

# Ingersoll Rand

JP Morgan  
Diversified Industries Conference  
June 5, 2012



## Safe Harbor

This presentation includes “forward-looking statements”, which are statements that are not historical facts, including statements that relate to the mix of and demand for our products, performance of the markets in which we operate, our future operational performance, our capital allocation strategy and our 2012 full-year and second-quarter financial performance. These forward-looking statements are based on our current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from our current expectations. Factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2011, Form 10-Q for the quarter ended March 31, 2012 and in our other SEC filings. We assume no obligation to update these forward-looking statements.

This presentation also includes adjusted non-GAAP financial information which should be considered supplemental to, not a substitute for, or as superior to, the financial measure calculated in accordance with GAAP. Further information about the adjusted non-GAAP financial information, including why management believes the information is useful, the purposes for which management uses the information and reconciliation to the nearest GAAP measure, is included in financial tables attached to the earnings news release that can be found at [www.ingersollrand.com](http://www.ingersollrand.com).

All data for beyond the first quarter of 2012 are estimates.

# Overview: Well Positioned for the Future



- Strong position with leading global brands and market share
- Implemented actions during cyclical decline to:
  - Attack costs
  - Integrate businesses
- Enhanced innovation capabilities to drive growth
- Proven model for cross-selling brands
- Sustainable operating margin improvement
- Significant and growing cash flow generation
- Rigorous and balanced capital allocation focused on driving shareholder value



**Well positioned to drive future growth and create significant upside**

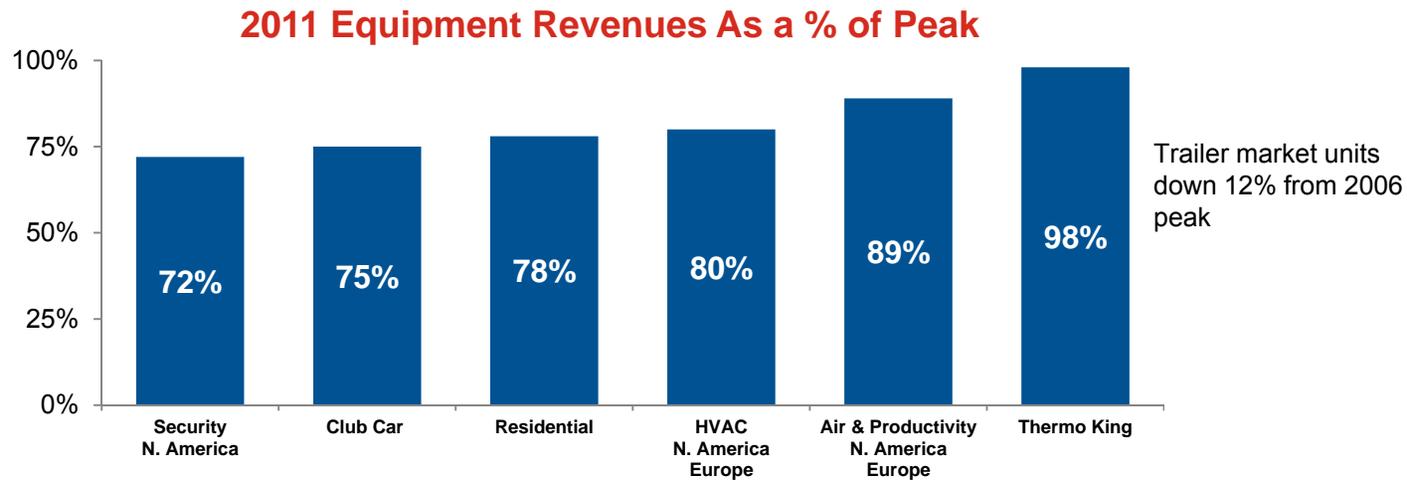
# Positioning Ingersoll Rand to Drive Shareholder Value



**Sustainable, profitable growth and shareholder value**



# Driving Operational Performance in the Face of Cyclical Downturns



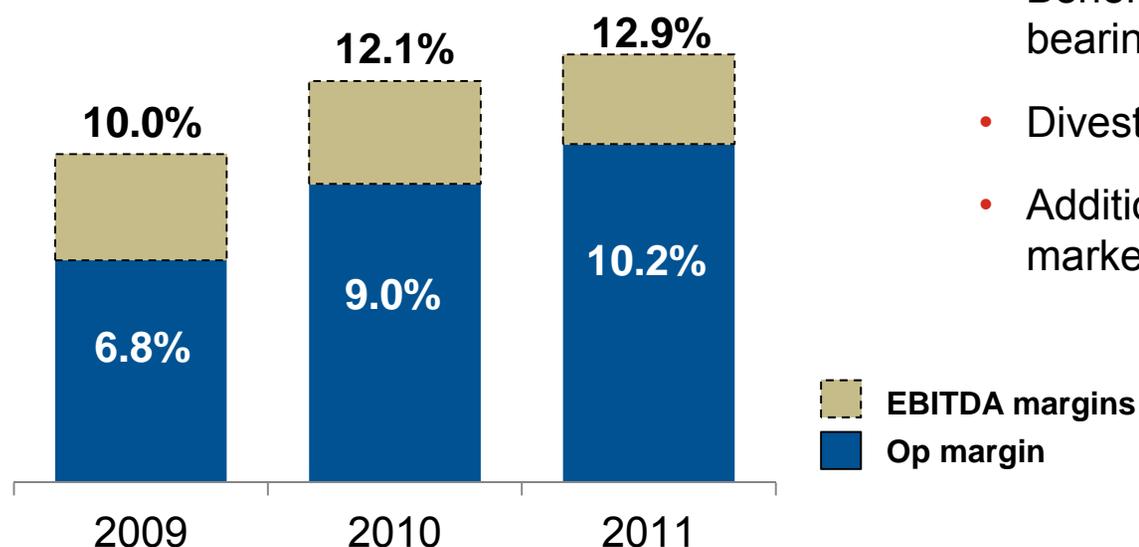
- Strong actions taken to offset cyclical decline:
  - Right-sized manufacturing footprint
  - Divested low margin / unprofitable businesses
  - Lean transformation of manufacturing and “back office costs”
- Continual investment in product innovation
- Growth through expanding services and emerging markets presence

**Poised for significant operating leverage as late cycle businesses recover**

# Operating Margin Performance vs. Peers

## Ingersoll Rand Expands 2009-2011 Margins Ahead of Diversified Peers

<u>2009-2011</u>	<u>Operating Margin Change (bpts)</u>
Ingersoll Rand	+340
Diversified Industrial peers	+251

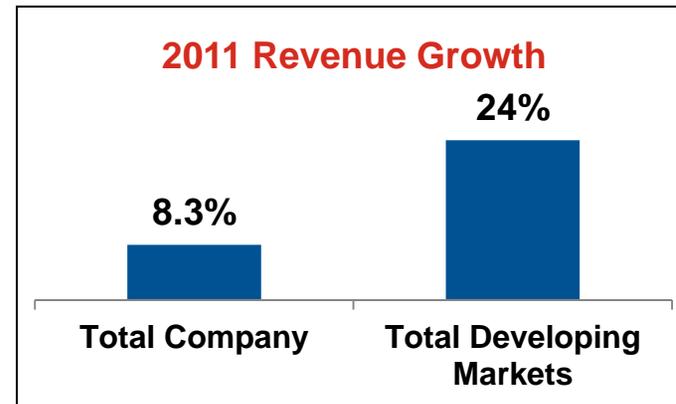


- Top-quartile incremental margin performance vs. peers
- Functional excellence drives operating leverage
- Benefits of restructuring efforts bearing out
- Divested low margin businesses
- Additional upside through end market recovery

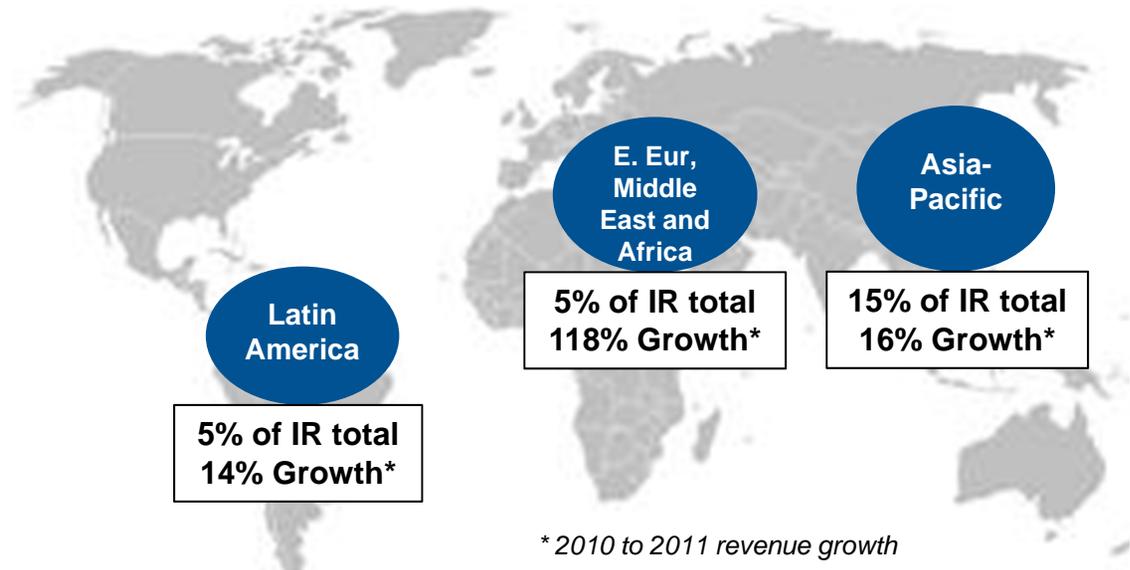
**Driving superior margin improvement relative to peers despite relative position in the cycle**

# Growth in Developing Markets

- Localizing business (e.g., operations, engineering, product management / marketing) over past 3 years paying off
- Shared local infrastructure among brands leverages cross-business knowledge and systems, improves cost structure
  - Technology Centers of Excellence in India and China: over 1,100 engineers
  - Provides brands with platform for more effective penetration of new markets
- Strategic hubs enhance innovation and technical and customer service excellence

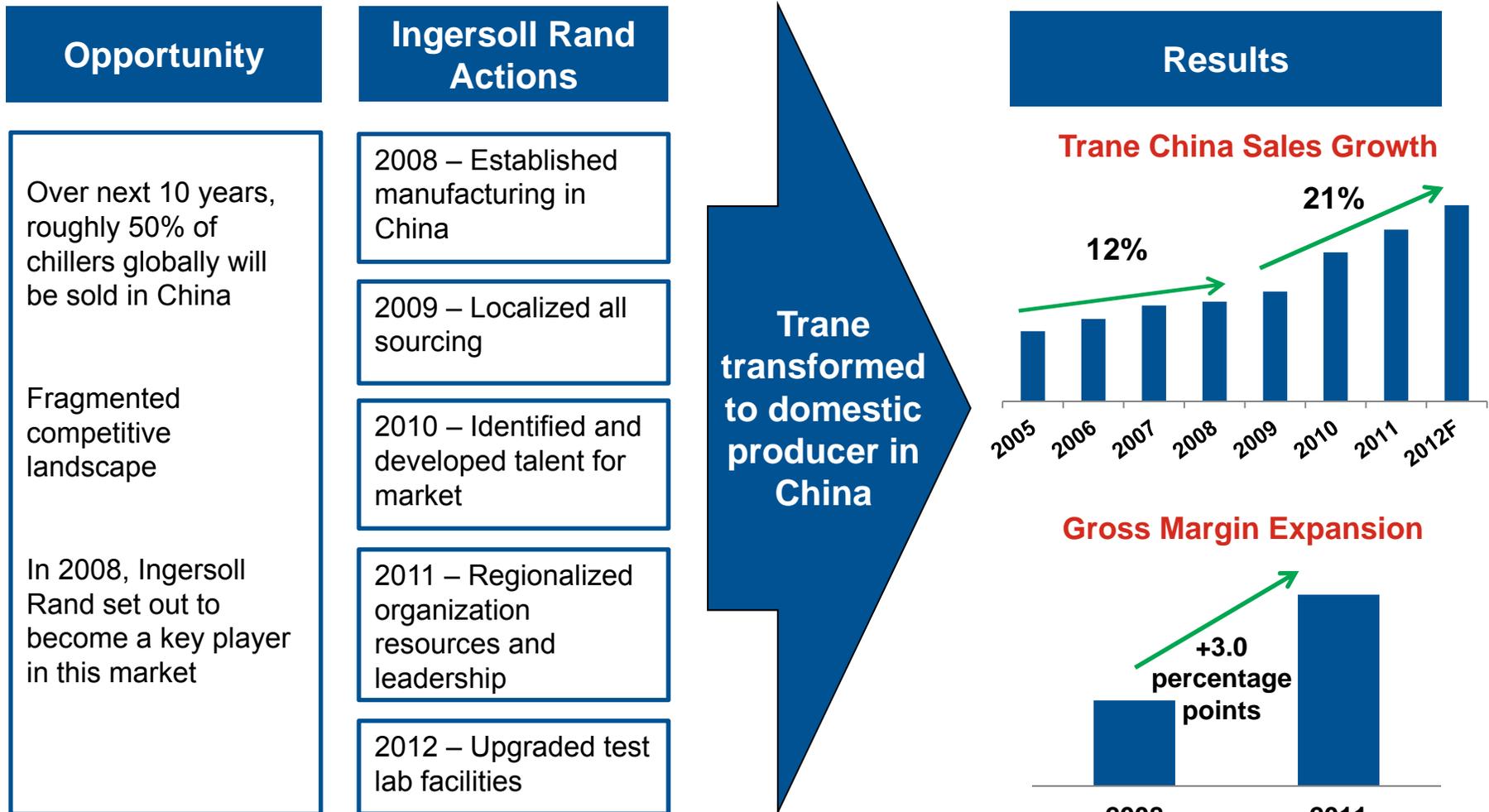


## 2011 Developing Markets



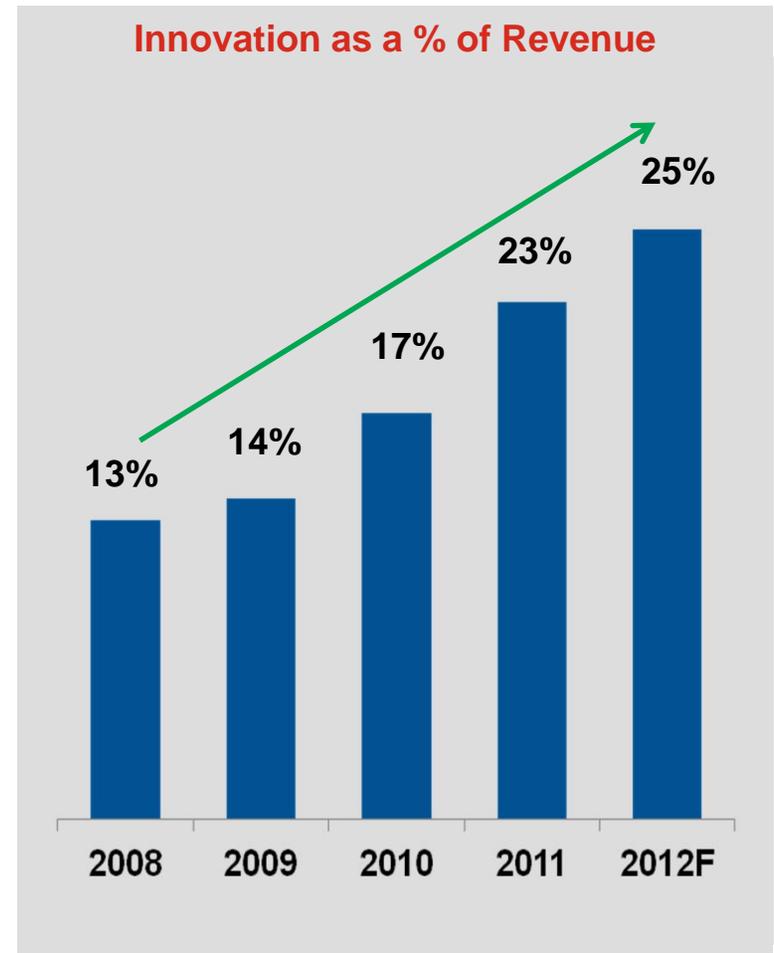
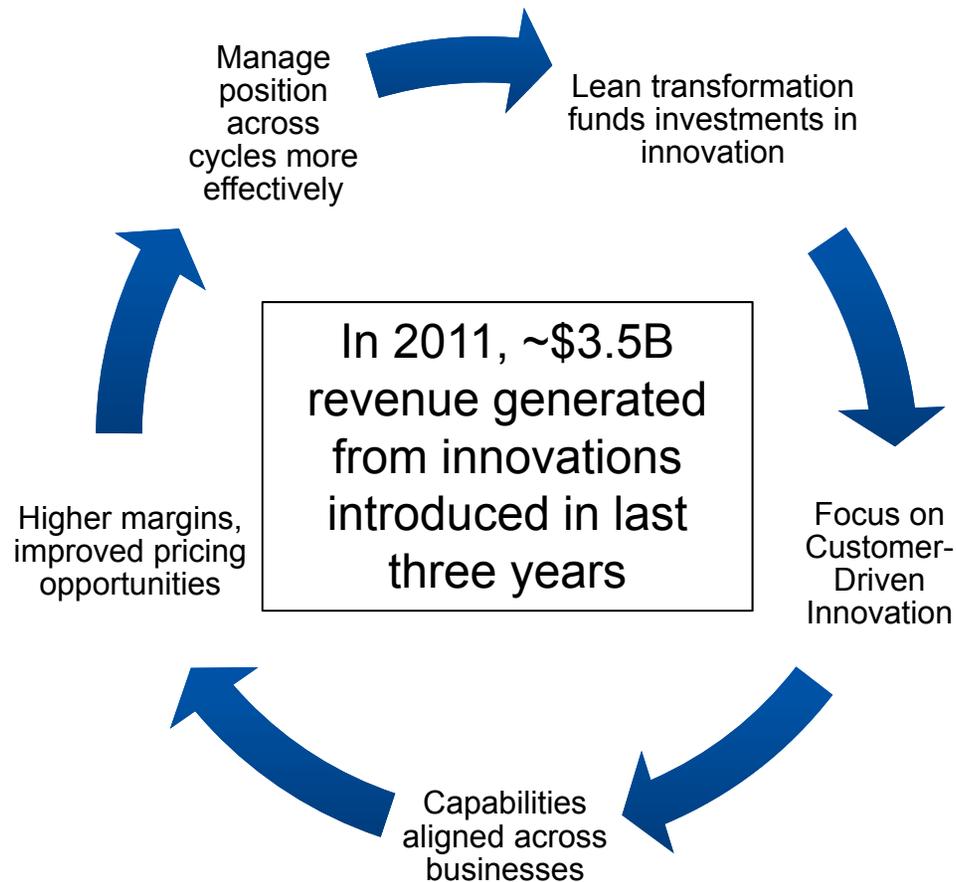
**Developing markets 25% of total revenue;  
Developing market revenue up by 24% in 2011**

# Investment leads to emerging market growth: Trane China example



**Proven Ingersoll Rand strategy delivers results**

# Investing in Innovation for Profitable Growth



Sustained performance from proven innovation strategy

# Operational Excellence across Businesses: Streamlined Facilities and Organization

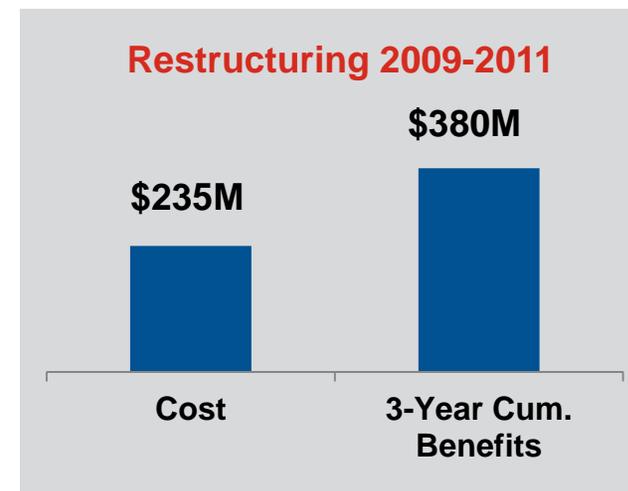
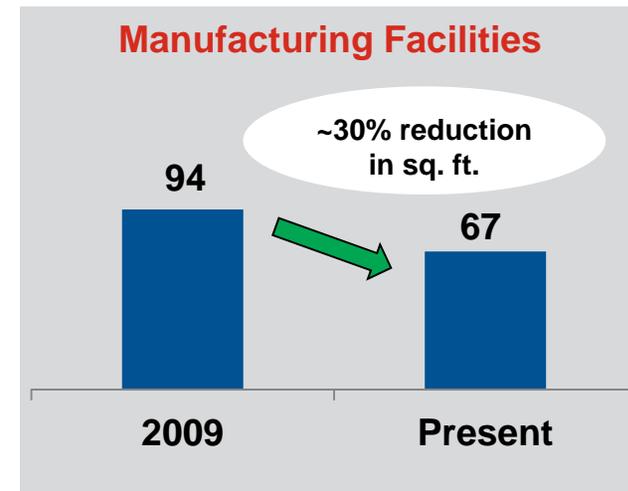


## Restructuring

- Reduced plants from 94 to 67
- ~30% reduction in square footage
- 10 plants are shared → ~25% of total square footage
- Doubled utilization
- De-layering business unit operations

### Example: Mocksville shared facility

- Components for air compressors
- Components for HVAC chillers
- New 2012: Thermo King refrigeration compressors

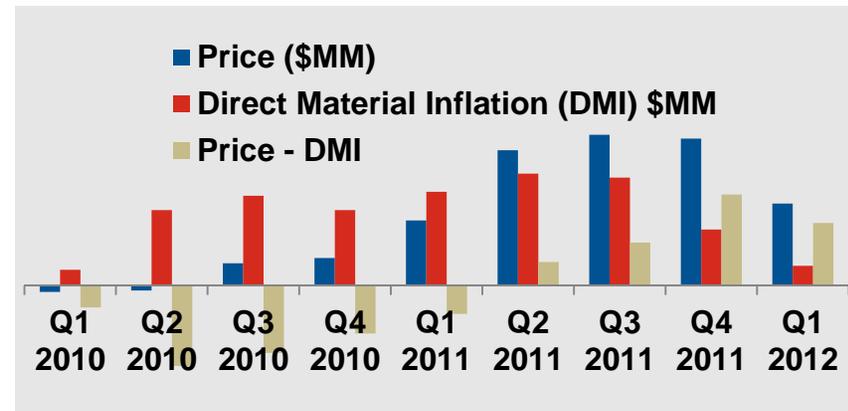


# Operational Excellence across Businesses: Pricing and Sourcing

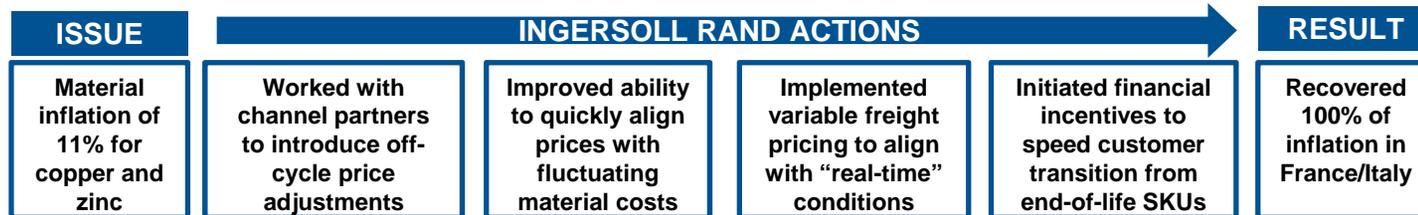


## Improved pricing capability

- Standardized, rigorous tools and policies
- Evolving from transactional to value selling
- Price exceeded material inflation for 4 quarters



## Example: Security Technologies in France and Italy



## Enhancing Productivity: Strategic Sourcing

- Separate material management from sourcing
- Global commodity teams with integrated engineering, leveraging global scale
- Right size supply base
- Centralization of global procurement Q4 2011; Expect annualized savings of \$60M

## Example: Electrical Components

- Improved productivity by 3 percentage points
- 15% reduction of suppliers → 30% reduction target by 2012
- Improved payables performance by 5 days or ~\$3M

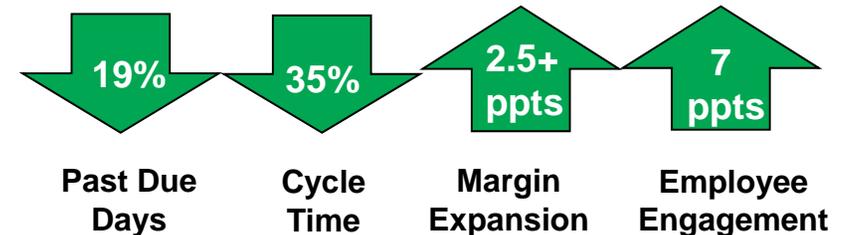
# Operational Excellence across Businesses: Lean Transformation



## Lean Transformation: Operational

- Lean deployment in manufacturing operations
- 24 value streams in 2012, about one quarter of total streams
- Clear positive divergence in results, including lower working capital and share gains from lower cycle times

## Value Stream Deployment



## Lean Transformation: Functional

- 3 year program to achieve top-quartile functional G&A cost structure across organization and utilize common systems as enabler
- ERP implementation\*: Six-phase process through 2016; \$250 million investment over five years

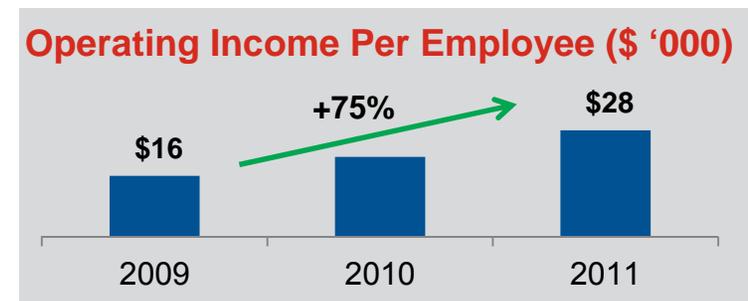
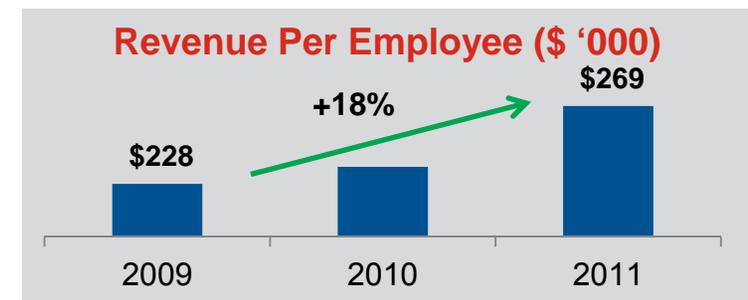
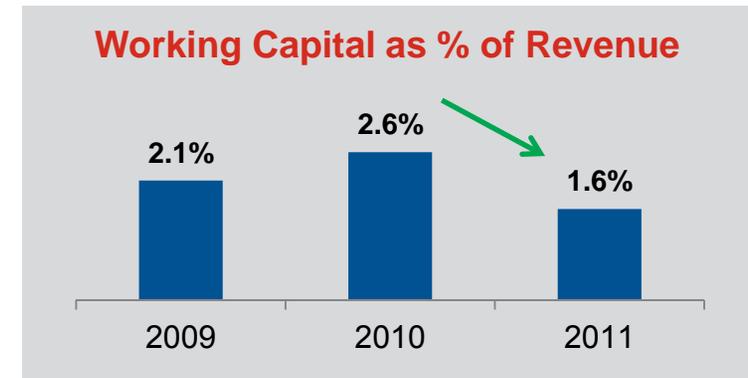
### Example: IT Infrastructure

- Consolidate and outsource IT infrastructure hardware and support
- \$10M Investment in 2012
- \$24M savings over first 36 months
- \$285M savings over 10 years

\* Finance, manufacturing, inventory, order management, service management

# Operational Excellence Delivering Results

- Record low working capital at 1.6% of revenue in 4Q 2011 – approaching top-quartile performance
- Creating growth through share gains
- Deeper understanding of customer value
- Agility to balance between investing and cost out
- Structure enables customer-facing teams to focus on their brands; consolidated operations and support focused on supporting all the businesses
- Notable progress to date. Remains ongoing process at early stage with tremendous long-term potential due to scale

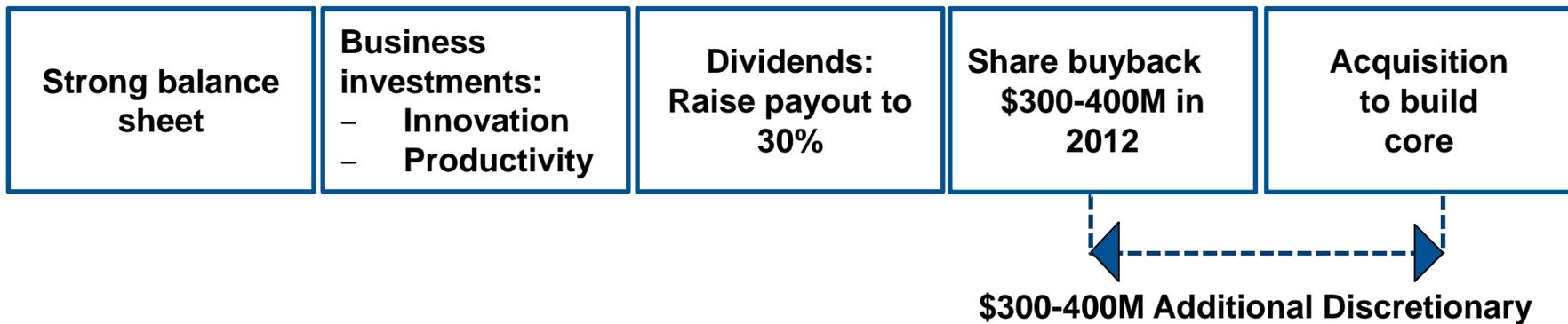
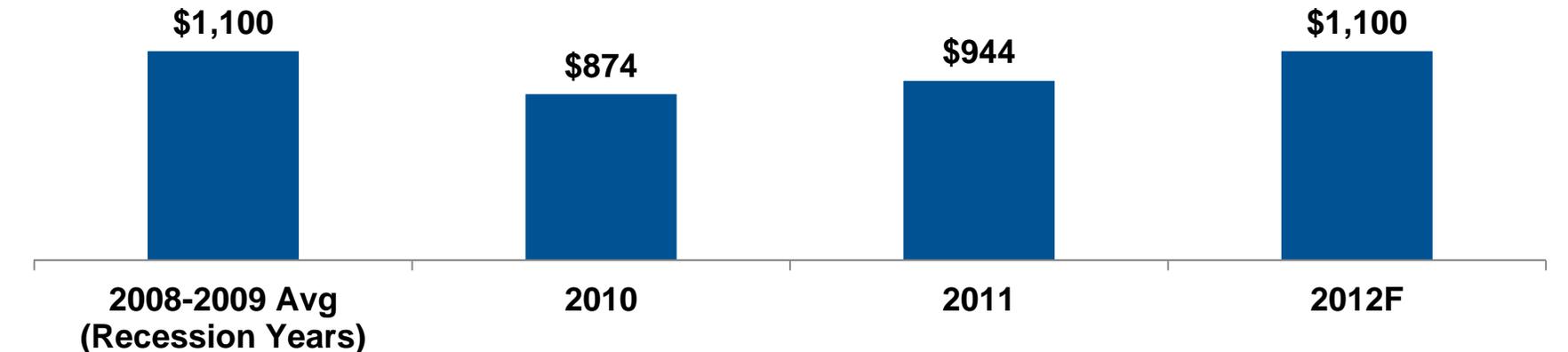


**Focus on operational excellence delivering increased margins, working capital efficiency, and market share**

# Balanced Capital Allocation Strategy



## Available Cash Flow (\$M)



**Strong cash flow funds disciplined capital allocation**

# Summary

- Well positioned for the future – with strong momentum and further upside
  - Attractive and improving end markets
  - Leading brands and growth from innovation
  - Strong penetration and positioning in developing markets with significant potential
- Integration of businesses delivering sustainable results
  - Operational excellence, pricing and innovation generating increased margins, working capital efficiency, and improved market share
- Strong cash generation
- Disciplined capital allocation strategy to fund continued investments in business, maintain financial strength, and deliver returns to shareholders



**Strategy and execution realizing value for shareholders**

