

# EMERSON TO ACQUIRE OPEN SYSTEMS INTERNATIONAL (OSI) INC.

August 27, 2020



## 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.*

# Emerson's Active Acquisition Strategy is Mixing into Higher Multiple Control and Data Management Layers

2016 - 2020YTD # DEALS:

RECENT ACQUISITIONS:

## DATA MANAGEMENT & SERVICES

*Converts rich data to information and develops actionable insights*

14

*Insights from information are fundamental to delivering optimization*

**OSI Power**

✓ **Information** (Equity Position)

3

*Customers rely on our control systems, which ensure their processes are optimized, running safely, efficiently, and productively*

✓ **American Governor**

✓ **Verdant**

## CONTROL

*Performs action on rich data collected from the field*

16

## DEVICES / INSTRUMENTS / SENSORS

*Generates rich data*

*Our established credibility with customers through world class devices/instruments/sensors lays the foundation to optimize our customers' broad needs*

**OPTIMIZATION**

Recent Focus

Emerson Has Tremendous Credibility With Our Customers and Is Uniquely Positioned to Provide Optimized Solutions for Our Customers Up and Down the Technology Value Pyramid

# OSI and Emerson Together Offer a Complete Electric Utility Solution from Generation to Metering



## GENERATION

### Distributed Control System (DCS)

- Controls power generation to match demand
- Optimizes plant performance

## TRANSMISSION

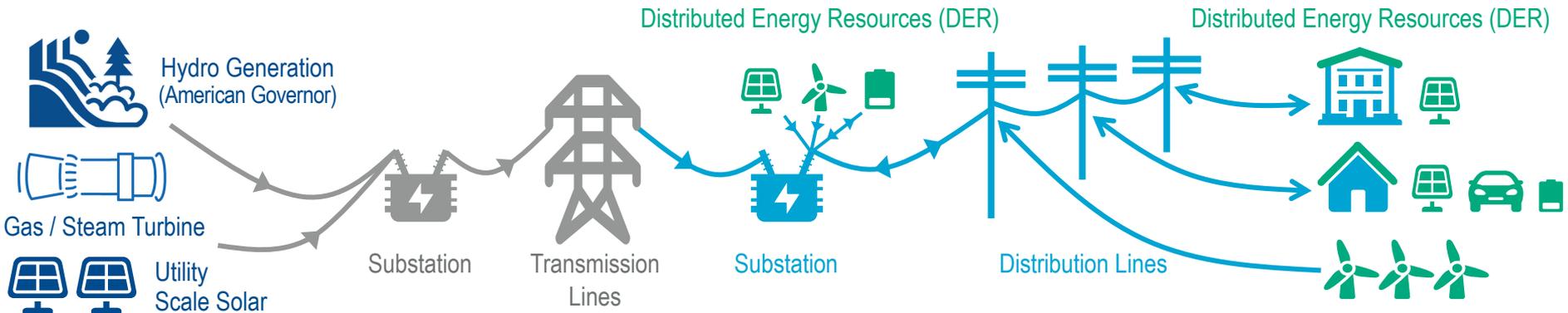
### Energy Management System (EMS)

- Controls power flow and voltage from plants to distribution
- Advises power plants of generation needed to match demand

## DISTRIBUTION

### Advanced Distribution Management System (ADMS)

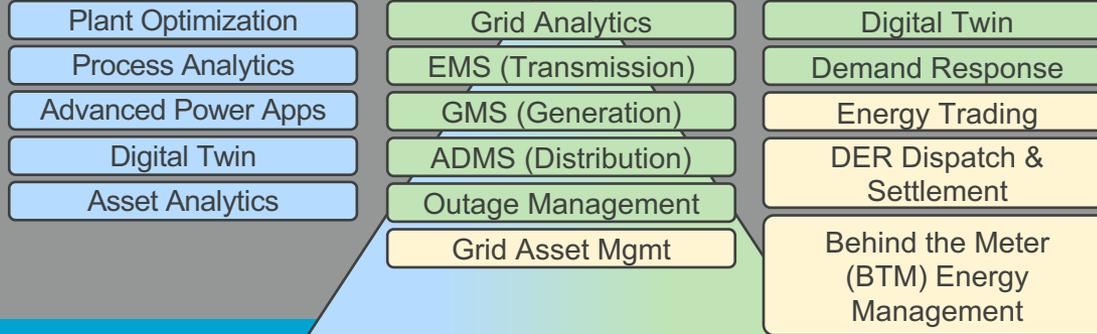
- Controls power flow and voltage to end users and from distributed energy resources
- Manages restoration of power following a power outage



# OSI Adds Attractive Power Transmission & Distribution Software Platform to Emerson's Portfolio

## DATA MANAGEMENT

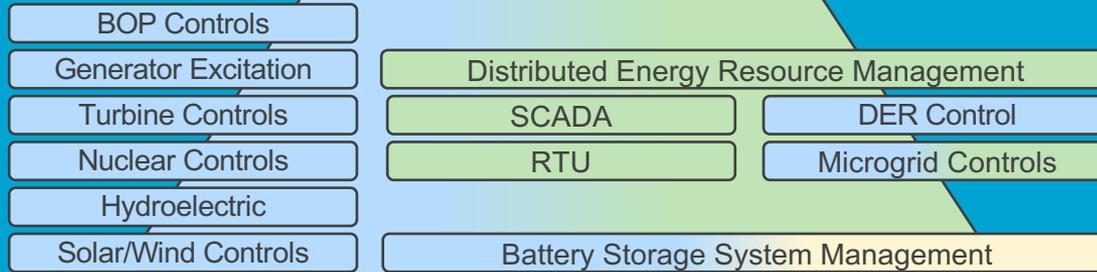
Converts rich data to information and develops actionable insights



Emerson Capabilities
OSI Capabilities
Future Opportunities

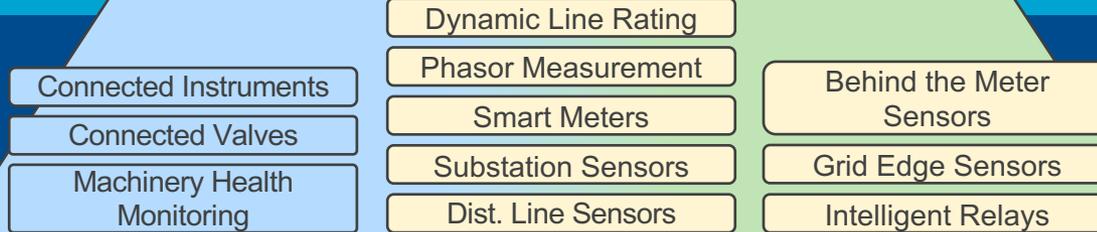
## CONTROL

Performs action on rich data collected from the field



## DEVICES / INSTRUMENTS / SENSORS

Generates rich data



Power Generation

T&D

Distributed Generation

OSI's Software Portfolio Positions Emerson's Power Franchise to Lead in the Ongoing Electric Grid Digitization

# OSI Overview

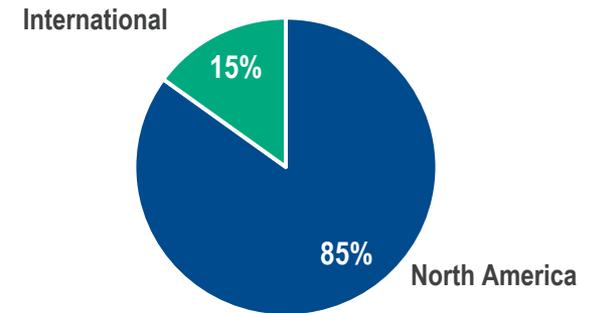
## COMPANY PROFILE

Headquarters <b>Minneapolis, MN</b>	Founded <b>1992</b>
2020 Sales <b>\$167M</b> (FYE 6/30/20)	Employees <b>~1,000</b>
Key Industries <b>Power Transmission &amp; Distribution, Natural Gas Distribution, Water and Wastewater</b>	

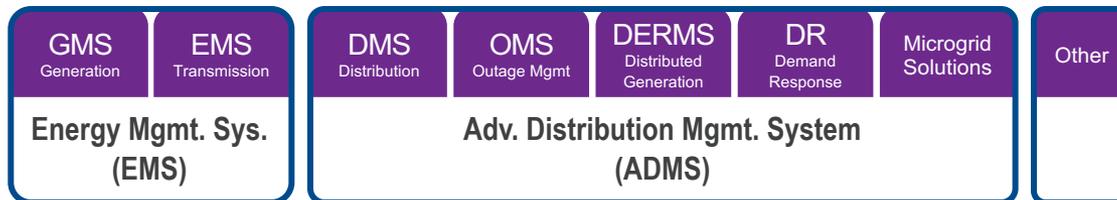
Description  
**A leading independent provider of grid automation software solutions for utilities, providing real-time management and optimization of power transmission and distribution**

## SALES MIX

### By Geography

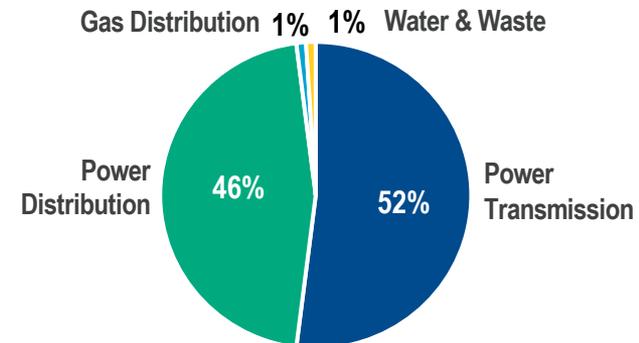


## SOFTWARE APPLICATIONS PORTFOLIO



**monarch™ (real-time platform) + Cumulus (cloud technologies) + Chronus (historian)**  
 SCADA, Field Communications, Alarming, Trending, Visualization, Load Shed, Study Mode, API's, etc.

### End Market



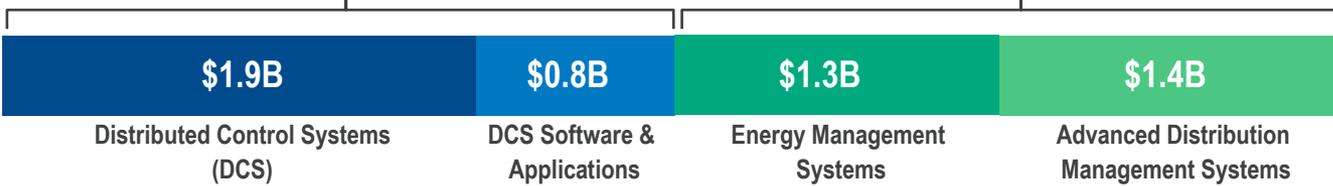
# OSI Complements Strong Emerson Power Franchises and Doubles Served Market to \$5.4B

## TOTAL ACCESSIBLE GLOBAL POWER MARKET \$5.4B WITH OSI

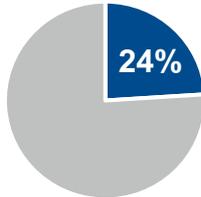
Source: ARC, HIS, internal estimates

Current Emerson Market  
Power Generation Control Systems

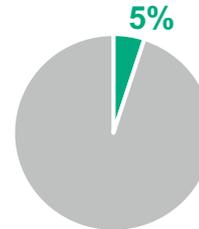
Expanded Emerson Market (w/ OSI)  
Transmission & Distribution Automation



2019 Power Generation DCS Market Emerson Participation



2019 Transmission and Distribution Market OSI Participation



Emerson Participation	1998	2019
Global	13%	24%

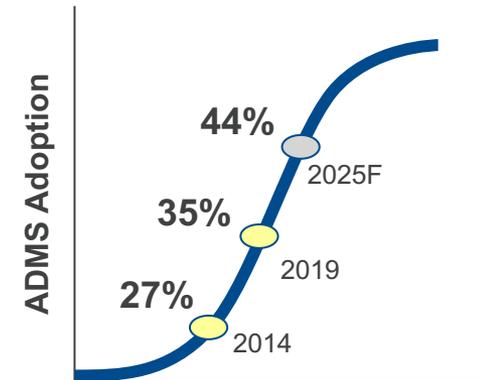
Source: ARC, HIS, internal estimate

OSI Participation	2019	2029F
Global	5%	2x+

Source: LEK, Navigant, internal estimates

## ATTRACTIVE PENETRATION POTENTIAL

65% of Utilities Have Yet to Transition to ADMS



- North American Utilities have shifted CAPEX budgets from ~50% T&D in 2009 to ~67% T&D in 2019
- Advanced Transmission & Distribution Automation Technologies Market expected to grow 7% CAGR from 2020 to 2030

With OSI, Emerson has a tremendous opportunity to replicate our proven market penetration strategy with leading technology and unparalleled customer intimacy

Source: LEK, C3

# Significant Opportunity for Pull-Through and Cross-Selling to Grow Emerson and OSI Installed Base



## GROWTH SYNERGY OPPORTUNITIES

- Joint customer executive engagements
- Drive Generation and Transmission & Distribution platform standardization
- Joint project pursuit and account management to expand sales reach
- Installed base cross selling opportunities
- Product integration for seamless connectivity and transfer of data

Ovation Software Controls ~50% of the Large-Scale Electricity Generated in the US — Cross Sale Opportunity for OSI's T&D Capabilities to Ovation Installed Base

# Highly Strategic Acquisition With Strong Profitability and Cash Flow in an Attractive Growth Market

## EXPANDS SOFTWARE PORTFOLIO

- OSI's software platform enables **customers to add new capabilities** in distributed generation, outage response, load balancing, and demand response management
- Leading modular software technology is **disruptive to legacy technologies**
- **50%+ recurring revenue** supported by **100% customer retention**

## DIVERSIFIES AND EXTENDS EMERSON INTO AN ATTRACTIVE MARKET

- Expansion into **transmission and distribution automation is a natural extension** to Automation Solutions' market-leading power franchise
- **Doubles served market to \$5.4B** in a market **growing at 7%** with opportunity to expand to additional ~\$5B into adjacent T&D markets
- **Mega-trends are driving OSI adoption:** decarbonization, digitization, and decentralization
- **Significant opportunity to cross-sell** to Emerson's US / Global utility customers

## STRONG FINANCIAL PERFORMANCE

- **Strong top-line growth** of ~20% in '20 (15% CAGR in '15-'19)
- **Immediately margin accretive** at ~35% EBITDA margins and ~25% FCF margins
- Strong backlog and orders profile support forward momentum with **existing and new customers, even in COVID environment**
- **Further upside potential** from elevated stimulus spending environment

## TRANSACTION SUMMARY

- Cash purchase price \$1.6B, ~23.5x NTM EBITDA
- Immediately EPS accretive excl. amortization and other acquisition accounting charges
- Projected closing date early FY21, pro forma 2020E Net Debt to Adj EBITDA\* of 1.6x

OSI Adds Software Technology Leadership in Power Transmission & Distribution to Market Leading Power Generation Franchise

# Emerson Making Investments in Software-Focused Solutions Across Both Platforms

## DATA MANAGEMENT

### Standalone Software

Ex: Monarch™ (OSI), Plantweb, Zedi, BioG, Sensi MTM, Paradigm, Syncade

## CONTROL

### Plant or edge Controllers with embedded high value software

Ex: DeltaV, Ovation, Machinery Health, FB3000 RTU, Verdant, Supermarket Controllers, PACSystems PLCs, etc.

## DEVICES / INSTRUMENTS / SENSORS

### Devices which derive their application value from embedded software or by being connected

Ex: Multivariable & Advanced Phase Measurements, Cargo Trackers, etc

Standalone Software & Associated Engineering Services

Embedded Control Software & Software Enabled Devices

Total Software Innovations

Orders <sup>(1)</sup>

**\$1.1B**

**\$1.3B**

**\$2.4B**

What's Included

Standalone software including support, upgrades, licenses & subscriptions plus engineering services specific to software implementation

Embedded control software and devices that generate value through software or connectivity

- ✓ Higher margin
- ✓ Consistent growth
- ✓ Recurring revenue
- ✓ Low Capex
- ✓ Strong FCF

(1) 2019 Orders; Includes Pro-Forma 2019 OSI

~\$2.4B Software Innovations Expected to Deliver High Single Digit Growth and Drive Margin Accretion

# Software Applications, Embedded Control, and Software Enabled Device Examples

DATA

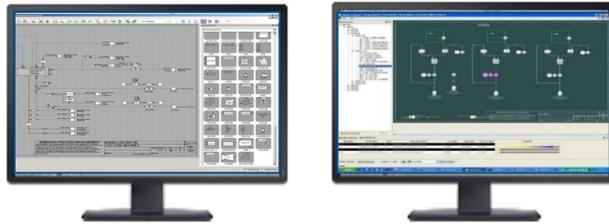


*OSI ADMS*



*Digital Twin*

CONTROL



*Ovation Control System*

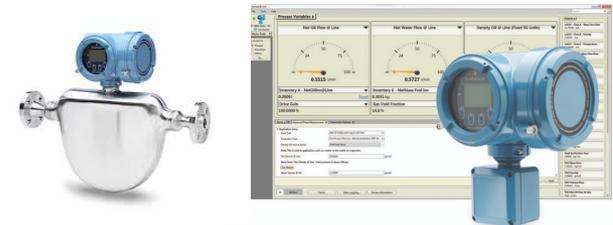


*Supermarket Control System*

DEVICES



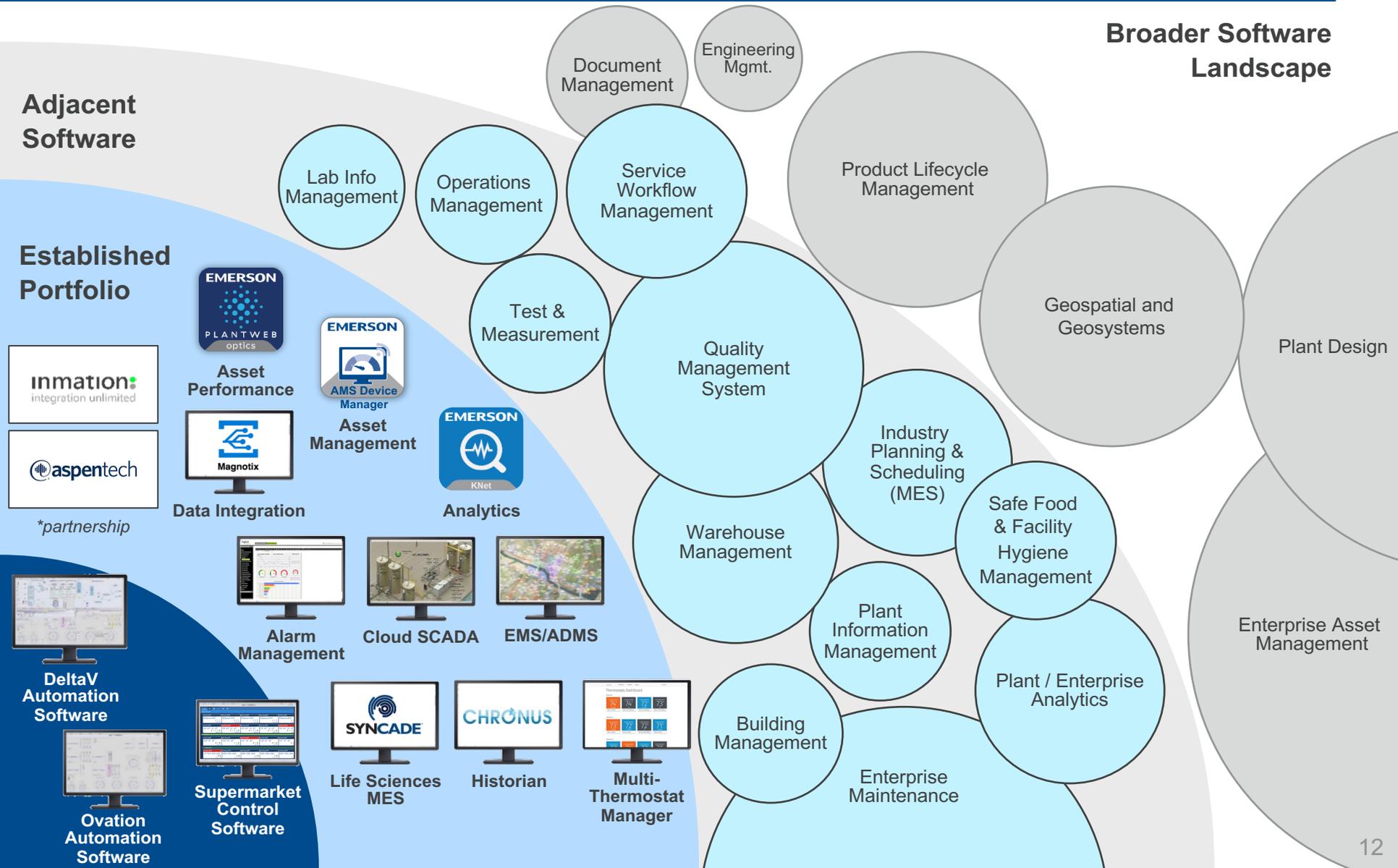
*Cargo Tracking*



*Advanced Phase Measurement*

Emerson's Software Capabilities Are Pervasive and Critical to Generating New Insight and Value for Our Customers

# Emerson Continues to Identify Software Opportunities in Relevant and Growing Spaces





**Q&A**



**EMERSON**



# Appendix



**EMERSON**

# Reconciliations

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## **Net Debt to EBITDA**

Pro Forma Net Debt to Pretax (GAAP)  
Interest, taxes, depreciation and amortization  
Pro Forma Net Debt to EBITDA\*

## **2020E**

2.6x  
(1.0)x  
1.6x