

Fourth Quarter 2016 Earnings Conference Call

November 1, 2016

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the remainder of the year, and Emerson undertakes no obligation to update any such statements to reflect later developments. Factors that could cause actual results to vary materially from those discussed today include our ability to successfully complete on the terms and conditions contemplated, and the financial impact of, our strategic repositioning actions, as well as those provided in our most recent Annual Report on Form 10-K and subsequent reports as filed with the SEC.

Non-GAAP Measures

In this call we will discuss some non-GAAP measures (denoted with *) in talking about our company's performance, and the reconciliation of those measures to the most comparable GAAP measures is contained within this presentation or available at our website www.Emerson.com under Investors.



Note:

As a result of the pending divestitures, results for our historical Network Power segment and for the Leroy-Somer and Control Techniques businesses previously included in our historical Industrial Automation segment are now being reported in our financial statements as discontinued operations.

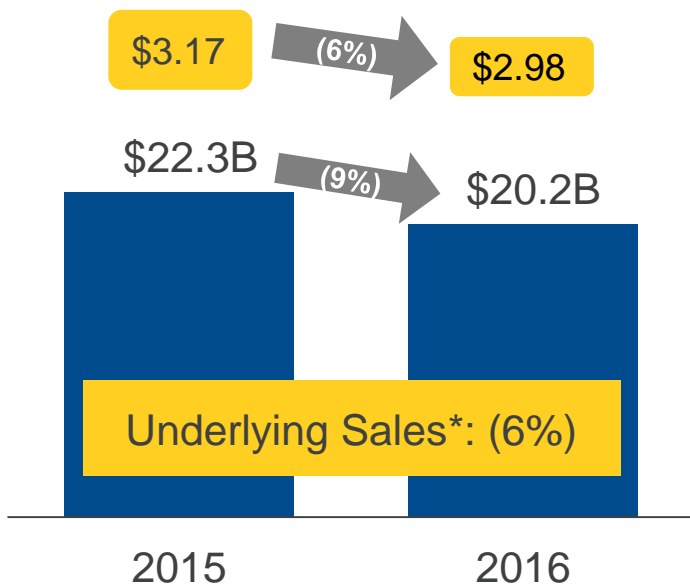
The “Adjusted Basis” results provided herein include these discontinued businesses and exclude repositioning items and prior year divestiture gains.

The “Adjusted Basis” results are being provided to facilitate comparisons with our results for the first three quarters of fiscal 2016, our guidance for fourth quarter and fiscal year 2016 and the prior year.

A bridge reconciling those non-GAAP “Adjusted Basis” results to our GAAP financial statement results is provided in Appendix A hereto.

Fiscal Year 2016 – Adjusted Basis*

Revenue and EPS



T3M Orders

July	-10 to -5%
August	-5 to 0%
September	-5 to 0%

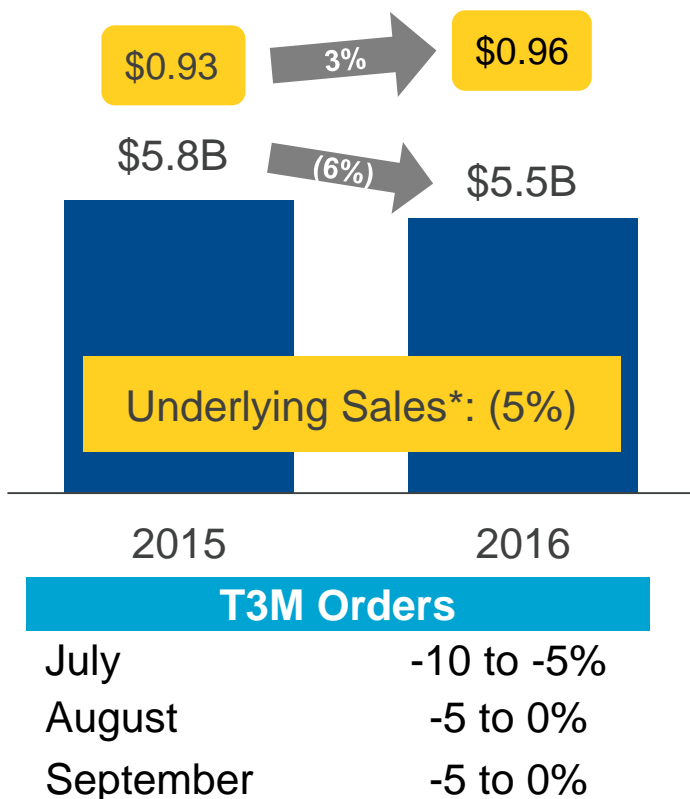
Summary

- More challenging than expected
 - Negative impact of persistently low oil and gas prices. Reduced operational (MRO) and capital spending levels in energy related markets
 - Low growth economic environment - - weak general industrial and emerging market spending
 - Generally favorable markets conditions in U.S. construction, Data Center (cloud and Co-Lo's), Telcom and HVACR
- Reported earnings per share decreased 37% to \$2.52
- Completed \$112M of restructuring actions
- Strong operating cash flow generation of \$2.9B, or \$3.1B (15.1% of sales) excluding \$179M of separation costs

**Fiscal Year Results Reflect Difficult Global Economic Environment - -
7 Consecutive Quarters**

Fourth Quarter 2016 – Adjusted Basis*

Revenue and EPS



Summary

- Served market conditions in the quarter
 - Weak oil and gas and general industrial spending
 - Favorable data center, telcom and HVACR
- Reported earnings per share decreased 31% to \$0.68
- Favorable materials cost containment, restructuring benefits and solid operational execution drove margin improvement in 4 segments
- Working capital improvement supports operating cash flow generation of \$957M

Fourth Quarter EBIT Margin* was up 60 Basis Points

Fourth Quarter 2016

P&L Summary – Adjusted Basis*

<u>(\$M excl. EPS)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>
Sales	\$5,814	\$5,465	(6%)
Gross profit	\$2,368	\$2,279	(4%)
% of sales	40.7%	41.7%	100 bps
SG&A expense	(\$1,185)	(\$1,194)	
Other deductions, net	<u>(\$239)</u>	<u>(\$169)</u>	
EBIT*	\$944	\$916	(3%)
% of sales*	16.2%	16.8%	60 bps
Shares	658.1	645.1	
EPS	\$0.98	\$0.68	(31%)
Adjusted EPS*	\$0.93	\$0.96	3%

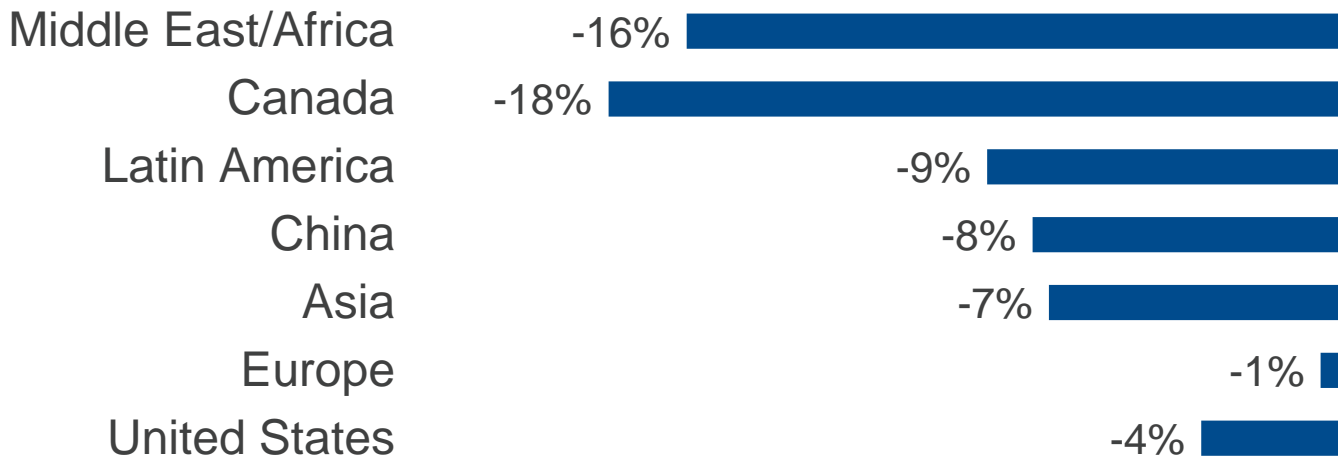
→ Underlying sales* down (5%)

→ Materials cost containment and benefits of restructuring actions

→ EBIT margin up 60 basis points

Fiscal Year and Fourth Quarter 2016 – Adjusted Basis*

Fiscal Year Underlying Sales* Change



Underlying Sales* Q4

-24%

-16%

-5%

-1%

-5%

-3%

0%

Underlying sales*	(6%)
Acq/Div	(1) pts
FX impact	(2) pts
Net sales	(9%)

(5%)

(1) pts

- pts

(6%)

Continuation of Low Growth Environment Across All Geographies

Fourth Quarter 2016 – Business Segment Earnings & Cash Flow

<u>(\$M)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>
Adjusted basis Segment EBIT*	\$937	\$962	3%
% of sales*	15.7%	17.1%	140 bps
Discontinued operations Segment EBIT*	<u>(\$100)</u>	<u>(\$176)</u>	(6%)
continuing operations % of sales	19.3%	19.3%	- bps
Accounting methods	\$45	\$51	
Corporate & other	\$49	(\$114)	
Interest expense, net	<u>(\$44)</u>	<u>(\$49)</u>	
Pretax earnings % of sales	\$887	\$674	(24%)
	21.1%	17.2%	(390 bps)
Operating cash flow	\$1,101	\$957	(13%)
Capital expenditures	<u>(\$169)</u>	<u>(\$169)</u>	- %
Free cash flow*	\$932	\$788	(15%)
Trade working capital % of sales	\$3,808	\$3,622	
	16.4%	16.6%	20 bps

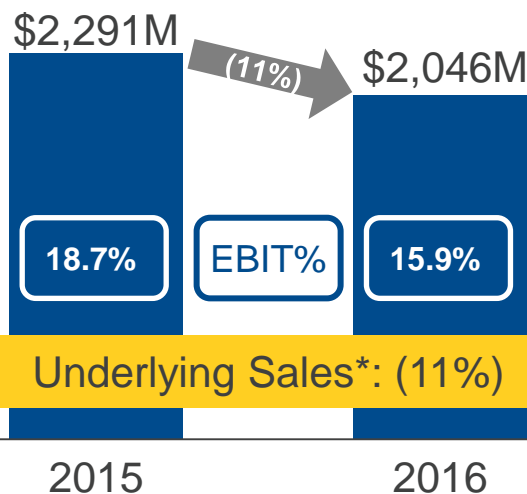
→ Segment margin up 140 basis points driven by benefits from restructuring actions and operational execution

→ Stock compensation up \$60M and divestiture gain of \$107M in the prior year

→ Capital spending flat

Fourth Quarter 2016 Process Management

Reported Sales



Sales % Chg. vs. PY

NA	(15%)
Asia	(12%)
<i>China</i>	(11%)
Europe	5%
LAM	(9%)
MEA	(21%)
FX Impact	-
Acquisitions	-

T3M Orders

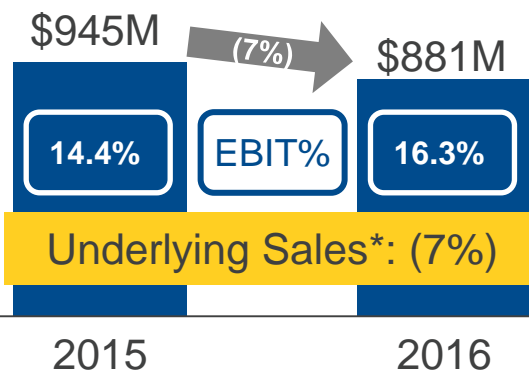
July	-20 to -15%
August	-15 to -10%
September	-15%

- Spending in energy related markets remains at low levels
- Increase in restructuring programs - - spent ~\$54M in the quarter
- Power and life sciences markets continue to grow
- Segment margin decreased 280 basis points primarily due to volume deleverage, partially offset by savings from restructuring actions

Business Will Remain Under Pressure Through Majority of Fiscal 2017 - - Orders Recovery Possible in Second Half Assuming Stability of Oil and Gas Prices

Fourth Quarter 2016 Industrial Automation – Adjusted Basis*

Reported Sales



Sales % Chg. vs. PY

NA	(6%)
Asia	(6%)
<i>China</i>	(6%)
Europe	(7%)
LAM	(5%)
MEA	(33%)
FX Impact	-

T3M Orders

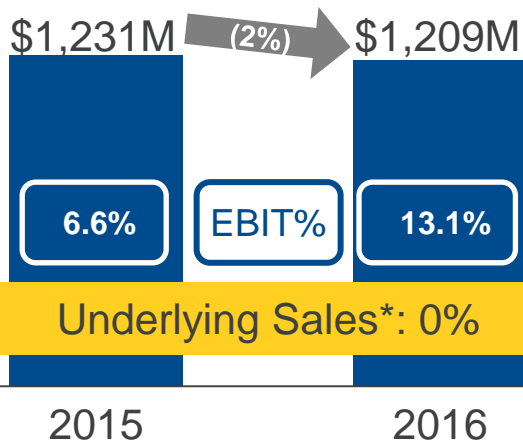
July	-15 to -10%
August	-10 to -5%
September	-10 to -5%

- Continued low levels of spending in upstream oil and gas capital investments
- Weak but slightly improving conditions in general industrial spending
- Segment margin increased 190 basis points primarily due to business mix, benefits from restructuring actions and lower restructuring spend
- Divestitures on-track to close by the end of the calendar year

Served Markets to Remain Challenging with Slightly Improving Conditions as the Fiscal Year Progresses

Fourth Quarter 2016 Network Power

Reported Sales



T3M Orders

July	5 to 10%
August	10 to 15%
September	15 to 20%

Sales % Chg. vs. PY

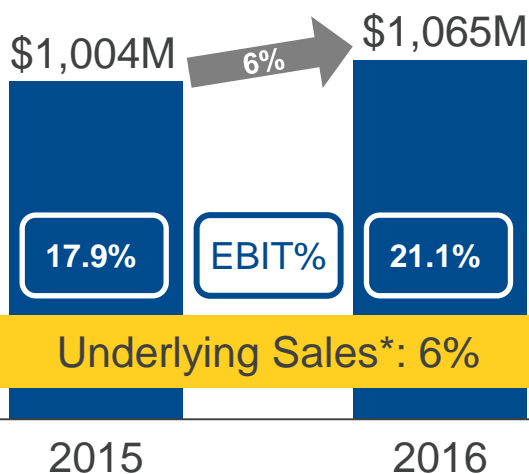
NA	17%
Asia	(5%)
<i>China</i>	(2%)
Europe	(12%)
LAM	(13%)
MEA	(35%)
FX Impact	(2%)

- Favorable demand in power products, thermal management and service
- Growth in North America led cloud and co-location data center customers and telecommunications - mobile and broadband providers
- Segment margin improved 650 bps benefitting from favorable mix, benefits from restructuring actions and gross profit improvement programs

On-track for Completion of Sale by the End of the Calendar Year

Fourth Quarter 2016 Climate Technologies

Reported Sales



T3M Orders

July	5%
August	5 to 10%
September	5 to 10%

Sales % Chg. vs. PY

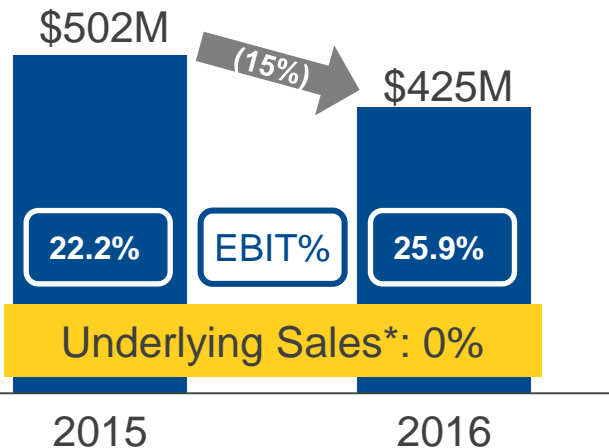
NA	8%
Asia	10%
<i>China</i>	28%
Europe	1%
LAM	8%
MEA	(21%)
FX Impact	-

- Strong growth in U.S. residential and commercial air conditioning
- China reflected strong growth in refrigeration and residential air conditioning
- Segment margin increased 320 bps primarily due to volume leverage, savings from restructuring actions and materials cost containment, partially offset by lower pricing

2017 Outlook for Global Demand in Air Conditioning and Refrigeration Markets Supports the Expectation for Low-Single Digit Growth

Fourth Quarter 2016 Commercial & Residential Solutions

Reported Sales



T3M Orders

July	-5%
August	-5 to 0%
September	0 to 5%

Sales % Chg. vs. PY

NA	1%
Asia	3%
<i>China</i>	(19%)
Europe	(2%)
LAM	5%
MEA	(17%)
<hr/>	
FX Impact	-
Divestiture - InterMetro	(15%)

- Growth in food waste disposers and wet/dry vacuums offset declines in other businesses
- Segment margin improved 370 bps from restructuring actions and the impact of the InterMetro divestiture

Favorable Conditions in U.S. Construction are Expected to Support Outlook for Low-Single Digit Growth in 2017

Fiscal Year 2017 Outlook

- Unprecedentedly long global industrial downturn will continue into 2017
- Automation businesses will remain under significant pressure
- Favorable HVACR and U.S. and Asian construction markets
- Fiscal year 2017 guidance
 - Net and underlying sales* of (1%) to (3%)
 - Automation Solutions platform down (4%) to (7%)
 - Commercial & Residential Solutions platform up 2% to 4%
 - Earnings per share of \$2.35 to \$2.50
 - Compares to earnings per share on a continuing basis and excluding divestiture gains in prior years*
 - 2016 \$2.45 and 2015 \$2.81
 - Excludes impact of pending acquisition of Pentair's Valves & Controls business

Appendix

Fiscal Year 2016 Bridge to Continuing Operations

	<u>Adjusted Basis*</u>	<u>Discontinued Operations & Elims</u>	<u>Continuing Operations</u>
Sales	\$ 20,232	\$ 5,710	\$ 14,522
Gross Profit	\$ 8,256	\$ 1,994	\$ 6,262
% of sales	40.8%	34.9%	43.1%
SG&A expense	\$ (4,841)	\$ (1,377)	\$ (3,464)
Operating Profit	\$ 3,415	\$ 617	\$ 2,798
% of sales	16.9%	10.8%	19.3%
Other deductions, net	<u>\$ (424)</u>	<u>\$ (130)</u>	<u>\$ (294)</u>
EBIT*	\$ 2,991	\$ 487	\$ 2,504
% of sales*	14.8%	8.5%	17.2%
Interest expense, net	\$ (182)	\$ 6	\$ (188)
Pretax	\$ 2,809	\$ 493	\$ 2,316
% of sales	13.9%	8.6%	16.0%
Earnings	\$ 1,934	\$ 344	\$ 1,590
% fo Sales	9.6%	6.0%	11.0%
EPS	\$ 2.98	\$ 0.53	\$ 2.45
2015 EPS from Continuing Operations (less \$0.90 per share for PTS/InterMetro divestiture gains)			\$ 2.81

Fiscal Year 2016

Trailing 3 Month Orders History – GAAP

T3M GAAP Orders on a Platform Basis

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Automation Solutions (Process Management Segment and Remaining Industrial Automation Businesses)	-20 to -15%	-15 to -10%	-15%	-20 to -15%	-15 to -10%	-10 to -5%	-10 to -5%	-15 to -10%	-15%	-15%	-15 to -10%	-15 to -10%
Commercial & Residential Solutions (Climate Technologies and Commercial & Residential Solutions Segments)	-15 to -10%	-10%	-10 to -5%	0%	0%	0 to 5%	0%	-5 to 0%	-5 to 0%	0 to 5%	0 to 5%	5%
Emerson	-15 to -10%	-15 to -10%	-15 to -10%	-10%	-10 to -5%	-5 to 0%	-5%	-10 to -5%	-10%	-10 to -5%	-10 to -5%	-10 to -5%

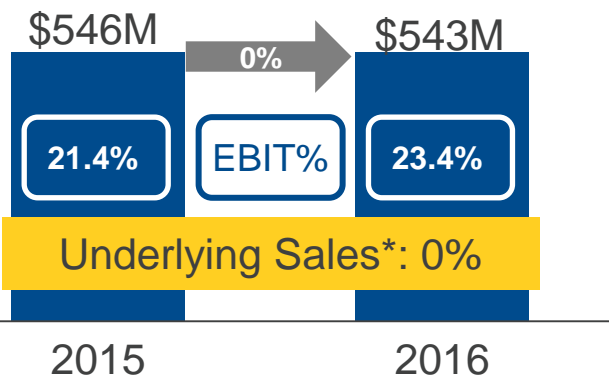
Fourth Quarter 2015 & 2016

Bridge to Continuing Operations

	Fourth Quarter 2015			Fourth Quarter 2016		
	Adjusted Basis*	Discontinued Operations, Elims & Divestiture Gains	Continuing Operations	Adjusted Basis*	Discontinued Operations & Elims	Continuing Operations
Sales	\$ 5,814	\$ 1,610	\$ 4,204	\$ 5,465	\$ 1,533	\$ 3,932
Gross Profit	\$ 2,368	\$ 545	\$ 1,823	\$ 2,279	\$ 566	\$ 1,713
% of sales	40.7%	33.9%	43.4%	41.7%	36.9%	43.6%
SG&A expense	\$ (1,185)	\$ (339)	\$ (846)	\$ (1,194)	\$ (339)	\$ (855)
Operating Profit	\$ 1,183	\$ 206	\$ 977	\$ 1,085	\$ 227	\$ 858
% of sales	20.4%	12.8%	23.2%	19.8%	14.8%	21.8%
Other deductions, net	\$ (239)	\$ (193)	\$ (46)	\$ (169)	\$ (34)	\$ (135)
EBIT*	\$ 944	\$ 13	\$ 931	\$ 916	\$ 193	\$ 723
% of sales*	16.2%	0.8%	22.1%	16.8%	12.6%	18.4%
Interest expense, net	\$ (45)	\$ (1)	\$ (44)	\$ (45)	\$ 4	\$ (49)
Pretax	\$ 899	\$ 12	\$ 887	\$ 871	\$ 197	\$ 674
% of sales	15.5%	0.7%	21.1%	15.9%	12.9%	17.2%
Earnings	\$ 616	\$ (11)	\$ 627	\$ 622	\$ 143	\$ 479
% fo Sales	10.6%	-0.6%	14.9%	11.4%	9.3%	12.2%
EPS	\$ 0.93	\$ (0.02)	\$ 0.95	\$ 0.96	\$ 0.22	\$ 0.74

Fourth Quarter 2016 Industrial Automation – Continuing Basis

Reported Sales



Sales % Chg. vs. PY

NA	(9%)
Asia	4%
<i>China</i>	6%
Europe	1%
LAM	-
MEA	30%
FX Impact	-

Reconciliation of Non-GAAP Measures & Other

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure.

Sales (dollars in billions)	FY16	FY15	Change	Q4 2016	Q4 2015	Change
Sales including sales from discontinued operations*	\$ 20.2	\$ 22.3	(9)%	\$ 5.5	\$ 5.8	(6)%
Discontinued operations	(5.7)	(6.1)	(2)%	(1.6)	(1.6)	-
Reported sales	\$ 14.5	\$ 16.2	(11)%	\$ 3.9	\$ 4.2	(6)%
EPS	FY16	FY15	Change	Q4 2016	Q4 2015	Change
Earnings per share	\$ 2.52	\$ 3.99	(37)%	\$ 0.68	\$ 0.98	(31)%
Repositioning items and divestiture gains	0.46	(0.82)	31%	0.28	(0.05)	34%
Adjusted earnings per share*	2.98	3.17	(6)%	0.96	0.93	3%
Discontinued operations	(0.53)	0.54	(28)%	(0.22)	0.02	(25)%
Earnings per share from continuing operations	\$ 2.45	\$ 3.71	(34)%	\$ 0.74	\$ 0.95	(22)%
Divestiture gains	-	(0.90)				
Adjusted earnings per share continuing operations*	\$ 2.45	\$ 2.81				
Earnings Before Interest and Taxes Margin	Q4 2016	Q4 2015	Change			
Adjusted basis earnings before interest and taxes margin*	16.8%	16.2%	60 bps			
Adjusted basis interest expense, net	(0.9)	(0.7)	(20) bps			
Adjusted basis pretax margin*	15.9	15.5	40 bps			
Discontinued operations and divestiture gains	1.3	5.6	(430) bps			
Reported pretax margin	17.2	21.1	(390) bps			
Interest expense, net	1.2	1.1	10 bps			
Earnings before interest and taxes margin*	18.4%	22.2%	(380) bps			
Restructuring Expense (dollars in millions)	FY16					
Adjusted*	\$ 112					
Discontinued operations	(16)					
Total	\$ 96					

^ The outlook contained herein represents the Company's expectations for its consolidated results, excluding the expected pre-closing results for the Network Power, Leroy-Somer and Controls Techniques businesses which are the subject of the pending divestitures related to our portfolio repositioning actions, and does not include any gains or losses related to the ultimate disposition of these businesses, except as otherwise set forth herein, and excludes any results attributable to the pending acquisition of the Pentair Valves & Controls business.

Reconciliation of Non-GAAP Measures & Other

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure.

	FY2016			Q4 2016		
	Adj. Basis Emerson*	Impact of Discontinued Operations	Emerson	Adj. Basis Emerson*	Impact of Discontinued Operations	Emerson
2016 Underlying and Adjusted Basis Sales Change						
Underlying sales*	(6)%	(1)%	(7)%	(5)%	-	(5)%
FX	(2)%	-	(2)%	-	-	-
Acq/Div	(1)%	(1)%	(2)%	(1)%	-	(1)%
Total	(9)%	(2)%	(11)%	(6)%	-	(6)%
Q4 2016 Segment Sales Change		Adj. Basis		Climate	Comm & Res	
Underlying*	Process Mgmt.	Industrial Auto.*	Network Power	Tech.	Solns	
Underlying*	(11)%	(7)%	-	6%	-	
FX	-	-	(2)%	-	-	
Acq/Div	-	-	-	-	(15)%	
Total	(11)%	(7)%	(2)%	6%	(15)%	
Q4 2016 Industrial Automation Underlying and Adjusted Basis Sales Change	Adj. Basis Industrial Auto.*	Impact of Discontinued Operations	Industrial Auto.			
Underlying sales*	(7)%	7%	0%			
FX	-	-	-			
Acq/Div	-	-	-			
Total	(7)%	7%	0%			
Industrial Automation Adjusted Basis Segment Margin	Q4 2016	Q4 2015	Change			
Adjusted basis segment margin*	16.3%	14.4%	190 bps			
Impact of discontinued operations	7.1	7.0	10 bps			
Segment margin	23.4%	21.4%	200 bps			
Cash Flow (dollars in billions)	FY16	% of Sales				
Operating cash flow excluding separation costs, and percent of adjusted basis sales	\$ 3.1	15.1%				
Separation costs	(0.2)	(0.9)				
Operating cash flow, and percent of adjusted basis sales	2.9	14.2				
Impact of discontinued operations	(0.4)	3.0				
Operating cash flow from continuing operations, and percent of reported sales	\$ 2.5	17.2%				

^ The outlook contained herein represents the Company's expectations for its consolidated results, excluding the expected pre-closing results for the Network Power, Leroy-Somer and Controls Techniques businesses which are the subject of the pending divestitures related to our portfolio repositioning actions, and does not include any gains or losses related to the ultimate disposition of these businesses, except as otherwise set forth herein, and excludes any results attributable to the pending acquisition of the Pentair Valves & Controls business.