points are amortized to Interest expense - net on a straight-line basis over the term of the contract. The cash flows resulting from these currency exchange contracts are classified in investing activities on the Condensed Consolidated Statements of Cash Flows.

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Derivative Financial Statement Impacts

The fair value of derivative financial instruments recognized in the Consolidated Balance Sheets is as follows:

(In millions)	Notional amount	Other current assets	Other noncurrent assets	Other current liabilities	Other noncurrent liabilities	Type of hedge	Term
March 31, 2024							
Derivatives designated as hedges							
Forward starting floating-to-fixed interest rate swaps	$ 216	$ —	$ —	$ —	$ 1	Cash flow	8 years
Currency exchange contracts	311	9	3	5	—	Cash flow	1 to 22 months
Commodity contracts	42	2	—	—	—	Cash flow	1 to 11 months
Currency exchange contracts	555	2	—	—	—	Net investment	3 months
Total		$ 12	$ 3	$ 5	$ 2		
Derivatives not designated as hedges							
Currency exchange contracts	$4,429	$ 18		$ 6			1 to 6 months
December 31, 2023							
Derivatives designated as hedges							
Forward starting floating-to-fixed interest rate swaps	$ 165	$ —	$ —	$ —	$ 3	Cash flow	8 years
Currency exchange contracts	505	17	3	7	1	Cash flow	1 to 25 months
Commodity contracts	54	1	—	1	—	Cash flow	1 to 12 months
Currency exchange contracts	564	—	—	1	—	Net investment	3 months
Total		$ 17	$ 3	$ 9	$ 4		
Derivatives not designated as hedges							
Currency exchange contracts	$4,797	$ 12		$ 8			1 to 7 months

The currency exchange contracts shown in the table above as derivatives not designated as hedges are primarily contracts entered into to manage currency volatility or exposure on intercompany receivables, payables and loans. While Eaton does not elect hedge accounting treatment for these derivatives, Eaton targets managing 100% of the intercompany balance sheet exposure to minimize the effect of currency volatility related to the movement of goods and services in the normal course of its operations. This activity represents the great majority of these currency exchange contracts. The cash flows resulting from the settlement of these derivatives have been classified in investing activities in the Condensed Consolidated Statements of Cash Flows.

Foreign currency denominated debt designated as non-derivative net investment hedging instruments had a carrying value on an after-tax basis of $3,068 million at March 31, 2024 and $3,140 million at December 31, 2023.

As of March 31, 2024, the volume of outstanding commodity contracts that were entered into to hedge forecasted transactions:

Commodity	March 31, 2024		Term
Aluminum	3	Millions of pounds	1 to 9 months
Copper	9	Millions of pounds	1 to 11 months
Gold	1,405	Troy ounces	1 to 10 months
Silver	20,376	Troy ounces	1 to 7 months

The following amounts were recorded on the Consolidated Balance Sheets related to fixed-to-floating interest rate swaps:

(In millions)	Carrying amount of the hedged assets (liabilities)		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged asset (liabilities)[1]	
Location on Consolidated Balance Sheets	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Long-term debt	$ (713)	$ (713)	$ (40)	$ (42)

[1] At March 31, 2024 and December 31, 2023, these amounts include the cumulative liability amount of fair value hedging adjustments remaining for which the hedge accounting has been discontinued of $40 million and $42 million, respectively.

The impact of cash flow and fair value hedging activities to the Consolidated Statements of Income is as follows:

	Three months ended March 31, 2024		
(In millions)	Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 5,943	$ 3,725	$ 30
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (3)
Derivative designated as hedging instrument	—	—	3
Currency exchange contracts			
Hedged item	$ (1)	$ (7)	$ —
Derivative designated as hedging instrument	1	7	—
Commodity contracts			
Hedged item	$ —	$ 1	$ —
Derivative designated as hedging instrument	—	(1)	—

(In millions)	Three months ended March 31, 2023 Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 5,483	$ 3,599	$ 50
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (3)
Derivative designated as hedging instrument	—	—	3
Currency exchange contracts			
Hedged item	$ 2	$ (15)	$ —
Derivative designated as hedging instrument	(2)	15	—

The impact of derivatives not designated as hedges to the Consolidated Statements of Income is as follows:

(In millions)	Gain (loss) recognized in Consolidated Statements of Income, Three months ended March 31, 2024	2023	Consolidated Statements of Income classification
Gain (loss) on derivatives not designated as hedges			
Currency exchange contracts	$ 20	$ 11	Interest expense - net
Total	$ 20	$ 11	

The impact of derivative and non-derivative instruments designated as hedges to the Consolidated Statements of Income and Comprehensive Income is as follows:

(In millions)	Gain (loss) recognized in other comprehensive income (loss)		Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss	
	Three months ended March 31			Three months ended March 31	
	2024	2023		2024	2023
Derivatives designated as cash flow hedges					
Forward starting floating-to-fixed interest rate swaps	$ 2	$ —	Interest expense - net	$ 3	$ 3
Currency exchange contracts	3	31	Net sales and Cost of products sold	8	11
Commodity contracts	1	2	Cost of products sold	(1)	—
Derivatives designated as net investment hedges					
Currency exchange contracts					
Effective portion	11	(14)	Gain (loss) on sale of business	—	—
Amount excluded from effectiveness testing	3	5	Interest expense - net	4	1
Non-derivative designated as net investment hedges					
Foreign currency denominated debt	72	(63)	Gain (loss) on sale of business	—	—
Total	$ 92	$ (39)		$ 15	$ 15

The pre-tax portion of the fair value of currency exchange contracts designated as net investment hedges included in Accumulated other comprehensive loss were net gains of $19 million at March 31, 2024. The pre-tax portion of the fair value of the forward points included in Accumulated other comprehensive loss were net gains of $3 million at March 31, 2024.

At March 31, 2024, a gain of $5 million of estimated unrealized net gains or losses associated with our cash flow hedges were expected to be reclassified to income from

Accumulated other comprehensive loss within the next twelve months. These reclassifications relate to our designated foreign currency and commodity hedges that will mature in the next twelve months.

Note 14. RESTRUCTURING CHARGES

In the second quarter of 2020, Eaton initiated a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to initially respond to declining market conditions brought on by the COVID-19 pandemic. Since the inception of the program, the Company incurred expenses of $199 million for workforce reductions and $184 million for plant closing and other costs, resulting in total charges of $382 million through December 31, 2023. This multi-year restructuring program was substantially complete at the end of 2023, with final payments expected to be made in 2024.

During the first quarter of 2024, Eaton implemented a new multi-year restructuring program to accelerate opportunities to optimize its operations and global support structure. These actions will better align the Company's functions to support anticipated growth and drive greater effectiveness throughout the Company. Restructuring charges incurred under this program were $63 million in the first quarter of 2024. This restructuring program is expected to be completed in 2026 and is expected to incur additional expenses related to workforce reductions of $216 million and plant closing and other costs of $96 million, resulting in total estimated charges of $375 million for the entire program.

A summary of restructuring program charges is as follows:

	Three months ended March 31	
(In millions except for per share data)	2024	2023
Workforce reductions	$ 59	$ 2
Plant closing and other	4	7
Total before income taxes	63	10
Income tax benefit	14	2
Total after income taxes	$ 49	$ 8
Per ordinary share - diluted	$ 0.12	$ 0.02

Restructuring program charges related to the following segments:

	Three months ended March 31	
(In millions)	2024	2023
Electrical Americas	$ 7	$ 2
Electrical Global	24	3
Aerospace	8	1
Vehicle	24	2
Corporate	—	1
Total	$ 63	$ 10

A summary of liabilities related to workforce reductions, plant closing, and other associated costs is as follows:

(In millions)	Workforce reductions	Plant closing and other	Total
Balance at January 1, 2024	$ 35	$ 6	$ 41
Liability recognized, net	59	4	63
Payments, utilization and translation	(14)	(3)	(18)
Balance at March 31, 2024	$ 80	$ 7	$ 86

These restructuring program charges were included in Cost of products sold, Selling and administrative expense, Research and development expense, or Other income – net, as appropriate. In Business Segment Information, these restructuring program charges are treated as Corporate items. See Note 15 for additional information about business segments.

Note 15. BUSINESS SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance. Eaton's operating segments are Electrical Americas, Electrical Global, Aerospace, Vehicle, and eMobility. Operating profit includes the operating profit from intersegment sales. For additional information regarding Eaton's business segments, see Note 18 to the consolidated financial statements contained in the 2023 Form 10-K.

	Three months ended March 31	
(In millions)	2024	2023
Net sales		
Electrical Americas	$ 2,690	$ 2,294
Electrical Global	1,500	1,500
Aerospace	871	803
Vehicle	724	739
eMobility	158	147
Total net sales	$ 5,943	$ 5,483
Segment operating profit (loss)		
Electrical Americas	$ 785	$ 525
Electrical Global	274	274
Aerospace	201	180
Vehicle	116	107
eMobility	(4)	(4)
Total segment operating profit	1,371	1,082
Corporate		
Intangible asset amortization expense	(106)	(124)
Interest expense - net	(30)	(50)
Pension and other postretirement benefits income	12	11
Restructuring program charges	(63)	(10)
Other expense - net	(184)	(148)
Income before income taxes	1,001	762
Income tax expense	179	123
Net income	822	639
Less net income for noncontrolling interests	(1)	(1)
Net income attributable to Eaton ordinary shareholders	$ 821	$ 638

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Amounts are in millions of dollars or shares unless indicated otherwise (per share data assume dilution). Columns and rows may not add and the sum of components may not equal total amounts reported due to rounding.

COMPANY OVERVIEW

Eaton Corporation plc (Eaton or the Company) is an intelligent power management company dedicated to protecting the environment and improving the quality of life for people everywhere. We make products for the data center, utility, industrial, commercial, machine building, residential, aerospace and mobility markets. We are well positioned to capitalize on the megatrends of electrification, energy transition and digitalization. The reindustrialization of North America and Europe, growth in North American megaprojects, and increased global infrastructure spending focused on clean energy programs are expanding our end markets and positioning Eaton for growth for years to come. We are strengthening our participation across the entire electrical power value chain and benefiting from momentum in the data center and utility end markets as well as a growth cycle in the commercial aerospace and defense markets. We are guided by our commitment to operate sustainably and with the highest ethical standards. Our work is accelerating the planet’s transition to renewable energy sources, helping to solve the world’s most urgent power management challenges, and building a more sustainable society for people today and for future generations.

Eaton was founded in 1911 and has been listed on the New York Stock Exchange for more than a century. We reported revenues of $23.2 billion in 2023 and serve customers in more than 160 countries.

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RESULTS OF OPERATIONS

Non-GAAP Financial Measures

The following discussion of Consolidated Financial Results includes certain non-GAAP financial measures. These financial measures include adjusted earnings and adjusted earnings per ordinary share, each of which differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of adjusted earnings and adjusted earnings per ordinary share to the most directly comparable GAAP measure is included in the Consolidated Financial Results table below. Management believes that these financial measures are useful to investors because they provide additional meaningful financial information that should be considered when assessing our business performance and trends, and they allow investors to more easily compare Eaton’s financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton.

Acquisition and Divestiture Charges

Eaton incurs integration charges and transaction costs to acquire and integrate businesses, and transaction, separation and other costs to divest and exit businesses. Eaton also recognizes gains and losses on the sale of businesses. A summary of these Corporate items is as follows:

	Three months ended March 31	
(In millions except for per share data)	2024	2023
Acquisition integration, divestiture charges and transaction costs	$ 17	$ 13
Income tax benefit	4	3
Total after income taxes	$ 13	$ 11
Per ordinary share - diluted	$ 0.03	$ 0.03

Acquisition integration, divestiture charges and transaction costs in 2024 and 2023 are primarily related to acquisitions completed prior to 2023, including other charges and income to acquire and exit businesses. These charges were included in Cost of products sold, Selling and administrative expense, Research and development expense, or Other income - net. In Business Segment Information in Note 15, the charges were included in Other expense - net.

Restructuring Programs

In the second quarter of 2020, Eaton initiated a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to initially respond to declining market conditions brought on by the COVID-19 pandemic. Since the inception of the program, the Company incurred expenses of $199 million for workforce reductions and $184 million for plant closing and other costs, resulting in total charges of $382 million through December 31, 2023. This restructuring program was substantially complete at the end of 2023.

During the first quarter of 2024, Eaton implemented a new multi-year restructuring program to accelerate opportunities to optimize its operations and global support structure. These actions will better align the Company's functions to support anticipated growth and drive greater effectiveness throughout the Company. Restructuring charges incurred under this program were $63 million in the first quarter of 2024. This restructuring program is expected to be completed in 2026 and is expected to incur additional expenses related to workforce reductions of $216 million and plant closing and other costs of $96 million, resulting in total estimated charges of $375 million for the entire program. The Company expects mature year benefits of $325 million when the multi-year program is fully implemented.

Additional information related to these restructuring programs is presented in Note 14.

Intangible Asset Amortization Expense

Intangible asset amortization expense is as follows:

	Three months ended March 31	
(In millions except for per share data)	2024	2023
Intangible asset amortization expense	$ 106	$ 124
Income tax benefit	23	27
Total after income taxes	$ 84	$ 97
Per ordinary share - diluted	$ 0.21	$ 0.24

Consolidated Financial Results

(In millions except for per share data)	Three months ended March 31 2024	Three months ended March 31 2023	Increase (decrease)
Net sales	$ 5,943	$ 5,483	8 %
Gross profit	2,218	1,884	18 %
Percent of net sales	37.3 %	34.4 %	
Income before income taxes	1,001	762	31 %
Net income	822	639	29 %
Less net income for noncontrolling interests	(1)	(1)	
Net income attributable to Eaton ordinary shareholders	821	638	29 %
Excluding acquisition and divestiture charges, after-tax	13	11	
Excluding restructuring program charges, after-tax	49	8	
Excluding intangible asset amortization expense, after-tax	84	97	
Adjusted earnings	$ 966	$ 753	28 %
Net income per share attributable to Eaton ordinary shareholders - diluted	$ 2.04	$ 1.59	28 %
Excluding per share impact of acquisition and divestiture charges, after-tax	0.03	0.03	
Excluding per share impact of restructuring program charges, after-tax	0.12	0.02	
Excluding per share impact of intangible asset amortization expense, after-tax	0.21	0.24	
Adjusted earnings per ordinary share	$ 2.40	$ 1.88	28 %

Net Sales

Net sales increased 8% in the first quarter of 2024 driven entirely by organic sales. The increase in organic sales was primarily due to strength in commercial & institutional, industrial, and data center end-markets in the Electrical Americas and Electrical Global business segments, strength in sales to commercial OEM and aftermarket in the Aerospace business segment, and strength in the European region in the eMobility business segment.

Gross Profit

Gross profit margin increased from 34.4% in the first quarter of 2023 to 37.3% in the first quarter of 2024 primarily due to higher sales volumes and net price realization, and operating efficiencies in the Electrical Americas and Vehicle business segments, partially offset by higher costs to support growth initiatives in the Electrical Americas and Aerospace business segments, unfavorable product mix in the Aerospace business segment, and lower sales volume in the Vehicle business segment.

Income Taxes

The effective income tax rate for the first quarter of 2024 was expense of 17.9% compared to expense of 16.1% for the first quarter of 2023. The increase in the effective tax rate in the first quarter of 2024 was primarily due to greater levels of income in higher tax jurisdictions, partially offset by a larger impact from the excess tax benefits recognized for employee share-based payments in the quarter.

Net Income

Changes in Net income attributable to Eaton ordinary shareholders and Net income per share attributable to Eaton ordinary shareholders - diluted are summarized as follows:

	Three months ended	
(In millions except for per share data)	Dollars	Per share
March 31, 2023	$ 638	$ 1.59
Business segment results of operations		
Operational performance	254	0.61
Foreign currency	(13)	(0.03)
Corporate		
Intangible asset amortization expense	13	0.03
Restructuring program charges	(41)	(0.10)
Acquisition and divestiture charges	(2)	—
Other corporate items	(10)	(0.02)
Tax rate impact	(18)	(0.04)
March 31, 2024	$ 821	$ 2.04

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit (loss) and operating margin by business segment.

Electrical Americas

	Three months ended March 31		
(In millions)	2024	2023	Increase (decrease)
Net sales	$ 2,690	$ 2,294	17 %
Operating profit	$ 785	$ 525	50 %
Operating margin	29.2 %	22.9 %	

Net sales increased 17% in the first quarter of 2024 driven entirely by organic sales growth. The increase in organic sales reflects broad-based strength in end-markets, with particular strength in commercial & institutional, industrial, and data center end-markets.

The operating margin increased from 22.9% in the first quarter of 2023 to 29.2% in the first quarter of 2024 primarily due to higher sales volumes and net price realization, and operating efficiencies, partially offset by higher costs to support growth initiatives.

Electrical Global

(In millions)	Three months ended March 31 2024	2023	Increase (decrease)
Net sales	$ 1,500	$ 1,500	— %
Operating profit	$ 274	$ 274	— %
Operating margin	18.3 %	18.3 %	

Changes in Net sales are summarized as follows:	Three months ended March 31, 2024
Organic growth	1 %
Foreign currency	(1)%
Total increase in Net sales	— %

The increase in organic sales in the first quarter of 2024 was primarily due to strength in commercial & institutional, industrial, and data center end-markets, partially offset by weakness in utility, machine OEM, and residential end-markets. Additionally, the increase in organic sales was primarily due to strength in the Asia Pacific region and the Global Energy Infrastructure Solutions (GEIS) business, partially offset by weakness in the European region.

The operating margin was flat at 18.3% in both the first quarter of 2024 and 2023.

Aerospace

(In millions)	Three months ended March 31 2024	2023	Increase (decrease)
Net sales	$ 871	$ 803	9 %
Operating profit	$ 201	$ 180	12 %
Operating margin	23.1 %	22.5 %	

Net sales increased 9% in the first quarter of 2024 driven entirely by organic sales growth. The increase in organic sales was primarily due to broad-based strength across all end markets with particular strength in commercial OEM and aftermarket.

The operating margin increased from 22.5% in the first quarter of 2023 to 23.1% in the first quarter of 2024 primarily due to higher sales volumes and net price realization, and a gain on the sale of a production facility in the first quarter of 2024, partially offset by higher costs to support growth initiatives and unfavorable product mix.

Vehicle

(In millions)	Three months ended March 31 2024		2023		Increase (decrease)
Net sales	$	724	$	739	(2)%
Operating profit	$	116	$	107	8 %
Operating margin		16.0 %		14.5 %	

Changes in Net sales are summarized as follows:	Three months ended March 31, 2024
Organic growth	(3)%
Foreign currency	1 %
Total increase in Net sales	(2)%

The decrease in organic sales in the first quarter of 2024 was primarily due to weakness in the North American region, partially offset by strength in the Asia Pacific region.

The operating margin increased from 14.5% in the first quarter of 2023 to 16.0% in the first quarter of 2024 primarily due to operating efficiencies and net sales price realization, partially offset by lower sales volumes.

eMobility

(In millions)	Three months ended March 31 2024		2023		Increase (decrease)
Net sales	$	158	$	147	7 %
Operating loss	$	(4)	$	(4)	— %
Operating margin		(2.7)%		(2.7)%	

Net sales increased 7% in the first quarter of 2024 driven entirely by organic sales growth. The increase in organic sales reflects strength in the European region, partially offset by weakness in the North American region.

The operating margin was flat at negative 2.7% in both the first quarter of 2024 and 2023.

Corporate Expense

(In millions)	Three months ended March 31 2024	2023	Increase (decrease)
Intangible asset amortization expense	$ 106	$ 124	(15)%
Interest expense - net	30	50	(40)%
Pension and other postretirement benefits income	(12)	(11)	9 %
Restructuring program charges	63	10	530 %
Other expense - net	184	148	24 %
Total corporate expense	$ 371	$ 320	16 %

Total corporate expense increased from $320 million in the first quarter of 2023 to $371 million in the first quarter of 2024 primarily due to higher Restructuring program charges and Other expense - net, partially offset by lower Interest expense - net and Intangible asset amortization expense. The increase in Other expense - net is primarily due to higher costs for litigation matters.

LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION

Liquidity and Financial Condition

Eaton’s objective is to finance its business through operating cash flow and an appropriate mix of equity and long-term and short-term debt. By diversifying its debt maturity structure, Eaton reduces liquidity risk.

The Company maintains revolving credit facilities consisting of a $500 million 364-day revolving credit facility that will expire on September 30, 2024 and a $2,500 million five-year revolving credit facility that will expire on October 1, 2027. The revolving credit facilities totaling $3,000 million are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton’s revolving credit facilities at March 31, 2024. The Company maintains access to the commercial paper markets through its $3,000 million commercial paper program, of which none was outstanding on March 31, 2024.

Over the course of a year, cash, short-term investments, and short-term debt may fluctuate in order to manage global liquidity. As of March 31, 2024 and December 31, 2023, Eaton had cash of $473 million and $488 million, short-term investments of $1,969 million and $2,121 million, and short-term debt of $1 million and $8 million, respectively. Eaton believes it has the operating flexibility, cash flow, cash and short-term investment balances, availability under existing revolving credit facilities, and access to capital markets in excess of the liquidity necessary to meet future operating needs of the business, fund capital expenditures and acquisitions of businesses, as well as scheduled payments of long-term debt.

Eaton was in compliance with each of its debt covenants for all periods presented.

Cash Flows

A summary of cash flows is as follows:

	Three months ended March 31		
(In millions)	2024	2023	Change from 2023
Net cash provided by operating activities	$ 475	$ 335	$ 140
Net cash provided by (used in) investing activities	33	(124)	156
Net cash used in financing activities	(536)	(281)	(255)
Effect of currency on cash	13	11	2
Total decrease in cash	$ (15)	$ (59)	

Operating Cash Flow

Net cash provided by operating activities increased by $140 million in the first three months of 2024 compared to 2023 primarily due to higher net income in 2024, partially offset by higher working capital balances.

Investing Cash Flow

Net cash provided by investing activities increased by $156 million in the first three months of 2024 compared to 2023 primarily driven by an increase in sales of short-term investments to $150 million in 2024 compared to purchases of short-term investments of $27 million in 2023 and proceeds from the sale of certain facilities in 2024, partially offset by an increase in capital expenditures for property, plant and equipment to $183 million in 2024 from $126 million in 2023.

Financing Cash Flow

Net cash used in financing activities increased by $255 million in the first three months of 2024 compared to 2023 primarily due to no proceeds from borrowings in 2024 compared to proceeds from borrowings of $318 million in 2023, and an increase in repurchase of shares to $138 million in 2024 compared to no repurchase of shares in 2023, partially offset by a decrease in net payments of short-term debt to $7 million in 2024 from $236 million in 2023.

Uses of Cash

Capital Expenditures

Capital expenditures were $183 million and $126 million in the first three months of 2024 and 2023, respectively. The Company plans to increase capital expenditures over the next five years to expand production capacity across various markets to support anticipated growth. As a result, Eaton expects approximately $800 million in capital expenditures in 2024.

Dividends

Cash dividend payments were $368 million and $334 million in the first three months of 2024 and 2023, respectively. Payment of quarterly dividends in the future depends upon the Company's ability to generate net income and operating cash flows, among other factors, and is subject to declaration by the Eaton Board of Directors. The Company intends to continue to pay quarterly dividends in 2024.

Share Repurchases

On February 27, 2019, the Board of Directors adopted a share repurchase program for share repurchases up to $5.0 billion of ordinary shares (2019 Program). On February 23, 2022, the Board renewed the 2019 Program by providing authority for up to $5.0 billion in repurchases to be made during the three-year period commencing on that date (2022 Program). Under the 2022 Program, the ordinary shares are expected to be repurchased over time, depending on market conditions, the market price of ordinary shares, capital levels, and other considerations. During the three months ended March 31, 2024, 0.5 million ordinary shares were repurchased under the 2022 program in the open market at a total cost of $138 million. During the three months ended March 31, 2023, no ordinary shares were repurchased. The Company will continue to pursue share repurchases in 2024 depending on market conditions and capital levels.

Acquisition of Businesses

There were no business acquisitions in the first three months of 2024 and 2023. The Company will continue to focus on deploying its capital toward businesses that provide opportunities for higher growth and strong returns, and align with secular trends and its power management strategies.

Debt

The Company manages a number of short-term and long-term debt instruments, including commercial paper. At March 31, 2024, the Company had Short-term debt of $1 million, Current portion of long-term debt of $994 million, and Long-term debt of $8,192 million. The Company believes it has the operating flexibility, cash flow, and access to capital markets to meet scheduled payments of long-term debt.

Supply Chain Finance Program

A third-party financial institution offers a voluntary supply chain finance (SCF) program that enables certain of the Company's suppliers, at the supplier's sole discretion, to sell receivables due from the Company to the financial institution on terms directly negotiated with the financial institution. The SCF program does not have a significant impact on the Company's liquidity as payments by the Company to participating suppliers are paid to the financial institution on the invoice due date, regardless of whether an individual invoice is sold by the supplier to the financial institution. For additional information on the SCF program, see Note 7.

Guaranteed Debt

Issuers, Guarantors and Guarantor Structure

Eaton Corporation has issued senior notes pursuant to indentures dated April 1, 1994 (the 1994 Indenture), November 20, 2012 (the 2012 Indenture), September 15, 2017 (the 2017 Indenture) and August 23, 2022 (as supplemented by the First and Second Supplemental Indentures of the same date and the Third Supplemental Indenture dated May 18, 2023, the 2022 Indenture). The senior notes of Eaton Corporation are registered under the Securities Act of 1933, as amended (the Registered Senior Notes). Eaton Capital Unlimited Company, a subsidiary of Eaton, is the issuer of five outstanding series of debt securities sold in offshore transactions under Regulation S promulgated under the Securities Act (the Eurobonds). The Eurobonds and the Registered Senior Notes (together, the Senior Notes) comprise substantially all of Eaton’s long-term indebtedness.

Substantially all of the Senior Notes (with limited exceptions), together with the credit facilities described above under Liquidity and Financial Condition (the Credit Facilities), are guaranteed by Eaton and 17 of its subsidiaries. Accordingly, they rank equally with each other. However, because these obligations are not secured, they would be effectively subordinated to any existing or future secured indebtedness of Eaton and its subsidiaries. As of March 31, 2024, Eaton has no material, long-term secured debt. The guaranteed Registered Senior Notes are also structurally subordinated to the liabilities of Eaton's subsidiaries that are not guarantors. Except as described below under Future Guarantors, Eaton is not obligated to cause its subsidiaries to guarantee the Registered Senior Notes.

The table set forth in Exhibit 22 filed with the Form 10-K filed on February 23, 2023 (10-K Exhibit 22) details the primary obligors and guarantors with respect to the guaranteed Registered Senior Notes.

Terms of Guarantees of Registered Securities

Payment of principal and interest on the Registered Senior Notes is guaranteed, on an unsecured, unsubordinated basis by the subsidiaries of Eaton set forth in the table referenced in the 10-K Exhibit 22. Each guarantee is full and unconditional, and joint and several. Each guarantor’s guarantee is an unsecured obligation that ranks equally with all its other unsecured and unsubordinated indebtedness. The obligations of each guarantor under its guarantee of the Registered Senior Notes are subject to a customary savings clause or similar provision designed to prevent such guarantee from constituting a fraudulent conveyance or otherwise legally impermissible or voidable obligation.

Though the terms of the indentures vary slightly, generally, each guarantee of the Registered Senior Notes by a guarantor that is a subsidiary of Eaton Corporation provides that it will be automatically and unconditionally released and discharged under certain circumstances, including, but not limited to:

(a) the consummation of certain types of transactions permitted under the applicable indenture, including one that results in such guarantor ceasing to be a subsidiary; and
(b) for Registered Senior Notes issued under the 2022 Indenture, when such guarantor is a guarantor or issuer of indebtedness in an aggregate outstanding principal amount of less than 25% of our total outstanding indebtedness.

Further, each guarantee by a direct or indirect parent of Eaton Corporation (other than Eaton) provides that it will also be released if:

(c) such guarantee (so long as the guarantor is not obligated under any other U.S. debt obligations), becomes prohibited by any applicable law, rule or regulation or by any contractual obligation; or
(d) such guarantee results in material adverse tax consequences to Eaton or any of its subsidiaries (so long as the applicable guarantor is not obligated under any other U.S. debt obligation).

The guarantee of Eaton does not contain any release provisions.

Future Guarantors

The 2012 and 2017 Indentures generally provide that, with certain limited exceptions, any subsidiary of Eaton must become a guarantor if it becomes obligated as borrower or guarantor under any series of debt securities or a syndicated credit facility. Further, the 2012 and 2017 Indentures provide that any entity that becomes a direct or indirect parent entity of

Eaton Corporation and holds any material assets, with certain limited exceptions, or owes any material liabilities must become a guarantor. The 2022 Indenture provides only that, with certain limited exceptions, any subsidiary of Eaton must become a guarantor if it becomes obligated as borrower or guarantor under indebtedness with an aggregate outstanding principal amount in excess of 25% of the Parent and its Subsidiaries' then-outstanding indebtedness.

The 1994 Indenture does not contain provisions with respect to future guarantors.

Summarized Financial Information of Guarantors and Issuers

(In millions)	March 31, 2024	December 31, 2023
Current assets	$ 4,991	$ 5,006
Noncurrent assets	13,026	13,004
Current liabilities	3,768	3,927
Noncurrent liabilities	9,975	10,012
Amounts due to subsidiaries that are non-issuers and non-guarantors - net	8,682	8,178

(In millions)	Three months ended March 31, 2024
Net sales	$ 3,484
Sales to subsidiaries that are non-issuers and non-guarantors	280
Cost of products sold	2,585
Expense from subsidiaries that are non-issuers and non-guarantors - net	109
Net income	220

The financial information presented is that of Eaton Corporation and the Guarantors, which includes Eaton Corporation plc, on a combined basis and the financial information of non-issuer and non-guarantor subsidiaries has been excluded. Intercompany balances and transactions between Eaton Corporation and Guarantors have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

FORWARD-LOOKING STATEMENTS

This Form 10-Q Report contains forward-looking statements concerning litigation, expected capital deployment, expected capital expenditures, future dividend payments, anticipated share repurchases, and expected restructuring program charges and benefits. These statements may discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to Eaton, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “possible,” “potential,” “predict,” “project” or other similar words, phrases or expressions. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside Eaton’s control. The following factors could cause actual results to differ materially from those in the forward-looking statements: global pandemics such as COVID-19; unanticipated changes in the markets for the Company’s business segments; unanticipated downturns in business relationships with customers or their purchases from us; the availability of credit to customers and suppliers; supply chain disruptions, competitive pressures on sales and pricing; unanticipated changes in the cost of material, labor and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest at Eaton or at our customers or suppliers; the impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; tax rate changes or exposure to additional income tax liability; stock market and currency fluctuations; war, geopolitical tensions, natural disasters, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. Eaton does not assume any obligation to update these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in exposures to market risk since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures - Pursuant to SEC Rule 13a-15, an evaluation was performed under the supervision and with the participation of Eaton’s management, including Craig Arnold - Principal Executive Officer; and Olivier Leonetti - Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, management concluded that Eaton’s disclosure controls and procedures were effective as of March 31, 2024.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in Eaton’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Eaton’s reports filed under the Exchange Act is accumulated and communicated to management, including Eaton’s Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

During the first quarter of 2024, there was no change in Eaton’s internal control over financial reporting that materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding the Company's current legal proceedings is presented in Note 9 of the Notes to the condensed consolidated financial statements.

ITEM 1A. RISK FACTORS.

“Item 1A. Risk Factors” in Eaton's 2023 Form 10-K includes a discussion of the Company's risk factors. There have been no material changes from the risk factors described in the 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(c) Issuer's Purchases of Equity Securities

During the first quarter of 2024, 0.5 million ordinary shares were repurchased in the open market at a total cost of $138 million. These shares were repurchased under the program approved by the Board on February 23, 2022 (the 2022 Program). A summary of the shares repurchased in the first quarter of 2024 is as follows:

Month	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
January	—	$ —	—	$ 4,714
February	451,586	$ 283.45	451,586	$ 4,586
March	36,098	$ 289.78	36,098	$ 4,576
Total	487,684	$ 283.92	487,684	

ITEM 6. EXHIBITS.

Eaton Corporation plc
First Quarter 2024 Report on Form 10-Q

3 (i)	Certificate of Incorporation — Incorporated by reference to the Form S-8 filed November 30, 2012
3 (ii)	Amended and Restated Memorandum and Articles of Incorporation — Incorporated by reference to the Form 8-K filed on May 1, 2017
4.1	Description of Eaton Corporation plc's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.1 of the registrant's Form 10-K filed on February 26, 2020)
4.2	Indenture dated as of November 20, 2012, among Turlock Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of Eaton Corporation plc's Form 8-K Current Report filed on November 26, 2012 (Commission File No. 333-182303))
4.3	Supplemental Indenture No. 1, dated as of November 30, 2012, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of the registrant's Form S-4 filed on September 6, 2013)
4.4	Supplemental Indenture No. 2, dated as of January 8, 2013, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.3 of the registrant's Form S-4 filed on September 6, 2013)
4.5	Supplemental Indenture No. 3, dated as of December 20, 2013, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.4 of the registrant's Form 10-K filed on February 28, 2018)
4.6	Supplemental Indenture No. 4, dated as of December 20, 2017 and effective as of January 1, 2018, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.5 of the registrant's Form 10-K filed on February 28, 2018)
4.7	Supplemental Indenture No. 5, dated as of February 16, 2018, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.6 of the registrant's Form 10-K filed on February 28, 2018)
4.8	Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.9	First Supplemental Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.10	Second Supplemental Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.11	Pursuant to Regulation S-K Item 601(b)(4), Eaton agrees to furnish to the SEC, upon request, a copy of the instruments defining the rights of holders of its long-term debt other than those set forth in Exhibits (4.2 - 4.10) hereto
10.1	5-Year Revolving Credit Agreement, dated as of October 3, 2022, among Eaton Corporation, the guarantors from time to time party thereto, the several lenders from time to time parties thereto, Citibank, N.A., as Administrative Agent, Citibank, N.A., JPMorgan Chase Bank, N.A. and BofA Securities, Inc. as joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., as syndication agent and Bank of America, N.A. as documentation agent.
10.2	364-Day Revolving Credit Agreement, dated as of October 2, 2023, among Eaton Corporation, the guarantors from time to time party thereto, the several lenders

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101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Label Definition Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		EATON CORPORATION plc
		Registrant
Date: April 30, 2024	By:	/s/ Olivier Leonetti
		Olivier Leonetti
		Principal Financial Officer
		(On behalf of the registrant and as Principal Financial Officer)