

A harbor scene at sunset. The sky is a warm, golden yellow, with the sun low on the horizon, creating a bright glow and reflecting on the water. In the foreground, the dark silhouettes of a pier and several large cranes are visible. In the background, the masts and rigging of several ships are silhouetted against the bright sky. The overall mood is serene and industrial.

Fourth Quarter 2017 Earnings Conference Call

November 7, 2017

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the next fiscal 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 are 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.*

2017 Full Year Results

SUMMARY

Fiscal year results exceeded our February Investor Conference expectations

- Underlying sales growth* 1%
- EPS of \$2.54, up 4%
- Adj. EPS* of \$2.64, up 8%, excl. accounting charges

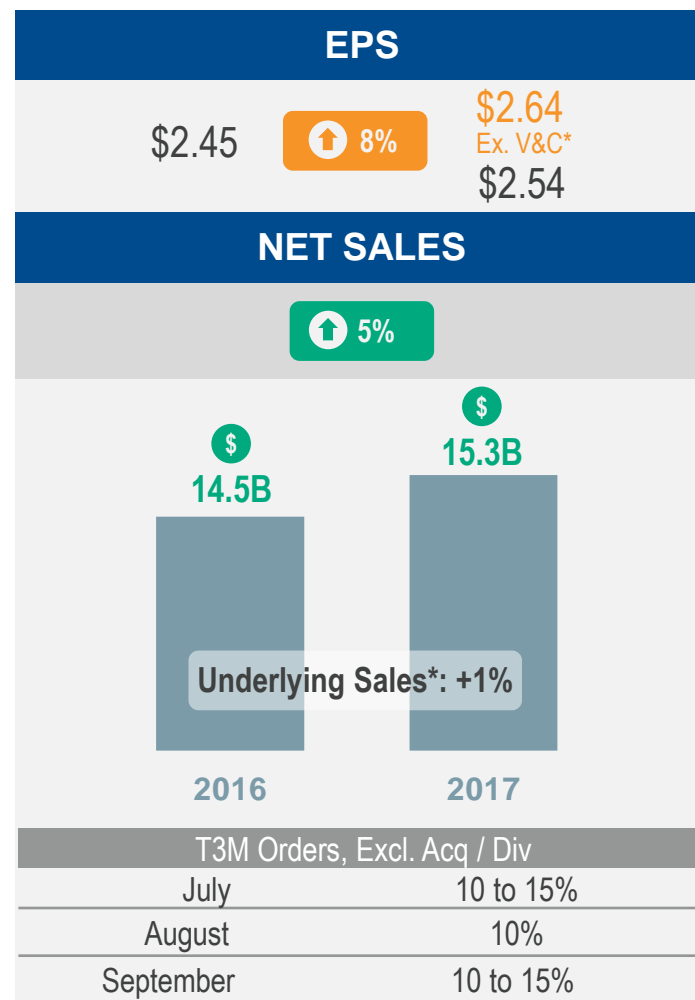
Gross margin was 42.0%, down 110 bps, or approx. flat without V&C*

EBIT margin without V&C* was up 70 bps to 17.9%

Generated \$2,690M of operating cash flow from continuing operations, up 8%

Free cash flow from continuing operations* was \$2,214M, up 8%

Total cash returned to shareholders \$1.6B, or 61% of operating cash flow from continuing operations



EXCEEDED 2017 GROWTH AND EPS TARGETS
STRONG FREE CASH FLOW*, A RECORD HIGH 14.5% OF SALES

Fourth Quarter 2017 Results

SUMMARY

Demand remained favorable. Both business platforms were negatively affected by North American hurricanes

- Automation demand reflects favorable trends across process, hybrid and discrete markets
- HVACR and construction-related markets remained favorable

Gross margin was 40.7%, down 290 bps, or down 40 bps without V&C* due in part to unfavorable mix

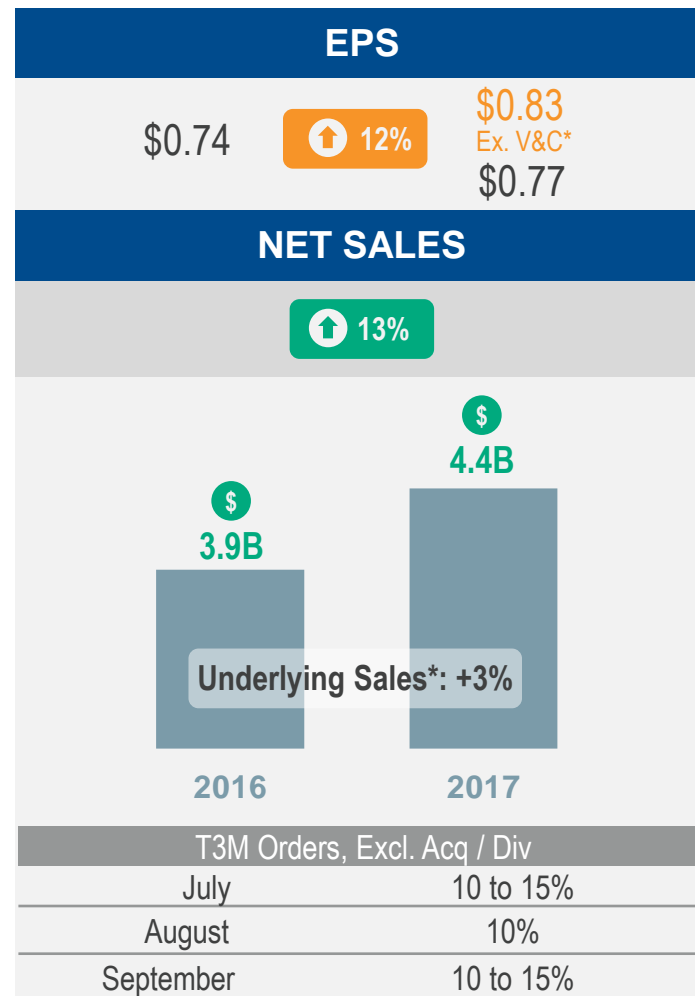
EBIT margin without V&C* was up 130 bps to 19.7%

EPS from continuing ops was \$0.77, up 4%

Adj. EPS* of \$0.83, up 12%, excl. accounting charges

Generated \$905M of operating cash flow from continuing operations, up 6%

Free cash flow from continuing operations* was \$729M, up 3%



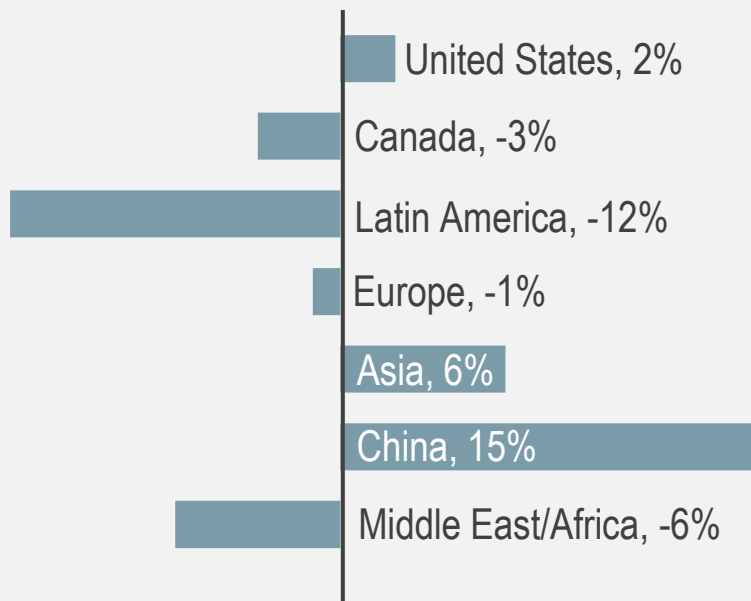
CLOSED OUT THE YEAR WITH STRONG EARNINGS AND CASH FLOW
MOMENTUM IS BUILDING AND SETS UP FOR A STRONGER 2018

Fourth Quarter 2017, P&L Summary

(\$M EXCEPT EPS)	2016	2017	Chg.	
Sales	\$3,932	\$4,435	13%	Underlying sales* +3%
Gross profit	\$1,713	\$1,804	5%	
% of sales	43.6%	40.7%	(290) bps	(40) bps excluding V&C* • (20) bps divested ClosetMaid business • Unfavorable mix / hurricanes
SG&A expense	(\$855)	(\$997)		
Other deductions, net	<u>(\$135)</u>	<u>(\$83)</u>		Lower restructuring, M&A costs
EBIT*	\$723	\$724	--%	
% of sales*	18.4%	16.3%	(210) bps	+130 bps excluding V&C*
Shares	645.1	640.5		
EPS – Continuing Ops	\$0.74	\$0.77	4%	Includes (\$0.06) first year acquisition accounting charges
EPS	\$0.68	\$0.78	15%	Includes settlement of divestitures completed in prior quarters

Underlying Sales Fiscal Year and Fourth Quarter 2017

2017 UNDERLYING SALES* CHANGE



Underlying sales*	1%
Acq/Div	4 pts
FX impact	--
Net sales	5%

Q4 UNDERLYING SALES* CHANGE

United States	4%
Canada	12%
Latin America	-13%
Europe	2%
Asia	6%
China	11%
Middle East/Africa	-6%
Underlying sales*	3%
Acq/Div	9 pts
FX impact	1 pt
Net sales	13%



NORTH AMERICA AND CHINA CONTINUE TO LEAD GROWTH
MOST WORLD AREAS ARE IMPROVING

Fourth Quarter 2017, Business Segment Earnings & Cash Flow

(\$M)	2016	2017	CHG.	
Business segment EBIT*	\$785	\$852	8%	
% of sales*	20.0%	19.2%	(80) bps	21.5% excl. V&C*, up 150 bps
Accounting methods	\$51	\$42		
Corporate & other	(\$113)	(\$170)		Includes \$56M V&C first year acquisition charges
Interest expense, net	<u>(\$49)</u>	<u>(\$39)</u>		
Pretax earnings	\$674	\$685	2%	
% of sales	17.2%	15.5%	(170) bps	
Operating cash flow <i>from continuing operations</i>	\$855	\$905	6%	
Capital expenditures	(\$146)	(\$176)	21%	
Free cash flow* <i>from continuing operations</i>	\$709	\$729	3%	
Trade working capital	\$2,392	\$3,014		
% of sales	15.3%	17.0%	170 bps	Excluding V&C, TWC% improved 90 bps to 14.4%

Fourth Quarter 2017 Automation Solutions

SALES % Chg. VS. PY

North America	10%
Asia	2%
<i>China</i>	8%
Europe	2%
Latin America	(18%)
Middle East/Africa	(11%)
FX Impact	1 pts
Acq Impact	14 pts

Orders throughout the quarter were positive across all world areas, except Latin America

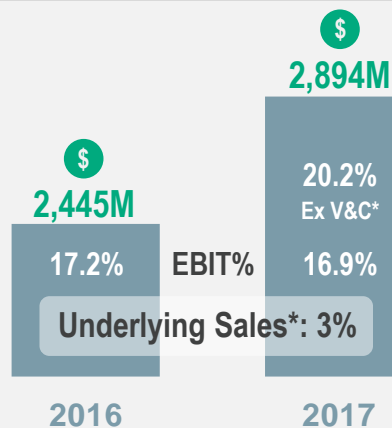
MRO (KOB 3) remained strong; increasing mix of small and mid-sized project spend (KOB 2)

Favorable trends in North American energy related, power and life sciences demand; Canada grew 13%

Margin decreased 30 bps. Excluding V&C* margin increased 300 bps driven by restructuring benefits, lower restructuring spend and leverage on higher volume

REPORTED SALES

↑ 18%



T3M Orders, Excl. Acq / Div

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



STRONG MRO SPEND (KOB 3) AND GROWING DEMAND FOR UPGRADE AND OPTIMIZATION PROJECTS (KOB 2) SUPPORTS 2018 UNDERLYING SALES* OUTLOOK OF 5 TO 7%

Fourth Quarter 2017 Commercial & Residential Solutions

SALES % Chg. VS. PY

North America	(1%)
Asia	14%
<i>China</i>	18%
Europe	4%
Latin America	(5%)
Middle East/Africa	21%
FX/Acq Impact	1 pts

N.A. declined due to cooler temperatures compared with prior year and the negative impact of hurricanes

Asia growth was broad-based, driven by strong demand in air conditioning and refrigeration markets

Europe growth was led by favorable demand in construction related markets

Margin decreased 110 bps. Excluding the ClosetMaid divestiture* margin decreased 60 bps due to unfavorable mix from slower U.S. compressor replacement business

REPORTED SALES

↑ 4%

\$
1,489M

24.6%

2016

\$
1,543M

EBIT%

23.5%

2017

Underlying Sales*: 3%

T3M Orders, Excl. Acq / Div

July 5 to 10%

August 5 to 10%

September 5 to 10%



FAVORABLE TRENDS ARE EXPECTED TO CONTINUE IN HVACR AND CONSTRUCTION MARKETS, SUPPORTING 3 TO 5% UNDERLYING GROWTH* IN 2018

Fiscal Year 2018 Outlook

GUIDANCE UPDATE

Current order trends support expected 4 – 6% underlying sales growth

>100% Free Cash Flow conversion

Prior year Q1 results include a \$0.07 tax benefit from Brazil restructuring efforts

Net Sales Growth 8 – 10%

Automation Solutions 14% – 16%

Commercial & Residential Solutions (1%) – 1%

Underlying Sales* Growth 4 – 6%

Automation Solutions* 5 – 7%

Commercial & Residential Solutions* 3 – 5%

Operating Cash Flow \$2.8B

GAAP EPS \$2.66 to \$2.86

- Q1 tax rate ~40% due to ClosetMaid divestiture loss

Adjusted EPS* \$2.75 to \$2.95

Excludes two items

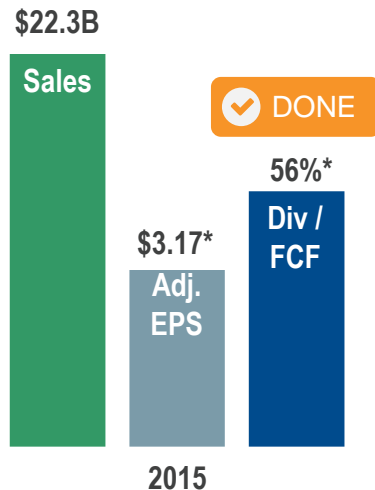
- (\$0.03) Valves & Controls first year acquisition accounting charges, (\$0.02) in Q1
- (\$0.06) Q1 tax-related loss from divestiture of ClosetMaid V&C operations slightly accretive

Three Phases of our June 2015 Transformation Journey

Phase 1

Repositioning Emerson around two key platforms

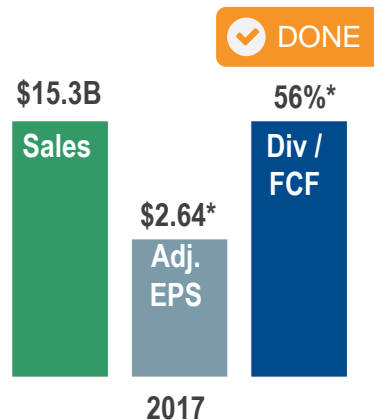
- Executed divestitures
- Acquired V&C



Phase 2

Building the new Emerson core and returning to profitable sales, earnings, and cash flow growth

- Orders have turned
- Foundation for growth in place



Phase 3

Position the Company for the Next Generation

Accelerating core growth through

- Strong core market growth
- Technological innovation
- Bolt-on acquisitions

Continue to build the synergies between our two world class platforms

- Expand solutions to customers in common end markets
- Leverage software to create actionable insights from our data-rich technologies

Explore strategic M&A opportunities in factory automation to provide integrated solutions across process, hybrid, and discrete markets.

30-Jun-15

30-Sep-16

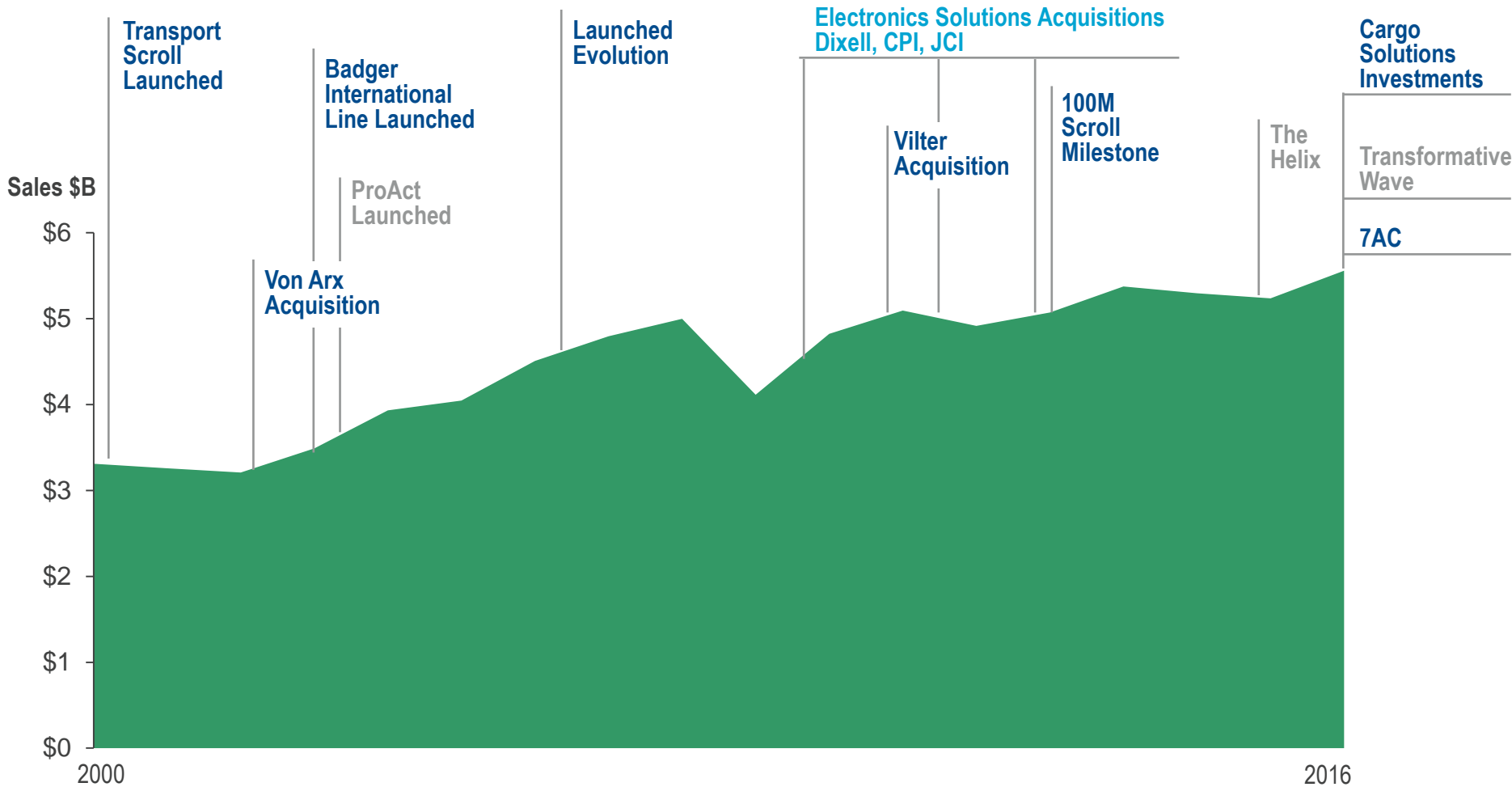
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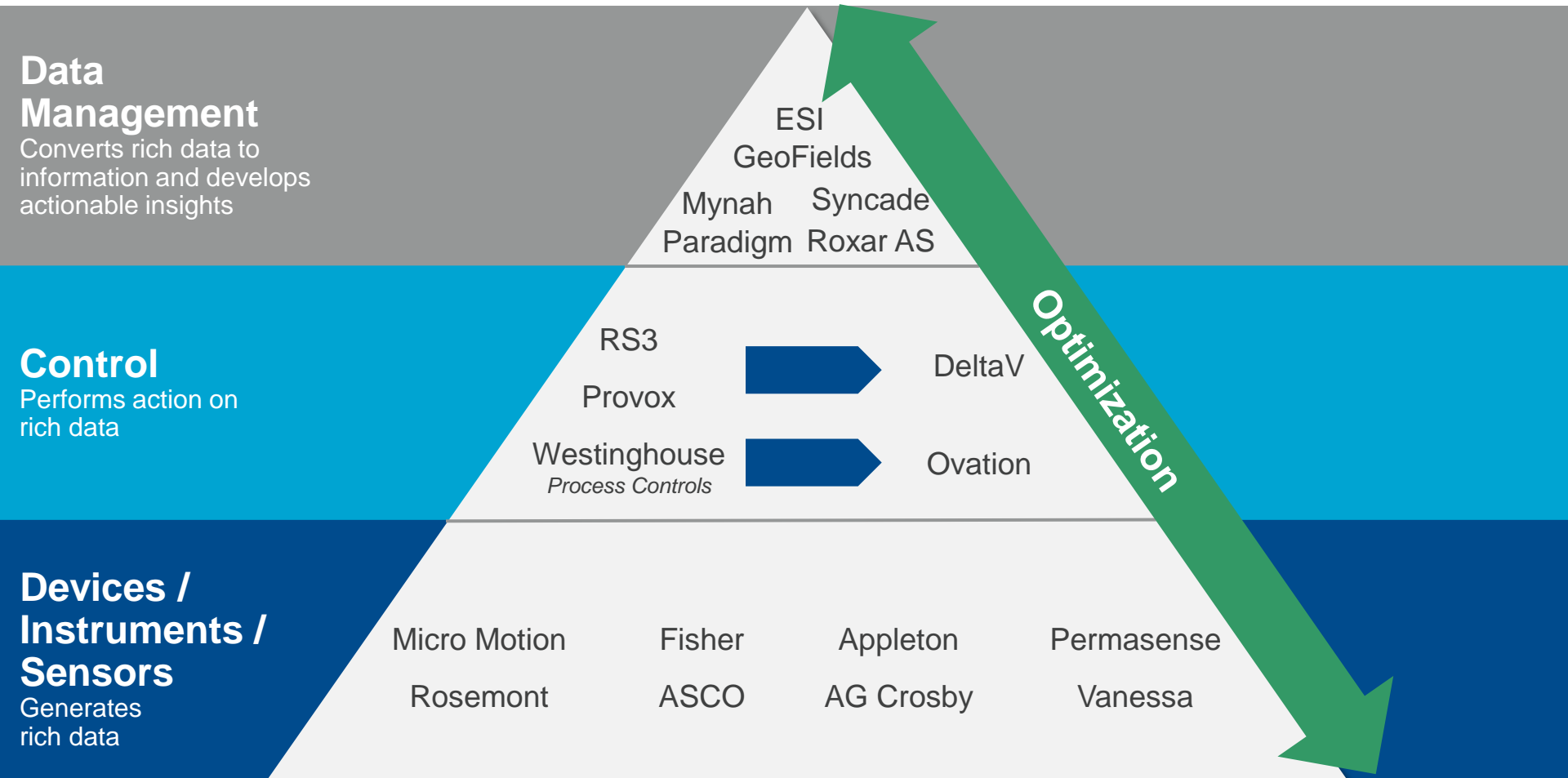
THE PATH IS CLEAR AND WE ARE CHARGING FORWARD – THE CORE COMPANY IS STRONG AND HAS MANY VALUE CREATION OPPORTUNITIES THROUGH ORGANIC AND ACQUISITIVE GROWTH

We Leverage Our Broad Portfolio For Global Leadership In Commercial & Residential Markets





EMERSON COMMERCIAL & RESIDENTIAL SOLUTIONS HAS BEEN AN INDUSTRY STEWARD -- SUCCESSFULLY LAUNCHING NEW PRODUCTS AS EFFICIENCY STANDARDS EVOLVE

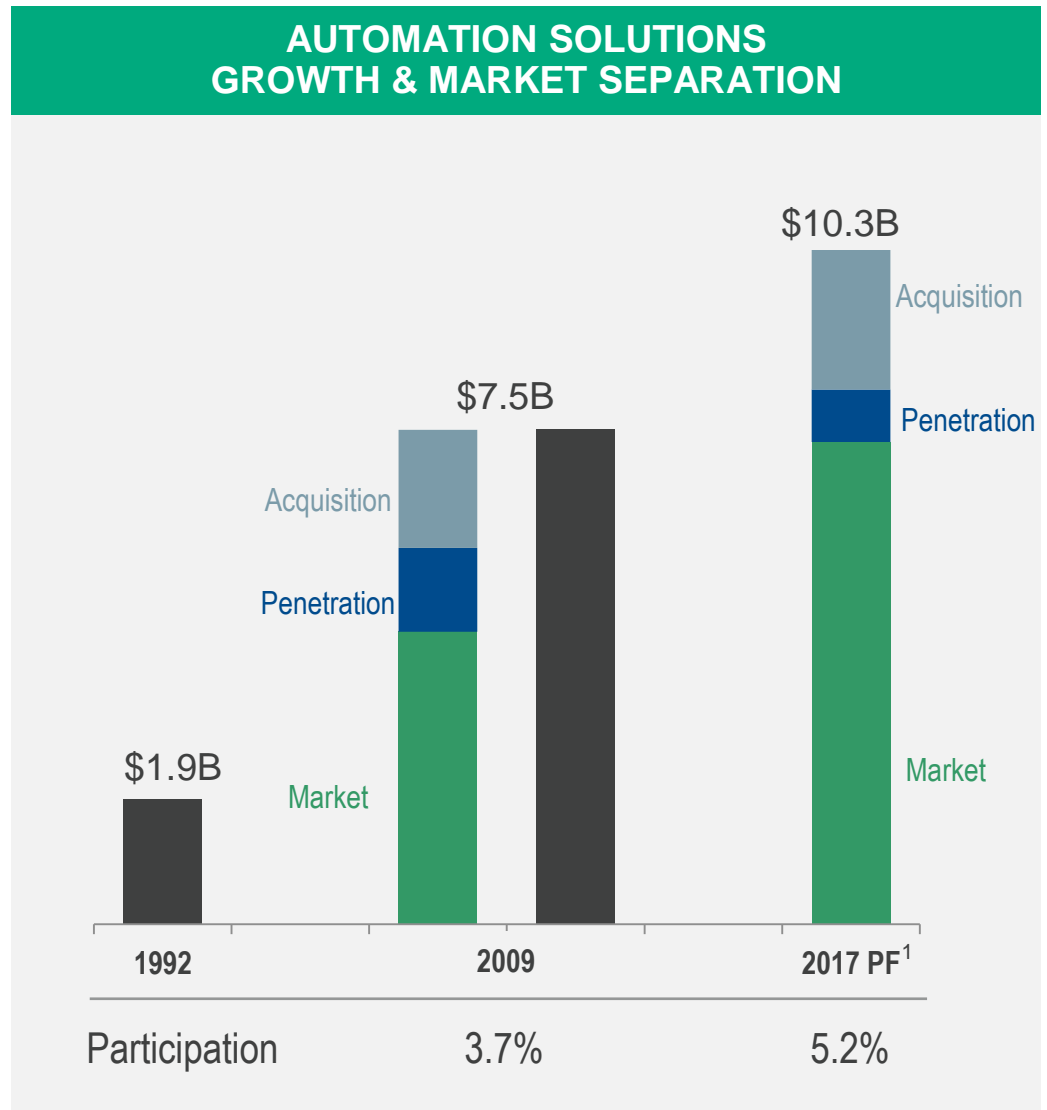
Automation Solutions: A Complete Portfolio of Solutions for Our Customers



EMERSON AUTOMATION SOLUTIONS HAS BUILT A LEADING PORTFOLIO THROUGH ORGANIC TECHNOLOGY DEVELOPMENTS AND ACQUISITIONS -- ALL IN AN EFFORT TO DEVELOP OPTIMIZED SOLUTIONS FOR CUSTOMERS

Emerson Automation Solutions' Strategy of Creating Integrated Solutions Has Driven Above Market Growth

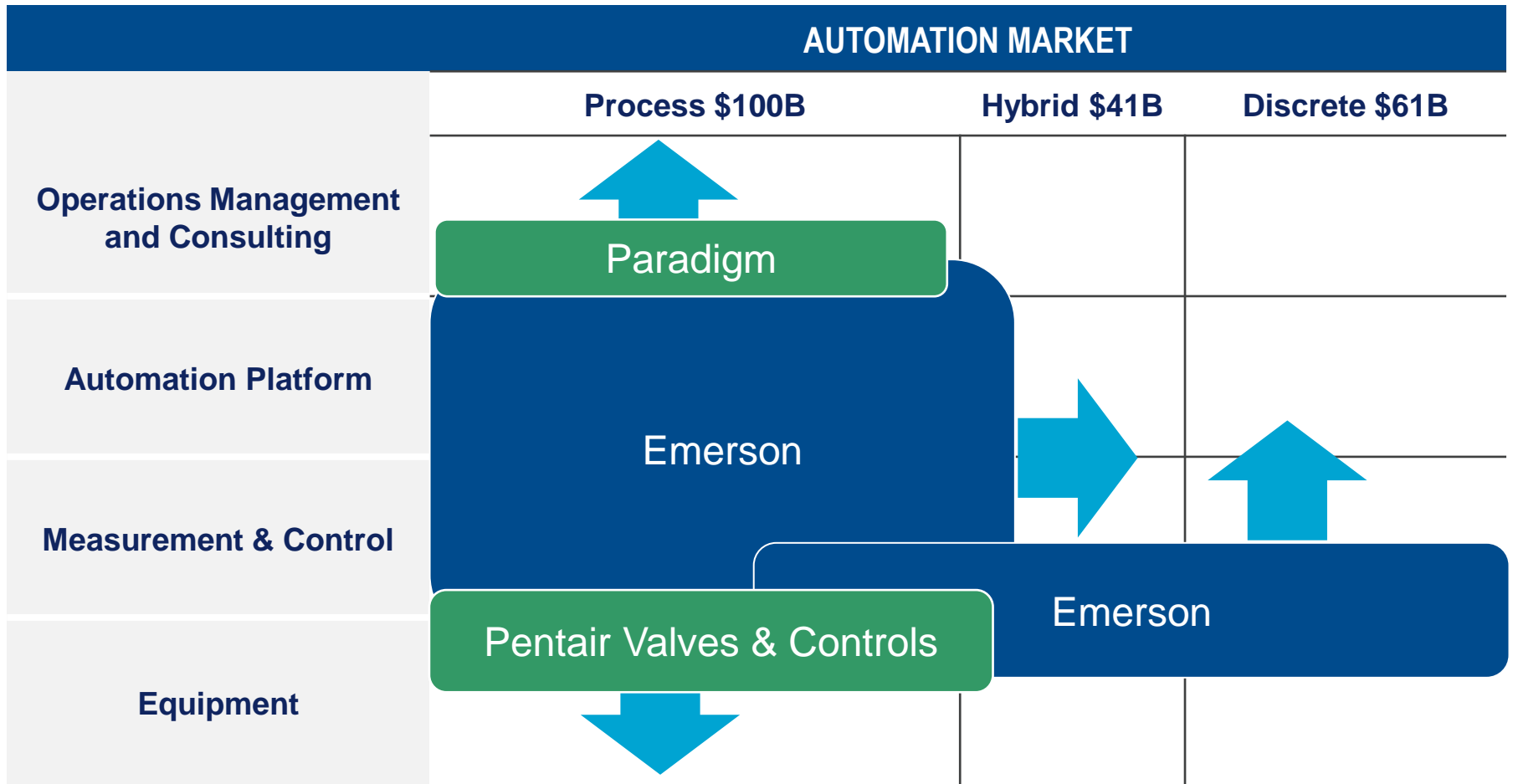
Top Quartile Performance	 Project Certainty, Operational Certainty
Problem Solving	Seamless, Easy Experience Perfect Execution, Lifecycle Services
Integrated Solutions	Main Automation Contractor Greenfield Projects Systems + Devices
Technology Leadership	 Smart Devices
Leading Products	Foundation



¹Includes full year of V&C sales

Acquisitions Play a Key Role in Becoming a Complete Automation Player

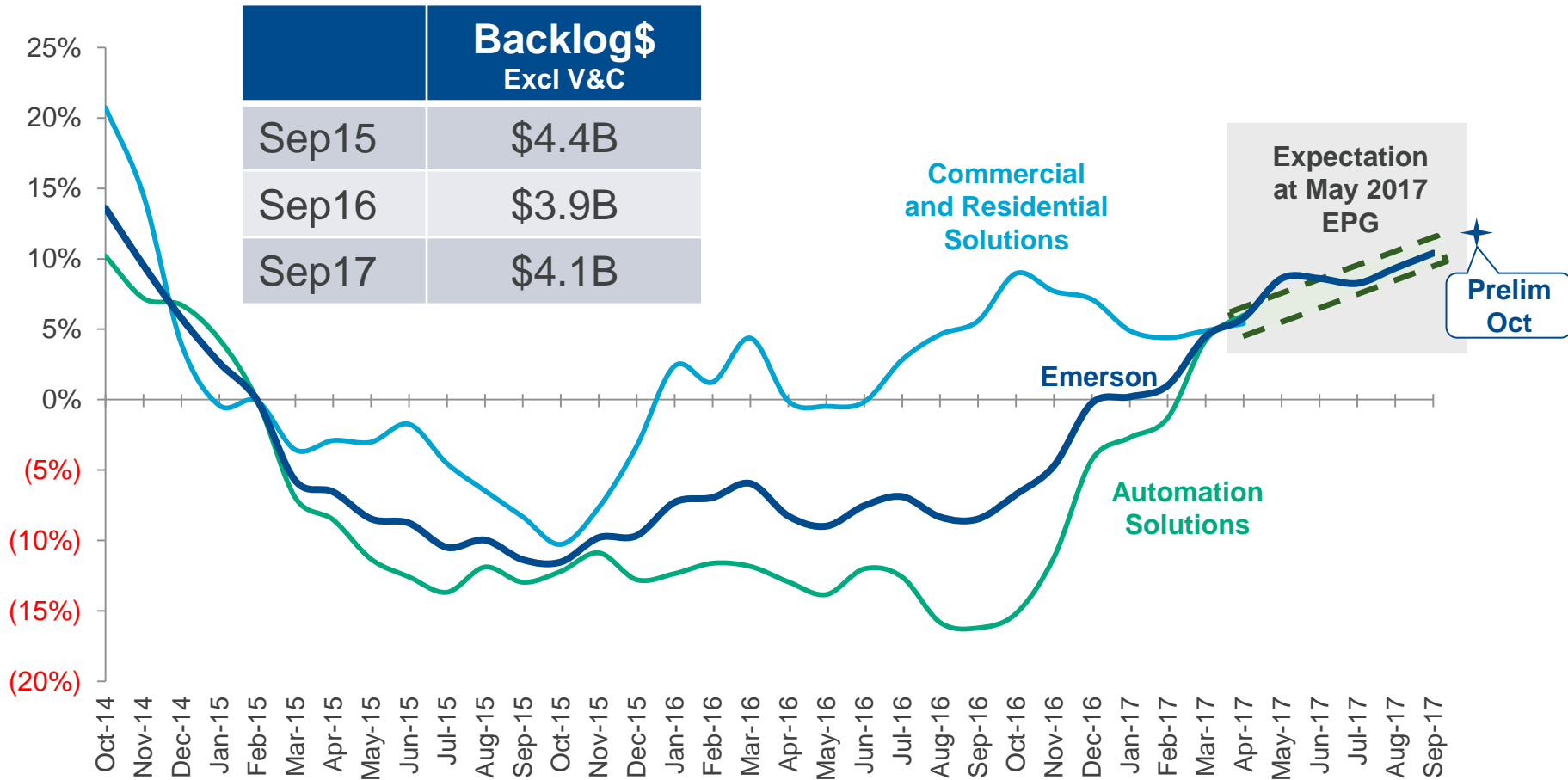
Investments



MULTIPLE PATHS TO EXPAND OFFERINGS ACROSS THE MARKET -- BOTH INTERNAL INVESTMENTS AND ACQUISITIONS -- SIGNIFICANT PROGRESS SINCE INTRODUCING THIS FRAMEWORK IN OUR FEBRUARY 2016 & 2017 INVESTOR CONFERENCES



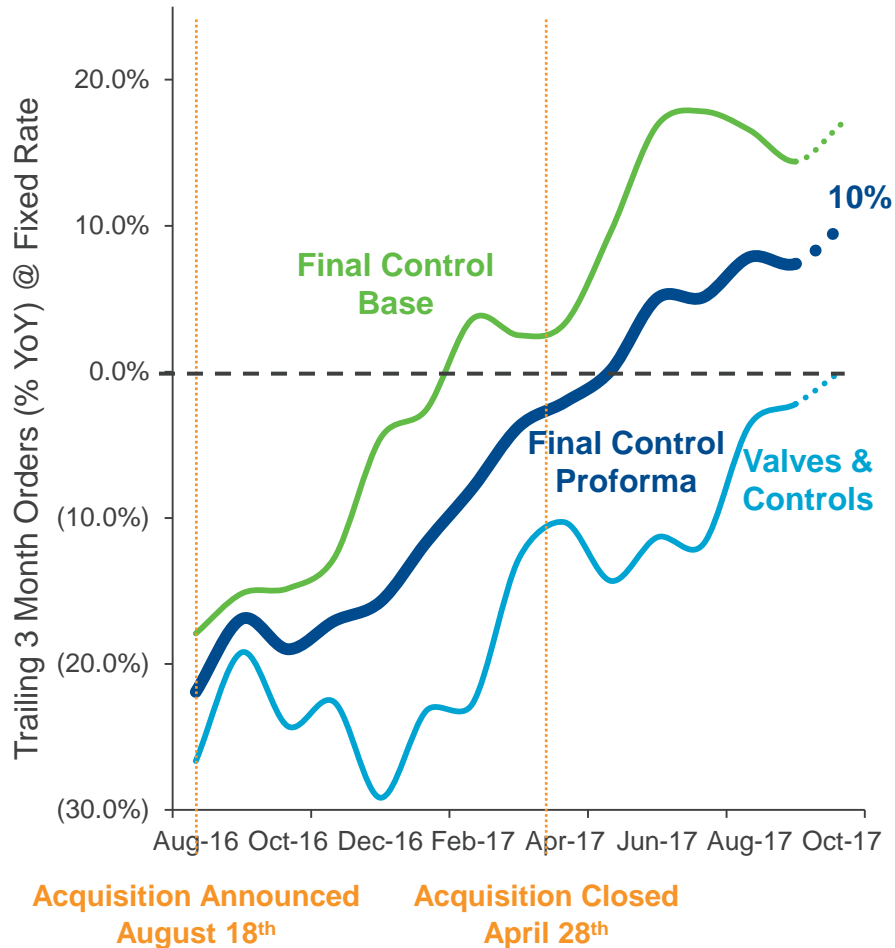
Total Emerson Underlying Order Trends Trailing 3-Month Average vs. Prior Year



UNDERLYING ORDERS HAVE PROGRESSED IN-LINE WITH EXPECTATIONS SET OUT AT MAY 2017 ELECTRICAL PRODUCTS GROUP CONFERENCE

Final Control Gaining Momentum

Prelim. October T3M Underlying Orders Were 10%



V&C 190 Days Post Close Early “Wins” Have Been Realized

- Integration activities progressing
- Strong momentum with negotiated supply chain savings
- Focused, early concentration on customer engagement
 - Main Valve Partner value proposition is resonating with our customers globally
 - Order activity beginning to accelerate with many early ‘combined portfolio’ wins
- Manufacturing facility consolidation and restructuring programs underway, targeting 10 plant closures by the end of 2018



V&C 3-MONTH UNDERLYING ORDERS TURNED POSITIVE IN OCTOBER
GROWTH PROGRAMS ARE SHOWING TRACTION AND INTEGRATION IS ON TRACK

APPENDIX

Reconciliation of Non-GAAP Measures

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure. (dollars in millions, except per share amounts)

<u>Sales Change</u>	<u>FY 2017</u>					
Reported (GAAP)	5%					
(Favorable) / Unfavorable FX	-%					
Acquisitions	(4)%					
Underlying*	1%					
<u>Q4 2017 Sales Change</u>	<u>Auto Solns</u>	<u>Comm & Res Solns</u>	<u>Emerson</u>			
Reported (GAAP)	18%	4%	13%			
(Favorable) / Unfavorable FX	(1)%	(1)%	(1)%			
Acquisitions	(14)%	-%	(9)%			
Underlying*	3%	3%	3%			
<u>FY 2018E Sales Change</u>	<u>Auto Solns</u>	<u>Comm & Res Solns</u>	<u>Emerson</u>			
Reported (GAAP)	14 - 16%	(1) - 1%	8 - 10%			
(Favorable) / Unfavorable FX	~ (1)%	~ (1)%	~ (1)%			
Acquisitions / Divestitures	~ (8)%	~ 5%	~ (3)%			
Underlying*	5 - 7%	3 - 5%	4 - 6%			
<u>Earnings Per Share</u>	<u>FY16</u>	<u>FY17</u>	<u>Change</u>	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Earnings per share from continuing operations (GAAP)	\$ 2.45	\$ 2.54	4%	\$ 0.74	\$ 0.77	4%
Valves & Controls first year acquisition accounting charges	-	0.10	4%	-	0.06	8%
Earnings per share from continuing operations, excluding Valves & Controls first year acquisition accounting charges*	\$ 2.45	\$ 2.64	8%	\$ 0.74	0.83	12%

Reconciliation of Non-GAAP Measures

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Earnings Per Share

	<u>FY18E</u>
Earnings per share from continuing operations (GAAP)	\$2.66 - \$2.86
Valves & Controls first year acquisition accounting charges	~ \$0.03
Loss on ClosetMaid divestiture	~ \$0.06
Earnings per share from continuing operations excluding Valves & Controls first year acquisition accounting charges & loss on ClosetMaid divestiture*	<u>\$2.75 - \$2.95</u>

Earnings Per Share

	<u>FY15</u>
Earnings per share (GAAP)	\$ 3.99
Repositioning items & divestiture gains	(0.82)
Adjusted basis earnings per share (non-GAAP)	<u>\$ 3.17</u>

Gross Profit Margins

	<u>FY16</u>	<u>FY17</u>	<u>Change</u>	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Gross profit margins (GAAP)	43.1%	42.0%	(110) bps	43.6%	40.7%	(290) bps
Valves & Controls impact	-	1.2%	120 bps	-	2.5%	250 bps
Gross profit margin excluding Valves & Controls*	43.1%	43.2%	10 bps	43.6%	43.2%	(40) bps

Continuing Operations Margins

	<u>FY16</u>	<u>FY17</u>	<u>Change</u>	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Pretax margin (GAAP)	16.0%	15.3%	(70) bps	17.2%	15.5%	(170) bps
Interest expense, net	1.2%	1.1%	(10) bps	1.2%	0.8%	(40) bps
Earnings before interest and taxes margin*	17.2%	16.4%	(80) bps	18.4%	16.3%	(210) bps
Valves & Controls impact	-	1.5%	150 bps	-	3.4%	340 bps
Earnings before interest and taxes margin excluding Valves & Controls*	17.2%	17.9%	70 bps	18.4%	19.7%	130 bps

Reconciliation of Non-GAAP Measures

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure. (dollars in millions, except per share amounts)

Earnings Before Interest and Taxes

	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Pretax earnings (GAAP)	\$ 674	\$ 685	2%
Interest expense, net	(49)	(39)	(2)%
Earnings before interest and taxes*	\$ 723	\$ 724	-%

Automation Solutions Segment EBIT Margin

	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Automation Solutions Segment EBIT margin (GAAP)	17.2%	16.9%	(30) bps
Valves & Controls impact	-%	3.3%	330 bps
Automation Solutions EBIT margin excluding Valves & Controls*	17.2%	20.2%	300 bps

Commercial & Residential EBIT Margin

	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Commercial & Residential EBIT margin (GAAP)	24.6%	23.5%	(110) bps
ClosetMaid impact	0.7%	1.2%	50 bps
Commercial & Residential EBIT margin excluding ClosetMaid*	25.3%	24.7%	(60) bps

Cash Flow From Continuing Operations

	<u>FY16</u>	<u>FY17</u>	<u>Change</u>	<u>Q4 FY16</u>	<u>Q4 FY17</u>	<u>Change</u>
Operating cash flow from continuing operations (GAAP)	\$ 2,499	\$ 2,690	8%	\$ 855	\$ 905	6%
Capital expenditures	(447)	(476)	-%	(146)	(176)	(3)%
Free cash flow from continuing operations*	\$ 2,052	\$ 2,214	8%	\$ 709	\$ 729	3%

Reconciliation of Non-GAAP Measures

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<u>Cash Flow From Continuing Operations</u>	FY17 % of Sales	FY17 Dividend % of Cash Flow
Operating cash flow from continuing operations (GAAP)	17.6%	46%
Capital expenditures	(3.1)%	10%
Free cash flow from continuing operations*	14.5%	56%

<u>Cash Flow From Continuing Operations</u>	FY15 Dividend % of Cash Flow
Operating cash flow from continuing operations (GAAP)	50%
Capital expenditures & taxes paid on divestitures	6%
Free cash flow from continuing operations*	56%

References to trailing 3-month or T3M orders in this presentation refer to the Company's trailing three-month average orders growth versus the prior year, excluding acquisitions and divestitures

References to underlying orders in this presentation refer to the Company's trailing three-month average orders growth versus the prior year, excluding currency, acquisitions and divestitures

References to underlying sales in this presentation exclude the impact of acquisitions, divestitures and currency translation.