

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): August 4, 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, August 4, 2020, a press release was issued regarding the third 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 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description of Exhibits
99.1	Emerson's August 4, 2020 press release announcing third 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: August 4, 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 Third Quarter 2020 Results and Raises Full Year 2020 Guidance

- **GAAP net sales** of \$3.9 billion were down 16 percent; **underlying sales** were down 15 percent as demand declined due to COVID-19
- **GAAP EPS** was \$0.67, down 31 percent from \$0.97 in the year prior; **adjusted EPS**, which excludes restructuring and related costs, was \$0.80, exceeding midpoint of management guidance of \$0.60, driven primarily by previously announced aggressive cost reduction actions, and a lower effective tax rate than expected
- Delivered strong **operating cash flow** of \$842 million in the quarter, and \$1.85 billion year-to-date, up \$52 million or 3 percent year-to-date
- Delivered strong **free cash flow** of \$738 million in the quarter, and \$1.53 billion year-to-date, up \$118 million or 8 percent year-to-date
- Initiated \$94 million of restructuring actions in the quarter, totaling \$231 million year-to-date, continuing strong execution on the comprehensive cost reset plan
- Updating full-year guidance as cost savings take effect, demand begins to stabilize, and the economy begins to reopen

ST. LOUIS, Aug 4, 2020 - Emerson (NYSE: EMR) today reported results for the third fiscal quarter ended June 30, 2020 and announced updated guidance for the full year.

Third quarter **GAAP net sales** were down 16 percent and **underlying sales** were down 15 percent excluding unfavorable currency of 1 percent. Revenue declines were in-line with management expectations, as COVID-19 negatively affected nearly all end markets and geographies throughout the quarter. The company continued to see particular weakness in North American markets while China grew by 3 percent. Third quarter **trailing three-month underlying orders** were down 19 percent, reflective of

customers across industrial, commercial and residential markets cutting costs and budgets in response to COVID-19 related operating restrictions and a general drop in economic activity.

Third quarter **gross profit margin** of 41.3 percent was down 140 basis points from 42.7 percent due to manufacturing plant deleverage. **Pretax margin** of 11.7 percent and **EBIT margin** of 12.9 percent were down 470 basis points and 440 basis points, respectively. **Adjusted EBIT margin**, which excludes restructuring and related charges, was 15.3 percent for the quarter, down 240 basis points, reflecting deleverage, foreign exchange losses, and the effect of a higher stock price, which was mitigated by aggressive cost reductions and favorable price cost.

GAAP earnings per share was \$0.67 and **adjusted earnings per share**, which excludes restructuring and related charges, was \$0.80 and exceeded management's guidance of \$0.56 to \$0.64. These results reflected the benefits of aggressive restructuring and cost control actions, and a lower effective tax rate than expected in the quarter.

Operating cash flow was \$842 million, down \$104 million or 11 percent for the quarter. Year-to-date operating cash flow was \$1.85 billion, up \$52 million or 3 percent. **Free cash flow** was \$738 million, down \$87 million or 11 percent, resulting in free cash flow conversion of 181 percent in the quarter. Year-to-date free cash flow was \$1.53 billion, up \$118 million or 8 percent.

"Like many organizations, Emerson has been forced to rapidly adapt to the COVID-19 reality during the quarter, and I'm extremely proud of how the team rose to the challenge." said Emerson Chairman and Chief Executive Officer David N. Farr. "Amidst all of the shifting dynamics and uncertainties, we remained steadfast in our primary focus of keeping employees safe and healthy, and serving customers in their essential industries with the vital technologies and services they rely upon. I want to personally thank our entire Emerson organization, and especially our front-line employees serving essential industries, for their diligence, professionalism, and unwavering commitment to supporting our customers and one another in this rapidly evolving and challenging environment. I also want to thank my fellow Office of the Chief Executive team members who remained in our offices every day throughout the third quarter to lead the company through these particularly challenging and ever-changing past 125 days.

"While sales results were in-line with expectations, profitability for the third quarter came in well above expectations, primarily driven by our ongoing aggressive cost actions and as Emerson remained at work around the world. Overall orders and revenue declines were in-line with management expectations, as most end markets were heavily impacted by COVID-19. Geographically, North America was down 20 percent and remains the key near-term challenge from a demand perspective. Cash flow in the quarter was strong, and we have provided updated guidance for the year as markets begin to stabilize and reopen, and our aggressive cost actions deliver significant savings."

Business Platform Results

Automation Solutions net sales decreased 14 percent, with underlying sales down 13 percent excluding unfavorable currency of 1 percent. In the Americas, underlying sales were down 19 percent, with North America down 20 percent, reflecting continued broad-based industrial weakness. Europe underlying sales were down 8 percent as both Western and Eastern European markets showed early signs of stabilizing. Asia, Middle East & Africa underlying sales dropped 6 percent, as solid growth in China of 9 percent was more than offset by weakness in the rest of Asia and the Middle East. Longer cycle businesses of final control and systems saw declines of high-single and mid-single digits respectively, while the shorter cycle instrumentation business had a sharper decline.

June trailing three-month underlying orders were down 19 percent, reflecting weakness across most end markets, with the exception of life sciences and medical. Geographically, the Americas dropped sharply, down 28 percent, while Europe declined by 12 percent. Asia, Middle East & Africa showed the most modest decline, down 9 percent. China orders were up 1 percent as the economy reopened. Backlog was unchanged from last quarter at approximately \$5.1 billion.

Segment EBIT margin decreased 3.7 points to 12.0 percent, driven by deleverage and mix. Adjusted segment EBIT margin, which excludes restructuring and related costs, decreased 120 basis points to 15.1 percent while adjusted segment EBITDA margin decreased 30 basis points, to 20.4 percent. Total restructuring in the quarter was \$80 million, and totals \$192 million year-to-date.

Commercial & Residential Solutions net sales decreased 20 percent with underlying sales down 19 percent excluding unfavorable currency of 1 percent. Underlying sales in the Americas were down 20 percent, reflecting a broad-based decline, particularly in commercial end markets. Europe was down 12 percent as air conditioning weakness more than offset demand in heat pump markets. Finally, Asia, Middle East & Africa was down 18 percent, with China down 9 percent.

Order rates varied dramatically during the quarter, from down 35 percent in April year-over-year, to positive 1 percent in June. June trailing three-month underlying orders were down 19 percent, as the OEM and distribution-based businesses saw significant declines in business activity. Businesses more exposed to big box and do-it-yourself retail performed better but were still negative in the quarter. Geographically, North America dropped by 19 percent as commercial and professional tools markets were particularly weak. Asia orders declined by 20 percent, while China was down 7 percent. Europe dropped by 12 percent, as general weakness was somewhat offset by residential heat pump demand.

Segment EBIT margin decreased 3.3 points to 19.1 percent driven by deleverage. Adjusted segment EBIT margin, which excludes restructuring and related costs, decreased 270 basis points to 20.0 percent, and adjusted segment EBITDA margin dropped 160 basis points to 24.7 percent. Total restructuring in the quarter was \$12 million, with a total of \$31 million year-to-date.

2020 Outlook

Management has updated the full year 2020 outlook to reflect the dynamic demand environment associated with global economic reopening and the stronger cost savings impacts. GAAP earnings per share guidance is \$2.80 to \$2.95. Adjusted earnings per share guidance, which excludes restructuring actions and related costs, is \$3.20 to \$3.35, compared to prior guidance of \$3.00 to \$3.20. This increase primarily reflects the aggressive restructuring reset actions and COVID-19 related cost containment actions positively impacting profitability. Total restructuring actions for the year are now expected to be approximately \$300 million, an increase of \$20 million from the previous guidance. Share repurchases remain suspended, and total approximately \$950 million. There is no change in the dividend outlook. Lastly, capital expenditures remain unchanged at \$550 million.

The following table presents the updated 2020 guidance framework:

Sales Growth Guidance		EPS and Cash Flow Guidance	
Net Sales Growth	(10%) - (9%)	GAAP EPS	\$2.80 - \$2.95
Automation Solutions	(10%) - (8%)	Adjusted EPS	\$3.20 - \$3.35
Commercial & Residential Solutions	(11%) - (9%)	Tax Rate	~20%
Underlying Sales Growth	(9%) - (7.5%)	Operating Cash Flow	~\$2.8B
Automation Solutions	(9%) - (7%)	Free Cash Flow	~\$2.25B
Commercial & Residential Solutions	(10%) - (8%)	Capital Expenditures	~\$550M
		Share Repurchases	~\$950M

This updated guidance assumes, among other items, a continued challenging but steadily improving demand environment in the fourth quarter. We still expect revenue to return to growth in either the second or third quarter of 2021. The updated guidance also assumes no major operational or supply chain disruptions. Lastly, the guidance assumes no changes in discrete tax items and assumes oil prices remain in the approximately \$35 to \$45 range during that time period.

"As the fiscal year rapidly comes to a close and economies continue to reopen, we remain laser focused on driving long-term value creation for all of our stakeholders - customers, employees, communities, and shareholders," Farr concluded. "I firmly believe that we will emerge from this pandemic a stronger, leaner, and more agile organization, poised to partner with our customers and capitalize on the macro trends accelerated by COVID-19: automation, efficiency, digitization, and emissions measurement and management. The challenging repositioning work we are engaged in now positions Emerson for long-term outperformance as the world's economies emerge from this historic COVID-19 chapter."

Upcoming Investor Events

Today, beginning at 2 p.m. Eastern Time, Emerson management will discuss the third 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 June 30</u>		<u>Percent</u>
	<u>2019</u>	<u>2020</u>	<u>Change</u>
Net sales	\$4,684	\$3,914	(16)%
Costs and expenses:			
Cost of sales	2,683	2,296	
SG&A expenses	1,126	934	
Other deductions, net	65	181	
Interest expense, net	43	45	
Earnings before income taxes	<u>767</u>	<u>458</u>	(40)%
Income taxes	155	51	
Net earnings	<u>612</u>	<u>407</u>	
Less: Noncontrolling interests in earnings of subsidiaries	8	8	
Net earnings common stockholders	<u>\$604</u>	<u>\$399</u>	(34)%
Diluted avg. shares outstanding	619.0	600.0	
Diluted earnings per share common share	\$0.97	\$0.67	(31)%

	<u>Quarter Ended June 30</u>	
	<u>2019</u>	<u>2020</u>
Other deductions, net		
Amortization of intangibles	\$60	\$60
Restructuring costs	20	88
Other	(15)	33
Total	<u>\$65</u>	<u>\$181</u>

Table 2

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

	<u>Nine Months Ended June 30</u>		<u>Percent Change</u>
	<u>2019</u>	<u>2020</u>	
Net sales	\$13,401	\$12,227	(9)%
Costs and expenses:			
Cost of sales	7,714	7,100	
SG&A expenses	3,348	3,040	
Other deductions, net	172	401	
Interest expense, net	134	116	
Earnings before income taxes	2,033	1,570	(23)%
Income taxes	429	310	
Net earnings	1,604	1,260	
Less: Noncontrolling interests in earnings of subsidiaries	15	18	
Net earnings common stockholders	<u>\$1,589</u>	<u>\$1,242</u>	(22)%
Diluted avg. shares outstanding	621.6	608.4	
Diluted earnings per share common share	\$2.55	\$2.04	(20)%

	<u>Nine Months Ended June 30</u>	
	<u>2019</u>	<u>2020</u>
Other deductions, net		
Amortization of intangibles	\$177	\$178
Restructuring costs	40	216
Special advisory fees	—	13
Other	(45)	(6)
Total	<u>\$172</u>	<u>\$401</u>

Table 3

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

	<u>Quarter Ended June 30</u>	
	<u>2019</u>	<u>2020</u>
Assets		
Cash and equivalents	\$1,603	\$2,450
Receivables, net	2,901	2,512
Inventories	2,061	2,102
Other current assets	785	815
Total current assets	7,350	7,879
Property, plant & equipment, net	3,614	3,565
Goodwill	6,544	6,624
Other intangible assets	2,691	2,488
Other	1,118	1,174
Total assets	\$21,317	\$21,730
Liabilities and equity		
Short-term borrowings and current maturities of long-term debt	\$1,877	\$1,725
Accounts payable	1,785	1,426
Accrued expenses	2,556	2,834
Total current liabilities	6,218	5,985
Long-term debt	4,336	5,500
Other liabilities	1,959	2,367
Total equity	8,804	7,878
Total liabilities and equity	\$21,317	\$21,730

Table 4

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

	Nine Months Ended June 30	
	2019	2020
Operating activities		
Net earnings	\$1,604	\$1,260
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	609	631
Stock compensation	83	69
Pension expense	(1)	50
Changes in operating working capital	(352)	(86)
Other, net	(141)	(70)
Cash provided by operating activities	1,802	1,854
Investing activities		
Capital expenditures	(395)	(329)
Purchases of businesses, net of cash and equivalents acquired	(385)	(114)
Divestitures of businesses	10	—
Other, net	(91)	(65)
Cash used in investing activities	(861)	(508)
Financing activities		
Net increase in short-term borrowings	427	269
Proceeds from short-term borrowings greater than three months	—	546
Payments of short-term borrowings greater than three months	—	(340)
Proceeds from long-term debt	1,691	1,488
Payments of long-term debt	(655)	(502)
Dividends paid	(909)	(910)
Purchases of common stock	(1,000)	(942)
Other, net	21	28
Cash used in financing activities	(425)	(363)
Effect of exchange rate changes on cash and equivalents	(6)	(27)
Increase in cash and equivalents	510	956
Beginning cash and equivalents	1,093	1,494
Ending cash and equivalents	<u>\$1,603</u>	<u>\$2,450</u>

Table 5

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

	<u>Quarter Ended June 30</u>	
	<u>2019</u>	<u>2020</u>
Sales		
Automation Solutions	\$3,025	\$2,589
Climate Technologies	1,199	970
Tools & Home Products	463	357
Commercial & Residential Solutions	<u>1,662</u>	<u>1,327</u>
Eliminations	(3)	(2)
Net sales	<u>\$4,684</u>	<u>\$3,914</u>
Earnings		
Automation Solutions	\$477	\$311
Climate Technologies	278	195
Tools & Home Products	93	58
Commercial & Residential Solutions	<u>371</u>	<u>253</u>
Stock compensation	(31)	(51)
Unallocated pension and postretirement costs	27	12
Corporate and other	(34)	(22)
Interest expense, net	(43)	(45)
Earnings before income taxes	<u>\$767</u>	<u>\$458</u>
Restructuring costs		
Automation Solutions	\$15	\$76
Climate Technologies	4	5
Tools & Home Products	1	4
Commercial & Residential Solutions	<u>5</u>	<u>9</u>
Corporate	<u>—</u>	<u>3</u>
Total	<u>\$20</u>	<u>\$88</u>
The table above does not include \$6 of costs related to restructuring actions that were reported in cost of sales in the third quarter of fiscal 2020.		
Depreciation and Amortization		
Automation Solutions	\$133	\$137
Climate Technologies	42	44
Tools & Home Products	18	20
Commercial & Residential Solutions	<u>60</u>	<u>64</u>
Corporate and other	<u>10</u>	<u>8</u>
Total	<u>\$203</u>	<u>\$209</u>

Table 6

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

	<u>Nine Months Ended June 30</u>	
	<u>2019</u>	<u>2020</u>
Sales		
Automation Solutions	\$8,834	\$8,150
Climate Technologies	3,171	2,869
Tools & Home Products	1,390	1,219
Commercial & Residential Solutions	<u>4,561</u>	<u>4,088</u>
Eliminations	6	(11)
Net sales	<u>\$13,401</u>	<u>\$12,227</u>
Earnings		
Automation Solutions	\$1,328	\$1,012
Climate Technologies	650	563
Tools & Home Products	286	233
Commercial & Residential Solutions	<u>936</u>	<u>796</u>
Stock compensation	(83)	(69)
Unallocated pension and postretirement costs	81	37
Corporate and other	(95)	(90)
Interest expense, net	(134)	(116)
Earnings before income taxes	<u>\$2,033</u>	<u>\$1,570</u>
Restructuring costs		
Automation Solutions	\$26	\$182
Climate Technologies	8	14
Tools & Home Products	5	12
Commercial & Residential Solutions	<u>13</u>	<u>26</u>
Corporate	<u>1</u>	<u>8</u>
Total	<u>\$40</u>	<u>\$216</u>
The table above does not include \$15 of costs related to restructuring actions that were reported in cost of sales for the nine months ended June 30, 2020.		
Depreciation and Amortization		
Automation Solutions	\$393	\$414
Climate Technologies	132	133
Tools & Home Products	54	58
Commercial & Residential Solutions	<u>186</u>	<u>191</u>
Corporate and other	<u>30</u>	<u>26</u>
Total	<u>\$609</u>	<u>\$631</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):

Q3 2020 Underlying Sales Change

	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	(14)%	(20)%	(16)%
(Favorable) / Unfavorable FX	1 %	1 %	1 %
Acquisitions / Divestitures	— %	— %	— %
Underlying*	(13)%	(19)%	(15)%

FY 2020E Underlying Sales Change

	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	(10)% - (8)%	(11)% - (9)%	(10)% - (9)%
(Favorable) / Unfavorable FX	~ 1%	~ 1%	1% - 1.5%
Acquisitions / Divestitures	~ -%	~ -%	~ -%
Underlying*	(9)% - (7)%	(10)% - (8)%	(9)% - (7.5)%

Earnings Per Share

	Q3 FY20E	Q3 FY20
Earnings per share (GAAP)	\$0.43 - \$0.51	\$ 0.67
Restructuring and related charges	~ 0.13	0.13
Adjusted earnings per share*	\$0.56 - \$0.64	\$ 0.80

Earnings Per Share

	FY2020E Prior Guidance	FY2020E
Earnings per share (GAAP)	\$2.62 - \$2.82	\$2.80 - \$2.95
Restructuring and related charges	~ 0.38	~ 0.40
Adjusted earnings per share*	\$3.00 - \$3.20	\$3.20 - \$3.35

EBIT Margin

	Q3 FY19	Q3 FY20	Change
Pretax margin (GAAP)	16.4 %	11.7 %	(470) bps
Interest expense, net	0.9 %	1.2 %	30 bps
Earnings before interest and taxes margin*	17.3 %	12.9 %	(440) bps
Restructuring and related charges	0.4 %	2.4 %	200 bps
Adjusted earnings before interest and taxes margin*	17.7 %	15.3 %	(240) bps

Automation Solutions Segment EBIT Margin

	Q3 FY19	Q3 FY20	Change
Automation Solutions Segment EBIT margin (GAAP)	15.7 %	12.0 %	(370) bps
Restructuring charges impact	0.6 %	3.1 %	250 bps
Automation Solutions Adjusted Segment EBIT margin*	16.3 %	15.1 %	(120) bps
Depreciation / amortization	4.4 %	5.3 %	90 bps
Automation Solutions Adjusted Segment EBITDA margin*	20.7 %	20.4 %	(30) bps

- more -

Commercial & Residential EBIT Margin

Commercial & Residential EBIT margin (GAAP)
Restructuring charges impact
Commercial & Residential Adjusted EBIT margin*
Depreciation / amortization
Commercial & Residential Adjusted EBITDA margin*

Q3 FY19	Q3 FY20	Change
22.4 %	19.1 %	(330) bps
0.3 %	0.9 %	60 bps
22.7 %	20.0 %	(270) bps
3.6 %	4.7 %	110 bps
26.3 %	24.7 %	(160) bps

Q3 Cash Flow

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

Q3 FY19	Q3 FY20	Change	% Change
\$ 946	\$ 842	\$ (104)	(11)%
(121)	(104)	17	— %
\$ 825	\$ 738	\$ (87)	(11)%

Q3 Year-To-Date Cash Flow

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

FY 2019	FY 2020	Change	% Change
\$ 1,802	\$ 1,854	\$ 52	3 %
(395)	(329)	66	5 %
\$ 1,407	\$ 1,525	\$ 118	8 %

FY 2020E Cash Flow

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

FY 2020E
~ \$2,800
~ (550)
~ \$2,250

Cash Flow to Net Earnings Conversion

Operating cash flow to net earnings (GAAP)
Capital expenditures
Free cash flow to net earnings*

Q3 FY20
207 %
(26)%
181 %

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

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