



2024 Q2 Emerson Earnings

May 8, 2024



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 impacts of the Russia-Ukraine and other global conflicts, as well as economic and currency conditions, market demand, 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.

Calvin Butler to Join Emerson's Board of Directors

Effective August 1, 2024 | Board will expand to 12 members



President and CEO

Exelon

Committee Participation

Corporate Governance and Nominating Committee

Key Skills and Experience



Business
Transformation



External
Affairs



Clean
Energy

Key Messages



Strong Q2 Performance

Sales, operating leverage and adjusted EPS all exceeded Q2 expectations

Stronger price and mix than expected



Current End-Market Demand

LSD underlying orders growth in H1 – Process & Hybrid up MSD and Discrete down MSD

Expecting MSD in H2 and LSD – MSD growth for the full year



Test & Measurement Update

Q2 slightly exceeded expectations

Updating fiscal 2024 sales guidance to ~\$1.5B on softer orders

Protecting profit with accelerated synergies, now \$100M in 2024



Increasing Full Year Guidance

Increasing underlying sales, adjusted EPS and free cash flow

Considers the delay in Discrete recovery and adjusts for AspenTech's latest guidance revision

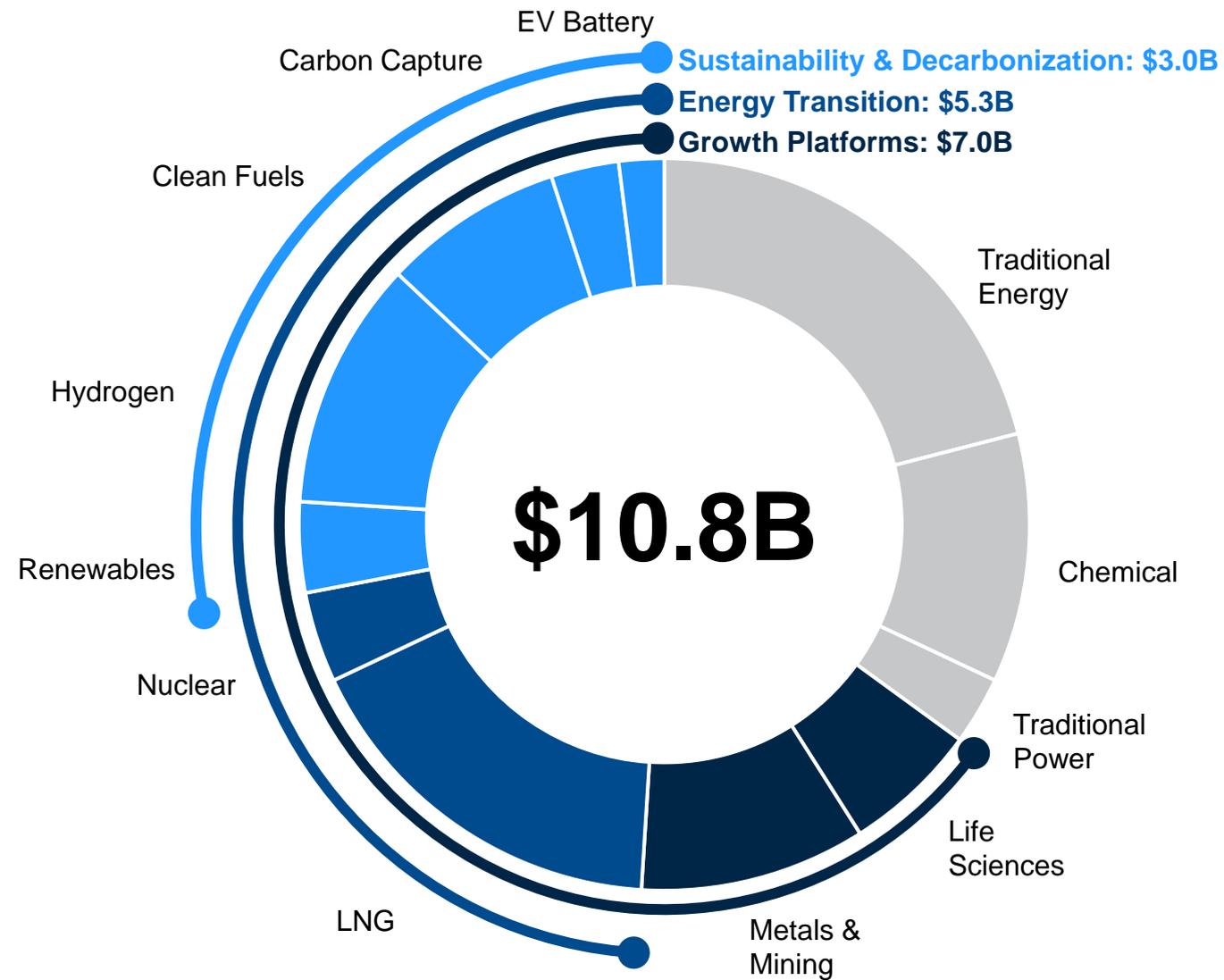
2024 Q2 Key Metrics Exceeded Expectations

	Results	Prior Guidance
Underlying Sales Growth	8%	3.5% – 5.5%
Gross Profit Margin	52.2%	
Operating Leverage ¹	54%	Low to Mid 40s
Adjusted EPS	\$1.36	\$1.22 – \$1.26
Free Cash Flow	\$675M	

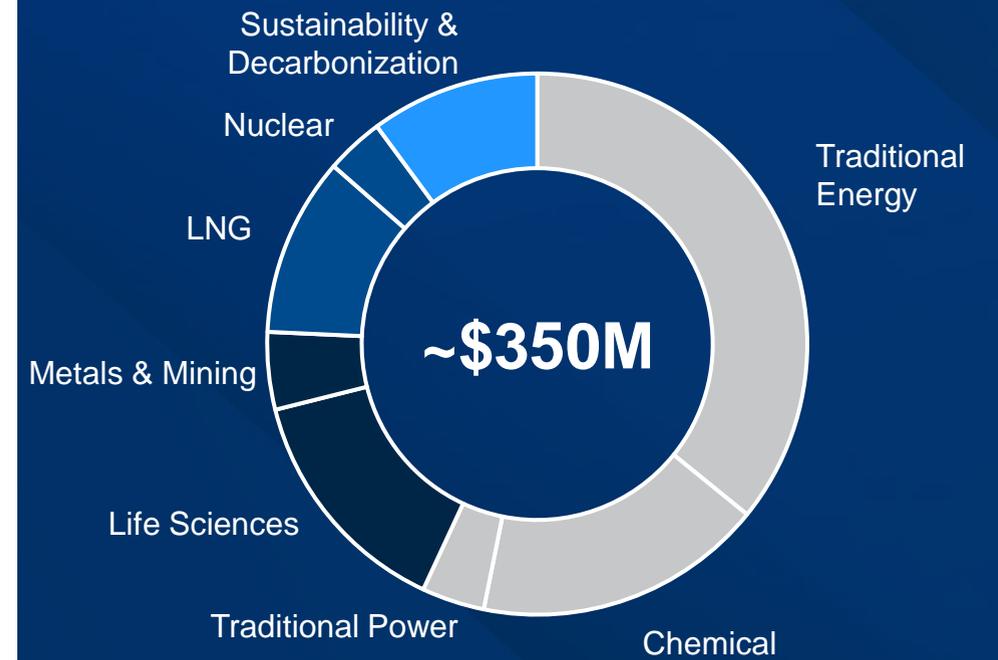
¹ Excludes Test & Measurement

Continued Strength in Large Projects

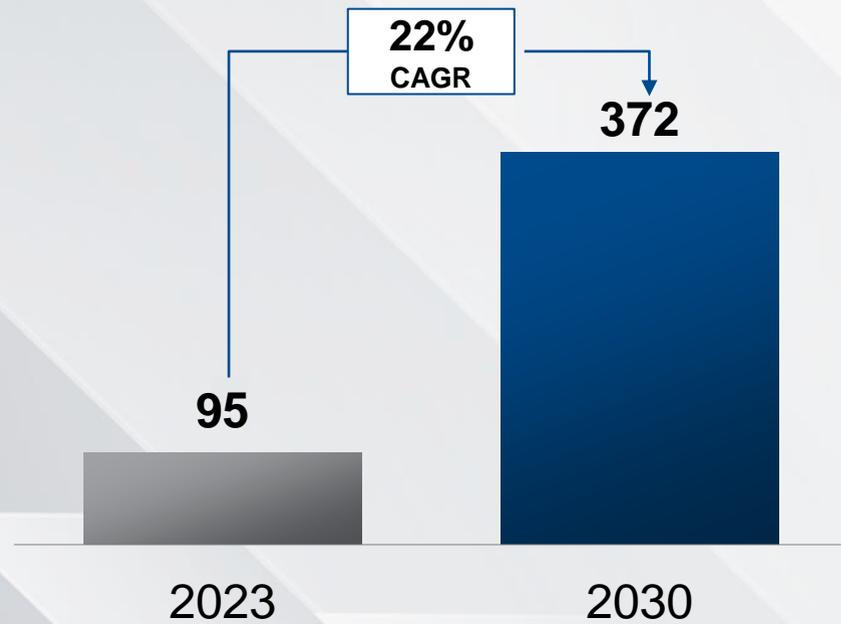
PROJECT FUNNEL



PROJECT WINS



U.S. Data Center Annual Electricity Consumption (TWh)



AI data center racks require ~7x the power of traditional data racks

Hyperscaler Capex Surges With AI Infrastructure Investments

Microsoft

Quarterly capex (\$14B) up 79% year-over-year and expect further sequential increases

Google

Quarterly capex (\$12B) up 90% year-over-year and expect ~\$50B capex in 2024 (\$34B in 2023)

AI Driven Investments in Data Centers Heralds a Step Change in the Growth of Power in the U.S.

Impact on Utilities

Georgia Power

“Current projections reflect load growth...approximately 17 times greater than previously forecasted.”

Dominion Energy

“Data centers...have been a source of significant increase in demand which is expected to continue over the next decade.”

North America Electric Reliability Corporation

Latest 9-year growth forecast of new electricity demand more than doubled; at levels of load growth not seen in the past decade

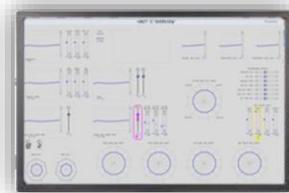
Emerson Software and Control

Ovation™

Ovation™ GREEN

aspentech

Digital Grid Management



50% N.A. power generation automated by Ovation (20% global)



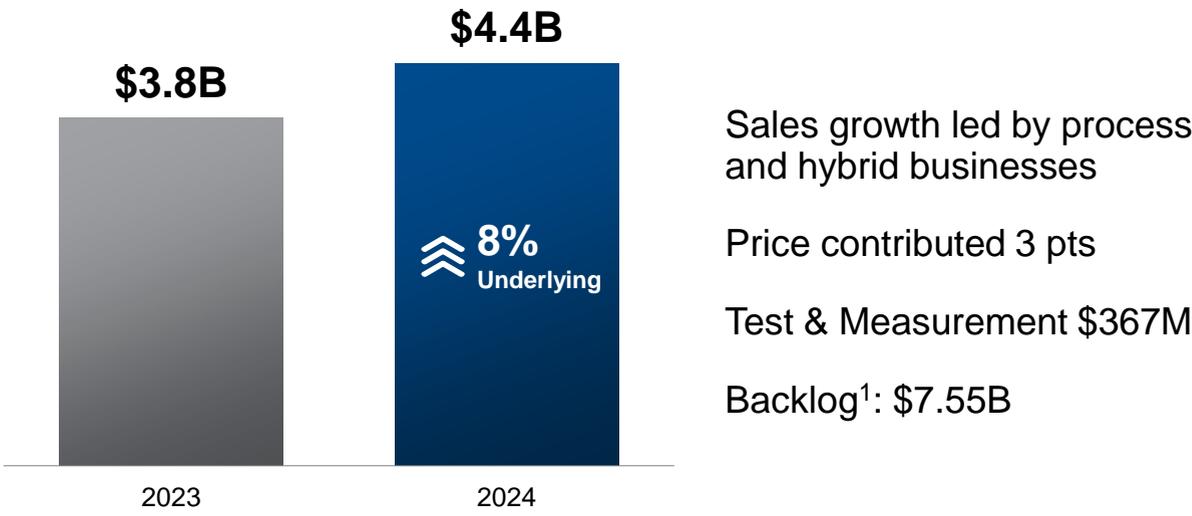
40% N.A. market share in real-time grid management software¹ (20% global)

¹ Market size for software on ACV basis

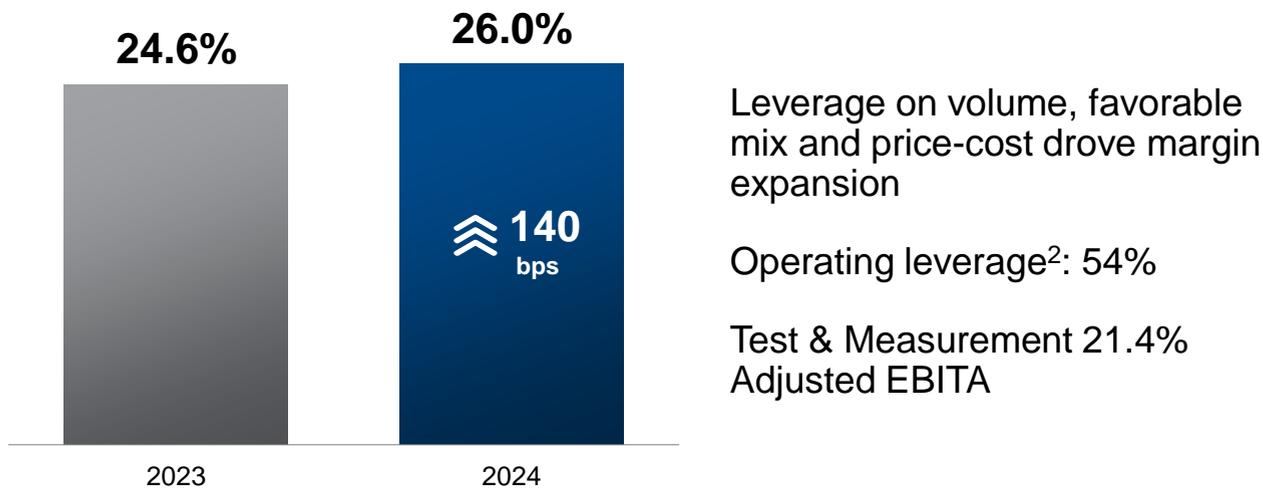
Sources: Red Chalk Group, L.E.K. Consulting, WSJ, public company reports and presentations, internal estimates

2024 Q2 Performance Summary

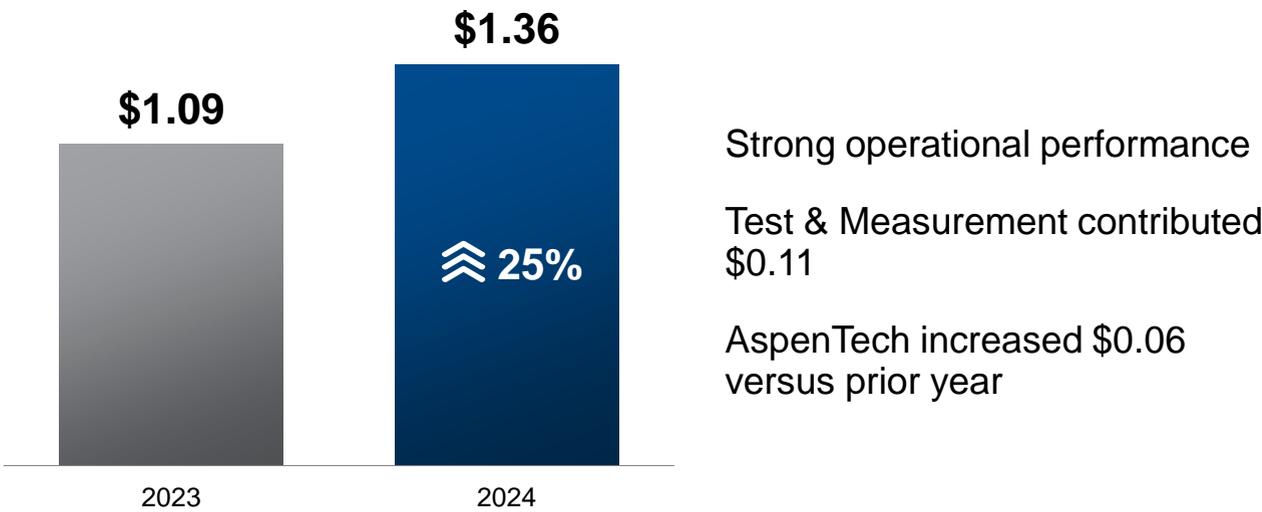
Sales



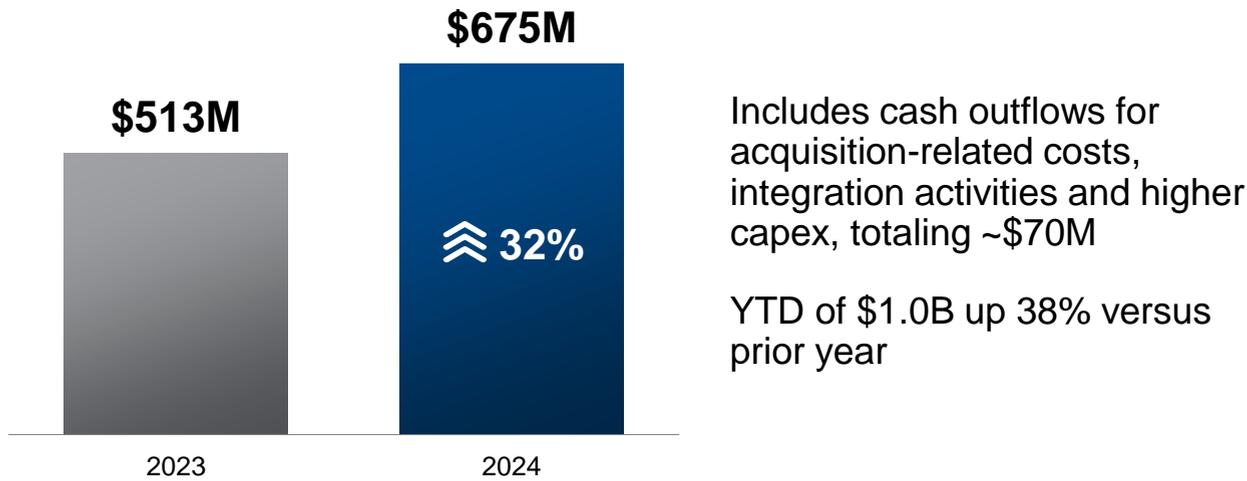
Adjusted Segment EBITA



Adjusted EPS



Free Cash Flow



¹ Excludes AspenTech
² Excludes Test & Measurement

2023 Q2 to 2024 Q2

Adjusted EPS Bridge



2024 Guidance

	2024 Q3	2024
Net Sales Growth	11% – 12.5%	15% – 16%
FX	~(1 pts)	~(0.5 pts)
Acquisitions (NI)	~9 pts	~10 pts
Divestitures	~0 pts	~0 pts
Underlying Sales Growth	3% – 4.5%	5.5% – 6.5%
Operating Leverage¹	Mid 30s	Low to Mid 40s
Adjusted EPS	\$1.38 – \$1.42	\$5.40 – \$5.50
Test & Measurement Contribution ²		\$0.40 – \$0.45
AspenTech Contribution		\$0.30 – \$0.32
Free Cash Flow		~\$2.7B

Share repurchase: ~\$500M

Dividend payments: \$1.2B

Tax rate: ~22%

¹ Excludes Test & Measurement
² Includes the impact of stock compensation and tax

Appendix

Corporate and Other Items

<i>(in millions)</i>	2024 Q2	2024 Q3 Expectations	2024 Expectations
Stock Compensation – GAAP	(\$73)	~(\$55)	~(\$260)
Integration-Related Stock Compensation Expense	\$14	~\$5	~\$50
Adjusted Stock Compensation – Non-GAAP	(\$59)	~(\$50)	~(\$210)
Pension	\$38	~\$35	~\$145
Copeland Equity Loss	(\$59)	~(\$10)	~(\$145)
Corporate & Other – GAAP	(\$103)	~(\$60)	~(\$620)
Restructuring and Related Costs	\$2	~\$1	~\$5
Acquisition / Divestiture Fees and Related Costs	\$16	~\$10	~\$165
Amortization of Acquisition-Related Inventory Step-Up			\$231
Loss on Divestiture of Business	\$39		\$39
Adjusted Corporate & Other – Non-GAAP	(\$46)	~(\$50)	~(\$180)
Interest Income / (Expense)	(\$26)	~(\$30)	~(\$95)
Non-Controlling Interest – GAAP	(\$2)	~(\$10)	~\$25
Amortization of Intangibles (AspenTech)	(\$41)	~(\$40)	~(\$165)
Adjusted Non-Controlling Interest – Non-GAAP	(\$43)	~(\$50)	~(\$140)
Average Diluted Share Count	574.1	~574	~573

Reconciliation of Non-GAAP Measures

Underlying Growth

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

Underlying Sales Growth	2024 Q2	2024 Q3 Guidance	2024 Guidance
Reported (GAAP)	17%	11% - 12.5%	15% - 16%
(Favorable) / Unfavorable FX	1%	~1%	~0.5%
(Acquisitions) / Divestitures	(10)%	~(9)%	~(10)%
Underlying (non-GAAP)	8%	3% - 4.5%	5.5% - 6.5%

2024 Q2 Underlying Sales Change	Reported (GAAP)	(Favorable) / Unfavorable FX	(Acquisitions) / Divestitures	Underlying (Non-GAAP)
Intelligent Devices	5%	1%	-%	6%
Software and Control	56%	1%	(43)%	14%
Emerson	17%	1%	(10)%	8%

Reconciliation of Non-GAAP Measures

Adjusted Segment EBITA

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

Adjusted Segment EBITA	2023 Q2	2024 Q2
Net sales	\$3,756	\$4,376
Pretax earnings (GAAP)	\$639	\$652
<i>Pretax earnings margin (GAAP)</i>	<i>17.0%</i>	<i>14.9%</i>
Corporate items and interest expense, net	94	144
Amortization of intangibles	168	322
Restructuring and related costs	23	21
Adjusted segment EBITA (non-GAAP)	\$924	\$1,139
<i>Adjusted segment EBITA margin (non-GAAP)</i>	<i>24.6%</i>	<i>26.0%</i>

Operating Leverage	2024 Q2	2024 Q3 Guidance	2024 Guidance
Pretax margin leverage (GAAP)	2%	Low (20)s to Low (10)s	High (20)s to Low (20)s
Corporate items and interest expense, net / amortization of intangibles / restructuring and related costs / Test & Measurement	52%	Mid 50s to Low 40s	Low 70s to Mid 60s
Adjusted segment EBITA leverage, excluding Test & Measurement (non-GAAP)	54%	Mid 30s	Low to Mid 40s

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.

Reconciliation of Non-GAAP Measures

Adjusted EPS

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

	2023 Q2	2024 Q2	2024 Q3 Guidance	2024 Guidance
Earnings per share (GAAP)	\$0.92	\$0.87	\$0.92 - \$0.96	\$2.98 - \$3.08
Amortization of intangibles	0.16	0.36	~ 0.36	~ 1.43
Restructuring and related costs	0.04	0.05	~ 0.07	~ 0.32
Loss on Copeland equity method investment	-	0.08	~ 0.02	~ 0.19
Amortization of acquisition-related inventory step-up	-	-	-	0.38
Acquisition/divestiture fees and related costs	0.01	0.03	~ 0.01	~ 0.23
Discrete tax benefits	-	-	-	(0.10)
Gain on subordinated interest	-	(0.10)	-	(0.10)
National Instruments investments gain	(0.05)	-	-	-
Loss on divestiture of business	-	0.07	-	0.07
AspenTech Micromine purchase price hedge	0.01	-	-	-
Adjusted earnings per share (non-GAAP)	\$1.09	\$1.36	\$1.38 - \$1.42	\$5.40 - \$5.50

Reconciliation of Non-GAAP Measures

Free Cash Flow

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

					<u>\$ in billions</u>
	2023 Q2	2024 Q2	6 Months Ended March 31, 2023	6 Months Ended March 31, 2024	2024 Guidance
Operating cash flow (GAAP)	\$575	\$757	\$877	\$1,201	~ \$3.1
Capital expenditures	(62)	(82)	(121)	(159)	~ (0.4)
Free cash flow (non-GAAP)	\$513	\$675	\$756	\$1,042	~ \$2.7

Reconciliation of Non-GAAP Measures

Test & Measurement

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

Earnings Per Share	2024 Q2	2024 Guidance
Earnings per share - T&M contribution (GAAP)	(\$0.14)	(\$0.98) - (\$0.93)
Amortization of intangibles	0.19	~ 0.76
Restructuring and related costs	0.05	~ 0.17
Amortization of acquisition-related inventory step-up	-	0.36
Acquisition-related costs	0.01	~ 0.09
Adjusted earnings per share - T&M contribution (non-GAAP)	\$0.11	\$0.40 - \$0.45

Test & Measurement (T&M) Segment EBITA Margin	2024 Q2
T&M segment margin (GAAP)	(21.7)%
Amortization of intangibles	43.1%
T&M segment EBITA margin (non-GAAP)	21.4%

Reconciliation of Non-GAAP Measures

AspenTech

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

Earnings Per Share	2024 Guidance
Earnings per share (GAAP)	(\$0.07) - (\$0.05)
Amortization of intangibles	~ 0.37
<u>Adjusted earnings per share (non-GAAP)</u>	<u>\$0.30 - \$0.32</u>

Reconciliation of Non-GAAP Measures

Other

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

	March 31, 2024
Backlog (GAAP)	\$8.8
AspenTech	(1.25)
Backlog excluding AspenTech (non-GAAP)	\$7.55