

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-278

**EMERSON ELECTRIC CO.**

(Exact name of registrant as specified in its charter)

**Missouri**

(State or other jurisdiction of  
incorporation or organization)

**43-0259330**

(I.R.S. Employer  
Identification No.)

**8000 W. Florissant Ave.  
P.O. Box 4100  
St. Louis, Missouri**

(Address of principal executive offices)



**63136**

(Zip Code)

Registrant's telephone number, including area code: **(314) 553-2000**

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

| Title of each class                        | Trading<br>Symbol(s) | Name of each exchange on which registered |
|--|----------------------|---|
| Common Stock of \$0.50 par value per share | EMR                  | New York Stock Exchange<br>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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock of \$0.50 par value per share outstanding at June 30, 2021: 597.8 million shares.

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

**Consolidated Statements of Earnings**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Three and nine months ended June 30, 2020 and 2021  
(Dollars in millions, except per share amounts; unaudited)

|   | Three Months Ended<br>June 30, |       | Nine Months Ended<br>June 30, |        |
|---|--------------------------------|-------|-------------------------------|--------|
|   | 2020                           | 2021  | 2020                          | 2021   |
| <b>Net sales</b>  | \$ 3,914                       | 4,697 | 12,227                        | 13,289 |
| Costs and expenses:   |                                |       |                               |        |
| Cost of sales   | 2,296                          | 2,715 | 7,100                         | 7,722  |
| Selling, general and administrative expenses                                      | 934                            | 1,073 | 3,040                         | 3,125  |
| Other deductions, net   | 181                            | 88    | 401                           | 243    |
| Interest expense (net of interest income of \$4, \$3, \$16 and \$9, respectively) | 45                             | 37    | 116                           | 115    |
| <b>Earnings before income taxes</b>   | 458                            | 784   | 1,570                         | 2,084  |
| Income taxes  | 51                             | 151   | 310                           | 431    |
| <b>Net earnings</b>   | 407                            | 633   | 1,260                         | 1,653  |
| Less: Noncontrolling interests in earnings of subsidiaries                        | 8                              | 6     | 18                            | 20     |
| <b>Net earnings common stockholders</b>   | \$ 399                         | 627   | 1,242                         | 1,633  |
| <b>Basic earnings per share common stockholders</b>                               | \$ 0.67                        | 1.05  | 2.05                          | 2.73   |
| <b>Diluted earnings per share common stockholders</b>                             | \$ 0.67                        | 1.04  | 2.04                          | 2.71   |

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Comprehensive Income**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Three and nine months ended June 30, 2020 and 2021  
(Dollars in millions; unaudited)

|  | <b>Three Months Ended June 30,</b> |             | <b>Nine Months Ended June 30,</b> |              |
|--|------------------------------------|-------------|-----------------------------------|--------------|
|  | <b>2020</b>                        | <b>2021</b> | <b>2020</b>                       | <b>2021</b>  |
| <b>Net earnings</b>  | \$ 407                             | 633         | 1,260                             | 1,653        |
| Other comprehensive income (loss), net of tax:                         |                                    |             |                                   |              |
| Foreign currency translation   | 134                                | (5)         | (48)                              | 163          |
| Pension and postretirement   | 29                                 | 27          | 87                                | 81           |
| Cash flow hedges   | 40                                 | (6)         | (16)                              | 26           |
| Total other comprehensive income (loss)                                | 203                                | 16          | 23                                | 270          |
| <b>Comprehensive income</b>  | 610                                | 649         | 1,283                             | 1,923        |
| Less: Noncontrolling interests in comprehensive income of subsidiaries | 7                                  | 7           | 18                                | 20           |
| <b>Comprehensive income common stockholders</b>                        | <u>\$ 603</u>                      | <u>642</u>  | <u>1,265</u>                      | <u>1,903</u> |

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Balance Sheets**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

(Dollars and shares in millions, except per share amounts; unaudited)

|  | <b>Sept 30, 2020</b> | <b>June 30, 2021</b> |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and equivalents   | \$ 3,315             | 2,860                |
| Receivables, less allowances of \$138 and \$124, respectively  | 2,802                | 2,754                |
| Inventories  | 1,928                | 2,114                |
| Other current assets   | 761                  | 1,038                |
| Total current assets   | 8,806                | 8,766                |
| <b>Property, plant and equipment, net</b>  | 3,688                | 3,664                |
| <b>Other assets</b>  |                      |                      |
| Goodwill   | 6,734                | 7,777                |
| Other intangible assets  | 2,468                | 2,993                |
| Other  | 1,186                | 1,284                |
| Total other assets   | 10,388               | 12,054               |
| <b>Total assets</b>  | <b>\$ 22,882</b>     | <b>24,484</b>        |
| <b>LIABILITIES AND EQUITY</b>  |                      |                      |
| <b>Current liabilities</b>   |                      |                      |
| 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                |
| <b>Long-term debt</b>  | 6,326                | 5,835                |
| <b>Other liabilities</b>   | 2,324                | 2,640                |
| <b>Equity</b>  |                      |                      |
| Common stock, \$0.50 par value; authorized, 1,200.0 shares; issued, 953.4 shares; outstanding, 598.0 shares and 597.8 shares, respectively | 477                  | 477                  |
| Additional paid-in-capital   | 470                  | 518                  |
| Retained earnings  | 24,955               | 25,678               |
| Accumulated other comprehensive income (loss)  | (1,577)              | (1,307)              |
| Cost of common stock in treasury, 355.4 shares and 355.6 shares, respectively  | (15,920)             | (16,075)             |
| <b>Common stockholders' equity</b>   | 8,405                | 9,291                |
| Noncontrolling interests in subsidiaries   | 42                   | 48                   |
| <b>Total equity</b>  | 8,447                | 9,339                |
| <b>Total liabilities and equity</b>  | <b>\$ 22,882</b>     | <b>24,484</b>        |

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Equity**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Three and nine months ended June 30, 2020 and 2021  
(Dollars in millions; unaudited)

|   | Three Months Ended June 30, |          | Nine Months Ended June 30, |          |
|---|-----------------------------|----------|----------------------------|----------|
|   | 2020                        | 2021     | 2020                       | 2021     |
| <b>Common stock</b>   | \$ 477                      | 477      | 477                        | 477      |
| <b>Additional paid-in-capital</b>   |                             |          |                            |          |
| Beginning balance   | 453                         | 511      | 393                        | 470      |
| Stock plans   | 6                           | 7        | 66                         | 48       |
| Ending balance  | 459                         | 518      | 459                        | 518      |
| <b>Retained earnings</b>  |                             |          |                            |          |
| Beginning balance   | 24,431                      | 25,354   | 24,199                     | 24,955   |
| Net earnings common stockholders  | 399                         | 627      | 1,242                      | 1,633    |
| Dividends paid (per share: \$0.50, \$0.505, \$1.50 and \$1.515, respectively) | (299)                       | (303)    | (910)                      | (909)    |
| Adoption of accounting standard   | —                           | —        | —                          | (1)      |
| Ending balance  | 24,531                      | 25,678   | 24,531                     | 25,678   |
| <b>Accumulated other comprehensive income (loss)</b>                          |                             |          |                            |          |
| Beginning balance   | (1,903)                     | (1,322)  | (1,722)                    | (1,577)  |
| Foreign currency translation  | 135                         | (6)      | (48)                       | 163      |
| Pension and postretirement  | 29                          | 27       | 87                         | 81       |
| Cash flow hedges  | 40                          | (6)      | (16)                       | 26       |
| Ending balance  | (1,699)                     | (1,307)  | (1,699)                    | (1,307)  |
| <b>Treasury stock</b>   |                             |          |                            |          |
| Beginning balance   | (15,941)                    | (15,890) | (15,114)                   | (15,920) |
| Purchases   | —                           | (193)    | (942)                      | (275)    |
| Issued under stock plans  | 4                           | 8        | 119                        | 120      |
| Ending balance  | (15,937)                    | (16,075) | (15,937)                   | (16,075) |
| <b>Common stockholders' equity</b>  | 7,831                       | 9,291    | 7,831                      | 9,291    |
| <b>Noncontrolling interests in subsidiaries</b>                               |                             |          |                            |          |
| Beginning balance   | 46                          | 50       | 40                         | 42       |
| Net earnings  | 8                           | 6        | 18                         | 20       |
| Other comprehensive income  | (1)                         | 1        | —                          | —        |
| Dividends paid  | (6)                         | (9)      | (11)                       | (14)     |
| Ending balance  | 47                          | 48       | 47                         | 48       |
| <b>Total equity</b>   | \$ 7,878                    | 9,339    | 7,878                      | 9,339    |

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Nine Months Ended June 30, 2020 and 2021  
(Dollars in millions; unaudited)

|   | <b>Nine Months Ended<br/>June 30,</b> |              |
|---|---------------------------------------|--------------|
|   | <b>2020</b>                           | <b>2021</b>  |
| <b>Operating activities</b>   |                                       |              |
| 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   | 1,854                                 | 2,720        |
| <b>Investing activities</b>   |                                       |              |
| 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   | (508)                                 | (1,908)      |
| <b>Financing activities</b>   |                                       |              |
| 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   | (363)                                 | (1,291)      |
| Effect of exchange rate changes on cash and equivalents                             | (27)                                  | 24           |
| <b>Increase (Decrease) in cash and equivalents</b>                                  | 956                                   | (455)        |
| Beginning cash and equivalents  | 1,494                                 | 3,315        |
| <b>Ending cash and equivalents</b>  | <u>\$ 2,450</u>                       | <u>2,860</u> |
| <b>Changes in operating working capital</b>   |                                       |              |
| Receivables   | \$ 456                                | 76           |
| Inventories   | (218)                                 | (160)        |
| Other current assets  | 40                                    | (69)         |
| Accounts payable  | (439)                                 | 216          |
| Accrued expenses  | 75                                    | 183          |
| Total changes in operating working capital  | <u>\$ (86)</u>                        | <u>246</u>   |

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### EMERSON ELECTRIC CO. & SUBSIDIARIES

(Dollars and shares in millions, except per share amounts or where noted)

#### (1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary for a fair presentation of operating results for the interim periods presented. Adjustments consist of normal and recurring accruals. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required for annual financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP). For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2020. Certain prior year amounts have been reclassified to conform to current year presentation - see Note 12.

Effective October 1, 2020, the Company adopted two accounting standard updates and one new accounting standard which had an immaterial impact on the Company's financial statements as of and for the nine months ended June 30, 2021. These included:

- Updates to ASC 350, *Intangibles - Goodwill and Other*, which eliminate the requirement to measure impairment based on the implied fair value of goodwill compared to the carrying amount of a reporting unit's goodwill. Instead, goodwill impairment will be measured as the excess of a reporting unit's carrying amount over its estimated fair value.
- Updates to ASC 350, *Intangibles - Goodwill and Other*, which align the requirements for capitalizing implementation costs incurred in a software hosting arrangement with the requirements for costs incurred to develop or obtain internal-use software.
- Adoption of ASC 326, *Financial Instruments - Credit Losses*, which amends the impairment model by requiring entities to use a forward-looking approach to estimate lifetime expected credit losses on certain types of financial instruments, including trade receivables.

#### (2) REVENUE RECOGNITION

Emerson is a global manufacturer that combines technology and engineering to provide innovative solutions to its customers, largely in the form of tangible products. The vast majority of the Company's revenues relate to a broad offering of manufactured products which are recognized at the point in time when control transfers, while a smaller portion is recognized over time or relates to sales arrangements with multiple performance obligations. See Note 12 for additional information about the Company's revenues.

The following table summarizes the balances of the Company's unbilled receivables (contract assets), which are reported in Other current assets, and its customer advances (contract liabilities), which are reported in Accrued expenses.

|  | Sept 30, 2020   | June 30, 2021 |
|--|-----------------|---------------|
| Unbilled receivables (contract assets)   | \$ 458          | 500           |
| Customer advances (contract liabilities) | (583)           | (774)         |
| Net contract liabilities                 | <u>\$ (125)</u> | <u>(274)</u>  |

The majority of the Company's contract balances relate to arrangements where revenue is recognized over time and payments from customers are made according to a contractual billing schedule. The increase in net contract liabilities was due to customer billings which exceeded revenue recognized for performance completed during the period. Revenue recognized for the three and nine months ended June 30, 2021 included \$53 and \$415 that was included in the beginning contract liability balance. Other factors that impacted the change in net contract liabilities were immaterial. Revenue recognized for the three and nine months ended June 30, 2021 for performance obligations that



were satisfied in previous periods, including cumulative catchup adjustments on the Company's long-term contracts, was not material.

As of June 30, 2021, the Company's backlog relating to unsatisfied (or partially unsatisfied) performance obligations in contracts with its customers was approximately \$6.6 billion. The Company expects to recognize approximately 80 percent of its remaining performance obligations as revenue over the next 12 months, with the remainder substantially over the subsequent two years thereafter.

### (3) WEIGHTED-AVERAGE COMMON SHARES

Reconciliations of weighted-average shares for basic and diluted earnings per common share follow. Earnings allocated to participating securities were inconsequential.

|                            | Three Months Ended<br>June 30, |       | Nine Months Ended<br>June 30, |       |
|----------------------------|--------------------------------|-------|-------------------------------|-------|
|                            | 2020                           | 2021  | 2020                          | 2021  |
| Basic shares outstanding   | 596.9                          | 598.2 | 604.8                         | 598.7 |
| Dilutive shares            | 3.1                            | 3.9   | 3.6                           | 3.6   |
| Diluted shares outstanding | 600.0                          | 602.1 | 608.4                         | 602.3 |

### (4) ACQUISITIONS AND DIVESTITURES

On October 1, 2020, the Company completed the acquisition of Open Systems International, Inc. (OSI), a leading operations technology software provider in the global power industry, for approximately \$1.6 billion, net of cash acquired. This business, which has annual sales of approximately \$170 and is reported in the Automation Solutions segment, expands the Company's offerings in the power industry to include the digitization and modernization of the electric grid. The Company recognized goodwill of \$960 (none of which is expected to be tax deductible), identifiable intangible assets of \$783, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 11 years, and deferred tax liabilities of approximately \$185. Results of operations for the three months ended June 30, 2021 included first-year pretax acquisition accounting charges related to backlog amortization and deferred revenue of \$7 and \$3, respectively, while year-to-date results included \$24 and \$11, respectively.

On November 17, 2020, the Company acquired the remaining interest of an equity investment for approximately \$19, net of cash acquired.

The Company acquired three businesses in fiscal 2020, two in the Automation Solutions segment and one in the Climate Technologies segment, for \$126, net of cash acquired.

As previously disclosed, the Company sold its network power systems business (rebranded as Vertiv, now a publicly traded company, symbol VRT) in 2017 and retained a subordinated interest contingent upon the equity holders first receiving a threshold return on their initial investment. As of August 4, 2021, the equity holders have received a return on their investment substantially up to the threshold. Based on the terms of the agreement and the current calculation, the Company could receive approximately \$600 on a pretax basis through periodic distributions over the next two years. However, the distributions are contingent on the timing and price at which Vertiv shares are sold by the equity holders and therefore, there can be no assurance as to the amount or timing of the distributions to the Company. As of June 30, 2021, no amounts have been recognized in the financial statements related to this gain contingency.

## (5) PENSION & POSTRETIREMENT PLANS

Total periodic pension and postretirement (income) expense is summarized below:

|                                | Three Months Ended June 30, |      | Nine Months Ended June 30, |       |
|--------------------------------|-----------------------------|------|----------------------------|-------|
|                                | 2020                        | 2021 | 2020                       | 2021  |
| Service cost                   | \$ 21                       | 21   | 65                         | 63    |
| Interest cost                  | 40                          | 32   | 120                        | 96    |
| Expected return on plan assets | (84)                        | (84) | (252)                      | (252) |
| Net amortization               | 38                          | 35   | 113                        | 105   |
| Total                          | \$ 15                       | 4    | 46                         | 12    |

## (6) OTHER DEDUCTIONS, NET

Other deductions, net are summarized below:

|  | Three Months Ended June 30, |      | Nine Months Ended June 30, |      |
|--|-----------------------------|------|----------------------------|------|
|  | 2020                        | 2021 | 2020                       | 2021 |
| Amortization of intangibles (intellectual property and customer relationships) | \$ 60                       | 71   | 178                        | 223  |
| Restructuring costs  | 88                          | 28   | 216                        | 111  |
| Special advisory fees  | —                           | —    | 13                         | —    |
| Other  | 33                          | (11) | (6)                        | (91) |
| Total  | \$ 181                      | 88   | 401                        | 243  |

The increase in intangibles amortization for the three and nine months ended June 30, 2021 was due to the OSI acquisition, including backlog amortization of \$7 and \$24, respectively. The change in Other for the third quarter of fiscal 2021 included a favorable impact from foreign currency transactions of \$25 due to losses in the prior year and a favorable impact from pensions. For the nine months ended June 30, 2021, the change in Other reflects a favorable impact from pensions and investment-related gains, including gains in the first quarter of fiscal 2021 of \$21 from an investment sale and \$17 from the acquisition of the remaining interest of an equity investment, and a gain in the second quarter of \$31 from the sale of an equity investment.

## (7) RESTRUCTURING COSTS

Restructuring expense reflects costs associated with the Company's ongoing efforts to improve operational efficiency and deploy assets globally in order to remain competitive on a worldwide basis. Costs incurred in the first nine months of fiscal 2021 relate to the Company's initiatives that began in the third quarter of fiscal 2019 to improve operating margins and were increased in response to the effects of the COVID-19 pandemic on demand for the Company's products. Expenses incurred in the first nine months of fiscal 2021 included costs related to workforce reductions of approximately 1,900 employees. The Company expects fiscal 2021 restructuring expense and related costs to be approximately \$200, including costs to complete actions initiated in the first nine months of the year.

Restructuring expense by business segment follows:

|   | Three Months Ended<br>June 30, |           | Nine Months Ended<br>June 30, |            |
|---|--------------------------------|-----------|-------------------------------|------------|
|   | 2020                           | 2021      | 2020                          | 2021       |
| <b>Automation Solutions</b>                   | \$ 76                          | 18        | 182                           | 94         |
| Climate Technologies                          | 5                              | 4         | 14                            | 8          |
| Tools & Home Products                         | 4                              | 2         | 12                            | 4          |
| <b>Commercial &amp; Residential Solutions</b> | 9                              | 6         | 26                            | 12         |
| Corporate                                     | 3                              | 4         | 8                             | 5          |
| Total   | <u>\$ 88</u>                   | <u>28</u> | <u>216</u>                    | <u>111</u> |

Details of the change in the liability for restructuring costs during the nine months ended June 30, 2021 follow:

|                        | Sept 30, 2020 | Expense    | Utilized/Paid | June 30, 2021 |
|------------------------|---------------|------------|---------------|---------------|
| Severance and benefits | \$ 176        | 87         | 95            | 168           |
| Other                  | 5             | 24         | 22            | 7             |
| Total                  | <u>\$ 181</u> | <u>111</u> | <u>117</u>    | <u>175</u>    |

The tables above do not include \$6 and \$4 of costs related to restructuring actions incurred for the three months ended June 30, 2020 and 2021, respectively, that are required to be reported in cost of sales and selling, general and administrative expenses; year-to-date amounts are \$15 and \$11, respectively.

## (8) TAXES

Income taxes were \$151 in the third quarter of fiscal 2021 and \$51 in 2020, resulting in effective tax rates of 19 percent and 11 percent, respectively. The current year rate included \$24 of favorable net discrete tax items which decreased the rate 3 percentage points. The prior year rate included \$57 of discrete benefits, which decreased the rate 12 percentage points, related to updates to estimates for the prior year U.S. income tax return and the impact of a research and development tax credit study.

Income taxes were \$431 for the first nine months of 2021 and \$310 for 2020, resulting in effective tax rates of 21 percent and 20 percent, respectively. The current year and prior year rates included favorable net discrete items which reduced the rates 1 percentage point and 3 percentage points, respectively.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic, and among other things, provides tax relief to businesses. Tax provisions of the CARES Act include the deferral of certain payroll taxes, relief for retaining employees, and other provisions. The Company deferred \$73 of certain payroll taxes through the end of calendar year 2020, half of which is due in December 2021 with the remainder due in December 2022.

## (9) OTHER FINANCIAL INFORMATION

|   | Sept 30, 2020   | June 30, 2021 |
|---|-----------------|---------------|
| <u>Inventories</u>                        |                 |               |
| Finished products                         | \$ 584          | 666           |
| Raw materials and work in process         | 1,344           | 1,448         |
| Total                                     | <u>\$ 1,928</u> | <u>2,114</u>  |
| <u>Property, plant and equipment, net</u> |                 |               |
| Property, plant and equipment, at cost    | \$ 9,055        | 9,318         |
| Less: Accumulated depreciation            | 5,367           | 5,654         |
| Total                                     | <u>\$ 3,688</u> | <u>3,664</u>  |

|   | Sept 30, 2020 | June 30, 2021 |
|---|---------------|---------------|
| <u>Goodwill by business segment</u>           |               |               |
| <b>Automation Solutions</b>                   | \$ 5,583      | 6,594         |
| Climate Technologies                          | 730           | 757           |
| Tools & Home Products                         | 421           | 426           |
| <b>Commercial &amp; Residential Solutions</b> | 1,151         | 1,183         |
| Total   | \$ 6,734      | 7,777         |
| <u>Other intangible assets</u>                |               |               |
| Gross carrying amount                         | \$ 5,106      | 5,971         |
| Less: Accumulated amortization                | 2,638         | 2,978         |
| Net carrying amount                           | \$ 2,468      | 2,993         |

Other intangible assets include customer relationships, net, of \$1,328 and \$1,554 as of September 30, 2020 and June 30, 2021, respectively. The increases in goodwill and other intangible assets reflect the acquisition of OSI. See Note 4.

Other assets include the following:

|  |        |     |
|--|--------|-----|
| Operating lease right-of-use assets    | \$ 508 | 503 |
| Pension assets                         | 265    | 415 |
| Deferred income taxes                  | 99     | 110 |
| Asbestos-related insurance receivables | 100    | 96  |

Accrued expenses include the following:

|  |        |     |
|--|--------|-----|
| Customer advances (contract liabilities) | \$ 583 | 774 |
| Employee compensation                    | 577    | 629 |
| Product warranty                         | 148    | 155 |
| Operating lease liabilities (current)    | 148    | 151 |

Other liabilities include the following:

|  |        |     |
|--|--------|-----|
| Pension and postretirement liabilities   | \$ 769 | 781 |
| Deferred income taxes                    | 261    | 555 |
| Operating lease liabilities (noncurrent) | 373    | 366 |
| Asbestos litigation                      | 295    | 267 |

The increase in deferred income taxes is largely due to the OSI acquisition.

## (10) FINANCIAL INSTRUMENTS

Following is a discussion regarding the Company's use of financial instruments:

**Hedging Activities** – As of June 30, 2021, the notional amount of foreign currency hedge positions was approximately \$1.9 billion, and commodity hedge contracts totaled approximately \$139 (primarily 42 million pounds of copper and aluminum). All derivatives receiving hedge accounting are cash flow hedges. The majority of hedging gains and losses deferred as of June 30, 2021 are expected to be recognized over the next 12 months as the underlying forecasted transactions occur. Gains and losses on foreign currency derivatives reported in Other deductions, net reflect hedges of balance sheet exposures that do not receive hedge accounting.

**Net Investment Hedge** – In fiscal 2019, the Company issued euro-denominated debt of €1.5 billion. The euro notes reduce foreign currency risk associated with the Company's international subsidiaries that use the euro as their functional currency and have been designated as a hedge of a portion of the investment in these operations. Foreign currency gains or losses associated with the euro-denominated debt are deferred in accumulated other comprehensive income (loss) and will remain until the hedged investment is sold or substantially liquidated.

The following gains and losses are included in earnings and other comprehensive income (OCI) for the three and nine months ended June 30, 2021 and 2020:

| <b>Gains (Losses)</b>        | <b>Location</b>       | <b>Into Earnings</b> |             |                    |             | <b>Into OCI</b>    |             |                    |             |
|------------------------------|-----------------------|----------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                              |                       | <b>3rd Quarter</b>   |             | <b>Nine Months</b> |             | <b>3rd Quarter</b> |             | <b>Nine Months</b> |             |
|                              |                       | <b>2020</b>          | <b>2021</b> | <b>2020</b>        | <b>2021</b> | <b>2020</b>        | <b>2021</b> | <b>2020</b>        | <b>2021</b> |
| Commodity                    | Cost of sales         | \$ (4)               | 13          | (8)                | 24          | 17                 | 8           | 1                  | 34          |
| Foreign currency             | Sales                 | (2)                  | —           | (5)                | 2           | 6                  | —           | 1                  | 3           |
| Foreign currency             | Cost of sales         | (3)                  | 3           | 8                  | 5           | 21                 | 1           | (28)               | 28          |
| Foreign currency             | Other deductions, net | (26)                 | 8           | (5)                | 33          |                    |             |                    |             |
| <b>Net Investment Hedges</b> |                       |                      |             |                    |             |                    |             |                    |             |
| Euro denominated debt        |                       |                      |             |                    |             | (72)               | 6           | (41)               | (21)        |
| Total                        |                       | <u>\$ (35)</u>       | <u>24</u>   | <u>(10)</u>        | <u>64</u>   | <u>(28)</u>        | <u>15</u>   | <u>(67)</u>        | <u>44</u>   |

Regardless of whether derivatives and non-derivative financial instruments receive hedge accounting, the Company expects hedging gains or losses to be offset by losses or gains on the related underlying exposures. The amounts ultimately recognized will differ from those presented above for open positions, which remain subject to ongoing market price fluctuations until settlement. Derivatives receiving hedge accounting are highly effective and no amounts were excluded from the assessment of hedge effectiveness.

**Fair Value Measurement** – Valuations for all derivatives and the Company's long-term debt fall within Level 2 of the GAAP valuation hierarchy. As of June 30, 2021, the fair value of long-term debt was \$6.9 billion, which exceeded the carrying value by \$526. The fair values of commodity and foreign currency contracts were reported in Other current assets and Accrued expenses and did not materially change since September 30, 2020.

Counterparties to derivatives arrangements are companies with investment-grade credit ratings. The Company has bilateral collateral arrangements with counterparties with credit rating-based posting thresholds that vary depending on the arrangement. If credit ratings on the Company's debt fall below pre-established levels, counterparties can require immediate full collateralization of all derivatives in net liability positions. The maximum amount that could potentially have been required was immaterial. The Company also can demand full collateralization of derivatives in net asset positions should any counterparty credit ratings fall below certain thresholds. No collateral was posted with counterparties and none was held by the Company as of June 30, 2021.

## (11) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Activity in Accumulated other comprehensive income (loss) for the three and nine months ended June 30, 2021 and 2020 is shown below, net of income taxes:

|   | Three Months Ended June 30, |         | Nine Months Ended June 30, |         |
|---|-----------------------------|---------|----------------------------|---------|
|   | 2020                        | 2021    | 2020                       | 2021    |
| <b>Foreign currency translation</b>   |                             |         |                            |         |
| Beginning balance   | \$ (977)                    | (542)   | (794)                      | (711)   |
| Other comprehensive income (loss), net of tax of \$17, \$(1), \$10 and \$5, respectively                                      | 135                         | (6)     | (48)                       | 163     |
| Ending balance  | (842)                       | (548)   | (842)                      | (548)   |
| <b>Pension and postretirement</b>   |                             |         |                            |         |
| Beginning balance   | (870)                       | (810)   | (928)                      | (864)   |
| Amortization of deferred actuarial losses into earnings, net of tax of \$(9), \$(8), \$(26) and \$(24), respectively          | 29                          | 27      | 87                         | 81      |
| Ending balance  | (841)                       | (783)   | (841)                      | (783)   |
| <b>Cash flow hedges</b>   |                             |         |                            |         |
| Beginning balance   | (56)                        | 30      | —                          | (2)     |
| Deferral of gains (losses) arising during the period, net of tax of \$(11), \$(2), \$6 and \$(15), respectively               | 33                          | 7       | (20)                       | 50      |
| Reclassification of realized (gains) losses to sales and cost of sales, net of tax of \$(2), \$3, \$(1) and \$7, respectively | 7                           | (13)    | 4                          | (24)    |
| Ending balance  | (16)                        | 24      | (16)                       | 24      |
| Accumulated other comprehensive income (loss)   | \$ (1,699)                  | (1,307) | (1,699)                    | (1,307) |

## (12) BUSINESS SEGMENTS

Summarized information about the Company's results of operations by business segment follows:

|   | Three Months Ended June 30, |              |            |            | Nine Months Ended June 30, |               |              |              |
|---|-----------------------------|--------------|------------|------------|----------------------------|---------------|--------------|--------------|
|   | Sales                       |              | Earnings   |            | Sales                      |               | Earnings     |              |
|   | 2020                        | 2021         | 2020       | 2021       | 2020                       | 2021          | 2020         | 2021         |
| <b>Automation Solutions</b>                   | \$ 2,589                    | 2,947        | 311        | 521        | 8,150                      | 8,432         | 1,012        | 1,353        |
| Climate Technologies                          | 970                         | 1,268        | 195        | 274        | 2,869                      | 3,459         | 563          | 731          |
| Tools & Home Products                         | 357                         | 489          | 58         | 101        | 1,219                      | 1,419         | 233          | 311          |
| <b>Commercial &amp; Residential Solutions</b> | 1,327                       | 1,757        | 253        | 375        | 4,088                      | 4,878         | 796          | 1,042        |
| Stock compensation                            |                             |              | (51)       | (66)       |                            |               | (69)         | (191)        |
| Unallocated pension and postretirement costs  |                             |              | 12         | 24         |                            |               | 37           | 71           |
| Corporate and other                           |                             |              | (22)       | (33)       |                            |               | (90)         | (76)         |
| Eliminations/Interest                         | (2)                         | (7)          | (45)       | (37)       | (11)                       | (21)          | (116)        | (115)        |
| <b>Total</b>                                  | <b>\$ 3,914</b>             | <b>4,697</b> | <b>458</b> | <b>784</b> | <b>12,227</b>              | <b>13,289</b> | <b>1,570</b> | <b>2,084</b> |

In fiscal 2021, the Company reclassified certain software product sales that were previously reported in Measurement and Analytical Instrumentation to Systems & Software (previously described as Process Control Systems & Solutions). **Automation Solutions** sales by major product offering are summarized below, including the reclassification of prior year amounts to reflect this change.

|  | Three Months Ended June 30, |              | Nine Months Ended June 30, |              |
|--|-----------------------------|--------------|----------------------------|--------------|
|  | 2020                        | 2021         | 2020                       | 2021         |
| Measurement & Analytical Instrumentation | \$ 709                      | 781          | 2,280                      | 2,211        |
| Valves, Actuators & Regulators           | 842                         | 880          | 2,609                      | 2,522        |
| Industrial Solutions                     | 469                         | 593          | 1,470                      | 1,656        |
| Systems & Software                       | 569                         | 693          | 1,791                      | 2,043        |
| <b>Automation Solutions</b>              | <b>\$ 2,589</b>             | <b>2,947</b> | <b>8,150</b>               | <b>8,432</b> |

Depreciation and amortization (includes intellectual property, customer relationships and capitalized software) by business segment are summarized below:

|   | Three Months Ended June 30, |            | Nine Months Ended June 30, |            |
|---|-----------------------------|------------|----------------------------|------------|
|   | 2020                        | 2021       | 2020                       | 2021       |
| <b>Automation Solutions</b>                   | \$ 137                      | 152        | 414                        | 464        |
| Climate Technologies                          | 44                          | 48         | 133                        | 144        |
| Tools & Home Products                         | 20                          | 20         | 58                         | 59         |
| <b>Commercial &amp; Residential Solutions</b> | <b>64</b>                   | <b>68</b>  | <b>191</b>                 | <b>203</b> |
| Corporate and other                           | 8                           | 17         | 26                         | 53         |
| <b>Total</b>                                  | <b>\$ 209</b>               | <b>237</b> | <b>631</b>                 | <b>720</b> |

Sales by geographic destination are summarized below:

|                            | Three Months Ended June 30, |                                    |              |                      |                                    |              |
|----------------------------|-----------------------------|------------------------------------|--------------|----------------------|------------------------------------|--------------|
|                            | 2020                        |                                    |              | 2021                 |                                    |              |
|                            | Automation Solutions        | Commercial & Residential Solutions | Total        | Automation Solutions | Commercial & Residential Solutions | Total        |
| Americas                   | \$ 1,159                    | 915                                | 2,074        | 1,321                | 1,190                              | 2,511        |
| Asia, Middle East & Africa | 893                         | 253                                | 1,146        | 1,011                | 331                                | 1,342        |
| Europe                     | 537                         | 159                                | 696          | 615                  | 236                                | 851          |
| <b>Total</b>               | <b>\$ 2,589</b>             | <b>1,327</b>                       | <b>3,916</b> | <b>2,947</b>         | <b>1,757</b>                       | <b>4,704</b> |

  

|                            | Nine Months Ended June 30, |                                    |               |                      |                                    |               |
|----------------------------|----------------------------|------------------------------------|---------------|----------------------|------------------------------------|---------------|
|                            | 2020                       |                                    |               | 2021                 |                                    |               |
|                            | Automation Solutions       | Commercial & Residential Solutions | Total         | Automation Solutions | Commercial & Residential Solutions | Total         |
| Americas                   | \$ 3,915                   | 2,815                              | 6,730         | 3,711                | 3,290                              | 7,001         |
| Asia, Middle East & Africa | 2,619                      | 765                                | 3,384         | 2,907                | 944                                | 3,851         |
| Europe                     | 1,616                      | 508                                | 2,124         | 1,814                | 644                                | 2,458         |
| <b>Total</b>               | <b>\$ 8,150</b>            | <b>4,088</b>                       | <b>12,238</b> | <b>8,432</b>         | <b>4,878</b>                       | <b>13,310</b> |

Items 2 and 3.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars are in millions, except per share amounts or where noted)

### OVERVIEW

For the third quarter of fiscal 2021, net sales were \$4.7 billion, up 20 percent compared with the prior year, supported by foreign currency translation which added 4 percent and the Open Systems International, Inc. (OSI) acquisition which added 1 percent. Underlying sales, which exclude foreign currency translation, acquisitions and divestitures, were up 15 percent. Automation Solutions underlying sales were up high single digits, as all businesses turned positive and all geographies were up mid-to-high single digits. Commercial & Residential Solutions underlying sales were up sharply, reflecting strong growth across all businesses and geographies including robust demand in North American residential markets and global cold chain markets. Both business platforms also benefited from the impact of COVID-19 on prior year comparisons.

Net earnings common stockholders were \$627, up 57 percent, and diluted earnings per share were \$1.04, up 55 percent compared with \$0.67 in the prior year. Operating results increased \$0.33 per share, reflecting higher sales and strong segment margins due to significant savings from the Company's restructuring and cost reset actions. Third quarter results also benefited from lower restructuring costs (\$0.09 per share) and favorable foreign currency translation (\$0.06), offset by a higher tax rate compared to the prior year (\$0.10 per share) and first year acquisition accounting charges related to the OSI acquisition (\$0.01 per share).

### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30

Following is an analysis of the Company's operating results for the third quarter ended June 30, 2021, compared with the third quarter ended June 30, 2020.

|                                    | 2020     | 2021   | Change |
|------------------------------------|----------|--------|--------|
| Net sales                          | \$ 3,914 | 4,697  | 20 %   |
| Gross profit                       | \$ 1,618 | 1,982  | 23 %   |
| <i>Percent of sales</i>            | 41.3 %   | 42.2 % |        |
| SG&A                               | \$ 934   | 1,073  | 15 %   |
| <i>Percent of sales</i>            | 23.8 %   | 22.9 % |        |
| Other deductions, net              | \$ 181   | 88     |        |
| <i>Amortization of intangibles</i> | \$ 60    | 71     |        |
| <i>Restructuring costs</i>         | \$ 88    | 28     |        |
| Interest expense, net              | \$ 45    | 37     |        |
| Earnings before income taxes       | \$ 458   | 784    | 71 %   |
| <i>Percent of sales</i>            | 11.7 %   | 16.7 % |        |
| Net earnings common stockholders   | \$ 399   | 627    | 57 %   |
| <i>Percent of sales</i>            | 10.2 %   | 13.3 % |        |
| Diluted earnings per share         | \$ 0.67  | 1.04   | 55 %   |

Net sales for the third quarter of fiscal 2021 were \$4.7 billion, up 20 percent compared with 2020. Automation Solutions sales were up 14 percent and Commercial & Residential Solutions sales were up 32 percent. Underlying sales were up 15 percent, as foreign currency translation added 4 percent and the OSI acquisition added 1 percent. Underlying sales were up 18 percent in the U.S. and up 13 percent internationally. The Americas was up 18 percent, Europe was up 13 percent and Asia, Middle East & Africa was up 11 percent (China up 7 percent).

Cost of sales for the third quarter of fiscal 2021 were \$2,715, an increase of \$419 compared with 2020, due to higher sales volume, the impact of foreign currency translation and the OSI acquisition. Gross margin of 42.2 percent



increased 0.9 percentage points compared with the prior year reflecting leverage on higher sales volume, partially offset by unfavorable price-cost in Commercial & Residential Solutions.

Selling, general and administrative (SG&A) expenses of \$1,073 increased \$139 compared with the prior year on increased sales volume and higher stock and other performance-based compensation expense. SG&A as a percent of sales decreased 0.9 percentage points to 22.9 percent reflecting savings from the Company's restructuring and cost reset actions.

Other deductions, net were \$88 in 2021, a decrease of \$93 compared with the prior year, reflecting lower restructuring costs of \$60, a favorable impact from foreign currency transactions of \$25 due to losses in the prior year, and a favorable impact from pensions, partially offset by higher intangibles amortization of \$11, primarily related to the OSI acquisition. See Notes 6 and 7.

Pretax earnings of \$784 increased \$326, up 71 percent compared with the prior year. Earnings increased \$210 in Automation Solutions and \$122 in Commercial & Residential Solutions, while costs reported at Corporate increased \$14. See the Business Segments discussion that follows and Note 12.

Income taxes were \$151 for 2021 and \$51 for 2020, resulting in effective tax rates of 19 percent and 11 percent, respectively. The current year rate included \$24 of favorable net discrete tax items which decreased the rate 3 percentage points, while the prior year rate included \$57 of discrete benefits which decreased the rate 12 percentage points.

Net earnings common stockholders in the third quarter of fiscal 2021 were \$627, up 57 percent, compared with \$399 in the prior year, and earnings per share were \$1.04, up 55 percent, compared with \$0.67 in the prior year. See discussion in the Overview above for further details.

## Business Segments

Following is an analysis of operating results for the Company's business segments for the third quarter ended June 30, 2021, compared with the third quarter ended June 30, 2020. The Company defines segment earnings as earnings before interest and taxes. See Note 12 for a discussion of the Company's business segments.

### AUTOMATION SOLUTIONS

#### Three Months Ended June 30

|          | 2020     | 2021   | Change |
|----------|----------|--------|--------|
| Sales    | \$ 2,589 | 2,947  | 14 %   |
| Earnings | \$ 311   | 521    | 67 %   |
| Margin   | 12.0 %   | 17.7 % |        |

#### Sales by Major Product Offering

|  |          |       |      |
|--|----------|-------|------|
| Measurement & Analytical Instrumentation | \$ 709   | 781   | 10 % |
| Valves, Actuators & Regulators           | 842      | 880   | 5 %  |
| Industrial Solutions                     | 469      | 593   | 26 % |
| Systems & Software                       | 569      | 693   | 22 % |
| Total                                    | \$ 2,589 | 2,947 | 14 % |

Automation Solutions sales were \$2.9 billion in the third quarter, an increase of \$358 or 14 percent. Underlying sales increased 8 percent on 7 percent higher volume and 1 percent higher price, reflecting recovery in global markets from the impacts of COVID-19. Foreign currency translation had a 4 percent favorable impact and the OSI acquisition had a 2 percent favorable impact. Underlying sales turned positive and increased 9 percent in the Americas (U.S. up 9 percent), as process end markets recovered, while Europe increased 6 percent and Asia, Middle East & Africa increased 7 percent (China up 5 percent). Sales for Measurement & Analytical Instrumentation increased \$72, or 10 percent, and Valves, Actuators & Regulators increased \$38, or 5 percent, as market conditions continued to improve for North American process industries. Measurement & Analytical sales were strong in Asia, Middle East & Africa, while demand in Europe for both businesses was soft. Industrial Solutions sales were up \$124, or 26 percent, reflecting strong global demand in discrete end markets. Systems & Software increased \$124, or 22 percent, on strength in process end markets in North America and Europe and solid growth in Asia, Middle East & Africa, while power end markets were strong in North America, and the OSI acquisition added \$51. Earnings were \$521, an increase of \$210, or 67 percent, and margin increased 5.7 percentage points to 17.7 percent, reflecting leverage on

higher volume, lower restructuring expenses which benefited margins 2.5 percentage points, savings from cost reduction actions and favorable price-cost.

## COMMERCIAL & RESIDENTIAL SOLUTIONS

### Three Months Ended June 30

|                       | 2020     | 2021   | Change |
|-----------------------|----------|--------|--------|
| Sales:                |          |        |        |
| Climate Technologies  | \$ 970   | 1,268  | 31 %   |
| Tools & Home Products | 357      | 489    | 37 %   |
| Total                 | \$ 1,327 | 1,757  | 32 %   |
| Earnings:             |          |        |        |
| Climate Technologies  | \$ 195   | 274    | 40 %   |
| Tools & Home Products | 58       | 101    | 74 %   |
| Total                 | \$ 253   | 375    | 48 %   |
| Margin                | 19.1 %   | 21.3 % |        |

Commercial & Residential Solutions sales were \$1.8 billion in the third quarter, up \$430, or 32 percent compared to the prior year. Underlying sales increased 29 percent due to strong growth across all businesses and geographies while foreign currency translation added 3 percent. Results also benefited from comparisons to prior year results which were negatively impacted by COVID-19. Overall, underlying sales increased 29 percent in the Americas (U.S. up 28 percent), 37 percent in Europe and 25 percent in Asia, Middle East & Africa (China up 15 percent). Climate Technologies sales were \$1.3 billion in the third quarter, an increase of \$298, or 31 percent. Air conditioning and heating sales were up 20 percent and cold chain sales were up over 40 percent, reflecting strong global demand across all end markets, especially food service, food retail and aftermarket. Tools & Home Products sales were \$489 in the third quarter, an increase of \$132, or 37 percent. Sales of wet/dry vacuums were robust in part due to competitor outages, while professional tools and food waste disposers were up sharply. Earnings were \$375, up 48 percent compared with the prior year, and margin increased 2.2 percentage points to 21.3 percent due to leverage on higher sales volume and savings from cost reduction actions, partially offset by unfavorable price-cost.

## RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED JUNE 30

Following is an analysis of the Company's operating results for the nine months ended June 30, 2021, compared with the nine months ended June 30, 2020.

|                                    | 2020      | 2021   | Change |
|------------------------------------|-----------|--------|--------|
| Net sales                          | \$ 12,227 | 13,289 | 9 %    |
| Gross profit                       | \$ 5,127  | 5,567  | 9 %    |
| <i>Percent of sales</i>            | 41.9 %    | 41.9 % |        |
| SG&A                               | \$ 3,040  | 3,125  | 3 %    |
| <i>Percent of sales</i>            | 24.8 %    | 23.5 % |        |
| Other deductions, net              | \$ 401    | 243    |        |
| <i>Amortization of intangibles</i> | \$ 178    | 223    |        |
| <i>Restructuring costs</i>         | \$ 216    | 111    |        |
| Interest expense, net              | \$ 116    | 115    |        |
| Earnings before income taxes       | \$ 1,570  | 2,084  | 33 %   |
| <i>Percent of sales</i>            | 12.8 %    | 15.7 % |        |
| Net earnings common stockholders   | \$ 1,242  | 1,633  | 31 %   |
| <i>Percent of sales</i>            | 10.2 %    | 12.3 % |        |
| Diluted earnings per share         | \$ 2.04   | 2.71   | 33 %   |

Net sales for the first nine months of 2021 were \$13.3 billion, up 9 percent compared with 2020. Automation Solutions sales were up 3 percent while Commercial & Residential Solutions sales were up 19 percent. Underlying sales were up 5 percent, as foreign currency translation added 3 percent and acquisitions added 1 percent. Underlying sales increased 1 percent in the U.S. and increased 8 percent internationally. The Americas was up 2 percent, Europe was up 8 percent and Asia, Middle East & Africa was up 9 percent (China up 16 percent).

Cost of sales for 2021 were \$7,722, an increase of \$622 versus \$7,100 in 2020, primarily due to the impact of higher sales volume in Commercial & Residential Solutions, foreign currency translation, and the OSI acquisition. Gross margin was 41.9 percent, flat compared to the prior year, as leverage on higher sales volume was offset by unfavorable mix and unfavorable price-cost in Commercial & Residential Solutions.

SG&A expenses of \$3,125 increased \$85 compared with the prior year on higher stock compensation expense, as well as increased sales volume. SG&A as a percent of sales decreased 1.3 percentage points to 23.5 percent, reflecting significant savings from the Company's restructuring and cost reset actions, partially offset by higher stock compensation expense of \$122 (0.8 percentage points) due to a higher share price in the current year.

Other deductions, net were \$243 in 2021, a decrease of \$158 compared with the prior year, reflecting lower restructuring costs of \$105, investment-related gains, including gains in the first quarter of fiscal 2021 of \$21 from an investment sale and \$17 from the acquisition of the remaining interest of an equity investment, and a gain in the second quarter of \$31 from the sale of an equity investment, and a favorable impact from pensions. These items were partially offset by higher intangibles amortization of \$45, primarily related to the OSI acquisition. See Notes 6 and 7.

Pretax earnings of \$2,084 increased \$514, or 33 percent. Earnings increased \$341 in Automation Solutions and \$246 in Commercial & Residential Solutions. Costs reported at Corporate increased \$74, reflecting higher stock compensation expense of \$122 and first year acquisition accounting charges and fees related to the OSI acquisition of \$41, partially offset by the investment-related gains discussed above and lower unallocated pension and postretirement costs which decreased by \$34. See the Business Segments discussion that follows and Note 12.

Income taxes were \$431 for 2021 and \$310 for 2020, resulting in effective tax rates of 21 percent and 20 percent, respectively. The current year and prior year rates included favorable net discrete items which reduced the rates 1 percentage point and 3 percentage points, respectively.

Net earnings common stockholders in 2021 were \$1,633, up 31 percent compared with the prior year, and earnings per share were \$2.71, up 33 percent compared with \$2.04 in 2020. Operating results increased \$0.54 per share, reflecting significant savings from the Company's restructuring and cost reset actions and leverage on higher sales volume in Commercial & Residential Solutions. Lower restructuring and advisory fees (\$0.16 per share), favorable foreign currency translation (\$0.05 per share), lower pension expense (\$0.03 per share) and share repurchases (\$0.02 per share) also benefited operating results, while higher stock compensation expense deducted \$0.15 per share and a higher tax rate deducted \$0.03 per share. The Company recognized several investment-related gains in the current year (\$0.10 per share), while first year acquisition accounting charges and fees related to the OSI acquisition deducted \$0.05 per share.

## Business Segments

Following is an analysis of operating results for the Company's business segments for the nine months ended June 30, 2021, compared with the nine months ended June 30, 2020. The Company defines segment earnings as earnings before interest and taxes.

### AUTOMATION SOLUTIONS

#### Nine Months Ended June 30

|          | 2020     | 2021   | Change |
|----------|----------|--------|--------|
| Sales    | \$ 8,150 | 8,432  | 3 %    |
| Earnings | \$ 1,012 | 1,353  | 34 %   |
| Margin   | 12.4 %   | 16.0 % |        |

#### Sales by Major Product Offering

|  |          |       |      |
|--|----------|-------|------|
| Measurement & Analytical Instrumentation | \$ 2,280 | 2,211 | (3)% |
| Valves, Actuators & Regulators           | 2,609    | 2,522 | (3)% |
| Industrial Solutions                     | 1,470    | 1,656 | 13 % |
| Systems & Software                       | 1,791    | 2,043 | 14 % |
| Total                                    | \$ 8,150 | 8,432 | 3 %  |

Automation Solutions sales were \$8.4 billion in the first nine months of 2021, an increase of \$282, or 3 percent. Underlying sales decreased 1 percent as lower volume was partially offset by slightly higher price. Foreign currency translation had a 3 percent favorable impact and the OSI acquisition added 1 percent. Underlying sales decreased 9 percent in the Americas, while Europe increased 5 percent and Asia, Middle East & Africa was up 6 percent (China up 14 percent). Sales for Measurement & Analytical Instrumentation decreased \$69, or 3 percent, as process industries were weak in the first half of the year, but have improved sequentially as markets continue to recover from the impacts of COVID-19. Valves, Actuators & Regulators decreased \$87, or 3 percent, reflecting slower demand in most end markets, particularly in North America and Europe, partially offset by strength in Asia. Industrial Solutions sales increased \$186, or 13 percent, on strong growth in Europe and robust growth in China, while North American discrete end markets were down slightly but continued to improve sequentially. Systems & Software increased \$252, or 14 percent, reflecting the impact of the OSI acquisition which added \$141. Process end markets were strong in Europe and had solid growth in Asia while North America declined. Power end markets were solid in North America, partially offset by softness in Asia. Earnings were \$1,353, an increase of \$341, or 34 percent, and margin increased 3.6 percentage points to 16.0 percent, as significant savings from cost reduction actions and favorable price-cost more than offset unfavorable mix, while lower restructuring expense benefited margins 1.3 percentage points.

## COMMERCIAL & RESIDENTIAL SOLUTIONS

### Nine Months Ended June 30

|                       | 2020     | 2021   | Change |
|-----------------------|----------|--------|--------|
| Sales:                |          |        |        |
| Climate Technologies  | \$ 2,869 | 3,459  | 21 %   |
| Tools & Home Products | 1,219    | 1,419  | 16 %   |
| Total                 | \$ 4,088 | 4,878  | 19 %   |
| Earnings:             |          |        |        |
| Climate Technologies  | \$ 563   | 731    | 30 %   |
| Tools & Home Products | 233      | 311    | 34 %   |
| Total                 | \$ 796   | 1,042  | 31 %   |
| Margin                | 19.5 %   | 21.4 % |        |

Commercial & Residential Solutions sales were \$4.9 billion in the first nine months of 2021, an increase of \$790, or 19 percent compared to the prior year. Underlying sales were up 17 percent due to strong global demand while foreign currency translation added 2 percent. Overall, underlying sales increased 17 percent in the Americas, 17 percent in Europe and 18 percent in Asia, Middle East & Africa (China up 22 percent). Climate Technologies sales were \$3.5 billion in the first nine months of 2021, an increase of \$590, or 21 percent. Air conditioning and heating sales were up mid-teens, reflecting strong demand for residential-oriented products and solutions in North America and robust growth in Europe and China. Cold chain sales were up over 20 percent, driven by favorable global market conditions and strength in food retail and aftermarket. Tools & Home Products sales were \$1.4 billion in the first nine months of 2021, up \$200, or 16 percent. Sales of wet/dry vacuums were robust in part due to competitor outages, while sales were strong for food waste disposers and global professional tools, partially due to easier comparisons in the third quarter. Earnings were \$1,042, up 31 percent compared to the prior year, and margin increased 1.9 percentage points, reflecting leverage on higher volume and savings from cost reduction actions, partially offset by unfavorable price-cost and mix.

## FINANCIAL CONDITION

Key elements of the Company's financial condition for the nine months ended June 30, 2021 as compared to the year ended September 30, 2020 and the nine months ended June 30, 2020 follow.

|                             | June 30, 2020 | Sept 30, 2020 | June 30, 2021 |
|-----------------------------|---------------|---------------|---------------|
| Operating working capital   | \$ 1,169      | \$ 866        | \$ 714        |
| Current ratio               | 1.3           | 1.5           | 1.3           |
| Total debt-to-total capital | 48.0 %        | 47.1 %        | 44.0 %        |
| Net debt-to-net capital     | 37.9 %        | 33.2 %        | 32.4 %        |
| Interest coverage ratio     | 12.9 X        | 14.4 X        | 17.8 X        |

The Company's operating working capital decreased \$455 compared to the same quarter last year largely due to timing-related reductions reflecting current business conditions. The interest coverage ratio (earnings before income taxes plus interest expense, divided by interest expense) of 17.8X for the first nine months of fiscal 2021 compares to 12.9X for the nine months ended June 30, 2020. The increase reflects higher pretax earnings in the current year.

Operating cash flow for the first nine months of fiscal 2021 was \$2.7 billion, an increase of \$866 compared with \$1.9 billion in the prior year due to higher earnings and favorable operating working capital. Free cash flow of \$2.4 billion in the first nine months of fiscal 2021 (operating cash flow of \$2.7 billion less capital expenditures of \$350) increased \$845 compared to free cash flow of \$1.5 billion in 2020 (operating cash flow of \$1.9 billion less capital expenditures of \$329), reflecting the increase in operating cash flow. Cash used for investing activities was \$1.9 billion largely due to the OSI acquisition. Cash used for financing activities was \$1.3 billion, primarily due to dividends and share repurchases.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic, and among other things, provides tax relief to businesses. Tax provisions of the CARES Act include the deferral of certain payroll taxes, relief for retaining employees, and other provisions. The Company deferred \$73 of certain payroll taxes through the end of calendar year 2020, half of which is due in December 2021 with the remainder due in December 2022.

Emerson maintains a conservative financial structure to provide the strength and flexibility necessary to achieve our strategic objectives and has been successful in efficiently deploying cash where needed worldwide to fund operations, complete acquisitions and sustain long-term growth. Emerson is in a strong financial position, with total assets of \$24 billion and stockholders' equity of \$9 billion, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing its capital structure on a short- and long-term basis.

## FISCAL 2021 OUTLOOK

The Company delivered strong financial performance in the quarter, despite pandemic and operating-related challenges, including material costs, availability, logistics, and labor constraints. Overall, the Company expects continued improvement in industrial and commercial demand over the remainder of 2021. Operational, supply chain, and materials inflation is expected to remain challenging through the remainder of the fiscal year. For the full year, consolidated net sales are expected to be up 9 to 10 percent, with underlying sales up 5 to 6 percent excluding a 3 percent favorable impact from foreign currency translation and a 1 percent favorable impact from the OSI acquisition. Automation Solutions net sales are expected to be up 5 to 6 percent, with underlying sales flat to up 1 percent excluding a 3 percent favorable impact from foreign currency translation and a 2 percent favorable impact from the OSI acquisition. Commercial & Residential Solutions net sales are expected to be up 17 to 18 percent, with underlying sales up 15 to 16 percent excluding a 2 percent impact from favorable foreign currency translation. Earnings per share are expected to be \$3.78 to \$3.80, while adjusted earnings per share, which exclude a \$0.24 per share impact from restructuring actions, a \$0.07 per share impact from OSI first year acquisition accounting charges and fees, and a \$0.03 per share equity investment gain, are expected to be \$4.06 to \$4.08. Operating cash flow is expected to be approximately \$3.6 billion and free cash flow, which excludes targeted capital spending of \$600 million, is expected to be approximately \$3.0 billion. Fiscal 2021 share repurchases are expected to be in the amount of \$500 million. However, future developments related to COVID-19, including further actions taken by governmental authorities, potential shutdowns of our operations, or delays in the stabilization and recovery of economic conditions could further adversely affect our operations and financial results, as well as those of our customers and suppliers. See Item 1A – "Risk Factors" in our Annual Report on Form 10-K.

Statements in this report 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, which are set forth in the "Risk Factors" of Part I, Item 1A, and the "Safe Harbor Statement" of Part II, Item 7, to the Company's Annual Report on Form 10-K for the year ended September 30, 2020 and in subsequent reports filed with the SEC, which are hereby incorporated by reference.

The United Kingdom's (UK) withdrawal from the European Union (EU), commonly known as "Brexit", was completed on January 31, 2020. Negotiations over the terms of trade and other laws and regulations took place during 2020 and an agreement between the EU and the UK was reached on December 24, 2020, which included zero tariffs and quotas on goods. The Company's net sales in the UK are principally in the Automation Solutions segment and represent less than two percent of consolidated sales. While there could be certain incremental costs for logistics and other items, the Company expects any impact of these items will be immaterial.

## Item 4. Controls and Procedures

The Company maintains a system of disclosure controls and procedures designed to ensure that information required to be disclosed in its reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported in a timely manner. This system also is designed to ensure information is accumulated and communicated to management, including the Company's certifying officers, to allow timely decisions regarding required disclosure. Based on an evaluation performed, the certifying officers have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports.

There was no change in the Company's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities (shares in 000s).

| Period     | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|------------|----------------------------------|------------------------------|--|--|
| April 2021 | 803                              | \$91.52                      | 803  | 63,756   |
| May 2021   | 467                              | \$93.14                      | 467  | 63,289   |
| June 2021  | 801                              | \$95.96                      | 801  | 62,488   |
| Total      | 2,071                            | \$93.60                      | 2,071  | 62,488   |

In November 2015, the Board of Directors authorized the purchase of up to 70 million shares. In March 2020, the Board of Directors authorized the purchase of an additional 60 million shares and a total of approximately 62.5 million shares remain available for purchase under the authorizations.

### Item 6. Exhibits

(a) Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).

- 3 [Bylaws of Emerson Electric Co.](#), as amended through May 4, 2021, incorporated by reference to the Company's Form 8-K dated May 4, 2021, filed on May 4, 2021, File No. 1-278, Exhibit 3.1.
- 31 [Certifications pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 32 [Certifications pursuant to Exchange Act Rule 13a-14\(b\) and 18 U.S.C. Section 1350.](#)
- 101 Attached as Exhibit 101 to this report are the following documents formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the three and nine months ended June 30, 2021 and 2020, (ii) Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2021 and 2020, (iii) Consolidated Balance Sheets as of September 30, 2020 and June 30, 2021, (iv) Consolidated Statements of Equity for the three and nine months ended June 30, 2021 and 2020, (v) Consolidated Statements of Cash Flows for the nine months ended June 30, 2021 and 2020, and (vi) Notes to Consolidated Financial Statements for the three and nine months ended ended June 30, 2021 and 2020.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

**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 thereunto duly authorized.

EMERSON ELECTRIC CO.

By /s/ Frank J. Dellaquila  
Frank J. Dellaquila  
Senior Executive Vice President and Chief Financial Officer  
(on behalf of the registrant and as Chief Financial Officer)  
August 4, 2021



**Certification**

I, S. L. Karsanbhai, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. L. Karsanbhai

S. L. Karsanbhai  
President and  
Chief Executive Officer  
Emerson Electric Co.  
August 4, 2021

## Certification

I, F. J. Dellaquila, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ F. J. Dellaquila

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F. J. Dellaquila  
Senior Executive Vice President and  
Chief Financial Officer  
Emerson Electric Co.  
August 4, 2021

CERTIFICATION PURSUANT TO  
EXCHANGE ACT RULE 13a-14(b) AND  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Emerson Electric Co. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. L. Karsanbhai, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. L. Karsanbhai

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S. L. Karsanbhai

President and  
Chief Executive Officer  
Emerson Electric Co.  
August 4, 2021

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CERTIFICATION PURSUANT TO  
EXCHANGE ACT RULE 13a-14(b) AND  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Emerson Electric Co. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, F. J. Dellaquila, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ F. J. Dellaquila

F. J. Dellaquila

Senior Executive Vice President and

Chief Financial Officer

Emerson Electric Co.

August 4, 2021