

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, 1995

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

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, and (2) has been subject to such  
filing requirements for the past 90 days. Yes (X) No ( )

Common stock outstanding at June 30, 1995: 224,499,707 shares.

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements. FORM 10-Q

EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
THREE MONTHS AND NINE MONTHS ENDED JUNE 30, 1995 AND 1994  
(Dollars in millions except per share amounts; unaudited)

	Three Months		Nine Months	
	1995	1994	1995	1994
Net sales	\$ 2,629.7	2,243.7	7,428.4	6,369.7
Costs and expenses:				
Cost of sales	1,707.0	1,459.7	4,834.8	4,133.9
Selling, general and administrative expenses	498.7	422.2	1,416.0	1,225.1
Interest expense	31.2	21.8	80.2	68.2
Gain on sale of business and other non-recurring items	-	-	(34.3)	(192.0)
Other deductions, net	16.7	13.5	44.8	33.6

Total costs and expenses	2,253.6	1,917.2	6,341.5	5,268.8
Income before income taxes and cumulative effects of changes in accounting principles	376.1	326.5	1,086.9	1,100.9
Income taxes	136.6	118.5	395.6	404.7
Income before cumulative effects of changes in accounting principles	239.5	208.0	691.3	696.2
Cumulative effects of changes in accounting principles; \$.10 and \$.52 per common share, respectively	-	-	(21.3)	(115.9)
Net earnings	\$ 239.5	208.0	670.0	580.3
Earnings per common share	\$ 1.07	.93	3.00	2.59
Cash dividends per common share	\$ .43	.39	1.29	1.17
Average number of shares used in computing earnings per common share (in thousands)	223,633	224,083	223,507	224,332

See accompanying notes to consolidated financial statements.

NOTE: Including the pretax impact of the cumulative effects of accounting changes, income before income taxes for the nine months ended June 30, 1995 and 1994 would have been:

\$1,051.9      910.9

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EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in millions except per share amounts; unaudited)

ASSETS	June 30, 1995	September 30, 1994
CURRENT ASSETS		
Cash and equivalents	\$ 213.2	113.3
Receivables, less allowances of \$50.7 and \$42.0	1,934.8	1,542.6
Inventories	1,603.8	1,392.2
Other current assets	328.5	290.1
Total current assets	4,080.3	3,338.2
PROPERTY, PLANT AND EQUIPMENT, NET	2,100.1	1,947.3
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,415.9	1,862.9
Other	1,070.9	1,066.6
Total other assets	3,486.8	2,929.5
	\$ 9,667.2	8,215.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,718.3	923.3
Accounts payable	632.1	611.4
Accrued expenses	989.8	936.4
Income taxes	148.7	146.2
Total current liabilities	3,488.9	2,617.3
LONG-TERM DEBT	275.8	279.9
OTHER LIABILITIES	1,105.8	976.0
STOCKHOLDERS' EQUITY		
Preferred stock of \$2.50 par value per share. Authorized 5,400,000 shares; issued - none	-	-
Common stock of \$1 par value per share. Authorized 400,000,000 shares; issued 238,338,503 shares and 238,338,503 shares	238.3	238.3
Additional paid-in capital	20.7	-
Retained earnings	5,000.7	4,619.1
Cumulative translation adjustments	26.8	8.7

Cost of common stock in treasury, 13,838,796 shares and 14,752,649 shares	(489.8)	(524.3)
	-----	-----
Total stockholders' equity	4,796.7	4,341.8
	-----	-----
	\$ 9,667.2	8,215.0
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED JUNE 30, 1995 AND 1994  
(Dollars in millions; unaudited)

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	1995	1994
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 556.5	669.8
INVESTING ACTIVITIES		
Capital expenditures	(298.1)	(217.0)
Purchases of businesses, net of cash and equivalents acquired	(236.0)	(38.6)
Proceeds from divestitures of businesses, net	8.3	205.5
Other	27.8	(11.1)
	-----	-----
Net cash used in investing activities	(498.0)	(61.2)
FINANCING ACTIVITIES		
Net increase in short-term borrowings with maturities of 90 days or less	524.3	15.2
Proceeds from short-term borrowings	0.1	227.6
Principal payments on short-term borrowings	(28.7)	(265.0)
Proceeds from long-term debt	1.5	1.1
Principal payments on long-term debt	(128.8)	(113.8)
Net purchases of treasury stock	(42.7)	(98.2)
Dividends paid	(288.4)	(262.5)
	-----	-----
Net cash provided by (used in) financing activities	37.3	(495.6)
	-----	-----
Effect of exchange rate changes on cash and equivalents	4.1	4.5
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	99.9	117.5
Beginning cash and equivalents	113.3	101.9
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 213.2	219.4
	=====	=====

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

1. The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. Certain prior year amounts have been reclassified to conform to the current year presentation. 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, 1994.

2. Other Financial Information  
(Dollars in millions; unaudited)

	June 30, 1995	September 30, 1994
Inventories		
-----	-----	-----
Finished products	\$ 583.3	506.5
Raw materials and work in process	1,020.5	885.7
	-----	-----
	\$ 1,603.8	1,392.2
	=====	=====
	June 30, 1995	September 30, 1994
-----	-----	-----
Property, plant and equipment, at cost	\$ 4,185.5	3,840.7
Less accumulated depreciation	2,085.4	1,893.4
	-----	-----
	\$ 2,100.1	1,947.3
	=====	=====

3. The Company has guaranteed performance under certain contracts related to the government and defense businesses distributed to stockholders in 1990, and has effectively guaranteed 50 percent of the indebtedness of a joint venture. For further information, refer to the Company's 1994 Annual Report on Form 10-K.
4. Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits", which establishes accounting standards for workers' compensation, disability and severance benefits. The Company recognized the obligation as a cumulative effect of change in accounting principle of \$21.3 million (net of \$13.7 million in related income tax benefits). The statement will not have a material impact on the Company's ongoing results of operations.
5. In the first quarter of fiscal 1995, the Company purchased F. G. Wilson (Engineering) Ltd. by issuing \$271 million in notes to the sellers. The Company completed the acquisition of Control

Techniques, plc in the second quarter of 1995 for a purchase price of approximately \$227 million (net of cash and equivalents acquired). Approximately \$49 million of the purchase price was financed by issuing notes to the sellers. The increases in excess of cost over net assets of purchased businesses, receivables, inventories, and short-term borrowings during the nine months ended June 30, 1995 reflect the impact of these acquisitions.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Results of Operations

Sales, net earnings and earnings per share for the third quarter and first nine months of fiscal 1995 were the highest for any quarter and first nine-month period in the Company's history.

Net sales were \$2,629.7 million for the quarter ended June 30, 1995, up 17.2 percent over net sales of \$2,243.7 million for the quarter ended June 30, 1994, and \$7,428.4 million for the nine months ended June 30, 1995, up 16.6 percent over net sales of \$6,369.7 for the same period a year ago. The third quarter results reflect continued strong international and slower domestic sales growth. Excluding the positive impact of currency, underlying international subsidiaries and exports each reported double-digit sales growth. With the exception of North America, all major geographic regions experienced double-digit sales growth.

The Appliance and Construction-Related segment reported a moderate sales increase compared to the third quarter of 1994. Double-digit consolidated tools sales growth was assisted by strong domestic demand for hand tools and global demand for professional plumbing tools. Strong sales by the heating, ventilating and air conditioning business reflected robust international demand, further acceptance of new products and market penetration. Sales of the appliance components business rose slightly as international gains were offset by a slowing domestic market.

The Commercial and Industrial segment reported a double-digit sales increase compared to the third quarter of 1994. The industrial motors and drives business reported the largest sales gains for the quarter due to strong domestic and international capital goods demand and the recent acquisitions of F.G. Wilson and Control Techniques. The process business

reported robust sales growth as a result of accelerating sales growth for measurement, distributed control systems, and control valve product lines. The industrial components and equipment business also experienced double-digit sales growth due to strengthening international capital goods market demand. Solid sales growth for the electronics business was due to strong domestic demand and new products acceptance.

Cost of sales for the third quarter was \$1,707.0 million or 64.9 percent of sales, compared with \$1,459.7 million, or 65.1 percent of sales, for the third quarter of 1994. Cost of sales for the nine months ended June 30, 1995 was \$4,834.8 million or 65.1 percent of sales, compared to \$4,133.9 million or 64.9 percent of sales for the same period

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a year ago. Selling, general and administrative expenses for the three months ended June 30, 1995 were \$498.7 million, or 19.0 percent of sales, compared to \$422.2 million, or 18.8 percent of sales for the same period a year ago. For the first nine months of 1995, selling, general and administrative expenses were \$1,416.0 million or 19.0 percent of sales, compared to \$1,225.1 million or 19.2 percent of sales for the same period in 1994.

The third quarter consolidated profit margins remained at high levels as a result of the Company's ongoing commitments to cost reduction efforts and productivity improvement programs despite higher interest expense associated with recent acquisitions.

Earnings in the first quarter of fiscal 1995 included a \$41.3 million preferential distribution from the S-B Power Tool joint venture which was substantially offset by other non-recurring items and the adoption of SFAS No. 112. Earnings in the first quarter of fiscal 1994 included a gain on the sale of business which was substantially offset by non-recurring items and the adoption of SFAS No. 106 (\$115.9 million, net of \$74.1 million in related income tax benefits).

#### Financial Condition

A comparison of key elements of the Company's financial condition at the end of the third quarter as compared to the end of the prior fiscal year follows:

	June 30, 1995	September 30, 1994
	-----	-----
Working capital (in millions)	\$591.4	720.9
Current ratio	1.2 to 1	1.3 to 1
Total debt to total capital	29.4%	21.7%
Net debt to net capital	27.1%	20.0%

The Company's interest coverage ratio (earnings before income taxes, non-recurring items and interest expense, divided by interest expense) was 14.1 times for the nine months ended June 30, 1995 compared to 14.3 times for the same period one year earlier. The current ratio decrease and the increase in the debt to capital ratios reflect additional debt related to the acquisitions.

Cash flow provided by operating activities was \$556.5 million for the nine months ended June 30, 1995 versus \$669.8 million for the same period in the prior year. These results reflect increases in inventories and receivables associated with strong sales growth. Cash flow provided by operating activities and an increase in borrowings of \$368.4 million were used primarily to fund capital expenditures of \$298.1 million, purchase businesses (net of cash and equivalents acquired) for \$236.0 million, and pay dividends of \$288.4 million. In addition, \$320 million of notes were issued to the sellers to finance the F.G. Wilson and Control Techniques acquisitions.

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The Company is in a strong financial position and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure.

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).
- 3(a) Restated Articles of Incorporation of Emerson Electric Co., incorporated by reference to Emerson Electric Co. 1989 Form 10-K, Exhibit 3(a).
- 3(b) Bylaws of Emerson Electric Co., as amended through May 3, 1994, incorporated by reference to Emerson Electric Co. 1994 Form 10-K, Exhibit 3(b).
- 27 Financial Data Schedule
- (b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the quarter ended June 30, 1995.

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.

Date: August 14, 1995      By /s/ Walter J. Galvin  
-----  
Walter J. Galvin  
Senior Vice President - Finance  
and Chief Financial Officer  
  
(on behalf of the registrant and  
as Chief Financial Officer)

<TABLE> <S> <C>

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EXHIBIT 27

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET AS OF AND FOR THE NINE MONTHS ENDED JUNE 30, 1995 FILED WITH THE COMPANY'S 1995 THIRD QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1> Income-pretax (before accounting change) includes \$34.3 million non-recurring items. The net earnings impact of the non-recurring items was substantially offset by the accounting change.

<F2> Cumulative effect of change in accounting for postemployment benefits. Income before accounting change was \$691.3 million.

</FN>

</TABLE>