

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, 1997

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, 1997: 443,455,814 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, 1997 AND 1996  
(Dollars in millions except per share amounts; unaudited)

	Three Months		Nine Months	
	1997	1996	1997	1996
Net sales	\$ 3,208.4	2,896.8	9,142.5	8,282.4
Costs and expenses:				
Cost of sales	2,067.0	1,859.8	5,859.8	5,331.3
Selling, general and administrative expenses	621.8	567.1	1,817.3	1,628.1
Interest expense	30.0	32.2	87.3	96.2
Other deductions, net	18.0	15.9	55.5	40.7
Total costs and expenses	2,736.8	2,475.0	7,819.9	7,096.3

Income before income taxes	471.6	421.8	1,322.6	1,186.1
Income taxes	175.0	154.9	490.7	433.8
Net earnings	<u>\$ 296.6</u>	<u>266.9</u>	<u>831.9</u>	<u>752.3</u>
Earnings per common share	<u>\$ .67</u>	<u>.60</u>	<u>1.87</u>	<u>1.68</u>
Cash dividends per common share	<u>\$ .27</u>	<u>.245</u>	<u>.81</u>	<u>.735</u>
Average number of shares used in computing earnings per common share (in thousands)	<u>443,750</u>	<u>448,209</u>	<u>445,757</u>	<u>448,142</u>

See accompanying notes to consolidated financial statements.

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

ASSETS	June 30, 1997	September 30, 1996
-----	-----	-----
CURRENT ASSETS		
Cash and equivalents	\$ 325.4	149.0
Receivables, less allowances of \$58.6 and \$50.3	2,284.6	1,979.8
Inventories	1,836.3	1,743.9
Other current assets	366.9	314.5
	-----	-----
Total current assets	4,813.2	4,187.2
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	2,583.2	2,450.8
	-----	-----
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,842.9	2,779.2
Other	857.2	1,063.8
	-----	-----
Total other assets	3,700.1	3,843.0
	-----	-----
	\$11,096.5	10,481.0
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,425.3	967.0
Accounts payable	751.7	791.3
Accrued expenses	1,130.9	1,063.3
Income taxes	164.0	199.5
	-----	-----
Total current liabilities	3,471.9	3,021.1
	-----	-----
LONG-TERM DEBT	654.7	772.6
	-----	-----
OTHER LIABILITIES	1,449.7	1,333.9
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock of \$2.50 par value per share.		
Authorized 5,400,000 shares; issued - none	-	-
Common stock of \$.50 par value per share.		
Authorized 1,200,000,000 shares; issued 476,677,006 shares	238.3	238.3
Additional paid in capital	2.5	12.3
Retained earnings	6,178.5	5,707.7
Cumulative translation adjustments	(85.9)	(29.2)

Cost of common stock in treasury, 33,221,192 shares and 29,237,152 shares	(813.2)	(575.7)
	-----	-----
Total stockholders' equity	5,520.2	5,353.4
	-----	-----
	\$11,096.5	10,481.0
	=====	=====

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, 1997 AND 1996  
(Dollars in millions; unaudited)

FORM 10-Q

	1997	1996
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 877.7	682.2
INVESTING ACTIVITIES		
Capital expenditures	(373.1)	(344.8)
Purchases of businesses, net of cash and equivalents acquired	(40.1)	(167.8)
Other, net	(11.1)	64.6
	-----	-----
Net cash (used in) investing activities	(424.3)	(448.0)
FINANCING ACTIVITIES		
Net increase in short-term borrowings	367.0	36.6
Proceeds from long-term debt	5.9	249.9
Principal payments on long-term debt	(11.1)	(20.3)
Dividends paid	(361.1)	(329.4)
Net purchases of treasury stock	(264.4)	(71.7)
	-----	-----
Net cash (used in) financing activities	(263.7)	(134.9)
	-----	-----
Effect of exchange rate changes on cash and equivalents	(13.3)	(3.5)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	176.4	95.8
Beginning cash and equivalents	149.0	117.3
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 325.4	213.1
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES

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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. These adjustments consist of normal recurring accruals. 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, 1996.
2. During the second quarter of fiscal 1997, Emerson began consolidating the results of Astec (BSR) PLC into the Company's financial

statements. The increases in total assets and liabilities reflect this consolidation.

3. On March 10, 1997, the Company consummated a two-for-one stock split, and stockholders of record February 21, 1997, received one additional share of common stock for each share held. The accompanying financial statements have been restated to give effect to the split.

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

	June 30, 1997	September 30, 1996
Inventories		
-----	-----	-----
Finished products	\$ 762.6	720.7
Raw materials and work in process	1,073.7	1,023.2
	-----	-----
	\$ 1,836.3	1,743.9
	=====	=====
	June 30, 1997	September 30, 1996
-----	-----	-----
Property, plant and equipment, at cost	\$ 5,274.8	4,865.6
Less accumulated depreciation	2,691.6	2,414.8
	-----	-----
	\$ 2,583.2	2,450.8
	=====	=====

5. During the fourth quarter of fiscal 1997, the Company purchased InterMetro Industries and entered into a preliminary agreement to acquire Clairson International Corporation. These companies produce free-standing and wall-mounted ventilated shelving and specialty storage products. Emerson currently owns a controlling interest in Clairson through Vermont American Corporation, the Company's joint venture with Robert Bosch GmbH. InterMetro and Clairson have combined annual sales of more than \$300 million.

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 1997 were the highest for any quarter and first nine-month period in the Company's history.

Net sales were \$3,208.4 million for the quarter ended June 30, 1997, up 10.8 percent over net sales of \$2,896.8 million for the quarter ended June 30, 1996, and \$9,142.5 million for the nine months ended June 30, 1997, up 10.4 percent over net sales of \$8,282.4 million for the same period a year ago. The third quarter results reflect strong international and modest domestic demand, the impact of acquisitions and consolidation of Astec (BSR) Plc. All businesses reported underlying sales growth this quarter. Excluding the negative impact of currency, strong underlying international sales were achieved through robust export sales and continued strength in faster growth regions such as Asia-Pacific and Latin America.

In the Commercial and Industrial segment, the underlying electronics business continued its very strong performance due, in part, to the success of new products and strength in both domestic and international markets. Sales of the process business reflected improving domestic demand and strong international sales growth partially offset by negative currency translation. Moderate gains in the industrial motors and drives business resulted from 1996 acquisitions and improved international demand. The industrial components and equipment business achieved moderate sales gains due to good worldwide demand partially offset by weak European currencies.

In the Appliance and Construction-Related segment, the underlying tools business achieved solid sales growth as a result of improved domestic demand. The heating, ventilating and air-conditioning business reported slight sales growth as continued strong demand in international markets was offset by slowing domestic demand resulting from cool spring weather. Modest gains in the motors and appliance components business reflected improved demand in domestic markets.

Cost of sales for the third quarter was \$2,067.0 million or 64.4

percent of sales, compared with \$1,859.8 million, or 64.2 percent of sales, for the third quarter of 1996. Cost of sales for the nine months ended June 30, 1997, was \$5,859.8 million or 64.1 percent of sales, compared to \$5,331.3 million or 64.4 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended June 30, 1997, were \$621.8 million, or 19.4 percent of sales, compared to \$567.1 million, or 19.6 percent of sales for the same period a year ago. For the first nine months of 1997, selling, general and administrative expenses were \$1,817.3 million or 19.9 percent of sales, compared to \$1,628.1 million or 19.6 percent of sales for the same period in 1996. Underlying operating margins showed strong improvement, resulting in continued high profitability levels despite the inclusion of lower margin businesses.

## 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, 1997	September 30, 1996
	-----	-----
Working capital (in millions)	\$1,341.3	1,166.1
Current ratio	1.4 to 1	1.4 to 1
Total debt to total capital	27.4%	24.5%
Net debt to net capital	24.1%	22.9%

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 16.1 times for the nine months ended June 30, 1997, compared to 13.3 times for the same period one year earlier. The increase in interest coverage ratio reflects earnings growth and a reduction in interest rates.

Cash flow provided by operating activities was \$877.7 million for the nine months ended June 30, 1997, versus \$682.2 million for the same period in the prior year. Receivables increased primarily due to sales growth and minor seasonality. Cash and equivalents increased by \$176.4 million during the nine months ended June 30, 1997. Cash flow provided by operating activities and an increase in borrowings of \$361.8 million were used primarily to fund capital expenditures of \$373.1 million, pay dividends of \$361.1 million, and fund net purchases of treasury stock of \$264.4 million.

The Company is in a strong financial position, continues to generate strong operating cash flows, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure on a short and long-term basis.

Statements in this report that are not strictly historical may be "forward-looking" statements which involve risks and uncertainties. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others which are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 1996.

## 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. Form 10-Q for the quarter ended March 31, 1997, 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, 1997.

#### 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 13, 1997

By /s/ Walter J. Galvin

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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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EXHIBIT 27

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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 NINE MONTHS ENDED JUNE 30, 1997 FILED WITH THE COMPANY'S 1997 THIRD QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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