

Emerson Q1 Earnings Conference Call

February 2, 2022



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 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 expectations for its consolidated results, excluding the expected AspenTech transaction.

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.*

Recent Accomplishments

Mita-Teknik Acquisition
Strengthens Emerson Presence
In Wind Energy Sector



Emerson Named 2022
'Industrial IoT Company
Of The Year'



Emerson Recognized As
'Best Places To Work For
LGBTQ+ Equality'

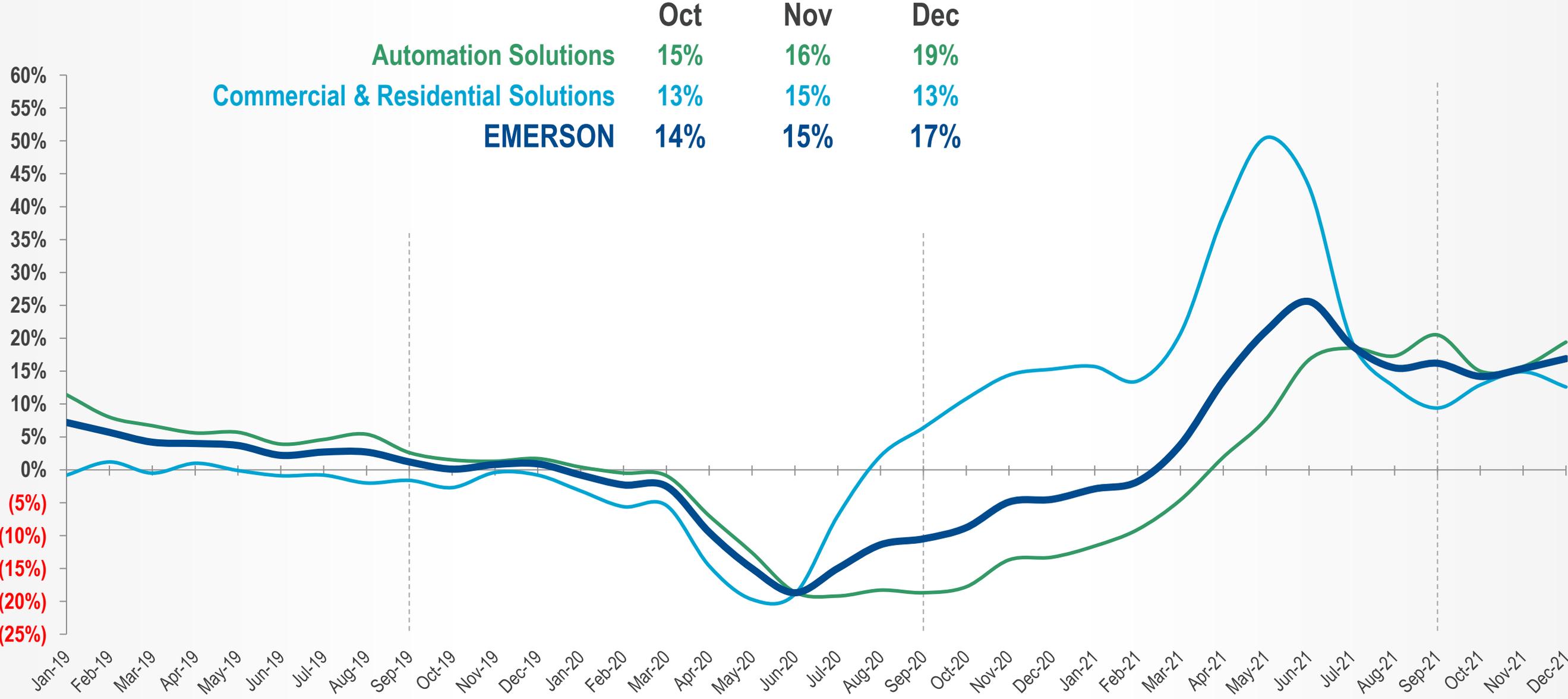




Q1 Results



Emerson Trailing Three Month Underlying Orders Versus Prior Year



Emerson Remains Committed to Helping Customers With Their Sustainability Initiatives

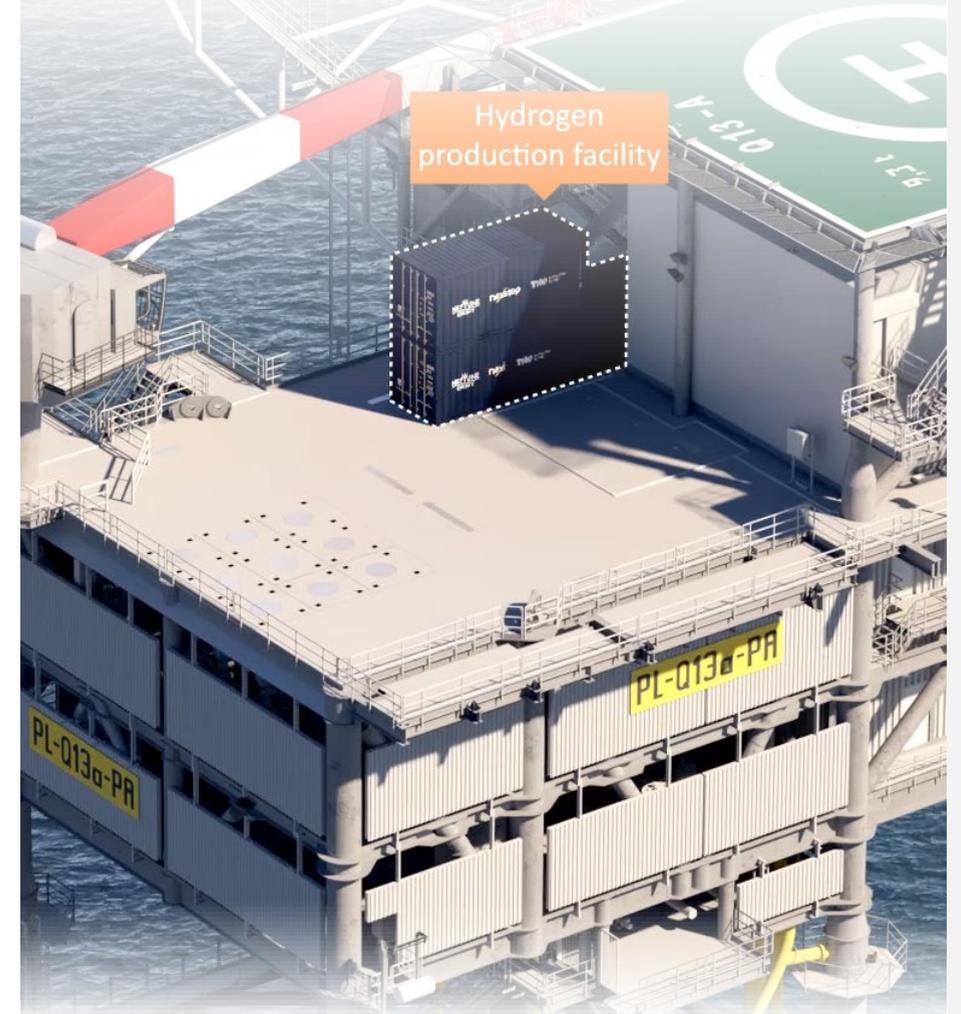
Emerson Analytical Technology Helps Reduce Emissions To Meet Environmental Targets



Emerson Control Solutions And Software Drive Energy Efficiency At European Refinery



Emerson Automation Technologies To Be Used On World's First Offshore Green Hydrogen Process

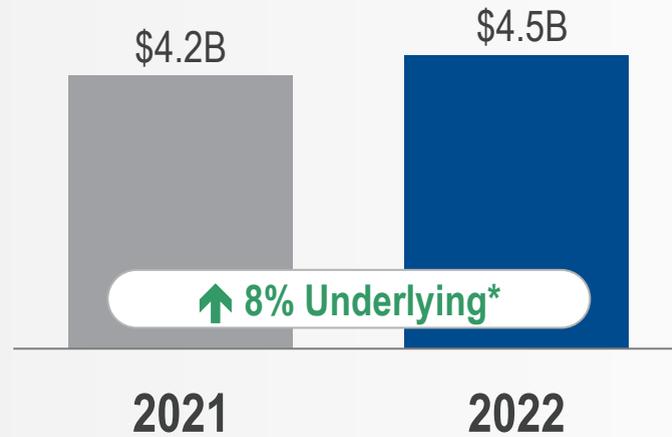


Emissions Management and Energy Efficiency / Optimization

Energy Source Decarbonization

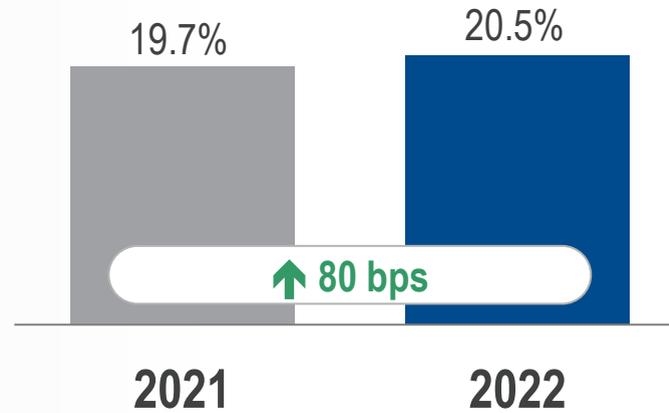
2022 Q1 Performance Summary

Sales



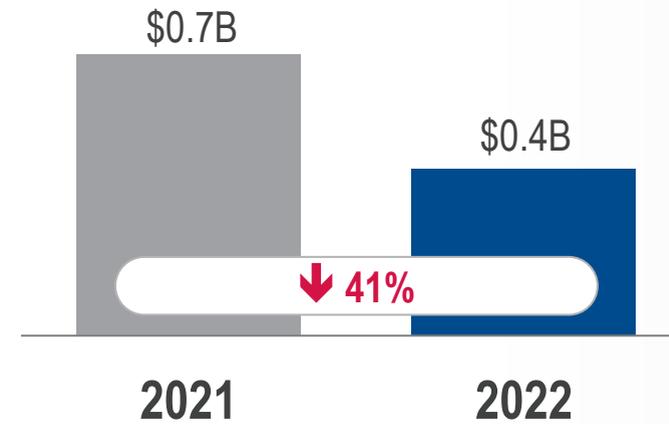
- Continued strength in all world areas and major end markets
- Supply chain and operational challenges limited growth

Adjusted Segment EBITA*



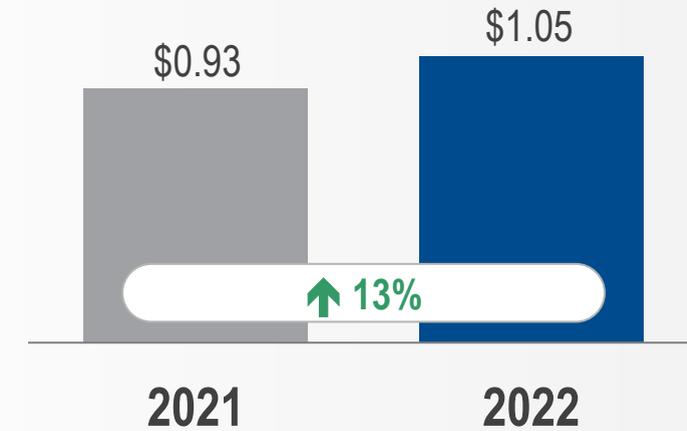
- Driven by volume, leverage, continued cost reset savings and mix
- Price-cost marginally better than expected offset by other inflationary costs

Free Cash Flow*



- Higher inventory due to supply chain constraints
- On-track for free cash flow* of \$3.1B in 2022

Adjusted EPS*



- Adjusted EPS* of \$1.05 exceeded guidance of \$0.98 – \$1.02

AUTOMATION SOLUTIONS

Sales

\$2,805M
↑ 5% underlying*

- Continued strength in discrete, life sciences, chemical, and power; energy market recovery underway
- China up double digits with investments in sustainability and decarbonization

Adjusted EBITA*

21.5%
↑ 320 bps

- MRO / recurring revenue (KOB3) strength continued
- Electronic component availability limited sales growth in the quarter
- Backlog at \$6.0B, up \$500M versus prior quarter

COMMERCIAL & RESIDENTIAL SOLUTIONS

Sales

\$1,671M
↑ 13% underlying*

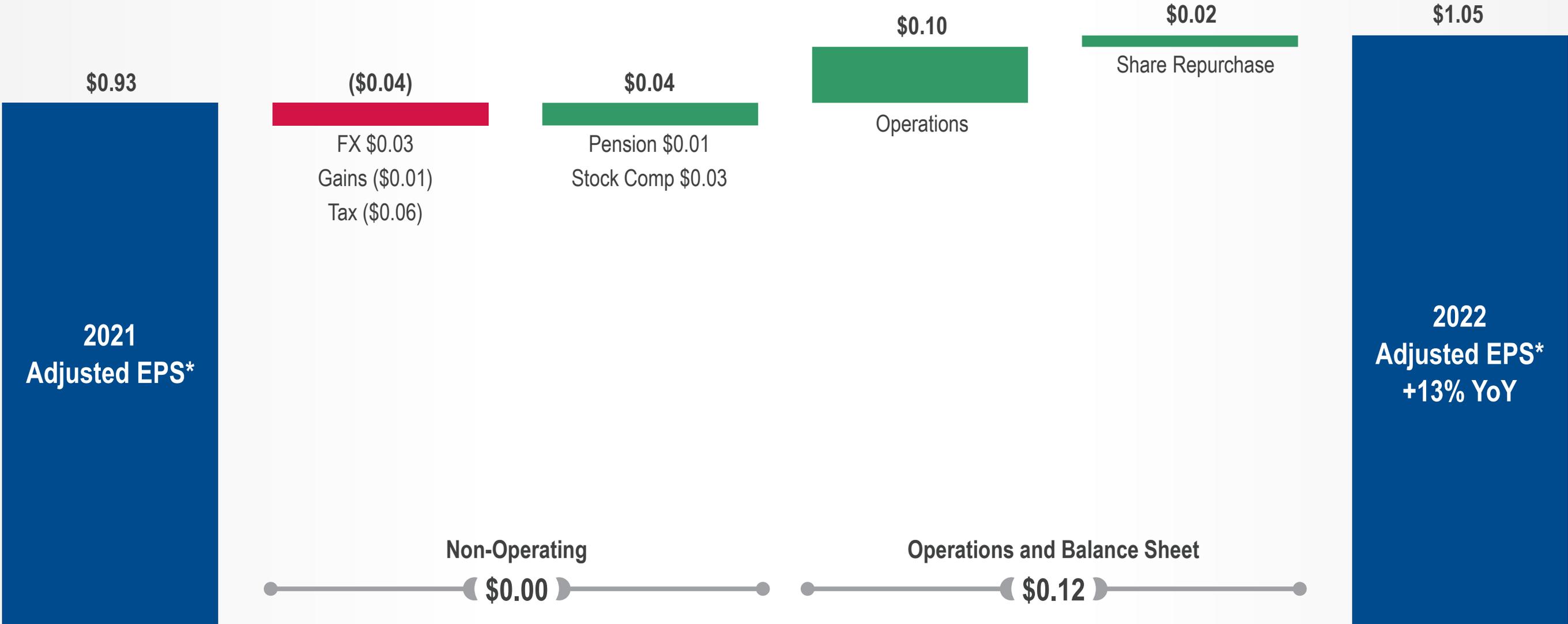
- Strength across commercial, industrial and residential end markets
- Double-digit growth in the Americas and Europe supported by strong underlying macro trends (heat pumps, home starts, etc.)

Adjusted EBITA*

18.9%
↓ 320 bps

- Price-cost headwind continued into Q1 hampering profitability
- Backlog at \$1.3B, up \$150M versus prior quarter

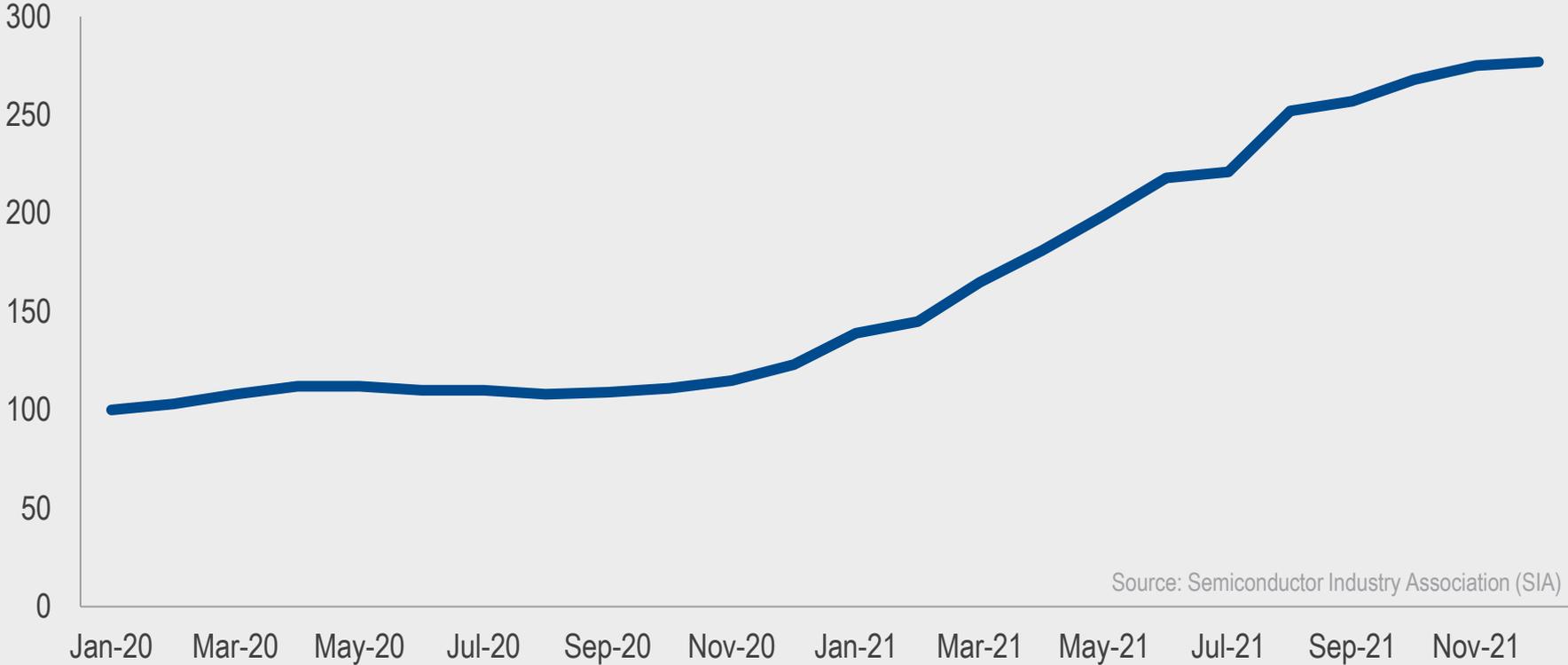
2021 Q1 to 2022 Q1 Adjusted EPS* Bridge



Emerson Continues to Mitigate Supply Chain and Logistics Challenges

STABILIZATION OF ELECTRONIC LEAD TIMES

Average Component
Lead Time (Days)



- Qualifying secondary suppliers
- Redesigning products for available components
- Working closely with suppliers and customers to improve visibility

LABOR

- Effectively managing through labor dynamics and COVID-related absenteeism
- Updating hiring practices and wages to meet current needs
- Wage inflation being managed through incremental price increases

LOGISTICS

- Utilizing alternate ports to avoid backlog
- Leveraging contract prices and volume with preferred carriers
- Freight inflation being mitigated through surcharges on shipments



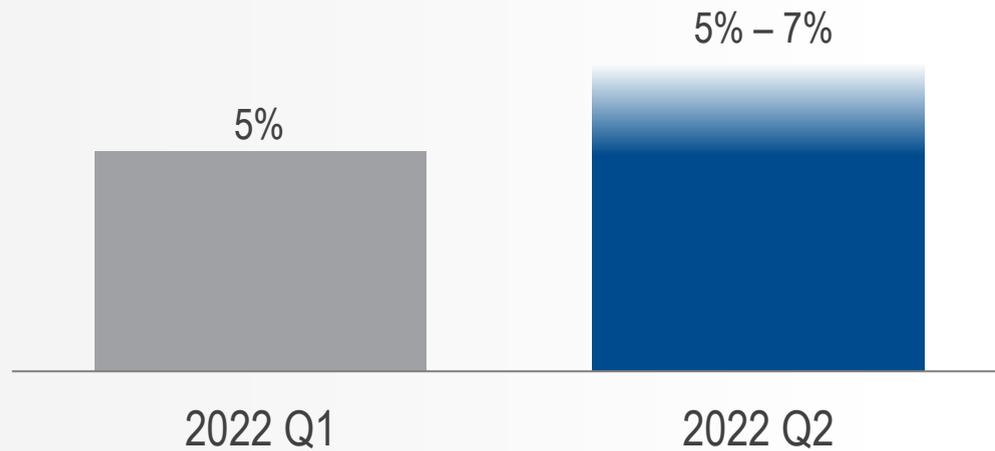
Q2 and Full Year 2022 Outlook



2022 Outlook

AUTOMATION SOLUTIONS

Underlying Sales Growth*



2022 Underlying Sales Growth*
7% - 9%

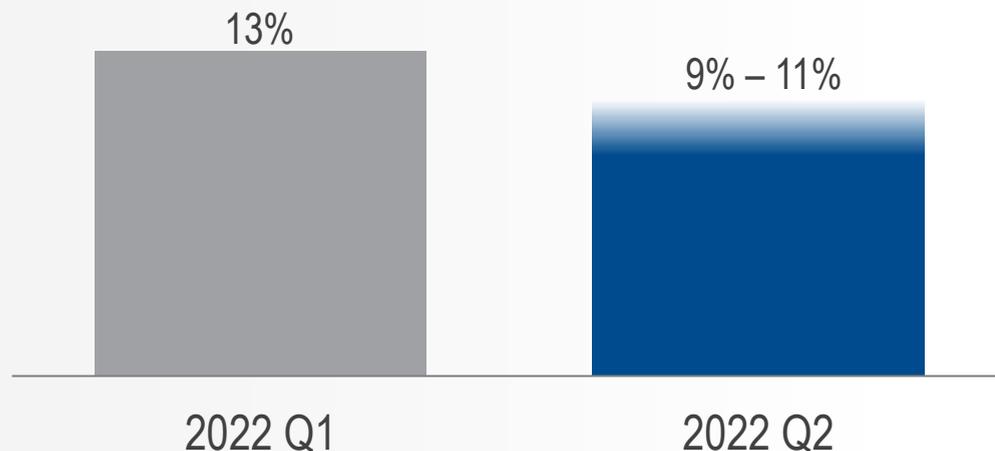
Process: ↑ MSD-HSD

Hybrid: ↑ MSD-HSD

Discrete: ↑ HSD-LDD

COMMERCIAL & RESIDENTIAL SOLUTIONS

Underlying Sales Growth*



2022 Underlying Sales Growth*
9% - 11%

Residential: ↑ MSD

Commercial / Industrial: ↑ HSD-LDD

Tools: ↑ DD

ENVIRONMENT / KEY ASSUMPTIONS

- Backlog strength and order rates support continued second half growth
- Strong underlying demand continues
- Supply chain constraints, primarily electronic component availability, persist into next quarter and rest of the year
- COVID uncertainty remains
- Driving price programs to offset incremental inflationary items

2022 Guidance

	November 2021 Guidance	February 2022 Guidance
Net Sales Growth	5% – 7%	6% – 8%
Acquisitions	~0 pts	~0 pts
FX	(~1 pt)	(~1 pt)
Underlying Sales Growth*	6% – 8%	7% – 9%
Automation Solutions	6% – 8%	7% – 9%
Commercial & Residential Solutions	6% – 9%	9% – 11%
Price-Cost	~+\$100M	~+\$175M
Restructuring Actions	~\$150M	~\$150M
Tax Rate	~22%	~22%
Operating Cash Flow	~\$3.8B	~\$3.8B
Capital Spend	~\$650M	~\$650M
Free Cash Flow*	~\$3.1B	~\$3.1B
Dividend	~\$1.2B	~\$1.2B
Share Repurchase	\$250M – \$500M	\$250M – \$500M
GAAP EPS	\$4.79 – \$4.94¹	\$4.71 – \$4.86
Adjusted EPS*	\$4.82 – \$4.97	\$4.90 – \$5.05

ADJUSTED EPS BRIDGE

GAAP EPS	\$4.71 – \$4.86
Restructuring / Related Costs	~\$0.20
Amortization of Intangibles	~\$0.39
Gain on Subordinated Interest	(\$0.60)
AspenTech Transaction Costs and Interest Expense	~\$0.20
Adjusted EPS*	\$4.90 – \$5.05

¹ Per November 15, 2021 8-K which includes gain from our Vertiv subordinated interest

Note: does not include the operational impact of the impending 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 \$3B of debt already issued to fund the transaction

2022 Q2 Guidance

Net Sales Growth	4% – 6%
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

ADJUSTED EPS BRIDGE

GAAP EPS	\$0.98 – \$1.03
Restructuring / Related Costs	~\$0.04
Amortization of Intangibles	~\$0.10
Gain on Subordinated Interest	---
AspenTech Transaction Costs and Interest Expense	~\$0.03
Adjusted EPS*	\$1.15 – \$1.20

Note: does not include the operational impact of the impending 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 \$3B of debt already issued to fund the transaction



Q&A





Appendix



2022 Q1 P&L Summary

(\$M, EXCEPT EPS)	2021	2022	Change
Sales	\$4,161	\$4,473	8%
Gross profit	\$1,723	\$1,822	
% of sales	41.4%	40.7%	(70 bps)
SG&A expense	(\$998)	(\$1,011)	
% of sales	24.0%	22.6%	(140 bps)
EBIT*	\$603	\$1,213	
% of sales*	14.5%	27.1%	1260 bps
Adjusted EBITA*	\$757	\$878	
% of sales*	18.2%	19.6%	140 bps
Tax Rate	19.7%	23.8%	
Shares	602	598	
Adjusted EPS*	\$0.93	\$1.05	13%

2022 Q1 Earnings & Cash Flow

(\$M)	2021	2022	Change
Adjusted Segment EBITA*	\$819	\$918	12%
% of sales*	19.7%	20.5%	80 bps
Stock compensation	(\$64)	(\$41)	\$23
Corporate pension and OPEB	\$24	\$26	\$2
Adjusted corporate and other*	(\$22)	(\$25)	(\$3)
Interest expense, net	(\$40)	(\$38)	\$2
Adjusted pretax earnings*	\$717	\$840	17%
% of sales*	17.2%	18.8%	160 bps
Operating cash flow	\$808	\$523	(35%)
Capital expenditures	(\$122)	(\$116)	
Free cash flow*	\$686	\$407	(41%)
Trade working capital	\$2,971	\$2,980	
% of sales	17.8%	16.7%	

2022 Q1 World Area Underlying Sales Growth

	Automation Solutions	Commercial & Residential Solutions	Emerson
Americas	7%	17%	11%
Europe	Flat	13%	3%
Asia, Middle East & Africa	7%	4%	6%
<i>China</i>	17%	<i>Flat</i>	12%
	5%	13%	8%

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)

Q1 2022 Underlying Sales Change

Reported (GAAP)

(Favorable) / Unfavorable FX

Acquisitions / Divestitures

Underlying*

	Auto Solns	Comm & Res Solns	Emerson
	4%	13%	8%
	1%	0%	-%
	- %	-%	-%
	5%	13%	8%

Q2 2022E Underlying Sales Change

Reported (GAAP)

(Favorable) / Unfavorable FX

Acquisitions / Divestitures

Underlying*

	Auto Solns	Comm & Res Solns	Emerson
	3% - 5%	7% - 9%	4% - 6%
	2%	2%	2%
	- %	-%	-%
	5% - 7%	9% - 11%	6% - 8%

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)

	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%
	Auto Solns	Comm & Res Solns	Emerson
FY 2022E <u>Nov 2021 Guidance</u> Underlying Sales Change			
Reported (GAAP)	5% - 7%	6% - 9%	5% - 7%
(Favorable) / Unfavorable FX	1%	-%	1%
Acquisitions / Divestitures	- %	-%	-%
Underlying*	6% - 8%	6% - 9%	6% - 8%

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EBIT	Q1 FY21	Q1 FY22	
Pretax earnings (GAAP)	\$ 563	\$ 1,175	
Interest expense, net	40	38	
Earnings before interest and taxes*	603	1,213	
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 purchase accounting and fees	21	-	
Adjusted earnings before interest and taxes*	\$ 757	\$ 878	
EBIT Margin	Q1 FY21	Q1 FY22	Change
Pretax margin (GAAP)	13.5%	26.3%	1280 bps
Interest expense, net	1.0%	0.8%	(20) bps
EBIT margin*	14.5%	27.1%	1260 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 and fees	0.5%	-	(50) bps
Adjusted EBITA margin*	18.2%	19.6%	140 bps

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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)

	Q1 FY21	Q1 FY22	Change	Q1 FY22E Nov Guidance
Q1 Earnings Per Share				
Earnings per share (GAAP)	\$ 0.74	\$ 1.50	103%	\$0.85 - \$0.89
Restructuring and related costs	0.09	0.02	(10)%	0.03
Amortization of intangibles	0.10	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%	\$0.98 - \$1.02

	Q2 FY22E Feb Guidance	FY22E Feb Guidance	FY22E Nov Guidance
Earnings Per Share			
Earnings per share (GAAP)	\$0.98 - \$1.03	\$4.71 - \$4.86	\$4.79 - \$4.94
Restructuring and related costs	0.04	0.20	0.19
Amortization of intangibles	0.10	0.39	0.42
Gain on subordinated interest	-	(0.60)	(0.58)
AspenTech transaction costs and interest expense	0.03	0.20	-
Adjusted earnings per share*	\$1.15 - \$1.20	\$4.90 - \$5.05	\$4.82 - \$4.97

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Business Segment EBIT

	Q1 FY21	Q1 FY22	Change
Pretax earnings (GAAP)	\$ 563	\$ 1,175	109%
Corp. items and interest expense, net	108	(350)	(86)%
Business segment EBIT	671	825	23%
Restructuring and related costs	67	16	(8)%
Amortization of intangibles	81	77	(3)%
Adjusted business segment EBITA*	\$ 819	\$ 918	12%

Business Segment EBIT Margin

	Q1 FY21	Q1 FY22	Change
Pretax margin (GAAP)	13.5%	26.3%	1280 bps
Corp. items and interest expense, net % of sales	2.6%	(7.9)%	(1050) bps
Restructuring and related costs % of sales	1.6%	0.4%	(120) bps
Amortization of intangibles % of sales	2.0%	1.7%	(30) bps
Adjusted business segment EBITA margin*	19.7%	20.5%	80 bps

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Reconciliation of Non-GAAP Measures

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Pretax Earnings	Q1 FY21	Q1 FY22	Change
Pretax earnings (GAAP)	\$ 563	1,175	109%
Restructuring and related costs	69	18	(9)%
Amortization of intangibles	81	77	(1)%
Gain on subordinated interest	-	(453)	(85)%
AspenTech transaction costs	-	23	4%
Gain on acquisition of full ownership of equity investment	(17)	-	3%
OSI purchase accounting and fees	21	-	(4)%
Adjusted pretax earnings*	\$ 717	\$ 840	17%
Corporate and Other	Q1 FY21	Q1 FY22	Change
Corporate and other (GAAP)	\$ (28)	(50)	\$ (22)
Restructuring and related costs	2	2	-
AspenTech transaction costs	-	23	23
Gain on acquisition of full ownership of equity investment	(17)	-	17
OSI purchase accounting and fees	21	-	(21)
Adjusted Corporate and other*	\$ (22)	\$ (25)	\$ (3)

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Pretax Margin

	<u>Q1 FY21</u>	<u>Q1 FY22</u>	<u>Change</u>
Pretax margin (GAAP)	13.5%	26.3%	1280 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 and fees	0.5%	-	(50) bps
Adjusted pretax margin*	<u>17.2%</u>	<u>18.8%</u>	<u>160 bps</u>

Automation Solutions Segment EBIT Margin

	<u>Q1 FY21</u>	<u>Q1 FY22</u>	<u>Change</u>
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	2.5%	2.3%	(20) bps
Automation Solutions Adjusted Segment EBITA margin*	<u>18.3%</u>	<u>21.5%</u>	<u>320 bps</u>

Commercial & Residential Solutions EBIT Margin

	<u>Q1 FY21</u>	<u>Q1 FY22</u>	<u>Change</u>
Com & Res Sols EBIT margin (GAAP)	21.0%	17.9%	(310) bps
Restructuring and related costs	0.2%	0.3%	10 bps
Amortization of intangibles	0.9%	0.7%	(20) bps
Com & Res Sols Adjusted Segment EBITA margin*	<u>22.1%</u>	<u>18.9%</u>	<u>(320) bps</u>

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Q1 Cash Flow

Operating cash flow (GAAP)
Capital expenditures
Free cash flow*

	<u>Q1 FY21</u>	<u>Q1 FY22</u>	<u>Change</u>
	\$ 808	\$ 523	(35)%
	(122)	(116)	(6)%
	<u>\$ 686</u>	<u>\$ 407</u>	<u>(41)%</u>

FY 2022E Cash Flow

Operating cash flow (GAAP)
Capital expenditures
Free cash flow*

	<u>FY 2022E</u>
	~ \$3.8B
	(650)M
	<u>~ \$3.1B</u>

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Additional Information and Where to Find It

In connection with the proposed transaction between Emerson Electric Co. (“Emerson”) and Aspen Technology, Inc. (“AspenTech”), a subsidiary of Emerson, Emersub CX, Inc. (“new AspenTech”), will prepare and file with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-4 that will include a combined proxy statement/prospectus of new AspenTech and AspenTech (the “Combined Proxy Statement/Prospectus”). AspenTech and new AspenTech will prepare and file the Combined Proxy Statement/Prospectus with the SEC, and AspenTech will mail the Combined Proxy Statement/Prospectus to its stockholders and file other documents regarding the proposed transaction with the SEC. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents AspenTech and/or new AspenTech may file with the SEC in connection with the proposed transaction. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS, SECURITY HOLDERS OF EMERSON AND SECURITY HOLDERS OF ASPENTECH ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THE COMBINED PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE AND THE OTHER DOCUMENTS THAT ARE FILED OR WILL BE FILED BY ASPENTECH OR NEW ASPENTECH WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, IN CONNECTION WITH THE PROPOSED TRANSACTION, BECAUSE THESE DOCUMENTS CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND RELATED MATTERS. Investors and security holders will be able to obtain free copies of the Combined Proxy Statement/Prospectus and other documents filed with the SEC by AspenTech and/or new AspenTech without charge through the website maintained by the SEC at www.sec.gov or by contacting the investor relations department of Emerson or AspenTech"

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Participants in the Solicitation

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Additional Information and Where to Find It

Caution Concerning Forward-Looking Statements

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Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others: (1) that one or more closing conditions to the transaction, including certain regulatory approvals, may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed transaction, may require conditions, limitations or restrictions in connection with such approvals or that the required approval by the stockholders of AspenTech may not be obtained; (2) the risk that the proposed transaction may not be completed in the time frame expected by Emerson, AspenTech or new AspenTech, or at all; (3) unexpected costs, charges or expenses resulting from the proposed transaction; (4) uncertainty of the expected financial performance of new AspenTech following completion of the proposed transaction; (5) failure to realize the anticipated benefits of the proposed transaction, including as a result of delay in completing the proposed transaction or integrating the industrial software business of Emerson with the business of AspenTech; (6) the ability of new AspenTech to implement its business strategy; (7) difficulties and delays in achieving revenue and cost synergies of new AspenTech; (8) inability to retain and hire key personnel; (9) the occurrence of any event that could give rise to termination of the proposed transaction; (10) potential litigation in connection with the proposed transaction or other settlements or investigations that may affect the timing or occurrence of the contemplated transaction or result in significant costs of defense, indemnification and liability; (11) evolving legal, regulatory and tax regimes; (12) changes in economic, financial, political and regulatory conditions, in the United States and elsewhere, and other factors that contribute to uncertainty and volatility, natural and man-made disasters, civil unrest, pandemics (e.g., the coronavirus (COVID-19) pandemic (the “COVID-19 pandemic”)), geopolitical uncertainty, and conditions that may result from legislative, regulatory, trade and policy changes associated with the current or subsequent U.S. administration; (13) the ability of Emerson, AspenTech and new AspenTech to successfully recover from a disaster or other business continuity problem due to a hurricane, flood, earthquake, terrorist attack, war, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event, including the ability to function remotely during long-term disruptions such as the COVID-19 pandemic; (14) the impact of public health crises, such as pandemics (including the COVID-19 pandemic) and epidemics and any related company or governmental policies and actions to protect the health and safety of individuals or governmental policies or actions to maintain the functioning of national or global economies and markets, including any quarantine, “shelter in place,” “stay at home,” workforce reduction, social distancing, shut down or similar actions and policies; (15) actions by third parties, including government agencies; (16) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction; (17) the risk that disruptions from the proposed transaction will harm Emerson’s and AspenTech’s business, including current plans and operations; (18) certain restrictions during the pendency of the acquisition that may impact Emerson’s or AspenTech’s ability to pursue certain business opportunities or strategic transactions; (19) Emerson’s, AspenTech’s and new AspenTech’s ability to meet expectations regarding the accounting and tax treatments of the proposed transaction; and (20) other risk factors as detailed from time to time in Emerson’s and AspenTech’s reports filed with the SEC, including Emerson’s and AspenTech’s annual report on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. These risks, as well as other risks associated with the proposed transaction, will be more fully discussed in the Combined Proxy Statement/Prospectus. While the list of factors presented here is, and the list of factors to be presented in the Combined Proxy Statement/Prospectus will be, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Any forward-looking statements speak only as of the date of this communication. Neither Emerson, AspenTech nor new AspenTech undertakes any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.