

# Emerson Q3 Earnings Conference Call

August 9, 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 sale of its InSinkErator food waste disposal business, the financial impact of the AspenTech acquisition, 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.*

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## 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.*

# Recent Portfolio Announcements

## ACQUISITIONS

AspenTech Transaction Closed May 16



**micromine**

AspenTech Announces Agreement to Acquire End-to-End Software Leader for Mining Industry



Emerson Acquires Life Sciences Leader in Process Knowledge Management

## DIVESTITURES

InSinkErator Agreement to Sell Announced August 8



**THERM-O-DISC™**

Sale Completed May 31

# Net Zero Targets

**Net zero GHG emissions**  
(Scopes 1, 2 and 3) by

**2045**

*with a science-based  
aligned approach*

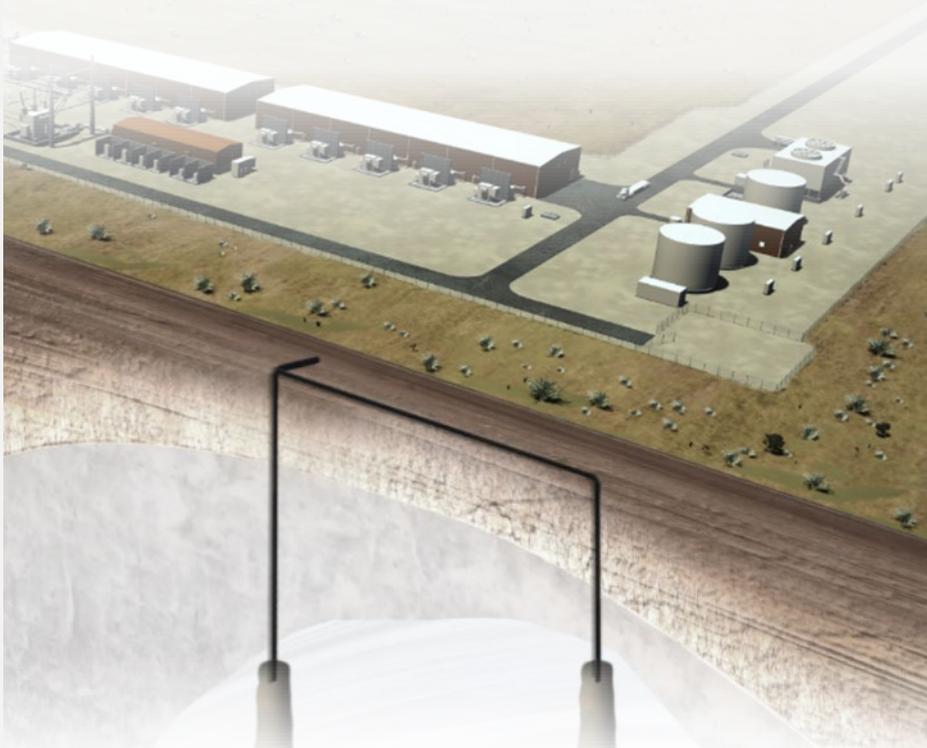
**Net zero operations** Scopes 1 and 2  
GHG emissions and **25% reduction**  
of Scope 3 GHG emissions by

**2030**

*compared to 2021 baseline*

# Recent Project Wins Highlight Emerson's Leadership in the Energy Transition

Emerson Chosen by Mitsubishi for World's Largest Hydrogen Production and Storage Facility



Facility will produce 100 tons of green hydrogen per day with storage for 300 GWh of energy

Emerson Software and Technologies Chosen to Automate Fintoil Biorefinery



400,000-ton reduction in carbon emissions (~1% of Finland's total emissions)

Emerson to Automate Albioma Coal-Fired Power Plant Transformation to Biomass Feedstock



640,000-ton reduction in carbon emissions (84% reduction from current levels)

# Investments Show Emerson's Continued Commitment to Regionalization, Factory Automation and Operational Excellence



Emerson Opens New Professional Tools Facility in Ash Flat, Arkansas



Emerson Inaugurates New Integrated Manufacturing Facility in Chennai, India



Emerson Introduces New Production Facility in Saltillo, Mexico



# Q3 Results



# 2022 Q3 Significant Items

## ASPENTECH TRANSACTION

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On May 16, 2022, Emerson completed its transaction with AspenTech. In exchange for 55% ownership of the new AspenTech, Emerson contributed two business – OSI and Geological Simulation Software (now Subsurface Science and Engineering, or SSE) – plus \$6B of cash to AspenTech stockholders.

Previously reported in Automation Solutions, OSI and SSE have been reclassified to a newly created AspenTech segment for Q3 and all previous quarters. These businesses are not included in all Automation Solutions metrics including three-month trailing underlying orders, net sales, underlying sales\*, segment EBIT, segment adjusted EBITA\* and backlog. Additional reclassification details can be found in the Appendix of this presentation. The new AspenTech segment includes full quarter results for OSI and SSE, and heritage AspenTech since May 16, 2022.

## THERM-O-DISC DIVESTITURE

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On May 31, 2022, Emerson completed the divestiture of Therm-O-Disc which was previously reported in Commercial & Residential Solutions (Climate Technologies), Therm-O-Disc has been excluded from three-month trailing underlying orders, underlying sales\* and backlog calculations for Emerson and Commercial & Residential Solutions.

## RUSSIA EXIT

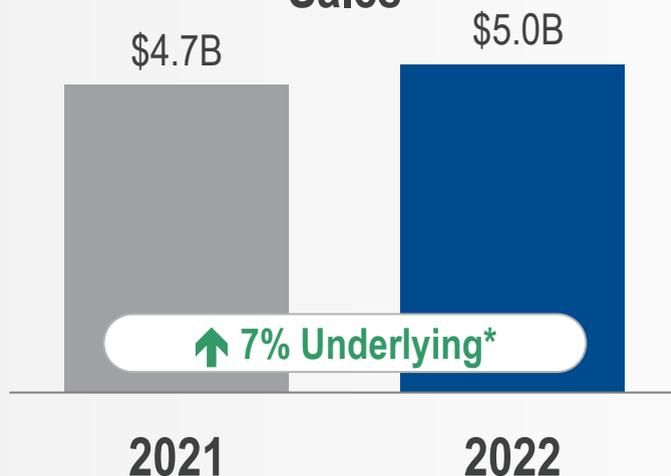
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As part of its previously announced Russia exit, Emerson is including the following items in the third quarter:

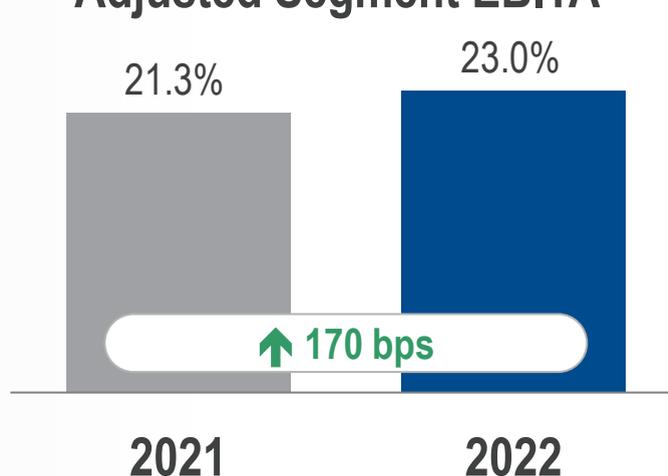
- Pre-tax loss of \$162M (\$174M after-tax, \$0.29 per share) – \$32M loss in operating profit and \$130M reported in other deductions
- \$132M of debooking in Automation Solutions reflected in backlog

# 2022 Q3 Performance Summary

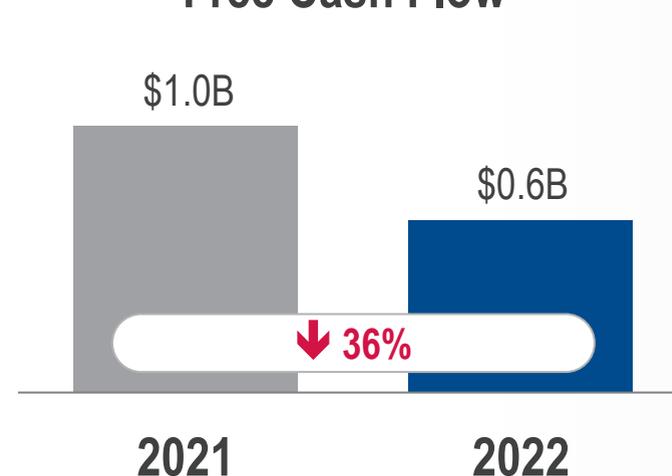
## Sales



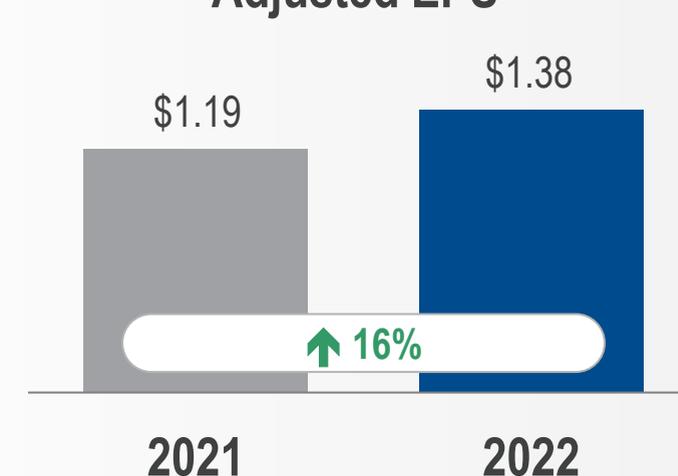
## Adjusted Segment EBITA\*



## Free Cash Flow\*



## Adjusted EPS\*



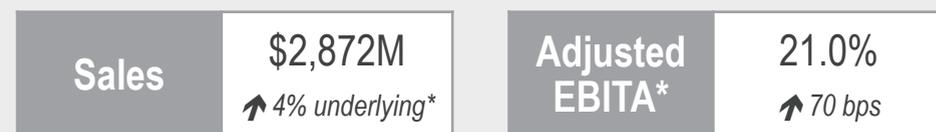
- \$100M impact from China lockdowns; \$80M impact from electronic component availability
- Continued strong demand and price realization

- Favorably impacted by portfolio actions; AspenTech segment contributed +150 bps
- Price less net material inflation improving, especially within Climate Technologies but still dilutive

- Higher working capital from increased sales and continued supply chain constraints
- Free cash flow conversion\*: 90% – excluding discrete one-time items

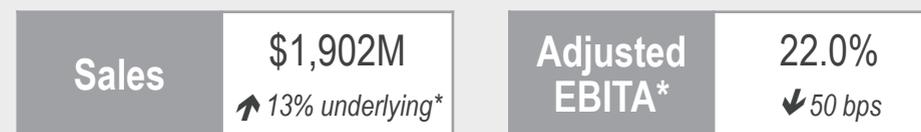
- Adjusted EPS\* of \$1.38 includes \$0.08 of net AspenTech impact

## AUTOMATION SOLUTIONS



- Growth led by process markets and double-digit growth in Americas
- China COVID-19 lockdowns and continued electronic component availability issues impacting global sales and profitability
- Profitability leverage and cost reductions partially offset by inflationary margin pressure
- Backlog \$6.2B, up \$100M versus prior quarter, despite a \$132M debooking in Russia

## COMMERCIAL & RESIDENTIAL SOLUTIONS



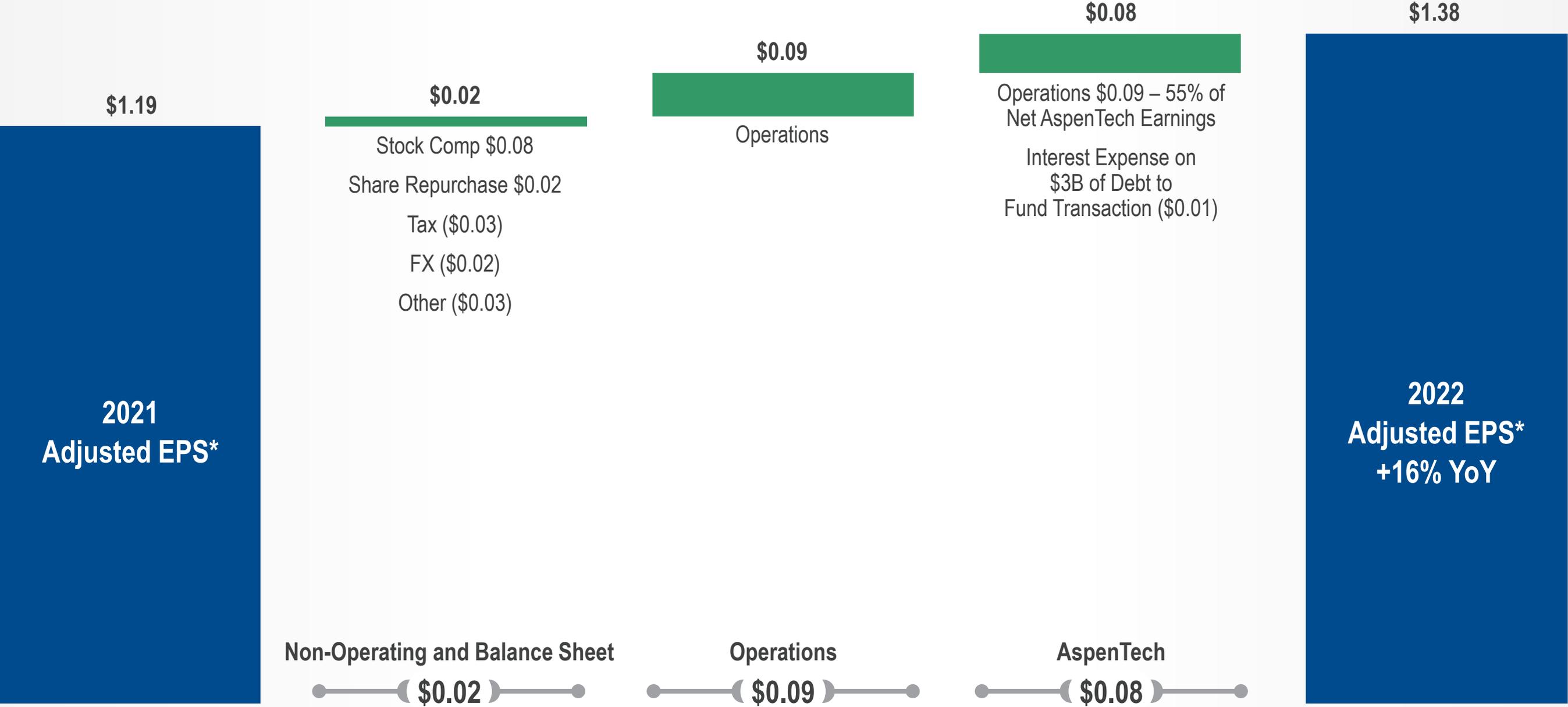
- Strong growth across residential, commercial and industrial
- All world areas up – China down due to lockdowns
- Price contributed 12 points of growth
- Climate Technologies price less net material inflation improving leading to stronger incrementals
- Backlog\* \$1.3B, flat versus prior quarter

## ASPENTECH



- Integration progressing well
- Early synergy project wins in renewable diesel and recycled plastics
- Strong sales and profitability from heritage AspenTech business driven by customer investments in sustainability and operational optimization
- AspenTech's fiscal Q4 (Emerson fiscal Q3) is seasonally highest sales quarter

# 2021 Q3 to 2022 Q3 Adjusted EPS\* Bridge



# Supply Chain Challenges Continue With Electronics and China Lockdowns Affecting the Quarter



## China Lockdowns

### May Expectations

No operation in April

Re-opening expected to begin in middle of May

Full operation in late May

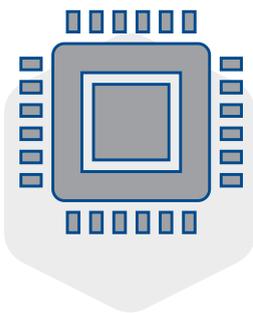
### Q3 Actual

Emerson elected for employees to stay home during lockdowns – no forced closed-loop operations or extended overnight stays

Re-opening began in late May

Full operation in early June

\$100M sales impact



## Electronic Component Availability

### May Expectations

Stabilization at elevated lead times

Continued inflation and elevated spot prices

### Q3 Actual

Stabilization at elevated lead times

Increased de-commits, continued inflation and elevated spot prices

China lockdowns contributed to further availability issues

\$80M sales impact



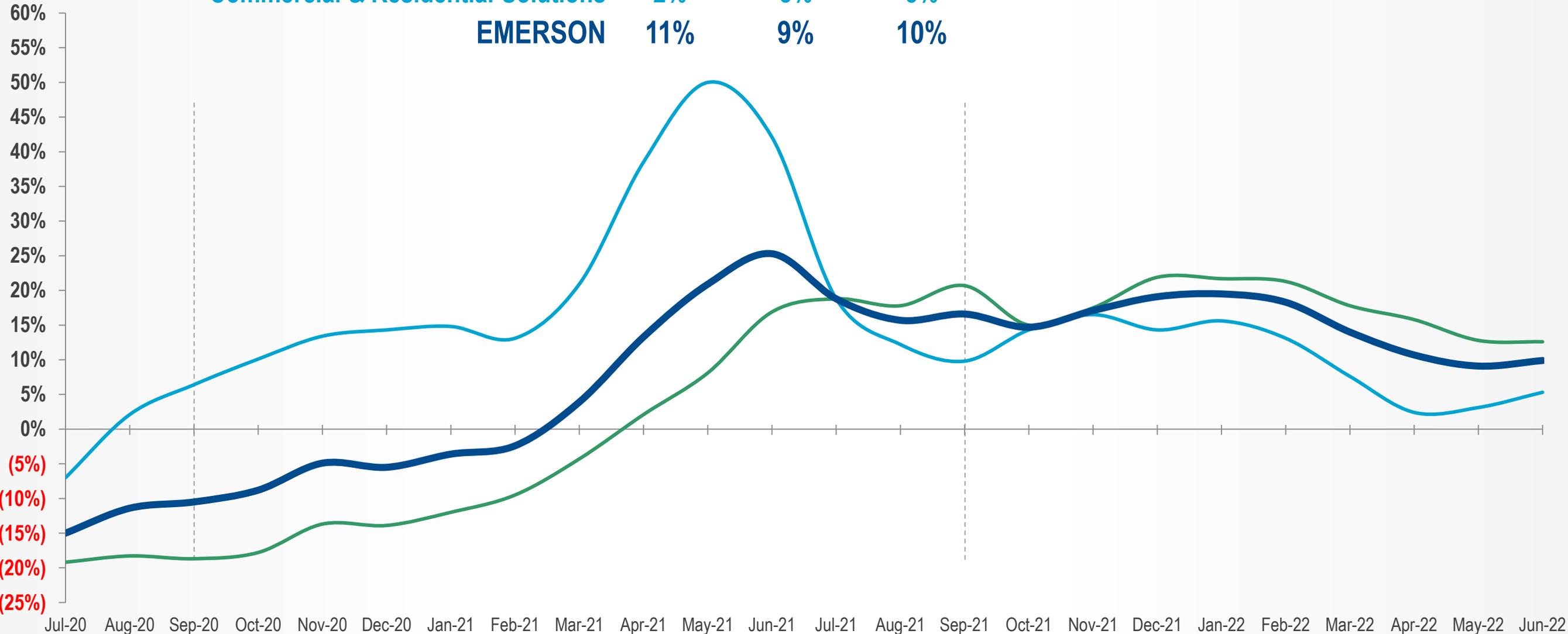
# Full Year 2022 Outlook



**EMERSON**<sup>™</sup>

# Emerson Trailing Three-Month Underlying Orders Versus Prior Year

	APR	MAY	JUN
Automation Solutions	16%	13%	13%
Commercial & Residential Solutions	2%	3%	5%
<b>EMERSON</b>	<b>11%</b>	<b>9%</b>	<b>10%</b>



Note: Excludes heritage AspenTech, Therm-O-Disc (previously reported in Commercial & Residential Solutions) and Emerson's businesses contributed to AspenTech (previously reported in Automation Solutions)

# 2022 Guidance

	May 2022 Guidance	August 2022 Guidance
<b>Net Sales Growth</b>	8% – 10%	7% – 8%
Acquisitions	~0 pts	1-2 pts
Divestitures	~0 pts	(~1 pt)
FX	(~1 pt)	(2-3 pts)
<b>Underlying Sales Growth*</b>	9% – 11%	9% – 10%
Automation Solutions	7% – 9%	6% – 7%
Commercial & Residential Solutions	12% – 14%	13% – 14%
Restructuring Actions	~\$150M	~\$150M
Tax Rate	~22%	~22%
<b>Operating Cash Flow</b>	~\$3.6B	~\$3.0B
Capital Spend	~\$600M	~\$525M
<b>Free Cash Flow*</b>	~\$3.0B	~\$2.5B
Dividend	~\$1.2B	~\$1.2B
Share Repurchase	\$250M – \$500M	~\$500M
<b>GAAP EPS</b>	\$4.77 – \$4.92	\$5.25 – \$5.35
<b>Adjusted EPS*</b>	\$4.95 – \$5.10	\$5.05 – \$5.15

## ENVIRONMENT / KEY ASSUMPTIONS

Order strength and backlog support Q4 growth

Supply chain constraints persist; electronic component availability remains stable but challenging – de-commits expected to reduce in Q4

Inflationary pressure continues; incremental price programs to offset

Remain vigilant on China – not anticipating further COVID-19 related lockdowns or constraints in Q4

# 2022 Guidance Bridges

## GAAP EPS BRIDGE

<b>May Guide GAAP EPS</b>	<b>\$4.77 – \$4.92</b>
Lowering Top End of Guide – Operations and Therm-O-Disc Operations	(\$0.05)
<b>Subtotal (Operations Impact)</b>	<b>\$4.77 – \$4.87</b>
Therm-O-Disc Divestiture Gain	\$0.72
Russia Write-Off	(\$0.29)
<b>Subtotal (Excluding AspenTech)</b>	<b>\$5.20 – \$5.30</b>
AspenTech Operations	~\$0.13
AspenTech Net Intangibles Amortization Related to Transaction	~(\$0.08)
<b>August Guide GAAP EPS</b>	<b>\$5.25 – \$5.35</b>

## ADJUSTED EPS\* BRIDGE

<b>May Guide Adjusted EPS*</b>	<b>\$4.95 – \$5.10</b>
Lowering Top End of Guide Operations and Therm-O-Disc Operations	(\$0.05)
<b>Subtotal (Excluding AspenTech)</b>	<b>\$4.95 – \$5.05</b>
AspenTech Operations	~\$0.13
Interest Expense on \$3B of Debt – No Longer Adjusted As of May 16	(\$0.03)
<b>August Guide Adjusted EPS*</b>	<b>\$5.05 – \$5.15</b>

# 2022 GAAP EPS to Adjusted EPS\* Guidance

<b>GAAP EPS</b>	<b>\$5.25 – \$5.35</b>
Restructuring / Related Costs	~\$0.20
Amortization of Intangibles	~\$0.47
Gain on Subordinated Interest	(\$0.60)
Therm-O-Disc Divestiture	(\$0.72)
Russia Exit	\$0.29
AspenTech Transaction Costs and Interest Expense <sup>1</sup>	\$0.16
<b>Adjusted EPS*</b>	<b>\$5.05 – \$5.15</b>

<sup>1</sup> Interest expense adjustment to EPS is applicable to the \$3B of debt issued early to fund the transaction through May 15, 2022



# Q&A





# Appendix



# 2022 Q3 P&L Summary

<b>(MILLIONS, EXCEPT EPS)</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
Sales	\$4,697	\$5,005	6.6%
Gross profit	\$1,982	\$2,097	
% of sales	42.2%	41.9%	(30 bps)
SG&A expense	\$1,073	\$1,052	
% of sales	22.9%	21.0%	(190 bps)
EBIT*	\$821	\$1,245	
% of sales*	17.5%	24.9%	740 bps
Adjusted EBITA*	\$942	\$1,143	
% of sales*	20.1%	22.8%	270 bps
Tax rate	19.2%	20.3%	
Shares	602	596	
Adjusted EPS*	\$1.19	\$1.38	16%

# 2022 Q3 Earnings & Cash Flow

<b>(MILLIONS)</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
Adjusted segment EBITA*	\$1,000	\$1,151	15%
% of sales*	21.3%	23.0%	170 bps
Stock compensation	(\$66)	(\$16)	\$50
Corporate pension and OPEB	\$24	\$25	\$1
Adjusted corporate and other*	(\$16)	(\$17)	(\$1)
Adjusted interest expense, net*	(\$37)	(\$41)	(\$4)
Adjusted pretax earnings*	\$905	\$1,102	22%
% of sales*	19.3%	22.0%	270 bps
Operating cash flow	\$1,105	\$740	(33%)
Capital expenditures	(\$128)	(\$110)	
Free cash flow*	\$977	\$630	(36%)
Trade working capital	\$2,910	\$3,314	
% of sales	15.5%	17.1%	

# 2022 Q3 World Area Underlying Sales Growth

	<b>Automation Solutions</b>	<b>Commercial &amp; Residential Solutions</b>	<b>Emerson</b>
Americas	12%	16%	14%
Europe	(2%)	6%	0%
Asia, Middle East & Africa	(3%)	5%	(1%)
<i>China</i>	(2%)	(18%)	(6%)
	<b>4%</b>	<b>13%</b>	<b>7%</b>

# Segment Details – Reclassified Financials

Following Emerson’s transaction with AspenTech, Emerson contributed two software businesses (OSI and Subsurface Science and Engineering, or SSE) to AspenTech. These businesses, previously reported in Automation Solutions, have been reclassified to the AspenTech segment for the current quarter and all history. The below tables provide details on the reclassification.

The information provided below, which has been reclassified to conform to the current presentation, does not represent a restatement of previously issued financial statements and should be read in conjunction with the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

## Sales (M)

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	\$2,619	\$2,708	\$2,865	\$3,100	\$11,292	\$2,725	\$2,853	\$2,872
AspenTech	\$73	\$85	\$82	\$79	\$319	\$82	\$84	\$239
OSI / SSE	\$73	\$85	\$82	\$79	\$319	\$82	\$84	\$66
Heritage AspenTech	---	---	---	---	---	---	---	\$173

## EBIT (M)

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	\$368	\$467	\$519	\$601	\$1,955	\$528	\$560	\$530
AspenTech	(\$7)	\$4	\$2	(\$6)	(\$7)	(\$2)	(\$4)	\$57
OSI / SSE	(\$7)	\$4	\$2	(\$6)	(\$7)	(\$2)	(\$4)	(\$21)
Heritage AspenTech	---	---	---	---	---	---	---	\$78

## EBIT Margin

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	14.1%	17.2%	18.1%	19.4%	17.3%	19.4%	19.6%	18.5%
AspenTech	(10.2%)	4.8%	2.2%	(7.5%)	(2.3%)	(2.3%)	(5.0%)	23.7%
OSI / SSE	(10.2%)	4.8%	2.0%	(7.5%)	(2.3%)	(2.3%)	(5.0%)	(31.8%)
Heritage AspenTech	---	---	---	---	---	---	---	45.1%

# Segment Details – Reclassified Financials

Following Emerson’s transaction with AspenTech, Emerson contributed two software businesses (OSI and Subsurface Science and Engineering, or SSE) to AspenTech. These businesses, previously reported in Automation Solutions, have been reclassified to the AspenTech segment for the current quarter and all history. The below tables provide details on the reclassification.

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## Amortization of Intangibles (M)

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	\$46	\$46	\$44	\$50	\$186	\$43	\$41	\$41
AspenTech	\$22	\$23	\$22	\$22	\$89	\$22	\$23	\$71
<i>OSI / SSE</i>	\$22	\$23	\$22	\$22	\$89	\$22	\$23	\$22
<i>Heritage AspenTech</i>	---	---	---	---	---	---	---	\$49

## Restructuring & Related Costs (M)

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	\$60	\$14	\$20	\$52	\$146	\$12	\$11	\$31
AspenTech	\$4	---	(\$2)	---	\$2	---	---	\$1
<i>OSI / SSE</i>	\$4	---	(\$2)	---	\$2	---	---	---
<i>Heritage AspenTech</i>	---	---	---	---	---	---	---	\$1

# Segment Details – Reclassified Financials

Following Emerson’s transaction with AspenTech, Emerson contributed two software businesses (OSI and Subsurface Science and Engineering, or SSE) to AspenTech. These businesses, previously reported in Automation Solutions, have been reclassified to the AspenTech segment for the current quarter and all history. The below tables provide details on the reclassification.

The information provided below, which has been reclassified to conform to the current presentation, does not represent a restatement of previously issued financial statements and should be read in conjunction with the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

## Adjusted EBITA\* (M)

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	\$474	\$527	\$583	\$703	\$2,287	\$583	\$612	\$602
AspenTech	\$19	\$27	\$22	\$16	\$84	\$20	\$19	\$129
OSI / SSE	\$19	\$27	\$22	\$16	\$84	\$20	\$19	\$1
Heritage AspenTech	---	---	---	---	---	---	---	\$128

## Adjusted EBITA Margin\*

	2021					2022		
	Q1	Q2	Q3	Q4	Fiscal Year	Q1	Q2	Q3
Automation Solutions	18.1%	19.4%	20.3%	22.7%	20.3%	21.3%	21.5%	21.0%
AspenTech	25.7%	31.2%	26.7%	20.8%	26.2%	24.9%	21.5%	53.8%
OSI / SSE	25.7%	31.2%	26.7%	20.8%	26.2%	24.9%	21.5%	1.5%
Heritage AspenTech	---	---	---	---	---	---	---	74.0%

# AspenTech Contribution to Emerson 2022 Q3 Adjusted EBITA\*

The below illustrates how AspenTech reported financials flow into Emerson. Please note certain items are captured under Emerson corporate.

## AspenTech Reported Financials

(MILLIONS)	Quarter Results
Sales	\$239
Net income	\$57
Income taxes	(\$10)
<b>Income before income taxes</b>	<b>\$47</b>
Interest income	(\$4)
Stock compensation	\$15
Transactions costs	\$1
Other	(\$2)
<b>Segment EBIT</b>	<b>\$57</b>

## Emerson Reported AspenTech Segment

(MILLIONS)	Quarter Results
AspenTech sales	\$239
AspenTech segment earnings (EBIT)	\$57
Restructuring	\$1
Amortization of intangibles	\$71
<b>Adjusted EBITA*</b>	<b>\$129</b>
<i>% of sales</i>	<i>53.8%</i>

## Emerson Corporate

(MILLIONS)	Quarter Results
Interest income	(\$4)
Stock compensation	\$15
Transactions costs	\$1
Other	(\$2)

# AspenTech Contribution to Emerson 2022 Q3 GAAP EPS

The below illustrates how AspenTech reported financials flow into overall Emerson EPS.

## AspenTech Reported Financials

(MILLIONS)	Quarter Results
Sales	\$239
Net income	\$57

## Emerson EPS Contribution

### BEFORE TRANSACTION

April 1, 2022 – May 15, 2022 (OSI / SSE 100% Contribution)

(MILLIONS, EXCEPT EPS)	Results
Sales	\$33
Net earnings	(\$7)
Shares	596
Diluted EPS	(\$0.01)

### AFTER TRANSACTION

May 16, 2022 – June 30, 2022 (55% Contribution of Entire AspenTech segment)

(MILLIONS, EXCEPT EPS)	Results
Sales	\$206
Net earnings	\$64
Non-controlling interest	(\$29)
Net earnings common stockholders	\$35
Shares	596
Diluted EPS	\$0.06

# AspenTech Contribution to Emerson 2022 Q3 Adjusted EPS\*

The below illustrates how AspenTech reported financials flow into overall Emerson adjusted EPS\*.

## BEFORE TRANSACTION

April 1, 2022 – May 15, 2022 (OSI / SSE 100% Contribution)

	<b>Results</b>
<b>GAAP EPS</b>	<b>(\$0.01)</b>
Amortization of intangibles	\$0.01
<b>Adjusted EPS*</b>	<b>\$0.00</b>

## AFTER TRANSACTION

May 16, 2022 – June 30, 2022 (55% Contribution of Entire AspenTech segment)

	<b>Results</b>
<b>GAAP EPS</b>	<b>\$0.06</b>
Amortization of intangibles	\$0.04
Transaction costs	\$0.00
Restructuring	\$0.00
One-time tax item	(\$0.01)
<b>Operational adjusted EPS*</b>	<b>\$0.09</b>
Interest on acquisition debt	(\$0.01)
<b>Adjusted EPS*</b>	<b>\$0.08</b>

# 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>Automation Solutions</b>	<b>Commercial &amp; Residential Solutions</b>	<b>Emerson</b>
<b>Q3 2022 Underlying Sales Change</b>			
Reported (GAAP)	-%	8%	7%
(Favorable) / Unfavorable FX	4%	2%	3%
Acquisitions	-%	-%	(4)%
Divestitures	-%	3%	1%
Underlying*	4%	13%	7%

	<b>Automation Solutions</b>	<b>Commercial &amp; Residential Solutions</b>	<b>Emerson</b>
<b>FY 2022E August 2022 Guidance Underlying Sales Change</b>			
Reported (GAAP)	4% - 5%	9% - 10%	7% - 8%
(Favorable) / Unfavorable FX	2%	1%	2% - 3%
Acquisitions	-%	-%	(1)% - (2)%
Divestitures	-%	3%	~1%
Underlying*	6% - 7%	13% - 14%	9% - 10%

	<b>Automation Solutions</b>	<b>Commercial &amp; Residential Solutions</b>	<b>Emerson</b>
<b>FY 2022E May 2022 Guidance Underlying Sales Change</b>			
Reported (GAAP)	6% - 8%	11% - 13%	8% - 10%
(Favorable) / Unfavorable FX	1%	1%	1%
Acquisitions / Divestitures	-%	-%	-%
Underlying*	7% - 9%	12% - 14%	9% - 11%

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 FY21</b>	<b>Q3 FY22</b>	
Pretax earnings (GAAP)	\$ 784	\$ 1,195	
Interest expense, net	37	50	
Earnings before interest and taxes*	\$ 821	1,245	
Restructuring and related costs	32	34	
Amortization of intangibles	79	124	
Gain on sale of business		(483)	
Russia business exit	-	162	
Acquisition/divestiture costs	-	61	
OSI purchase accounting items	10	-	
Adjusted earnings before interest and taxes*	\$ 942	\$ 1,143	

<b>EBIT Margin</b>	<b>Q3 FY21</b>	<b>Q3 FY22</b>	<b>Change</b>
Pretax margin (GAAP)	16.7%	23.9%	720 bps
Interest expense, net	0.8%	1.0%	20 bps
EBIT margin*	17.5%	24.9%	740 bps
Restructuring and related costs	0.7%	0.7%	- bps
Amortization of intangibles	1.7%	2.5%	80 bps
Gain on sale of business	-%	(9.7)%	(970) bps
Russia business exit	-%	3.2%	320 bps
Acquisition/divestiture costs	-%	1.2%	120 bps
OSI purchase accounting items	0.2%	-%	(20) bps
Adjusted EBITA margin*	20.1%	22.8%	270 bps

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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)

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
<b>Q3 Earnings Per Share</b>			
Earnings per share (GAAP)	\$ 1.04	\$ 1.54	48%
Restructuring and related costs	0.04	0.05	1%
Amortization of intangibles	0.10	0.13	3%
Gain on sale of business	-	(0.72)	(74)%
Russia business exit	-	0.29	30%
Acquisition/divestiture costs and interest on pre-acquisition AspenTech debt	-	0.09	9%
OSI purchase accounting	0.01	-	(1)%
Adjusted earnings per share*	\$ 1.19	\$ 1.38	16%

	<u>FY22E August Guidance</u>	<u>FY22E May Guidance</u>
<b>Earnings Per Share</b>		
Earnings per share (GAAP)	\$5.25 - \$5.35	\$4.77 - \$4.92
Restructuring and related costs	0.20	0.20
Amortization of intangibles	0.47	0.39
Gain on subordinated interest	(0.60)	(0.60)
Gain on sale of business	(0.72)	-
Russia business exit	0.29	-
Acquisition/divestiture costs and interest on pre-acquisition AspenTech debt	0.16	0.19
Adjusted earnings per share*	\$5.05 - \$5.15	\$4.95 - \$5.10

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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)

<b>Business Segment EBIT</b>	<b>Q3 FY21</b>	<b>Q3 FY22</b>	<b>Change</b>
Pretax earnings (GAAP)	\$ 784	\$ 1,195	52%
Corp. items and interest expense, net	112	(201)	41%
Business segment EBIT	896	994	11%
Restructuring and related costs	25	33	1%
Amortization of intangibles	79	124	3%
Adjusted business segment EBITA*	\$ 1,000	\$ 1,151	15%

<b>Business Segment EBIT Margin</b>	<b>Q3 FY21</b>	<b>Q3 FY22</b>	<b>Change</b>
Pretax margin (GAAP)	16.7%	23.9%	720 bps
Corp. items and interest expense, net % of sales	2.4%	(4.0)%	(640) bps
Segment EBIT	19.1%	19.9%	80 bps
Restructuring and related costs % of sales	0.5%	0.7%	20 bps
Amortization of intangibles % of sales	1.7%	2.4%	70 bps
Adjusted business segment EBITA margin*	21.3%	23.0%	170 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)

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
<b>Pretax Earnings</b>			
Pretax earnings (GAAP)	\$ 784	\$ 1,195	52%
Restructuring and related costs	32	34	1%
Amortization of intangibles	79	124	7%
Gain on sale of business	-	(483)	(72)%
Russia business exit	-	162	24%
Acquisition/divestiture costs and pre-acquisition interest on AspenTech debt	-	70	11%
OSI purchase accounting items	10	-	(1)%
Adjusted pretax earnings*	<u>\$ 905</u>	<u>\$ 1,102</u>	<u>22%</u>

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
<b>Pretax Margin</b>			
Pretax margin (GAAP)	16.7%	23.9%	720 bps
Restructuring and related costs	0.7%	0.7%	- bps
Amortization of intangibles	1.7%	2.5%	80 bps
Gain on sale of business	-%	(9.7)%	(970) bps
Russia business exit	-%	3.2%	320 bps
Acquisition/divestiture costs and pre-acquisition interest on AspenTech debt	-%	1.4%	140 bps
OSI purchase accounting	0.2%	-%	(20) bps
Adjusted pretax margin*	<u>19.3%</u>	<u>22.0%</u>	<u>270 bps</u>

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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)

## Corporate and Other

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
Corporate and other (GAAP)	\$ (33)	\$ 242	\$ 275
Restructuring and related costs	7	1	(6)
Gain on sale of business	-	(483)	(483)
Russia business exit	-	162	162
Acquisition/divestiture costs	-	61	61
OSI purchase accounting items	10	-	(10)
Adjusted Corporate and other*	<u>\$ (16)</u>	<u>\$ (17)</u>	<u>\$ (1)</u>

## Interest Expense, Net

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
Interest expense, net (GAAP)	\$ 37	\$ 50	13
Interest on AspenTech debt	-	(9)	(9)
Adjusted interest expense, net*	<u>\$ 37</u>	<u>\$ 41</u>	<u>4</u>

## Commercial & Residential Solutions Backlog

	<u>March 31, 2022</u>	<u>June 30, 2022</u>	<u>Change</u>
GAAP backlog	~ \$1.4B	~ \$1.3B	\$ (0.1)B
Therm-O-Disc backlog	(0.1)B	-	0.1B
Backlog excluding Therm-O-Disc*	<u>~ \$1.3B</u>	<u>~ \$1.3B</u>	<u>\$ -</u>

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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)

## Automation Solutions Segment EBIT Margin

	Q3 FY21	Q3 FY22	Change
Automation Solutions Segment EBIT margin (GAAP)	18.1%	18.5%	40 bps
Restructuring and related costs	0.7%	1.1%	40 bps
Amortization of intangibles	1.5%	1.4%	(10) bps
Automation Solutions Adjusted Segment EBITA margin*	20.3%	21.0%	70 bps

## Commercial & Residential Solutions EBIT Margin

	Q3 FY21	Q3 FY22	Change
Commercial & Residential Solutions EBIT margin (GAAP)	21.3%	21.4%	10 bps
Restructuring and related costs	0.4%	- %	(40) bps
Amortization of intangibles	0.8%	0.6%	(20) bps
Commercial & Residential Solutions Adjusted Segment EBITA margin*	22.5%	22.0%	(50) bps

## AspenTech EBIT Margin

	Q3 FY22
AspenTech EBIT margin (GAAP)	23.7%
Restructuring and related costs	0.3%
Amortization of intangibles	29.8%
AspenTech Adjusted Segment EBITA margin*	53.8%

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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)

## Q3 Cash Flow

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

	<u>Q3 FY21</u>	<u>Q3 FY22</u>	<u>Change</u>
	\$ 1,105	\$ 740	(33)%
	(128)	(110)	(3)%
	<u>\$ 977</u>	<u>\$ 630</u>	<u>(36)%</u>

## FY 2022E Cash Flow

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

	<u>FY22E Aug Guidance</u>	<u>FY22E May Guidance</u>
	~ \$3.0B	~ \$3.6B
	(525)M	(600)M
	<u>~ \$2.5B</u>	<u>~ \$3.0B</u>

## Cash Flow to Net Earnings Conversion

Operating cash flow to net earnings (GAAP)  
Capital expenditures  
Free cash flow to net earnings\*  
Vertiv gain / Therm-O-Disc divestiture / Russia business exit  
Adjusted free cash flow to net earnings\*

	<u>Q3 FY22</u>	<u>FY22E</u>
	78%	~ 94%
	(12)%	(16)%
	<u>66%</u>	<u>~ 78%</u>
	24%	22%
	<u>90%</u>	<u>~ 100%</u>

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