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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 26, 2021

OTIS

OTIS WORLDWIDE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39221
(Commission
File Number)

83-3789412
(I.R.S. Employer
Identification No.)

One Carrier Place
Farmington, Connecticut 06032
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code
(860) 233-6847

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$0.01 par value)	OTIS	New York Stock Exchange

Section 2—Financial Information

Item 2.02. Results of Operations and Financial Condition.

On April 26, 2021, Otis Worldwide Corporation (“Otis”) issued a press release announcing its first quarter 2021 results.

The press release issued April 26, 2021 is furnished herewith as Exhibit No. 99 to this Report, and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section and shall not be deemed to be incorporated by reference into any filing by Otis under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Section 9—Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
99	Press Release, dated April 26, 2021, issued by Otis Worldwide Corporation.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OTIS WORLDWIDE CORPORATION
(Registrant)

Date: April 26, 2021

By: /s/ RAHUL GHAI
Rahul Ghai
Executive Vice President & Chief Financial Officer

OTIS REPORTS FIRST QUARTER 2021 RESULTS

Delivers strong first quarter results with sales growth and margin expansion in both segments and double digit New Equipment orders growth; improves 2021 outlook

- Net sales up 14.9%; organic sales up 10.3%
- GAAP operating profit up \$180 million with 380 basis points of margin expansion
- Adjusted operating profit up \$83 million with 40 basis points of margin expansion
- New Equipment orders up 18.4%; backlog up 8%, 2% at constant currency
- GAAP cash flow from operations of \$585 million; free cash flow of \$541 million
- Completed \$300 million in share repurchases
- Improved outlook* for full-year with organic sales up 4 to 6%, adjusted earnings per share of \$2.78 to \$2.84 and free cash flow of \$1.35 to \$1.45 billion

FARMINGTON, Conn., April 26, 2021 – Otis Worldwide Corporation (NYSE:OTIS) reported first quarter 2021 net sales of \$3.4 billion with 10.3% organic growth. GAAP diluted earnings per share (EPS) increased 86.8% to \$0.71 and adjusted diluted EPS increased 20.0% to \$0.72.

"Otis had an excellent start to the year. Our New Equipment orders were up high teens, including growth in every region, and we saw increased organic sales and margin expansion in both segments. Continued robust cash flow generation enabled us to buy back \$300 million of shares early in the year," said President and CEO Judy Marks. "This positive momentum combined with continued progress in executing our strategy and recovery in the end markets gives us confidence to improve our 2021 outlook, raise dividends by 20 percent and increase our share repurchase target to half a billion dollars, demonstrating our ongoing commitment to create value for our shareholders."

Key Figures

(\$ millions, except per share amounts)	Quarter Ended March 31,			
	2021	2020	Y/Y	Y/Y (CFX)
Net sales	\$ 3,408	\$ 2,966	14.9 %	10.5 %
Organic sales				10.3 %
GAAP				
Operating profit	\$ 509	\$ 329	\$ 180	
Operating profit margin	14.9 %	11.1 %	380 bps	
Net income	\$ 308	\$ 165	86.7 %	
Earnings per share	\$ 0.71	\$ 0.38	86.8 %	
Adjusted non-GAAP comparison				
Operating profit	\$ 533	\$ 450	\$ 83	\$ 57
Operating profit margin	15.6 %	15.2 %	40 bps	
Net income	\$ 312	\$ 262	19.1 %	
Earnings per share	\$ 0.72	\$ 0.60	20.0 %	

First quarter net sales of \$3.4 billion increased 14.9% versus the prior year, with a 10.3% increase in organic sales. Organic sales were up in both New Equipment and Service.

First quarter GAAP operating profit of \$509 million increased \$180 million from the prior year driven by segment operating profit growth of \$70 million, the absence of a fixed asset impairment charge taken in the prior year quarter and lower non-recurring separation costs. GAAP operating profit margin expanded 380 basis points to 14.9%.

Adjusted operating profit of \$533 million increased \$83 million and \$57 million at constant currency driven by growth in segment operating profit of \$54 million. Adjusted operating profit margin expanded 40 basis points to 15.6%, with margin expansion in both New Equipment and Service.

GAAP EPS of \$0.71 increased \$0.33 and adjusted EPS of \$0.72 increased \$0.12, driven by operating profit growth and the benefit from a lower effective tax rate, partially offset by the full quarter impact of interest expense.

New Equipment

(\$ millions)	Quarter Ended March 31,			
	2021	2020	Y/Y	Y/Y (CFX)
Net sales	\$ 1,458	\$ 1,123	29.8 %	25.2 %
Organic sales				25.1 %
GAAP				
Operating profit	\$ 104	\$ 64	\$ 40	
Operating profit margin	7.1 %	5.7 %	140 bps	
Adjusted non-GAAP comparison				
Operating profit	\$ 109	\$ 65	\$ 44	\$ 39
Operating profit margin	7.5 %	5.8 %	170 bps	

In the first quarter, net sales of \$1.5 billion increased 29.8% with a 25.1% increase in organic sales. Organic sales were up double digits in the Americas and Asia and up low single digits in EMEA. China organic sales were up double digits.

GAAP operating profit increased \$40 million to \$104 million and adjusted operating profit increased \$44 million to \$109 million as the benefits from higher volume and strong material productivity were partially offset by unfavorable mix and price. GAAP and adjusted operating profit margin expanded 140 and 170 basis points, respectively.

New Equipment orders were up 18.4% at constant currency with double digit growth in the Americas and Asia and low single digit growth in EMEA. New Equipment orders in China were up double digits. New equipment backlog increased 8% and 2% at constant currency versus prior year.

Service

(\$ millions)	Quarter Ended March 31,			
	2021	2020	Y/Y	Y/Y (CFX)
Net sales	\$ 1,950	\$ 1,843	5.8 %	1.6 %
Organic sales				1.3 %
GAAP				
Operating profit	\$ 430	\$ 400	\$ 30	
Operating profit margin	22.1 %	21.7 %	40 bps	
Adjusted non-GAAP comparison				
Operating profit	\$ 440	\$ 405	\$ 35	\$ 15
Operating profit margin	22.6 %	22.0 %	60 bps	

In the first quarter, net sales of \$2.0 billion increased 5.8%, with a 1.3% increase in organic sales. Organic maintenance and repair sales increased 1.5% and organic modernization sales increased 0.3%.

GAAP operating profit increased \$30 million to \$430 million and adjusted operating profit increased \$35 million to \$440 million driven by higher volume, productivity initiatives and favorable pricing, partially offset by higher SG&A expense, including incremental public company standalone costs. GAAP and adjusted operating profit margin expanded 40 and 60 basis points, respectively.

Cash flow

(\$ millions)	Quarter Ended March 31,		
	2021	2020	Y/Y
Cash flow from operations	\$ 585	\$ 159	\$ 426
Free cash flow	\$ 541	\$ 120	\$ 421
Free cash flow conversion	176 %	73 %	

First quarter cash from operations of \$585 million increased \$426 million versus prior year primarily driven by higher GAAP net income and strong working capital performance. First quarter free cash flow of \$541 million increased \$421 million versus prior year.

2021 Outlook*

Otis is improving its full year outlook:

- Net sales of \$13.6 to \$13.9 billion, up 6.7 to 8.7%
- Organic sales up 4 to 6%
 - Organic New Equipment sales up 7.5 to 8.5%
 - Organic Service sales up 2 to 4%
- Adjusted operating profit up \$175 to \$215 million at actual currency; up \$120 to \$160 million at constant currency
- Adjusted EPS \$2.78 to \$2.84, up 10 to 13%; adjusted effective tax rate of approximately 29.5%
- Free cash flow of \$1.35 to \$1.45 billion with conversion of approximately 120% of GAAP net income

*Note: When we provide outlook for organic sales, adjusted operating profit, adjusted effective tax rate and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures generally is not available without unreasonable effort. See “Use and Definitions of Non-GAAP Financial Measures” below for additional information.

About Otis

Otis is the world's leading elevator and escalator manufacturing, installation and service company. We move 2 billion people a day and maintain more than 2 million customer units worldwide, the industry's largest maintenance portfolio. Headquartered in Connecticut, USA, Otis is 69,000 people strong, including 40,000 field professionals, all committed to meeting the diverse needs of our customers and passengers in more than 200 countries and territories worldwide. For more information, visit www.otis.com and follow us on LinkedIn, Instagram, Facebook and Twitter @OtisElevatorCo.

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.

Organic sales, adjusted selling, general and administrative (“SG&A”) expense, earnings before interest taxes and depreciation (“EBITDA”), adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted diluted earnings per share (“EPS”), adjusted effective tax rate and free cash flow are non-GAAP financial measures.

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 of a non-recurring and/or nonoperational nature (“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, other significant items and allocated costs for certain functions and services previously performed by United Technologies Corporation (“UTC”) prior to our separation (“UTC allocated costs”) and including solely for fiscal years prior to 2020 estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC (“standalone costs”). Standalone costs for fiscal years prior to 2020 are based on quarterly estimates determined during Otis' annual planning process for the 2020 fiscal year. Recurring standalone costs for 2021 and 2020 are not adjusted.

Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs, other non-recurring significant items, UTC allocated costs and including solely for fiscal years prior to 2020 estimated standalone public company costs.

Adjusted net income represents net income from continuing operations (a GAAP measure), excluding restructuring costs and other non-recurring significant items and UTC allocated costs and including solely for fiscal years prior to 2020 estimated standalone public company costs, estimated adjustments to non-service pension expense, net interest expense and income tax expense as if Otis was a standalone public company ("standalone operating income adjustments"). Adjusted EPS represents diluted earnings per share from continuing operations (a GAAP measure), adjusted for the per share impact of restructuring, other significant items and solely for fiscal years prior to 2020 standalone operating income adjustments.

The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, non-recurring significant items and solely for fiscal year prior to 2020 the tax impact of the additional adjustments (estimated standalone public company costs, interest expense and non-service pension expense).

EBITDA represents net income from operations (a GAAP measure), adjusted for noncontrolling interests, income tax expense, net interest expense, non-service pension expense and depreciation and amortization. Adjusted EBITDA represents EBITDA, as calculated above, adjusted for the impact of restructuring, other significant items and UTC allocated costs, including solely for fiscal years prior to 2020 estimated standalone public company costs. Management believes that adjusted SG&A, EBITDA, adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted EPS and the adjusted effective tax rate are useful measures in providing period-to-period comparisons of the results of the Company's ongoing operational performance and to the extent applicable as if it had been a standalone public company for fiscal years prior to 2020.

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.

When we provide our expectations for organic sales, adjusted operating profit, adjusted net income, adjusted effective tax rate, adjusted EPS and 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.

Cautionary Statement

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,” “confident” and other words of similar meaning in connection with a discussion of future operating or financial performance or the separation and distribution. 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 and other measures of financial performance or potential future plans, strategies or transactions of Otis following its separation from United Technologies Corporation, including the estimated costs associated with the separation and distribution 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 in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions, pandemic health issues (including COVID-19 and its effects, among other things, on global supply, demand, and distribution disruptions as the outbreak continues and results in an increasingly prolonged period of travel, commercial and/or other similar restrictions and limitations), natural disasters and the financial condition of Otis’ customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) future levels of indebtedness and capital spending and research and development spending; (4) future availability of credit and factors that may affect such availability, including credit market conditions in the U.S. and other countries in which Otis and its businesses operate and Otis’ capital structure; (5) the timing and scope of future 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; (6) delays and disruption in delivery of materials and services from suppliers; (7) cost reduction efforts and restructuring costs and savings and other consequences thereof; (8) new business and investment opportunities; (9) the anticipated benefits of moving away from diversification and balance of operations across product lines, regions and industries; (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; (13) the effect of changes in political conditions in the U.S., including the new U.S. Administration, and other countries in which Otis and its businesses operate, including China’s response to the new U.S. administration and the United Kingdom’s recent withdrawal from the European Union, on general market conditions, global trade policies and currency exchange rates in the near term and

beyond; (14) 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, including changes as a result of the new U.S. Administration; (15) the ability of Otis to retain and hire key personnel; (16) the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs; (17) the expected benefits of the separation and distribution and the timing thereof; (18) the determination by the Internal Revenue Service and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions; (19) risks associated with indebtedness incurred as a result of financing transactions undertaken in connection with the separation; (20) the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the separation will exceed Otis' estimates; and (21) the impact of the separation on Otis' businesses and Otis' resources, systems, procedures and controls, diversion of management's attention and the impact on relationships with customers, suppliers, employees and other business counterparties. 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 statements on Form 10 and Form S-3 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.

Otis Worldwide Corporation
Condensed Consolidated Statements of Operations

	Quarter Ended March 31, (Unaudited)	
	2021	2020
<i>(amounts in millions, except per share amounts)</i>		
Net Sales	\$ 3,408	\$ 2,966
Costs and Expenses:		
Cost of products and services sold	2,389	2,069
Research and development	35	38
Selling, general and administrative	482	465
Total Costs and Expenses	2,906	2,572
Other income (expense), net	7	(65)
Operating profit	509	329
Non-service pension cost (benefit)	2	(3)
Interest expense (income), net	32	5
Net income before income taxes	475	327
Income tax expense	123	125
Net income	352	202
Less: Noncontrolling interest in subsidiaries' earnings	44	37
Net income attributable to common shareholders	\$ 308	\$ 165
Earnings Per Share of Common Stock:		
Basic	\$ 0.71	\$ 0.38
Diluted	\$ 0.71	\$ 0.38
Weighted Average Number of Shares Outstanding:		
Basic shares	431.6	433.1
Diluted Shares	433.7	433.1

Otis Worldwide Corporation
Segment Net Sales and Operating Profit

<i>(dollars in millions)</i>	Quarter Ended March 31, (Unaudited)		Quarter Ended March 31, (Unaudited)	
	2021		2020	
	Reported	Adjusted	Reported	Adjusted
Net Sales				
New Equipment	\$ 1,458	\$ 1,458	\$ 1,123	\$ 1,123
Service	1,950	1,950	1,843	1,843
Consolidated Net Sales	\$ 3,408	\$ 3,408	\$ 2,966	\$ 2,966
Operating Profit				
New Equipment	\$ 104	\$ 109	\$ 64	\$ 65
Service	430	440	400	405
Segment Operating Profit	534	549	464	470
General corporate expenses and other	(25)	(16)	(135)	(20)
Consolidated Operating Profit	\$ 509	\$ 533	\$ 329	\$ 450
Segment Operating Profit Margin				
New Equipment	7.1 %	7.5 %	5.7 %	5.8 %
Service	22.1 %	22.6 %	21.7 %	22.0 %
Total Operating Profit Margin	14.9 %	15.6 %	11.1 %	15.2 %

Otis Worldwide Corporation

Reconciliation of Reported (GAAP) to Adjusted Operating Profit & Operating Profit Margin

<i>(dollars in millions)</i>	Quarter Ended March 31, (Unaudited)	
	2021	2020
New Equipment		
Net sales	\$ 1,458	\$ 1,123
GAAP Operating profit	104	64
Restructuring	5	1
Adjusted New Equipment Operating Profit	\$ 109	\$ 65
Adjusted operating profit margin	7.5 %	5.8 %
Service		
Net sales	\$ 1,950	\$ 1,843
GAAP Operating profit	430	400
Restructuring	10	5
Adjusted Service Operating Profit	\$ 440	\$ 405
Adjusted Operating Profit Margin	22.6 %	22.0 %
General corporate expenses and other		
General corporate expenses and other	\$ (16)	\$ (20)
Adjusted Total Operating Profit	\$ 533	\$ 450
Total Otis		
GAAP Operating profit	\$ 509	\$ 329
Restructuring	15	6
One-time separation costs	9	32
Fixed asset impairment	—	67
UTC allocated corporate expenses	—	16
Adjusted Total Operating Profit	\$ 533	\$ 450
Adjusted Operating Profit Margin	15.6 %	15.2 %

Otis Worldwide Corporation

Reconciliation of Reported (GAAP) to Adjusted (Non-GAAP) Net Income, Earnings Per Share, and Effective Tax Rate

	Quarter Ended March 31, (Unaudited)	
	2021	2020
<i>(dollars in millions, except per share amounts)</i>		
Adjusted Operating Profit	\$ 533	\$ 450
Non-service pension cost (benefit)	2	(3)
Net interest expense	32	5
Adjusted income from operations before income taxes	499	448
Income tax expense	123	125
Tax impact on restructuring and non-recurring items	3	19
Non-recurring tax items	17	5
Adjusted net income from operations	356	299
Noncontrolling interest	44	37
Adjusted net income attributable to common shareholders	\$ 312	\$ 262
GAAP income attributable to common shareholders	\$ 308	\$ 165
Restructuring	15	6
One-time separation costs	9	32
Fixed asset impairment	—	67
UTC allocated corporate expenses	—	16
Tax effects of restructuring, non-recurring items and other adjustments	(3)	(19)
Non-recurring tax items	(17)	(5)
Adjusted net income attributable to common shareholders	\$ 312	\$ 262
Diluted Earnings Per Share	\$ 0.71	\$ 0.38
Impact to diluted earnings per share	0.01	0.22
Adjusted Diluted Earnings Per Share	\$ 0.72	\$ 0.60
Effective Tax Rate	25.9 %	38.2 %
Impact of adjustments on effective tax rate	2.8 %	(4.9) %
Adjusted Effective Tax Rate	28.7 %	33.3 %

Otis Worldwide Corporation

Components of Changes in Net Sales

Quarter Ended March 31, 2021 Compared with Quarter Ended March 31, 2020

	Factors Contributing to Total % Change in Net Sales			Total
	Organic	FX Translation	Acquisitions / Divestitures, net	
New Equipment	25.1%	4.6%	0.1%	29.8%
Service	1.3%	4.2%	0.3%	5.8%
Maintenance and Repair	1.5%	4.4%	0.3%	6.2%
Modernization	0.3%	3.9%	—%	4.2%
Total Net Sales	10.3%	4.4%	0.2%	14.9%

Components of New Equipment Backlog

	Growth %
	Q1 2021
New Equipment Backlog increase at actual currency	8%
Foreign exchange impact to New Equipment Backlog	(6)%
New Equipment Backlog at constant currency	2%

Otis Worldwide Corporation**Reconciliation of Adjusted Operating Profit at Constant Currency***Quarter Ended March 31, 2021 Compared with Quarter Ended March 31, 2020*

<i>(dollars in millions)</i>	2021	2020	Y/Y
New Equipment			
Adjusted Operating Profit	\$ 109	\$ 65	\$ 44
Impact of foreign exchange	(5)	—	(5)
Adjusted Operating Profit at constant currency	\$ 104	\$ 65	\$ 39
Service			
Adjusted Operating Profit	\$ 440	\$ 405	\$ 35
Impact of foreign exchange	(20)	—	(20)
Adjusted Operating Profit at constant currency	\$ 420	\$ 405	\$ 15
Otis Consolidated			
Adjusted Operating Profit	\$ 533	\$ 450	\$ 83
Impact of foreign exchange	(26)	—	(26)
Adjusted Operating Profit at constant currency	\$ 507	\$ 450	\$ 57

Otis Worldwide Corporation
Condensed Consolidated Balance Sheet

<i>(amounts in millions, except per share amounts)</i>	March 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
Assets		
Cash and cash equivalents	\$ 1,725	\$ 1,782
Accounts receivable, net	3,124	3,148
Contract assets	432	458
Inventories, net	686	659
Other current assets	379	446
Total Current Assets	6,346	6,493
Future income tax benefits	341	334
Fixed assets, net	765	774
Operating lease right-of-use assets	548	542
Intangible assets, net	448	484
Goodwill	1,727	1,773
Other assets	330	310
Total Assets	\$ 10,505	\$ 10,710
Liabilities and (Deficit) Equity		
Short-term borrowings	\$ 341	\$ 701
Accounts payable	1,459	1,453
Accrued liabilities	1,769	1,977
Contract liabilities	2,826	2,542
Total Current Liabilities	6,395	6,673
Long-term debt	5,457	5,262
Future pension and postretirement benefit obligations	637	654
Operating lease liabilities	364	367
Future income tax obligations	300	321
Other long-term liabilities	638	634
Total Liabilities	13,791	13,911
Redeemable noncontrolling interest	65	83
Shareholders' (Deficit) Equity:		
Preferred Stock	—	—
Common Stock and additional paid-in capital	68	59
Treasury Stock	(300)	—
Accumulated deficit	(2,855)	(3,076)
Accumulated other comprehensive income (loss)	(823)	(815)
Total Shareholders' (Deficit) Equity	(3,910)	(3,832)
Noncontrolling interest	559	548
Total (Deficit) Equity	(3,351)	(3,284)
Total Liabilities and (Deficit) Equity	\$ 10,505	\$ 10,710

Otis Worldwide Corporation
Condensed Consolidated Statement of Cash Flows

Quarter Ended March 31,
(Unaudited)

(dollars in millions)

	2021	2020
Operating Activities:		
Net income from operations	\$ 352	\$ 202
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	51	43
Stock compensation cost	14	11
Loss on fixed asset impairment	—	55
Change in:		
Accounts receivable, net	(14)	(116)
Contract assets and liabilities, current	328	355
Inventories, net	(39)	(49)
Accounts payable	29	(216)
Pension contributions	(13)	(10)
Other operating activities, net	(123)	(116)
Net cash flows provided by operating activities	<u>585</u>	<u>159</u>
Investing Activities:		
Capital expenditures	(44)	(39)
Investments in businesses, net of cash acquired	(24)	(5)
Investments in equity securities	(18)	(51)
Other investing activities, net	36	3
Net cash flows used in investing activities	<u>(50)</u>	<u>(92)</u>
Financing Activities:		
Increase (decrease) in short-term borrowings, net	(342)	36
Issuance of long-term debt, net	199	6,300
Payment of long-term debt issuance costs	(2)	(43)
Net transfers from (to) UTC	—	(6,550)
Dividends paid on Common Stock	(87)	—
Repurchases of Common Stock	(300)	—
Dividends paid to noncontrolling interest	(32)	(21)
Other financing activities, net	(10)	22
Net cash flows provided by (used in) financing activities	<u>(574)</u>	<u>(256)</u>
Summary of Activity:		
Net cash provided by operating activities	585	159
Net cash used in investing activities	(50)	(92)
Net cash provided by (used in) financing activities	<u>(574)</u>	<u>(256)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(17)	(50)
Net increase in cash, cash equivalents and restricted cash	<u>(56)</u>	<u>(239)</u>
Cash, cash equivalents and restricted cash, beginning of period	1,801	1,459
Cash, cash equivalents and restricted cash, end of period	1,745	1,220
Less: Restricted cash	20	13
Cash and cash equivalents, end of period	<u>\$ 1,725</u>	<u>\$ 1,207</u>

Otis Worldwide Corporation
Free Cash Flow Reconciliation

<i>(dollars in millions)</i>	Quarter Ended March 31,	
	(Unaudited)	
	<u>2021</u>	<u>2020</u>
Net income attributable to common shareholders	\$ 308	\$ 165
Net cash flows provided by operating activities	\$ 585	\$ 159
Net cash flows provided by operating activities as a percentage of net income attributable to common shareholders	190 %	96 %
Capital expenditures	(44)	(39)
Capital expenditures as a percentage of net income attributable to common shareholders	(14)%	(24)%
Free cash flow	\$ 541	\$ 120
Free cash flow as a percentage of net income attributable to common shareholders	176 %	73 %