

Initiating Coverage:

Rockwell Automation (\$ROK)

Back in Control: Rockwell's Recovery Takes Hold

Key Take-away: Rockwell Automation is emerging from a two-year industrial downturn with a leaner cost base, a sharper portfolio, and end markets that have decisively turned. The distributor destocking that cut reported sales 9% in fiscal 2024 and held growth to 1% in fiscal 2025 has run its course, and fiscal second-quarter results confirmed an inflection point, with earnings growing several times faster than sales as recovering volume met reduced costs. Management raised guidance across every metric and now expects to convert more than half of each incremental sales dollar into operating profit, giving the recovery unusual earnings leverage as it builds. With the largest installed base in North American automation, a recurring software business compounding inside the hardware franchise, and free cash flow that converts at nearly 100% of income and returns steadily to shareholders, Rockwell is positioned to deliver earnings ahead of expectations and create durable long-term shareholder value.

A Breakout Quarter: Rockwell's fiscal second quarter delivered the clearest evidence yet that the automation cycle has turned. Organic sales rose 9% and reported sales rose 12%, led by data center sales that more than doubled year over year as operators converted conventional building controls onto Rockwell's industrial Logix platform, including a win at a new AI data center in Texas; semiconductor sales grew in the high teens and warehouse automation grew more than 30%. Because two years of cost reduction preceded the returning volume, more than half of every incremental sales dollar fell through to operating profit, lifting enterprise operating margin 350 basis points to 22.5% and adjusted earnings per share 32% higher to \$3.30. Orders of roughly \$2.5 billion outpaced shipments, leaving a book-to-bill above 1.1, and management responded by raising full-year guidance to 5% to 9% organic growth while lifting the adjusted earnings midpoint by \$1.00 to \$12.80. With channel inventories normalized and incremental margins guided above 50%, the quarter is expected to mark the first leg of a multi-year recovery in both revenue and margins.

Strengthening the Portfolio: Two capital allocation decisions this spring show where management's conviction sits. On April 1, Rockwell and SLB completed the dissolution of their Sensia oilfield joint venture, removing roughly \$250 million of revenue that earned below the corporate average margin; the exit lifts enterprise operating margin by about half a percentage point with no material effect on earnings per share. On June 9, the board authorized an additional \$1 billion of share repurchases, building on the \$454 million bought back in the second quarter alone and the more than \$4.5 billion returned to shareholders over the past five years. Management is also investing \$2 billion over five years in U.S. plants, digital infrastructure, and talent, including a planned New Berlin, Wisconsin facility that could become its largest plant in the world. Together, these moves concentrate capital in Rockwell's highest-return businesses, reduce the share count into a rising earnings cycle, and signal management's confidence in the durability of the recovery.

Valuation: We initiate coverage with a \$520 PT.



Consortium Research Group
Industrials | Automation
July 2nd, 2026

Stock Rating: Overweight

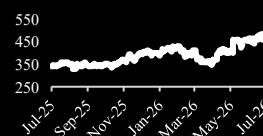
Price Target: \$520

Price: \$482.82

Potential Upside: 7.8%

Ticker: SROK

1 Year History



Industrials Coverage Team

Analyst
Maadhavan Prasanna
Bowdoin College
m.prasanna@bowdoin.edu

Company Overview

Company Description: Rockwell Automation, founded in 1903 and headquartered in Milwaukee, is the largest company in the world dedicated exclusively to industrial automation, with fiscal 2025 sales of \$8.3 billion. The company operates through three segments: Intelligent Devices, its largest, produces the drives, motors, and safety hardware that power and protect industrial equipment; Software and Control, its most profitable, is anchored by the Logix control platform and the FactoryTalk software suite that program and coordinate plant operations; and Lifecycle Services provides the consulting, cybersecurity, and maintenance that support installed systems. Roughly two-thirds of revenue flows through an exclusive network of independent distributors and system integrators that no North American competitor has replicated, keeping Rockwell embedded across the manufacturing base. At the center of the business sits the programmable controller that governs a factory's motion, safety, and process functions; once installed, it is rarely replaced, because moving a live production line onto a competing platform is slow, expensive, and operationally risky.

An Entrenched Installed Base: Rockwell holds an estimated 50% or more of the North American installed base of programmable logic controllers, a position several times larger than its closest competitor and one that strengthens with time. Controllers are programmed for the specific lines they run, so manufacturers switch platforms only during major rebuilds or when hardware reaches obsolescence, and for everyone else the cost and risk of conversion outweigh any benefit. The advantage extends into the labor market: a generation of American controls engineers and technicians has trained on Rockwell's proprietary programming environment, which lets a manufacturer building a new line hire people who are productive immediately and steers each project toward the platform its available workforce already knows. Every facility built on Rockwell's systems therefore expands both the installed base and the trained labor pool that pull the next facility towards Rockwell.

A Growing Software Mix: Rockwell's revenue mix is shifting steadily toward recurring software and services, which now exceed 10% of total sales. The stream is led by the cloud-based Plex and Fiix platforms, the FactoryTalk suite, and cybersecurity offerings increasingly sold as managed subscriptions rather than one-time licenses, and it concentrates in the Software and Control segment, where Logix revenue grew more than 20% last quarter and the operating margin reached 34.9%, up roughly 480 basis points from a year earlier. Annual recurring revenue grew 6% in the quarter, led by high-single-digit software growth, and management guides organic ARR to high-single-digit growth for the full year. New products extend the trajectory: FactoryTalk Design Studio lets engineers write control logic through a generative AI assistant, and Emulate3D, developed with NVIDIA, allows a complete production line to be simulated digitally before any equipment is installed. Each sells software and recurring services into an installed base the company already owns, the most profitable growth available to it and the least exposed to the manufacturing cycle.

Industry Overview

Reshoring American Manufacturing: A structural shift toward domestic manufacturing is driving long-term demand for factory automation. Production returning to the United States carries labor costs far above the regions it leaves, so competing at American wages requires automating a much larger share of each line; every reshored plant therefore raises the automation intensity of U.S. manufacturing. The scale of the shift is visible in construction data, where annual manufacturing construction spending has nearly tripled from roughly \$76 billion in 2021 to nearly \$200 billion today, a base that endures even after cooling about 15% from its 2024 peak. Federal incentives and a persistent shortage of skilled factory labor reinforce the trend, and automation suppliers across the industry are adding domestic capacity to meet it. As the largest automation supplier in North America, Rockwell is positioned to capture a disproportionate share of this investment cycle.

A Turning Inventory Cycle: Layered on top of the structural demand is a cyclical recovery now taking hold across the automation industry. Through fiscal 2024 and 2025, distributors and manufacturers industry-wide worked down the excess inventory accumulated during the pandemic-era shortages, a destocking cycle that suppressed reported sales across electrical equipment and automation suppliers even where underlying end demand held steady. Channel inventories have now normalized across the sector, and distributors are restocking at the same time end-market demand is improving, two effects that compound as they build. Because roughly two-thirds of Rockwell's revenue flows through distributors, the company feels this swing earlier than its peers; restocking drove the operating leverage visible in the second quarter and should be the primary source of estimate revisions over the coming year.

Industrial AI Reaches Production: Artificial intelligence is moving across manufacturing from pilot programs into production deployment. In Rockwell's 2026 State of Smart Manufacturing survey of 1,560 manufacturers across 17 countries, 90% identified digital transformation as essential to competitiveness, 59% are actively deploying smart manufacturing technology against only 18% still piloting it, and 34% of operations already run with AI augmentation, a share expected to approach 50% by 2030. The buildout is reshaping demand across the industry in two directions at once: factories need more software, cybersecurity, and simulation to run AI-augmented operations, while the data centers that train and serve AI models are standardizing their power and cooling controls on the same industrial platforms that run factory floors. Both streams favor suppliers with large installed bases and recurring software, and both surfaced in Rockwell's results last quarter as data center sales more than doubled. Unlike the reshoring cycle, this demand is already converting into orders and should become an increasingly meaningful contributor to growth.

Peer Comparisons

Comparable Companies						
Smm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Eaton (ETN)	\$145,000	\$150,000	36.0x	\$26,000	\$6,000	
Emerson (EMR)	\$76,000	\$85,000	33.0x	\$17,500	\$4,900	
Schneider (SBGSY)	\$150,000	\$162,000	30.0x	\$42,000	\$8,800	
ABB Ltd (ABB)	\$115,000	\$118,000	28.0x	\$34,000	\$6,400	
Rockwell Automation, Inc.	\$53,723	\$56,479	50.1x	\$8,500	\$2,050	
Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate	LF
Eaton (ETN)	25.0x	38.5%	23.1%	20.5%	8.0%	
Emerson (EMR)	17.3x	51.0%	28.0%	24.6%	5.0%	
Schneider (SBGSY)	18.4x	42.0%	20.9%	17.5%	7.0%	
ABB Ltd (ABB)	18.4x	38.0%	18.8%	16.0%	6.0%	
Rockwell Automation, Inc.	27.6x	48.0%	24.1%	18.7%	6.0%	
High	27.55x	51.0%	28.0%	24.6%	8.0%	
75th Percentile	25.00x	48.0%	24.1%	20.5%	7.0%	
Average	21.35x	43.5%	23.0%	19.5%	6.4%	
Median	18.44x	42.0%	23.1%	18.7%	6.0%	
25th Percentile	18.41x	38.5%	20.9%	17.5%	6.0%	
Low	17.35x	38.0%	18.8%	16.0%	5.0%	
Rockwell Automation, Inc. Valuation						
Implied Enterprise Value (25th Percentile)				\$	37,739	
Implied Enterprise Value (Median)				\$	37,797	
Implied Enterprise Value (75th Percentile)				\$	51,250	
Implied Share Price (25th Percentile)				\$	314.39	
Implied Share Price (Median)				\$	314.92	
Implied Share Price (75th Percentile)				\$	435.82	

Source: S&P Capital IQ

Investment Theses

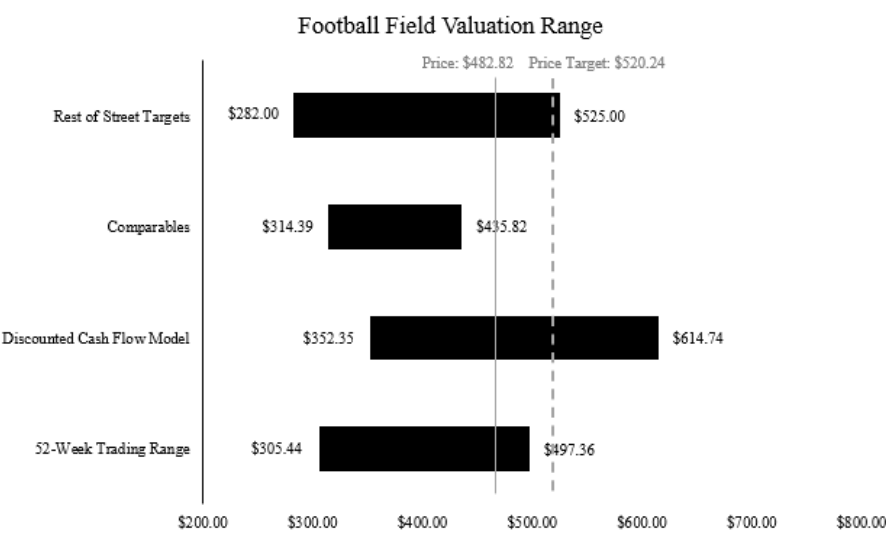
Leverage to the Recovery: Rockwell offers the greatest earnings leverage to a recovery in U.S. manufacturing investment of any company in its peer group. Two years of cost reduction mean returning volume falls against a smaller fixed base, and with incremental margins guided above 50% against a company-wide margin near 21.5%, each point of organic growth translates into more than two points of operating income growth before buybacks add to the per-share effect. Because roughly half of the North American installed base of programmable controllers runs on Rockwell's platform, no competitor's earnings are as sensitive to rising domestic capital spending, and that sensitivity is already visible: U.S. organic sales grew 10% last quarter, while company-wide revenue remains below its fiscal 2023 peak even though the installed base has kept growing. Consensus estimates continue to embed a more gradual recovery than this cost structure and market position support, and we expect meaningful upside to earnings as each successive quarter confirms the trajectory.

Software at a Hardware Multiple: The market continues to price Rockwell as a cyclical hardware company and overlooks the software business compounding within it. Recurring software and services already generate nearly \$900 million a year at operating margins near 35%, a profile that would command an enterprise-software valuation on a standalone basis; blended into the whole and capitalized at an industrial hardware multiple, that stream is being materially undervalued. As the recurring share of revenue climbs, earnings grow and simultaneously become steadier and less cyclical, a combination that supports a higher multiple on top of the growth itself. Markets have historically re-rated mix shifts of this kind slowly, well after the evidence appears in segment margins, and the products driving Rockwell's shift are already shipping and already in guidance; the improving quality of earnings therefore represents a source of upside largely independent of the manufacturing cycle.

Cash Conversion and Capital Returns: Rockwell pairs its earnings recovery with one of the cleanest cash profiles in the industrial sector, which turns operating growth into per-share compounding. An assembly-based manufacturing model and a distribution network that carries much of the channel's working capital keep capital spending between 2% and 3% of sales, so free cash flow converts at roughly 100% of adjusted income, reaching 114% in fiscal 2025 alongside a 14.6% return on invested capital. Nearly all of that cash is returned: the company has raised its dividend for 16 consecutive years and retires shares steadily through the repurchase program described above. In our model, free cash flow compounds at an 11.8% annual rate through fiscal 2029, and consistent buybacks lift the per-share rate above 13%, a trajectory visible in our projections as free cash flow yield climbing from 2.5% today to 3.9% by fiscal 2029 at an unchanged share price. That compounding accrues to shareholders whether the market re-rates the stock or not, and it is expected to provide the steadiest of our three sources of return.

Price Target & Valuation

Our analysis gives \$ROK a price target of \$520 and an Overweight rating.



Potential Downsides to Our Rating

A Shallow or Short-Lived Recovery: The primary risk to our rating is that the second quarter’s strength reflected distributor restocking concentrated in data centers and semiconductors rather than a broad recovery in end demand. Management’s second-half guidance embeds a roughly 1.5% revenue drag from the Sensia dissolution and a cost headwind from rising memory prices, and renewed tariffs or further capital-spending deferrals would compound both. Because the incremental margins that amplify profit as volume rises cut equally fast when volume stalls, a faltering recovery would compress earnings.

Valuation and Multiple Compression: Rockwell trades at one of the richest multiples in its sector after several years of organic growth below the broader economy. If the recovery disappoints or the software mix stops climbing, the justification for the premium weakens, and a multiple this high leaves substantial room for downward re-rating; the same dynamic that supports our second thesis can run in reverse. This risk, more than any operational shortfall, is the largest source of downside in the stock.

Competition Abroad: Rockwell’s advantages weaken considerably outside North America. Siemens offers a more complete and globally integrated automation and software platform and competes aggressively across Europe and in parts of the semiconductor market, while low-cost Chinese entrants such as Inovance continue to improve in quality and press on price at the low end. Sustained international

Our Price Target: \$520

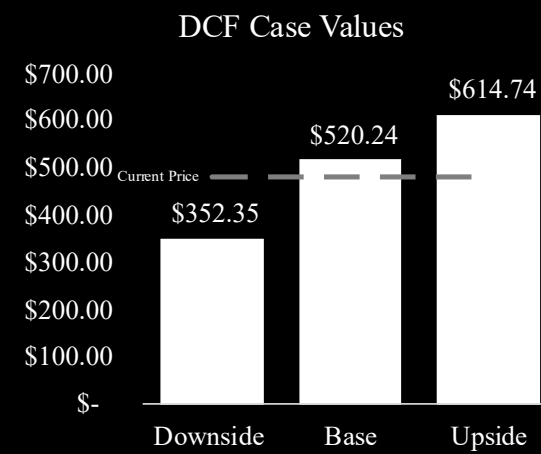
Our price target reflects a sustained recovery in U.S. manufacturing investment, continued margin expansion toward management’s medium-term targets, and steady growth in recurring software revenue, with the valuation multiple held roughly constant and mid-teens earnings growth carrying the return.

Our Upside Case: \$615

Our upside case assumes recurring software revenue compounds faster than modeled and the recovery broadens beyond data centers and semiconductors into longer-cycle process industries; as the market begins to reward more durable earnings with a higher multiple, stronger fiscal 2027 results support a valuation near \$615.

Our Downside Case: \$350

Our downside case assumes the recovery stalls as tariffs and deferred capital spending weigh on orders while competition abroad pressures market share and pricing power; the resulting multiple compression drives the stock toward \$350.



share loss would slow overall growth and weigh on the overseas software sales that support our second thesis.

Projections

Income Statement (\$mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	8,342	8,895	9,532	10,201	10,903	9.3%
EBITDA	1,960	2,327	2,545	2,770	3,009	15.4%
EBIT	1,560	1,912	2,097	2,295	2,508	17.1%
NOPAT	1,279	1,568	1,720	1,882	2,056	17.1%
Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	23.5%	26.2%	26.7%	27.2%	27.6%	26.2%
EBIT Margin	18.7%	21.5%	22.0%	22.5%	23.0%	21.5%
Revenue Growth	1.0%	6.6%	7.2%	7.0%	6.9%	5.7%
EBIT Growth	15.6%	22.6%	9.7%	9.5%	9.3%	13.3%
Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	40.1x	33.6x	30.6x	28.0x	25.7x	31.6x
EV/Sales	6.8x	6.3x	5.9x	5.5x	5.2x	6.0x
EV/EBITDA	28.8x	24.3x	22.2x	20.4x	18.8x	22.9x
FCF Yield	2.5%	3.0%	3.3%	3.6%	3.9%	3.2%

About \$ROK

Rockwell Automation (\$ROK), founded in 1903 and headquartered in Milwaukee, Wisconsin, is the largest company in the world dedicated exclusively to industrial automation and digital transformation, with approximately 26,000 employees serving customers in more than 100 countries. The company operates through three segments, Intelligent Devices, Software and Control, and Lifecycle Services, and integrates operational and information technology under its Connected Enterprise strategy. Its goal is to extend leadership in North American factory automation into higher-margin software, recurring services, and industrial AI.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Rockwell Automation, Inc.
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$482.82

DCF Analysis (\$mm)											
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/30/2030	12/31/2031
Stub						0.50	1.50	2.50	3.50	4.50	5.50
Discount Period						0.25	1.00	2.00	3.00	4.00	5.00
Revenue	7,000	7,750	9,050	8,260	8,342	8,895	9,532	10,201	10,903	11,637	12,404
Revenue Growth	0%	11%	17%	(9%)	1%	7%	7%	7%	7%	7%	7%
Intelligent Devices	3,300	3,600	3,900	3,650	3,700	3,905	4,139	4,382	4,634	4,895	5,164
Software & Control	2,100	2,250	2,650	2,350	2,400	2,615	2,863	3,128	3,410	3,708	4,023
Lifecycle Services	1,600	1,900	2,500	2,260	2,242	2,375	2,529	2,691	2,859	3,034	3,216
EBIT	1,180	1,180	1,700	1,350	1,560	1,912	2,097	2,295	2,508	2,735	2,977
EBIT Margin	17%	15%	19%	16%	19%	21%	22%	23%	23%	24%	24%
Tax Expense	212	212	306	243	281	344	377	413	451	492	536
Effective Tax Rate	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
NOPAT	968.00	968.00	1,394.00	1,107.00	1,279.00	1,568.00	1,719.59	1,882.16	2,056.32	2,242.50	2,441.05
D&A	350	370	390	410	400	415	448	474	502	529	558
Capex	200	220	250	230	230	267	286	306	327	349	372
Changes in NWC	100	120	150	(80)	110	116	124	133	142	151	161
UFCF	1,018	998	1,384	1,367	1,339	1,600	1,758	1,918	2,089	2,272	2,466
PV of FCF						1,564	1,606	1,600	1,592	1,582	1,569

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.25
Risk Free Rate	4.40%
Cost of Equity	9.26%
Weighted Average Cost of Debt	4.50%
Tax Rate	18.00%
Cost of Debt	0.21%
Total Equity	\$53,723
Total Debt	\$2,756
Equity/Total Capitalization	94.34%
Debt/Total Capitalization	5.66%
WACC	9.47%

Terminal Value	
Perpetuity Growth Method	
2031 FCF	\$2,466
Growth	2.50%
Terminal Value	\$35,399
PV of Terminal Value	\$22,519
PV of Projection Period	\$9,513
PV of Terminal Value	\$22,519
Implied TEV	\$32,032
(-) Debt	\$3,224
(+) Cash	\$468
Implied Equity Value	\$29,276
Basic Shares Outstanding	111
Implied Share Price	\$263.10
Upside/Downside	(45.51%)

Implied Exit BF EV/EBIT	10.8x
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Terminal Value	
Exit Multiple Method	
2031 EBIT	\$2,977
EV/EBIT Exit Multiple	27.0x
Terminal Value	\$80,376
PV of Terminal Value	\$51,130
PV of Projection Period	\$9,513
PV of Terminal Value	\$51,130
Implied TEV	\$60,643
(-) Debt	\$3,224
(+) Cash	\$468
Implied Equity Value	\$57,887
Diluted Shares Outstanding	111
Implied Share Price	\$520.24
Upside/Downside	7.8%

Implied PGR	4.4%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$520.24
Upside/Downside	7.75%