

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event
reported): April 21, 2020

Emerson Electric Co.

(Exact Name of Registrant as Specified in Charter)

Missouri ----- (State or Other Jurisdiction of Incorporation)	1-278 ----- (Commission File Number)	43-0259330 ----- (I.R.S. Employer Identification Number)
8000 West Florissant Avenue St. Louis, Missouri ----- (Address of Principal Executive Offices)		63136 ----- (Zip Code)
Registrant's telephone number, including area code: (314) 553-2000 -----		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock of \$0.50 par value per share	EMR	New York Stock Exchange Chicago Stock Exchange
0.375% Notes due 2024	EMR 24	New York Stock Exchange
1.250% Notes due 2025	EMR 25A	New York Stock Exchange
2.000% Notes due 2029	EMR 29	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

Quarterly Results Press Release

On Tuesday, April 21, 2020, a press release was issued regarding the second quarter results of Emerson Electric Co. (the "Company"). A copy of this press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

References to underlying orders in the press release refer to the Company's trailing three-month average orders growth versus the prior year, excluding currency, acquisitions and divestitures.

Non-GAAP Financial Measures

The press release contains non-GAAP financial measures as such term is defined in Regulation G under the rules of the Securities and Exchange Commission. While the Company believes these non-GAAP financial measures are useful in evaluating the Company, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with GAAP. Further, these non-GAAP financial measures may differ from similarly titled measures presented by other companies. The reasons management believes that these non-GAAP financial measures provide useful information are set forth in the Company's most recent Form 10-K filed with the Securities and Exchange Commission.

Forward-Looking and Cautionary Statements

Statements in the press release 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.

Item 8.01 Other Events

The following risk factor supplements the "Risk Factors" section in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 (our "Form 10-K"). The following risk factor disclosure should be read in conjunction with the other risk factors set out in our Form 10-K.

The Recent Coronavirus (COVID-19) Outbreak Has Adversely Impacted our Business and Could in the Future Have a Material Adverse Impact on our Business, Results of Operation, Financial Condition and Liquidity, the Nature and Extent of Which is Highly Uncertain

The global outbreak of the coronavirus (COVID-19) has significantly increased economic, demand and operational uncertainty. We have global operations, customers and suppliers, including in countries most impacted by COVID-19. Authorities around the world have taken a variety of measures to slow the spread of COVID-19, including travel bans or restrictions, increased border controls or closures, quarantines, shelter-in-place orders and business shutdowns and such authorities may impose additional restrictions. We have also taken actions to protect our employees and to mitigate the spread of COVID-19, including embracing guidelines set by the World Health Organization and the Centers for Disease Control and Prevention on social distancing, good hygiene, restrictions on employee travel and in-person meetings, and changes to employee work arrangements including remote work arrangements where feasible. The actions taken around the world to slow the spread of COVID-19 have also impacted our customers and suppliers, and future developments could cause further disruptions to Emerson due to the interconnected nature of our business relationships.

The impact of COVID-19 on the global economy and our customers, as well as recent volatility in commodity markets (including oil prices), has negatively impacted demand for our products and could continue to do so in the future. Its effects could also result in further disruptions to our manufacturing operations, including higher rates of employee absenteeism, and supply chain, which could continue to negatively impact our ability to meet customer demand. Additionally, the potential deterioration and volatility of credit and financial markets could limit our ability to obtain external financing. The extent to which COVID-19 will impact our business, results of operations, financial

condition or liquidity is highly uncertain and will depend on future developments, including the spread and duration of the virus, potential actions taken by governmental authorities, and how quickly economic conditions stabilize and recover.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description of Exhibits
99.1	Emerson's April 21, 2020 press release announcing second quarter results.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMERSON ELECTRIC CO.
(Registrant)

Date: April 21, 2020

By: /s/ John A. Sperino

John A. Sperino
Vice President and
Assistant Secretary

- more -



news release

For immediate release

Investor Contact: Pete Lilly (314) 553-2197
Media Contact: Casey Murphy (314) 982-6220

Emerson Reports Second Quarter 2020 Results and Updates Full Year 2020 Guidance

- **Net sales** of \$4.2 billion were down 9 percent; **underlying sales** were down 7 percent as demand declined significantly in March due to the rapid spread of COVID-19
- **GAAP EPS** was \$0.84, flat versus prior year; **adjusted EPS**, which excludes restructuring and related costs, was \$0.89, exceeding midpoint of management guidance of \$0.81, as operational declines due to COVID-19 were more than offset by non-operating tailwinds and benefits of previously announced aggressive restructuring actions, which began in the third quarter of 2019
- Delivered strong **operating cash flow** of \$588 million in the quarter, up \$55 million or 10 percent, and \$1.0 billion in the first half, up \$156 million or 18 percent
- Delivered strong **free cash flow** of \$477 million in the quarter, up \$63 million or 15 percent, and \$787 million in the first half, up \$205 million or 35 percent
- Returned \$1.1 billion to shareholders, including \$306 million in dividends and \$813 million of share repurchases
- Initiated \$40 million of restructuring actions in the quarter, and approximately \$140 million in the first half, continuing strong execution on the comprehensive restructuring reset plan outlined in February
- Updating full-year sales and EPS guidance due to COVID-19 pandemic and much weaker demand environment

ST. LOUIS, Apr. 21, 2020 - Emerson (NYSE: EMR) today reported results for the second fiscal quarter ended March 31, 2020 and announced updated guidance for the fiscal year.

Second quarter **net sales** were down 9 percent and **underlying sales** were down 7 percent excluding unfavorable currency of 2 percent and no impact from acquisitions or divestitures. Growth was

below management expectations in both business segments due to the unforeseen and rapid deterioration of demand in March. The spread of the COVID-19 pandemic and associated uncertainty, social distancing and business closure mandates negatively affected nearly all of our end markets and geographies, particularly in China, the United States, and Europe. One exception, however, was the surge in demand for products and solutions that support medical and life science end markets. Additionally, our businesses were negatively affected by the dramatic drop in oil and gas prices resulting from geopolitical tensions and a surge in global supply. Second quarter **trailing three-month underlying orders** were down 3 percent, reflective of customers across industrial, commercial and residential markets cutting costs and spending budgets in response to operating restrictions and a general drop in economic activity from the pandemic.

Second quarter **gross profit margin** of 42.1 percent was flat compared with the prior year due to effective cost control measures, despite a 9 percent drop in net sales. **Pretax margin** of 16.6 percent and **EBIT margin** of 17.4 percent were up 180 bps and 160 bps, respectively. **Adjusted EBIT margin**, which excludes restructuring and related charges, was 18.4 percent for the quarter, up 240 basis points, on lower sales. This outcome largely reflected lower stock compensation charges due to a significantly lower stock price as well as benefits from aggressive restructuring actions, which began in the third quarter of 2019.

GAAP earnings per share were \$0.84 and **adjusted earnings per share**, which excludes \$0.05 of restructuring and related charges, were \$0.89, exceeding management's guidance of \$0.79 to \$0.83. This adjusted EPS outcome reflects operational declines due to COVID-19 being more than offset by non-operating tailwinds, which included lower stock compensation costs due to a lower stock price, as well as the benefits of aggressive restructuring actions and favorable foreign exchange gains.

Operating cash flow was \$588 million, up \$55 million or 10 percent, and **free cash flow** was \$477 million, up \$63 million or 15 percent, reflecting free cash flow conversion of 91 percent in the quarter.

"The past quarter unleashed unprecedented challenges for not only our people, operations, and customers, but also for national and local governments, health care systems, and certainly families as well," said Emerson Chairman and Chief Executive Officer David N. Farr. "The rapid spread and far-reaching impact of the COVID-19 virus has been staggering and will likely alter the trajectory of our global economy for the foreseeable future. However, I am tremendously proud of our global team for adapting quickly and executing on difficult - yet necessary - decisions to ensure we are poised for long-term success.

"Our top priority is and always will be the safety and health of our employees, customers, and communities across the globe. We have implemented recommended policies and practices to protect our workforce so they can safely and effectively carry out their vital work with steadfast resolve. While the vast majority of our global office-based team is working from home, we recognize the responsibility we

have to support our customers in essential industries that rely on our solutions and services. Such industries include life sciences and medical, water, food and beverage, chemical, energy and power generation. Accordingly, we are driving hard every day to safely and responsibly continue operations to serve our customers in these vital markets. While some of our operating sites remain below full capacity, we are prioritizing the production of Emerson materials and solutions needed on the front lines of the pandemic battle, including solutions used to manufacture respirators, masks and other safety equipment, and life sciences materials.

"As part of our ongoing response to the dynamic market conditions, we maintain regular communications with government officials and other corporate partners involved in the pandemic response. Internally, our leadership team meets daily to review the state of the business, discuss safety, liquidity, and business continuity among other critical management topics.

"The global health crisis, coupled with volatility in the oil markets, has created a significant demand decline in many of our end markets. But we remain confident that our aggressive cost control reset measures already underway, initiated in the third quarter of last year and outlined in detail in February, combined with our strong balance sheet and disciplined operating philosophy, will provide the foundation required to continue to serve our customers and emerge stronger in the long run."

Business Platform Results

Automation Solutions net sales decreased 10 percent, with underlying sales down 8 percent excluding unfavorable currency of 2 percent and no impact from acquisitions. In the Americas, underlying sales were down 11 percent, with the United States down 12 percent reflecting a broad-based drop in demand. Europe underlying sales were down 3 percent, while Asia, Middle East & Africa underlying sales dropped 6 percent, driven by sharp declines in China of over 20 percent.

March trailing three-month underlying orders were down 1 percent, reflecting initial momentum in the early portion of the quarter, particularly in the longer cycle businesses of Final Control and Systems, up 3 percent and 7 percent respectively. In contrast, our instrumentation business was down 9 percent, impacted more severely due to the deteriorating environment driven by COVID-19 and oil demand. Geographically, the Americas and Asia declined 4 percent and 3 percent, respectively, while Europe was flat as early quarter momentum quickly faded in March as the pandemic took hold. Middle East & Africa grew double digits on easy comparisons from the prior year and some previous project wins being booked. China orders dropped by 12 percent. Overall, we saw customers slow their acceptance and approval processes. Sequential backlog grew 3 percent to \$5.1 billion.

Segment EBIT margin decreased 40 basis points to 14.4 percent. Adjusted segment EBIT margin, which excludes restructuring and related costs, increased 50 basis points to 15.5 percent while adjusted segment EBITDA margin increased 130 basis points, to 20.6 percent. This outcome reflected

previously initiated aggressive restructuring and cost reset actions beginning to take effect. Total restructuring in the quarter was \$29 million, and was \$112 million in the first half of 2020.

Commercial & Residential Solutions net sales decreased 7 percent with underlying sales down 5 percent excluding unfavorable currency of 1 percent and the impact of divestitures which subtracted 1 percent. In the Americas, underlying sales were down 3 percent, reflecting a broad-based decline in demand as the quarter unfolded. Europe was down 1 percent as air conditioning market weakness more than offset demand in heat pump markets. Finally, Asia, Middle East & Africa was down 15 percent, driven by a significant drop in China of over 30 percent.

March trailing three-month underlying orders were down 5 percent, with the HVAC, Cold Chain, and Tools businesses each down mid-single digits. Geographically, we saw Asia orders drop by over 14 percent, driven by China, which dropped 27 percent. A strong early growth trend in Europe was held to 4 percent as the pandemic spread and businesses reduced operations in March.

Segment EBIT margin was flat at 21.0 percent. Adjusted segment EBIT margin, which excludes restructuring and related costs, increased 40 bps to 21.6 percent, and adjusted segment EBITDA margin was up 90 basis points to 26.1 percent, driven by aggressive restructuring and cost reset actions which began to yield savings as well as favorable price-cost dynamics. Total restructuring in the quarter was \$9 million, and was \$19 million in the first half of 2020.

2020 Outlook

Management has updated the fiscal year 2020 outlook to reflect the changing demand environment associated with COVID-19 and the concurrent unfolding energy market dynamics. GAAP earnings per share guidance is \$2.62 to \$2.82. Adjusted earnings per share guidance, which excludes restructuring actions and related costs, is \$3.00 to \$3.20, compared to prior guidance of \$3.55 to \$3.80. This drop in guidance reflects the negative impact of reduced global demand, partially offset by aggressive cost containment actions, reduced stock compensation and other non-operating items. Total restructuring actions for the year are now expected to be approximately \$280 million, an increase of approximately \$65 million compared to the previous plan. Share repurchases, now complete for the year, will be approximately \$950 million, compared to the previous guidance of \$1.5 billion. There is no change in the dividend plan. Lastly, we expect capital expenditures to be \$550 million, compared to the previous guidance of \$650 million.

The following table presents the updated 2020 guidance framework:

Sales Growth Guidance		EPS and Cash Flow Guidance	
Net Sales Growth	(11%) - (9%)	GAAP EPS	\$2.62 - \$2.82
Automation Solutions	(10%) - (8%)	Adjusted EPS	\$3.00 - \$3.20
Commercial & Residential Solutions	(13%) - (11%)	Tax Rate	~22%
Underlying Sales Growth	(9%) - (7%)	Operating Cash Flow	~\$2.75B
Automation Solutions	(8%) - (6%)	Free Cash Flow	~\$2.2B
Commercial & Residential Solutions	(11%) - (9%)	Capital Expenditures	~\$550M
		Share Repurchases	~\$950M

This updated guidance assumes, among other items, continued significant demand deterioration in the third quarter, and demand remaining negative through the first half of 2021. It also assumes oil prices stabilize in the \$20-\$30 range during that time period.

"Despite evolving challenges, we will continue to be proactive and rapidly adapt where needed to ensure we are making the best use of our resources," Mr. Farr concluded. "Everyone at Emerson - our Board of Directors, our leadership team and our teammates around the world - has displayed an unwavering commitment to serving our customers and defeating this common enemy. I thank them for their hard work, agility, dedication, and passion as we all work together in the fight against this horrible disease and to position Emerson for continued future success."

Upcoming Investor Events

Today, beginning at 9 a.m. Eastern Time, Emerson management will discuss the second quarter 2020 results during an investor conference call. Participants can access a live webcast available at www.emerson.com/financial at the time of the call. A replay of the call will remain available for 90 days. Conference call slides will be posted in advance of the call on the company website.

Forward-Looking and Cautionary Statements

Statements in this press release 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.

(tables attached)

Table 1

EMERSON AND SUBSIDIARIES
CONSOLIDATED OPERATING RESULTS
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

	<u>Quarter Ended March 31</u>		<u>Percent Change</u>
	<u>2019</u>	<u>2020</u>	
Net sales	\$4,570	\$4,162	(9)%
Costs and expenses:			
Cost of sales	2,645	2,412	
SG&A expenses	1,145	983	
Other deductions, net	57	42	
Interest expense, net	48	36	
Earnings before income taxes	675	689	2%
Income taxes	150	165	
Net earnings	525	524	
Less: Noncontrolling interests in earnings of subsidiaries	5	7	
Net earnings common stockholders	<u>\$520</u>	<u>\$517</u>	(1)%
Diluted avg. shares outstanding	618.1	611.0	
Diluted earnings per share common share	\$0.84	\$0.84	—%

	<u>Quarter Ended March 31</u>	
	<u>2019</u>	<u>2020</u>
Other deductions, net		
Amortization of intangibles	\$60	\$59
Restructuring costs	10	31
Other	(13)	(48)
Total	<u>\$57</u>	<u>\$42</u>

Table 2

EMERSON AND SUBSIDIARIES
CONSOLIDATED OPERATING RESULTS
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

	<u>Six Months Ended March 31</u>		<u>Percent Change</u>
	<u>2019</u>	<u>2020</u>	
Net sales	\$8,717	\$8,313	(5)%
Costs and expenses:			
Cost of sales	5,031	4,804	
SG&A expenses	2,222	2,106	
Other deductions, net	107	220	
Interest expense, net	91	71	
Earnings before income taxes	1,266	1,112	(12)%
Income taxes	274	259	
Net earnings	992	853	
Less: Noncontrolling interests in earnings of subsidiaries	7	10	
Net earnings common stockholders	<u>\$985</u>	<u>\$843</u>	(14)%
Diluted avg. shares outstanding	622.9	612.6	
Diluted earnings per share common share	\$1.58	\$1.37	(13)%

	<u>Six Months Ended March 31</u>	
	<u>2019</u>	<u>2020</u>
Other deductions, net		
Amortization of intangibles	\$117	\$118
Restructuring costs	20	128
Special advisory fees	—	13
Other	(30)	(39)
Total	<u>\$107</u>	<u>\$220</u>

Table 3

EMERSON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended March 31</u>	
	<u>2019</u>	<u>2020</u>
Assets		
Cash and equivalents	\$1,384	\$2,583
Receivables, net	2,911	2,641
Inventories	2,073	2,058
Other current assets	784	750
Total current assets	7,152	8,032
Property, plant & equipment, net	3,615	3,553
Goodwill	6,509	6,520
Other intangible assets	2,701	2,498
Other	1,094	1,108
Total assets	\$21,071	\$21,711
Liabilities and equity		
Short-term borrowings and current maturities of long-term debt	\$2,551	\$3,741
Accounts payable	1,730	1,521
Accrued expenses	2,433	2,678
Total current liabilities	6,714	7,940
Long-term debt	3,786	3,960
Other liabilities	1,999	2,248
Total equity	8,572	7,563
Total liabilities and equity	\$21,071	\$21,711

Table 4

EMERSON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS, UNAUDITED)

	Six Months Ended March 31	
	2019	2020
Operating activities		
Net earnings	\$992	\$853
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	406	422
Stock compensation	52	18
Pension expense	—	34
Changes in operating working capital	(530)	(260)
Other, net	(64)	(55)
Cash provided by operating activities	856	1,012
Investing activities		
Capital expenditures	(274)	(225)
Purchases of businesses, net of cash and equivalents acquired	(243)	(96)
Divestitures of businesses	5	—
Other, net	(65)	(42)
Cash used in investing activities	(577)	(363)
Financing activities		
Net increase in short-term borrowings	851	2,076
Proceeds from short-term borrowings greater than three months	—	433
Proceeds from long-term debt	1,135	—
Payments of long-term debt	(406)	(502)
Dividends paid	(607)	(611)
Purchases of common stock	(1,000)	(942)
Other, net	29	39
Cash provided by financing activities	2	493
Effect of exchange rate changes on cash and equivalents	10	(53)
Increase in cash and equivalents	291	1,089
Beginning cash and equivalents	1,093	1,494
Ending cash and equivalents	<u>\$1,384</u>	<u>\$2,583</u>

Table 5

EMERSON AND SUBSIDIARIES
SEGMENT SALES AND EARNINGS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended March 31</u>	
	<u>2019</u>	<u>2020</u>
Sales		
Automation Solutions	\$3,010	\$2,709
Climate Technologies	1,092	1,026
Tools & Home Products	469	432
Commercial & Residential Solutions	<u>1,561</u>	<u>1,458</u>
Eliminations	(1)	(5)
Net sales	<u>\$4,570</u>	<u>\$4,162</u>
Earnings		
Automation Solutions	\$444	\$391
Climate Technologies	226	217
Tools & Home Products	102	89
Commercial & Residential Solutions	<u>328</u>	<u>306</u>
Stock compensation	(59)	38
Unallocated pension and postretirement costs	27	12
Corporate and other	(17)	(22)
Interest expense, net	(48)	(36)
Earnings before income taxes	<u>\$675</u>	<u>\$689</u>
Restructuring costs		
Automation Solutions	\$6	\$23
Climate Technologies	1	2
Tools & Home Products	2	5
Commercial & Residential Solutions	<u>3</u>	<u>7</u>
Corporate	<u>1</u>	<u>1</u>
Total	<u>\$10</u>	<u>\$31</u>
The table above does not include \$9 of costs related to restructuring actions that were reported in cost of sales in the second quarter of fiscal 2020.		
Depreciation and Amortization		
Automation Solutions	\$131	\$138
Climate Technologies	45	45
Tools & Home Products	17	19
Commercial & Residential Solutions	<u>62</u>	<u>64</u>
Corporate and other	<u>11</u>	<u>9</u>
Total	<u>\$204</u>	<u>\$211</u>

Table 6

EMERSON AND SUBSIDIARIES
SEGMENT SALES AND EARNINGS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Six Months Ended March 31</u>	
	<u>2019</u>	<u>2020</u>
Sales		
Automation Solutions	\$5,809	\$5,561
Climate Technologies	1,972	1,899
Tools & Home Products	927	862
Commercial & Residential Solutions	<u>2,899</u>	<u>2,761</u>
Eliminations	9	(9)
Net sales	<u>\$8,717</u>	<u>\$8,313</u>
Earnings		
Automation Solutions	\$851	\$701
Climate Technologies	372	368
Tools & Home Products	193	175
Commercial & Residential Solutions	<u>565</u>	<u>543</u>
Stock compensation	(52)	(18)
Unallocated pension and postretirement costs	54	25
Corporate and other	(61)	(68)
Interest expense, net	(91)	(71)
Earnings before income taxes	<u>\$1,266</u>	<u>\$1,112</u>
Restructuring costs		
Automation Solutions	\$11	\$106
Climate Technologies	4	9
Tools & Home Products	4	8
Commercial & Residential Solutions	<u>8</u>	<u>17</u>
Corporate	<u>1</u>	<u>5</u>
Total	<u>\$20</u>	<u>\$128</u>
The table above does not include \$9 of costs related to restructuring actions that were reported in cost of sales in the second quarter of fiscal 2020.		
Depreciation and Amortization		
Automation Solutions	\$260	\$277
Climate Technologies	90	89
Tools & Home Products	36	38
Commercial & Residential Solutions	<u>126</u>	<u>127</u>
Corporate and other	<u>20</u>	<u>18</u>
Total	<u>\$406</u>	<u>\$422</u>

Reconciliations of Non-GAAP Financial Measures & Other

Table 7

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

Q2 2020 Underlying Sales Change

	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	(10)%	(7)%	(9)%
(Favorable) / Unfavorable FX	2 %	1 %	2 %
Acquisitions / Divestitures	— %	1 %	— %
Underlying*	(8)%	(5)%	(7)%

FY 2020E Underlying Sales Change

	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	(10)% - (8)%	(13)% - (11)%	(11)% - (9)%
(Favorable) / Unfavorable FX	~ 2%	~ 1%	~ 2%
Acquisitions / Divestitures	~ -%	~ 1%	~ -%
Underlying*	(8)% - (6)%	(11)% - (9)%	(9)% - (7)%

Earnings Per Share

	Q2 FY20E	Q2 FY20
Earnings per share (GAAP)	\$0.73 - \$0.77	\$ 0.84
Restructuring and related charges	~ 0.06	0.05
Adjusted earnings per share*	\$0.79 - \$0.83	\$ 0.89

Earnings Per Share

	FY2020E Prior Guidance	FY2020E
Earnings per share (GAAP)	\$3.27 - \$3.52	\$2.62 - \$2.82
Restructuring and related charges	~ 0.28	~ 0.38
Adjusted earnings per share*	\$3.55 - \$3.80	\$3.00 - \$3.20

EBIT Margin

	Q2 FY19	Q2 FY20	Change
Pretax margin (GAAP)	14.8 %	16.6 %	180 bps
Interest expense, net	1.0 %	0.8 %	(20) bps
Earnings before interest and taxes margin*	15.8 %	17.4 %	160 bps
Restructuring and related charges	0.2 %	1.0 %	80 bps
Adjusted earnings before interest and taxes margin*	16.0 %	18.4 %	240 bps

Automation Solutions Segment EBIT Margin

	Q2 FY19	Q2 FY20	Change
Automation Solutions Segment EBIT margin (GAAP)	14.8 %	14.4 %	(40) bps
Restructuring charges impact	0.2 %	1.1 %	90 bps
Automation Solutions Adjusted Segment EBIT margin*	15.0 %	15.5 %	50 bps
Depreciation / amortization	4.3 %	5.1 %	80 bps
Automation Solutions Adjusted Segment EBITDA margin*	19.3 %	20.6 %	130 bps

- more -

Commercial & Residential EBIT Margin

Commercial & Residential EBIT margin (GAAP)	21.0 %	21.0 %	- bps
Restructuring charges impact	0.2 %	0.6 %	40 bps
Commercial & Residential Adjusted EBIT margin*	21.2 %	21.6 %	40 bps
Depreciation / amortization	4.0 %	4.5 %	50 bps
Commercial & Residential Adjusted EBITDA margin*	25.2 %	26.1 %	90 bps

Q2 Cash Flow

	Q2 FY19	Q2 FY20	Change	% Change
Operating cash flow (GAAP)	\$ 533	\$ 588	\$ 55	10%
Capital expenditures	(119)	(111)	8	5%
Free cash flow*	\$ 414	\$ 477	\$ 63	15%

1H Cash Flow

	FY 2019	FY 2020	Change	% Change
Operating cash flow (GAAP)	\$ 856	\$ 1,012	\$ 156	18%
Capital expenditures	(274)	(225)	49	17%
Free cash flow*	\$ 582	\$ 787	\$ 205	35%

FY 2020E Cash Flow

	FY 2020E
Operating cash flow (GAAP)	~ \$2,750
Capital expenditures	~ (550)
Free cash flow*	~ \$2,200

Cash Flow to Net Earnings Conversion

	Q2 FY20
Operating cash flow to net earnings (GAAP)	112 %
Capital expenditures	(21)%
Free cash flow to net earnings*	91 %

Note: Underlying sales and orders exclude the impact of acquisitions, divestitures and currency translation.

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