

February 2, 2022



Emerson Reports First Quarter 2022 Results; Updates 2022 Outlook

- Demand continued to be strong with December **Trailing Three-Month Underlying Orders** up 17 percent
- **Net Sales** were \$4.5 billion, up 8 percent from the year prior; **Underlying Sales** were up 8 percent
- **GAAP EPS** was \$1.50, up 103 percent from the year prior; **Adjusted EPS** (as defined below) was \$1.05, up 13 percent
- **Updated 2022 Full Year Outlook** to reflect continued strong demand
- **Declared quarterly cash dividend** of \$0.515 per share of common stock payable March 10, 2022 to stockholders of record February 11, 2022

ST. LOUIS--(BUSINESS WIRE)-- Emerson (NYSE: EMR) today reported results for its first fiscal quarter ended December 31, 2021 and updated its full year outlook for fiscal 2022.

December **Trailing Three-Month Underlying Orders** were up 17 percent, as demand continued to be strong across all world areas and major end markets. First quarter **Net Sales** and **Underlying Sales** were up 8 percent. By geography, the Americas grew 11 percent, Europe grew 3 percent, and Asia, Middle East & Africa grew 6 percent. China grew 12 percent.

First quarter **Pretax Margin** of 26.3 percent was up 1280 basis points. **Adjusted EBITA Margin**, which excludes restructuring, first year purchase accounting charges and transaction fees, intangibles amortization expense and a gain from our Vertiv subordinated interest, was 19.6 percent, up 140 basis points.

Earnings Per Share, which includes a \$0.60 gain from our Vertiv subordinated interest, were \$1.50 for the quarter, up 103 percent. **Adjusted Earnings Per Share**, which excludes restructuring, first year purchase accounting charges and transaction fees, intangibles amortization expense and a gain from our Vertiv subordinated interest, were \$1.05, up 13 percent. Earnings in the quarter were ahead of management expectations and benefited from better leverage, continued savings from effective cost management and favorable mix despite the ongoing supply chain headwinds.

Operating Cash Flow was \$523 million for the quarter, down 35 percent, and **Free Cash Flow** was \$407 million, down 41 percent. Cash flow results reflected higher inventory due to

supply chain constraints but are on track to meet full year guidance expectations shared in November.

"We are pleased with our first quarter results. Strong demand continued in both the Automation Solutions and Commercial & Residential Solutions platforms with ongoing growth in residential, discrete and hybrid end markets, as well as strong recovery in our commercial and process automation end markets. Much like the rest of the industry, labor shortages, inflation and supply chain challenges remain a hurdle, but a strong focus on operational excellence and a steadfast commitment to our cost reset targets have proven valuable in offsetting these headwinds," said Emerson President and Chief Executive Officer Lal Karsanbhai. "Given our first quarter results and the strength in both platforms, we have increased our 2022 full year outlook.

"We feel energized as our teams cultivate a world-class culture and we continue our portfolio evolution while maintaining our long-standing commitment to operational execution and financial results," Karsanbhai continued. "I speak for the worldwide Emerson team when I say we're ready to face the challenges of 2022 head on."

Business Platform Results

Automation Solutions December trailing three-month underlying orders were up 19 percent driven by strong demand in all business groups and world areas. Backlog increased \$500 million compared to the prior quarter to \$6.0 billion.

Net sales increased 4 percent in the quarter, with underlying sales up 5 percent. The Americas were up 7 percent, Europe was flat, and Asia, Middle East & Africa was up 7 percent. China was up 17 percent.

Segment EBIT margin increased 530 basis points to 18.7 percent and Adjusted Segment EBITA margin, which excludes restructuring and intangibles amortization expense, increased 320 basis points to 21.5 percent. Favorable profitability was driven by increased volume, leverage, cost management and mix.

Commercial & Residential Solutions December trailing three-month underlying orders were up 13 percent driven by continued strength in both the residential and commercial businesses. Backlog increased \$150 million compared to the prior quarter to \$1.3 billion.

Net and underlying sales increased 13 percent. The Americas were up 17 percent, Europe was up 13 percent, and Asia, Middle East & Africa was up 4 percent. China was flat.

Segment EBIT margin decreased 310 basis points to 17.9 percent and Adjusted Segment EBITA margin (as defined above) decreased 320 basis points to 18.9 percent. Continued headwinds related to price-cost impacted profitability in the quarter but are expected to improve in the second half of the year.

2022 Updated Outlook

Despite ongoing supply chain constraints and challenges related to the COVID-19 pandemic, we continue to see strong demand in both of our platforms resulting in increased sales and updated earnings expectations for the year. **Net and Underlying Sales** guidance is increased by 1 percent to 6 to 8 percent and 7 to 9 percent, respectively. **Earnings Per Share** guidance of \$4.71 to \$4.86 have been updated to reflect the operational impact of increased sales guidance and now includes the impact of estimated AspenTech transaction

fees and interest expense on \$3 billion of debt already issued to fund the transaction.

Adjusted Earnings Per Share have been increased to \$4.90 to \$5.05.

The following tables summarize the updated fiscal year 2022 and second quarter 2022 guidance framework. The tables below do not include the operational impact of the impending transaction with AspenTech, which is expected to close in the second calendar quarter of 2022.

2022 Guidance			
Net Sales Growth	6% - 8%	Operating Cash Flow	\$3.8B
Automation Solutions	5% - 7%	Capital Spend	\$650M
Commercial & Residential Solutions	8% - 10%	Free Cash Flow	\$3.1B
		Dividend	\$1.2B
		Share Repurchase	\$250M - \$500M
Underlying Sales Growth	7% - 9%		
Automation Solutions	7% - 9%		
Commercial & Residential Solutions	9% - 11%	Tax Rate	22%
		Restructuring Actions	\$150M
GAAP EPS	\$4.71 - \$4.86	Price-Cost	\$175M
Adjusted EPS	\$4.90 - \$5.05		

2022 Q2 Guidance	
Net Sales Growth	4% - 6%
Automation Solutions	3% - 5%
Commercial & Residential Solutions	7% - 9%
Underlying Sales Growth	6% - 8%
Automation Solutions	5% - 7%
Commercial & Residential Solutions	9% - 11%
GAAP EPS	\$0.98 - \$1.03
Adjusted EPS	\$1.15 - \$1.20

Note 1: All figures are approximate

Upcoming Investor Events

Today, beginning at 8:00 a.m. Central Time / 9:00 a.m. Eastern Time, Emerson management will discuss the first quarter results during an investor conference call. Participants can access a live webcast available at www.emerson.com/financial at the time of the call. A replay of the call will be available for 90 days. Conference call slides will be posted in advance of the call on the company website.

Forward-Looking and Cautionary Statements

Statements in this press release that are not strictly historical may be “forward-looking” statements, which involve risks and uncertainties, and Emerson undertakes no obligation to update any such statements to reflect later developments. These risks and uncertainties include the Company's ability to successfully complete on the terms and conditions contemplated, and the financial impact of, the proposed AspenTech transaction, the scope, duration and ultimate impact of the COVID-19 pandemic as well as economic and currency conditions, market demand, including related to the pandemic and oil and gas price declines and volatility, pricing, protection of intellectual property, cybersecurity, tariffs, competitive and technological factors, among others, as set forth in the Company's most recent Annual Report on Form 10-K and subsequent reports filed with the SEC. The outlook contained herein represents the Company's expectation for its consolidated results, excluding the expected AspenTech transaction other than as noted herein.

Table 1

EMERSON AND SUBSIDIARIES
CONSOLIDATED OPERATING RESULTS
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

	<u>Quarter Ended Dec</u>		<u>Percent</u> <u>Change</u>
	<u>2020</u>	<u>2021</u>	
	<u>31</u>		
Net sales	\$4,161	\$4,473	8%
Cost of sales	2,438	2,651	
SG&A expenses	998	1,011	
Gain on subordinated interest	—	(453)	
Other deductions, net	122	51	
Interest expense, net	40	38	
Earnings before income taxes	<u>563</u>	<u>1,175</u>	109%
Income taxes	111	280	
Net earnings	<u>452</u>	<u>895</u>	
Less: Noncontrolling interests in subsidiaries	7	(1)	
Net earnings common stockholders	<u>\$445</u>	<u>\$896</u>	101%
Diluted avg. shares outstanding	601.9	598.1	
Diluted earnings per share common share	\$0.74	\$1.50	103%

	<u>Quarter Ended Dec</u>	
	<u>2020</u>	<u>2021</u>
	<u>31</u>	
Other deductions, net		
Amortization of intangibles	\$78	\$63
Restructuring costs	66	9
Other	(22)	(21)
Total	<u>\$122</u>	<u>\$51</u>

Table 2

EMERSON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended Dec</u>	
	<u>31</u>	
	<u>2020</u>	<u>2021</u>
Assets		
Cash and equivalents	\$2,197	\$4,726
Receivables, net	2,652	2,745
Inventories	2,013	2,335
Other current assets	819	1,054
Total current assets	<u>7,681</u>	<u>10,860</u>
Property, plant & equipment, net	3,693	3,685
Goodwill	7,832	7,695
Other intangible assets	3,196	2,791
Other	1,276	1,928
Total assets	<u><u>\$23,678</u></u>	<u><u>\$26,959</u></u>
Liabilities and equity		
Short-term borrowings and current maturities of long-term debt	\$1,717	\$37
Accounts payable	1,694	2,100
Accrued expenses	2,965	3,194
Total current liabilities	<u>6,376</u>	<u>5,331</u>
Long-term debt	5,892	8,722
Other liabilities	2,471	2,618
Total equity	<u>8,939</u>	<u>10,288</u>
Total liabilities and equity	<u><u>\$23,678</u></u>	<u><u>\$26,959</u></u>

Table 3

EMERSON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended Dec</u>	
	<u>31</u>	
	<u>2020</u>	<u>2021</u>
Operating activities		
Net earnings	\$452	\$895
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	244	231
Stock compensation	64	41
Pension expense	8	1
Changes in operating working capital	71	(185)

Gain on subordinated interest	—	(453)
Other, net	(31)	(7)
Cash provided by operating activities	<u>808</u>	<u>523</u>
Investing activities		
Capital expenditures	(122)	(116)
Purchases of businesses, net of cash and equivalents acquired	(1,611)	(39)
Proceeds from subordinated interest	—	438
Other, net	13	2
Cash provided by (used in) investing activities	<u>(1,720)</u>	<u>285</u>
Financing activities		
Net increase in short-term borrowings	340	(335)
Proceeds from long-term debt	—	2,975
Payments of long-term debt	(301)	(501)
Dividends paid	(303)	(307)
Purchases of common stock	(13)	(253)
Other, net	42	22
Cash provided by (used in) financing activities	<u>(235)</u>	<u>1,601</u>
Effect of exchange rate changes on cash and equivalents	29	(37)
Increase (Decrease) in cash and equivalents	<u>(1,118)</u>	<u>2,372</u>
Beginning cash and equivalents	3,315	2,354
Ending cash and equivalents	<u>\$2,197</u>	<u>\$4,726</u>

Table 4

EMERSON AND SUBSIDIARIES
SEGMENT SALES AND EARNINGS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended Dec</u>	
	<u>31</u>	
	<u>2020</u>	<u>2021</u>
Sales		
Measurement & Analytical Instrumentation	\$698	\$735
Valves, Actuators & Regulators	806	816
Industrial Solutions	508	566
Systems & Software	680	688
Automation Solutions	<u>2,692</u>	<u>2,805</u>
Climate Technologies	1,031	1,163
Tools & Home Products	445	508
Commercial & Residential Solutions	<u>1,476</u>	<u>1,671</u>
Eliminations	<u>(7)</u>	<u>(3)</u>

Net sales	<u>\$4,161</u>	<u>\$4,473</u>
Earnings		
Automation Solutions	\$361	\$526
Climate Technologies	212	192
Tools & Home Products	98	107
Commercial & Residential Solutions	<u>310</u>	<u>299</u>
Stock compensation	(64)	(41)
Unallocated pension and postretirement costs	24	26
Corporate and other	(28)	(50)
Gain on subordinated interest	—	453
Interest expense, net	(40)	(38)
Earnings before income taxes	<u>\$563</u>	<u>\$1,175</u>
Restructuring costs		
Automation Solutions	\$64	\$5
Climate Technologies	1	2
Tools & Home Products	1	1
Commercial & Residential Solutions	<u>2</u>	<u>3</u>
Corporate	—	1
Total	<u>\$66</u>	<u>\$9</u>

The table above does not include \$3 and \$9 of costs related to restructuring actions that were reported in cost of sales and selling, general and administrative expenses for the three months ended December 31, 2020 and 2021, respectively.

Depreciation and Amortization

Automation Solutions	\$156	\$155
Climate Technologies	49	47
Tools & Home Products	19	20
Commercial & Residential Solutions	<u>68</u>	<u>67</u>
Corporate and other	20	9
Total	<u>\$244</u>	<u>\$231</u>

Table 5

EMERSON AND SUBSIDIARIES
ADJUSTED EBITA & EPS SUPPLEMENTAL
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

The following tables, which show results on an adjusted EBITA basis and diluted earnings per share on an adjusted basis, are intended to supplement the Company's discussion of its results of operations herein. The Company defines adjusted EBITA as earnings excluding interest expense, net, income taxes, intangibles amortization expense, restructuring expense, first year purchase accounting related items and transaction fees, and certain gains, losses or impairments. Adjusted earnings per share excludes intangibles amortization expense, restructuring expense, first year purchase accounting related items and transaction fees, and certain gains, losses or impairments. Adjusted EBITA, adjusted EBITA margin, and adjusted earnings per share are measures used by management and may be useful for investors to evaluate the Company's operational performance.

	<u>Quarter Ended Dec</u>	
	<u>31</u>	
	<u>2020</u>	<u>2021</u>
Pretax earnings	\$563	\$1,175
<i>Percent of sales</i>	13.5%	26.3%
Interest expense, net	40	38
Restructuring and related costs	69	18
Amortization of intangibles	81	77
Gain on subordinated interest	—	(453)
AspenTech transaction costs	—	23
Gain on acquisition of full ownership of equity investment	(17)	—
OSI first year acquisition accounting charges and fees	21	—
Adjusted EBITA	\$757	\$878
<i>Percent of sales</i>	18.2%	19.6%
	<u>Quarter Ended Dec</u>	
	<u>31</u>	
	<u>2020</u>	<u>2021</u>
GAAP earnings per share	\$0.74	\$1.50
Restructuring and related costs	0.09	0.02
Amortization of intangibles	0.10	0.10
Gain on subordinated interest	—	(0.60)
AspenTech transaction costs	—	0.03
Gain on acquisition of full ownership of equity investment	(0.03)	—
OSI first year acquisition accounting charges and fees	0.03	—
Adjusted earnings per share	\$0.93	\$1.05

Table 6

EMERSON AND SUBSIDIARIES
SEGMENT EBITA
(DOLLARS IN MILLIONS, UNAUDITED)

Quarter Ended Dec
31
2020 2021

Automation Solutions

Automation Solutions EBIT	\$361	\$526
<i>Percent of sales</i>	13.4%	18.7%
Restructuring and related costs	64	12
Amortization of intangibles	68	65
Automation Solutions EBITA	\$493	\$603
<i>Percent of sales</i>	18.3%	21.5%

Commercial & Residential Solutions

Commercial & Residential Solutions EBIT	\$310	\$299
<i>Percent of sales</i>	21.0%	17.9%
Restructuring and related costs	3	4
Amortization of intangibles	13	12
Commercial & Residential Solutions EBITA	\$326	\$315
<i>Percent of sales</i>	22.1%	18.9%

Table 7

Reconciliations of Non-GAAP Financial Measures & Other

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

	Auto Solns	Comm & Res Solns	Emerson
Q1 2022 Underlying Sales Change			
Reported (GAAP)	4 %	13 %	8 %
(Favorable) / Unfavorable FX	1 %	— %	— %
Acquisitions / Divestitures	— %	— %	— %
Underlying*	5 %	13 %	8 %

	Auto Solns	Comm & Res Solns	Emerson
Q2 2022E Underlying Sales Change			
Reported (GAAP)	3% - 5%	7% - 9%	4% - 6%
(Favorable) / Unfavorable FX	2 %	2 %	2 %
Acquisitions / Divestitures	— %	— %	— %
Underlying*	5% - 7%	9% - 11%	6% - 8%

	Auto Solns	Comm & Res Solns	Emerson
FY 2022E Underlying Sales Change			
Reported (GAAP)	5% - 7%	8% - 10%	6% - 8%

(Favorable) / Unfavorable FX	2 %	1 %	1 %
Acquisitions / Divestitures	— %	— %	— %
Underlying*	7% - 9%	9% - 11%	7% - 9%

Q1 Earnings Per Share

	Q1 FY21	Q1 FY22	Change
Earnings per share (GAAP)	\$ 0.74	\$ 1.50	103 %
Restructuring and related costs	0.09	0.02	(10)%
Amortization of intangibles	0.10	0.10	— %
Gain on subordinated interest	—	(0.60)	(84)%
AspenTech transaction costs	—	0.03	4 %
Gain on acquisition of full ownership of equity investment	(0.03)	—	4 %
OSI purchase accounting and fees	0.03	—	(4)%
Adjusted earnings per share*	\$ 0.93	\$ 1.05	13 %

Earnings Per Share

	Q2 FY22E	FY22E
Earnings per share (GAAP)	\$0.98 - \$1.03	\$4.71 - \$4.86
Restructuring and related costs	0.04	0.20
Amortization of intangibles	0.10	0.39
Gain on subordinated interest	—	(0.60)
AspenTech transaction costs and interest expense	0.03	0.20
Adjusted earnings per share*	\$1.15 - \$1.20	\$4.90 - \$5.05

EBIT and EBITA Margin

	Q1 FY21	Q1 FY22	Change
Pretax margin (GAAP)	13.5 %	26.3 %	1280 bps
Interest expense, net	1.0 %	0.8 %	(20) bps
Restructuring and related costs	1.7 %	0.4 %	(130) bps
Amortization of intangibles	1.9 %	1.7 %	(20) bps
Gain on subordinated interest	— %	(10.1)%	(1010) bps
AspenTech transaction costs	— %	0.5 %	50 bps
Gain on acquisition of full ownership of equity investment	(0.4)%	— %	40 bps
OSI purchase accounting items	0.5 %	— %	(50) bps
Adjusted EBITA margin*	18.2 %	19.6 %	140 bps

Automation Solutions Segment EBIT Margin

	Q1 FY21	Q1 FY22	Change
Automation Solutions Segment EBIT margin (GAAP)	13.4 %	18.7 %	530 bps
Restructuring and related costs	2.4 %	0.5 %	(190) bps
Amortization of intangibles impact	2.5 %	2.3 %	(20) bps
Automation Solutions Adjusted Segment EBITA margin*	18.3 %	21.5 %	320 bps

Commercial & Residential EBIT Margin

	Q1 FY21	Q1 FY22	Change
Commercial & Residential EBIT margin (GAAP)	21.0 %	17.9 %	(310) bps

Restructuring and related costs	0.2 %	0.3 %	10 bps
Amortization of intangibles impact	0.9 %	0.7 %	(20) bps
Commercial & Residential Adjusted EBITA margin*	<u>22.1 %</u>	<u>18.9 %</u>	<u>(320) bps</u>

Q1 Cash Flow

	<u>Q1 FY21</u>	<u>Q1 FY22</u>	<u>Change</u>
Operating cash flow (GAAP)	\$ 808	\$ 523	(35) %
Capital expenditures	(122)	(116)	(6) %
Free cash flow*	<u>\$ 686</u>	<u>\$ 407</u>	<u>(41) %</u>

FY 2022E Cash Flow

	<u>FY 2022E</u>
Operating cash flow (GAAP)	~ \$ 3.8B
Capital expenditures	650M
Free cash flow*	<u>~ \$ 3.1B</u>

Note 1: Underlying sales and orders exclude the impact of acquisitions, divestitures and currency translation.

Note 2: All fiscal year 2022E figures are approximate, except where range is given.

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