



# Emerson Q3 Earnings Conference Call

August 4, 2021

*Emerson recently released the PAC Edge industrial edge control platform designed to help discrete and hybrid manufacturers accelerate digital transformation projects by enabling users to quickly create and scale up performance-improving applications*



## 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.*

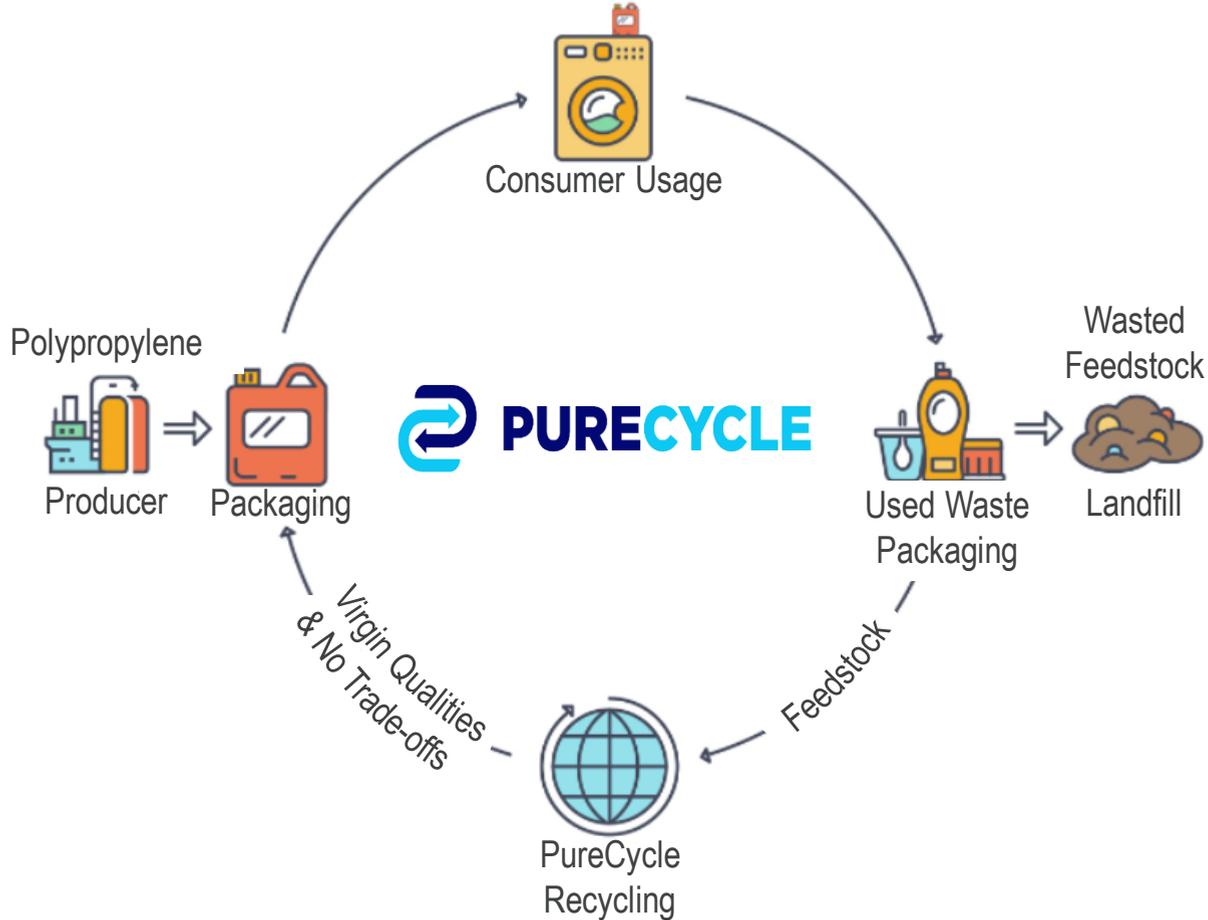
---

## 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](http://www.Emerson.com) under Investors.*

# ESG Moment: GREENING BY Emerson

Emerson and PureCycle Technologies sign multi-year global agreement for digital technologies and services to enable large scale recycling of a very common, but rarely recycled, type of plastic



Emerson's Chief Sustainability Officer, Mike Train with Dustin Olson, PureCycle's Chief Manufacturing Officer

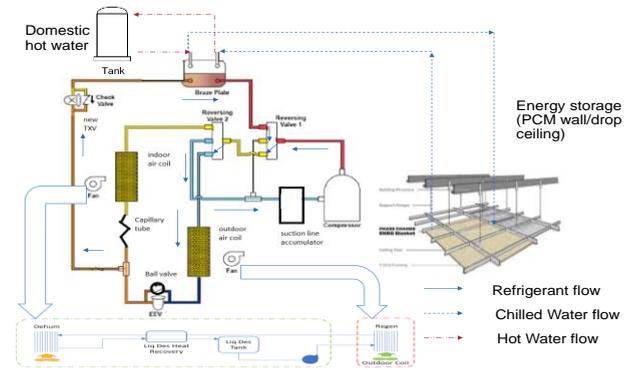
Emerson's Plantweb™ digital ecosystem was chosen for the breadth of digital solutions, including intelligent sensors and control valves, advanced operations software and systems, cloud data management and analytics to enable PureCycle's novel polypropylene recycling technologies

# ESG Moment: GREENING WITH Emerson

## Collaboration with the Department of Energy (DOE) at The Helix Innovation Center is advancing next generation HVACR technologies and applications

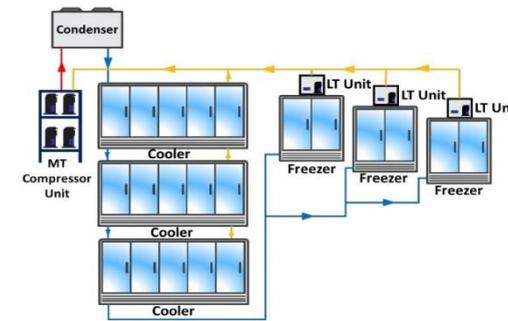
### Driving residential integrated heat pump into expanded geographies and applications

- Broadened addressable market due to expansion in both air and water heating



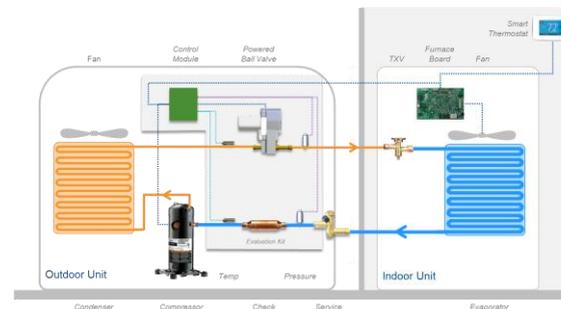
### New food retail refrigeration architecture: Scroll Booster

- Unique Emerson IP enables stores to achieve 10% -15% energy reduction while using low Global Warming Potential (GWP) refrigerants



### Enabler for next generation commercial air conditioning

- Refrigerant charge optimization and leak detection provides visibility and lower energy usage



Oak Ridge National Laboratory delivers scientific discoveries and technical breakthroughs to realize solutions in energy and national security, and ultimately scale economic benefits to the nation



# Q3 Performance and Operations Update

---

# Q3 2021 results – Strong operating performance as end markets recover, volume returned, and cost reset savings flowed through

**Orders and sales continued to improve, reflecting ongoing recovery of key end markets:** underlying sales\* up 15%, ahead of expectations, trailing three month underlying orders up 26%

- Automation Solutions underlying sales\* up 8%, orders up 17%
- Commercial & Residential Solutions underlying sales\* up 29%; orders up 43%

## Strong margin improvement, despite material cost inflation headwinds

- Adjusted Segment EBIT\* up 40% to \$921M
- Adjusted Segment EBIT margin\* up 280 basis points to 19.6%

## Robust cash flow generation

- Operating cash flow \$1.1B (up 31%), YTD \$2.7B (up 47%)
- Free cash flow\* \$977M (up 32%), representing 154% conversion\* of net earnings

## Continued cost reset initiatives

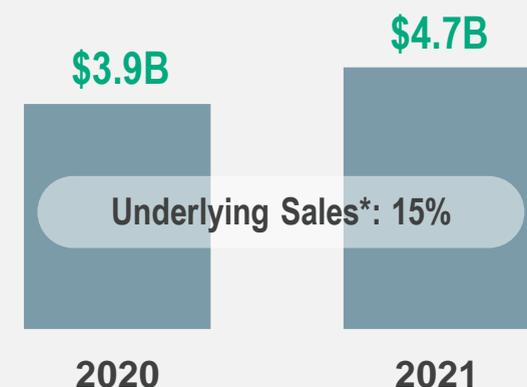
- Initiated \$32M of restructuring actions to drive long-term savings benefits

Note: All orders data is June trailing three month underlying

	2020	EPS	2021
GAAP	\$0.67	↑ 55%	\$1.04
ADJ*	\$0.80	↑ 36%	\$1.09

## NET SALES

↑ 20%

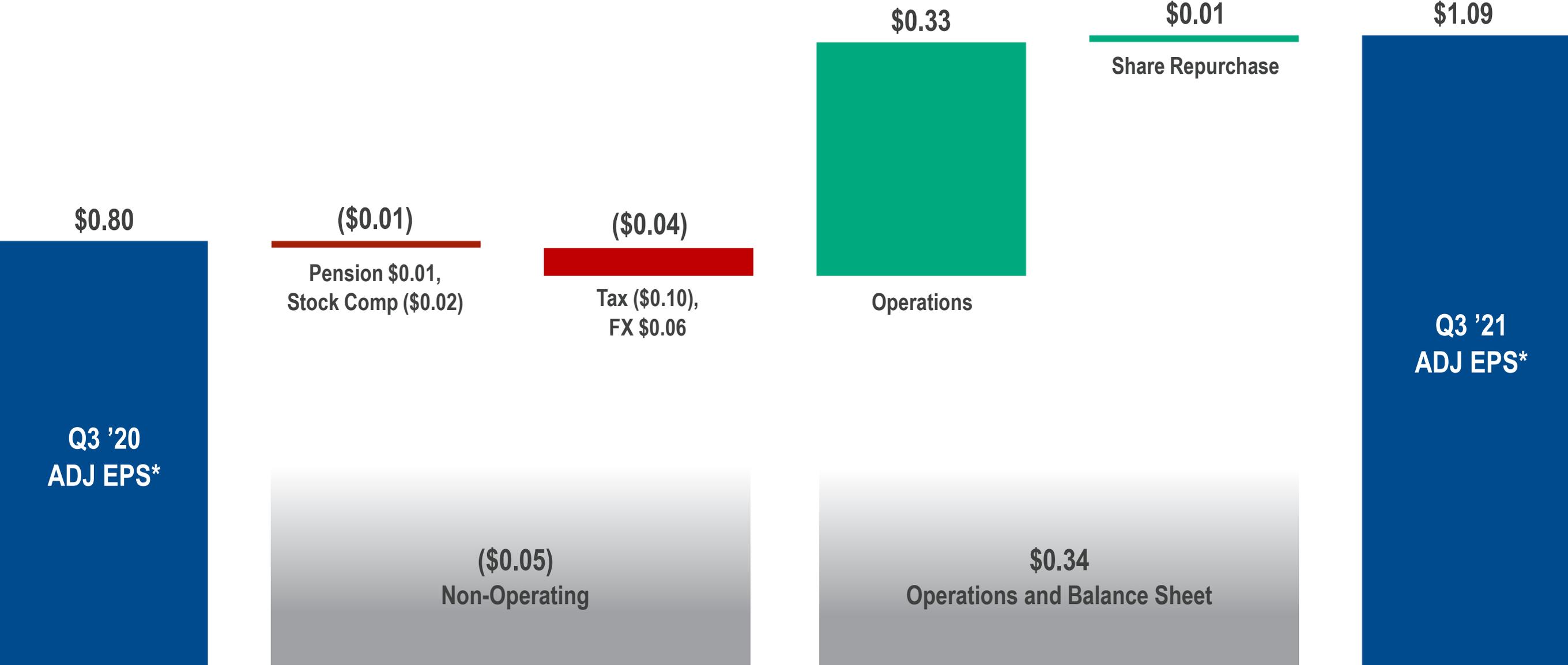


## T3M Underlying Orders

Apr	14%
May	21%
June	26%



# Q3 2020 to Q3 2021 adjusted EPS bridge - Strong operational performance slightly offset by other headwinds



## Third quarter P&L summary

<b>(\$M, EXCEPT EPS)</b>	<b>2020</b>	<b>2021</b>	<b>Change</b>	
Sales	\$3,914	\$4,697	20%	Underlying sales growth 15%*
Gross profit	\$1,618	\$1,982		Primarily driven by leverage and cost reductions, despite material cost headwinds in Climate Technologies
% of sales	41.3%	42.2%	90 bps	
SG&A expense	(\$934)	(\$1,073)		
% of sales	23.8%	22.9%	(90 bps)	
EBIT*	\$503	\$821	63%	Ongoing cost reset actions and leverage more than offset price cost headwinds
% of sales*	12.9%	17.5%	460 bps	
Adj EBIT*	\$597	\$863	44%	Excludes restructuring of \$94 and \$32 in 2020 and 2021, respectively, and OSI first-year purchase accounting in 2021
% of sales*	15.3%	18.4%	310 bps	
Tax Rate	11.2%	19.2%		
Shares	600	602		
Adjusted EPS*	\$0.80	\$1.09	36%	

# Earnings & cash flow

(\$M)	2020	2021	Change	
Adjusted Segment EBIT*	\$655	\$921	40%	Volume leverage and cost reset benefits drove <b>strong margin expansion</b> , somewhat offset by material cost headwinds in Climate Technologies business
% of sales*	16.8%	19.6%	280 bps	
Stock compensation	(\$51)	(\$66)	(\$15)	
Corporate pension and OPEB	\$12	\$24	\$12	
Adjusted corporate and other*	(\$19)	(\$16)	\$3	
Interest expense, net	(\$45)	(\$37)	\$8	
Adjusted pretax earnings*	\$552	\$826	49%	
% of sales*	14.1%	17.6%	350 bps	
Operating cash flow	\$842	\$1,105	31%	
Capital expenditures	(\$104)	(\$128)		
Free cash flow*	\$738	\$977	32%	154% FCF conversion of net earnings*
Trade working capital	\$3,188	\$2,902		
% of sales	20.4%	15.4%		

# Q3 2021 Emerson Automation Solutions

## UNDERLYING SALES CHANGE VS. PY

Americas	9%
Europe	6%
Asia, Middle East & Africa	7%
Automation Solutions	8%
FX Impact	4 Pts
Acq Impact	2 Pts
Reported Net Sales	14%

U.S. and total Americas increased by 9% as growth in discrete industries, life sciences, medical, food & beverage was complimented by rebound and return to growth in core process markets

Asia, Middle East & Africa sales grew by 7%, driven primarily by chemical, pharmaceutical, and LNG markets. SE Asia grew solidly in the double digits while China grew 5%. Europe grew 6%, fueled by strength in discrete markets, chemical, and biofuels

OSI people and technology integration and revenue synergy continue to progress well

Restructuring and related actions totaled \$18M

Adj EBIT\* margins expanded by 320 bps

Backlog increased to \$5.5B, up 17% YTD

## REPORTED NET SALES

↑ 14%

	\$2,589M		\$2,947M
	Underlying Sales*	8%	
15.1%	Adj EBIT%*	18.3%	
20.4%	Adj EBITDA%*	23.5%	
2020		2021	

## T3M Underlying Orders

Apr	2%
May	8%
June	17%



# Q3 2021 Emerson Commercial & Residential Solutions

## UNDERLYING SALES CHANGE VS. PY

Americas	29%
Europe	37%
Asia, Middle East & Africa	25%
Commercial & Residential Solutions	29%
FX Impact	3 Pts
Acq Impact	-
Reported Net Sales	32%

All regions and all businesses across both Tools and Climate Technologies segments up sharply

The U.S. grew 28% and Total Americas grew 29%, with ongoing strength in residential HVAC and home products, and accelerating growth in cold chain and professional tools

Europe surged by 37% bolstered by ongoing demand for heat pump and energy efficient appliance technologies. Asia, Middle East & Africa sales grew 25%, driven by strong commercial HVAC and cold chain demand. China grew 15%

Restructuring and related actions totaled \$7M

Adj EBIT\* margin expanded by 170 bps

Backlog remains ~\$1.1B

## REPORTED NET SALES

↑ 32%

\$1,327M

\$1,757M

	Underlying Sales*	29%
20.0%	Adj EBIT%*	21.7%
24.7%	Adj EBITDA%*	25.5%

2020

2021

## T3M Underlying Orders

Apr	39%
May	51%
June	43%



# Supply & demand imbalances continue to drive inflation and availability headwinds impacting global operations

## COMMODITY INFLATION

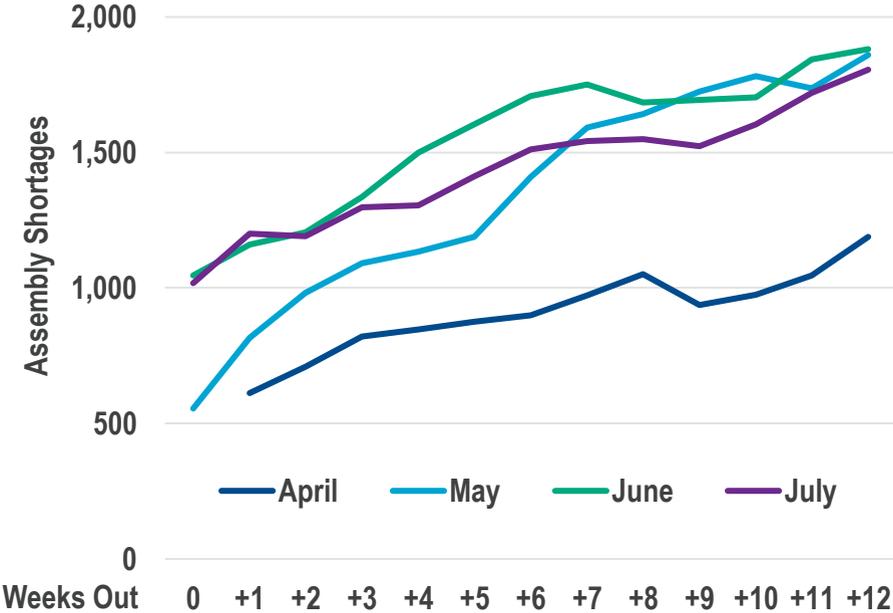
North America Cold-Rolled Steel Pricing



- **Steel** prices at record highs with **11 months of consecutive increases**
- **Plastic resins** pricing remains elevated - **alternatives** helping maintain supply
- **Copper** pricing has receded off record highs but is still up over \$1.40 year-over-year, **Hedging lessens the impact to 2021**

## ELECTRONICS SUPPLY

Key Electronics Partner's Forecasted Shortages



- **Electronics** market is expected to remain constrained well into 2022 - **Extended lead times** being managed by our global teams
- **Number of shortages** faced by Emerson businesses and suppliers is growing
- Very **little component inventory available** in the open market

## LABOR AVAILABILITY

Labor Constraints Most Acute in US

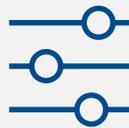


- **V-shaped demand recovery** at Commercial & Residential Solutions **stressing** already tight labor markets in North America
- **Local competition** for direct labor is driving up **entry-level pay** and increasing **shift premiums**
- Rolling labor constraints globally as waves of **COVID impact** some sites

# Emerson Supply Chain & Operations teams have adapted and excelled in a dynamic environment to continue meeting our customers' needs

## SUPPLY CHAIN

### QUALIFYING ALTERNATE SOURCES



Transferred **250 tools** to 5 different suppliers after long-term plastics supplier gave **notice to immediately discontinue** component production

### INCREASING SUPPLIER CAPACITY



Purchased second tool to **increase supplier output** after supplier **reached max capacity** due to tooling constraints

### LEVERAGING SECONDARY SOURCES



**2** Ramped up purchases from **secondary supplier** to mitigate supply constraints with primary resin supplier following Texas deep freeze

## OPERATIONS

### ACHIEVED RECORD BREAKING PRODUCTION LEVELS



North American HVAC achieved **record production output** in back-to-back months

### INSOURCED PRODUCTION TO ENSURE BUSINESS CONTINUITY



Increased **internal capacity** and insourced production of key components to **risk mitigate** labor and material constraints at supplier

### INVESTED IN CAPACITY TO MEET DEMAND



Added 4 production cells to **increase capacity +30%** within Tools & Home Products business in order to **meet V-shaped demand** recovery

# **Guidance Update and 2021E Outlook**

---

# Updated 2021E guidance

**May 5, 2021**

**August 4, 2021**

Net Sales Growth	6% - 9%	9% - 10%
Acquisition	1 pt	1 pt
FX	2 pts	3 pts
Underlying Sales* Growth	<b>3% - 6%</b>	<b>5% - 6%</b>
Automation Solutions	<b>(1%) - 1%</b>	<b>Flat - 1%</b>
Commercial & Residential Sols.	<b>12% - 14%</b>	<b>15% - 16%</b>
Adj EBIT*	17.5%	18%
Adj EBITDA*	22.5%+	23%
Restructuring Actions	\$200M	\$200M
Tax Rate	22%	22%
Operating Cash Flow	<b>\$3.3B</b>	<b>\$3.6B</b>
Capital Spend	\$600M	\$600M
Free Cash Flow*	<b>\$2.7B</b>	<b>\$3.0B</b>
Dividend	\$1.2B	\$1.2B
Share Repurchase / M&A <sup>1</sup>	\$500M - \$1.0B	\$500M
GAAP EPS	\$3.60 +/- \$0.05	\$3.79 +/- \$0.01
Adjusted EPS*	<b>\$3.90 +/- \$0.05</b>	<b>\$4.07 +/- \$0.01</b>

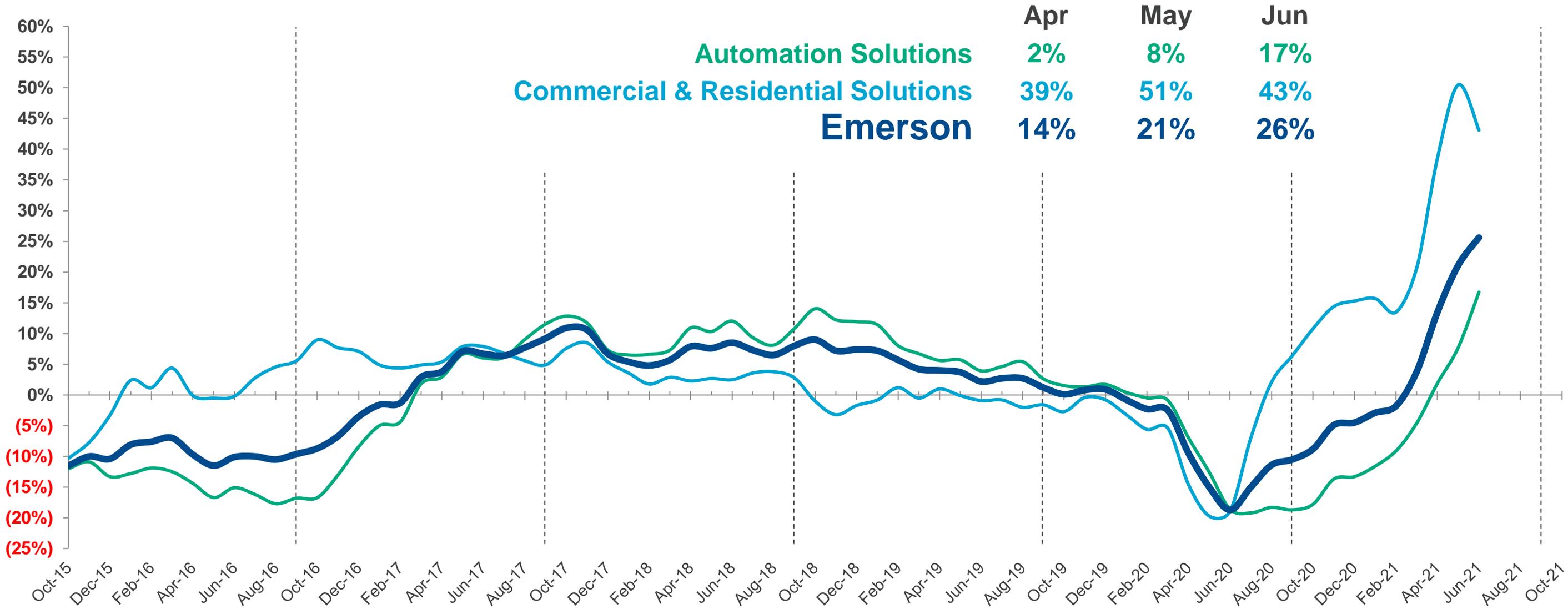
## PROFIT ITEMS:

- Price-cost *unchanged* at (~\$75M)
- Stock Compensation headwind *increased* to (~\$125M)
- COVID Related Costs *unchanged* at (~\$30M)

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

Note 2: All values approximate

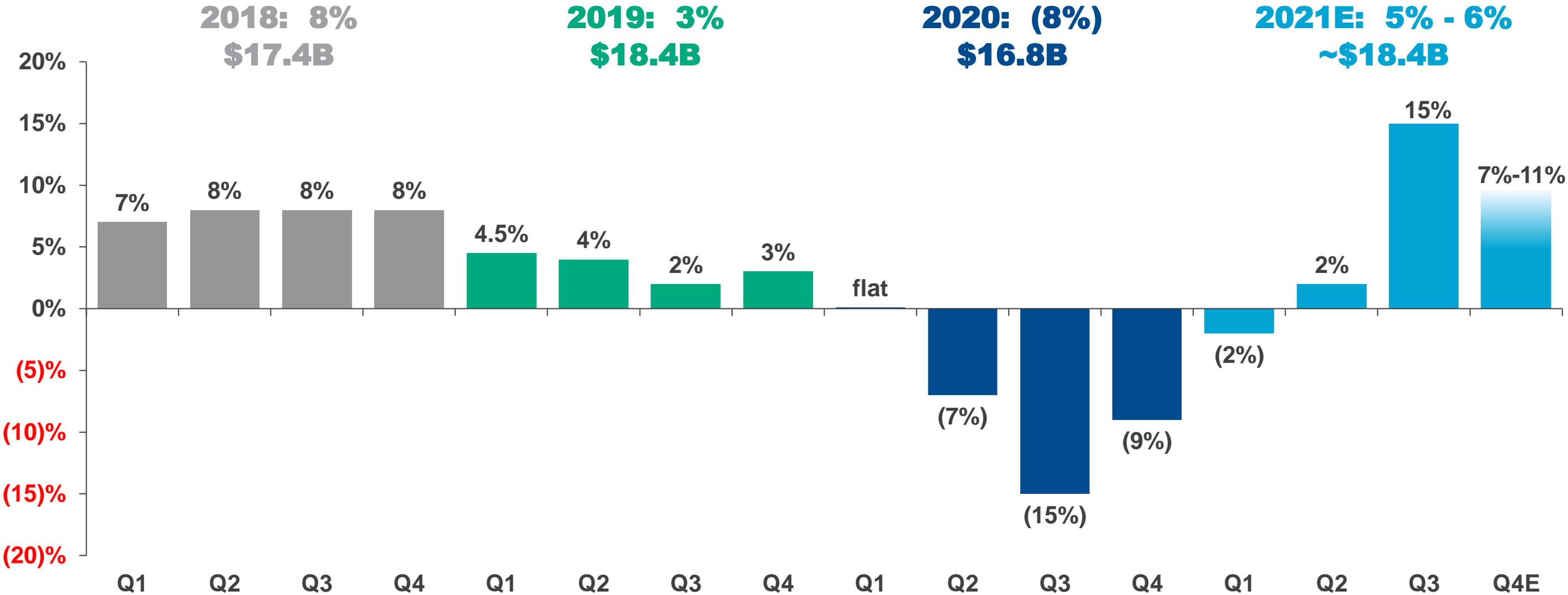
# Emerson trailing three month underlying orders vs. prior year



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

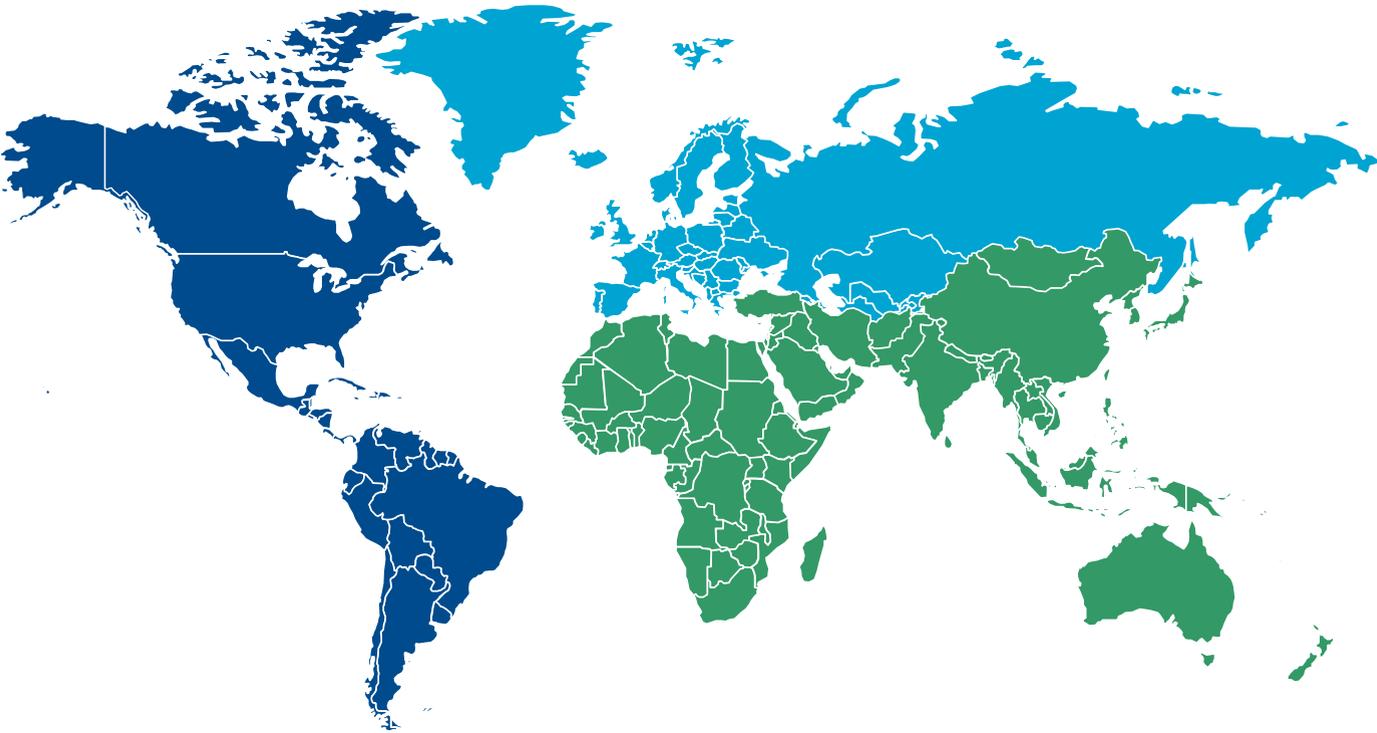


Note: 2018-2020 sales dollars are reported GAAP, 2021E is forecast and includes OSI acquisition



# 2021E Sales Outlook:

**Automation Solutions** expects to see continued momentum in modernization and site-level spend, especially in the Americas. **Commercial & Residential Solutions** expects balanced growth across world areas and end markets



Global		2021E: 5% - 6%
Automation Sol		flat - 1%
Commercial & Res Sol		15% - 16%

The Americas	
Automation Sol	(~1%)
Commercial & Res Sol	~15%

- Broad demand in North America, across all industries, is expected to drive ~20% growth in Automation Solutions in Q4, with a slight uptick in capital project and modernization activities; Continued strength in Midstream and Mining supporting growth in Latin America
- Residential momentum continues to be driven by DIY trends, home starts, and HVAC seasonality; Professional Tools demand is strong, driven by residential and non-residential construction / remodeling, strong service and industrial MRO activity

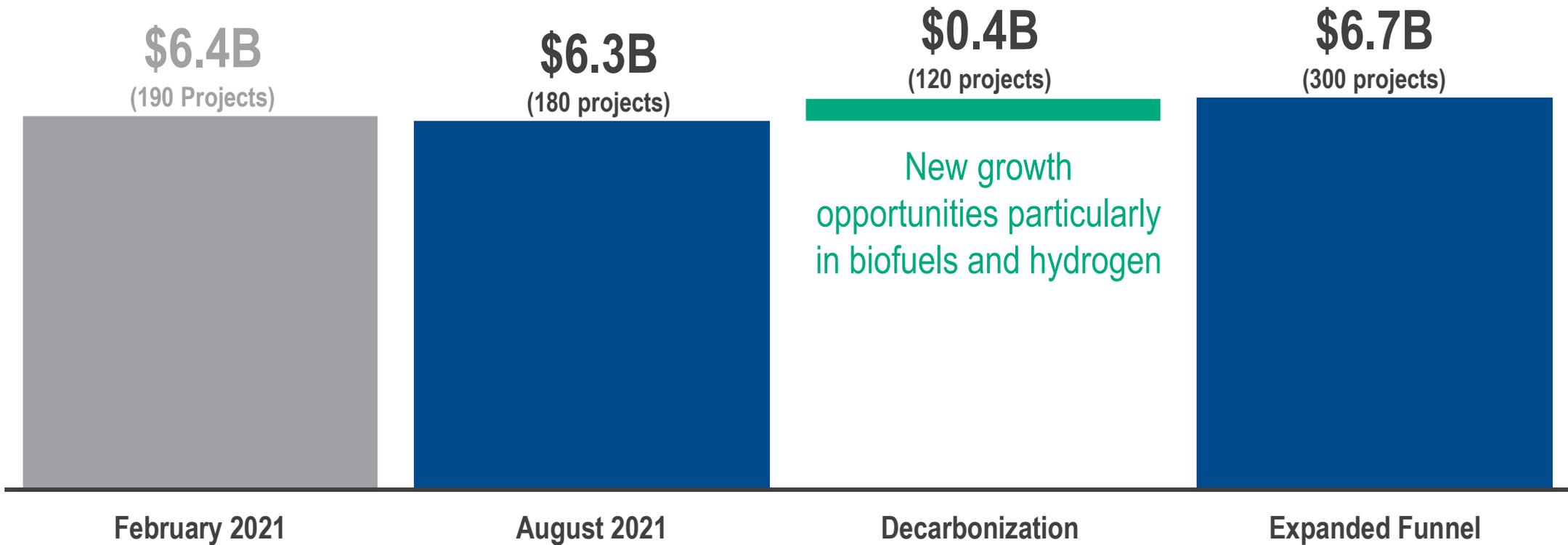
AMEA	
Automation Sol	~2%
Commercial & Res Sol	~16%

Europe	
Automation Sol	~3%
Commercial & Res Sol	~17%

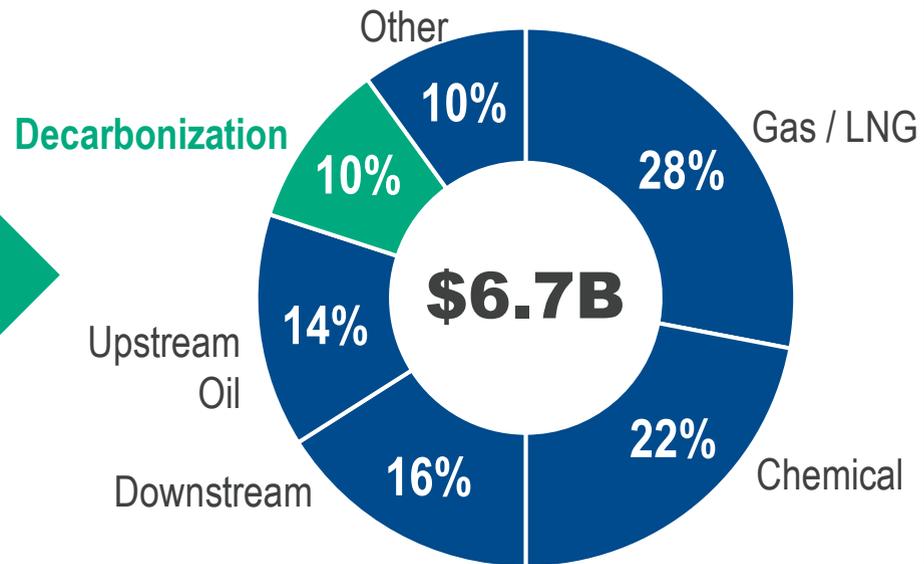
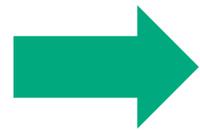
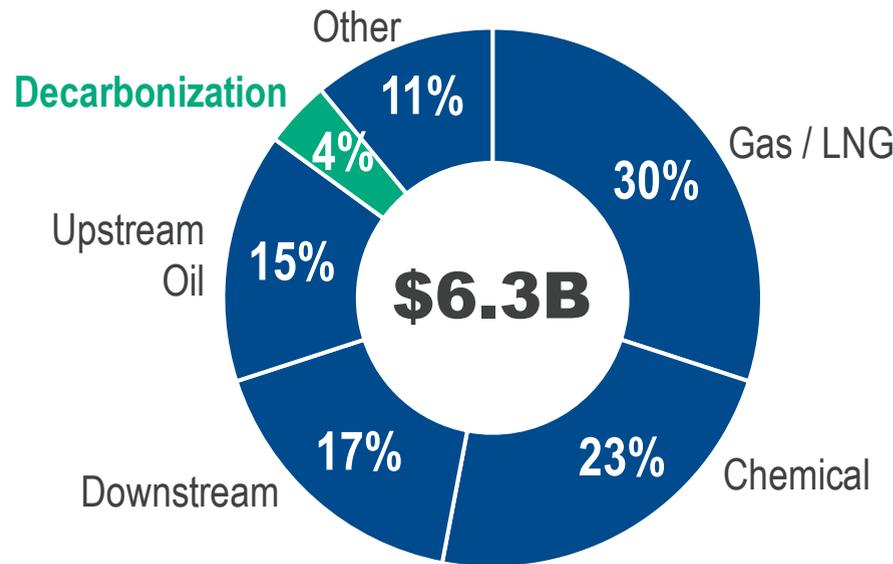
- Healthy project activity in Marine, Nuclear, Life Sciences, and Semiconductors across AP
- Commercial recovery across region; key growth contributors are commercial AC and Cold Chain solutions
- Positive trend in Life Sciences continues; notable project wins in Power, Midstream, Downstream, and Sustainability
- Residential strength driven by continued heat pump compression and solutions demand, while Tools & Home Products growth driven by both plumbing and electrical segments

Note: all percentages represent sales growth versus prior year

**Automation Solutions traditional project funnel roughly flat since February - Addition of Decarbonization opportunities demonstrates increased focus and investment in this emerging space**



New growth opportunities particularly in biofuels and hydrogen



**Additional Electrification Opportunity \$1.5B**

- OSI acquisition significantly broadened our Electrification exposure via power transmission and distribution
- OSI definition of business opportunities is unique from large project funnel in scope and size – total universe of OSI projects over 500
- Significant global opportunities in Europe and Asia

# Execution of our robust cost reset plan, combined with the ongoing market rebound, enables achieving peak profitability goals AND gives Emerson the headroom for accelerated critical technology investment

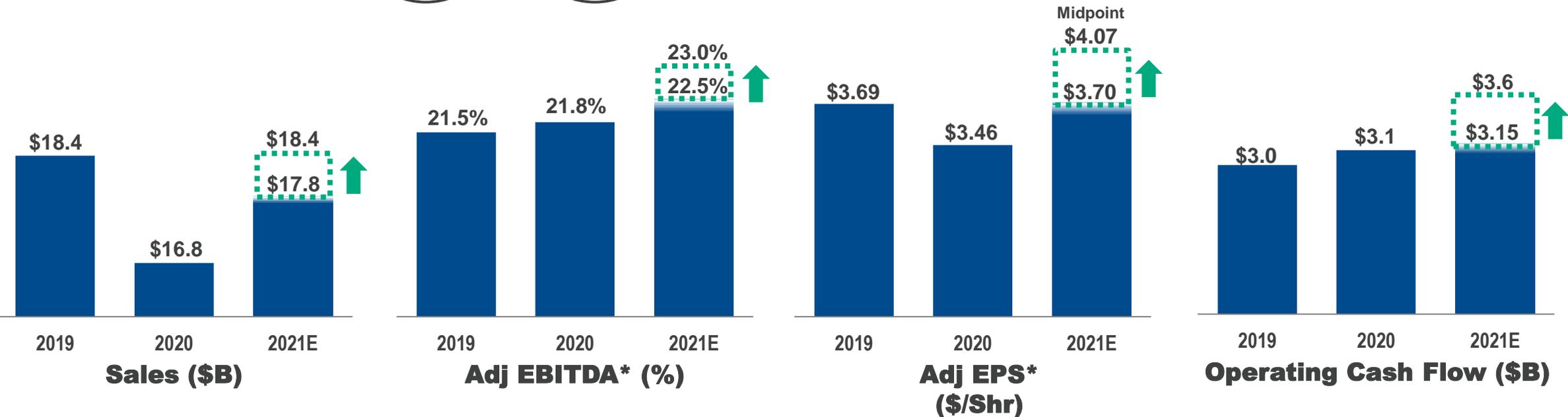
## EMERSON COST RESET PLAN 2019-2023



STRONG PROGRESS

## 2023 Targets On Track

Adj EBITDA\* ~24%      Adj EPS\* \$4.75 - \$5.00



Upside since Investor Conference Guidance

Investor Conference Actual / Targets

Note: not to scale



**Copeland K7 -**  
Ultra Efficient Scroll  
Technology



**Gemini - Next**  
Generation Pressure  
and Temperature  
Measurement Platform



**Plantweb Optics**  
Data Management  
and Analytics



**Greenlee - Remote**  
Electric Cutting Tool

Example Key  
Technology Investments

# 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)

Q3 2021 Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	14%	32%	20%
(Favorable) / Unfavorable FX	(4)%	(3)%	(4)%
Acquisitions / Divestitures	(2)%	- %	(1)%
Underlying*	8%	29%	15%

FY 2021E Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	5% - 6%	17% - 18%	9% - 10%
(Favorable) / Unfavorable FX	(3)%	(2)%	(3)%
Acquisitions / Divestitures	(2)%	- %	(1)%
Underlying*	flat - 1%	15% - 16%	5% - 6%

FY 2021E <u>May Guidance</u> 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%

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.

# 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)

<b>EBIT</b>	<b>Q3 FY20</b>	<b>Q3 FY21</b>	<b>Change</b>
Pretax earnings (GAAP)	\$ 458	\$ 784	71%
Interest expense, net	45	37	(8)%
Earnings before interest and taxes*	\$ 503	\$ 821	63%
Restructuring and related costs	94	32	(21)%
OSI purchase accounting items	-	10	2 %
Adjusted earnings before interest and taxes*	\$ 597	\$ 863	44%

<b>EBIT Margin</b>	<b>Q3 FY20</b>	<b>Q3 FY21</b>	<b>Change</b>
Pretax margin (GAAP)	11.7%	16.7%	500 bps
Interest expense, net	1.2%	0.8%	(40) bps
EBIT margin*	12.9%	17.5%	460 bps
Restructuring and related costs	2.4%	0.7%	(170) bps
OSI purchase accounting items	- %	0.2%	20 bps
Adjusted EBIT margin*	15.3%	18.4%	310 bps

<b>EBIT Margin</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E Feb Guidance</b>	<b>FY21E May Guidance</b>	<b>FY21E August Guidance</b>	<b>FY23T</b>
Pretax margin (GAAP)	15.6%	13.9%	15%	15.5%	16%	18%
Interest expense, net	0.9%	0.9%	1%	1.0%	1%	0.5%
EBIT margin*	16.5%	14.8%	16%	16.5%	17%	18.5%
Restructuring and related costs & advisory fees	0.5%	1.9%	1%	1.0%	1%	0.5%
OSI purchase accounting items	- %	- %	- %	0.1%	- %	- %
Equity investment gain	- %	- %	- %	(0.1)%	- %	- %
Adjusted EBIT margin*	17.0%	16.7%	17%	17.5%	18%	19.0%
Depreciation and amortization expense	4.5%	5.1%	5.5%	5.0%	5%	5%
Adjusted EBITDA margin*	21.5%	21.8%	22.5%	22.5%+	23%	24%

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.

# 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)

## Q3 Earnings Per Share

	Q3 FY20	Q3 FY21	Change
Earnings per share (GAAP)	\$ 0.67	\$ 1.04	55%
Restructuring and related costs	0.13	0.04	(20)%
OSI purchase accounting items	-	0.01	1%
Adjusted earnings per share*	\$ 0.80	\$ 1.09	36%

## Earnings Per Share

	FY21E Feb Guidance	FY21E May Guidance	FY21E August Guidance	FY2023T
Earnings per share (GAAP)	\$3.29 - \$3.49	\$3.55 - \$3.65	\$3.78 - \$3.80	\$4.62 - \$4.87
Restructuring and related costs	0.27	0.26	0.24	0.07
OSI purchase accounting charges and fees	0.07	0.07	0.07	0.06
Equity investment gain	(0.03)	(0.03)	(0.03)	-
Adjusted earnings per share*	\$3.60 - \$3.80	\$3.85 - \$3.95	\$4.06 - \$4.08	\$4.75 - \$5.00

## Earnings Per Share

	FY19	FY20
Earnings per share (GAAP)	\$ 3.71	\$ 3.24
Restructuring and related costs & advisory fees	0.12	0.42
Certain tax benefits	(0.14)	(0.20)
Adjusted earnings per share*	\$ 3.69	\$ 3.46

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.

# 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)

<b>Business Segment EBIT</b>	<b>Q3 FY20</b>	<b>Q3 FY21</b>	<b>Change</b>
Pretax earnings (GAAP)	\$ 458	\$ 784	71%
Corp. items and interest expense, net	106	112	(12)%
Business segment EBIT*	564	896	59%
Restructuring and related costs	91	25	(19)%
Adjusted business segment EBIT*	\$ 655	\$ 921	40%

<b>Business Segment EBIT Margin</b>	<b>Q3 FY20</b>	<b>Q3 FY21</b>	<b>Change</b>
Pretax margin (GAAP)	11.7%	16.7%	500 bps
Corp. items and interest expense, net % of sales	2.7%	2.4%	(30) bps
Business segment EBIT margin*	14.4%	19.1%	470 bps
Restructuring and related costs % of sales	2.4%	0.5%	(190) bps
Adjusted business segment EBIT margin*	16.8%	19.6%	280 bps

<b>Pretax Earnings</b>	<b>Q3 FY20</b>	<b>Q3 FY21</b>	<b>Change</b>
Pretax earnings (GAAP)	\$ 458	\$ 784	71%
Restructuring and related costs	94	32	(24)%
OSI purchase accounting charges	-	10	2%
Adjusted pretax earnings*	\$ 552	\$ 826	49%

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.

# 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)

	Q3 FY20	Q3 FY21	Change
<b>Corporate and Other</b>			
Corporate and other (GAAP)	\$ (22)	\$ (33)	\$ (11)
Restructuring and related costs	3	7	4
OSI purchase accounting charges	-	10	10
Adjusted Corporate and other*	\$ (19)	\$ (16)	\$ 3
<b>Pretax Margin</b>			
Pretax margin (GAAP)	11.7%	16.7%	500 bps
Restructuring and related costs	2.4%	0.7%	(170) bps
OSI purchase accounting charges	- %	0.2%	20 bps
Adjusted pretax margin*	14.1%	17.6%	350 bps
<b>Automation Solutions Segment EBIT Margin</b>			
Automation Solutions Segment EBIT margin (GAAP)	12.0%	17.7%	570 bps
Restructuring and related costs	3.1%	0.6%	(250) bps
Automation Solutions Adjusted Segment EBIT margin*	15.1%	18.3%	320 bps
Depreciation / amortization	5.3%	5.2%	(10) bps
Automation Solutions Adjusted Segment EBITDA margin*	20.4%	23.5%	310 bps
<b>Commercial &amp; Residential Solutions EBIT Margin</b>			
Com & Res Sols EBIT margin (GAAP)	19.1%	21.3%	220 bps
Restructuring and related costs	0.9%	0.4%	(50) bps
Com & Res Sols Adjusted EBIT margin*	20.0%	21.7%	170 bps
Depreciation / amortization	4.7%	3.8%	(90) bps
Com & Res Sols Adjusted Segment EBITDA margin*	24.7%	25.5%	80 bps

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.

# 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)

	Q3 FY20	Q3 FY21	Change	FY2021E May Guidance	FY2021E August Guidance
<b>Cash Flow</b>					
Operating cash flow (GAAP)	\$ 842	\$ 1,105	31%	\$3.3B	\$3.6B
Capital expenditures	(104)	(128)	1%	(600)M	(600)M
Free cash flow*	\$ 738	\$ 977	32%	\$2.7B	\$3.0B
<b>Cash Flow to Net Earnings Conversion</b>					
	<b>Q3 FY21</b>				
Operating cash flow conversion (GAAP)	174%				
Capital expenditures	(20)%				
Free cash flow conversion*	154%				
<b>Emerson FY 2018 Underlying Sales</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY18</b>
Sales (GAAP)	19%	19%	10%	10%	14%
FX / Acq / Div	(12)%	(11)%	(2)%	(2)%	(6)%
Underlying*	7%	8%	8%	8%	8%
<b>Emerson FY 2019 Underlying Sales</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY19</b>
Sales (GAAP)	9%	8%	5%	2%	6%
FX / Acq / Div	(4.5)%	(4)%	(3)%	1%	(3)%
Underlying*	4.5%	4%	2%	3%	3%

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.

# 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)

## Emerson FY 2020 Underlying Sales

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

## Emerson FY 2021E Underlying Sales

	Q1	Q2	Q3	Q4E	FY21E
Sales (GAAP)	- %	6%	20%	10% - 13%	9% - 10%
FX / Acq / Div	(2)%	(4)%	(5)%	(2) - (3)%	(4)%
Underlying*	(2)%	2%	15%	7% - 11%	5% - 6%

Note: All fiscal year 2021E and 2023T figures are approximate, except where range is given.

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.