



# First-Quarter 2021 Results

May 5, 2021

TRANE  
TECHNOLOGIES



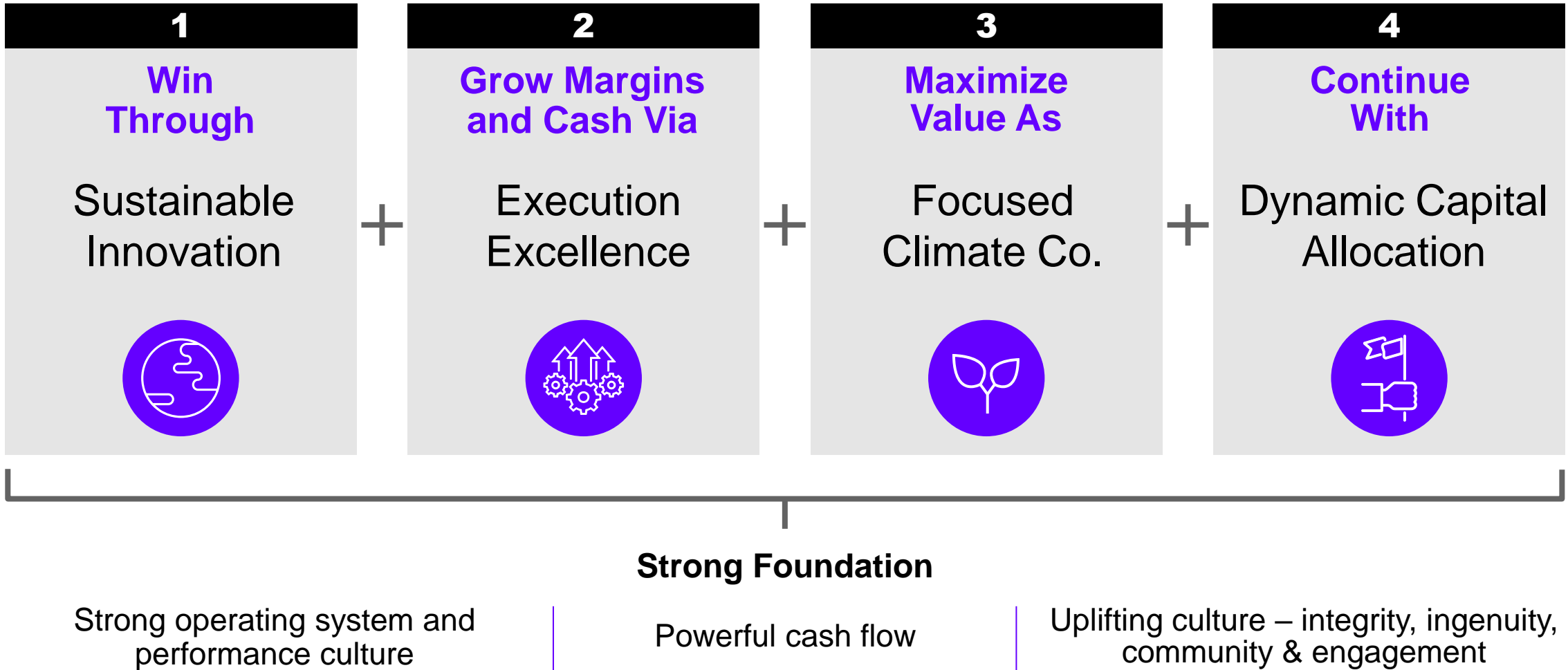
# Safe Harbor

This presentation includes “forward-looking statements” which are statements that are not historical facts, including statements that relate to our future performance, statements relating to the continued impact of the COVID-19 global pandemic, capital deployment including the amount and timing of our dividends, our share repurchase program including the amount of shares to be repurchased and the timing of such repurchases and our capital allocation strategy including acquisitions (if any); our projected free cash flow and usage of such cash; our available liquidity; performance of the markets in which we operate; restructuring activity and cost savings associated with such activity; our projected financial performance and targets including assumptions regarding our effective tax rate.

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. Such factors include, but are not limited to, the impact of the global COVID-19 pandemic on our business, our suppliers and our customers, global economic conditions taking into account the global COVID-19 pandemic, disruption and volatility in the financial markets due to the COVID-19 pandemic, improvement in market conditions (if any) with global vaccine administration, the outcome of any litigation, the outcome of the Chapter 11 proceedings for our deconsolidated subsidiaries Aldrich Pump LLC and Murray Boiler LLC, demand for our products and services, and tax audits and tax law changes and interpretations. Additional factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2020, as well as our subsequent reports on Form 10-Q and other SEC filings. We assume no obligation to update these forward-looking statements.

This presentation also includes non-GAAP financial information which should be considered supplemental to, not a substitute for, or superior to, the financial measure calculated in accordance with GAAP. The definitions of our non-GAAP financial information are included as an appendix in our presentation and reconciliations can be found in our earnings releases for the relevant periods located on our website at [www.tranetechnologies.com](http://www.tranetechnologies.com). Unless otherwise indicated, all data beyond the first quarter of 2021 are estimates.

# Focused Strategy Delivers Differentiated Shareholder Returns



# Exceptional Q1 2021 Performance and Steadily Improving End Markets; Raising FY Revenue and EPS Guidance Above Prior Range

- **Exceptional financial performance highlights strength of focused strategy, business operating system & high-performance culture**
  - Broad-based outgrowth / share gains across improving global end-markets
  - Double-digit Q1 bookings growth in all segments
  - Record backlog exiting Q1, with backlog growth of more than 30% both sequentially and YOY; growth in all segments
  - Enterprise organic revenues +11%, with significant margin expansion & EPS growth
- **Raising 2021 revenue & EPS guidance on strong Q1 / improving market conditions with increasing global vaccination rates**
  - 2021 revenue growth of ~+10.5% (up from +6.5% to +8.5%); Adj. EPS raised to ~\$6.00 (up from \$5.30 to \$5.50)
  - Organic revenue growth of ~9% (up from +5% to +7%) with 35%+ organic leverage; driving strong margin expansion
- **Transformation savings contributing to strong leverage in 2021**
  - On track for ~\$90M incremental savings in 2021 after delivering stranded / fixed cost take-out of \$100M in 2020
  - Expected \$300M total transformation savings by 2023 funds superior innovation, market outgrowth & sustainable strong leverage
- **Powerful FCF, financial position, liquidity and balance sheet optionality support balanced capital allocation strategy**
  - Deployed ~\$614M in Q1; expect to deploy ~\$2.5B+ FY 2021, up \$500M vs. prior guidance
- **Purpose-driven sustainability strategy remains focused on long-term secular tailwinds towards sustainability megatrends**
  - 2030 emissions reduction targets validated by SBTi; 1 of 47 companies to have two targets validated (2014 and 2021)
  - Leadership in addressing sustainability challenges, delivering top-tier financial performance & differentiated shareholder returns

\* Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.

# Robust Bookings w/ Growth in All Businesses; Strong Revenue Outgrowth in Improving End Markets

## Q1 Organic\* Y-O-Y Change

### Bookings Revenue

<b>Enterprise</b>	<b>+ 31%</b>	<b>+ 11%</b>
<b>Americas</b>	<b>+ 36%</b>	<b>+ 9%</b>
Commercial HVAC	+	flat
Residential HVAC	+	+
Transport	+	+
<b>EMEA</b>	<b>+ 18%</b>	<b>+ 12%</b>
Commercial HVAC	+	+
Transport	+	+
<b>Asia Pacific</b>	<b>+ 14%</b>	<b>+ 34%</b>
Commercial HVAC	+	+
Transport	+	+

### Americas

- CHVAC bookings up LSD and revs flat on tough comps (2-year stack bookings of high-teens, HSD 2 yr avg; revenues of MSD, LSD 2 yr avg); Svcs revs up LSD; Cont'd impacts from low building occupancy / school / other closings; IAQ demand remains healthy
- Res HVAC revs up 30+% on strong end market demand; Strong backlog headed into 2Q21
- Transport bookings up substantially, revs up mid-teens, outpacing improving transport markets (trailer markets up LSD and truck markets down in Q1)

### EMEA

- CHVAC bookings strong (up HSD) w/ growth in both equipment and services; CHVAC revs up mid-teens
- Transport bookings strong (up 20+%); revs up HSD

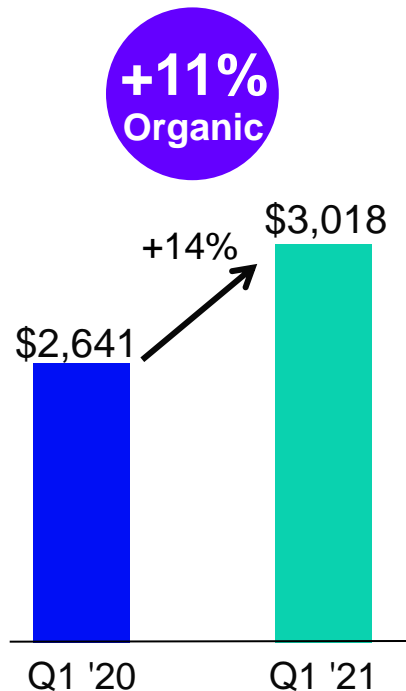
### Asia Pacific

- CHVAC bookings up HSD; Revs up 30+% against soft 1Q20, led by China growth
- Transport bookings up 40+% and revs up 20+%

\*Organic bookings and organic revenues exclude acquisitions and currency

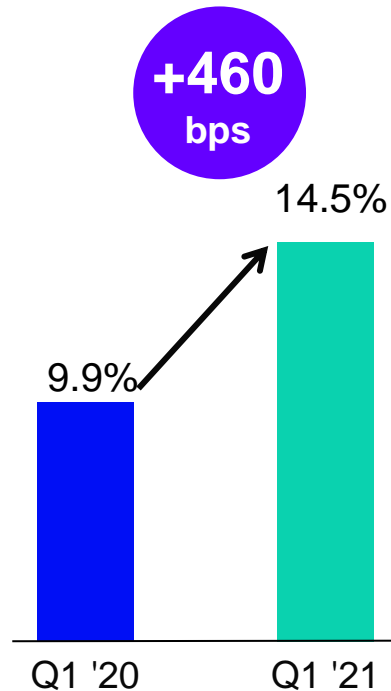
# Consistent Execution Drives Strong Performance in Improving Markets

## Net Revenue



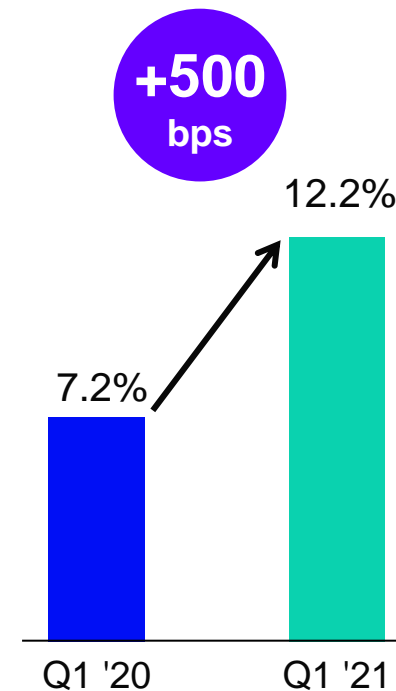
- Strong rev outgrowth in improving end markets; Res HVAC & Asia Pacific revs particularly strong
- Transport rev growth in all regions
- Svcs and equip rev growth in all regions

## Adj. EBITDA %\*

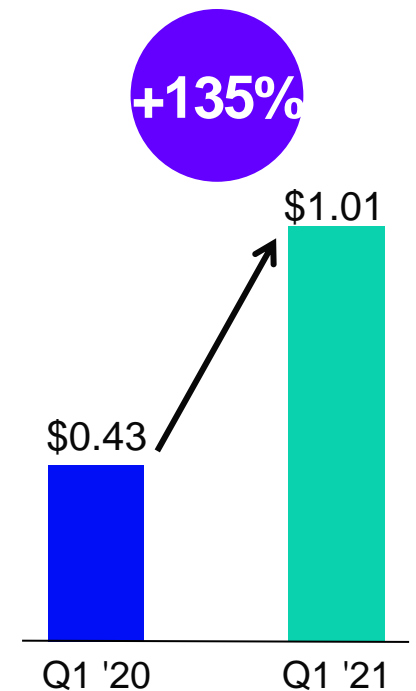


- Strong margin expansion / operating leverage on revenue growth in all regions
- Strong volume and productivity / other inflation
- Strong price execution setting stage for material cost inflation management in 2021; Significant price / cost tailwind in 1Q21
- High level of business reinvestment in innovation, technology and productivity

## Adj. Operating Margin\*



## Adj. Continuing EPS\*



- Primarily driven by strong operating performance, higher op income, op margin expansion
- Effective tax rate of ~17%; FY effective tax rate guidance remains unchanged at ~19% to ~20%

\*Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.

# Strong Execution, Product and Service Innovation, Productivity and Price / Cost Deliver Significant Growth and Margin Expansion

\$M	Revenue Org. Growth	Adj. EBITDA% vs PY	Adj OI% vs PY	Highlights
Americas	<b>\$2,326</b> +9%	<b>16.5%</b> +400 bps	<b>14.0%</b> +420 bps	<ul style="list-style-type: none"> <li>Market outgrowth including strong Res HVAC and Transport volumes, productivity and cost controls, price / cost drive margin expansion while maintaining high levels of business reinvestment</li> <li>IAQ full systems approach (services, controls, equipment), innovation driving market outgrowth / share gains</li> </ul>
EMEA	<b>\$444</b> +12%	<b>17.3%</b> +540 bps	<b>15.3%</b> +510 bps	<ul style="list-style-type: none"> <li>Strong execution / productivity / price / volume / cost controls drive margin expansion</li> <li>Electrification of heat / transport new product launches driving market outgrowth / share gains</li> </ul>
Asia Pacific	<b>\$248</b> +34%	<b>17.5%</b> +1160 bps	<b>15.8%</b> +1160 bps	<ul style="list-style-type: none"> <li>Robust rev growth as expected against soft 1Q20</li> <li>Strong execution / productivity / price / volume / cost controls drive margin expansion</li> <li>IAQ full systems approach, innovation driving market outgrowth / share gains</li> </ul>

\* Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.



# Market Improvements Expected w/ Global Vaccinations in 2021

## Americas

### Commercial HVAC

- IAQ demand strong for systems-focused solutions; IAQ remains long-term tailwind
- End markets mixed; data center and warehouse remain strong; education outlook improving on IAQ stimulus, however full impact and timing of U.S. stimulus TBD
- End market indicators (ABI, Dodge, etc) improving, limited visibility driving some uncertainty
- Cautiously optimistic, expect improving markets in 2H21 with increased vaccination rates

### Residential HVAC

- Strong demand again drove record bookings / revs in Q1; strong backlog entering Q2
- Expecting strong 1H and challenging 2H21 vs tough comps given record 2020 bookings / revs 2H20

### Transport

- Strong market outgrowth during 1Q21; weighted average mkt growth outlook of ~26% in 2021, reiterated

## EMEA

- Economic conditions improved broadly across region, still impacted by partial lock downs in some areas
- **CHVAC** continued underlying demand for sustainability focused products and services; expect improving markets with increased vaccination rates
- **Transport** growth expected to continue through 2021 w/ HSD weighted avg mkt growth, reiterated

## Asia Pacific

- **China** strong market growth driven by strength in Data Center, Electronics, Pharma and Health Care
- **Rest of Asia** improving, but low vaccination rates creating some uncertainty

\* Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.



# Leveraging Value Creation Framework to Outgrow Improving Markets with Strong Operating Leverage

	Prior FY Guidance		Updated FY Guidance
Organic Revenues	+ 5% to + 7% (Up 6.5% to 8.5% w/ M&A)	↑	+ ~9% (Up ~10.5% w/ M&A)
Adj. EPS w/ M&A	\$5.30 to \$5.50* (\$5.25 to \$5.45 Organic) M&A modestly accretive in year 1 (~\$0.05)	↑	~\$6.00* (\$5.95 Organic) M&A modestly accretive in year 1 (~\$0.05)
Operating Leverage	Organic ~30% Impact of transformation savings and higher transport mix	↑	Organic 35%+ ~30% leverage expected Q2 to Q4
Free Cash Flow	= / > Adj. Net Earnings	↑	= / > Adj. Net Earnings Higher on greater EPS growth

\*2021 FX unknown. FX revs leverage at translational OI% (~13% in 2020); ~1pt of FX rev growth = ~\$0.05 EPS

\*\*See pg. 14 for additional details

# On Track to Deliver ~\$300M Total Transformation Savings by 2023; 3X Original \$100M RMT Stranded Cost Reduction Target

## Transformation Savings

RMT Stranded  
Cost Target

~\$40M

~\$100M

2020

2021

Current Target

~\$100M

~\$190M

~\$240M

~\$300M<sup>1</sup>

2020

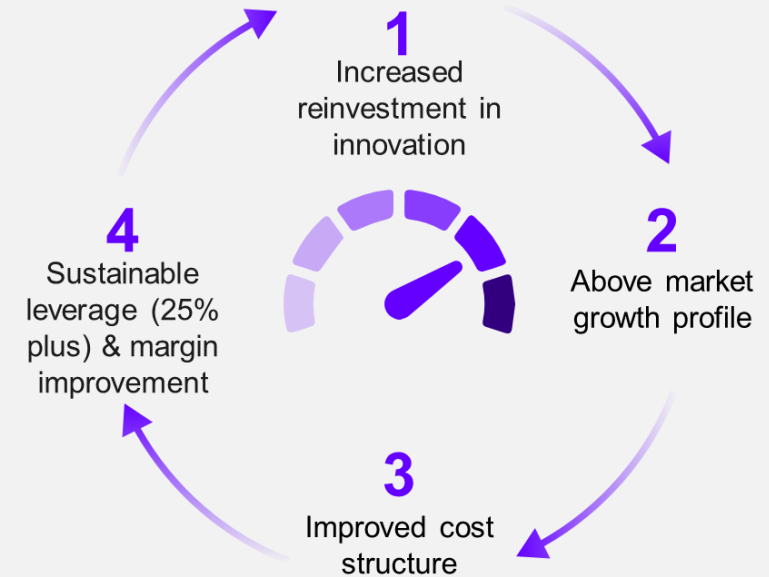
2021

2022

2023

- On track to deliver ~\$90M incremental savings in 2021 after delivering stranded / fixed cost take-out of ~\$100M in 2020; 2021 total = ~\$190M
- ~\$300M transformation savings adds fuel to high-performance flywheel

## High Performance Flywheel



1. Expenses Related to Achieving Cost Reductions \$100M - \$150M through 2021; ~\$13M spent in Q1; ~\$108M cumulative 2020 and YTD 2021



# Strong FCF Drives Continued Balanced Capital Deployment Strategy

**1**

## Invest for Growth

- Strengthen the core business and extend product & market leadership
- Invest in new technology and innovation
- Fully invest in strategic, value-accretive M&A

**2**

## Maintain Healthy, Efficient Balance Sheet

- Expect to deliver FCF  $\geq$  100% of adjusted net earnings
- Strengthening balance sheet
- Strong BBB investment grade rating offers optionality as markets evolve

**3**

## Return Capital to Shareholders

- Expect to consistently deploy 100% of excess cash over time
- Pay competitive dividend and grow dividend at or above rate of earnings growth over time
- Repurchase shares with excess cash when intrinsic value provides high returns

\* Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.



# Increased Target to ~\$2.5B for Balanced Capital Allocation in FY 2021, up \$500M vs prior guidance; Strong Deployment in Q1

## Balanced Capital Deployment

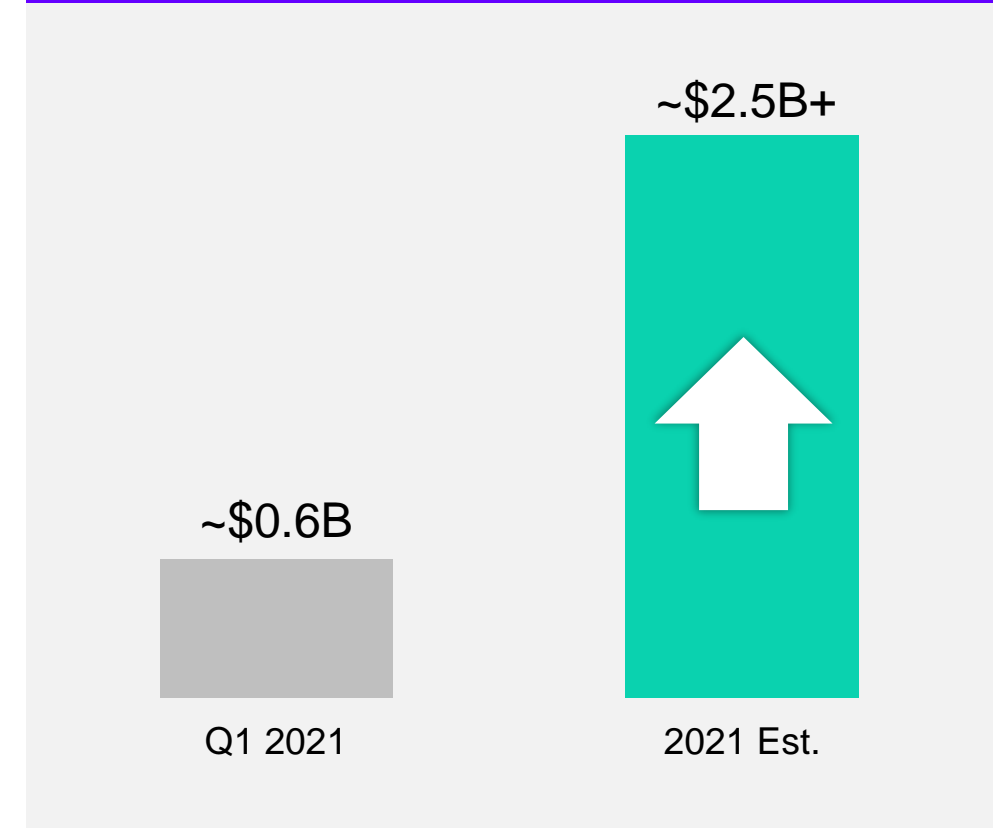
	Q1 2021	FY 2021
Dividends*	\$140M	~\$564M
Acquisitions and investments	\$70M	~\$1.5B**
Share repurchases	\$104M	
Debt retirement	\$300M	\$425M†
<b>Total Capital Deployed</b>	<b>\$614M</b>	<b>~\$2.5B</b>

\* Quarterly dividend increased in 2021 by 11% to \$2.36 per share annualized

\*\* ~\$1.5B between M&A and share repurchases; ~241M Diluted Shares

† \$125M scheduled to be retired in Q3 '21

## Capital Allocation





# Topics of Interest

# Strong 2021 Organic Leverage on Growth in Improving Markets; Positive Impact from EPS-Accretive M&A in First Year of Integration

Updated FY 2021	Revenue	Adj. EPS	Commentary
Organic	+ ~9%	~\$5.95	<ul style="list-style-type: none"> <li>~30% organic leverage through balance of 2021; transformation savings plus higher Transport mix</li> </ul>
Acquisitions	~1.5%	~\$0.05	<ul style="list-style-type: none"> <li>~5% OI contribution in year 1; impact of integration costs</li> </ul>
Combined*	+ ~10.5%	~\$6.00	

**\*Anticipate FY FX revenues to leverage at translational OI% (~13% in 2020); ~1pt of FX rev growth = ~\$0.05 EPS**

Other Items
<ul style="list-style-type: none"> <li>~\$240M Corporate Costs (+~\$20M; strategic investments &amp; incentive comp)</li> <li>~\$240M Interest Expense (unchanged)</li> <li>~19% to ~20% Adj. Eff. Tax Rate (unchanged)</li> <li>~241M Diluted Shares (unchanged)</li> <li>~\$75M in transformation and other restructuring costs (unchanged and excluded from adj. EPS)**</li> </ul>

\*Includes certain Non-GAAP financial measures. See the company's Q1 2021 earnings release for additional details and reconciliations.

\*\*Supports initiatives to deliver ~\$300M in annualized savings by 2023 (3X initial \$100M RMT stranded cost reduction target)



# Continued Strong North America / EMEA Transport Markets Primed for Growth in 2021; FY Outlook Reiterated

## N.A. and EMEA Market Results / Forecast

2020 Transport N.A.  
Market Results  
Trailer / Truck / APU wtd avg

**-33%**

2021 Transport N.A.  
Market Outlook\*  
Trailer / Truck / APU wtd avg

**+34%**

2020 Transport EMEA  
Market Results  
Trailer / Truck wtd avg

**-23%**

2021 Transport EMEA  
Market Outlook  
Trailer / Truck wtd avg

**+9%**

Source: ACT / IHS / Company Estimates

\*Includes 2021 N.A. Trailer build fcst up ~40% (45.2K)

## N.A. and EMEA 2021 Strong Market Outlook

- **Trailer/Truck/APU: ~2/3<sup>rd</sup>s of Total Transport Revenue**
  - N.A. growth estimates up ~34%;
  - EMEA growth estimates up ~9%
- **Marine/Bus/Rail/Air/Aftermarket (“all other”): ~1/3<sup>rd</sup> of Total Transport Revenue**
  - N.A. and EMEA wtd avg. growth estimates both up +5% to +10%
- **Total Transport: Truck/Trailer/APU/Marine/Bus/Rail/Air**
  - *Americas\*\* weighted avg. growth estimate +26%\*\*\**
  - *EMEA\*\* weighted avg. growth estimate +8%\*\*\**
- **Diversified Americas / EMEA business outperformed end-markets in 2020; Expect continued outperformance 2021**
- **ACT 2022 N.A. Trailer outlook raised to 51.1K, up 13% yoy**

\*\* Americas and EMEA represent ~50% and ~40% of global Transport revenues, respectively

\*\*\* Weighted avg calculation assumes midpoint of “all other” range (7.5%)

IN SUMMARY

## Positioned to Outperform. Consistently.

### Secular Tailwinds

The markets we serve will continue to outgrow GDP fueled by long-term sustainability megatrends

### Sustainability Focused Innovation

We are positioned to outgrow the market and expand margins with market-leading sustainable innovations

### Margin Expansion

Our execution excellence and transformational work position us to maximize margins and cash generation

### Financial Strength

Our strong balance sheet, exceptional cash generation and balanced capital allocation strategy deliver significant value to shareholders






# Appendix



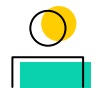
2030 SUSTAINABILITY COMMITMENTS

# Trane Technologies Core Sustainability Strategy: Challenge Possible


## Global Megatrends




CLIMATE CHANGE




DEMOGRAPHICS




URBANIZATION



DIGITAL CONNECTEDNESS



RESOURCE SCARCITY



INDOOR AIR QUALITY (IAQ)

## Our Commitments

### The Gigaton Challenge

Reducing one gigaton of carbon emissions (CO<sub>2</sub>e) from our customers' footprint by 2030

### Leading by Example

Achieving carbon neutral operations, 10% absolute energy reduction, zero waste to landfill and net positive water

### Opportunity for All

Creating gender parity in leadership, workforce diversity, investing in STEM education


## Material Issues to Focus Our Efforts

Operations	Products and Services	Supply Chain	Employees	Communities	Governance
Emissions intensity	Energy efficiency	Responsible sourcing	Diversity and inclusion	Access to cooling	Board oversight
Renewable energy	Low-emission products	Supplier diversity	Ethics and integrity	Food and wellness	Financial performance
Water usage	Technology & innovation		Safety	Education	Public policy
Heating electrified	Emerging market innovations		Development	Workforce development	
	Product life cycle		Engagement		


## Targets Align with Global Priorities




2 Zero Hunger




4 Quality Education




5 Gender Equality




6 Clean Water & Sanitation




7 Affordable & Clean Energy




8 Decent Work & Economic Growth




9 Industry, Innovation & Infrastructure




11 Sustainable Cities & Communities



12 Responsible Consumption & Production



13 Climate Action










“ One company can change an industry and one industry can change the world ”

– MIKE LAMACH, CHAIRMAN AND CEO

SUSTAINABILITY LEADER

# Highly Regarded ESG Performance

 <p>MEMBER OF <b>Dow Jones</b> Sustainability Indices In Collaboration with RobecoSAM</p>	<p><b>10 Years</b> Listed on North America Index</p>
 <p>Corporate Knights</p>	<p><b>#26</b> On Corporate Knights Top 100 Global Most Sustainable Corporations</p>
 <p>FTSE4Good</p>	<p><b>61%</b> Higher score than industrial machinery average</p>
	<p><b>Gold Medal Winner</b> 35<sup>th</sup> annual award for International Achievement in Sustainable Development</p>
 <p>CDP DISCLOSURE INSIGHT ACTION</p>	<p><b>A-</b> Climate Change disclosure submitted 10+ consecutive years</p>
 <p>FORTUNE WORLD'S MOST ADMIRED COMPANIES</p>	<p><b>9 Years</b> Listed on most admired companies list</p>
 <p>SUSTAINALYTICS</p>	<p><b>Top Decile Globally</b> Identified as "Industry Leader"</p>





# Purpose Alignment Drives Uplifting Culture



## 1st in our industry

to sign on to Paradigm for Parity – A Call to Action for Gender Equality

## OneTen

## Founding Member

coalition to hire 1 million Black Americans



## 2nd Consecutive Year

Forbes Best Employers for Diversity

## CEO ACTION FOR DIVERSITY & INCLUSION

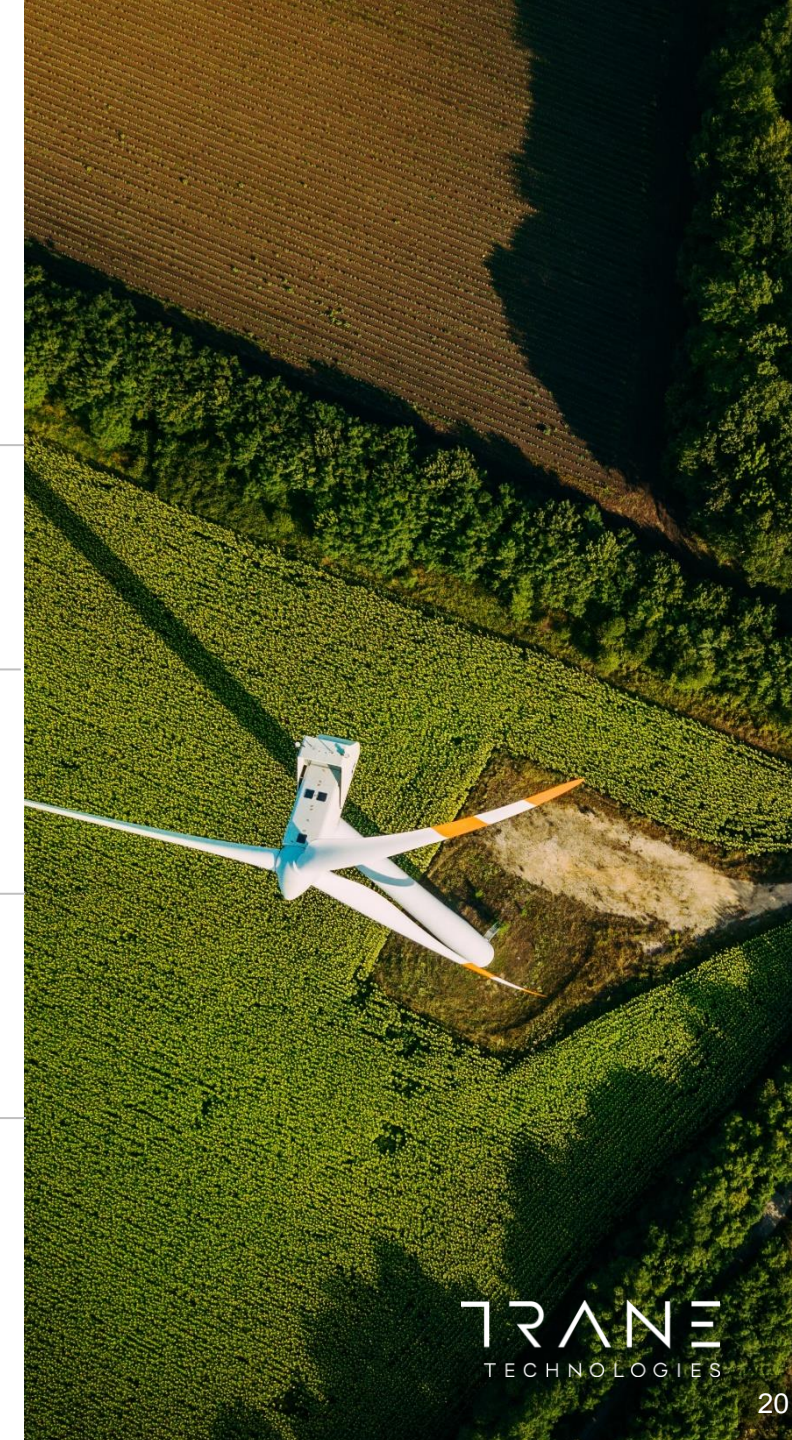
## Joined 150

of America's leading CEOs in a pledge to diversity and inclusion in the workplace

## Employee Engagement

## Top Quartile

of all companies





# Q1 Organic Bookings Up 31% Year-Over-Year; Organic Revenues Up 11%

Organic* Bookings	2019					2020					2021
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>
Americas	-2%	-4%	+2%	-7%	-3%	+11%	-5%	+8%	+2%	+4%	+36%
EMEA	-9%	+0%	-2%	-1%	-3%	-2%	-20%	+6%	+9%	-3%	+18%
Asia Pacific	+0%	-6%	+3%	-5%	-2%	-17%	-2%	-5%	+2%	-6%	+14%
<b>Total</b>	<b>-3%</b>	<b>-4%</b>	<b>+2%</b>	<b>-6%</b>	<b>-3%</b>	<b>+6%</b>	<b>-7%</b>	<b>+7%</b>	<b>+3%</b>	<b>+2%</b>	<b>+31%</b>

Organic* Revenue	2019					2020					2021
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>
Americas	+12%	+7%	+10%	+9%	+10%	-2%	-13%	+2%	+1%	-3%	+9%
EMEA	+1%	-3%	+3%	+1%	+1%	-3%	-15%	-6%	-6%	-8%	+12%
Asia Pacific	+2%	+0%	-4%	-1%	-1%	-34%	-5%	-2%	-6%	-11%	+34%
<b>Total</b>	<b>+10%</b>	<b>+5%</b>	<b>+8%</b>	<b>+7%</b>	<b>+7%</b>	<b>-5%</b>	<b>-13%</b>	<b>+50bps</b>	<b>-1%</b>	<b>-5%</b>	<b>+11%</b>

\*Organic revenues and bookings exclude acquisitions and currency

# Restructuring and Transformation Costs GAAP to Non-GAAP Adjustments

## Restructuring and Transformation Costs

- Restructuring costs of ~\$10M included in Table 2 of the Q1 2021 earnings release includes ~\$9M of restructuring costs related to transformation activities as well as ~\$1M of restructuring costs supporting other cost reduction programs, not directly related to transformation.
- Total transformation costs of ~\$13M on slide 10 include both the ~\$9M of restructuring transformation costs mentioned above and ~\$4M of non-restructuring transformation costs also disclosed in Table 2 of the earnings release.

Costs	Restructuring	Transformation	Total Costs
Transformation-related (restructuring and other)	~\$9M	~\$4M	~\$13M
Restructuring related to other cost reduction programs	~\$1M		~\$1M
<b>Table 2 Total (Q1 2021 earnings release)</b>	~\$10M	~\$4M	~\$14M

# Q1 Non-GAAP Measures Definitions

Organic bookings is defined as reported orders in the current period adjusted for the impact of currency and acquisitions. Organic revenue is defined as GAAP net revenues adjusted for the impact of currency and acquisitions

Adjusted operating income in 2021 and 2020 is defined as GAAP operating income plus restructuring costs and transformation costs.

Adjusted operating margin is defined as the ratio of adjusted operating income divided by net revenues.

Adjusted earnings from continuing operations attributable to Trane Technologies plc (adjusted net earnings) in 2021 is defined as GAAP earnings from continuing operations attributable to Trane Technologies plc plus restructuring costs and transformation costs, net of tax impacts. Adjusted net earnings in 2020 is defined as GAAP earnings from continuing operations attributable to Trane Technologies plc plus restructuring costs and transformation costs less the legacy legal liability adjustment, net of tax impacts plus separation-related tax adjustments.

Adjusted continuing EPS in 2021 is defined as GAAP continuing EPS plus restructuring costs and transformation costs, net of tax impacts. Adjusted continuing EPS in 2020 is defined as GAAP continuing EPS plus restructuring costs and transformation costs less the legacy legal liability adjustment, net of tax impacts plus separation-related tax adjustments.

Adjusted EBITDA in 2021 is defined as adjusted operating income plus depreciation and amortization expense plus or minus other income / (expense), net. Adjusted EBITDA in 2020 is defined as adjusted operating income plus depreciation and amortization expense plus or minus other income / (expense), net less the legacy legal liability adjustment.

Adjusted EBITDA margin is defined as the ratio of adjusted EBITDA divided by net revenues.



# Q1 Non-GAAP Measures Definitions

Free cash flow in 2021 and 2020 is defined as net cash provided by (used in) continuing operating activities, less capital expenditures, plus cash payments for restructuring costs and transformation costs.

Working capital measures a firm's operating liquidity position and its overall effectiveness in managing the enterprise's current accounts.

- Working capital is calculated by adding net accounts and notes receivables and inventories and subtracting total current liabilities that exclude short-term debt, dividend payables and income tax payables.
- Working capital as a percent of revenue is calculated by dividing the working capital balance (e.g. as of December 31) by the annualized revenue for the period (e.g. reported revenues for the three months ended December 31 multiplied by 4 to annualize for a full year).

Adjusted effective tax rate for 2021 is defined as the ratio of income tax expense less the net tax effect of adjustments for restructuring costs and transformation costs divided by earnings from continuing operations before income taxes plus restructuring costs and transformation costs. Adjusted effective tax rate for 2020 is defined as the ratio of income tax expense less the net tax effect of adjustments for restructuring costs, transformation costs and the legacy legal liability adjustment plus separation-related tax adjustments divided by earnings from continuing operations before income taxes plus restructuring costs and transformation costs less the legacy legal liability adjustment. This measure allows for a direct comparison of the effective tax rate between periods.

Operating leverage is defined as the ratio of the change in adjusted operating income for the current period (e.g. Q1 2021) less the prior period (e.g. Q1 2020), divided by the change in net revenues for the current period less the prior period.