

OTIS

Investor Day
February 15, 2024

Forward-Looking Statements and Other

Note: All results and expectations in this presentation reflect continuing operations unless otherwise noted. For comparability, Russia is excluded from prior year results unless otherwise noted.

This communication contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for Otis’ future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “medium-term,” “near-term,” “confident,” “goals” and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, dividends, share repurchases, tax rates, research & development spend, restructuring actions (including UpLift), credit ratings, net indebtedness and other measures of financial performance or potential future plans, strategies or transactions, or statements that relate to climate change and our intent to achieve certain environmental, social and governance targets or goals, including operational impacts and costs associated therewith, and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, Otis claims the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation: (1) the effect of economic conditions in the industries and markets in which Otis and its businesses operate and any changes therein, including financial market conditions, fluctuations in commodity prices and other inflationary pressures, interest rates and foreign currency exchange rates, levels of end market demand in construction, pandemic health issues (including COVID-19 and variants thereof), natural disasters, whether as a result of climate change or otherwise, and the financial condition of Otis’ customers and suppliers; (2) the effect of changes in political conditions in the U.S., including in connection with the results of the 2024 elections or otherwise, and other countries in which Otis and its businesses operate, including the effects of the ongoing conflict between Russia and Ukraine, the war between Israel and Hamas, and tensions between the U.S. and China, on general market conditions, commodity costs, global trade policies and related sanctions and export controls, and currency exchange rates in the near term and beyond; (3) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (4) future levels of indebtedness, capital spending and research and development spending; (5) future availability of credit and factors that may affect such availability or costs thereof, including credit market conditions and Otis’ capital structure; (6) the timing and scope of future dividends and repurchases of Otis’ common stock, which may be suspended at any time due to various factors, including market conditions and the level of other investing activities and uses of cash; (7) fluctuations in prices and delays and disruption in delivery of materials and services from suppliers, whether as a result of changes in general economic conditions, geopolitical conflicts or otherwise; (8) cost reduction or containment actions, restructuring costs and related savings and other consequences thereof, including with respect to UpLift; (9) new business and investment opportunities; (10) the outcome of legal proceedings, investigations and other contingencies; (11) pension plan assumptions and future contributions; (12) the impact of the negotiation of collective bargaining agreements and labor disputes and labor inflation in the markets in which Otis and its businesses operate globally; (13) the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which Otis and its businesses operate; (14) the ability of Otis to retain and hire key personnel; (15) the scope, nature, impact or timing of acquisition and divestiture activity, the integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs; (16) the determination by the Internal Revenue Service and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions in connection with the separation (the “Separation”) of Otis and Carrier Global Corporation (“Carrier”) from United Technologies Corporation (now known as RTX Corporation (“RTX”)); and (17) our obligations and disputes that have or may hereafter arise under the agreements we entered into with RTX and Carrier in connection with the Separation. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary from those stated in forward-looking statements, see Otis’ registration statement on Form 10 and the reports of Otis on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and Otis assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Today's presenters



Judy Marks
Chair, CEO
& President



Perry Zheng
Executive VP, Chief
Product, Delivery and
Customer Officer



Anurag Maheshwari
Executive VP & CFO

Agenda

TIME	TOPIC	PRESENTER
8:30 – 9:00 AM	Registration	
9:00 – 9:05 AM	Opening comments	Michael Rednor Investor Relations
9:05 – 9:45 AM	1 Otis Overview & Strategy	Judy Marks Chair, Chief Executive Officer & President
9:45 – 10:15 AM	2 New Equipment & Service Segments	Perry Zheng EVP, Chief Product, Delivery & Customer Officer
10:15 – 10:30 AM	Break	
10:30 – 11:00 AM	3 Financials & Capital deployment	Anurag Maheshwari EVP, Chief Financial Officer
11:00 – 11:15 AM	Break	
11:15 – 12:00 PM	Q&A	
~12:00 PM	Conclude	



1 Otis Overview & Strategy

Judy Marks

Strong track-record since spin

170 bps

adjusted operating profit margin expansion¹ since 2019

~3.5 pts

New Equipment share gain² since 2019

>4%

portfolio growth...accelerated from ~1% in 2019

~500K

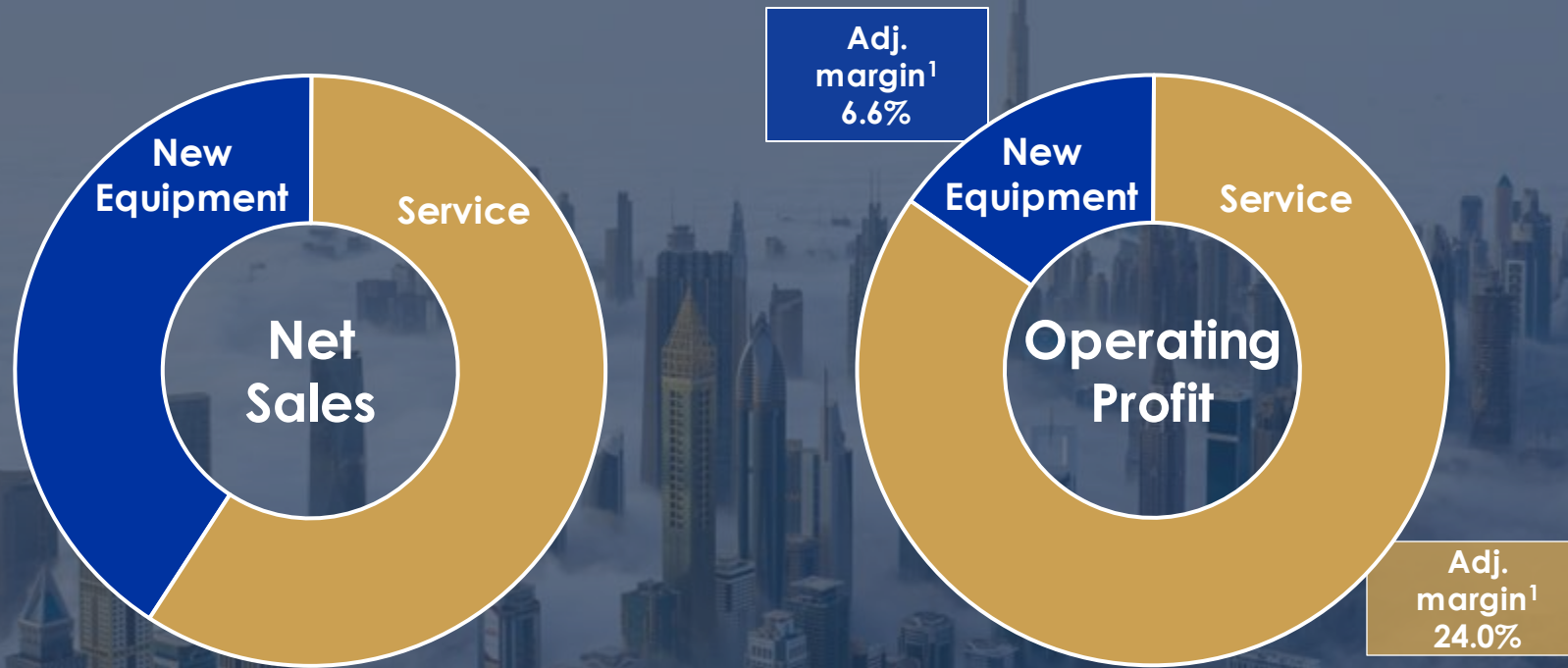
units connected to Otis ONE™ IoT platform as of YE2023

2023 results.

1 See appendix for additional information regarding these non-GAAP financial measures.

2 Based on Otis internal estimates.

Service-driven, customer-centric business model...



2023 results.

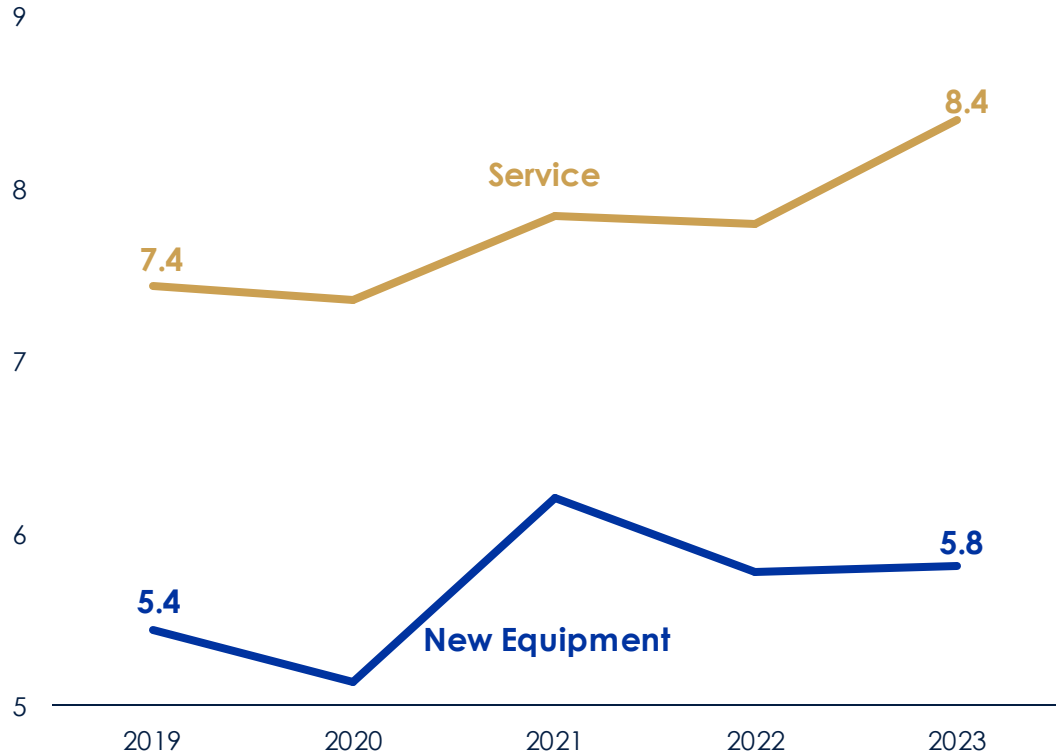
¹ See appendix for additional information regarding these non-GAAP financial measures.

...leading to solid financial performance

Driven by Service

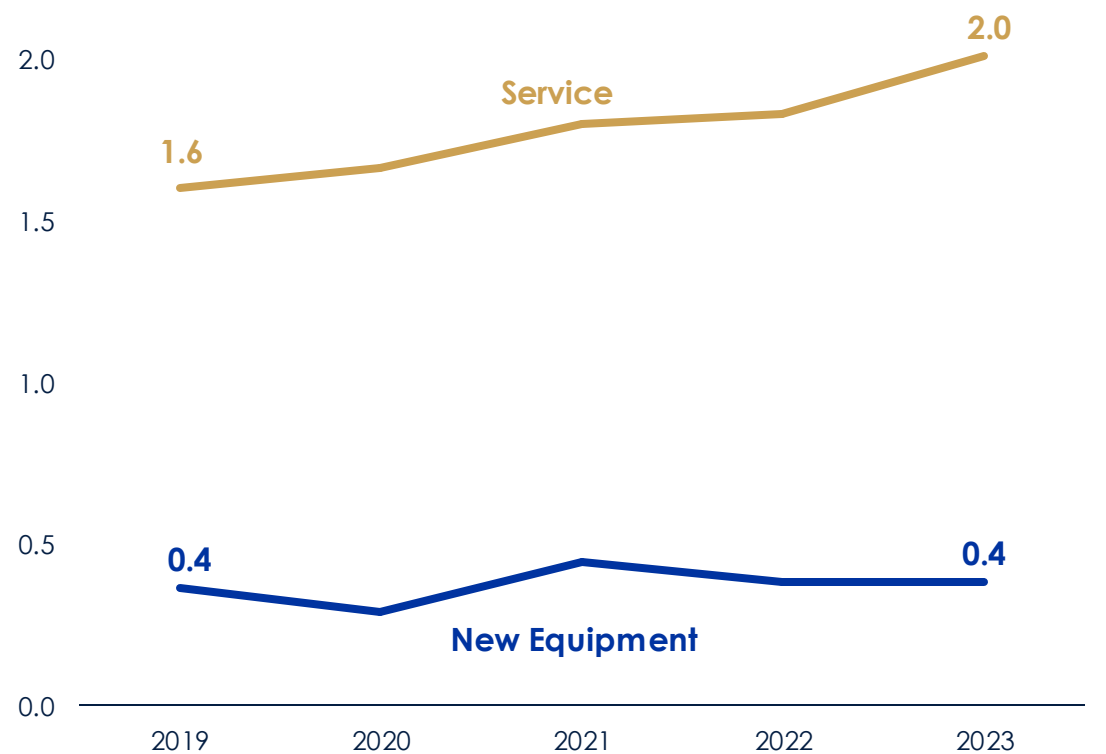
Otis adj. net sales¹ (\$ billions)

Total Otis	2019	2020	2021	2022	2023
	12.9	12.5	14.0	13.6	14.2



Otis adj. operating profit¹ (\$ billions)

Total Otis	2019	2020	2021	2022	2023
	1.8	1.9	2.2	2.1	2.3



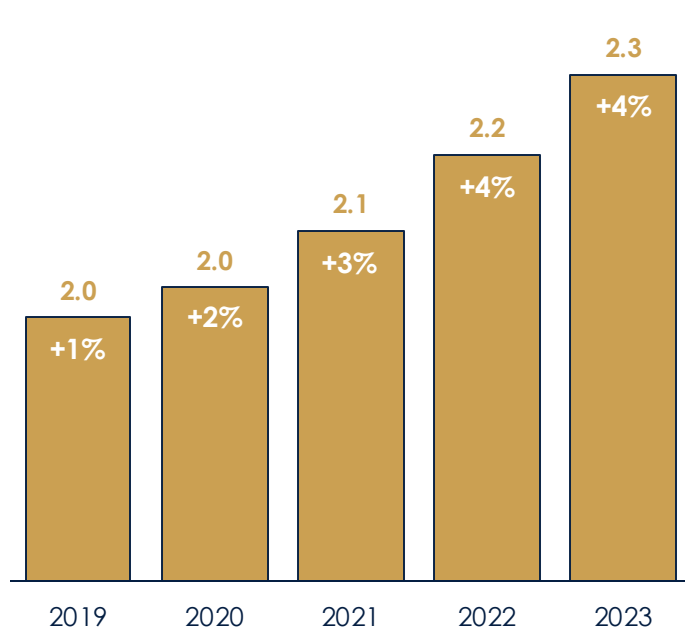
¹ See appendix for additional information regarding this non-GAAP financial measure.

Multiple growth paths...

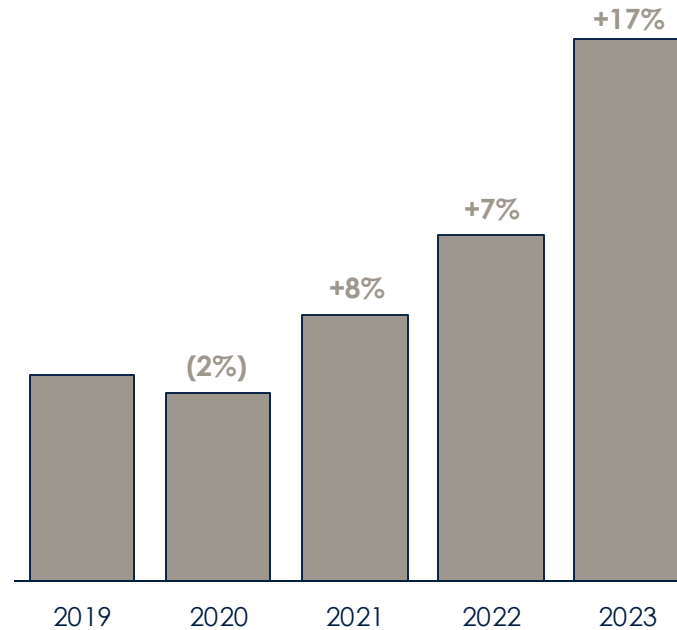
Driving profitable growth

Portfolio growth

(Maintenance units, millions)



Modernization orders¹



New Equipment share²

(% of total industry New Equipment bookings)



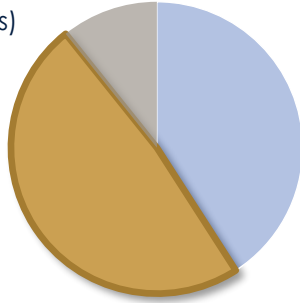
1 At constant currency. See appendix for additional information regarding this non-GAAP financial measure.

2 Based on Otis internal analysis and public company disclosures.

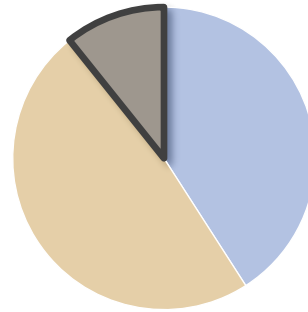
...supported by a solid industry outlook

Maintenance & Repair

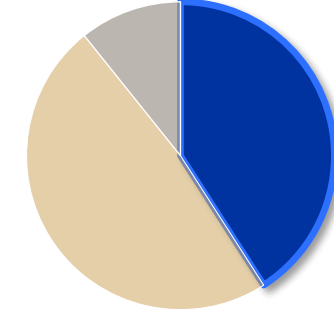
(FY23 Otis sales)



Modernization

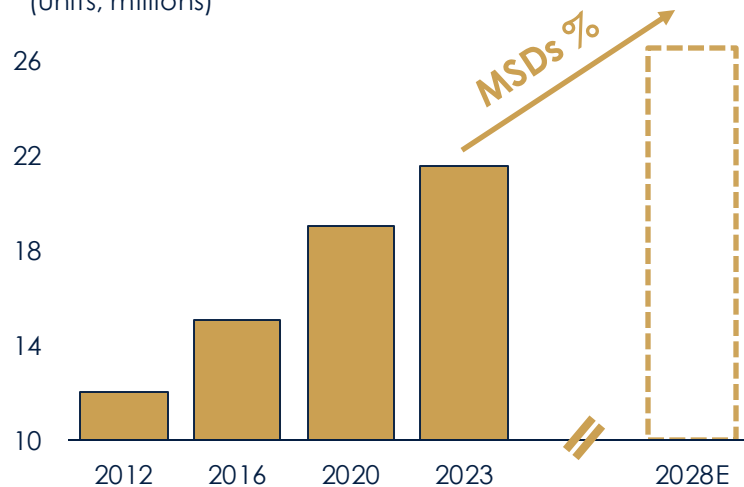


New Equipment

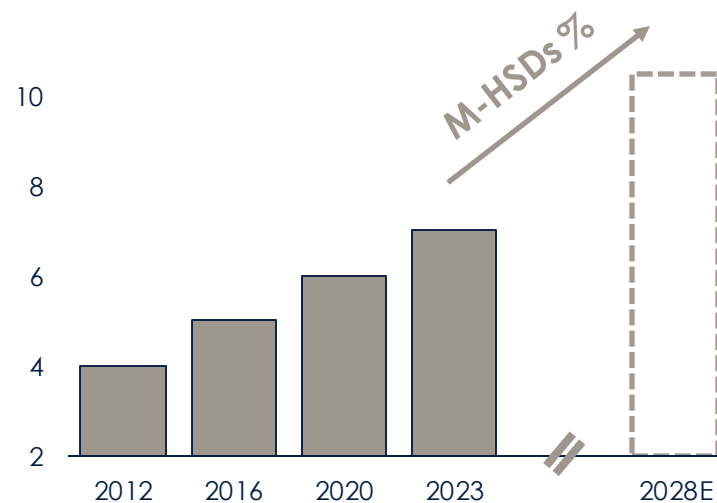


Installed base

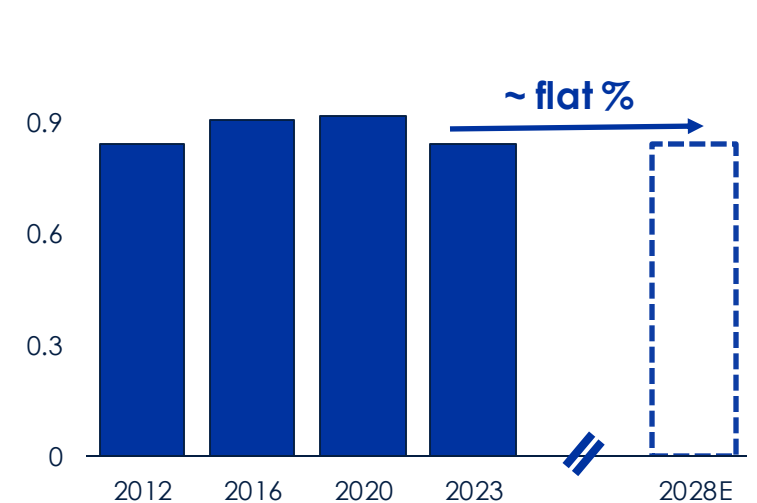
(units, millions)



Aged installed base



New Equipment units



Based on Otis internal estimates. LSD = low single digits, MSD = mid single digits, HSD = high single digits.

Driven by our Absolutes...

Health & Safety

Launched **Corrective Action Plan** campaign focused on high-risk controls and subcontractor accountability

Completed fourth annual **Season of Safety**

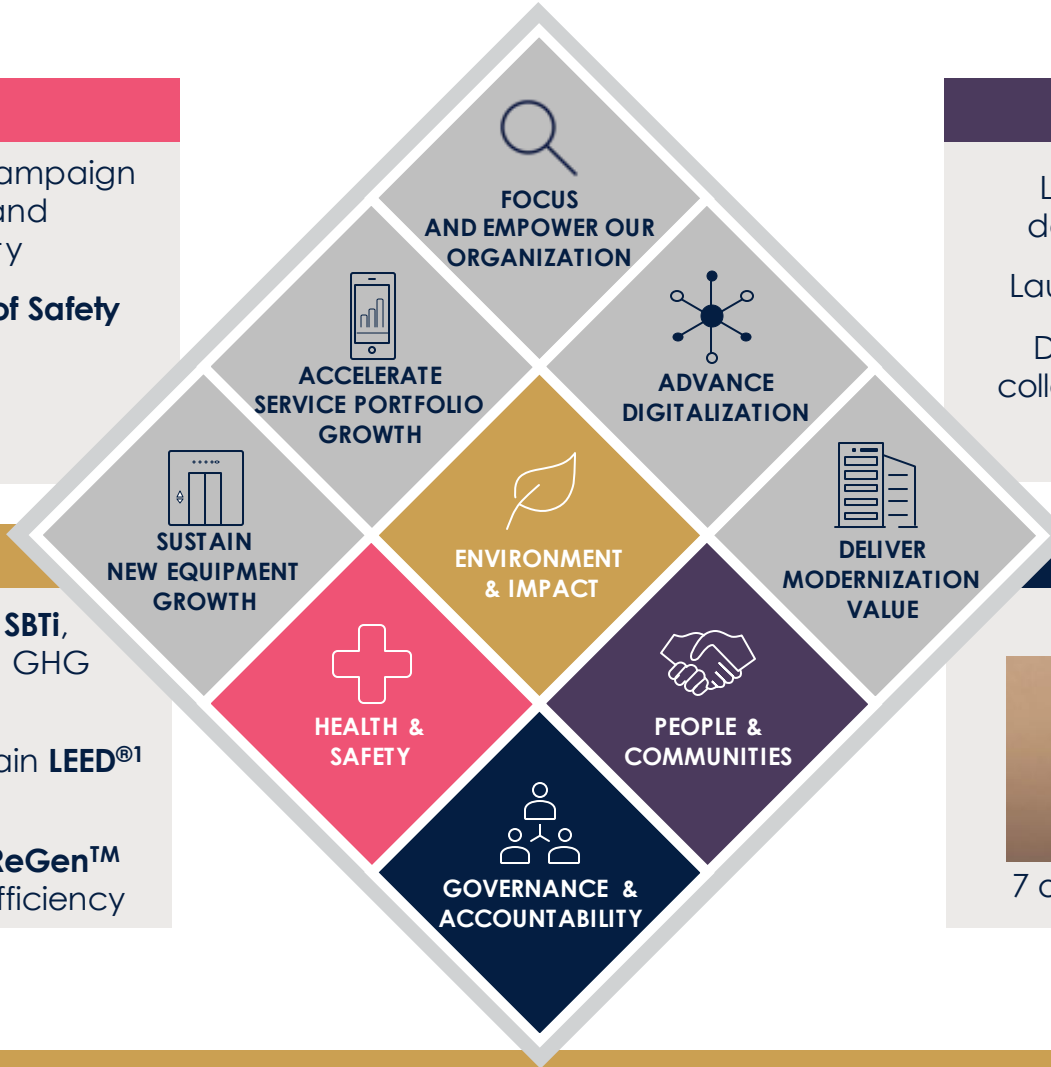
Next Level SAFETY

Environment & Impact

Submitted near-term targets to **SBTi**, committing to set science-based GHG reduction targets

First industrial factory in Spain to obtain **LEED®¹ Platinum Certification**

Launched **Gen3 Core™** featuring **ReGen™** technology for improved energy efficiency



People & Communities

Launched internal global program to develop current and future executives

Launched **Colleague Disaster Relief Fund**

Deployed **3 in '23** campaign to inspire colleagues to engage in at least 3 hours of community service

Governance & Accountability

Added two new board members

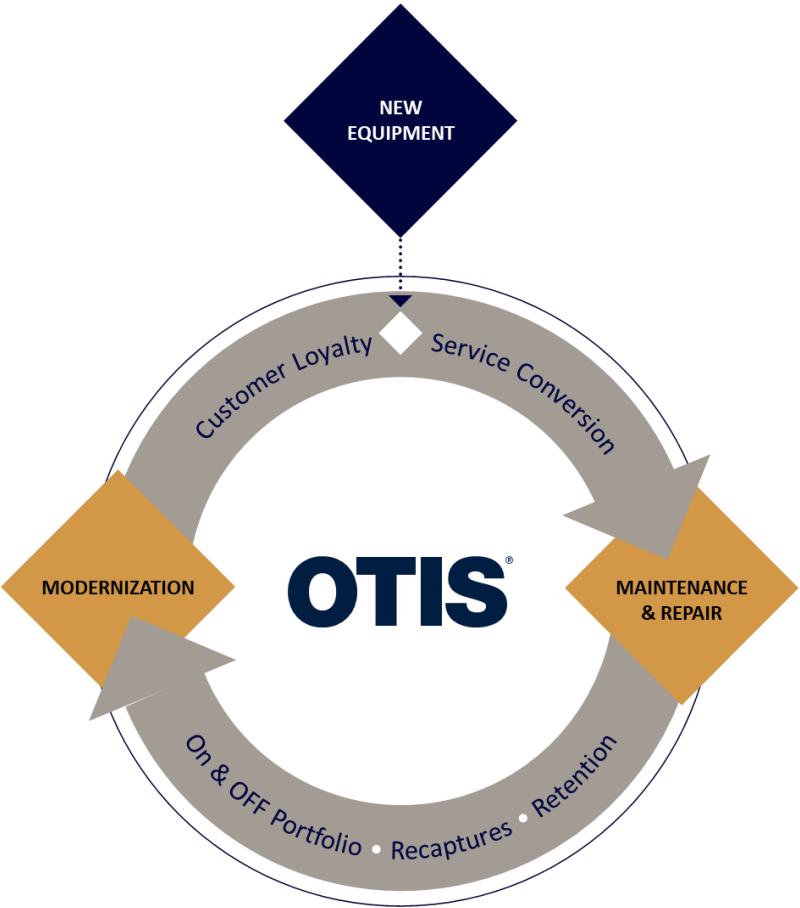


7 of 11 board members identify as diverse

Otis Absolutes: Safety, Ethics, Quality

¹ LEED® is a registered trademark of the U.S. Green Building Council®.

...and Otis' Service-driven, customer centric business model



\$14.2B Otis net sales

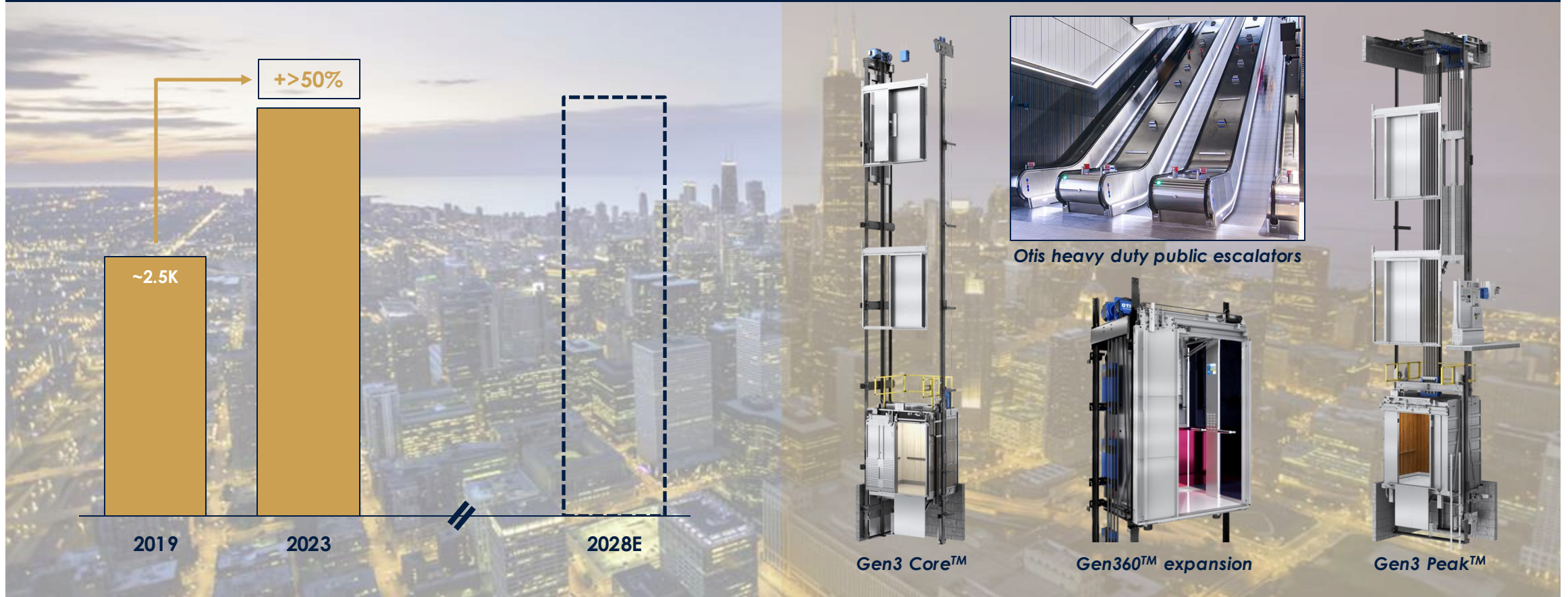
2023 results.

Our strategic pillars drive value creation

-  Sustain New Equipment growth
-  Accelerate Service portfolio growth
-  Deliver modernization value
-  Advance digitalization
-  Focus and empower our organization

Multiple investments to support New Equipment...

Sales coverage¹



Innovation



Otis heavy duty public escalators



Gen3 Core™



Gen360™ expansion



Gen3 Peak™

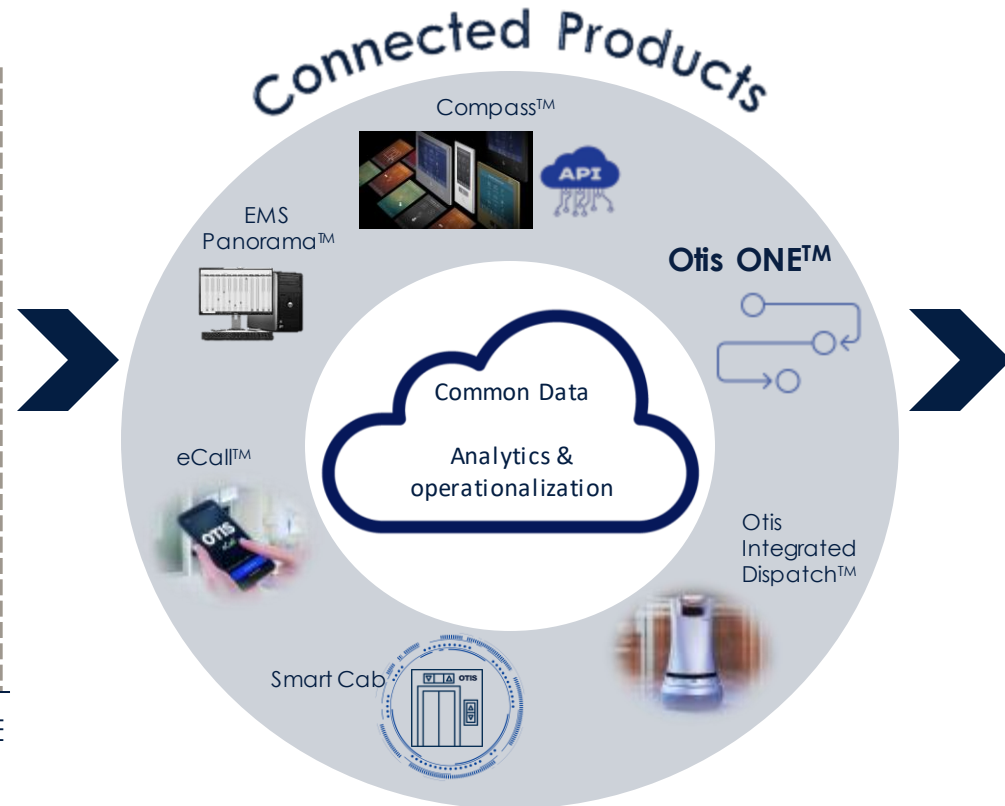
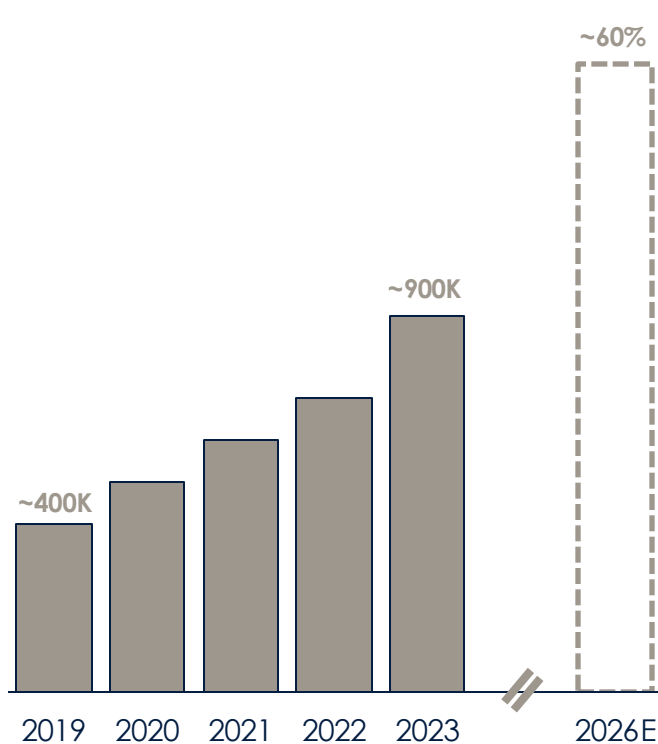
¹ Sales coverage includes all global New Equipment sales employees and agents and distributors in China.

...and continued investment in digitalization

More connected units...

...enable more offerings & subscriptions...

...supporting customer retention



>10pts

Improvement in China retention rate vs. units without Otis ONE™

Otis ONE™

Reduces unplanned service calls

Improves service response time

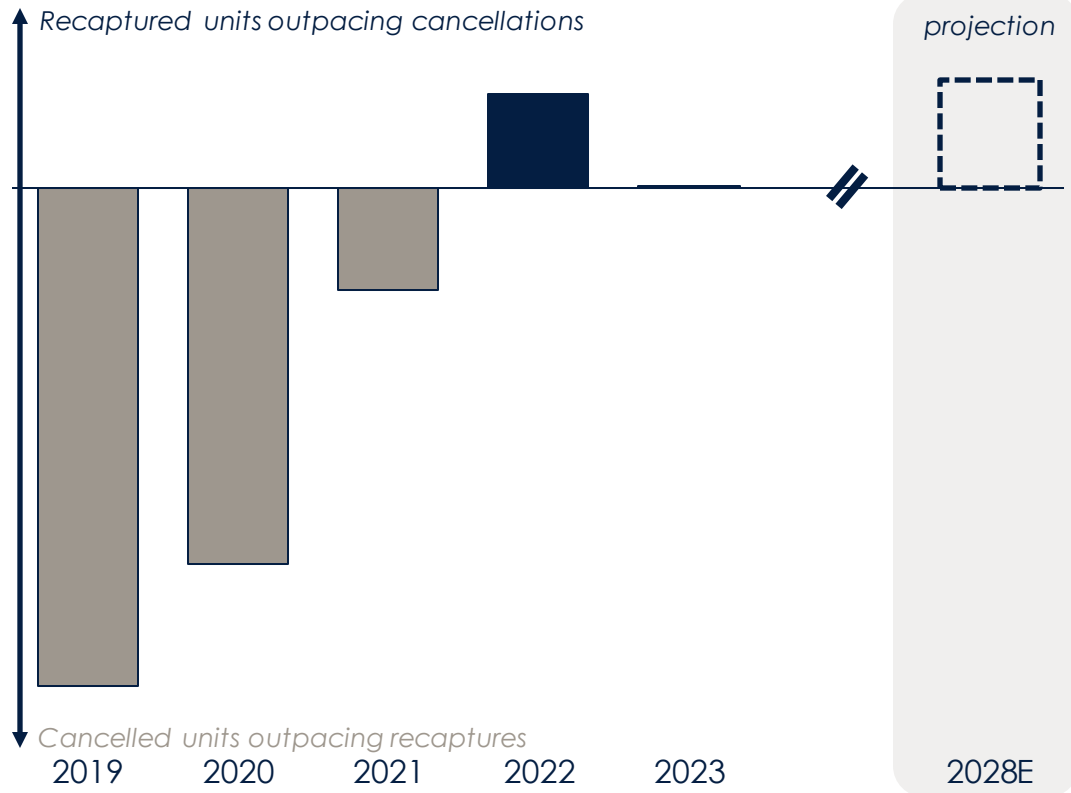
Increases visibility

~93.5% global retention rate

Connected units include units under the warranty period.

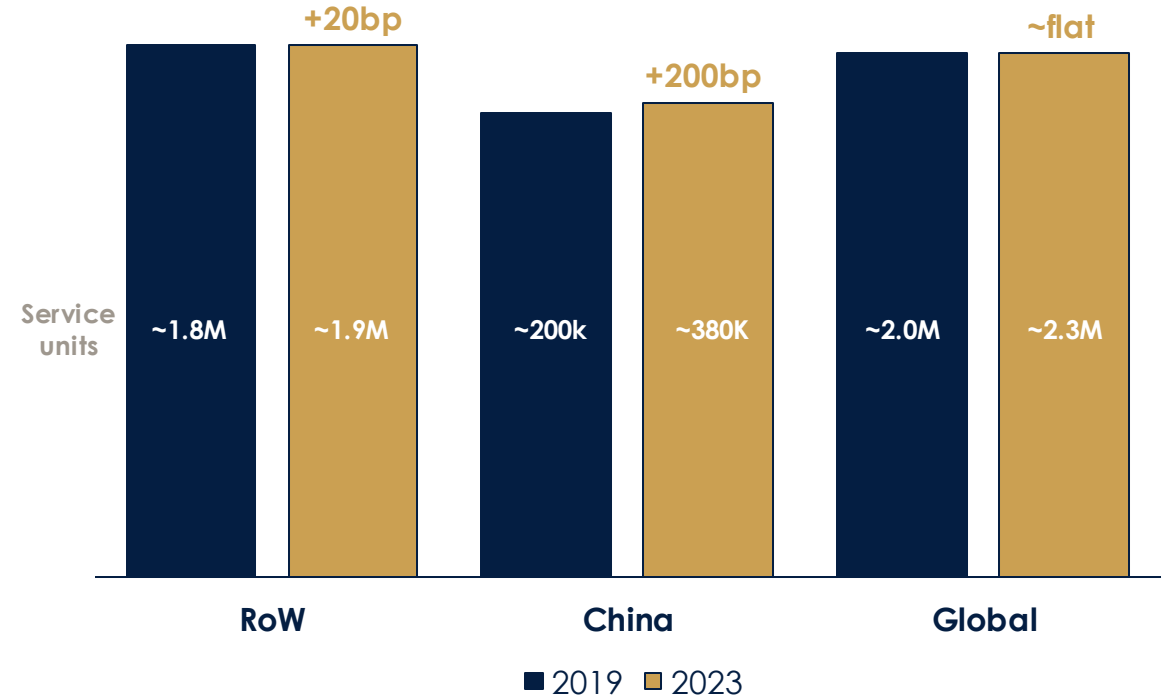
Starting with neutral to positive net-churn...

Recaptures at least in-line with cancellations...



...with continued focus on improving retention

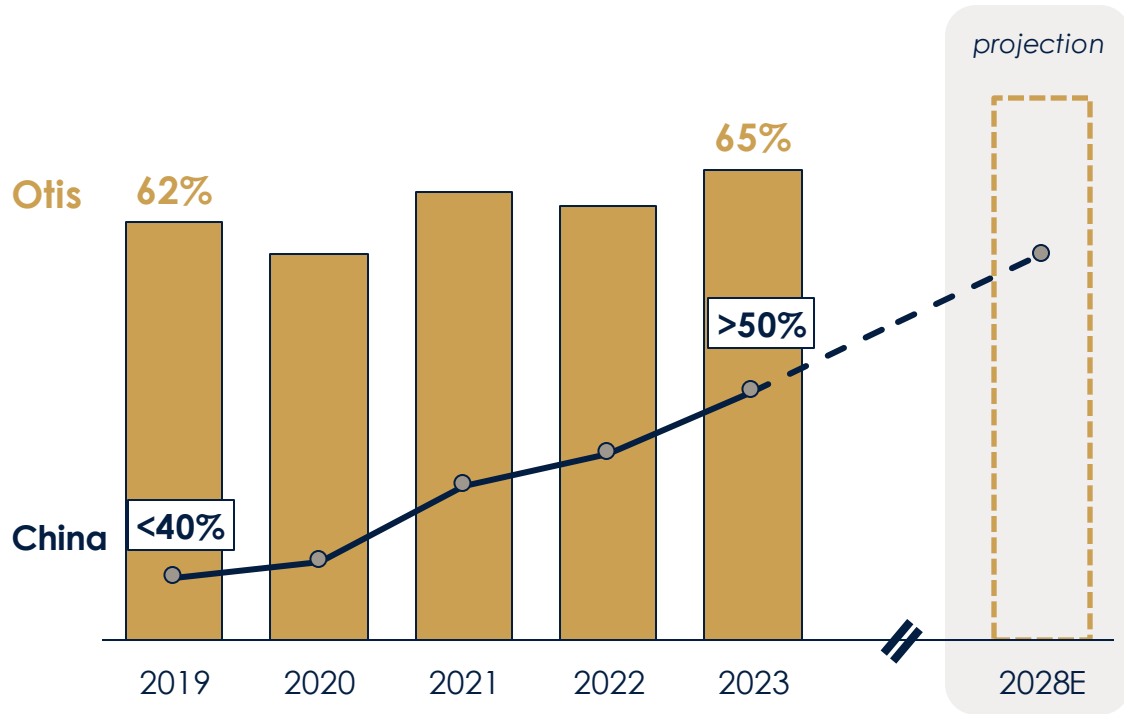
(Retention rate change, 2019 to 2023)



With neutral to positive net-churn, conversion is the growth driver

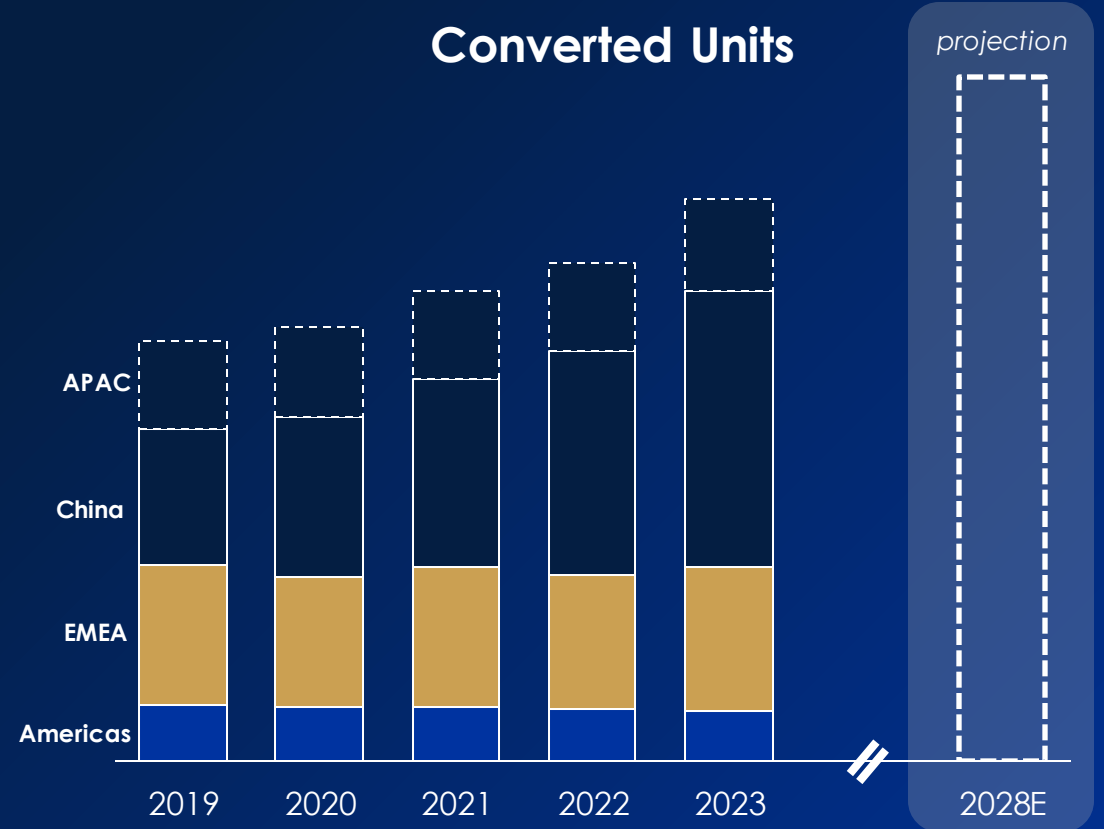
...while improving our conversion rate

Conversion Rate



With more units converted...

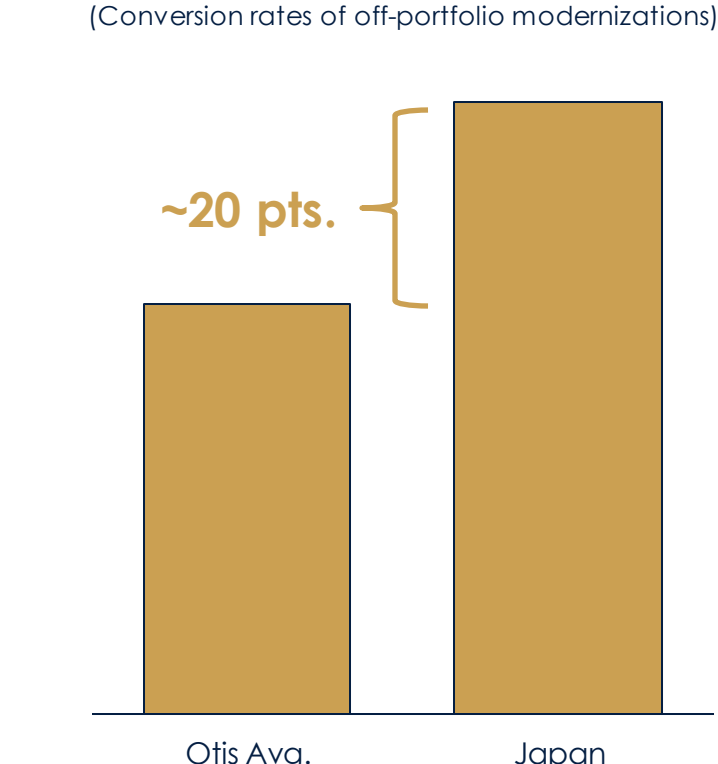
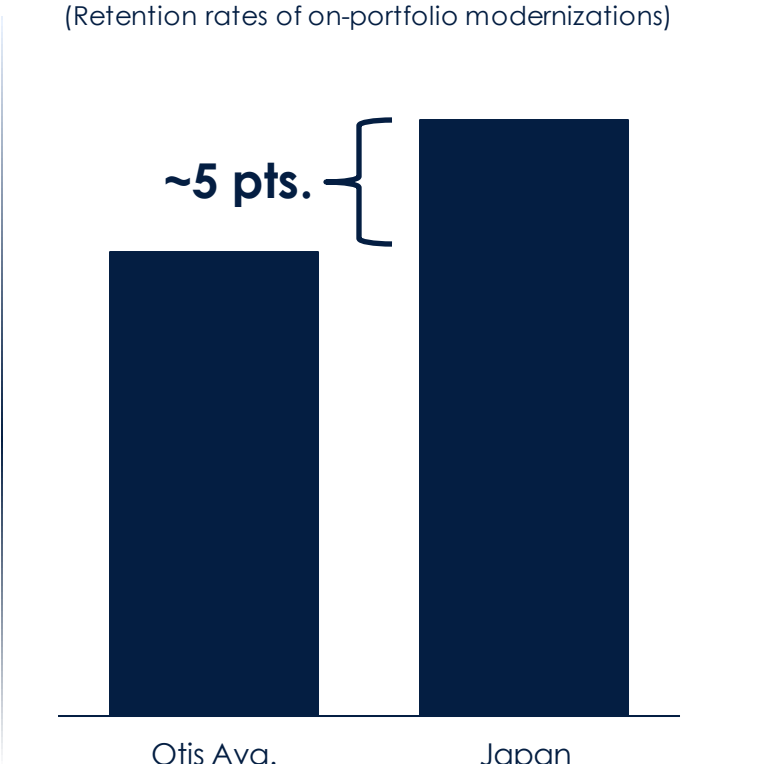
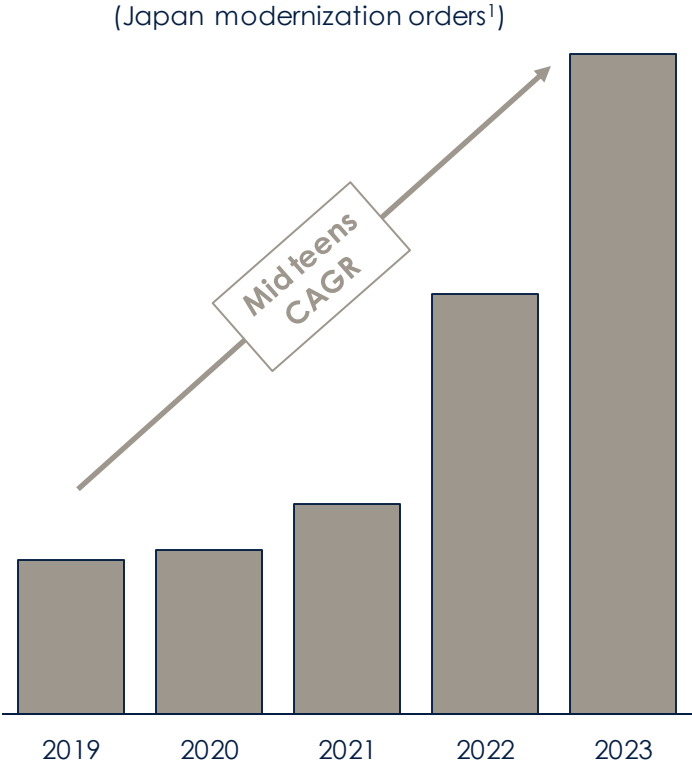
Converted Units



Focus on delivering customer value leads to higher conversion

...and modernization supporting portfolio growth levers...

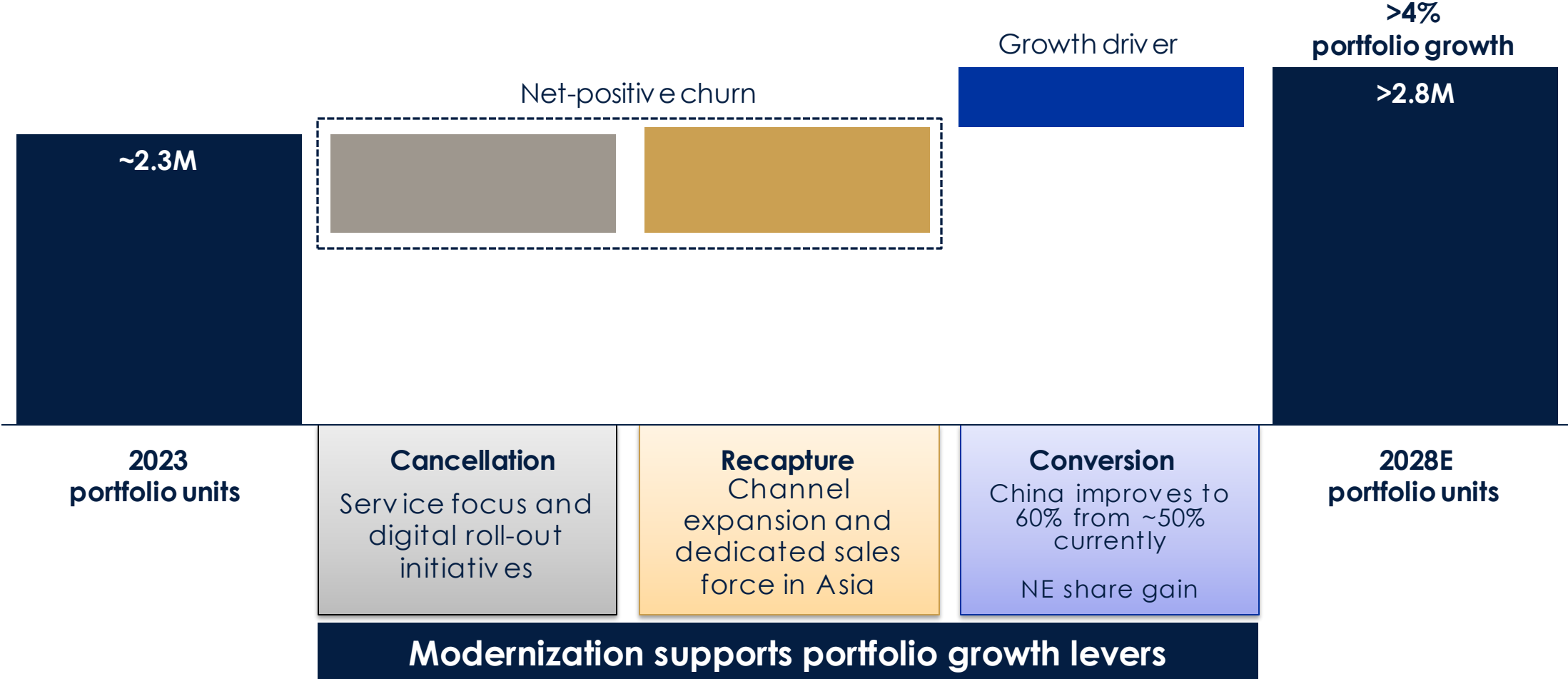
Case Study, Japan: Strong orders...solid retention and conversion rates on the units we Modernized



Modernization drives both single-sale AND portfolio growth

¹ At constant currency. See appendix for additional information regarding this non-GAAP financial measure.

...drives an acceleration in our Service portfolio



Portfolio growth of >4% supports Service revenue growth of MSDs+

Solid multi-year financial outlook...

**Organic sales¹
CAGR**

**Adjusted
operating profit¹
CAGR**

**Adjusted EPS¹
CAGR**

**Adjusted free
cash flow¹ CAGR**

Up L-MSD%

New Equipment
~flat to up LSD%

Service
Up MSD%+

Up M-HSD%

New Equipment
~flat to up LSD%

Service
Up MSD%+

Up 10%+

Up HSD%

¹ See appendix for additional information regarding these non-GAAP financial measures.

..and a shareholder-friendly, disciplined capital allocation strategy

No debt due until 2025

Robust and growing dividends

Targeted & accretive bolt-on M&A

Excess cash returned to shareholders through repurchases

Total cash returned to shareholders of >\$8 Billion 2024 – 2028E



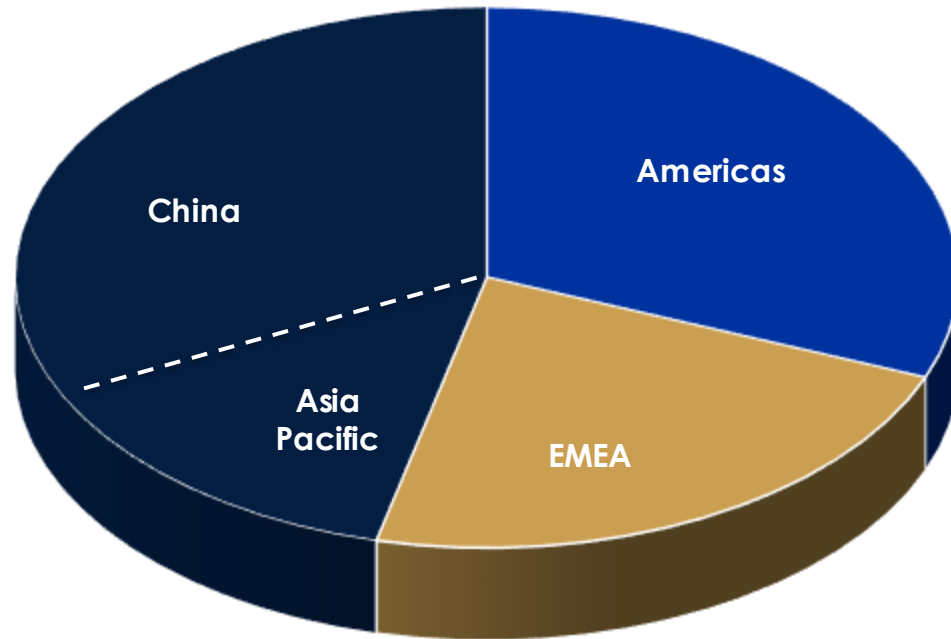
2 New Equipment & Service Segments

Perry Zheng

New Equipment overview

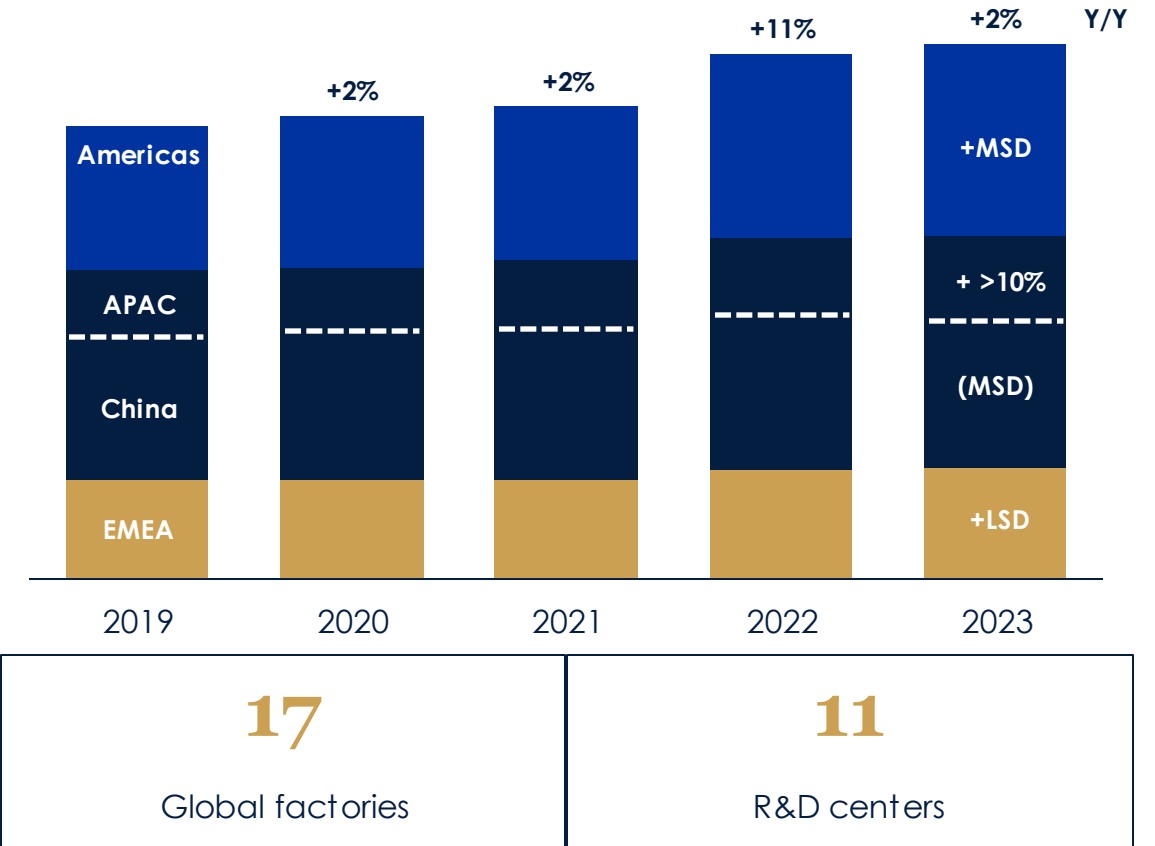
New Equipment sales

FY23



~\$5.8 billion

Adjusted New Equipment backlog¹

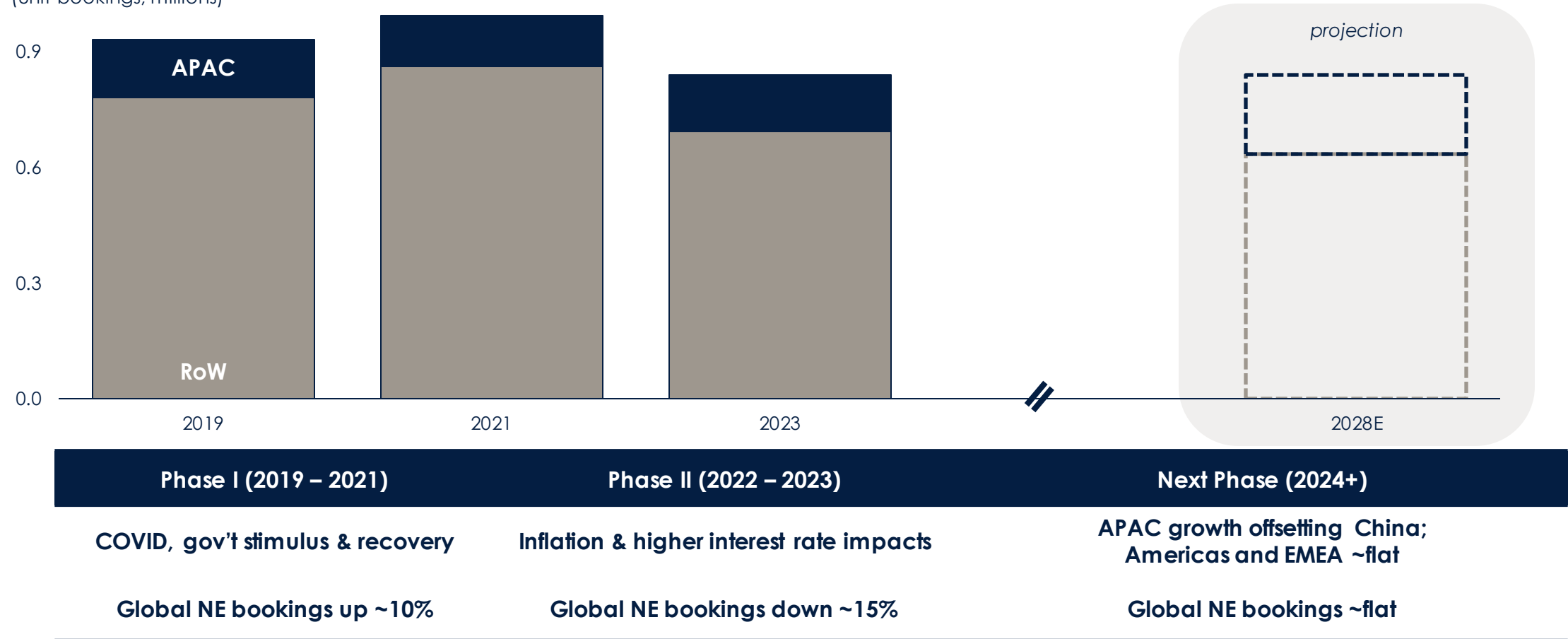


¹ At constant currency. See appendix for additional information regarding these non-GAAP financial measures.

Shifting global New Equipment cycle going forward...

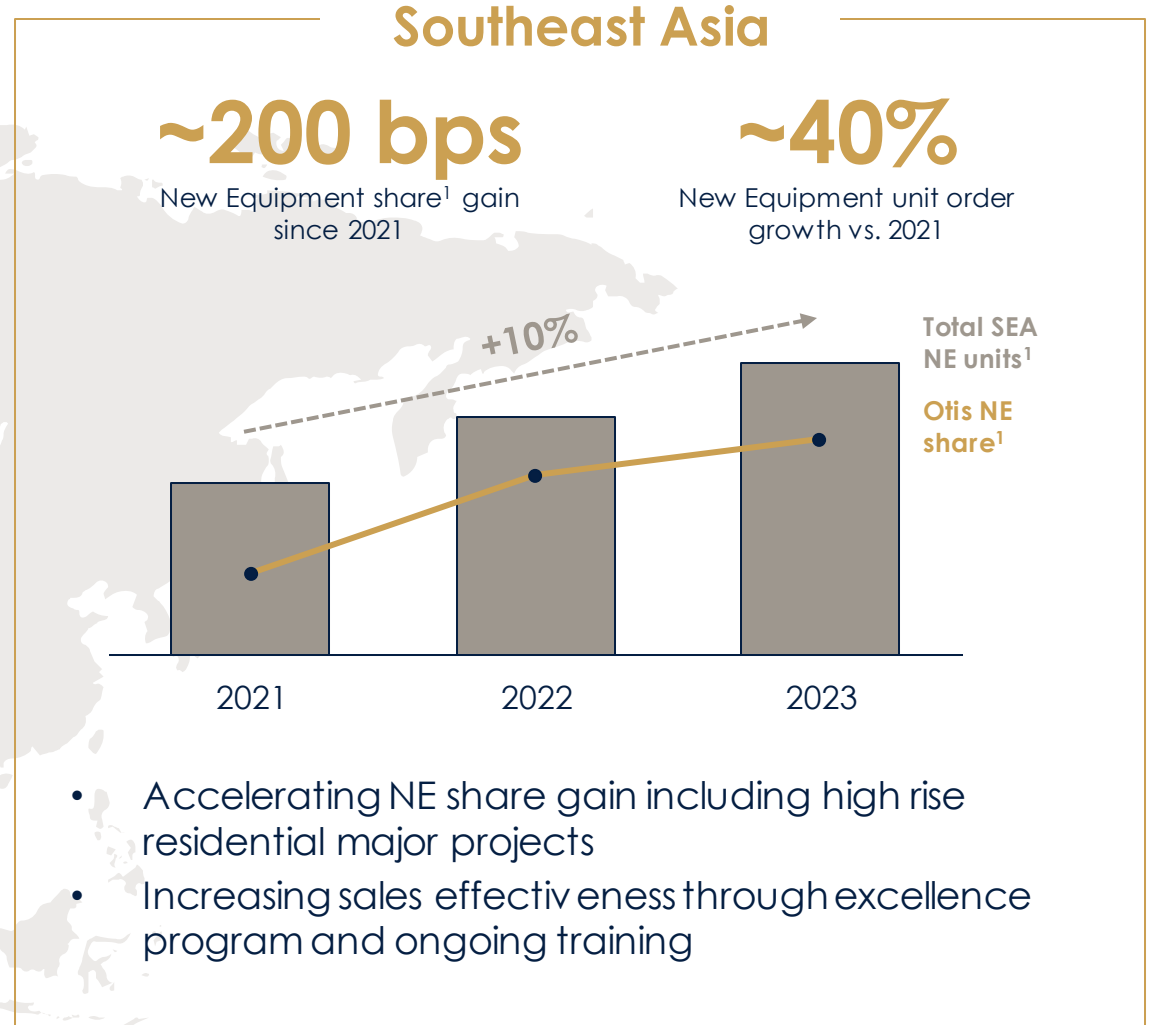
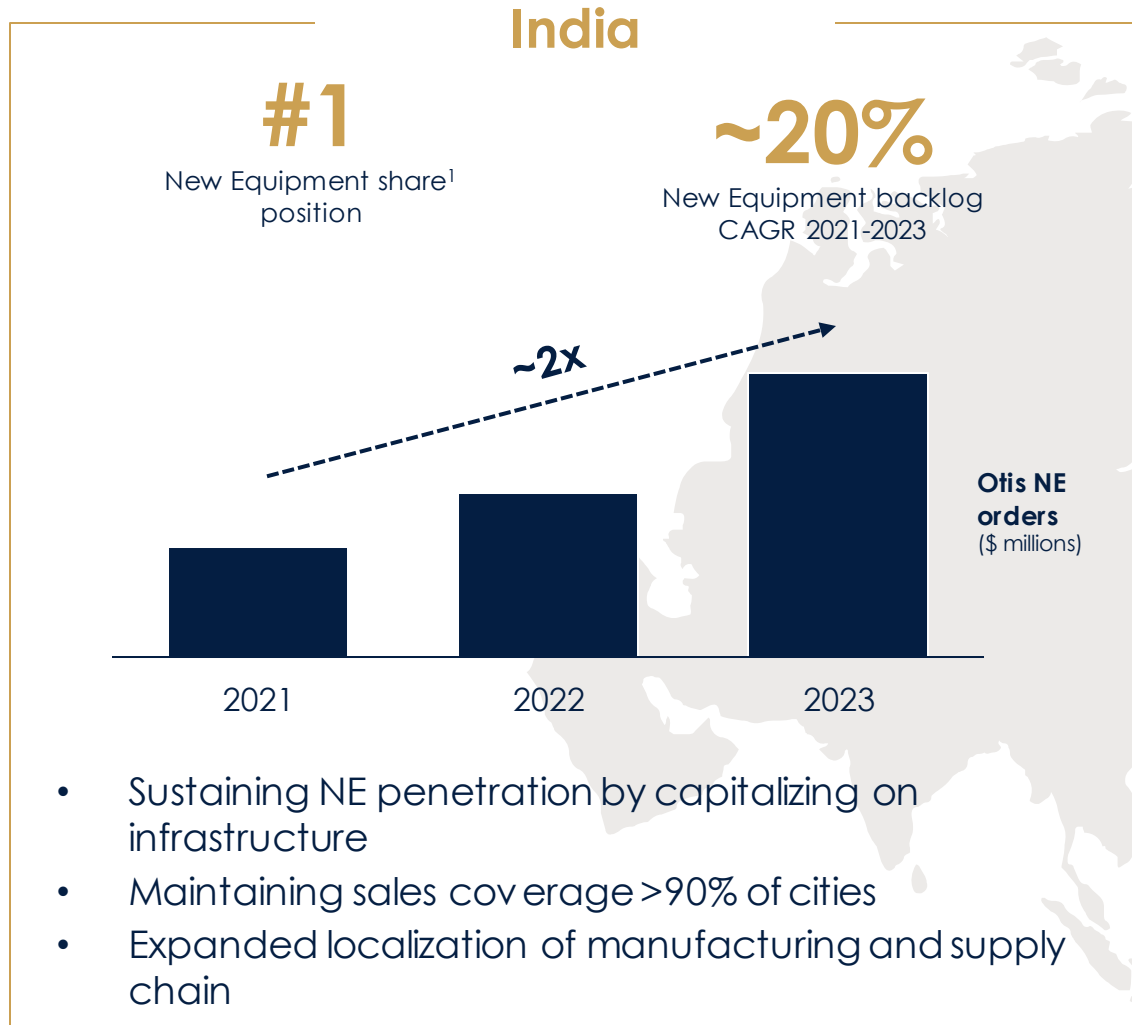
APAC to be an area of growth

(Unit bookings, millions)



Based on Otis internal analysis and public company disclosures.

...so we are investing in specific geographies...

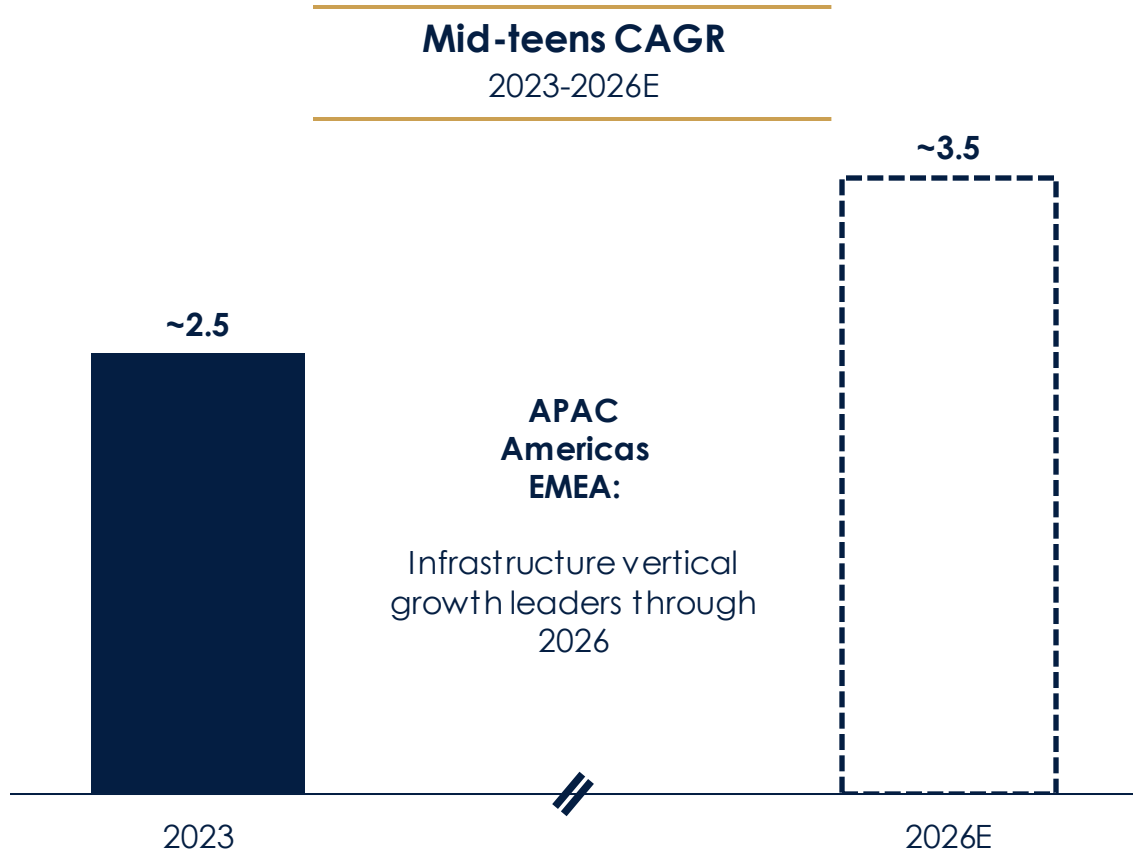


¹ Based on Otis internal analysis and public company disclosures.

...and verticals

Infrastructure outlook¹

(\$ billions)



Bhopal Metro
Madhya Pradesh, India



Santiago Metro²
Santiago, Chile



Heavy duty public escalators
Montréal metro



Elizabeth Line
London, UK

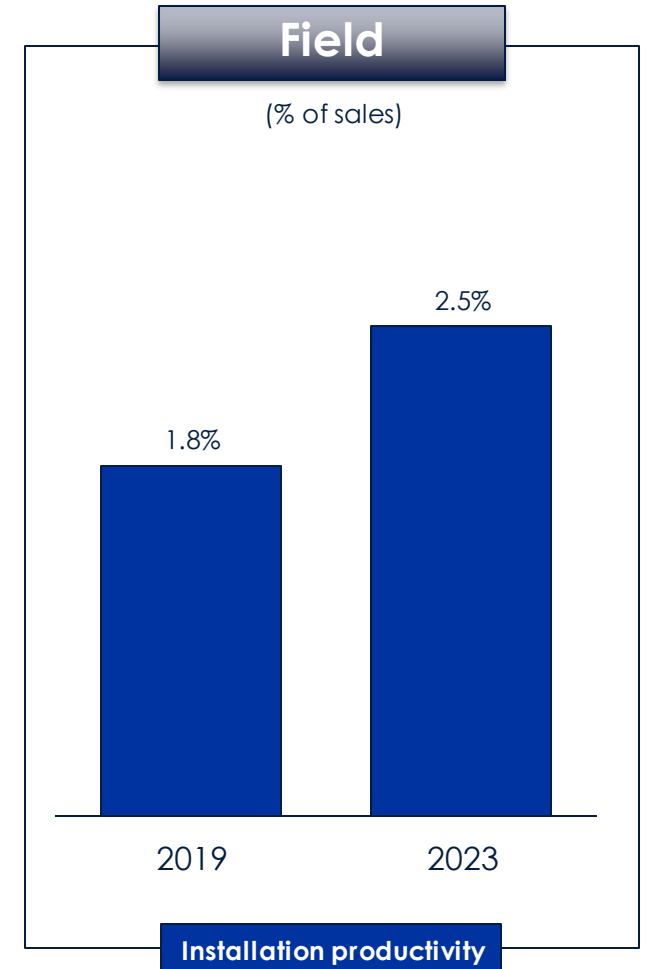
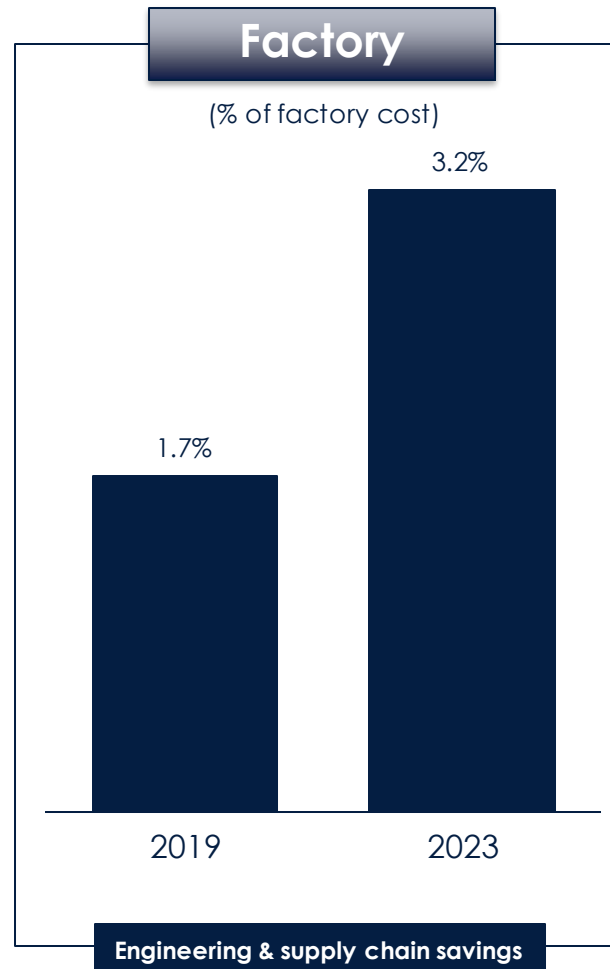
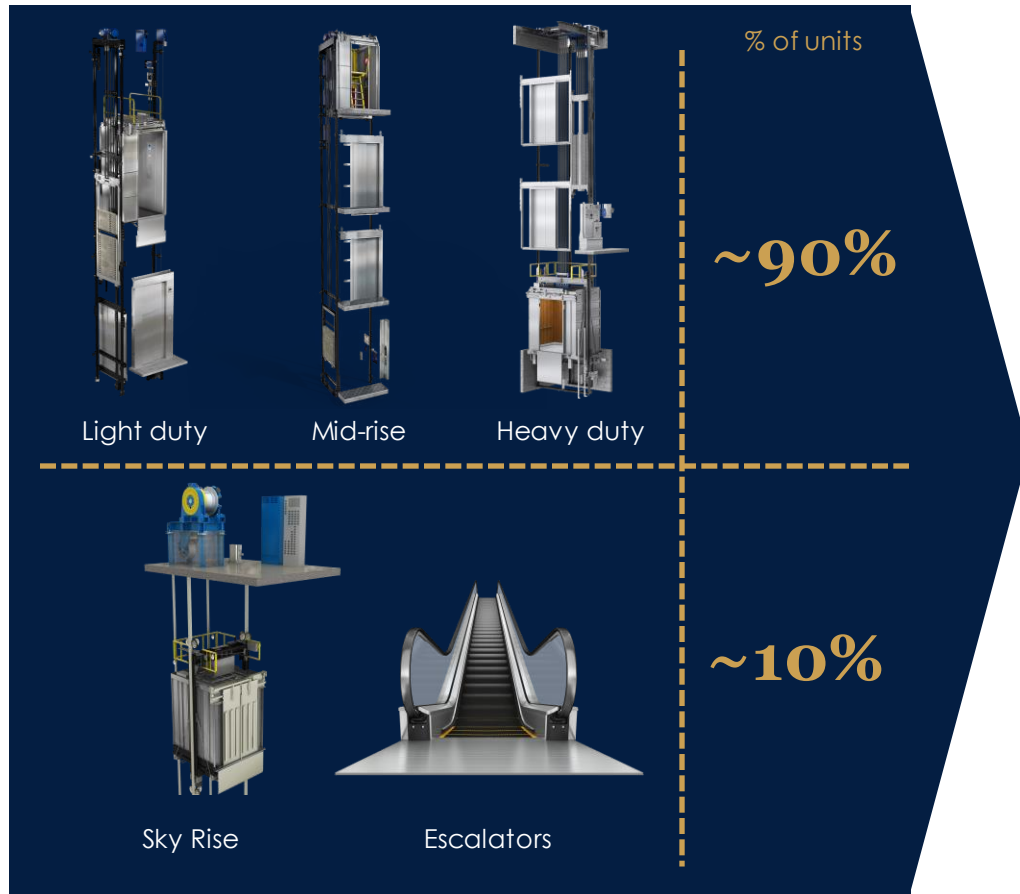
¹ Source: GlobalData Construction Spend; Infra segment defined as Airports, Trains, Metros, Stadiums.

² Bjørn Christian Tørrissen, CC BY-SA 4.0, via Wikimedia Commons.

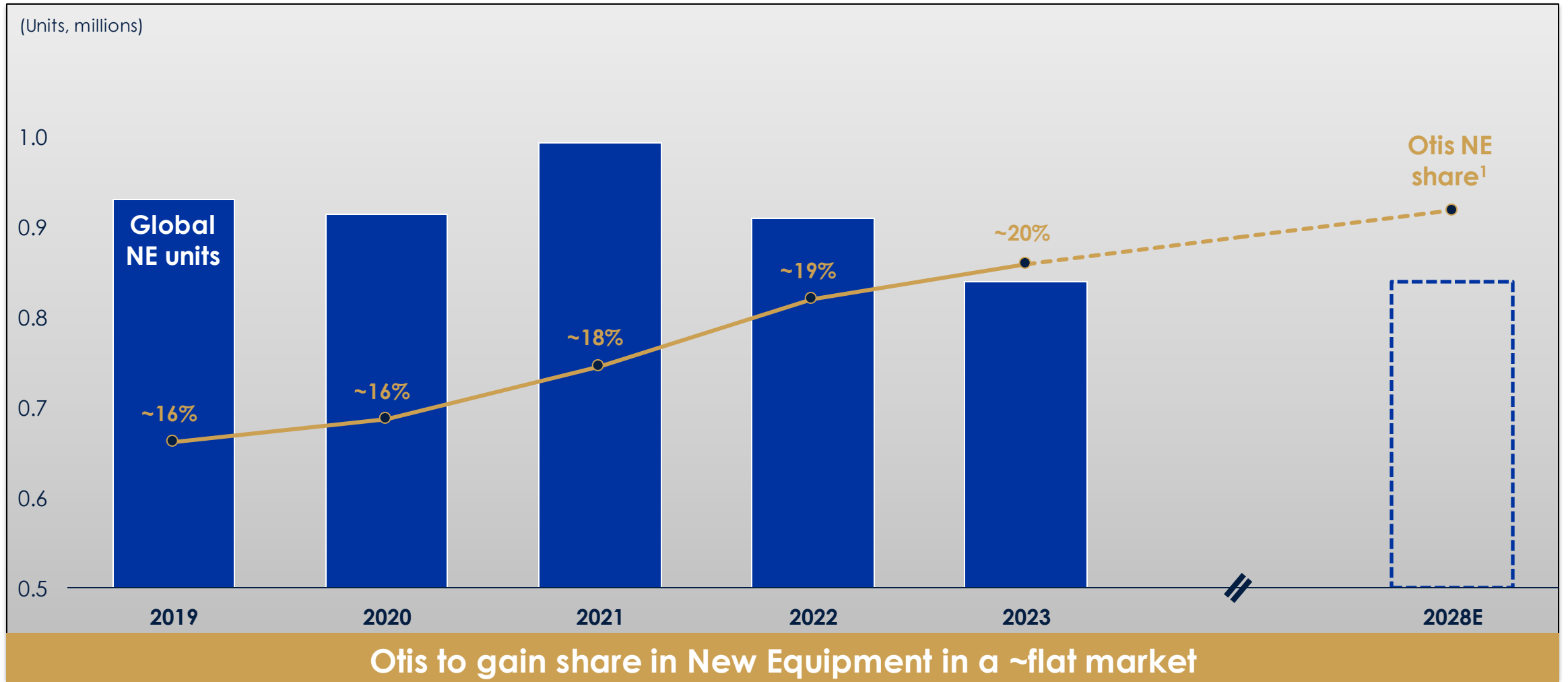
Innovating & standardizing around global platforms...

Major global platforms

Driving cost reduction



...to continue gaining share in New Equipment

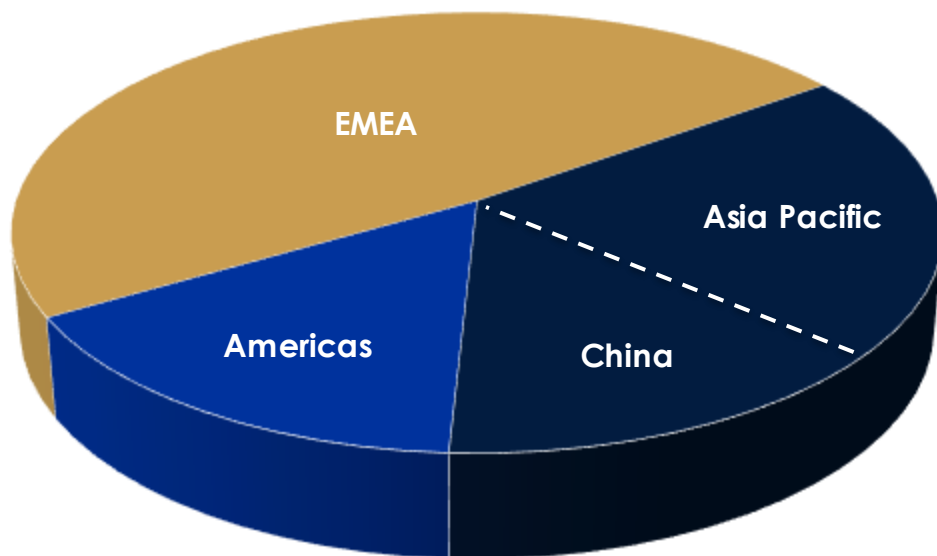


¹ Based on Otis internal analysis and public company disclosures.

Otis Service overview

Geographically balanced service portfolio

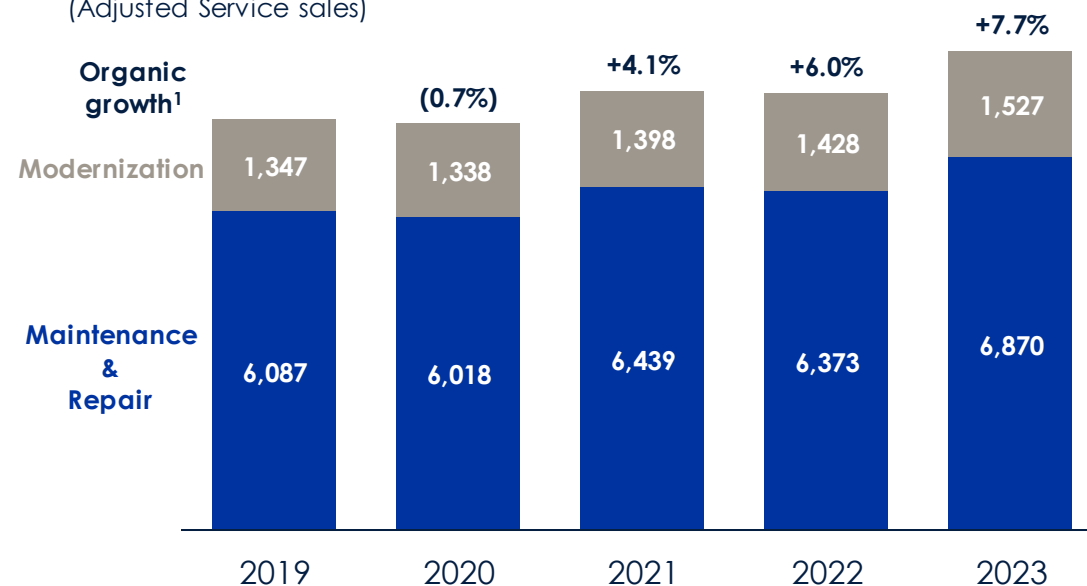
FY23 units



**Industry's largest service portfolio:
~2.3 million units**

Accelerating Service sales

(Adjusted Service sales)



~\$8.4B

Service sales

~4Yrs

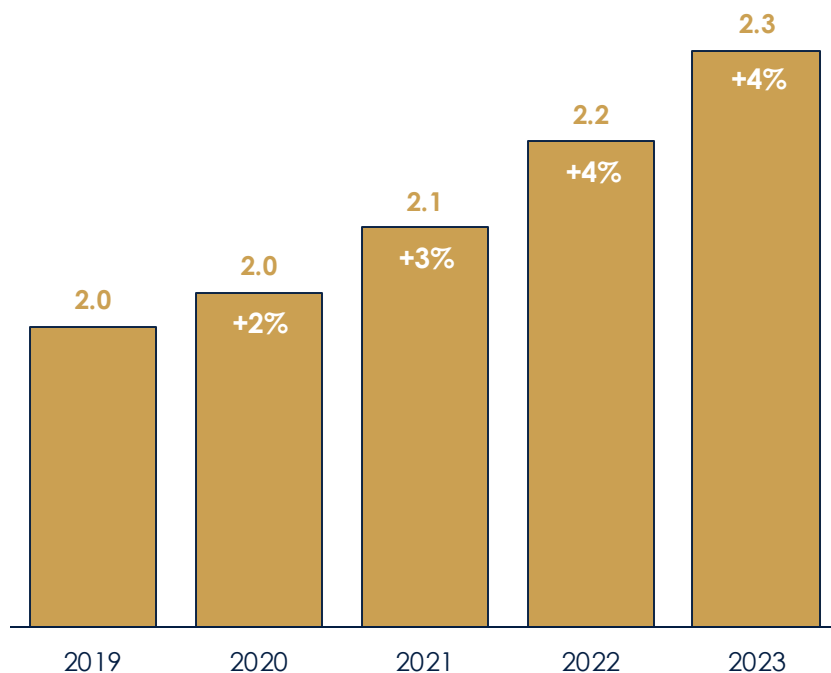
Average contract length with
inflation adjustments

¹ See appendix for additional information regarding these non-GAAP financial measures.

A growing Service portfolio is the key value driver for Otis...

Service portfolio accelerating

(Maintenance units, millions)



Delivering solid results

Service	2019-2021 CAGR / Average	2022 Medium-term Outlook ¹	2022	2023	Status
Portfolio growth	2.4%	>3%	4.1%	4.2%	✓
Organic sales growth	1.7%	MSD%	6.0%	7.7%	✓
Adj. operating profit margin expansion (bps)	~70	40-50	50	50	✓
Adj. operating profit (\$ billions)	MSD%		1.83	2.01	MSD% CAGR

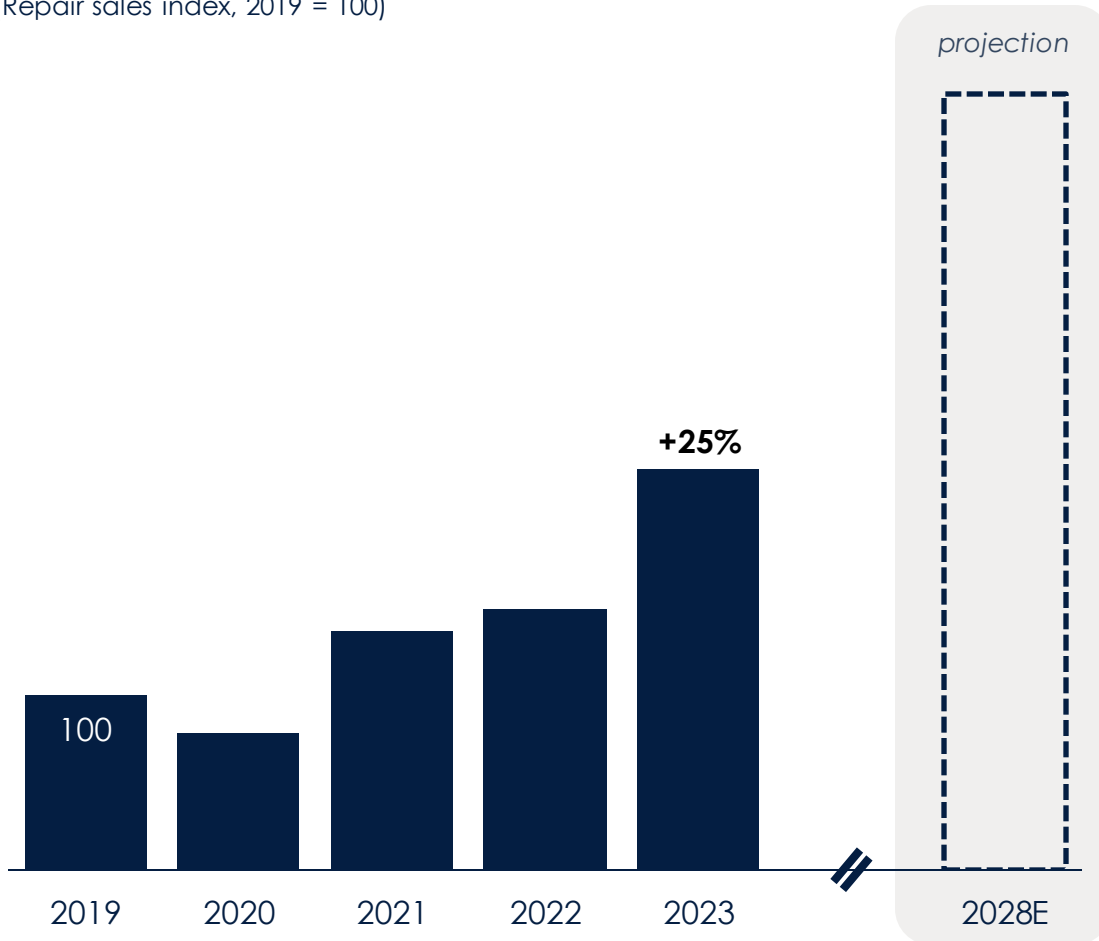
¹ 2022 Medium-term outlook shared at February 2022 Investor day.


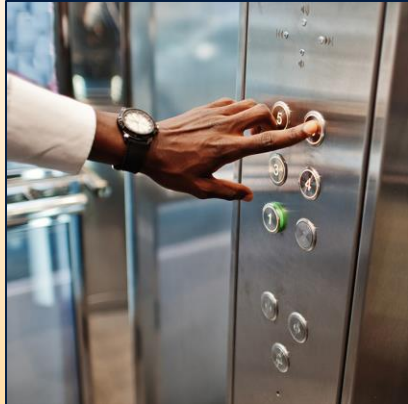




...and leads to more opportunities for repair sales

Larger portfolio leading to more repair sales...

...both traditional and digital

(Repair sales index, 2019 = 100)

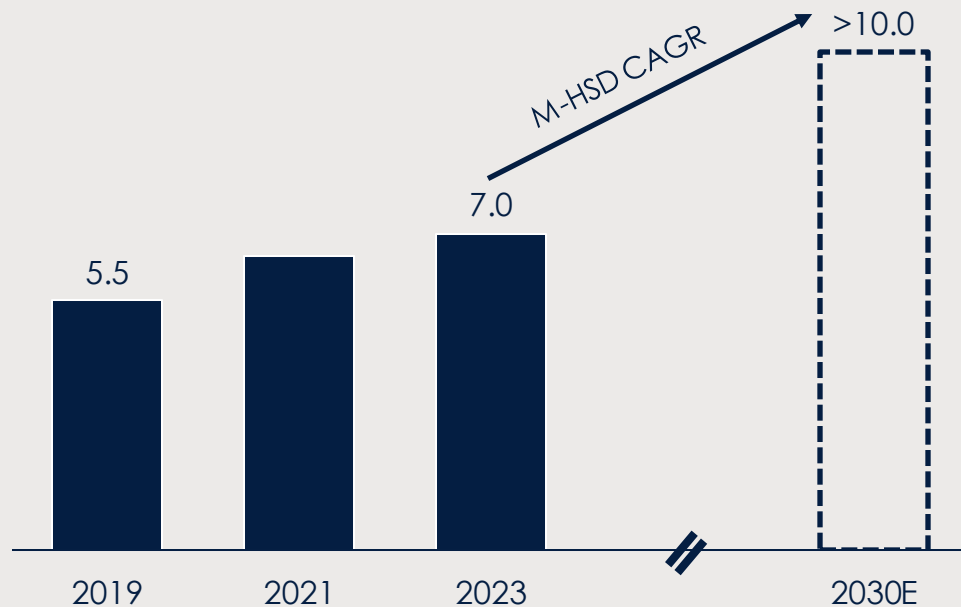


Traditional sales		
 Door operators	 Fixtures	 Belts
Digital sales		
 eView™ Multimedia	 Otis ONE™	 EMS Panorama™

Modernization is a strategic imperative...

Growth of the aging base¹ through 2030

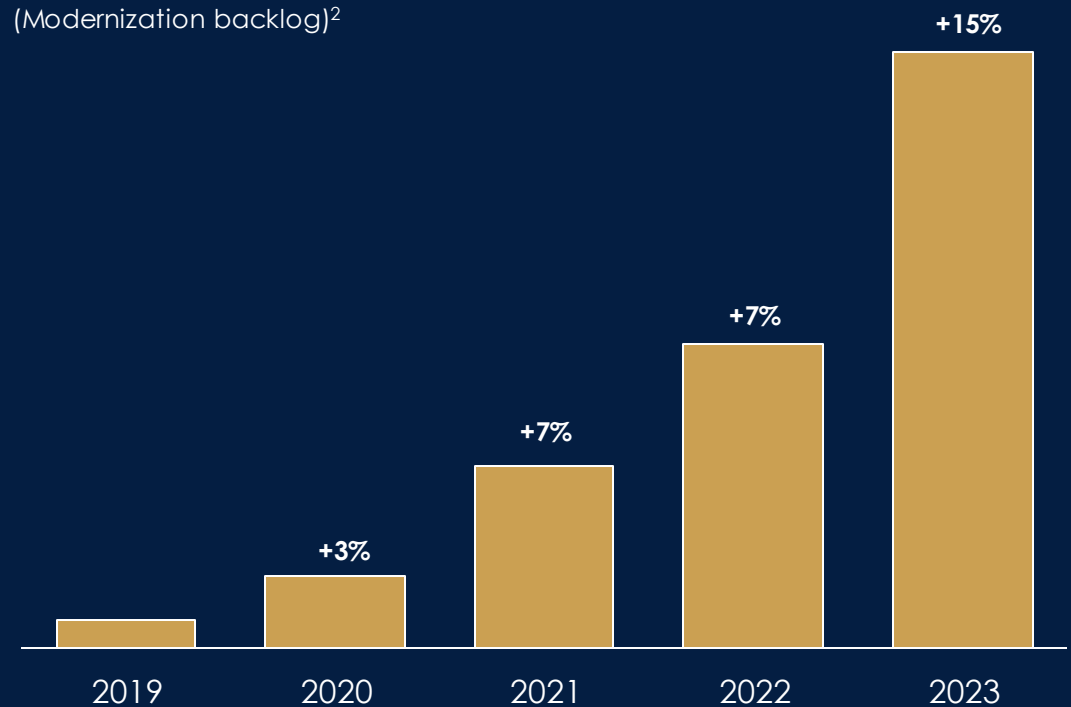
(Units, millions)



Aging installed base ripe for modernization work

We're already seeing results

(Modernization backlog)²



M-HSD%+ medium-term modernization revenue CAGR

¹ Based on Otis internal analysis and public company disclosures.

² At constant currency. See appendix for additional information regarding these non-GAAP financial measures.

...Otis has many ways to capitalize on the opportunity...

Case Study, Korea: modernization sales accelerated, portfolio growth followed

Required safety /
Regulatory upgrade

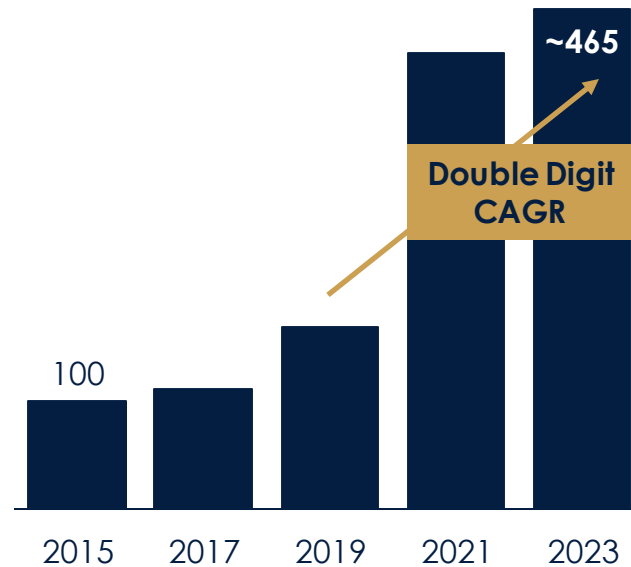


&

Standardized packages

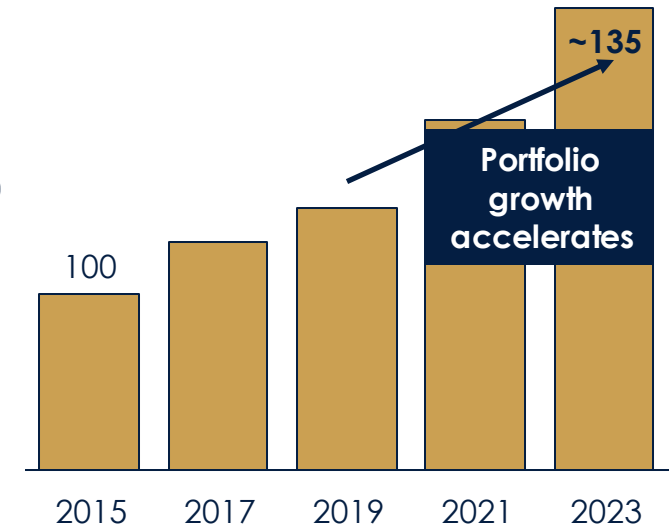
Modernization sales accelerate...

Sales index, 2015 = 100



...maintenance units follow

Portfolio unit index, 2015 = 100

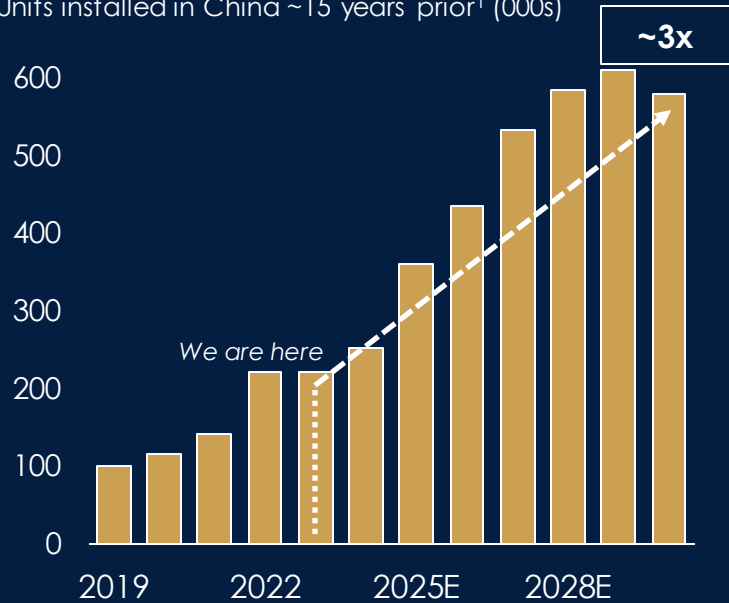


Modernization a lever to accelerate sales and portfolio growth

...including in China

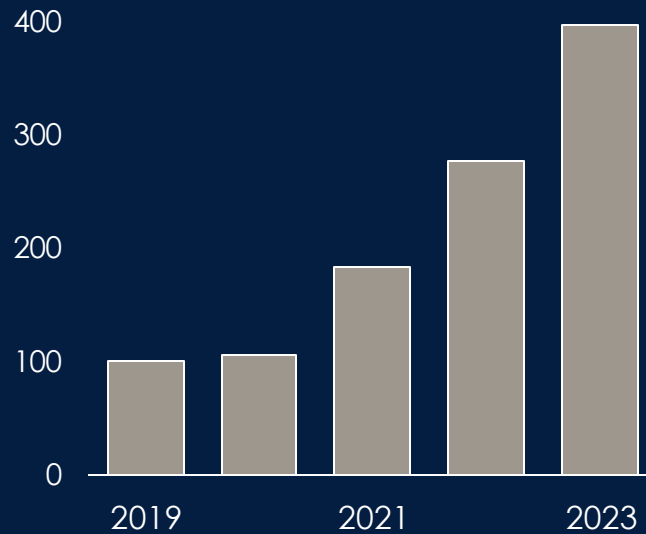
Modernization opportunity accelerating

Units installed in China ~15 years prior¹ (000s)



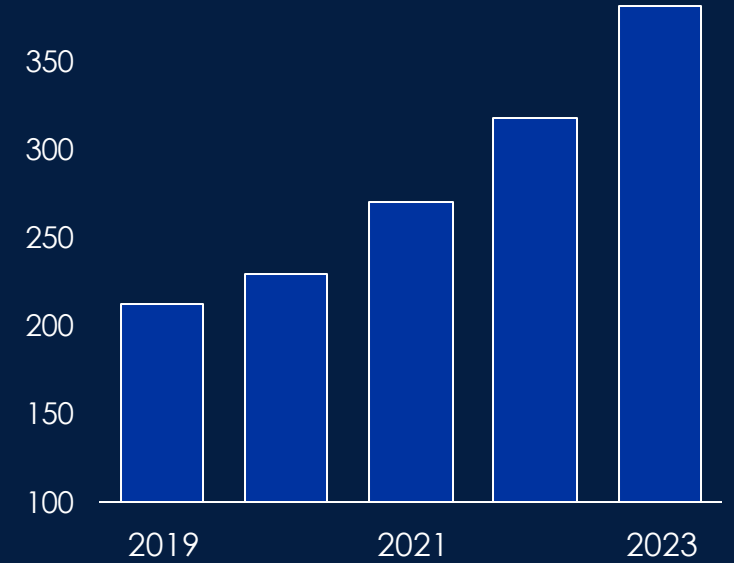
China modernization sales accelerating

(Index, 2019 = 100)



Supporting China Portfolio growth

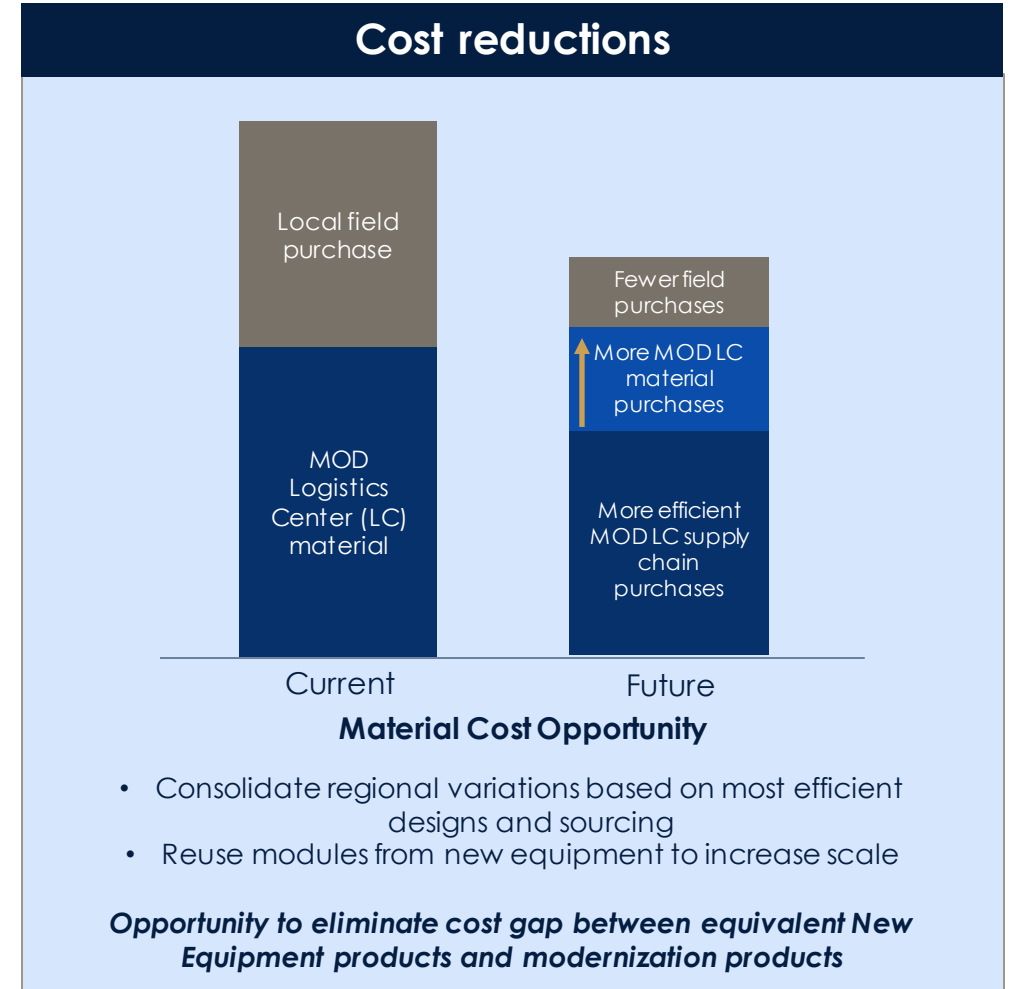
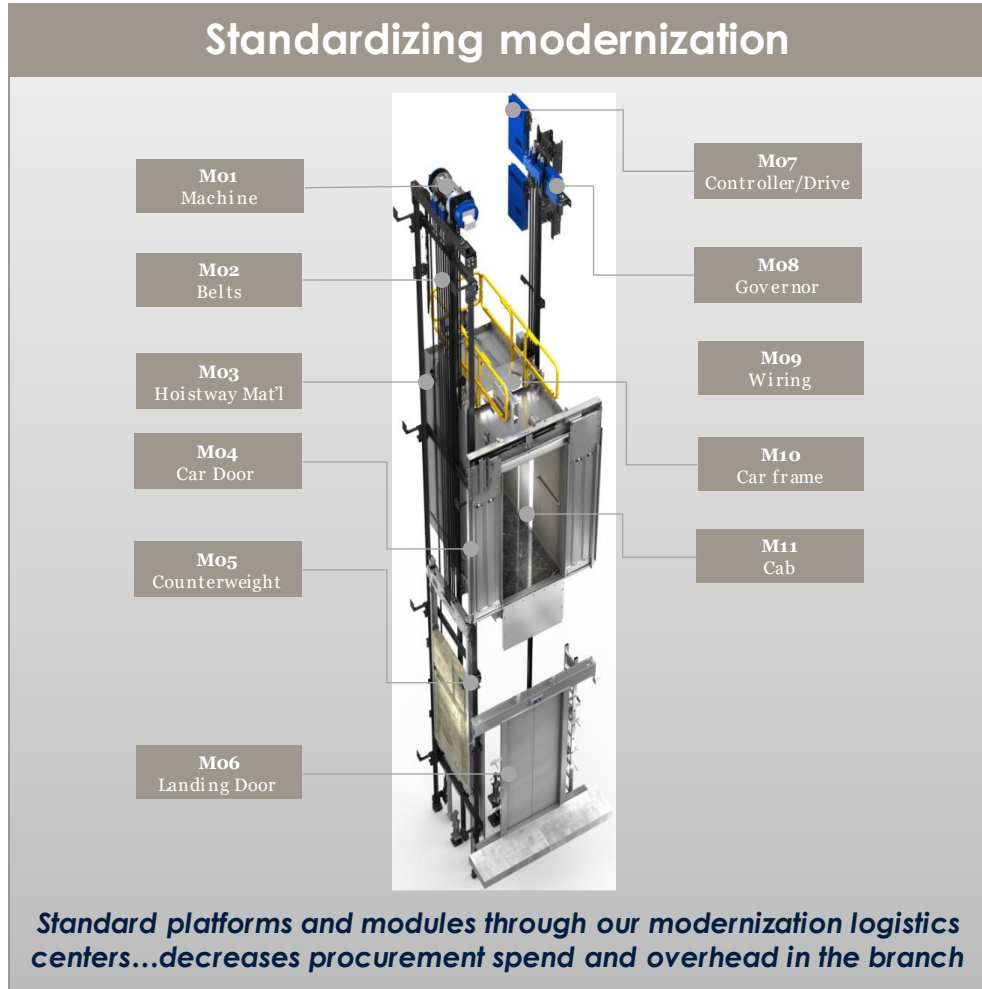
(Units, 000s)



Otis to capture China's accelerating modernization opportunity

¹ Based on Otis internal analysis and public company disclosures.

We can improve modernization margins



Standardization and procurement projects to improve modernization margins

Further opportunity for maintenance margin expansion...

Current initiatives



Apps



Otis ONE™



Route optimization

Further initiatives underway

Command App



Global Field Service System

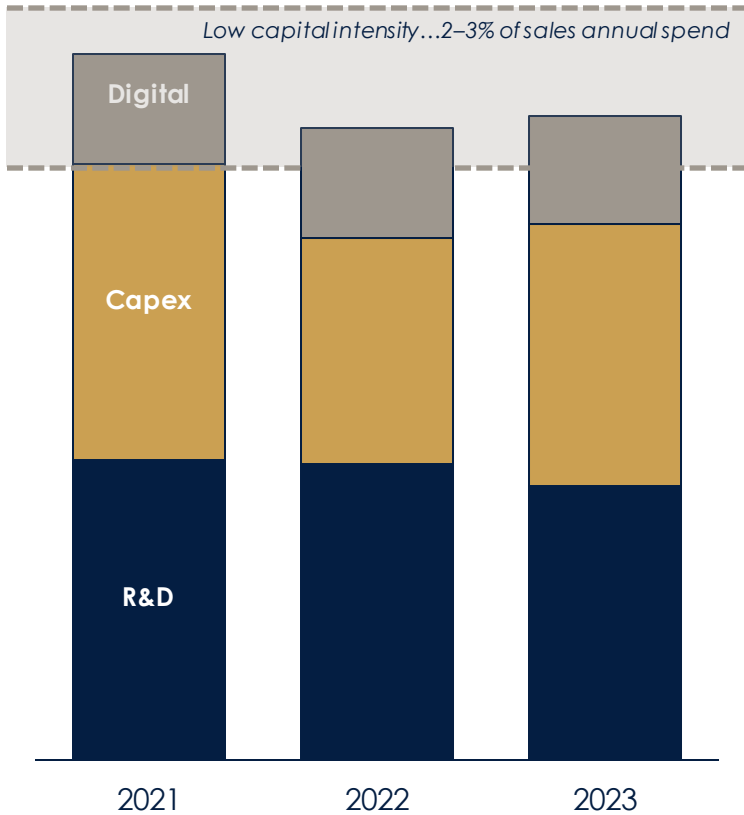
1 CALLBACK	2 SCHEDULING	3 TIME TRACKING
 Geo-localization based automated callback dispatching	 Dynamic visit maintenance scheduling to minimize travel time	 Automated mechanic time tracking



Continuous improvement to exceed customer expectations

...as we continue to invest in innovation

Consistent investment

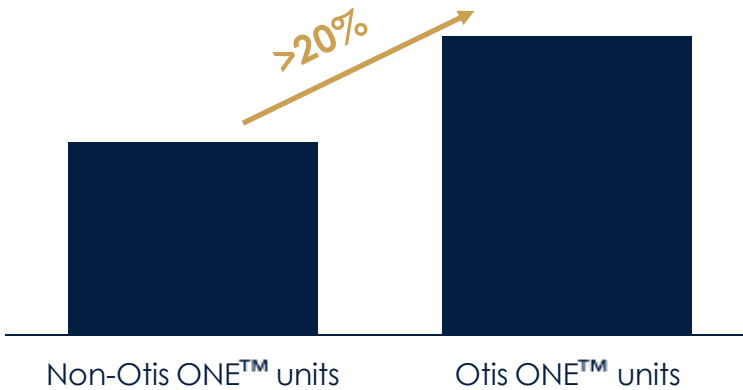


Advancing innovation

Otis ONE™ Command center



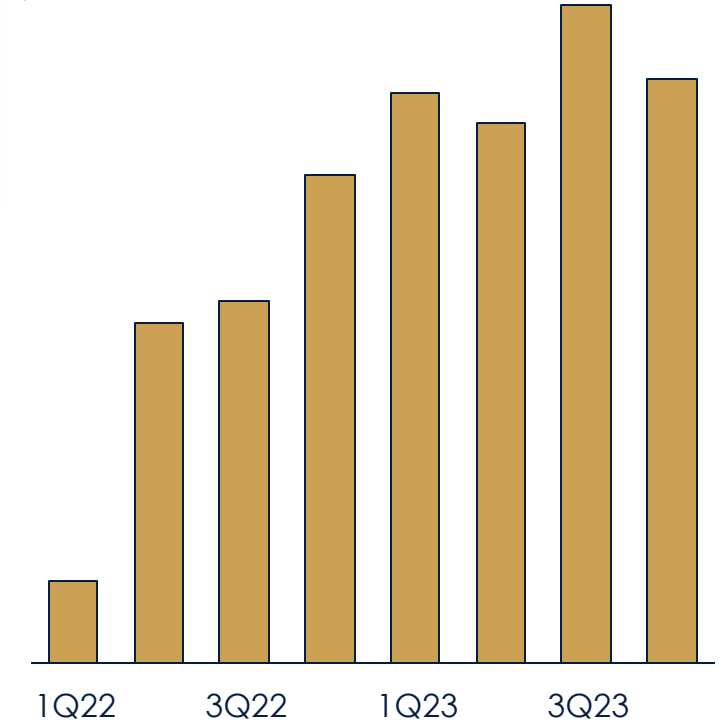
Conversion rates in China



Delivering benefits

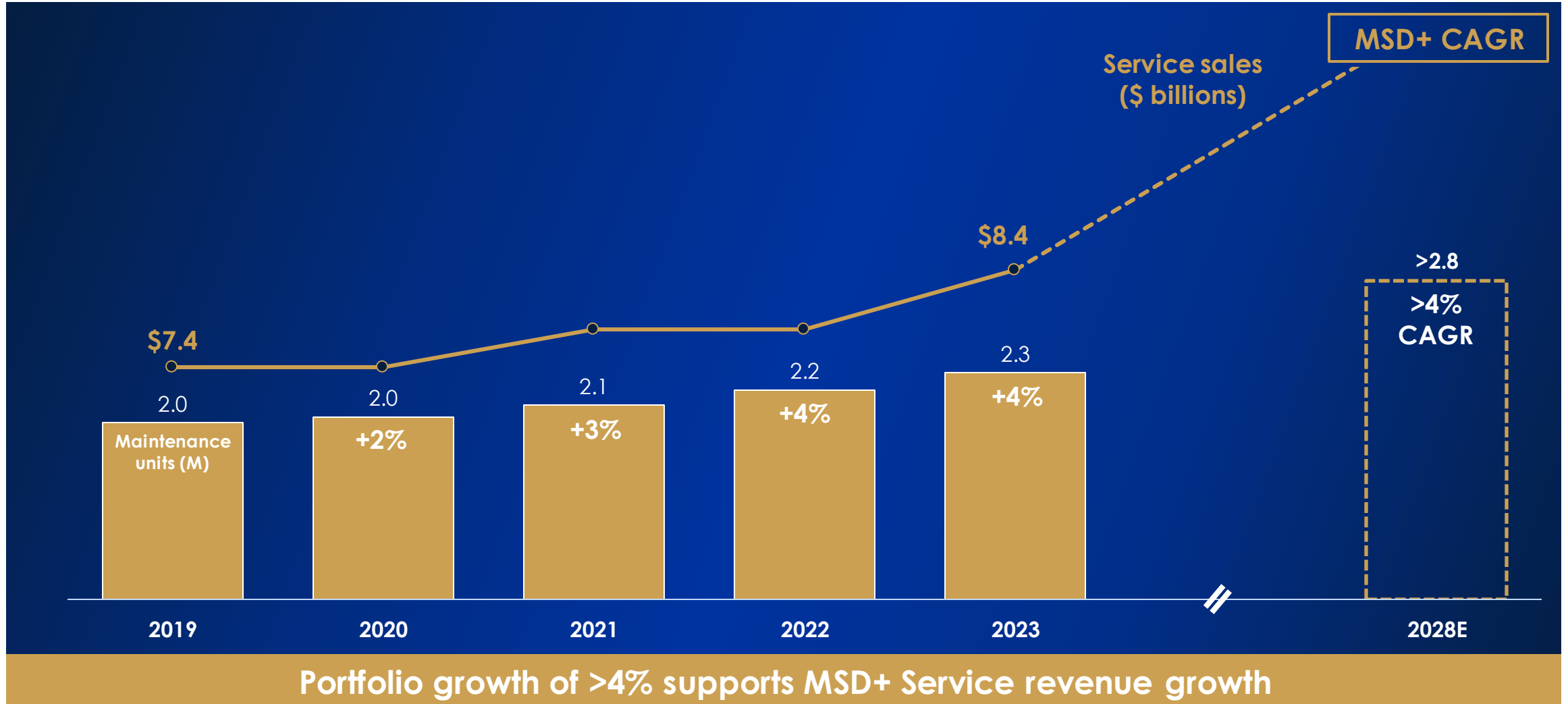
ROA¹ benefits accelerating

% avoided callbacks



¹ Running On Arrival (ROA) refers to an elevator that was called in as being a shutdown but is found to be running when the mechanic arrives on site.

Otis delivering on Service-driven business model





3 Financials & Capital deployment

Anurag Maheshwari

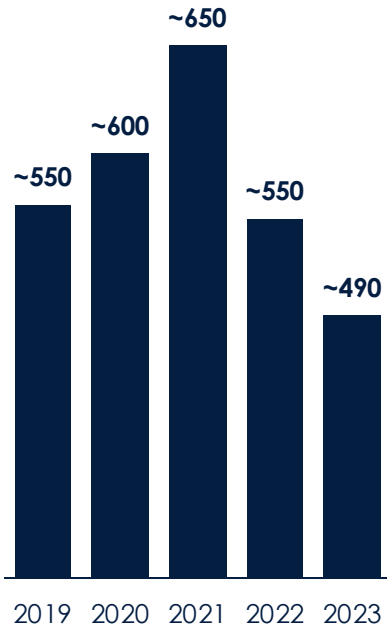
OTIS

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Strong performance despite headwinds...

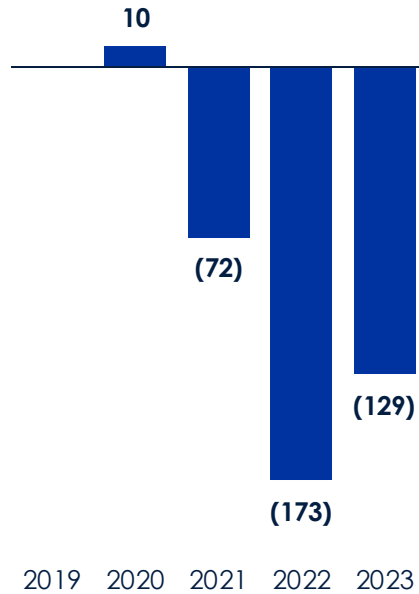
China NE market decline

(New equipment units, 000s)



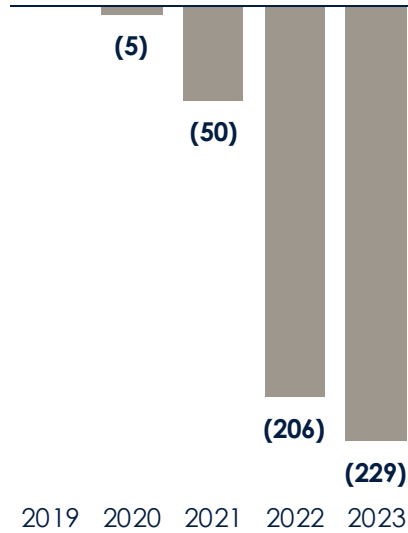
Commodity pressures

Commodity price impact
(\$ millions, cumulative since 2019)



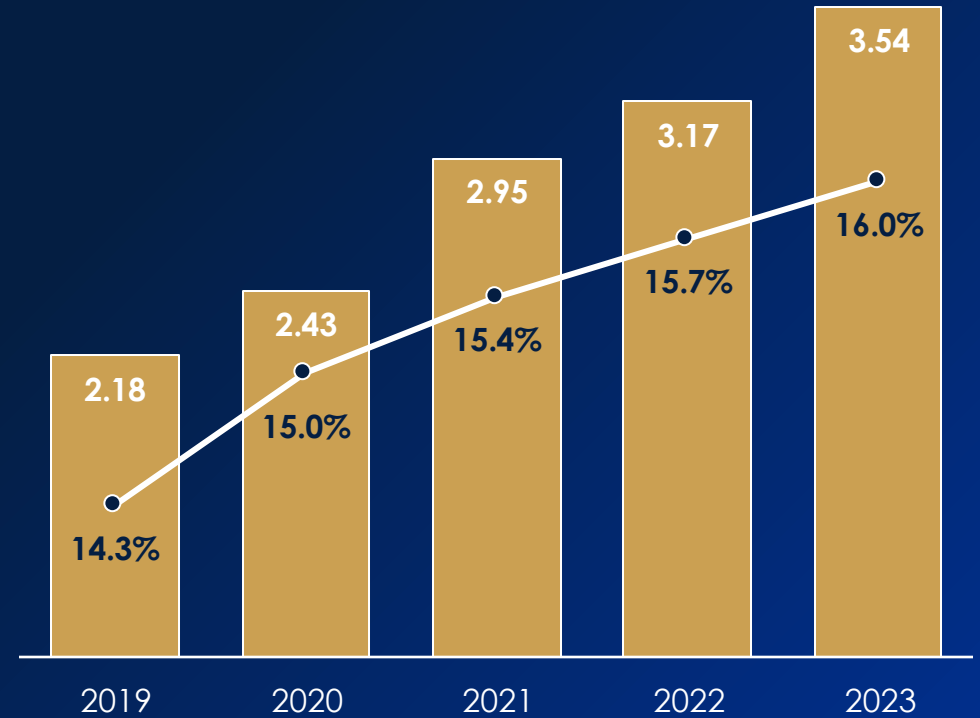
Foreign exchange

FX headwinds
(\$ millions, cumulative since 2019)



Otis continues to perform

Adj. EPS¹ Adj. Operating Profit Margin¹



13% adj. EPS¹ CAGR 2019 – 2023 with 170bps of adj. operating margin¹ expansion

¹ See appendix for additional information regarding these non-GAAP financial measures.

...paving the way for solid multi-year performance

	2019-2023	2024 Outlook	Medium-term outlook
Organic sales¹ growth CAGR	3.7%	3 to 5%	Up L-MSD%
Avg. adj. operating profit margin expansion (bps)¹	>40	50	40-50
Adj. operating profit growth CAGR¹	5.4%	M-HSD%	M-HSD%
Adjusted EPS CAGR¹	12.9%	7 to 10%	10%+

Key Drivers

- Grow New Equipment share profitably
- Deliver maintenance portfolio and repair growth
- Accelerate modernization
- Continued operating profit margin expansion
- Execute UpLift
- Optimize tax rate
- Return cash to shareholders

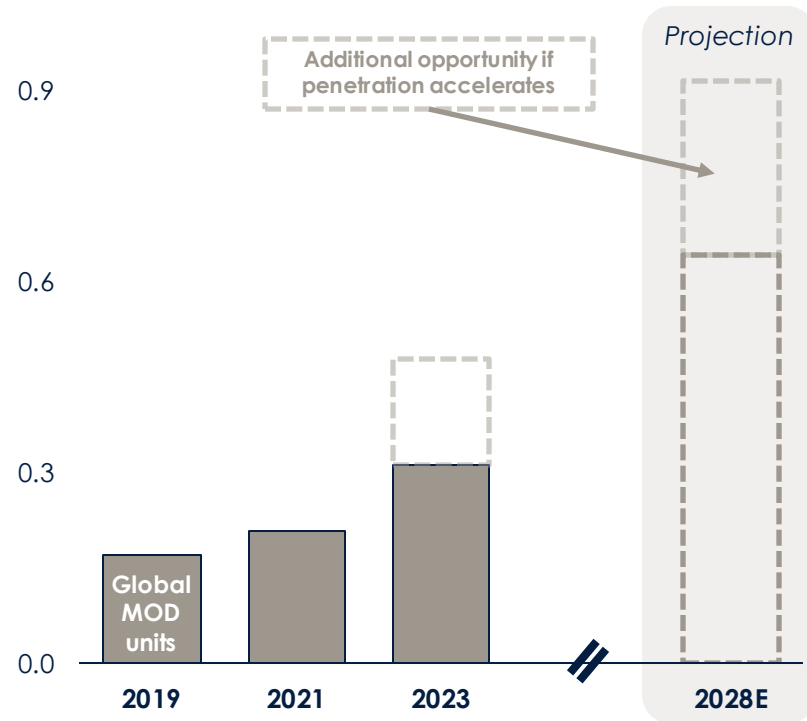
Control the controllables...continue to drive operational excellence

¹ See appendix for additional information regarding these non-GAAP financial measures.

Modernization supporting Service growth

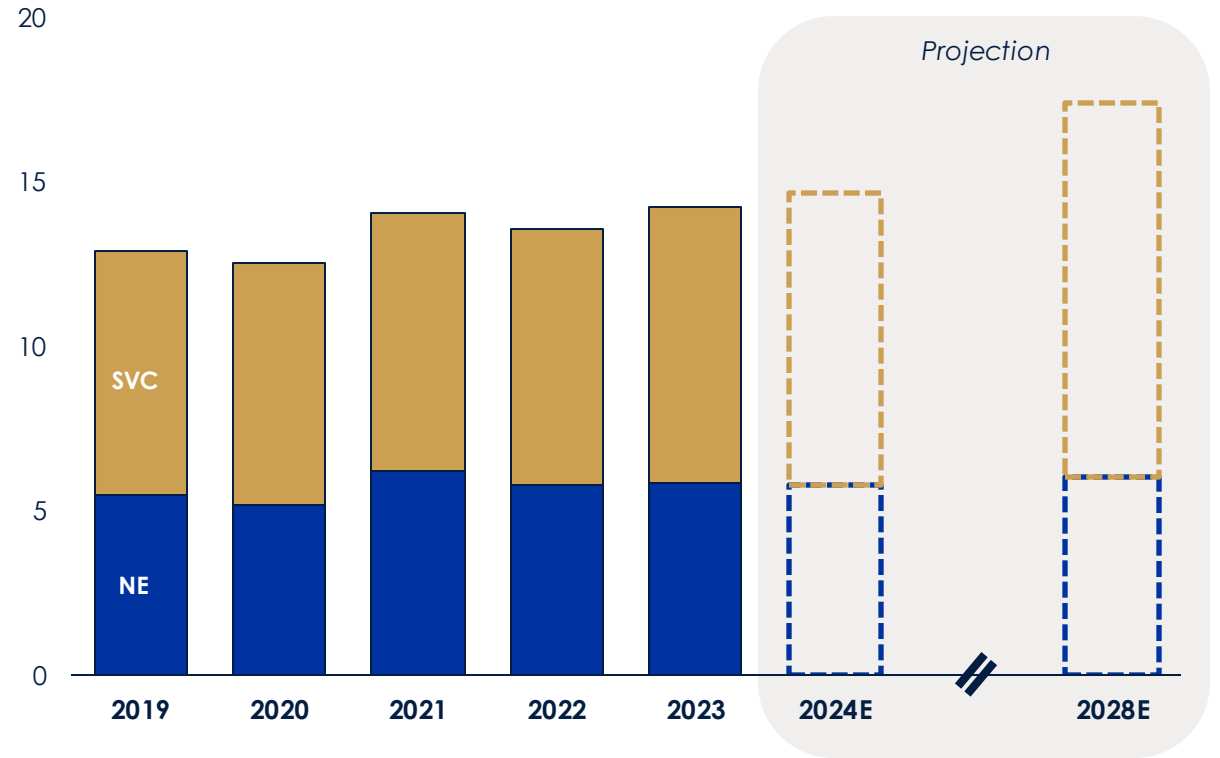
Solid global modernization unit outlook¹

(Units, millions)



Adjusted Otis New Equipment & Service Sales²

(\$ billions)



NE + MOD units

~1.0M

~1.1M

1.5 - 1.8M

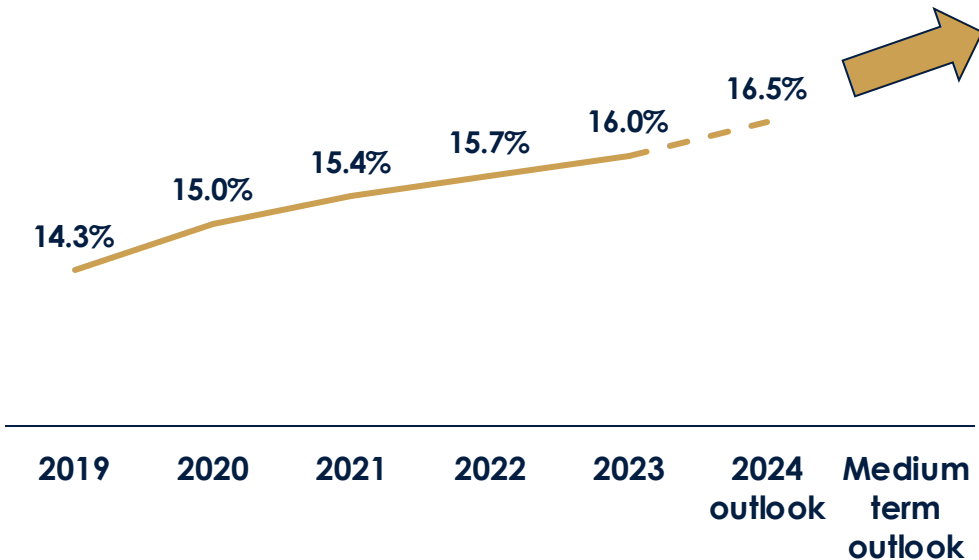
Solid Service growth through accelerating modernization growth with portfolio and repair momentum

¹ Otis internal estimate. Modernization units include New Equipment units installed 15 years ago in China and New Equipment units installed 20 years ago in the rest of the world.

² See appendix for additional information regarding these non-GAAP financial measures.

Operating profit outlook

Adjusted operating margin¹



Grow sales...benefit from higher Service growth mix



Expand New Equipment profitability...driven by productivity



Sustain Service margin expansion trajectory... price/cost positive



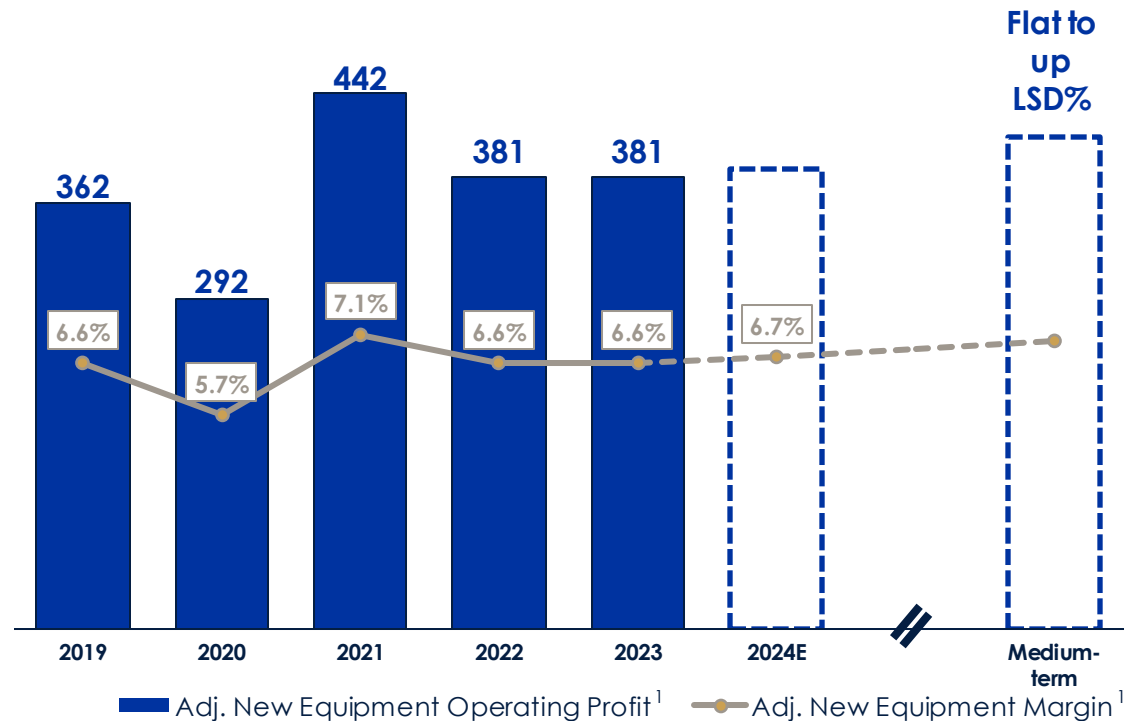
Execute UpLift...deliver value

40-50 basis points of margin expansion annually

¹ See appendix for additional information regarding these non-GAAP financial measures.

New Equipment profit outlook

(\$ millions)



Expand global platforms



Leverage global supply chain



Optimize manufacturing capacity



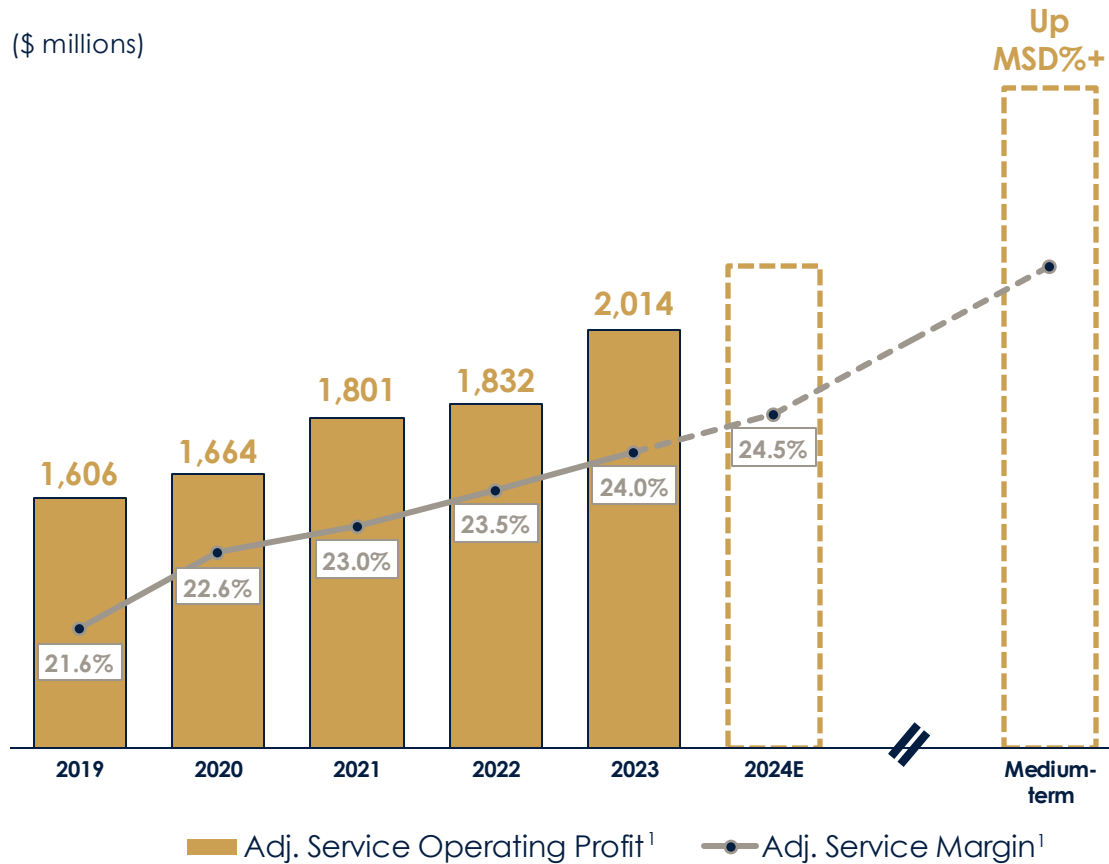
Drive field productivity

¹ See appendix for additional information regarding these non-GAAP financial measures.

Service profit outlook

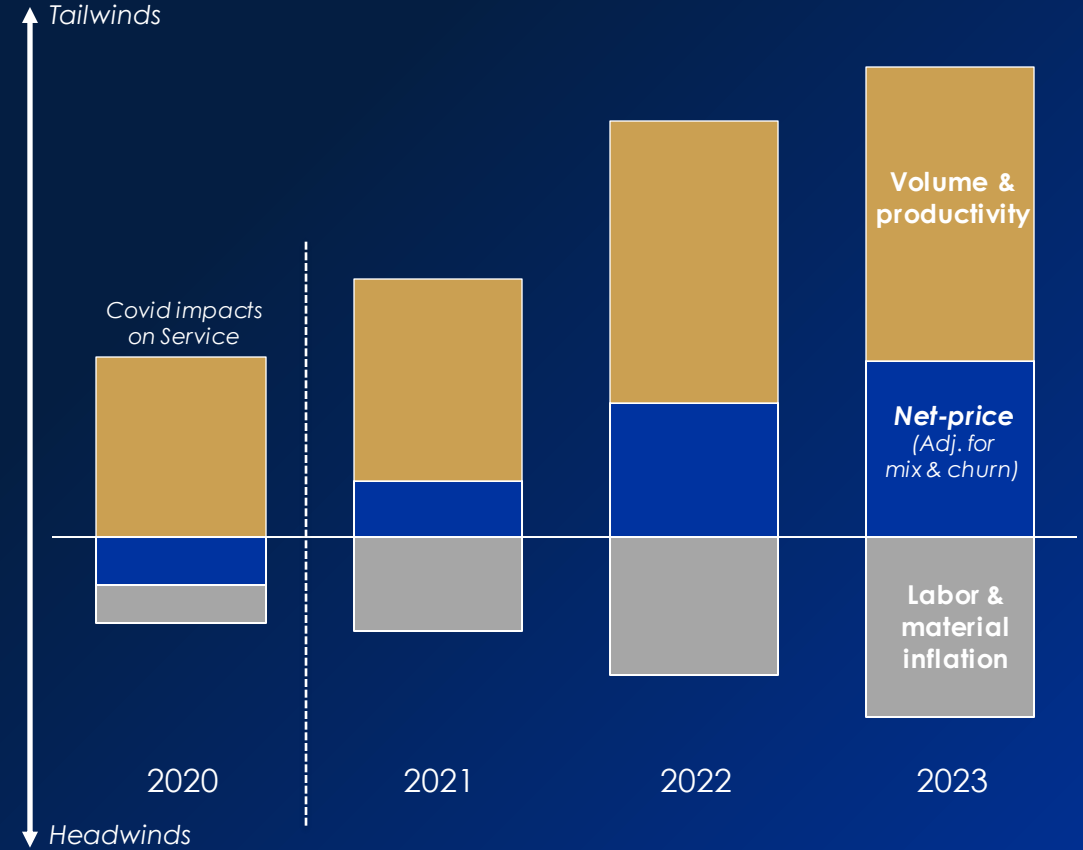
Expanding margins sustainably...

(\$ millions)



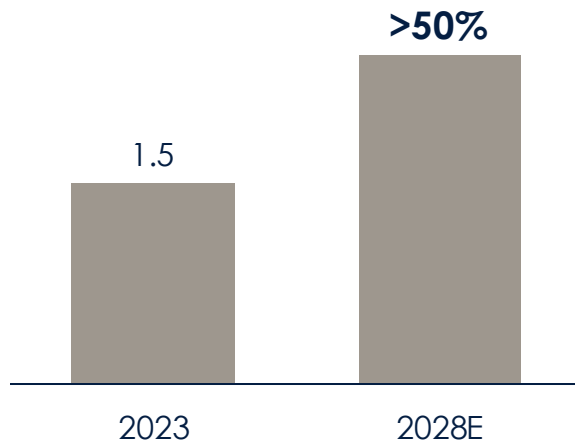
¹ See appendix for additional information regarding these non-GAAP financial measures.

...with volume & productivity leading the way

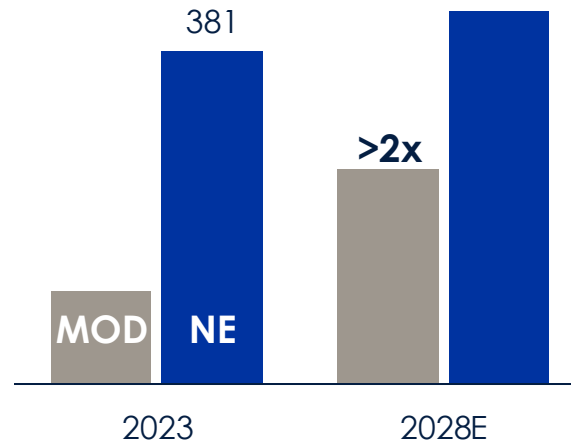


Path to improve modernization margins

MOD Sales
2023 – 2028E
(\$ billions)



MOD vs. NE Profit \$
2023 – 2028E
(\$ millions)



MOD & NE Margin % Progression

MOD < NE	MOD ~ NE	MOD > NE
Prior	Current	<12mo



Standardized packages



Cost reductions



Obsolescence impact



Enhanced sales effectiveness



MOD margins

Driving overhead efficiency with *UpLift*

Leverage enterprise scale



Streamline operating model and reporting structure



Optimize Digital Technology & infrastructure

Indirect and supply chain optimization



Logistics & fleet efficiencies



Professional fees



Real estate footprint

Process improvement and standardization

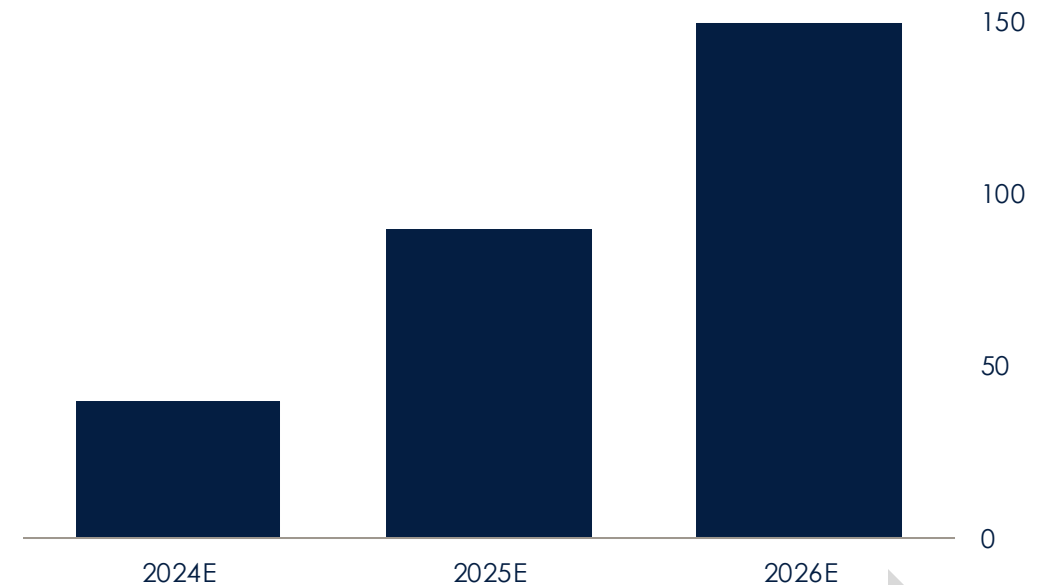


Center of Expertise & scale



Targeted savings

Cumulative in-year benefits (\$ millions)



Run-rate savings

~\$80 million

~\$150 million

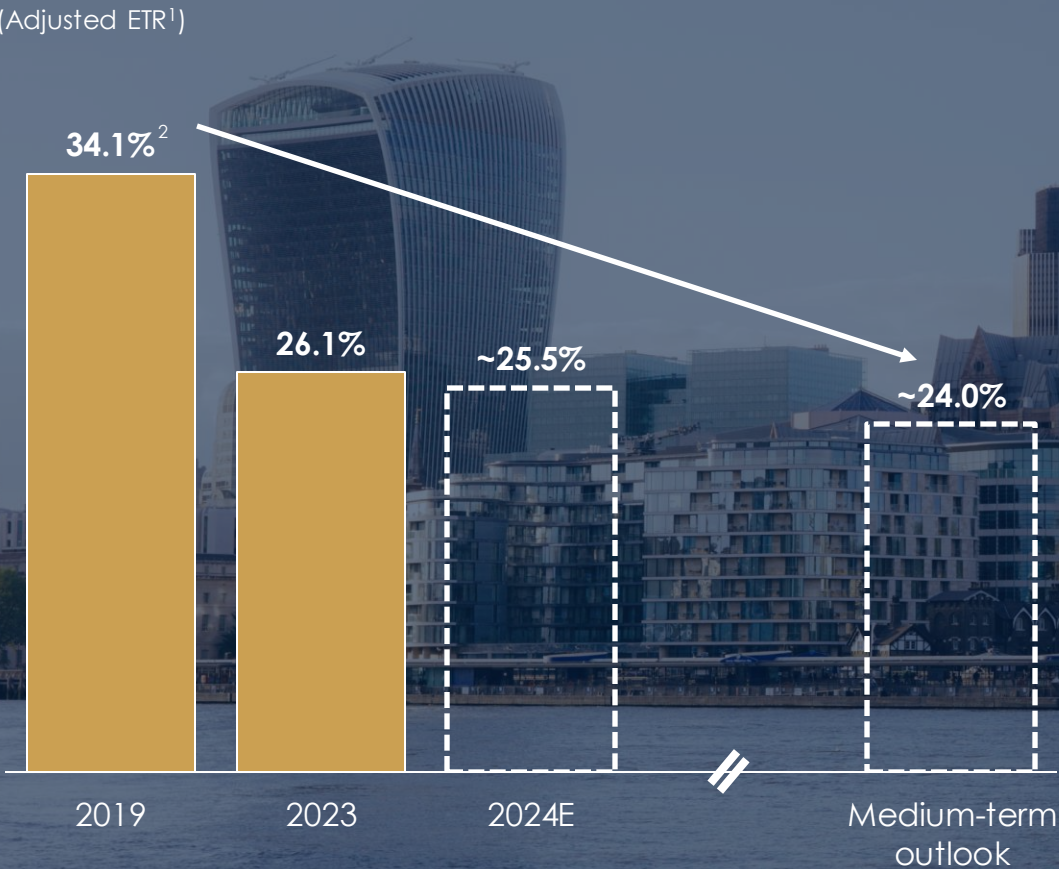
UpLift operating model benefits ramping, supporting margin expansion and delivering value for customers

Performing well & continuing to lower the tax rate

Strong progress since spin...

(Adjusted ETR¹)

...continued reduction ahead



Holistic review of Otis operating model including *UpLift* transformation



Mobilize and repatriate cash efficiently



Maximize credits and incentives



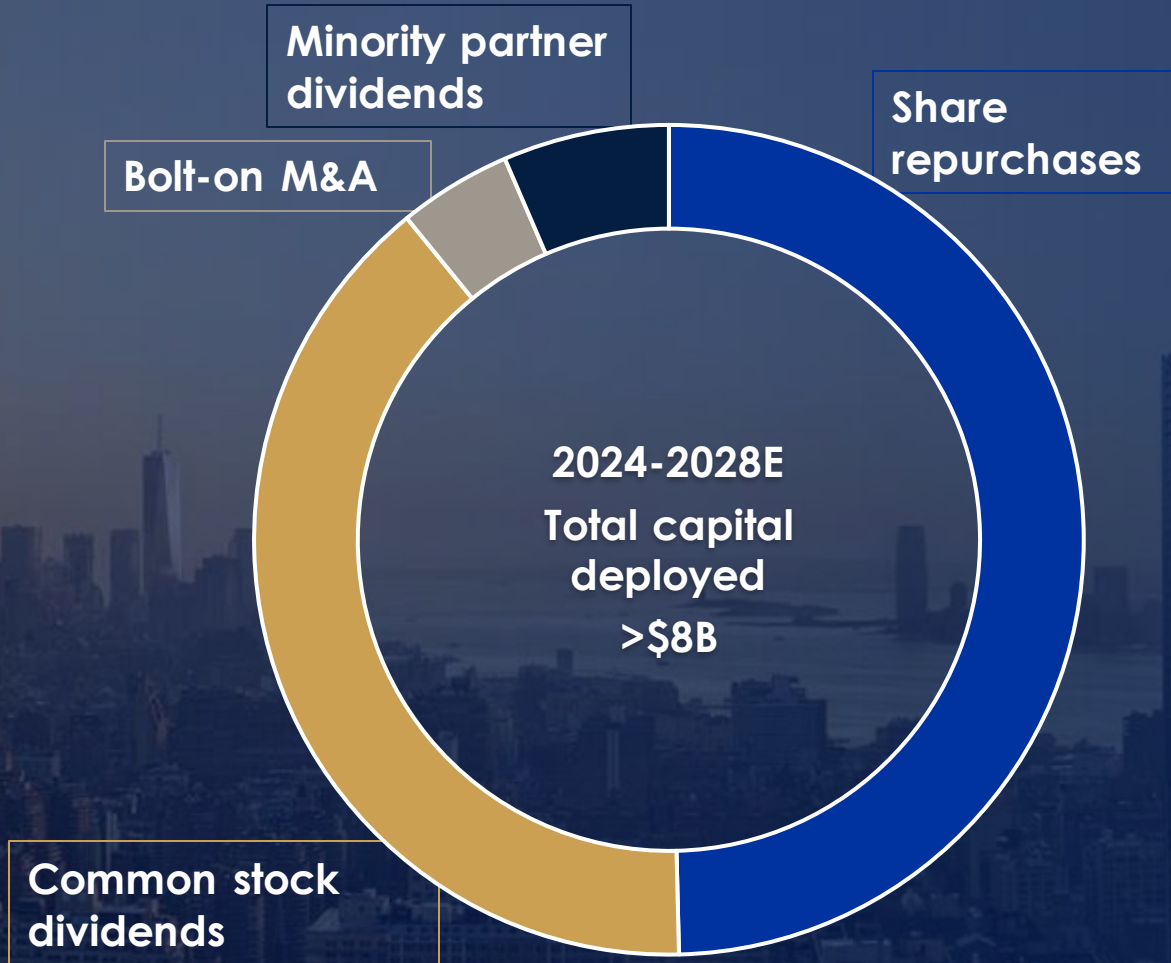
Optimize financing and entity structure

Delivered 8pt improvement since spin...driving optimization through next several years

¹ See appendix for additional information regarding these non-GAAP financial measures.

² 2019 adjusted effective tax rate includes Russia.

Distributing cash to shareholders



Strong free cash flow generation

Solid capital structure and balance sheet

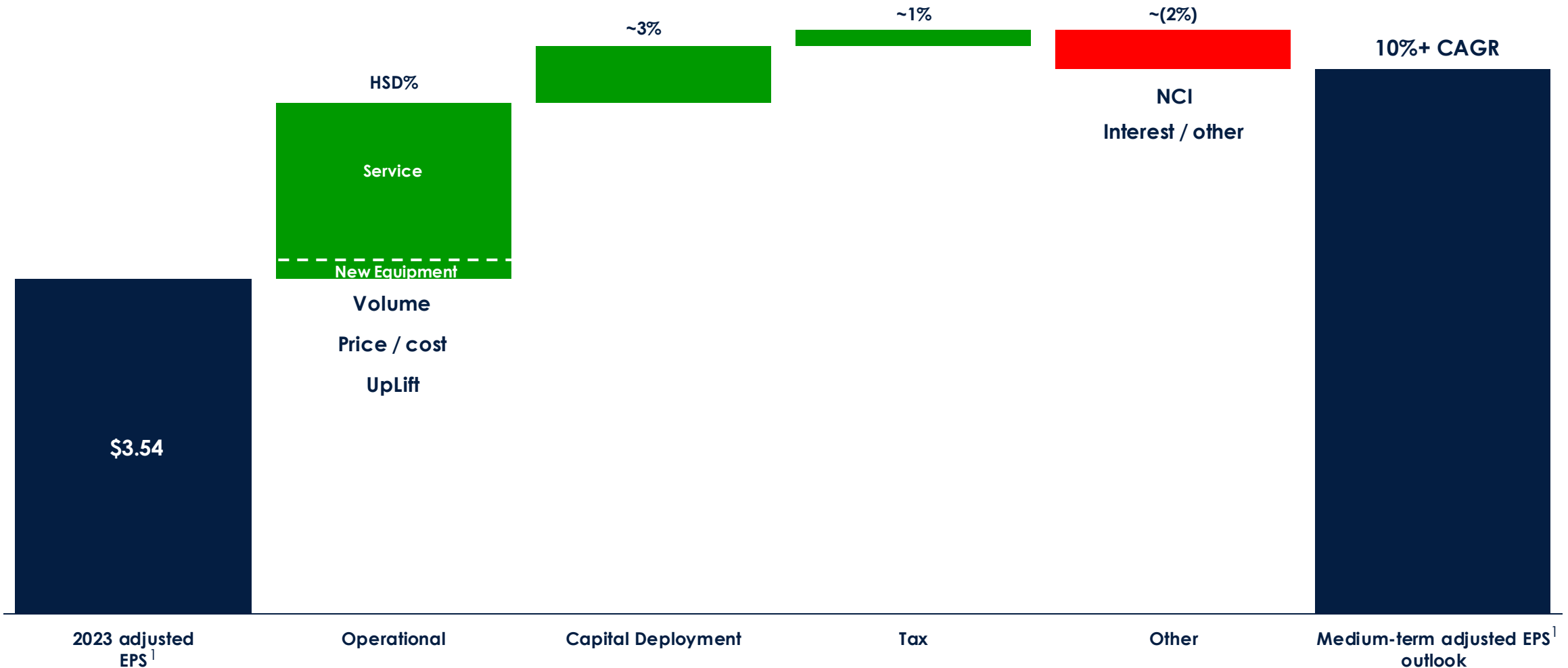
Bolt-on M&A of \$50 – \$100M annually

Dividend payout ratio¹ of ~40%

Share repurchases of >\$5B

¹ As a percentage of GAAP net income.

Growing adjusted EPS¹ 10%+



¹ See appendix for additional information regarding these non-GAAP financial measures.

Medium-term outlook

Organic sales¹ CAGR

Otis up L-MSD%

New Equipment ~flat to up LSD%

Service up MSD%+

Adjusted operating profit¹ CAGR

Otis up M-HSD%

New Equipment ~flat to up LSD%

Service up MSD%+

Adjusted EPS¹ CAGR

Up 10%+

Adjusted free cash flow¹ CAGR

Up HSD%

Dividend

~40% payout ratio²

Excess cash

Share repurchases and targeted M&A

¹ See appendix for additional information regarding these non-GAAP financial measures.

² As a percentage of GAAP net income.

Q&A Session

A photograph of the Chicago skyline at dusk, featuring the Willis Tower prominently in the center. The sky is a deep blue, and the city lights are beginning to glow. A semi-transparent dark blue rectangular overlay covers the middle portion of the image, serving as a background for the text.

Appendix

Use and Definitions of Non-GAAP Financial Measures

Otis Worldwide Corporation ("Otis") reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). We supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial information. The non-GAAP information presented provides investors with additional useful information, but should not be considered in isolation or as substitutes for the related GAAP measures. Moreover, other companies may define non-GAAP measures differently, which limits the usefulness of these measures for comparisons with such other companies. We encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. A reconciliation of the non-GAAP measures (referenced in this press release) to the corresponding amounts prepared in accordance with GAAP appears in the attached tables. These tables provide additional information as to the items and amounts that have been excluded from the adjusted measures. Adjusted net sales, organic sales, adjusted selling, general and administrative ("SG&A") expense, adjusted operating profit, adjusted net interest expense, adjusted net income, adjusted diluted earnings per share ("EPS"), adjusted effective tax rate, constant currency, free cash flow and adjusted free cash flow are non-GAAP financial measures. Adjusted net sales represents net sales (a GAAP measure), excluding significant items of a non-recurring and/or nonoperational nature ("other significant items"). Organic sales represents consolidated net sales (a GAAP measure), excluding the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and other significant items. Management believes organic sales is a useful measure in providing period-to-period comparisons of the results of the Company's ongoing operational performance. Adjusted SG&A expense represents SG&A expense (a GAAP measure), excluding restructuring costs and other significant items. Adjusted general corporate expenses and other represents general corporate expenses and other (a GAAP measure), excluding restructuring costs and other significant items. Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and related net interest expense pending the completion of a transaction. The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for other significant items and the tax impact of restructuring costs and other significant items. Adjusted net income represents net income attributable to Otis Worldwide Corporation (a GAAP measure), excluding restructuring costs and other significant items, including related tax effects. Adjusted EPS represents diluted earnings per share attributable to common shareholders (a GAAP measure), adjusted for the per share impact of restructuring and other significant items, including related tax effects. Management believes that adjusted net sales, organic sales, adjusted SG&A, adjusted general corporate expenses and other, adjusted operating profit, adjusted net interest expense, adjusted net income, adjusted EPS, the adjusted effective tax rate and adjusted RPO are useful measures in providing period-to-period comparisons of the results of the Company's ongoing operational performance. Additionally, GAAP financial results include the impact of changes in foreign currency exchange rates ("AFX"). We use the non-GAAP measure "at constant currency" or "CFX" to show changes in our financial results without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, income statement results are translated in U.S. dollars at the average exchange rate for the period presented. Management believes that this non-GAAP measure is useful in providing period-to-period comparisons of the results of the Company's ongoing operational performance. Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing Otis' ability to fund its activities, including the financing of acquisitions, debt service, repurchases of common stock and distribution of earnings to shareholders. Free cash flow should not be considered an alternative to, or more meaningful than, net cash flows provided by operating activities, or any other measure of liquidity presented in accordance with GAAP. Adjusted free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures, adjusted to exclude certain items management believes affect the comparability of operating results. Management believes adjusted free cash flow is a useful measure of liquidity that provides investors additional information regarding the Company's ability to fund its activities, including the financing of acquisitions, debt service, repurchases of common stock and distribution of earnings to shareholders. Adjusted free cash flow should not be considered an alternative to, or more meaningful than, net cash flows provided by operating activities, or any other measure of liquidity presented in accordance with GAAP. When we provide our expectations for adjusted net sales, organic sales, adjusted operating profit, adjusted net interest expense, adjusted net income, adjusted effective tax rate, adjusted EPS, free cash flow and adjusted free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, the effective tax rate, net sales and expected cash flow from operations) generally is not available without unreasonable effort due to potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions and divestitures, and other structural changes or their probable significance. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.

Additional information

	Actuals	FY24 outlook
	FY 23	
UpLift restructuring expense	\$25M	\$75M
Other restructuring expense	\$42M	to
UpLift transformation costs	\$16M	\$100M
Non-service pension expense	\$5M	~\$5M
Net interest expense	\$150M	~\$180M
Adjusted effective tax rate (a)	26.1%	~25.5%
Noncontrolling interest expense	\$92M	~\$105M
Capital expenditures	\$138M	~\$150M
Diluted shares outstanding	414.6M	~406M

Currency exposure	2023 sales
USD	29%
EUR	22%
CNY	17%
Other	32%

(a) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs and other significant non-recurring items.

2023 GAAP to adjusted financials reconciliation

(\$ millions)

Sales	Total Otis	New Equipment	Service	Corporate/Other
Net sales	14,209	5,812	8,397	0
Income				
Net income attributable to Otis	1,406			
Noncontrolling interest in subsidiaries ¹	92			
Income tax expense	533			
Net interest expense	150			
Non-service pension benefit (expense)	5			
GAAP operating profit	2,186	358	1,972	(144)
UpLift Restructuring	25	7	16	2
Other Restructuring	42	16	26	0
UpLift transformation costs	16	0	0	16
Adjusted operating profit	2,269	381	2,014	(126)
<i>Adjusted operating profit margin</i>	<i>16.0%</i>	<i>6.6%</i>	<i>24.0%</i>	
Non-service pension (expense)	(5)			
Adjusted net interest expense (a)	(150)			
Adjusted pre-tax profit	2,114			
Adjusted income tax expense	(553)			
<i>Adjusted effective tax rate (b)</i>	<i>26.1%</i>			
Noncontrolling interest	(92)			
Adjusted net income	1,469			
Adjusted EPS	\$3.54			

(a) Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and net interest expense related to the Zardoya Otis transaction and Russia operations.

(b) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs and other significant items.

2022 GAAP to adjusted financials reconciliation

(\$ millions)

Sales	Total Otis	New Equipment	Service	Corporate/Other
Net sales	13,685	5,864	7,821	0
Russia	(106)	(86)	(20)	0
Adjusted net sales	13,579	5,778	7,801	0

Income				
Net income attributable to Otis	1,253			
Noncontrolling interest in subsidiaries ^a	116			
Income tax expense	519			
Net interest expense	143			
Non-service pension benefit (expense)	2			
GAAP operating profit	2,033	358	1,789	(114)
Restructuring	60	23	37	0
Russia operations	5	(3)	4	4
Russia sale and conflict-related charges	28	3	2	23
Adjusted operating profit	2,126	381	1,832	(87)
<i>Adjusted operating profit margin</i>	<i>15.7%</i>	<i>6.6%</i>	<i>23.5%</i>	

Non-service pension (expense)	(2)
Adjusted net interest expense (b)	(139)
Adjusted pre-tax profit	1,985
Adjusted income tax expense	(526)
<i>Adjusted effective tax rate (c)</i>	<i>26.5%</i>
Noncontrolling interest	(116)
Adjusted net income	1,343
Adjusted EPS	\$3.17

(a) Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and net interest expense related to the Zardoya Otis transaction and Russia operations.

(b) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs and other significant items.

2021 GAAP to adjusted financials reconciliation

(\$millions)

Sales	Total Otis	New Equipment	Service	Corporate/Other
Net sales	14,298	6,428	7,870	0
Russia	(253)	(220)	(33)	0
Adjusted net sales	14,045	6,208	7,837	0
Income				
Net income attributable to Otis	1,246			
Noncontrolling interest in subsidiaries ¹	174			
Income tax expense	541			
Net interest expense	136			
Non-service pension benefit (expense)	11			
GAAP operating profit	2,108	459	1,762	(113)
Restructuring	56	23	33	0
One-time separation costs	27	0	0	27
Russia	(33)	(40)	6	1
Adjusted operating profit	2,158	442	1,801	(85)
<i>Adjusted operating profit margin</i>	15.4%	7.1%	23.0%	
Non-service pension (expense)	(11)			
Adjusted net interest expense (a)	(123)			
Adjusted pre-tax profit	2,024			
Adjusted income tax expense	(580)			
<i>Adjusted effective tax rate (b)</i>	28.7%			
Noncontrolling interest	(173)			
Adjusted net income	1,271			
Adjusted EPS	\$2.95			

(a) Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and net interest expense related to the Zardoya Otis transaction and Russia operations.

(b) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, other significant items and includes rounding.

2019 & 2020 segment operating profit reconciliation

(\$millions)	Total Otis		New Equipment		Service		Corporate/Other	
	2019	2020	2019	2020	2019	2020	2019	2020
Sales								
Net sales	13,118	12,756	5,648	5,371	7,470	7,385	0	0
Russia	(244)	(264)	(208)	(235)	(36)	(29)	0	0
Adjusted net sales	12,874	12,492	5,440	5,136	7,434	7,356	0	0
Income								
Net income attributable to Otis	1,116	906						
Noncontrolling interest in subsidiaries ¹	151	150						
Income tax expense	594	455						
Net interest expense	(14)	122						
Non-service pension benefit (expense)	(33)	6						
GAAP operating profit	1,814	1,639	393	318	1,603	1,611	(182)	(290)
Restructuring	54	77	19	30	35	47	0	0
UTC allocated corporate expenses (a)	80	16	6	0	14	0	60	16
Standalone public company costs (b)	(147)	0	(16)	0	(56)	0	0	(75)
Loss on disposal of businesses	26	0	0	0	0	0	26	0
One-time separation costs and other	45	119	0	0	3	0	42	119
Fixed asset impairment	0	85	0	0	0	0	0	85
Insurance recovery	0	(17)	0	0	0	0	0	(17)
Adjusted operating profit (incl. Russia)	1,872	1,919	402	348	1,599	1,658	(129)	(87)
Russia	(34)	(51)	(41)	(56)	6	7	1	(2)
Adjusted operating profit (excl. Russia)	1,838	1,868	361	292	1,605	1,665	(128)	(89)
Adjusted operating profit margin	14.3%	15.0%	6.6%	5.7%	21.6%	22.6%		
Adjusted non-service pension (expense)	(9)	(5)						
Adjusted net interest expense (a)	(162)	(124)						
Adjusted pre-tax profit	1,667	1,739						
Adjusted income tax expense	(574)	(533)						
Adjusted effective tax rate (b)	34.4%	30.6%						
Noncontrolling interest	(150)	(148)						
Adjusted net income	943	1,058						
Adjusted EPS	\$2.18	\$2.43						

(a) Reflects costs for certain functions and services performed by UTC organizations that are allocated to Otis for purposes of carve-out financial statements.

(b) Adjustments have been made to 2019 to represent estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC. 2020 costs are reflected as a part of GAAP operating profit and are not adjusted.

Organic sales reconciliation

Total Otis	2020	2021	2022	2023
Organic	(2.5%)	9.0%	2.5%	5.6%
FX	(0.2%)	3.0%	(5.9%)	(1.2%)
Net acquisitions / divestitures & other	(0.1%)	0.1%	(0.9%)	(0.6%)
Total net sales growth	(2.8%)	12.1%	(4.3%)	3.8%

Service organic sales reconciliation

Service	2020	2021	2022	2023
Organic	(0.7%)	4.1%	6.0%	7.7%
FX	(0.1%)	2.3%	(6.7%)	(0.4%)
Net acquisitions / divestitures & other	(0.3%)	0.2%	0.1%	0.1%
Total net sales growth	(1.1%)	6.6%	(0.6%)	7.4%

Diluted EPS and Tax reconciliations

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GAAP diluted earnings per share	\$2.58	\$2.08	\$2.89	\$2.96	\$3.39
Impact of non-recurring items on diluted earnings per share	(\$0.40)	\$0.35	\$0.06	\$0.21	\$0.15
Adjusted diluted earnings per share	\$2.18	\$2.43	\$2.95	\$3.17	\$3.54

	FY 2023
Effective tax rate	26.2%
Impact of adjustments on effective tax rate	(0.1%)
Adjusted effective tax rate	26.1%

Adjusted free cash flow reconciliation

(\$millions)	FY 2022	FY 2023
Operating cash flow ¹	1,560	1,627
Capital expenditures	(115)	(138)
Free cash flow	1,445	1,489
UpLift restructuring payments	0	12
UpLift transformation payments	0	8
Separation-related payments ²	18	25
Adjusted Free Cash Flow	1,463	1,534

¹ Operating cash flow excludes dividends paid to noncontrolling interests.

² In April of 2022 and 2023, we made payments to RTX Corporation (our former parent) in accordance with the Separation tax agreement. These annual payments are anticipated to conclude in 2026.

Other reconciliations

New Equipment backlog

Growth %	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual currency (GAAP measure)	(2%)	6%	1%	3%	2%
Russia	0%	0%	(1%)	2%	0%
FX	1%	(4%)	2%	6%	0%
Adjusted NE backlog at constant currency	(1%)	2%	2%	11%	2%

Modernization backlog

Growth %	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual currency (GAAP measure)	(3%)	5%	4%	4%	15%
Russia	0%	0%	0%	0%	0%
FX	0%	(3%)	3%	3%	0%
Mod backlog at constant currency	(3%)	2%	7%	7%	15%

¹ Balances have been updated to reflect the impact of the constant currency calculation and other adjustments to ensure comparability.