

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 December 31, 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 December 31, 1995: 224,036,674 shares.

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994  
(Dollars in millions except per share amounts; unaudited)

	Three Months Ended December 31,	
	1995	1994
Net sales	\$ 2,565.8	2,284.6
Costs and expenses:		
Cost of sales	1,650.4	1,492.6
Selling, general and administrative expenses	517.0	440.9
Interest expense	30.1	21.2
Gain on sale of business and other non-recurring items	-	(34.3)
Other deductions, net	6.4	9.9
Total costs and expenses	2,203.9	1,930.3

Income before income taxes and cumulative effect of change in accounting principle	361.9	354.3
Income taxes	131.4	129.6
Income before cumulative effect of change in accounting principle	230.5	224.7
Cumulative effect of change in accounting principle; \$.10 per common share	-	(21.3)
Net earnings	\$ 230.5	203.4
Earnings per common share	\$ 1.03	.91
Cash dividends per common share	\$ .49	.43
Average number of shares used in computing earnings per common share (in thousands)	224,053	223,526

See accompanying notes to consolidated financial statements.

NOTE: Including the pretax impact of the cumulative effect of accounting change, income before income taxes would have been:	\$ 361.9	319.3
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EMERSON ELECTRIC CO. AND SUBSIDIARIES FORM 10-Q  
CONSOLIDATED BALANCE SHEETS  
(Dollars in millions except per share amounts; unaudited)

ASSETS	December 31, 1995	September 30, 1995
CURRENT ASSETS		
Cash and equivalents	\$ 227.9	117.3
Receivables, less allowances of \$48.5 and \$45.2	1,852.2	1,757.6
Inventories	1,650.0	1,602.6
Other current assets	292.8	306.6
Total current assets	4,022.9	3,784.1
PROPERTY, PLANT AND EQUIPMENT, NET	2,174.5	2,134.9
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,426.0	2,384.9
Other	1,109.8	1,095.1
Total other assets	3,535.8	3,480.0
	\$ 9,733.2	9,399.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,430.8	1,387.1
Accounts payable	645.1	740.2
Accrued expenses	897.6	979.8
Income taxes	258.2	173.6
Total current liabilities	3,231.7	3,280.7
LONG-TERM DEBT	455.7	208.6
OTHER LIABILITIES	1,053.7	1,038.9
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	238.3	238.3
Additional paid in capital	13.2	15.0
Retained earnings	5,249.1	5,128.3
Cumulative translation adjustments	20.9	17.0

Cost of common stock in treasury, 14,301,829 shares and 14,439,861 shares	(529.4)	(527.8)
	-----	-----
Total stockholders' equity	4,992.1	4,870.8
	-----	-----
	\$ 9,733.2	9,399.0
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994  
(Dollars in millions; unaudited)

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	1995	1994
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 140.2	170.7
INVESTING ACTIVITIES		
Capital expenditures	(106.4)	(77.7)
Purchases of businesses, net of cash and equivalents acquired	(47.8)	(75.2)
Proceeds from divestiture of business	-	7.7
Other	(14.0)	49.6
	-----	-----
Net cash used in investing activities	(168.2)	(95.6)
FINANCING ACTIVITIES		
Net increase in short-term borrowings with maturities of 90 days or less	55.5	307.5
Principal payments on short-term borrowings	(1.0)	(27.6)
Proceeds from long-term debt	249.2	-
Principal payments on long-term debt	(8.7)	(121.9)
Dividends paid	(109.8)	(96.2)
Other	(44.7)	(46.4)
	-----	-----
Net cash provided by financing activities	140.5	15.4
	-----	-----
Effect of exchange rate changes on cash and equivalents	(1.9)	(3.8)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	110.6	86.7
Beginning cash and equivalents	117.3	113.3
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 227.9	200.0
	=====	=====

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

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- 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. 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, 1995.
- Other Financial Information  
(Dollars in millions; unaudited)

	December 31, 1995	September 30, 1995
Inventories		
-----	-----	-----
Finished products	\$ 632.6	587.2
Raw materials and work in process	1,017.4	1,015.4
	-----	-----
	\$ 1,650.0	1,602.6
	=====	=====
	December 31, 1995	September 30, 1995
Property, plant and equipment, net		
-----	-----	-----
Property, plant and equipment, at cost	\$ 4,341.9	4,230.5
Less accumulated depreciation	2,167.4	2,095.6
	-----	-----
	\$ 2,174.5	2,134.9
	=====	=====

3. The Company has effectively guaranteed 50 percent of the indebtedness of a joint venture. For further information, refer to the Company's 1995 Annual Report on Form 10-K.

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 first quarter of fiscal 1996 were the highest for any first quarter in the Company's history.

Net sales for the quarter ended December 31, 1995 were \$2,565.8 million, an increase of 12.3 percent over net sales of \$2,284.6 million for the quarter ended December 31, 1994, reflecting double-digit sales growth for the Commercial and Industrial segment, modest Appliance and Construction-Related segment sales growth and the contribution of fiscal 1995 acquisitions. These results reflect continued strength in the international markets and sluggish domestic market demand. Excluding the positive impact of currency, underlying international sales including exports reported double-digit sales growth. With the exception of North America, all major geographic regions experienced strong sales growth.

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The Commercial and Industrial segment achieved a double-digit sales increase compared to the first quarter of the prior year. The industrial motors and drives business reported the largest sales gains for the quarter due to strong international capital goods demand and the acquisitions of F.G. Wilson and Control Techniques. The process business reported double-digit sales growth as a result of strong domestic and international market demand for measurement, distributed control systems and control valve product lines. This business continues to report robust growth in orders. The electronics business also experienced double-digit sales growth due to strong domestic demand and recent acquisitions. Sales of the industrial components and equipment business increased modestly.

The Appliance and Construction-Related segment reported modest sales growth compared to the first quarter of 1995. Strong sales by the heating, ventilating and air conditioning business reflected strengthening domestic end-markets, continued strong international demand, further acceptance of new products and market penetration. Sales of the fractional motor business increased slightly while sales of the tools and appliance components businesses decreased modestly as international sales gains were offset by a soft domestic market.

Cost of sales for the first quarter was \$1,650.4 million or 64.3 percent of sales, compared with \$1,492.6 million, or 65.3 percent of sales, for the first quarter of 1995. Selling, general and administrative expenses for the three months ended December 31, 1995 were \$517.0 million, or 20.2 percent of sales, compared to \$440.9 million, or 19.3 percent of sales for the same period a year ago. Consolidated profit margins improved from the high levels of the prior year as a result of ongoing commitments to cost reduction efforts and productivity improvement programs across the Company. Margin improvement was achieved despite the Company's continued investment in its defined growth programs. During the quarter, the Company benefited from improvement in international operating efficiencies.

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 (\$21.3 million, net of \$13.7 million in related income tax benefits).

## Financial Condition

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

	December 31, 1995	September 30, 1995
	-----	-----
Working capital (in millions)	\$791.2	503.4
Current ratio	1.2 to 1	1.2 to 1
Total debt to total capital	27.4%	24.7%
Net debt to net capital	24.9%	23.3%

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The Company's interest coverage ratio (earnings before income taxes, non-recurring items and interest expense, divided by interest expense) was 13.0 times for the quarter ended December 31, 1995 compared to 16.1 times for the same period one year earlier. The decrease in the interest coverage ratio and increases in the debt to capital ratios reflect additional debt related to prior year acquisitions. In the first quarter, the Company issued \$250 million of 6.3%, 10-year notes which were used to reduce outstanding U.S. commercial paper.

Cash flow provided by operating activities was \$140.2 million for the three months ended December 31, 1995 versus \$170.7 million for the same period in the prior year. These results reflect increases in receivables and inventories associated with continued sales growth and international mix. Cash flow provided by operating activities and an increase in borrowings of \$295.0 million were used primarily to fund capital expenditures of \$106.4 million and pay dividends of \$109.8 million. In the first quarter of fiscal 1995, \$271.1 million of notes were issued to the sellers to finance the F.G. Wilson acquisition.

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.

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## PART II. OTHER INFORMATION

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 December 31, 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: February 13, 1996    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)

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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 THREE MONTHS ENDED DECEMBER 31, 1995 FILED WITH THE COMPANY'S 1996 FIRST QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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