

**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, 2021

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 NYSE Chicago |
| 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 Wednesday, August 4, 2021, 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 9.01 Financial Statements and Exhibits

(d) Exhibits.

| Exhibit Number | Description of Exhibits |
|----------------------|---|
| 99.1 | Emerson's August 4, 2021 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, 2021

By: /s/ John A. Sperino
John A. Sperino
Vice President and
Assistant Secretary



news release

For immediate release

Investor Contact: Colleen Mettler (314) 553-2197
Media Contact: Casey Murphy (314) 982-6220

Emerson Reports Third Quarter 2021 Results; Raises 2021 Outlook

- **Net Sales** were \$4.7 billion up 20 percent from the year prior; **Underlying Sales** were up 15 percent
- **GAAP EPS** was \$1.04, up 55 percent from the year prior; **Adjusted EPS**, which excludes restructuring and first year purchase accounting charges, was \$1.09, up 36 percent
- **Operating Cash Flow** was \$1.1 billion, up 31 percent; **Free Cash Flow (FCF)** was \$977 million, up 32 percent, resulting in FCF conversion of 154 percent
- **Restructuring and related actions** of \$32 million were initiated in the quarter, continuing execution of the comprehensive cost reset program to return the company to record adjusted EBIT margins
- **Declared regular quarterly cash dividend** of \$0.505 per share of common stock payable September 10, 2021 to stockholders of record August 13, 2021
- Published new Environmental, Social, and Governance (ESG) Report in June, introducing **goal of doubling representation of women globally and U.S. minorities at the leadership level by 2030**

ST. LOUIS, August 4, 2021 - Emerson (NYSE: EMR) today reported results for the third fiscal quarter ended June 30, 2021.

"We are pleased with our results this quarter, as accelerating sales growth in key end markets combined with strong execution by operations helped us deliver exceptional financial results," said Emerson President and Chief Executive Officer Lal Karsanbhai. "In particular, we saw ongoing strength in our residential businesses and rapid improvement in both commercial and industrial end markets. Importantly, our core North American process automation markets turned sharply back to growth, complementing the ongoing strength in discrete and hybrid markets. These results contributed to solid margin improvement as we fully leveraged the benefits of our broad ongoing cost reset plan. Cash flow

performance was strong as a result of earnings growth and effective working capital management. This gives us optionality with regard to capital allocation in 2022 and beyond."

"Despite a challenging operating environment – material costs, availability, logistics, and labor constraints all required diligent management – I am extremely proud of our operations team, which has worked tirelessly to limit the impact of these issues as the world reopens and demand rebounds across our customer base. The hard work of our global teams – combined with our reset cost structure and improving demand in longer-cycle markets – is allowing us to improve our outlook for the year. It has also facilitated acceleration of investment in key technologies that are expected to drive further differentiation and increased relevance with our customers."

"We are energized by our financial performance and operational management, and by the momentum around modernization of the Emerson culture," Karsanbhai continued. "In our most recent ESG report, we announced a goal to double the number of women globally and U.S. minorities at the leadership level by 2030. We are modernizing work practices and are actively refreshing our management process to continue advancing ESG transparency and reporting. In the long run, I firmly believe these cultural efforts will be important and tangible business enablers."

June **Trailing Three-Month Underlying Orders** were up 26 percent, as strength in residential, cold chain, professional tools, hybrid and discrete automation markets was bolstered by recovery in later cycle process automation markets.

Third quarter **Net Sales** were up 20 percent and **Underlying Sales** were up 15 percent, excluding favorable currency of 4 percent and an impact of 1 percent from acquisitions. Revenue for the quarter came in ahead of expectations driven by strength across commercial and residential markets, as well as a sharp recovery in core North American process automation markets. By geography, the Americas grew 18 percent, Europe grew 13 percent, and Asia, Middle East & Africa grew 11 percent. China grew 7 percent.

Third quarter **Gross Profit Margin** of 42.2 percent was up 90 basis points from the previous year primarily due to cost reductions and leverage across the enterprise. **Pretax Margin** of 16.7 percent was up 500 basis points while **EBIT Margin** of 17.5 percent was up 460 basis points, as ongoing cost reduction actions and leverage more than offset price cost headwinds. **Adjusted EBIT Margin**, which excludes restructuring and first year purchase accounting charges, was 18.4 percent, up 310 basis points.

Earnings Per Share were \$1.04 for the quarter, up 55 percent, and **Adjusted Earnings Per Share**, which excludes restructuring and first year purchase accounting charges, were \$1.09, up 36 percent. Earnings in the quarter were ahead of management expectations, benefiting from higher volume and ongoing cost reduction actions.

Operating Cash Flow was \$1.1 billion for the quarter, up 31 percent, and \$2.7 billion year-to-date, up 47 percent. **Free Cash Flow** was \$977 million, up 32 percent, and \$2.4 billion year-to-date, up

55 percent. Cash flow results reflected higher earnings due to volume, operational execution across the two business platforms and favorable trade working capital.

Business Platform Results

Automation Solutions June trailing three-month underlying orders were up 17 percent. By geography, the Americas showed the most improvement, up 29 percent. Europe was up 8 percent. Asia, Middle East & Africa grew 8 percent, with China orders increasing sharply by 23 percent. Backlog increased \$200 million compared to the prior quarter to \$5.5 billion, and was up 17 percent year-to-date.

Net sales increased 14 percent in the quarter, with underlying sales up 8 percent. Results reflected ongoing strength across discrete and hybrid markets, and sharp improvement in longer cycle core process automation markets. Importantly, the Americas underlying sales recovered sharply, growing by 9 percent, driven by continued momentum in life sciences, food & beverage, and medical markets paired with growth trends across process automation and sustainability related business. As expected, KOB3/MRO and KOB2/modernization business led the recovery, however some KOB1 project activity began to materialize, particularly in chemical, biofuels, and power markets. Europe underlying sales were up 6 percent, driven by life sciences and biofuels demand. Asia, Middle East & Africa underlying sales grew 7 percent while China grew by 5 percent.

Segment EBIT margin increased 570 basis points to 17.7 percent, as savings from cost actions paired with strong volume leverage. Adjusted segment EBIT margin, which excludes restructuring and related costs, increased 320 basis points to 18.3 percent. Total restructuring and related actions in the quarter totaled \$18 million.

Commercial & Residential Solutions June trailing three-month underlying orders were up 43 percent. The Americas grew by 43 percent, while Europe was up 64 percent. Asia, Middle East & Africa orders increased by 30 percent, with China up 11 percent. Backlog ended the quarter at \$1.1 billion.

Net sales increased 32 percent and underlying sales were up 29 percent, with all businesses and geographies showing strong double-digit underlying growth. Underlying sales in the Americas were up 29 percent, reflecting ongoing strength in residential markets, bolstered by cold chain and professional tools momentum. Europe was up 37 percent as heat pump demand remained robust and demand for professional tools surged. Asia, Middle East & Africa was up 25 percent driven by cold chain and heating technologies. China grew by 15 percent.

Segment EBIT margin increased 220 basis points to 21.3 percent as leverage and cost reduction actions were somewhat offset by price-cost headwinds. Adjusted segment EBIT margin, which excludes restructuring and related costs, increased 170 basis points to 21.7 percent. Total restructuring and related actions in the quarter totaled \$7 million.

2021 Updated Outlook

Despite ongoing pandemic challenges with the COVID delta variant, we expect overall continued improvement in industrial and commercial demand over the remainder of 2021. We also expect the operational, supply chain, and materials inflation environment to remain challenging through the remainder of the fiscal year.

The following table summarizes the updated 2021 guidance framework:

| 2021 Guidance | | | |
|------------------------------------|-------------------------|------------------------------|---------------|
| Net Sales Growth | 9% - 10% | Operating Cash Flow | \$3.6B |
| Automation Solutions | 5% - 6% | Capital Spend | \$600M |
| Commercial & Residential Solutions | 17% - 18% | Free Cash Flow | \$3.0B |
| | | Dividend | \$1.2B |
| Underlying Sales Growth | 5% - 6% | Share Repurchase | \$500M |
| Automation Solutions | flat - 1% | | |
| Commercial & Residential Solutions | 15% - 16% | Tax Rate | 22% |
| | | Restructuring Actions | \$200M |
| Pretax Margin | 16% | | |
| Adjusted EBIT | 18% | | |
| Adjusted EBITDA | 23% | | |
| GAAP EPS | \$3.79 +/- \$.01 | | |
| Adjusted EPS | \$4.07 +/- \$.01 | | |

Note 1: All figures are approximate

Upcoming Investor Events

Today, beginning at 8:30 a.m. Central Time / 9:30 a.m. Eastern Time, Emerson management will discuss the third quarter 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 be 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>2020</u> | <u>2021</u> | <u>Change</u> |
| Net sales | \$3,914 | \$4,697 | 20% |
| Costs and expenses: | | | |
| Cost of sales | 2,296 | 2,715 | |
| SG&A expenses | 934 | 1,073 | |
| Other deductions, net | 181 | 88 | |
| Interest expense, net | 45 | 37 | |
| Earnings before income taxes | <u>458</u> | <u>784</u> | 71% |
| Income taxes | 51 | 151 | |
| Net earnings | <u>407</u> | <u>633</u> | |
| Less: Noncontrolling interests in earnings of subsidiaries | 8 | 6 | |
| Net earnings common stockholders | <u>\$399</u> | <u>\$627</u> | 57% |
| Diluted avg. shares outstanding | 600.0 | 602.1 | |
| Diluted earnings per share common share | \$0.67 | \$1.04 | 55% |

| | <u>Quarter Ended June 30</u> | |
|------------------------------|------------------------------|-------------|
| | <u>2020</u> | <u>2021</u> |
| Other deductions, net | | |
| Amortization of intangibles | \$60 | \$71 |
| Restructuring costs | 88 | 28 |
| Other | 33 | (11) |
| Total | <u>\$181</u> | <u>\$88</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</u> |
|--|----------------------------------|----------------|----------------|
| | <u>2020</u> | <u>2021</u> | <u>Change</u> |
| Net sales | \$12,227 | \$13,289 | 9% |
| Costs and expenses: | | | |
| Cost of sales | 7,100 | 7,722 | |
| SG&A expenses | 3,040 | 3,125 | |
| Other deductions, net | 401 | 243 | |
| Interest expense, net | 116 | 115 | |
| Earnings before income taxes | 1,570 | 2,084 | 33% |
| Income taxes | 310 | 431 | |
| Net earnings | 1,260 | 1,653 | |
| Less: Noncontrolling interests in earnings of subsidiaries | 18 | 20 | |
| Net earnings common stockholders | <u>\$1,242</u> | <u>\$1,633</u> | 31% |
| Diluted avg. shares outstanding | 608.4 | 602.3 | |
| Diluted earnings per share common share | \$2.04 | \$2.71 | 33% |

| | <u>Nine Months Ended June 30</u> | |
|------------------------------|----------------------------------|--------------|
| | <u>2020</u> | <u>2021</u> |
| Other deductions, net | | |
| Amortization of intangibles | \$178 | \$223 |
| Restructuring costs | 216 | 111 |
| Special advisory fees | 13 | — |
| Other | (6) | (91) |
| Total | <u>\$401</u> | <u>\$243</u> |

Table 3

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

| | <u>Quarter Ended June 30</u> | |
|--|------------------------------|-----------------|
| | <u>2020</u> | <u>2021</u> |
| Assets | | |
| Cash and equivalents | \$3,315 | \$2,860 |
| Receivables, net | 2,802 | 2,754 |
| Inventories | 1,928 | 2,114 |
| Other current assets | 761 | 1,038 |
| Total current assets | 8,806 | 8,766 |
| Property, plant & equipment, net | 3,688 | 3,664 |
| Goodwill | 6,734 | 7,777 |
| Other intangible assets | 2,468 | 2,993 |
| Other | 1,186 | 1,284 |
| Total assets | \$22,882 | \$24,484 |
| Liabilities and equity | | |
| Short-term borrowings and current maturities of long-term debt | \$1,160 | \$1,478 |
| Accounts payable | 1,715 | 1,966 |
| Accrued expenses | 2,910 | 3,226 |
| Total current liabilities | 5,785 | 6,670 |
| Long-term debt | 6,326 | 5,835 |
| Other liabilities | 2,324 | 2,640 |
| Total equity | 8,447 | 9,339 |
| Total liabilities and equity | \$22,882 | \$24,484 |

Table 4

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

| | <u>Nine Months Ended June 30</u> | |
|---|----------------------------------|-----------------------|
| | <u>2020</u> | <u>2021</u> |
| Operating activities | | |
| Net earnings | \$1,260 | \$1,653 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 631 | 720 |
| Stock compensation | 69 | 191 |
| Pension expense | 50 | 23 |
| Changes in operating working capital | (86) | 246 |
| Other, net | (70) | (113) |
| Cash provided by operating activities | <u>1,854</u> | <u>2,720</u> |
| Investing activities | | |
| Capital expenditures | (329) | (350) |
| Purchases of businesses, net of cash and equivalents acquired | (114) | (1,611) |
| Other, net | (65) | 53 |
| Cash used in investing activities | <u>(508)</u> | <u>(1,908)</u> |
| Financing activities | | |
| Net increase in short-term borrowings | 269 | 31 |
| Proceeds from short-term borrowings greater than three months | 546 | 71 |
| Payments of short-term borrowings greater than three months | (340) | — |
| Proceeds from long-term debt | 1,488 | — |
| Payments of long-term debt | (502) | (305) |
| Dividends paid | (910) | (909) |
| Purchases of common stock | (942) | (268) |
| Other, net | 28 | 89 |
| Cash used in financing activities | <u>(363)</u> | <u>(1,291)</u> |
| Effect of exchange rate changes on cash and equivalents | <u>(27)</u> | <u>24</u> |
| Increase (Decrease) in cash and equivalents | <u>956</u> | <u>(455)</u> |
| Beginning cash and equivalents | <u>1,494</u> | <u>3,315</u> |
| Ending cash and equivalents | <u><u>\$2,450</u></u> | <u><u>\$2,860</u></u> |

Table 5

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

| | Quarter Ended June 30 | |
|---|-----------------------|----------------|
| | 2020 | 2021 |
| Sales | | |
| Measurement & Analytical Instrumentation | \$709 | \$781 |
| Valves, Actuators & Regulators | 842 | 880 |
| Industrial Solutions | 469 | 593 |
| Systems & Software | 569 | 693 |
| Automation Solutions | <u>2,589</u> | <u>2,947</u> |
| Climate Technologies | 970 | 1,268 |
| Tools & Home Products | 357 | 489 |
| Commercial & Residential Solutions | <u>1,327</u> | <u>1,757</u> |
| Eliminations | (2) | (7) |
| Net sales | <u>\$3,914</u> | <u>\$4,697</u> |
| Earnings | | |
| Automation Solutions | \$311 | \$521 |
| Climate Technologies | 195 | 274 |
| Tools & Home Products | 58 | 101 |
| Commercial & Residential Solutions | <u>253</u> | <u>375</u> |
| Stock compensation | (51) | (66) |
| Unallocated pension and postretirement costs | 12 | 24 |
| Corporate and other | (22) | (33) |
| Interest expense, net | (45) | (37) |
| Earnings before income taxes | <u>\$458</u> | <u>\$784</u> |

Table 5 (cont.)

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

| | Quarter Ended June 30 | |
|--|-----------------------|-------|
| | 2020 | 2021 |
| Restructuring costs | | |
| Automation Solutions | \$76 | \$18 |
| Climate Technologies | 5 | 4 |
| Tools & Home Products | 4 | 2 |
| Commercial & Residential Solutions | 9 | 6 |
| Corporate | 3 | 4 |
| Total | \$88 | \$28 |
| The table above does not include \$6 and \$4 of costs related to restructuring actions that were reported in cost of sales and selling, general and administrative expenses for the three months ended June 30, 2020 and 2021, respectively. | | |
| Depreciation and Amortization | | |
| Automation Solutions | \$137 | \$152 |
| Climate Technologies | 44 | 48 |
| Tools & Home Products | 20 | 20 |
| Commercial & Residential Solutions | 64 | 68 |
| Corporate and other | 8 | 17 |
| Total | \$209 | \$237 |

Table 6

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

| | Nine Months Ended June 30 | |
|---|---------------------------|-----------------|
| | <u>2020</u> | <u>2021</u> |
| Sales | | |
| Measurement & Analytical Instrumentation | \$2,280 | \$2,211 |
| Valves, Actuators & Regulators | 2,609 | 2,522 |
| Industrial Solutions | 1,470 | 1,656 |
| Systems & Software | 1,791 | 2,043 |
| Automation Solutions | <u>8,150</u> | <u>8,432</u> |
| Climate Technologies | 2,869 | 3,459 |
| Tools & Home Products | 1,219 | 1,419 |
| Commercial & Residential Solutions | <u>4,088</u> | <u>4,878</u> |
| Eliminations | (11) | (21) |
| Net sales | <u>\$12,227</u> | <u>\$13,289</u> |
| Earnings | | |
| Automation Solutions | \$1,012 | \$1,353 |
| Climate Technologies | 563 | 731 |
| Tools & Home Products | 233 | 311 |
| Commercial & Residential Solutions | <u>796</u> | <u>1,042</u> |
| Stock compensation | (69) | (191) |
| Unallocated pension and postretirement costs | 37 | 71 |
| Corporate and other | (90) | (76) |
| Interest expense, net | (116) | (115) |
| Earnings before income taxes | <u>\$1,570</u> | <u>\$2,084</u> |

Table 6 (cont.)

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

| | <u>Nine Months Ended June 30</u> | |
|--|----------------------------------|--------------|
| | <u>2020</u> | <u>2021</u> |
| Restructuring costs | | |
| Automation Solutions | \$182 | \$94 |
| Climate Technologies | 14 | 8 |
| Tools & Home Products | 12 | 4 |
| Commercial & Residential Solutions | <u>26</u> | <u>12</u> |
| Corporate | 8 | 5 |
| Total | <u>\$216</u> | <u>\$111</u> |
| The table above does not include \$15 and \$11 of costs related to restructuring actions that were reported in cost of sales and selling, general and administrative expenses for the six months ended June 30, 2020 and 2021, respectively. | | |
| Depreciation and Amortization | \$414 | \$464 |
| Automation Solutions | | |
| Climate Technologies | 133 | 144 |
| Tools & Home Products | 58 | 59 |
| Commercial & Residential Solutions | <u>191</u> | <u>203</u> |
| Corporate and other | 26 | 53 |
| Total | <u>\$631</u> | <u>\$720</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 2021 Underlying Sales Change

| | Auto Solns | Comm & Res Solns | Emerson |
|------------------------------|-------------------|-----------------------------|----------------|
| Reported (GAAP) | 14 % | 32 % | 20 % |
| (Favorable) / Unfavorable FX | (4)% | (3)% | (4)% |
| Acquisitions / Divestitures | (2)% | — % | (1)% |
| Underlying* | 8 % | 29 % | 15 % |

FY 2021E Underlying Sales Change

| | Auto Solns | Comm & Res Solns | Emerson |
|------------------------------|-------------------|-----------------------------|----------------|
| Reported (GAAP) | 5% - 6% | 17% - 18% | 9% - 10% |
| (Favorable) / Unfavorable FX | (3)% | (2)% | (3)% |
| Acquisitions / Divestitures | (2)% | - % | (1)% |
| Underlying* | flat - 1% | 15% - 16% | 5% - 6% |

Q3 Earnings Per Share

| | Q3 FY20 | Q3 FY21 | Change |
|-------------------------------|----------------|----------------|---------------|
| Earnings per share (GAAP) | \$ 0.67 | \$ 1.04 | 55 % |
| Restructuring | 0.13 | 0.04 | (20)% |
| OSI purchase accounting items | — | 0.01 | 1 % |
| Adjusted earnings per share* | \$ 0.80 | \$ 1.09 | 36 % |

Earnings Per Share

| | FY2021E |
|--------------------------------------|-----------------|
| Earnings per share (GAAP) | \$3.78 - \$3.80 |
| Restructuring | 0.24 |
| OSI purchase accounting items & fees | 0.07 |
| Equity investment gain | (0.03) |
| Adjusted earnings per share* | \$4.06 - \$4.08 |

EBIT and EBITDA Margin

| | Q3 FY20 | Q3 FY21 | Change | FY21E |
|---|----------------|----------------|---------------|--------------|
| Pretax margin (GAAP) | 11.7 % | 16.7 % | 500 bps | 16 % |
| Interest expense, net | 1.2 % | 0.8 % | (40) bps | 1 % |
| Earnings before interest and taxes margin* | 12.9 % | 17.5 % | 460 bps | 17 % |
| Restructuring | 2.4 % | 0.7 % | (170) bps | 1 % |
| OSI purchase accounting items | - % | 0.2 % | 20 bps | - % |
| Equity investment gain | - % | - % | - bps | - % |
| Adjusted earnings before interest and taxes margin* | 15.3 % | 18.4 % | 310 bps | 18 % |
| Depreciation and amortization expense | | | | 5 % |
| Adjusted earnings before interest, taxes, depreciation and amortization margin* | | | | 23 % |

Automation Solutions Segment EBIT Margin

| | Q3 FY20 | Q3 FY21 | Change |
|--|----------------|----------------|---------------|
| Automation Solutions Segment EBIT margin (GAAP) | 12.0 % | 17.7 % | 570 bps |
| Restructuring and related charges impact | 3.1 % | 0.6 % | (250) bps |
| Automation Solutions Adjusted Segment EBIT margin* | 15.1 % | 18.3 % | 320 bps |

Commercial & Residential EBIT Margin

| |
|--|
| Commercial & Residential EBIT margin (GAAP) |
| Restructuring and related charges impact |
| Commercial & Residential Adjusted EBIT margin* |

| - more - | | |
|----------|---------|----------|
| Q3 FY20 | Q3 FY21 | Change |
| 19.1 % | 21.3 % | 220 bps |
| 0.9 % | 0.4 % | (50) bps |
| 20.0 % | 21.7 % | 170 bps |

Q3 Cash Flow

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

| Q3 FY20 | Q3 FY21 | Change |
|---------|----------|--------|
| \$ 842 | \$ 1,105 | 31 % |
| (104) | (128) | 1 % |
| \$ 738 | \$ 977 | 32 % |

YTD Cash Flow

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

| Q3 YTD FY20 | Q3 YTD FY21 | % Change |
|----------------|----------------|----------|
| \$ 1,854 | \$ 2,720 | 47 % |
| (329) | (350) | 8 % |
| \$ 1,525 | \$ 2,370 | 55 % |

FY 2021E Cash Flow

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

| FY 2021E |
|----------|
| \$3.6B |
| (600) |
| \$3.0B |

Cash Flow to Net Earnings Conversion

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

| Q3 FY21 |
|---------|
| 174 % |
| (20)% |
| 154 % |

Note 1: Underlying sales and orders exclude the impact of acquisitions, divestitures and currency translation.

Note 2: All fiscal year 2021E figures are approximate, except where range is given.

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