

Emerson Q2 Earnings Conference Call

May 5, 2021

Emerson's DeltaV control platform, installed at over 3000 life science facilities worldwide, helps customers ensure quality, compliance, and optimize research and production of critical medicines and vaccines.



Safe Harbor Statement

Statements in this presentation and our commentary and responses to questions 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 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.

Non-GAAP Measures

*In this call we will discuss some non-GAAP measures (denoted with *) in talking about our company's performance, and the reconciliation of those measures to the most comparable GAAP measures is contained within this presentation or available at our website www.Emerson.com under Investors.*

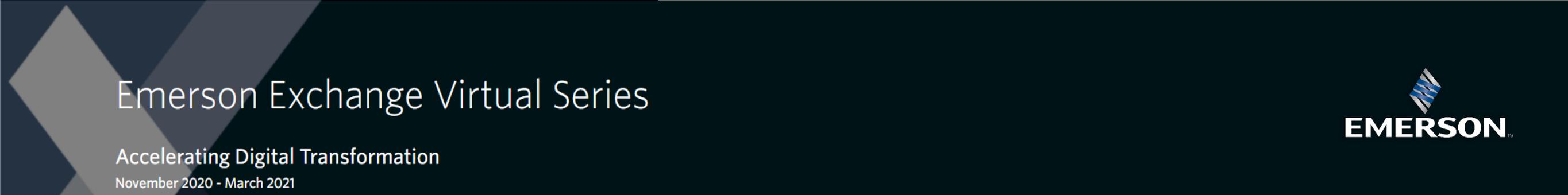
Emerson's latest ESG report will be published in June, highlighting our goals, momentum, and references to multiple global standards



<i>Greening <u>OF</u> Emerson</i>	<i>Greening <u>BY</u> Emerson</i>	<i>Greening <u>WITH</u> Emerson</i>
How we improve our internal environmental sustainability performance	How we support and enable our customers' decarbonization and environmental sustainability efforts	How we foster collaboration among stakeholders
		
<ul style="list-style-type: none"> ▼ GREENHOUSE GAS (GHG) EMISSIONS ▼ ENERGY CONSUMPTION ▼ WATER MANAGEMENT 	Implementing EMERSON TECHNOLOGIES, SOLUTIONS AND EXPERTISE	<ul style="list-style-type: none"> Participating in LEADING SUSTAINABILITY INDUSTRY FORUMS Partnering with academic institutions to DRIVE SUSTAINABLE INNOVATION Engaging with governments globally to SUPPORT SUSTAINABILITY-RELATED POLICIES AND REGULATIONS



The Emerson Global User Exchange Virtual Series has expanded our engagement with customers on key digital and sustainability topics



Attendees

Expanding Customer Engagement

Roadmaps & Presentations

Addressing Industry Dynamics

Keynotes & Case Studies

Users Sharing Best Practice With Users

12,000+
Registered Attendees

Digital Transformation & Sustainability

130+
User Case Studies

Technology Roadmaps
Over 40 Emerson technology roadmaps

Product Demonstrations & Expo Booths
Over 20,000 visits

Dedicated Expert Engagement
Over 250 Emerson expert consultative meetings

50%

Customers new to Exchange in 2021

100+

Countries



Q2 Performance and Updated Guidance

Q2 2021 results - Strong operating performance as end markets recover and cost reset savings flow through

Orders and sales continue to improve, reflecting recovery of end markets:

underlying sales* up 2% - ahead of expectations, orders up 4% - near top end of guidance range

- Automation Solutions underlying sales* down 2%, orders down 5%
- Commercial & Residential Solutions underlying sales* up 11%; orders up 21%

Strong segment margin improvement, despite material cost inflation

- Adjusted Segment EBIT* up 15% to \$847M
- Adjusted Segment EBIT margin* up 150 basis points to 19.1%

Strong cash flow generation

- Operating cash flow \$807 million, up 37% y/y
- Free cash flow* \$707 million, up 48% y/y, representing 125% conversion* of net earnings

Continued cost reset initiatives

- Initiated \$21 million of restructuring actions to drive long-term savings benefits

	2020	EPS	2021
GAAP	\$0.84	↑ 11%	\$0.93
ADJ*	\$0.89	↑ 9%	\$0.97

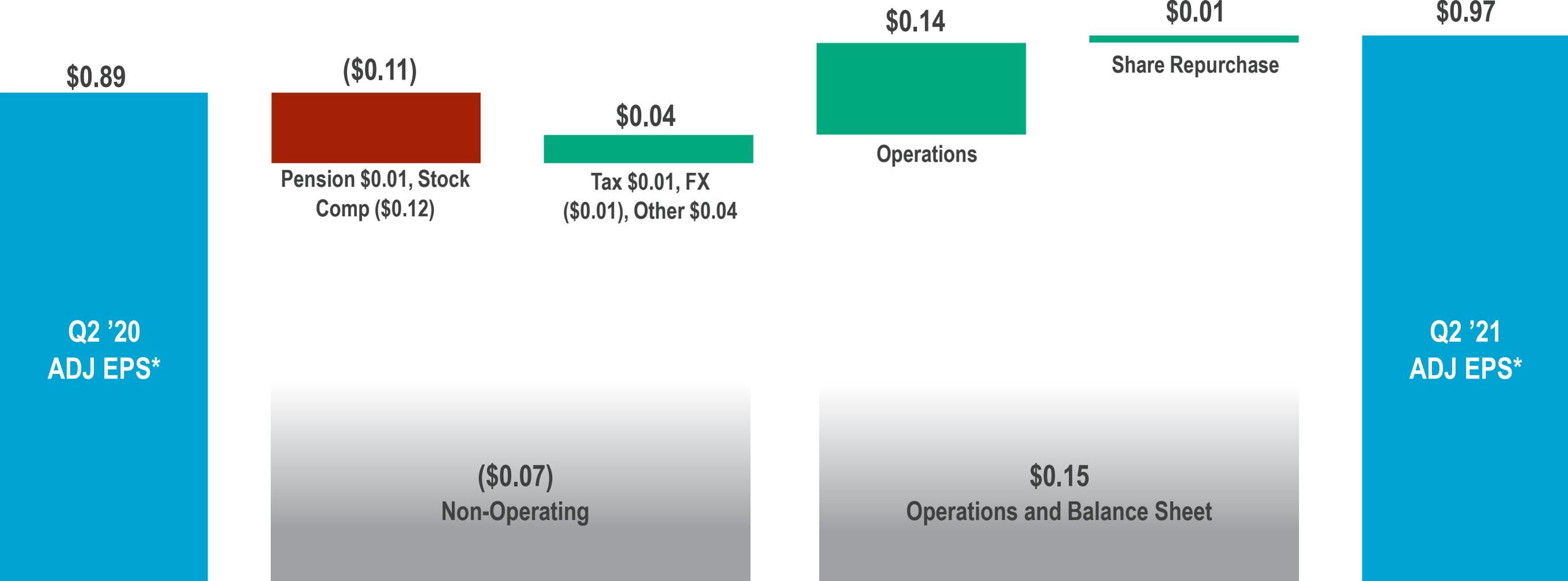
NET SALES	
	↑ 6%

Year	Underlying Sales*
2020	\$4.2B
2021	\$4.4B

T3M Underlying Orders	
Jan	(3%)
Feb	(2%)
Mar	4%

Note: All orders data is March trailing three month underlying

Q2 2020 to Q2 2021 adjusted EPS bridge - Strong operational performance partially offset by other headwinds



Second quarter P&L summary

(\$M, EXCEPT EPS)	2020	2021	Change	
Sales	\$4,162	\$4,431	6%	Underlying sales of 2%*
Gross profit	\$1,750	\$1,862		Primarily driven by business mix
% of sales	42.1%	42.0%	(10) bps	
SG&A expense	(\$983)	(\$1,054)	7%	Ongoing cost reset actions largely offset by 230 bps unfavorable impact of mark-to-market compensation plan, resulting from prior year pandemic-related price decline.
% of sales	23.7%	23.8%		
EBIT*	\$725	\$775	7%	
% of sales*	17.4%	17.5%	10 bps	
Adj EBIT*	\$765	\$806	5%	Excludes restructuring of \$40 and \$21 in 2020 and 2021, respectively, and OSI purchase accounting in 2021
% of sales*	18.4%	18.2%	(20) bps	
Tax Rate	24.0%	23.0%		
Shares	611	603		
Adjusted EPS*	\$0.89	\$0.97	9%	

Earnings & cash flow

(\$M)	2020	2021	Change	
Adjusted Segment EBIT*	\$736	\$847	15%	Volume leverage and cost reset benefits drove strong margin expansion , despite material cost headwinds in Commercial & Residential Solutions
% of sales*	17.6%	19.1%	150 bps	
Stock compensation	\$38	(\$61)	(\$99)	Negative impact of mark-to-market on stock comp: (\$99), (230 bps).
Corporate pension and OPEB	\$12	\$23	\$11	
Adjusted corporate and other*	(\$21)	(\$3)	\$18	
Interest expense, net	(\$36)	(\$38)	(\$2)	
Adjusted pretax earnings*	\$729	\$768	5%	
% of sales*	17.5%	17.3%	(20) bps	
Operating cash flow	\$588	\$807	37%	Earnings and balance sheet favorability: 125% FCF conversion of net earnings*
Capital expenditures	(\$111)	(\$100)		
Free cash flow*	\$477	\$707	48%	
Trade working capital	\$3,169	\$2,973		
% of sales	19.0%	16.8%		

Q2 2021

Emerson Automation Solutions

UNDERLYING SALES CHANGE VS. PY

Americas	(12%)
Europe	6%
Asia, Middle East & Africa	9%
Automation Solutions	(2%)
FX Impact	3 Pts
Acq Impact	2 Pts
Reported Net Sales	3%

Asia, Middle East & Africa sales grew by 9%, driven by China which increased by 42% due to discrete, chemical, and energy demand recovery, and comparisons. Europe grew 6%, driven by strength in discrete markets, power, and biofuels

North American demand improved sequentially, but remained subdued across most process automation industries. However growth in discrete industries, life sciences, medical, food & beverage, and power remained robust

OSI integration and revenue synergy plans progressing well

Restructuring and related actions totaled \$14M across the platform

Adj EBIT* and Adj EBITDA* margins expanded by 180 bps and 230 bps

Backlog remained steady at \$5.3B compared to prior quarter, but is up 14% YTD

REPORTED NET SALES

↑ 3%

\$2,709M

\$2,793M

Underlying Sales* (2%)

15.5% Adj EBIT%* 17.3%

20.6% Adj EBITDA%* 22.9%

2020

2021

T3M Underlying Orders

Jan (12%)

Feb (9%)

Mar (5%)



Q2 2021

Emerson Commercial & Residential Solutions

UNDERLYING SALES CHANGE VS. PY

Americas	8%
Europe	9%
Asia, Middle East & Africa	24%
Commercial & Residential Solutions	11%
FX Impact	2 Pts
Acq Impact	-
Reported Net Sales	13%

All regions and all businesses showed positive growth

Asia, Middle East & Africa sales surged 24%, driven by China which grew 56% due to strong commercial HVAC and cold chain demand. The Americas grew 8% with ongoing strength in residential HVAC and home products, and accelerating growth in cold chain and professional tools. Europe grew by 9% with ongoing demand for heat pump and energy efficient appliance technologies

Adj EBIT* margin up 40 bps, as cost reduction activities took effect

Restructuring and related actions totaled \$5M across the platform.

Backlog increased sequentially by ~\$200M to end the quarter at record of ~\$1.0B, and is up 58% YTD

REPORTED NET SALES

↑ 13%

\$1,458M

\$1,645M

Underlying Sales* 11%

21.6% Adj EBIT%* 22.0%

26.1% Adj EBITDA%* 26.0%

2020

2021

T3M Underlying Orders

Jan 16%

Feb 14%

Mar 21%



Updated 2021 guidance

	Feb 16th, 2021	May 5, 2021
Net Sales Growth	4% – 8%	6% – 9%
Acquisition	1 pt	1 pt
FX	3 pts	2 pts
Underlying Sales* Growth	flat – 4%	3% – 6%
Automation Solutions	(3%) – 1%	(1%) – 1%
Commercial & Residential Sols.	8% – 10%	12% – 14%
Adj EBIT*	~17.0%	~17.5%
Adj EBITDA*	~22.5%	22.5%+
Restructuring Actions	~\$200M	~\$200M
Tax Rate	~22%	~22%
Operating Cash Flow	~\$3.15B	~\$3.3B
Capital Spend	~\$600M	~\$600M
Free Cash Flow*	~\$2.55B	~\$2.7B
Dividend	~\$1.2B	~\$1.2B
Share Repurchase / M&A ¹	\$500M – \$1.0B	\$500M – \$1.0B
GAAP EPS	\$3.39 +/- \$0.10	\$3.60 +/- \$0.05
Adjusted EPS*	\$3.70 +/- \$0.10	\$3.90 +/- \$0.05

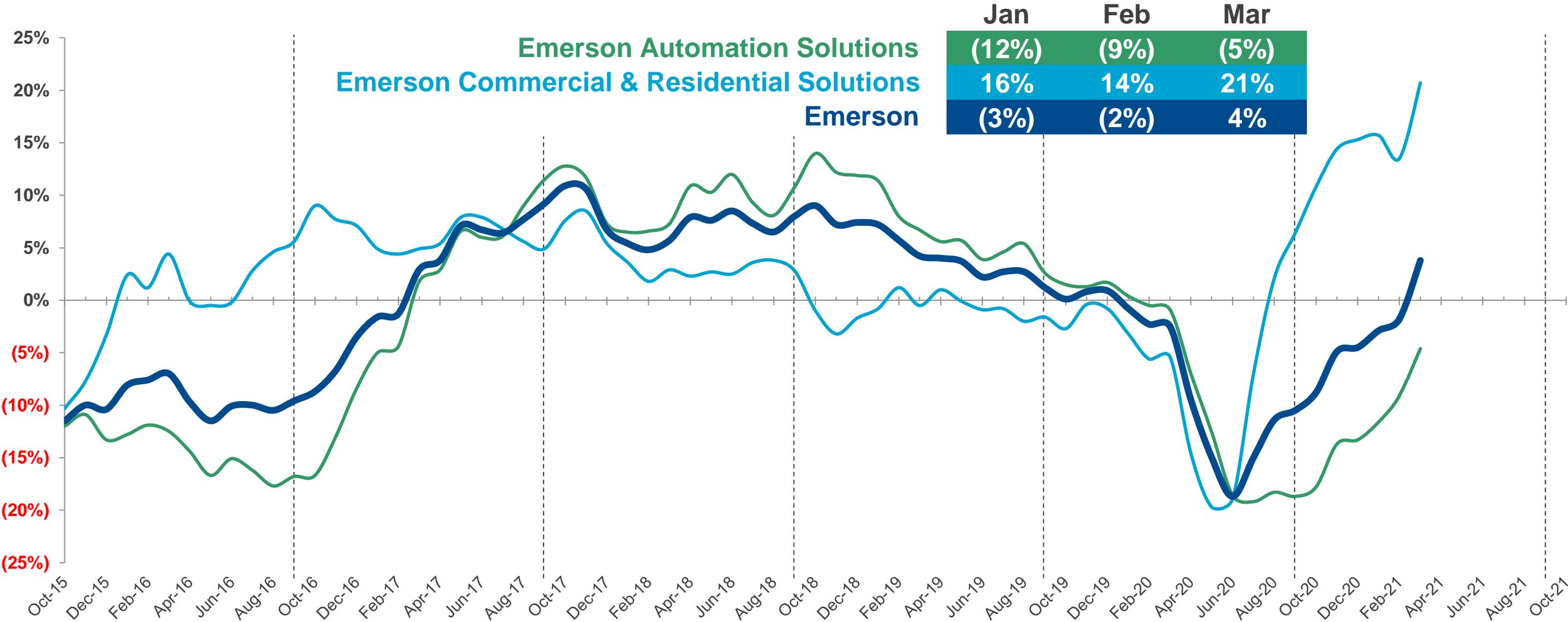
Updated Profit Items:

- Unfavorable Price-cost (~\$25M) to (~\$75M)
- Unfavorable Stock Compensation (~\$80M) to (~\$100M)
- Favorable COVID Related Costs (~\$40M) to (~\$30M)



Note 1: OSI Inc. closed on Oct. 1, 2020, the first day of the fiscal year

Emerson trailing three month underlying orders vs. prior year – Expect continued demand improvement in H2

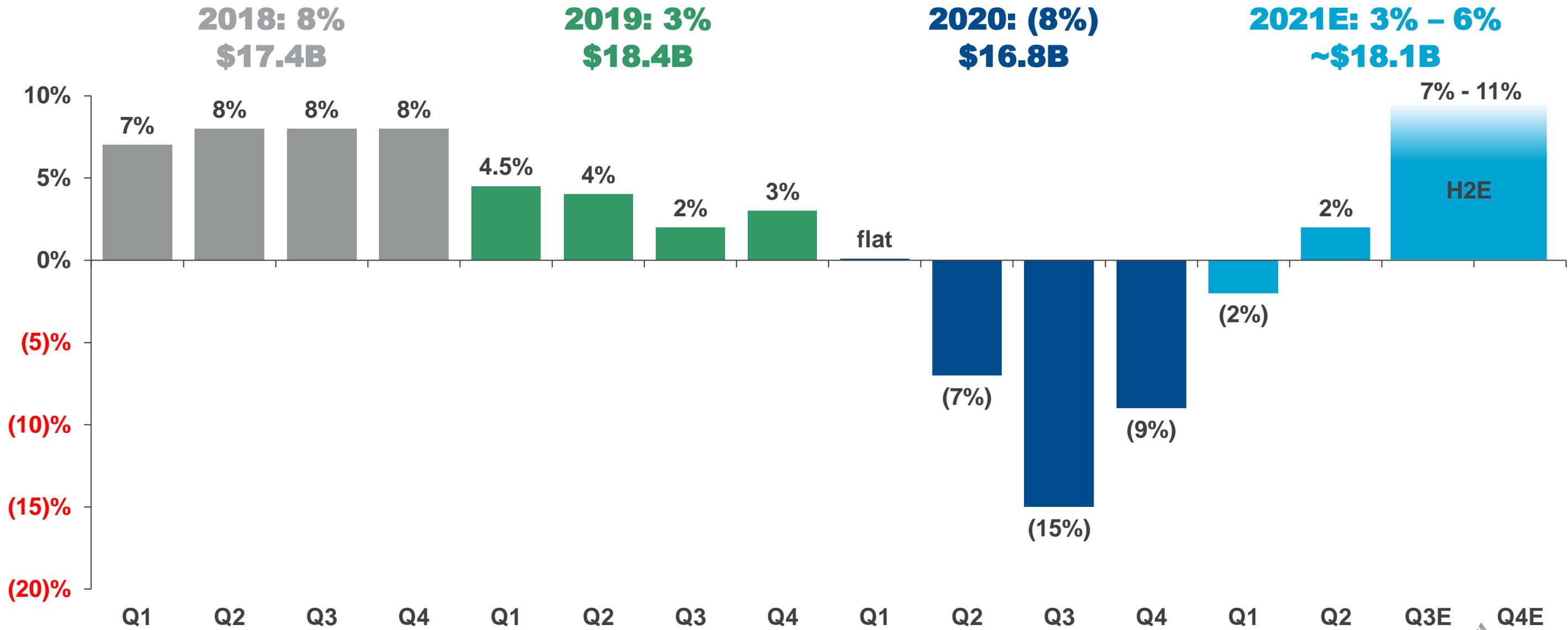


Orders data includes the Valves & Controls acquisition results in all periods presented, including on a pro forma basis for periods prior to the acquisition close April 28, 2017.



Emerson

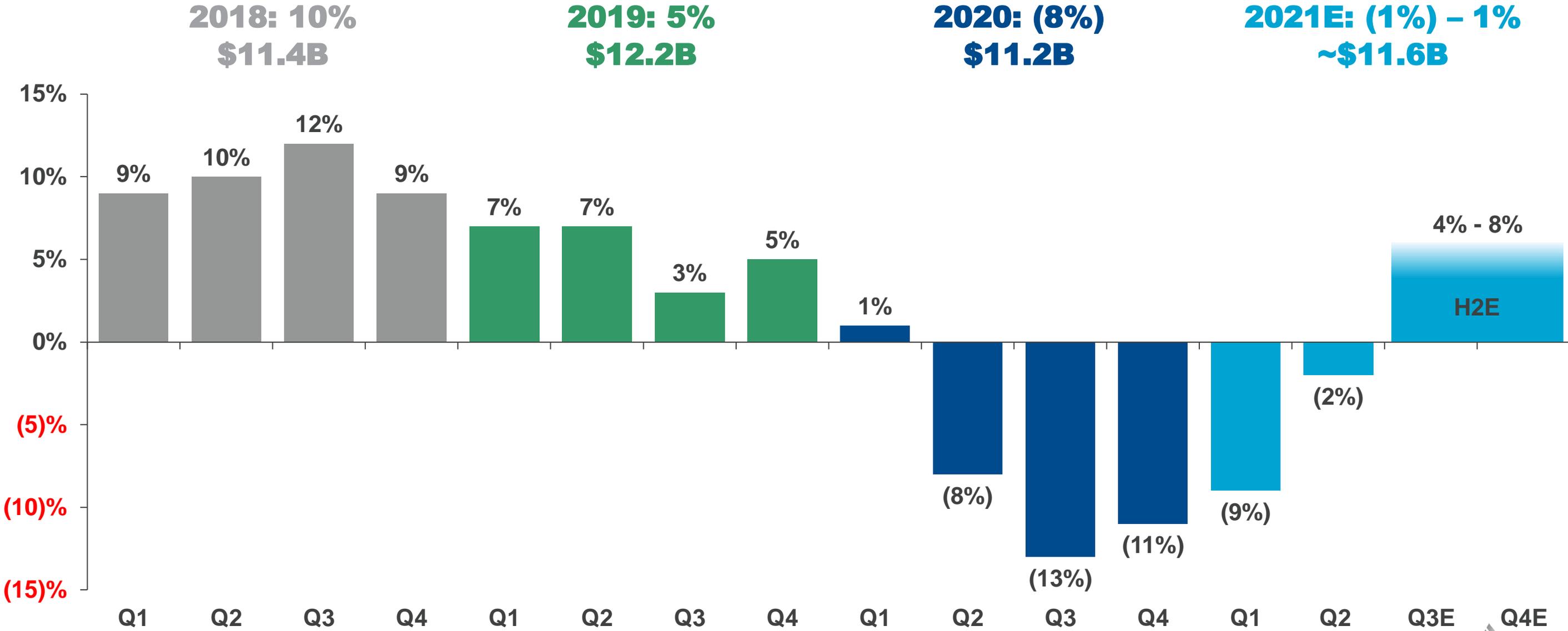
Underlying sales growth outlook



Note: 2018-2020 sales dollars are reported GAAP, 2021E is forecast and includes OSI acquisition

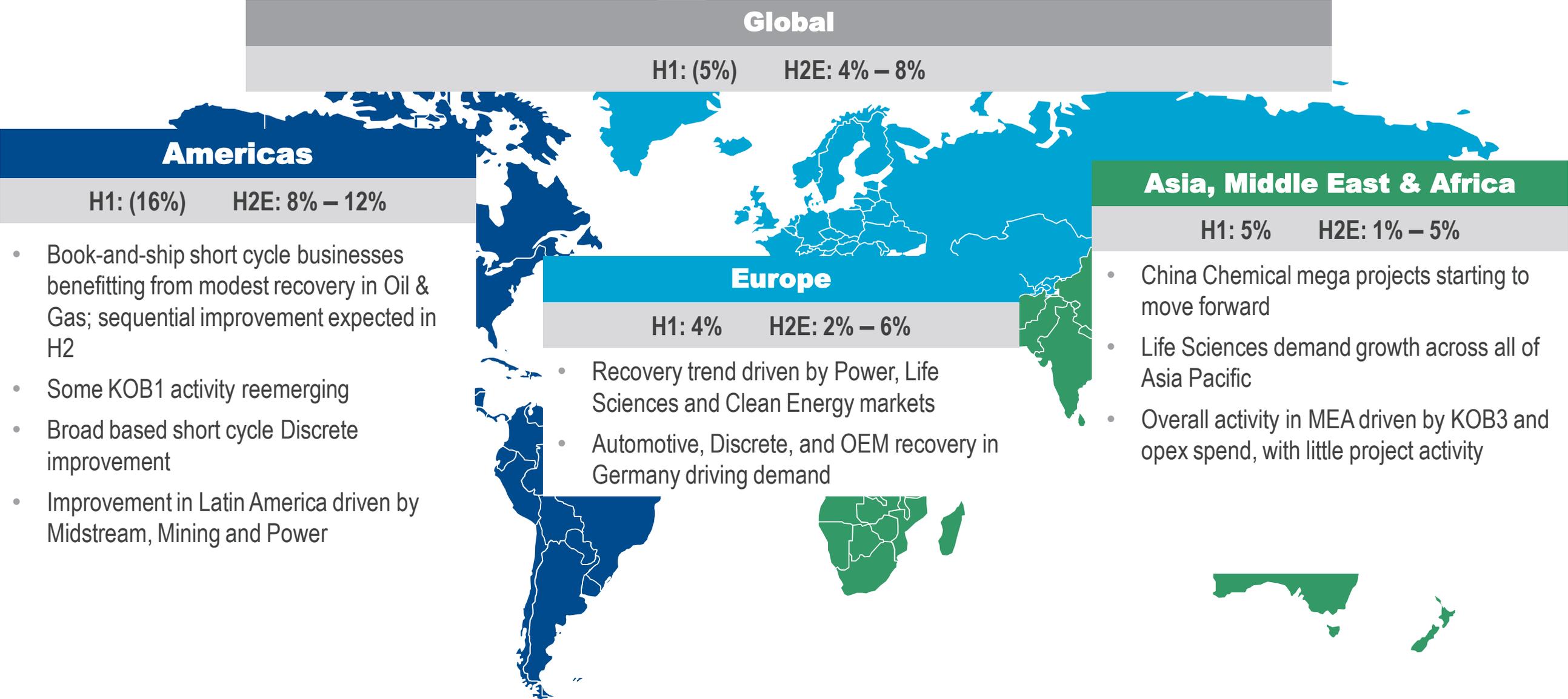
Emerson Automation Solutions

Underlying sales growth outlook



Note: 2018-2020 sales dollars are reported GAAP, 2021E is forecast and includes OSI acquisition

Automation Solutions H2 expected to sequentially improve as world areas continue recovery from the COVID induced recession



- Book-and-ship short cycle businesses benefitting from modest recovery in Oil & Gas; sequential improvement expected in H2
- Some KOB1 activity reemerging
- Broad based short cycle Discrete improvement
- Improvement in Latin America driven by Midstream, Mining and Power

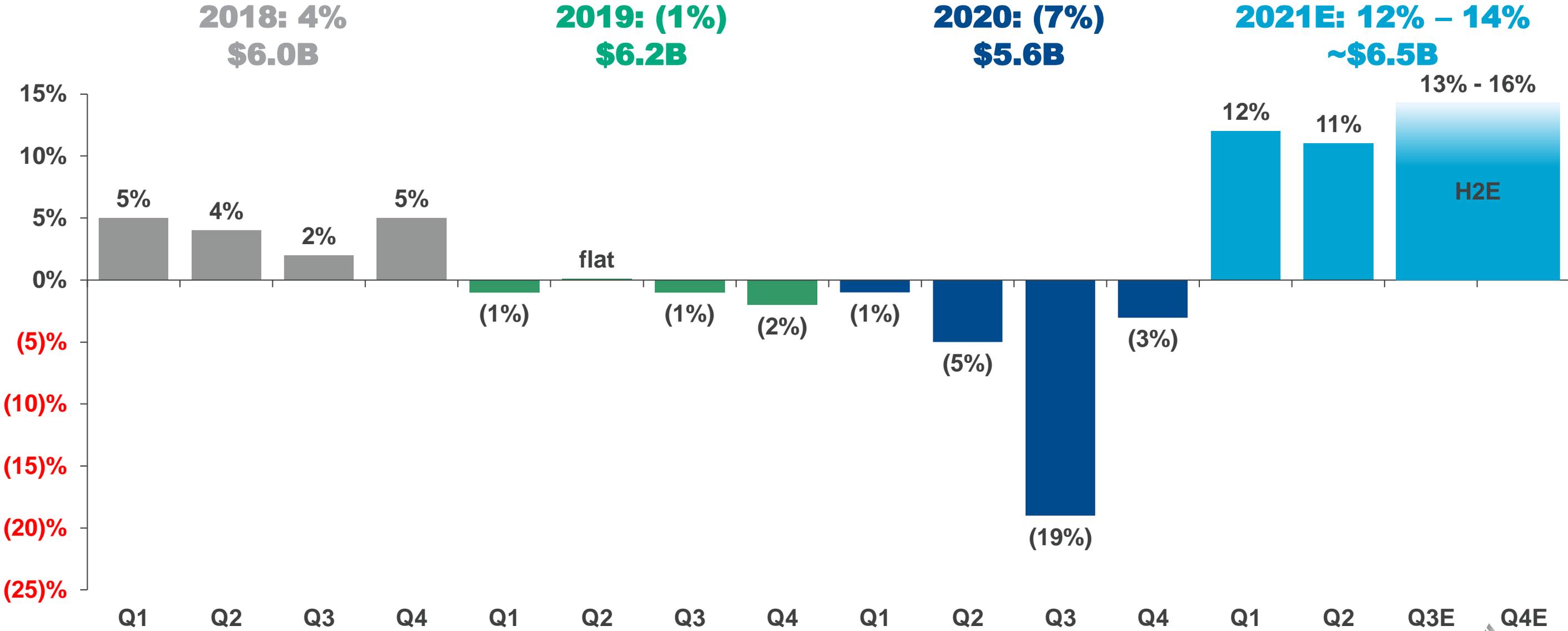
- Recovery trend driven by Power, Life Sciences and Clean Energy markets
- Automotive, Discrete, and OEM recovery in Germany driving demand

- China Chemical mega projects starting to move forward
- Life Sciences demand growth across all of Asia Pacific
- Overall activity in MEA driven by KOB3 and opex spend, with little project activity

Note: all percentages represent sales growth versus prior year

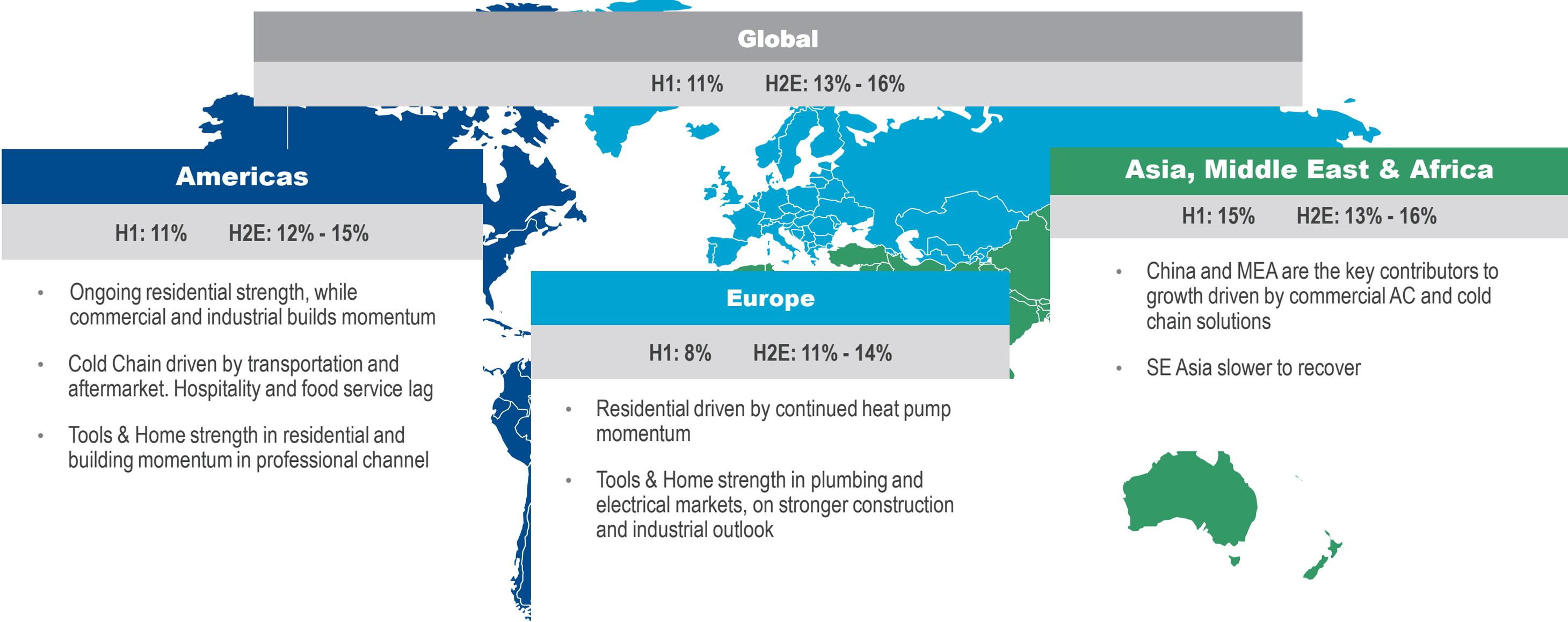
Emerson Commercial & Residential Solutions

Underlying sales growth outlook



Note: 2018-2020 sales dollars are reported GAAP, 2021E is forecast

Commercial & Residential Solutions H2 should have balanced strength across world areas as commercial and industrial markets gain momentum



Note: all percentages represent sales growth versus prior year

Q&A

Reconciliation of Non-GAAP Measures

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure. (dollars in millions, except per share amounts)

Q2 2021 Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	3%	13%	6%
(Favorable) / Unfavorable FX	(3)%	(2)%	(3)%
Acquisitions / Divestitures	(2)%	- %	(1)%
Underlying*	(2)%	11%	2%

FY 2021E Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	3% - 5%	14% - 16%	6% - 9%
(Favorable) / Unfavorable FX	~ (3) %	~ (2) %	~ (2) %
Acquisitions / Divestitures	~ (1) %	~ - %	~ (1) %
Underlying*	(1)% - 1%	12% - 14%	3% - 6%

FY 2021E February 16 th Guidance Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	2% - 6%	10% - 12%	4% - 8%
(Favorable) / Unfavorable FX	~ (3) %	~ (2) %	~ (3)%
Acquisitions / Divestitures	~ (2) %	- %	~ (1)%
Underlying*	(3)% - 1%	8% - 10%	0% - 4%

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EBIT	Q2 FY20	Q2 FY21	Change	
Pretax earnings (GAAP)	\$ 689	\$ 737	7%	
Interest expense, net	36	38	-%	
Earnings before interest and taxes*	\$ 725	\$ 775	7%	
Restructuring and related costs	40	21	(3)%	
OSI purchase accounting items	-	10	1%	
Adjusted earnings before interest and taxes*	\$ 765	\$ 806	5%	

EBIT Margin	Q2 FY20	Q2 FY21	Change	FY21E
Pretax margin (GAAP)	16.6%	16.6%	- bps	~ 15.5%
Interest expense, net	0.8%	0.9%	10 bps	1.0%
EBIT margin*	17.4%	17.5%	10 bps	~ 16.5%
Restructuring	1.0%	0.5%	(50) bps	1.0%
OSI purchase accounting items	-%	0.2%	20 bps	0.1%
Equity investment gain	-%	-%	- bps	(0.1)%
Adjusted EBIT margin*	18.4%	18.2%	(20) bps	~ 17.5%
Depreciation and amortization expense				5.0%
Adjusted EBITDA margin*				~ 22.5%+

FY21E February 16th Guidance Adjusted EBITDA Margin	FY21E
Pretax margin (GAAP)	~15%
Interest expense, net	1%
EBIT margin*	~16%
Restructuring and related costs	1%
Adjusted EBIT margin*	~17%
Depreciation and amortization	5.5%
Adjusted EBITDA margin*	~22.5%

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Q2 Earnings Per Share	Q2 FY20	Q2 FY21	Change
Earnings per share (GAAP)	\$ 0.84	\$ 0.93	11%
Restructuring	0.05	0.03	(3)%
OSI purchase accounting items	-	0.01	1%
Adjusted earnings per share*	\$ 0.89	\$ 0.97	9%

Earnings Per Share	FY21E Feb 16th Guidance	FY21E May Guidance
Earnings per share (GAAP)	\$3.29 - \$3.49	\$3.55 - \$3.65
Restructuring and related costs	~ 0.27	~ 0.26
OSI purchase accounting charges and fees	~ 0.07	~ 0.07
Equity investment gain	~ (0.03)	~ (0.03)
Adjusted earnings per share*	\$3.60 - \$3.80	\$3.85 - \$3.95

Business Segment EBIT	Q2 FY20	Q2 FY21	Change
Pretax earnings (GAAP)	\$ 689	\$ 737	7%
Corp. items and interest expense, net	8	91	12%
Business segment EBIT*	697	828	19%
Restructuring and related costs	39	19	(4)%
Adjusted business segment EBIT*	\$ 736	\$ 847	15%

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	<u>Q2 FY20</u>	<u>Q2 FY21</u>	<u>Change</u>
Business Segment EBIT Margin			
Pretax margin (GAAP)	16.6%	16.6%	- bps
Corp. items and interest expense, net % of sales	0.1%	2.0%	190 bps
Business segment EBIT margin*	16.7%	18.6%	190 bps
Restructuring and related costs % of sales	0.9%	0.5%	(40) bps
Adjusted business segment EBIT margin*	17.6%	19.1%	150 bps
Pretax Earnings	<u>Q2 FY20</u>	<u>Q2 FY21</u>	<u>Change</u>
Pretax earnings (GAAP)	\$ 689	\$ 737	7%
Restructuring and related costs	40	21	(3)%
OSI purchase accounting charges	-	10	1%
Adjusted pretax earnings*	\$ 729	\$ 768	5%
Corporate and Other	<u>Q2 FY20</u>	<u>Q2 FY21</u>	<u>Change</u>
Corporate and other (GAAP)	\$ (22)	\$ (15)	\$ 7
Restructuring and related costs	1	2	1
OSI purchase accounting charges	-	10	10
Adjusted Corporate and other*	\$ (21)	\$ (3)	\$ 18
Pretax Margin	<u>Q2 FY20</u>	<u>Q2 FY21</u>	<u>Change</u>
Pretax margin (GAAP)	16.6%	16.6%	- bps
Restructuring and related costs	0.9%	0.5%	(40) bps
OSI purchase accounting charges	-%	0.2%	20 bps
Adjusted pretax margin*	17.5%	17.3%	(20) bps

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Automation Solutions Segment EBIT Margin

	Q2 FY20	Q2 FY21	Change
Automation Solutions Segment EBIT margin (GAAP)	14.4%	16.8%	240 bps
Restructuring and related costs	1.1%	0.5%	(60) bps
Automation Solutions Adjusted Segment EBIT margin*	15.5%	17.3%	180 bps
Depreciation / amortization	5.1%	5.6%	50 bps
Automation Solutions Adjusted Segment EBITDA margin*	20.6%	22.9%	230 bps

Commercial & Residential Solutions EBIT Margin

	Q2 FY20	Q2 FY21	Change
Com & Res Sols EBIT margin (GAAP)	21.0%	21.7%	70 bps
Restructuring and related costs	0.6%	0.3%	(30) bps
Com & Res Sols Adjusted EBIT margin*	21.6%	22.0%	40 bps
Depreciation / amortization	4.5%	4.0%	(50) bps
Com & Res Sols Adjusted Segment EBITDA margin*	26.1%	26.0%	(10) bps

Cash Flow

	Q2 FY20	Q2 FY21	Change	FY21E Feb 16 th Guidance	FY2021E May Guidance
Operating cash flow (GAAP)	\$ 588	\$ 807	37%	~ \$3.15B	~ \$3.3B
Capital expenditures	(111)	(100)	11%	~ (600)	~ (600)
Free cash flow*	\$ 477	\$ 707	48%	~ \$2.55B	~ \$2.7B

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Cash Flow to Net Earnings Conversion

	<u>Q2 FY21</u>
Operating cash flow conversion (GAAP)	142%
Capital expenditures	(17)%
Free cash flow conversion*	<u>125%</u>

Emerson FY 2018 Underlying Sales

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY18</u>
Sales (GAAP)	19%	19%	10%	10%	14%
FX / Acq / Div	(12)%	(11)%	(2)%	(2)%	(6)%
Underlying*	<u>7%</u>	<u>8%</u>	<u>8%</u>	<u>8%</u>	<u>8%</u>

Emerson FY 2019 Underlying Sales

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY19</u>
Sales (GAAP)	9%	8%	5%	2%	6%
FX / Acq / Div	(4.5)%	(4)%	(3)%	1%	(3)%
Underlying*	<u>4.5%</u>	<u>4%</u>	<u>2%</u>	<u>3%</u>	<u>3%</u>

Emerson FY 2020 Underlying Sales

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY20</u>
Sales (GAAP)	-%	(9)%	(16)%	(8)%	(9)%
FX / Acq / Div	-%	2%	1%	(1)%	1%
Underlying*	<u>- %</u>	<u>(7)%</u>	<u>(15)%</u>	<u>(9)%</u>	<u>(8)%</u>

Emerson FY 2021E Underlying Sales

	<u>Q1</u>	<u>Q2</u>	<u>H2 FY21E</u>	<u>FY21E</u>
Sales (GAAP)	- %	6%	10% - 14%	6% - 9%
FX / Acq / Div	(2)%	(4)%	~ (3)%	~ (3)%
Underlying*	<u>(2)%</u>	<u>2%</u>	<u>7% - 11%</u>	<u>3% - 6%</u>

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(dollars in millions, except per share amounts)

Automation Solutions FY 2018 Underlying Sales

	Q1	Q2	Q3	Q4	FY18
Sales (GAAP)	31%	31%	18%	11%	21%
FX / Acq / Div	(22)%	(21)%	(6)%	(2)%	(11)%
Underlying*	9%	10%	12%	9%	10%

Automation Solutions FY 2019 Underlying Sales

	Q1	Q2	Q3	Q4	FY19
Sales (GAAP)	9%	9%	5%	4%	7%
FX / Acq / Div	(2)%	(2)%	(2)%	1%	(2)%
Underlying*	7%	7%	3%	5%	5%

Automation Solutions FY 2020 Underlying Sales

	Q1	Q2	Q3	Q4	FY20
Sales (GAAP)	2%	(10)%	(14)%	(11)%	(9)%
FX / Acq / Div	(1)%	2%	1%	-%	1%
Underlying*	1%	(8)%	(13)%	(11)%	(8)%

Automation Solutions FY 2021E Underlying Sales

	Q1	Q2	H1	H2 FY21E	FY21E
Sales (GAAP)	(6)%	3%	(1)%	9% - 13%	3% - 5%
FX / Acq / Div	(3)%	(5)%	(4)%	~ (5)%	~ (4)%
Underlying*	(9)%	(2)%	(5)%	4% - 8%	(1)% - 1%

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Reconciliation of Non-GAAP Measures

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure.
(dollars in millions, except per share amounts)

Commercial & Residential Solutions FY 2018 Underlying Sales	Q1	Q2	Q3	Q4	FY18
Sales (GAAP)	-%	2%	(1)%	7%	6%
FX / Acq / Div	5%	2%	3%	(2)%	(2)%
Underlying*	5%	4%	2%	5%	4%
Commercial & Residential Solutions FY 2019 Underlying Sales	Q1	Q2	Q3	Q4	FY19
Sales (GAAP)	7%	5%	4%	(3)%	3%
FX / Acq / Div	(8)%	(5)%	(5)%	1%	(4)%
Underlying*	(1)%	0%	(1)%	(2)%	(1)%
Commercial & Residential Solutions FY 2020 Underlying Sales	Q1	Q2	Q3	Q4	FY20
Sales (GAAP)	(3)%	(7)%	(20)%	(3)%	(9)%
FX / Acq / Div	2%	2%	1%	-%	2%
Underlying*	(1)%	(5)%	(19)%	(3)%	(7)%
Commercial & Residential Solutions FY 2021E Underlying Sales	Q1	Q2E	H1	H2 FY21E	FY21E
Sales (GAAP)	13%	13%	13%	15% - 18%	14% - 16%
FX / Acq / Div	(1)%	(2)%	(2)%	~ (2)%	~ (2)%
Underlying*	12%	11%	11%	13% - 16%	12% - 14%

References to trailing 3-month or T3M orders in this presentation refer to the Company's trailing three-month average orders growth versus the prior year, excluding acquisitions and divestitures

References to underlying orders in this presentation refer to the Company's trailing three-month average orders growth versus the prior year, excluding currency, acquisitions and divestitures

References to underlying sales in this presentation exclude the impact of acquisitions, divestitures and currency translation.