



EMERSONTM

Emerson 2023 Q3 Earnings

August 2, 2023

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 National Instruments transaction, 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, other than as noted herein.

Non-GAAP Measures

In this presentation we will discuss some non-GAAP measures 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.

Continuing Operations

All financial metrics in this presentation are on a continuing operations basis, unless otherwise noted.

Endnotes

Please refer to endnotes for the definition of certain terms used in this presentation.

Exceptional Q3 Performance And Attractive Value Creation Opportunities

KEY Q3 MESSAGES



Resilient End Market Demand

3% orders growth – process and hybrid markets continue to exhibit resilient demand; softening discrete demand



Strong Performance

Excellent execution: 14% underlying sales growth, 59% operating leverage¹, 40% adjusted EPS growth



Significant Progress in Portfolio Evolution, Innovation and Growth Programs

Closed Copeland transaction and won several key projects in our organic growth platforms



Updated Guidance to Reflect Strong Execution

Exceptional operational performance provides confidence to increase outlook for 2023

VALUE DRIVERS ACCELERATING



Secular Growth Drivers

Differentiated portfolio in rapidly growing energy transition, industrial software, and priority hybrid & discrete markets



Innovation Opportunities

Wave of new products focused on solving customers' sustainability and digital challenges



Portfolio Evolution Driving Synergies

Realizing synergies from inorganic investments and recognizing value from cohesive, diversified portfolio



Operational Excellence

Top-quartile performance and execution driven by Emerson Management System

¹ Excluding AspenTech

2023 Q3 Summary

	Results	Prior Guidance	Comments
Underlying Orders	3%		High-single-digit growth in process and hybrid partially offset by discrete and other
Underlying Sales Growth	14%	10% – 12%	Both business groups up double digits Americas up 11%; Europe up 13%; Asia, Middle East & Africa up 20%
Operating Leverage ¹	59%	Mid-to-High 40s	Strong operational performance supported by price-cost and mix tailwinds
Adjusted EPS	\$1.29	\$1.07 – \$1.11	\$0.20 above May guidance midpoint including \$0.02 of interest from the Copeland note receivable
Free Cash Flow	\$769M		Strong free cash flow performance Up 83% YoY and up 47% YTD

¹ Excluding AspenTech

Continued Progress On Strategic Priorities

COPELAND

(Previously Climate Technologies)
Transaction Closed May 31, 2023

Upfront Cash



~\$8B after-tax



Expected Future Proceeds¹

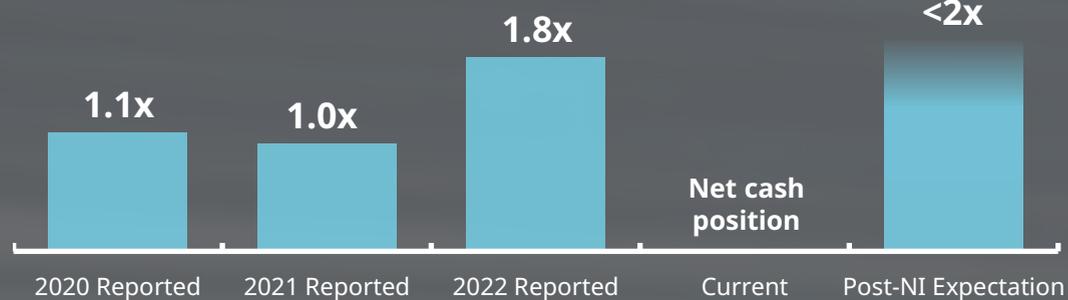


40% common equity ownership



Copeland note receivable

Net Debt / Adjusted EBITDA



¹ Transaction value

2022 ESG REPORT

Released June 13, 2023



Report Highlights

- 42% reduction in GHG emissions intensity from 2018 baseline, surpassing original 20% target 6 years ahead of schedule
- A- score from CDP
- Deep-dive on "Greening By" solutions to help customers decarbonize operations

Innovation Engine Creating New Products Aligned To Customer Demand



aspenONE v14

New AspenTech software offers improved sustainability offerings and artificial intelligence

- 100+ **sustainability models**
- **Carbon emissions management**
- Commercialization of **hydrogen** and **bioprocesses**
- **Artificial intelligence** guiding users to achieve optimal operation



Device Data Management

Enhanced software offering progresses users ability to access intelligent device data

- New **Data Server** allows for secure extension of intelligent device data to outside systems
- **AspenTech solutions**, like Mtell, easily able to access data for advanced analytics



Ovation Green

Integrated renewables software platform for solar, wind, hydro, hydrogen, etc. assets

- Dedicated **renewable power software platform**
- Clear view of **renewables assets** – solar, wind, hydro, hydrogen, etc.
- **Integrated portfolio** of data-driven asset control and management



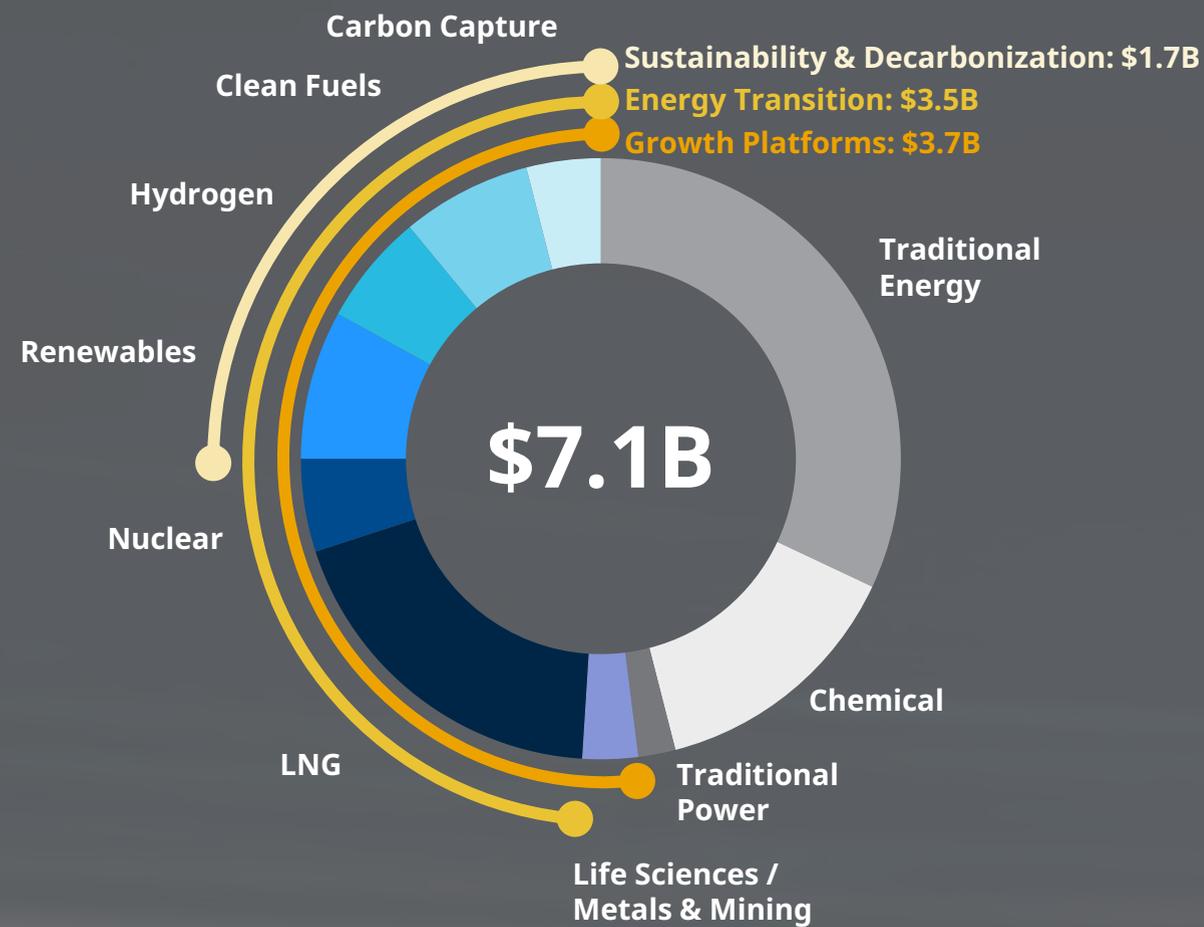
Non-Contacting Radar Device

Easy-to-use, Bluetooth-enabled, versatile radar level transmitter

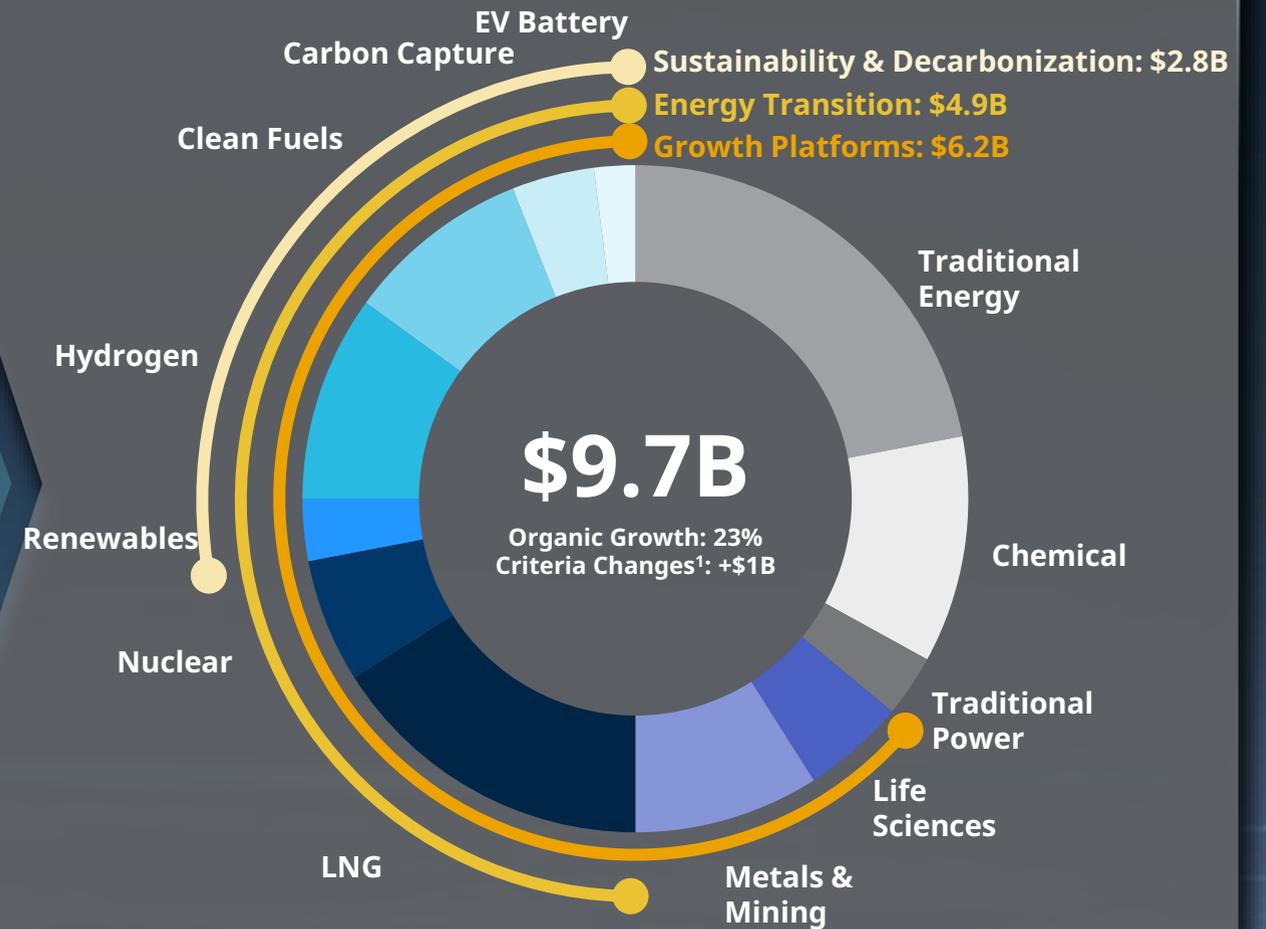
- **Simplified** commissioning, operation and maintenance
- Suitable for a **range of applications** from chemical to life sciences
- **Smart Meter Verification** to easily verify the health of the device
- Built-in historian to store process **data** and **insights**

Strategic Project Funnel Is Robust And Continues To Shift Toward Growth Platforms

NOVEMBER 2022

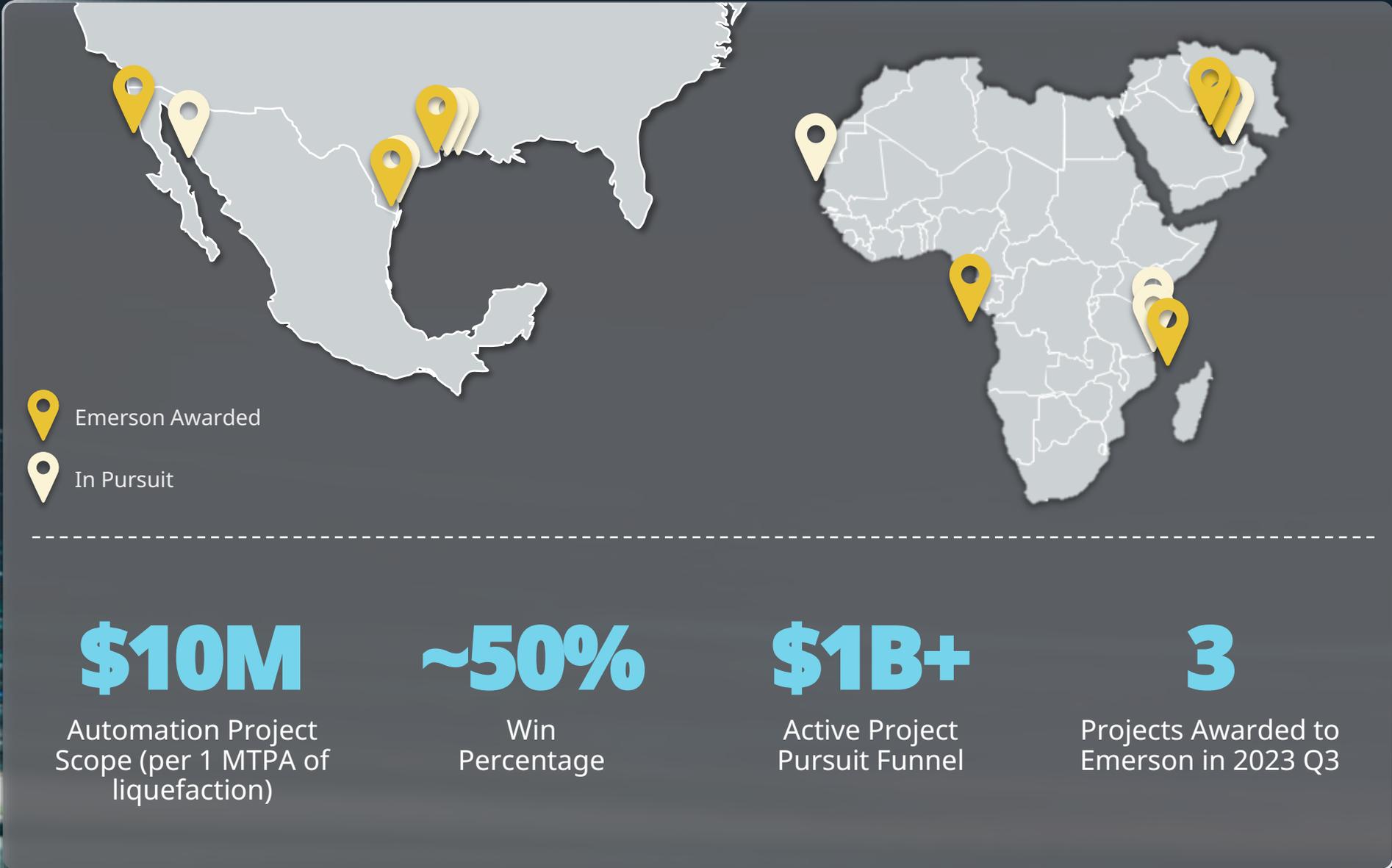


AUGUST 2023



¹ Life sciences and metals & mining funnel increased ~\$1B due to change in criteria

Continuing To Win New Business As A Trusted LNG Partner Globally



Recent Wins

BECHTEL ENERGY / SEMPRA INFRASTRUCTURE Port Arthur LNG

Emerson awarded automation content for large-scale LNG facility



Recent Project Wins Demonstrate Emerson's Differentiated Leadership Throughout The Battery Value Chain



LITHIUM / COPPER MINING

Differentiated Technology



aspentech



DELTA^V
PAC^{SYSTEMS}



ROSEMOUNT[™]
FISHER[™]
MICRO MOTION[™]
CLARKSON[™]

Recent Wins

GANFENG LITHIUM
Andes Project

CODELCO Andina
Copper Project



LITHIUM REFINING / CATHODE PRODUCTION

Differentiated Technology



aspentech



DELTA^V



ROSEMOUNT[™]
FISHER[™]
MICRO MOTION[™]

Recent Wins

One of the Top Global Electric
Vehicle Manufacturers



BATTERY MANUFACTURING

Differentiated Technology



MOVICON[™]



PAC^{SYSTEMS}



AVENTICS[™]
BRANSON[™]

Recent Wins

Large German Electric
Vehicle Manufacturer

2023 Q3 Performance Summary

SALES

\$3.5B \$3.9B

≡ 14% Underlying

2022 2023

All world areas and both business groups up double digits
 Backlog¹ of \$6.9B, flat from prior quarter

ADJUSTED SEGMENT EBITA

23.2% 26.9%

≡ 370 bps

2022 2023

Operating leverage (excluding AspenTech): 59%
 Strong price and favorable net material inflation accretive to margins

ADJUSTED EPS

\$0.92 \$1.29

≡ 40%

2022 2023

AspenTech contribution to 2023 Q3 EPS: \$0.11
 Driven by strong sales and continued execution
 Interest from Copeland note receivable contribution to 2023 Q3 EPS: \$0.02

FREE CASH FLOW

\$420M \$769M

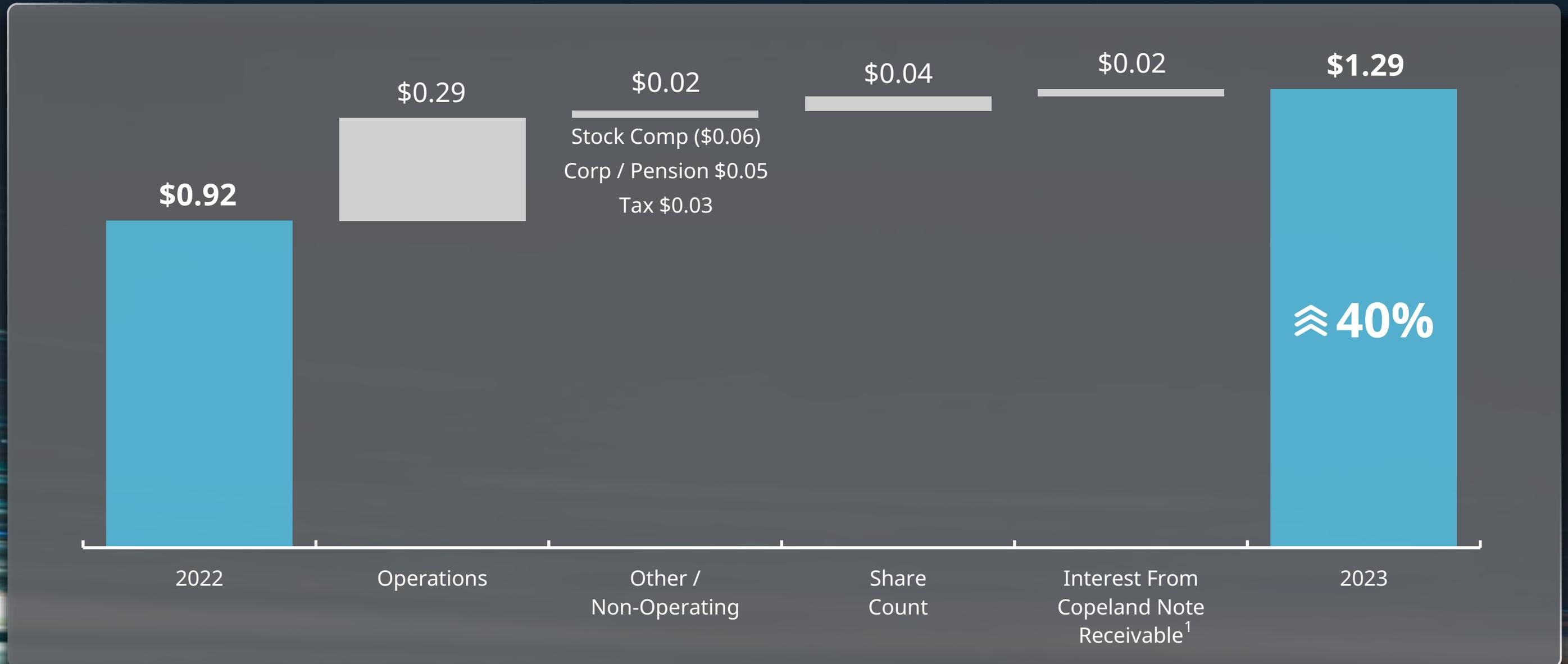
≡ 83%

2022 2023

AspenTech contribution to 2023 Q3 free cash flow: \$111M
 Robust YoY earnings growth and working capital improvement
 2023 Q3 FCF conversion of adjusted earnings: 97%

¹ Excluding AspenTech

2022 Q3 To 2023 Q3 Adjusted EPS Bridge



¹ Included in adjusted EPS post-Copeland transaction close

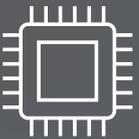
Resilient Environment And Balanced Future Outlook

CURRENT ENVIRONMENT



Process / Hybrid Strength

Process and hybrid markets continue to exhibit resilient demand – expecting double-digit sales growth in 2023



Discrete Softening

Moderation in discrete demand compared against two strong years – expecting low-single-digit to mid-single-digit sales growth in 2023



Supply Chain Improving

Supply chain continues to improve; specifically, availability of components



Price-Cost Benefits

Carryover from strong pricing programs in 2022 and effective inflation management

KEY GROWTH DRIVERS



Energy Transition Leadership

Leadership in energy transition markets to drive resilient through-the-cycle growth



Nearshoring Opportunities

Poised to capture stimulus investments and nearshoring spend in metals & mining, life sciences and battery value chain



Software Growth

Double-digit ACV growth and further tailwinds from AI and sustainability

2023 Continuing Operations Guidance

	Original Guidance (October 31, 2022)	Prior Guidance (May 3, 2023)	Current Guidance
Net Sales Growth	7% – 9%	9% – 10.5%	~10.5%
Underlying Sales Growth	6.5% – 8.5%	8.5% – 10%	~10%
Operating Leverage¹	Mid-to-High 30s	Low-to-Mid 40s	~50%
Adjusted EPS	\$4.00 – \$4.15	\$4.15 – \$4.25	\$4.40 – \$4.45
Free Cash Flow		~\$2.2B	\$2.2B – \$2.3B

DETAILS

AspenTech contribution:

2023 Adjusted EPS: ~\$0.25

2023 Free Cash Flow: ~\$0.3B

Current guidance now includes ~\$0.06 impact of interest from the Copeland note receivable

Excludes interest on undeployed proceeds and impact from 40% minority ownership in Copeland

\$2B share repurchase complete;
\$1.2B of dividend payments

Tax rate: ~22.0%

¹ Excluding AspenTech

Appendix

The background features a dark blue gradient with numerous horizontal light trails in shades of cyan, teal, and white, creating a sense of motion and depth.

Endnotes

Operating Leverage, or **Incremental Margins**, throughout the presentation is defined as the ratio of the change in adjusted segment EBITA for the current period less the prior period, divided by the change in the net sales for the current period less the prior period.

	2022 Q3		2023 Q3	
	Net Sales	Adjusted Segment EBITA	Net Sales	Adjusted Segment EBITA
Emerson	\$3,465M	\$806M	\$3,946M	\$1,060
Less: AspenTech	\$239M	\$129M	\$320M	\$148
Emerson (excluding AspenTech)	\$3,226 A	\$677M B	\$3,626M C	\$912 D

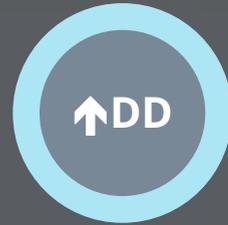
$$\text{Operating Leverage (excluding AspenTech)} = \frac{(D - B)}{(C - A)} = \frac{(\$912\text{M} - \$677\text{M})}{(\$3,626\text{M} - \$3,226\text{M})} = 59\%$$

Free Cash Flow Conversion throughout the presentation is defined as the ratio of free cash flow to adjusted net earnings (prior to non-controlling interests in subsidiaries).

$$\text{Free Cash Flow Conversion} = \frac{\text{Free Cash Flow}}{\text{Adjusted Net Earnings (Pre-Non-Controlling Interest)}} = \frac{\$769\text{M}}{\$792\text{M}} = 97\%$$

2023 Industry Outlook

PROCESS



Underlying Sales



Energy transition spend continues to accelerate
LNG momentum in North America and Middle East
Power & renewables demand momentum in U.S.

HYBRID



Underlying Sales



Reshoring trends driving life sciences activity
Lithium and battery metals driving investment in Australia, U.S., Mexico and Southern Cone

DISCRETE & OTHER



Underlying Sales



Battery manufacturing investments in U.S. and Asia
Factory automation demand slowing
Commercial markets facing tough comparisons

Corporate And Other Items

(in millions)

	2023 Q3	2023 Expectations
Stock Compensation	(\$56)	~(\$250)
Pension	\$42	~\$165
Copeland Equity Loss	(\$61)	~(\$135)
Corporate & Other – GAAP	(\$43)	~(\$185)
Corporate Restructuring and Related Costs	\$1	~\$12
Acquisition / Divestiture Fees	\$38	~\$60
NI Investment Gain	(\$12)	~(\$47)
Russia Business Exit	---	\$47
AspenTech Micromine Purchase Price Hedge	(\$3)	(\$24)
Adjusted Corporate & Other – Non-GAAP	(\$19)	~(\$135)
Interest Income / (Expense) – GAAP	\$0	~\$0
Interest Income on Undeployed Proceeds	(\$35)	~(\$145)
Adjusted Interest Expense – Non-GAAP	(\$35)	~(\$145)
Average Diluted Share Count	574.0	~577

2023 Continuing Operations GAAP EPS To Adjusted EPS Guidance

	2023
GAAP EPS	\$3.54 – \$3.59
Amortization of Intangibles	~\$0.61
Restructuring and Related Costs	~\$0.16
Russia Exit Costs	\$0.08
AspenTech Micromine Purchase Price Hedge	(\$0.02)
Acquisition / Divestiture Fees	~\$0.10
NI Investment Gain	~(\$0.07)
Interest Income on Undeployed Proceeds	~(\$0.19)
Copeland Equity Loss	~\$0.19
Adjusted EPS	\$4.40 – \$4.45

AspenTech Contribution To Emerson 2023 Q3 Adjusted EBITA

AspenTech Reported Financials

(Millions)	2023 Q3
Sales	\$320
Net income	\$27
Income taxes (benefit)	(\$4)
Income before income taxes	\$23
Interest income	(\$13)
Stock compensation	\$21
Micromine purchase price hedge	(\$3)
Other	(\$1)
Segment EBIT	\$27

Emerson Reported AspenTech Segment

(Millions)	2023 Q3
AspenTech sales	\$320
AspenTech segment earnings (EBIT)	\$27
Restructuring	---
Amortization of intangibles	\$121
Segment EBITA	\$148
<i>% of sales</i>	<i>46.1%</i>

Emerson Corporate

(Millions)	2023 Q3
Interest income	(\$13)
Stock compensation	\$21
Micromine purchase price hedge	(\$3)
Other	(\$1)

AspenTech Contribution To Emerson 2023 Q3

GAAP EPS And Adjusted EPS

AspenTech Reported Financials

(Millions)	2023 Q3
Sales	\$320
Net income	\$27
Interim tax reporting / other	(\$3)
Net earnings common stockholders	\$24

Emerson EPS Contribution

(Millions, except per share)	2023 Q3	
Sales	\$320	
Net earnings	\$24	
Non-controlling interest ¹	(\$10)	
Net earnings common stockholders	\$14	
Shares		574
GAAP net earnings common stockholders / EPS	\$14	\$0.02
Amortization of intangibles	\$53	\$0.09
Micromine purchase price hedge	(\$1)	(\$0.00)
Adjusted net earnings common stockholders / adjusted EPS	\$66	\$0.11

56%¹ add-back (consistent with common ownership stake) of reconciling items – after-tax

¹ Due to AspenTech share repurchase, Emerson now holds 56% of outstanding shares

AspenTech Contribution To Emerson 2023 Q3

(Millions)	Pre-Tax Earnings	Income Taxes	Earnings From Continuous Operations	Non-Controlling Interest ¹	Net Earnings Common Stockholders	Diluted Earnings Per Share
AspenTech company reported	\$23	(\$4)	\$27			
Interim tax reporting / other	(\$1)	\$2	(\$3)			
AspenTech consolidation in Emerson	\$22	(\$2)	\$24	\$10	\$14	\$0.02
Amortization of intangibles	\$121	\$26	\$95	\$42	\$53	\$0.09
Micromine purchase price hedge	(\$3)	(\$1)	(\$2)	(\$1)	(\$1)	\$0.00
Adjusted	\$140	\$23	\$117	\$51	\$66	\$0.11
Interest income	(\$13)					
Stock compensation	\$21					
Adjusted Segment EBITA	\$148					

¹ Due to AspenTech share repurchase, Emerson now holds 56% of outstanding shares

Reconciliation Of Non-GAAP Measures

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

Earnings Per Share	<u>Q3 FY22</u>	<u>Q3 FY23</u>	<u>Change</u>
Earnings per share (GAAP)	\$0.38	\$1.03	171%
Amortization of intangibles	0.12	0.15	
Restructuring and related costs	0.04	0.02	
Acquisition / divestiture costs	0.09	0.07	
National Instruments investment gain	---	(0.02)	
Interest income on undeployed proceeds	---	(0.05)	
Copeland equity method investment loss	---	0.09	
Russia business exit	0.29	---	
Adjusted earnings per share (non-GAAP)	<u>\$0.92</u>	<u>\$1.29</u>	<u>40%</u>

Earnings Per Share	<u>May Guidance Q3 FY23E</u>
Earnings per share (GAAP)	\$0.92 - \$0.96
Amortization of intangibles	~0.15
Restructuring and related costs	~0.03
Acquisition/divestiture fees	~0.03
Interest on note receivable from Climate Technologies	~(0.02)
Interest income on undeployed proceeds	~(0.04)
Copeland equity method investment loss	---
Adjusted earnings per share (non-GAAP)	<u>\$1.07 - \$1.11</u>

References to underlying orders and 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 with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

	August Guidance FY23E	FY22	Midpoint Change	May Guidance FY23E	October Guidance FY23E
Earnings Per Share					
Earnings per share (GAAP)	\$3.54 - \$3.59	\$3.16	~13%	\$3.58 - \$3.68	\$3.51 - \$3.66
Amortization of intangibles	~0.61	0.45		~0.61	~0.61
Restructuring and related costs	~0.16	0.14		~0.12	~0.13
Russia business exit	~0.08	0.32		~0.08	---
AspenTech Micromine purchase price hedge	~(0.02)	0.04		~(0.02)	---
Acquisition/divestiture fees & interest on pre-acquisition debt	~0.10	0.15		~0.06	---
Gain on subordinated interest	---	(0.60)		---	---
Investment-related gains	---	(0.02)		---	---
National Instruments investment gain	~(0.07)	---		~(0.05)	---
Interest income on undeployed proceeds	~(0.19)	---		~(0.17)	~(0.15)
Interest on note receivable from Climate Technologies	---	---		~(0.06)	~(0.10)
Copeland equity loss	~0.19	---		---	---
Adjusted earnings per share (non-GAAP)	\$4.40 - \$4.45	\$3.64	~22%	\$4.15 - \$4.25	\$4.00 - \$4.15
Adjusted Earnings from Continuing Operations		Q3 FY23			
Earnings from continuing operations (GAAP)		\$603			
Amortization of intangibles		130			
Restructuring and related costs		10			
Acquisition/divestiture costs		36			
National Instruments investment gain		(9)			
Interest income on undeployed proceeds		(27)			
Copeland equity method investment loss		51			
AspenTech Micromine purchase price hedge		(2)			
Adjusted earnings from continuing operations (non-GAAP)		\$792			

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Reconciliation Of Non-GAAP Measures

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

	June 30, 2023				
Backlog					
Backlog (GAAP)		\$8.2			
AspenTech		(1.3)			
Backlog excluding AspenTech (non-GAAP)		\$6.9			
Cash Flow	Q3 FY22	Q3 FY23	Change	August Guidance FY23E	May Guidance FY23E
Operating cash flow (GAAP)	\$479	\$842	76%	\$2.5B - \$2.6B	~\$2.5B
Capital expenditures	(59)	(73)	7%	~(0.3)B	~(0.3)B
Free cash flow (non-GAAP)	\$420	\$769	83%	\$2.2B - \$2.3B	~\$2.2B
Cash Flow	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Change		
Operating cash flow (GAAP)	\$1,235	\$1,719	39%		
Capital expenditures	(199)	(194)	8%		
Free cash flow (non-GAAP)	\$1,036	\$1,525	47%		
Free Cash Flow Conversion	Q3 FY23				
Operating cash flow conversion (GAAP)	140%				
Capital expenditures	(12)%				
Amortization of intangibles / restructuring and related costs / AspenTech Micromine purchase price hedge / Acquisition and divestiture fees / interest income on undeployed proceeds / Copeland equity method investment loss	(31)%				
Adjusted free cash flow conversion (non-GAAP)	97%				

References to underlying orders and 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 with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

AspenTech Segment EBITA Margin

	Q3 FY22	Q3 FY23
Business segment EBIT / margin (GAAP)	\$57	\$27
Amortization of intangibles and restructuring and related costs	72	121
Adjusted business segment EBITA / margin (non-GAAP)	\$129	\$148

AspenTech Cash Flow Contribution

	May Guidance FY23E
Operating cash flow (GAAP)	~\$0.3B
Capital expenditures	---
Free cash flow (non-GAAP)	~\$0.3B

AspenTech EPS Contribution

	August Guidance FY23E
AspenTech EPS (GAAP)	~\$(0.08)
Amortization of intangibles	~0.35
AspenTech Micromine purchase price hedge	~(0.02)
AspenTech adjusted EPS (non-GAAP)	~\$0.25

Net Debt to EBITDA

	2020	2021	2022	Post-NI Expectation
Net debt / pretax earnings (GAAP)	1.8X	1.5X	2.1X	<3X
Interest, taxes, depreciation, amortization	(0.6)	(0.4)	(0.5)	<(1)
Net debt / EBITDA	1.2	1.1	1.6	<2
Restructuring	(0.1)	(0.1)	0.2	---
Net debt / Adjusted EBITDA (non-GAAP)	1.1X	1.0X	1.8X	<2X

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