

May 4, 2022



Emerson Reports Second Quarter 2022 Results; Updates 2022 Outlook

- **March Trailing Three-Month Underlying Orders** up 13 percent
- **Net Sales** were \$4.8 billion, up 8 percent from the year prior; **Underlying Sales** were up 10 percent
- **GAAP EPS** was \$1.13, up 22 percent from the year prior; **Adjusted EPS** (as defined below) was \$1.29, up 21 percent
- **Increased 2022 Full Year Outlook** to reflect continued strong demand and execution
- **Announced decision to exit Russia business**
- **Declared quarterly cash dividend** of \$0.515 per share of common stock payable June 10, 2022 to stockholders of record May 13, 2022

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

March **Trailing Three-Month Underlying Orders** were up 13 percent, as demand continued to be strong across both platforms. Second quarter **Net Sales** were up 8 percent and **Underlying Sales** were up 10 percent. By geography, the Americas grew 14 percent, Europe grew 2 percent and Asia, Middle East & Africa grew 7 percent. China grew 11 percent.

Second quarter **Pretax Margin** of 16.9 percent was up 30 basis points. **Adjusted EBITA Margin**, which excludes restructuring, first year purchase accounting charges, transaction costs and intangibles amortization expense, was 20.2 percent, up 20 basis points.

Earnings Per Share were \$1.13 for the quarter, up 22 percent. **Adjusted Earnings Per Share**, which excludes restructuring, first year purchase accounting charges, transaction and AspenTech pre-closing costs and intangibles amortization expense, were \$1.29, up 21 percent. Earnings in the quarter benefited from leverage, continued savings from effective cost management and favorable mix despite the ongoing supply chain headwinds and inflationary pressures. Earnings included a tax benefit of 8 cents.

Operating Cash Flow was \$442 million for the quarter, down 45 percent, and **Free Cash Flow** was \$333 million, down 53 percent. Cash flow results reflected mainly higher inventory due to supply chain constraints.

“Emerson continues to execute through a dynamic and challenging environment. In the second quarter, we delivered solid margins and drove 10 percent underlying sales growth and over 20 percent adjusted EPS growth. Our performance was indicative of strong end market demand and successful navigation through supply chain constraints and inflationary

pressures,” said Emerson President and Chief Executive Officer Lal Karsanbhai. “Despite ongoing uncertainty, our strong performance gives us confidence to increase our 2022 full year outlook.

“Today, Emerson is also announcing our decision to exit our Russia business and, as part of this exit, we are exploring strategic options to divest Metran, our Russia-based manufacturing subsidiary,” Karsanbhai continued. “We are committed to an orderly transfer of these assets and will support our employees through this process.”

Business Platform Results

Automation Solutions March trailing three-month underlying orders were up 17 percent driven by strong demand in all business groups and world areas. Backlog increased \$400 million compared to the prior quarter to \$6.4 billion.

Net sales increased 5 percent in the quarter, with underlying sales up 7 percent. The Americas were up 13 percent, Europe was down 3 percent and Asia, Middle East & Africa was up 6 percent. China was up 17 percent.

Segment EBIT margin increased 210 basis points to 18.9 percent and Adjusted Segment EBITA margin, which excludes restructuring and intangibles amortization expense, increased 170 basis points to 21.5 percent. Favorable profitability was driven by increased volume, leverage, continued cost management and mix despite increased costs due to inflationary pressures.

Commercial & Residential Solutions March trailing three-month underlying orders were up 7 percent driven by continued strength in both the residential and commercial businesses. Backlog increased \$100 million compared to the prior quarter to \$1.4 billion.

Net sales increased 13 percent in the quarter, with underlying sales up 14 percent. The Americas were up 15 percent, Europe was up 14 percent and Asia, Middle East & Africa was up 11 percent. China was down 6 percent.

Segment EBIT margin decreased 200 basis points to 19.7 percent and Adjusted Segment EBITA margin (as defined above) decreased 230 basis points to 20.5 percent. Profitability continues to be challenged by inflationary costs but was up sequentially as price less net material inflation continues to improve.

2022 Updated Outlook

Emerson updated its 2022 full year outlook to reflect overall strong business performance while considering continued macroeconomic and geopolitical uncertainty, supply chain constraints and challenges related to COVID-19. **Net** and **Underlying Sales** guidance is increased by 2 percent to 8 to 10 percent and 9 to 11 percent, respectively. **Earnings Per Share** guidance of \$4.77 to \$4.92 is increased to reflect the operational impact of increased sales guidance. **Adjusted Earnings Per Share** are increased to \$4.95 to \$5.10. **Operating Cash Flow** is now expected to be \$3.6 billion due to increased inventory resulting from supply chain constraints. Capital spending was reduced to approximately \$600 million and **Free Cash Flow** is now expected to be \$3.0 billion. Free cash flow conversion is expected to be approximately 100 percent for 2022.

The following tables summarize the updated fiscal year 2022 and third quarter 2022 guidance framework. Our guidance does not include the operational impact of the

transaction with AspenTech, which is expected to close in the second calendar quarter of 2022, but has been updated to include estimated transaction fees and interest expense on \$3.0 billion of debt already issued to fund the transaction. Our guidance also excludes the effect of the Therm-O-Disc sale, expected to close in the second calendar quarter of 2022. It includes the estimated operational impact of exiting our Russia business, but excludes any potential charges or other costs associated with the exit.

2022 Guidance			
Net Sales Growth	8% - 10%	Operating Cash Flow	\$3.6B
Automation Solutions	6% - 8%	Capital Spend	\$600M
Commercial & Residential Solutions	11% - 13%	Free Cash Flow	\$3.0B
		Dividend	\$1.2B
			\$250M -
Underlying Sales Growth	9% - 11%	Share Repurchase	\$500M
Automation Solutions	7% - 9%		
Commercial & Residential Solutions	12% - 14%	Tax Rate	22%
		Restructuring Actions	\$150M
GAAP EPS	\$4.77 - \$4.92		
Adjusted EPS	\$4.95 - \$5.10		

2022 Q3 Guidance	
Net Sales Growth	7% - 9%
Automation Solutions	4% - 6%
Commercial & Residential Solutions	11% - 13%
Underlying Sales Growth	9% - 11%
Automation Solutions	7% - 9%
Commercial & Residential Solutions	13% - 15%
GAAP EPS	\$1.00 - \$1.05
Adjusted EPS	\$1.25 - \$1.30

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 second 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.

Emerson also announces it will host an in-person investor conference on Nov. 29, 2022 in New York City. Event details will be distributed closer to this date.

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 impacts of the COVID-19 pandemic and the Russia-Ukraine conflict, 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, inflation, 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 and Therm-O-Disc transactions, and the impact related to exiting our Russia business, other than as noted herein.

Table 1

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

	<u>Quarter Ended March</u>		<u>Percent</u> <u>Change</u>
	<u>2021</u>	<u>2022</u>	
	<u>31</u>		
Net sales	\$4,431	\$4,791	8%
Cost of sales	2,569	2,839	
SG&A expenses	1,054	1,049	
Other deductions, net	33	40	
Interest expense, net	38	52	
Earnings before income taxes	<u>737</u>	<u>811</u>	10%
Income taxes	169	136	
Net earnings	<u>568</u>	<u>675</u>	
Less: Noncontrolling interests in subsidiaries	7	1	
Net earnings common stockholders	<u>\$561</u>	<u>\$674</u>	20%
Diluted avg. shares outstanding	602.8	596.5	
Diluted earnings per share common share	\$0.93	\$1.13	22%

	<u>Quarter Ended March</u>	
	<u>2021</u>	<u>2022</u>
	<u>31</u>	
Other deductions, net		
Amortization of intangibles	\$74	\$62
Restructuring costs	17	10
Other	(58)	(32)
Total	<u>\$33</u>	<u>\$40</u>

Table 2

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

	<u>Six Months Ended</u> <u>March 31</u>		<u>Percent</u> <u>Change</u>
	<u>2021</u>	<u>2022</u>	
Net sales	\$8,592	\$9,264	8%
Cost of sales	5,007	5,490	
SG&A expenses	2,052	2,060	
Gain on subordinated interest	—	(453)	
Other deductions, net	155	91	
Interest expense, net	78	90	
Earnings before income taxes	<u>1,300</u>	<u>1,986</u>	53%
Income taxes	280	416	
Net earnings	<u>1,020</u>	<u>1,570</u>	
Less: Noncontrolling interests in subsidiaries	14	—	
Net earnings common stockholders	<u><u>\$1,006</u></u>	<u><u>\$1,570</u></u>	56%
Diluted avg. shares outstanding	602.3	597.3	
Diluted earnings per share common share	\$1.67	\$2.63	57%

	<u>Six Months Ended</u> <u>March 31</u>	
	<u>2021</u>	<u>2022</u>
Other deductions, net		
Amortization of intangibles	\$152	\$125
Restructuring costs	83	19
Other	(80)	(53)
Total	<u><u>\$155</u></u>	<u><u>\$91</u></u>

Table 3

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

	<u>Quarter Ended March</u> <u>31</u>	
	<u>2021</u>	<u>2022</u>
Assets		
Cash and equivalents	\$2,342	\$6,929
Receivables, net	2,754	2,958
Inventories	2,016	2,399
Other current assets	<u>849</u>	<u>1,253</u>

Total current assets	7,961	13,539
Property, plant & equipment, net	3,663	3,567
Goodwill	7,787	7,631
Other intangible assets	3,095	2,699
Other	1,294	2,061
Total assets	\$23,800	\$29,497
Liabilities and equity		
Short-term borrowings and current maturities of long-term debt	\$1,456	\$2,762
Accounts payable	1,797	2,049
Accrued expenses	3,041	3,261
Total current liabilities	6,294	8,072
Long-term debt	5,823	8,203
Other liabilities	2,503	2,608
Total equity	9,180	10,614
Total liabilities and equity	\$23,800	\$29,497

Table 4

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

	<u>Six Months Ended</u> <u>March 31</u>	
	<u>2021</u>	<u>2022</u>
Operating activities		
Net earnings	\$1,020	\$1,570
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	483	452
Stock compensation	125	91
Pension expense	16	2
Changes in operating working capital	66	(588)
Gain on subordinated interest	—	(453)
Other, net	(95)	(109)
Cash provided by operating activities	<u>1,615</u>	<u>965</u>
Investing activities		
Capital expenditures	(222)	(225)
Purchases of businesses, net of cash and equivalents acquired	(1,611)	(37)
Proceeds from subordinated interest	—	438
Other, net	61	(17)
Cash provided by (used in) investing activities	<u>(1,772)</u>	<u>159</u>

Financing activities

Net increase in short-term borrowings	60	871
Proceeds from short-term borrowings greater than three months	—	1,040
Proceeds from long-term debt	—	2,975
Payments of long-term debt	(301)	(504)
Dividends paid	(606)	(613)
Purchases of common stock	(78)	(285)
Other, net	83	15
Cash provided by (used in) financing activities	<u>(842)</u>	<u>3,499</u>
Effect of exchange rate changes on cash and equivalents	26	(48)
Increase (Decrease) in cash and equivalents	<u>(973)</u>	<u>4,575</u>
Beginning cash and equivalents	3,315	2,354
Ending cash and equivalents	<u><u>\$2,342</u></u>	<u><u>\$6,929</u></u>

Table 5

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

	<u>Quarter Ended March</u>	
	<u>31</u>	
	<u>2021</u>	<u>2022</u>
Sales		
Measurement & Analytical Instrumentation	\$732	\$767
Valves, Actuators & Regulators	836	883
Industrial Solutions	555	602
Systems & Software	670	685
Automation Solutions	<u>2,793</u>	<u>2,937</u>
Climate Technologies	1,160	1,341
Tools & Home Products	485	516
Commercial & Residential Solutions	<u>1,645</u>	<u>1,857</u>
Eliminations	(7)	(3)
Net sales	<u><u>\$4,431</u></u>	<u><u>\$4,791</u></u>
Earnings		
Automation Solutions	\$471	\$556
Climate Technologies	245	262
Tools & Home Products	112	103
Commercial & Residential Solutions	<u>357</u>	<u>365</u>
Stock compensation	(61)	(50)

Unallocated pension and postretirement costs	23	25
Corporate and other	(15)	(33)
Interest expense, net	(38)	(52)
Earnings before income taxes	<u>\$737</u>	<u>\$811</u>

Restructuring costs

Automation Solutions	\$12	\$8
Climate Technologies	3	1
Tools & Home Products	1	1
Commercial & Residential Solutions	<u>4</u>	<u>2</u>
Corporate	1	—
Total	<u>\$17</u>	<u>\$10</u>

The table above does not include \$4 and \$5 of costs related to restructuring actions that were reported in cost of sales and selling, general and administrative expenses for the three months ended March 31, 2021 and 2022, respectively.

Depreciation and Amortization

Automation Solutions	\$156	\$147
Climate Technologies	47	46
Tools & Home Products	20	19
Commercial & Residential Solutions	<u>67</u>	<u>65</u>
Corporate and other	16	9
Total	<u>\$239</u>	<u>\$221</u>

Table 6

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

	Six Months Ended	
	March 31	
	2021	2022
Sales		
Measurement & Analytical Instrumentation	\$1,430	\$1,502
Valves, Actuators & Regulators	1,642	1,699
Industrial Solutions	1,063	1,168
Systems & Software	1,350	1,373
Automation Solutions	<u>5,485</u>	<u>5,742</u>
Climate Technologies	2,191	2,504
Tools & Home Products	<u>930</u>	<u>1,024</u>

Commercial & Residential Solutions	3,121	3,528
Eliminations	(14)	(6)
Net sales	<u>\$8,592</u>	<u>\$9,264</u>
Earnings		
Automation Solutions	\$832	\$1,082
Climate Technologies	457	454
Tools & Home Products	210	210
Commercial & Residential Solutions	<u>667</u>	<u>664</u>
Stock compensation	(125)	(91)
Unallocated pension and postretirement costs	47	51
Corporate and other	(43)	(83)
Gain on subordinated interest	—	453
Interest expense, net	(78)	(90)
Earnings before income taxes	<u>\$1,300</u>	<u>\$1,986</u>
Restructuring costs		
Automation Solutions	\$76	\$13
Climate Technologies	4	3
Tools & Home Products	2	2
Commercial & Residential Solutions	<u>6</u>	<u>5</u>
Corporate	1	1
Total	<u>\$83</u>	<u>\$19</u>
The table above does not include \$7 and \$14 of costs related to restructuring actions that were reported in cost of sales and selling, general and administrative expenses for the six months ended March 31, 2021 and 2022, respectively.		
Depreciation and Amortization	\$312	\$302
Automation Solutions		
Climate Technologies	96	93
Tools & Home Products	39	39
Commercial & Residential Solutions	<u>135</u>	<u>132</u>
Corporate and other	36	18
Total	<u>\$483</u>	<u>\$452</u>

Table 7

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 March</u>	
	<u>31</u>	
	<u>2021</u>	<u>2022</u>
Pretax earnings	\$737	\$811
<i>Percent of sales</i>	16.6%	16.9%
Interest expense, net	38	52
Restructuring and related costs	21	15
Amortization of intangibles	82	76
Acquisition/divestiture costs	—	13
OSI first year acquisition accounting charges	10	—
Adjusted EBITA	\$888	\$967
<i>Percent of sales</i>	20.0%	20.2%
	<u>Quarter Ended March</u>	
	<u>31</u>	
	<u>2021</u>	<u>2022</u>
GAAP earnings per share	\$0.93	\$1.13
Restructuring and related costs	0.03	0.02
Amortization of intangibles	0.10	0.10
Acquisition/divestiture costs and interest on AspenTech debt	—	0.04
OSI first year acquisition accounting charges	0.01	—
Adjusted earnings per share	\$1.07	\$1.29

Table 8

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

Six Months Ended
March 31
2021 2022

Pretax earnings	\$1,300	\$1,986
<i>Percent of sales</i>	15.1%	21.4%
Interest expense, net	78	90
Restructuring and related costs	90	33
Amortization of intangibles	163	153
Gain on subordinated interest	—	(453)
Acquisition/divestiture costs	—	36
Gain on acquisition of full ownership of equity investment	(17)	—
OSI first year acquisition accounting charges and fees	31	—
Adjusted EBITA	\$1,645	\$1,845
<i>Percent of sales</i>	19.2%	19.9%

Six Months Ended
March 31

2021 2022

GAAP earnings per share	\$1.67	\$2.63
Restructuring and related costs	0.12	0.04
Amortization of intangibles	0.20	0.20
Gain on subordinated interest	—	(0.60)
Acquisition/divestiture costs and interest on AspenTech debt	—	0.07
Gain on acquisition of full ownership of equity investment	(0.03)	—
OSI first year acquisition accounting charges and fees	0.04	—
Adjusted earnings per share	\$2.00	\$2.34

Table 9

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

Quarter Ended March
31
2021 2022

Automation Solutions

Automation Solutions EBIT	\$471	\$556
<i>Percent of sales</i>	16.8%	18.9%
Restructuring and related costs	14	11
Amortization of intangibles	69	64
Automation Solutions EBITA	\$554	\$631
<i>Percent of sales</i>	19.8%	21.5%

Commercial & Residential Solutions

Commercial & Residential Solutions EBIT	\$357	\$365
<i>Percent of sales</i>	21.7%	19.7%
Restructuring and related costs	5	3
Amortization of intangibles	13	12
Commercial & Residential Solutions EBITA	\$375	\$380
<i>Percent of sales</i>	22.8%	20.5%

Table 10

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

	<u>Six Months Ended</u> <u>March 31</u>	
	<u>2021</u>	<u>2022</u>
Automation Solutions		
Automation Solutions EBIT	\$832	\$1,082
<i>Percent of sales</i>	15.2%	18.8%
Restructuring and related costs	78	23
Amortization of intangibles	137	129
Automation Solutions EBITA	\$1,047	\$1,234
<i>Percent of sales</i>	19.1%	21.5%

Commercial & Residential Solutions

Commercial & Residential Solutions EBIT	\$667	\$664
<i>Percent of sales</i>	21.4%	18.8%
Restructuring and related costs	8	7
Amortization of intangibles	26	24
Commercial & Residential Solutions EBITA	\$701	\$695
<i>Percent of sales</i>	22.4%	19.7%

Reconciliations of Non-GAAP Financial Measures & Other

Table 11

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts). See tables 7 through 10 for additional non-GAAP reconciliations.

Q2 2022 Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	5%	13%	8%
(Favorable) / Unfavorable FX	2%	1%	2%

Acquisitions / Divestitures	—%	—%	—%
Underlying*	7%	14%	10%

	Auto Solns	Comm & Res Solns	Emerson
Q3 2022E Underlying Sales Change			
Reported (GAAP)	4% - 6%	11% - 13%	7% - 9%
(Favorable) / Unfavorable FX	3%	2%	2%
Acquisitions / Divestitures	—%	—%	—%
Underlying*	7% - 9%	13% - 15%	9% - 11%

	Auto Solns	Comm & Res Solns	Emerson
FY 2022E Underlying Sales Change			
Reported (GAAP)	6% - 8%	11% - 13%	8% - 10%
(Favorable) / Unfavorable FX	1%	1%	1%
Acquisitions / Divestitures	—%	—%	—%
Underlying*	7% - 9%	12% - 14%	9% - 11%

	Q2 FY21	Q2 FY22	Change
Q2 Earnings Per Share			
Earnings per share (GAAP)	\$ 0.93	\$ 1.13	22%
Restructuring and related costs	0.03	0.02	(1)%
Amortization of intangibles	0.10	0.10	(3)%
Acquisition/divestiture costs and interest on AspenTech debt	—	0.04	4%
OSI purchase accounting	0.01	—	(1)%
Adjusted earnings per share*	\$ 1.07	\$ 1.29	21%

	Q3 FY22E	FY22E
Earnings Per Share		
Earnings per share (GAAP)	\$1.00 - \$1.05	\$4.77 - \$4.92
Restructuring and related costs	0.05	0.20
Amortization of intangibles	0.10	0.39
Gain on subordinated interest	—	(0.60)
Acquisition/divestiture costs and interest on AspenTech debt	0.10	0.19
Adjusted earnings per share*	\$1.25 - \$1.30	\$4.95 - \$5.10

	Q2 FY21	Q2 FY22	Change
EBIT and EBITA Margin			
Pretax margin (GAAP)	16.6%	16.9%	30 bps
Interest expense, net	0.9%	1.1%	20 bps
Restructuring and related costs	0.5%	0.3%	(20) bps
Amortization of intangibles	1.8%	1.6%	(20) bps

Acquisition/divestiture costs and interest on AspenTech debt	—%	0.3%	30 bps
OSI purchase accounting items	0.2%	—%	(20) bps
Adjusted EBITA margin*	<u>20.0%</u>	<u>20.2%</u>	<u>20 bps</u>

Automation Solutions Segment EBIT Margin

	<u>Q2 FY21</u>	<u>Q2 FY22</u>	<u>Change</u>
Automation Solutions Segment EBIT margin (GAAP)	16.8%	18.9%	210 bps
Restructuring and related costs	0.5%	0.4%	(10) bps
Amortization of intangibles impact	<u>2.5%</u>	<u>2.2%</u>	<u>(30) bps</u>
Automation Solutions Adjusted Segment EBITA margin*	19.8%	21.5%	170 bps

Commercial & Residential EBIT Margin

	<u>Q2 FY21</u>	<u>Q2 FY22</u>	<u>Change</u>
Commercial & Residential EBIT margin (GAAP)	21.7%	19.7%	(200) bps
Restructuring and related costs	0.3%	0.2%	(10) bps
Amortization of intangibles impact	<u>0.8%</u>	<u>0.6%</u>	<u>(20) bps</u>
Commercial & Residential Adjusted EBITA margin*	22.8%	20.5%	(230) bps

Q2 Cash Flow

	<u>Q2 FY21</u>	<u>Q2 FY22</u>	<u>Change</u>
Operating cash flow (GAAP)	\$ 807	\$ 442	(45)%
Capital expenditures	(100)	(109)	(8)%
Free cash flow*	<u>\$ 707</u>	<u>\$ 333</u>	<u>(53)%</u>

FY 2022E Cash Flow

	<u>FY 2022E</u>
Operating cash flow (GAAP)	~ \$3.6B
Capital expenditures	(600)M
Free cash flow*	<u>~ \$3.0B</u>

Cash Flow to Net Earnings Conversion

	<u>FY 2022E</u>
Operating cash flow to net earnings (GAAP)	~ 120%
Capital expenditures	(20)%
Free cash flow to net earnings*	<u>~ 100%</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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