

Third Quarter 2017 Earnings Conference Call

August 1, 2017

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 are provided in our most recent Annual Report on Form 10-K and subsequent reports as filed with the SEC.

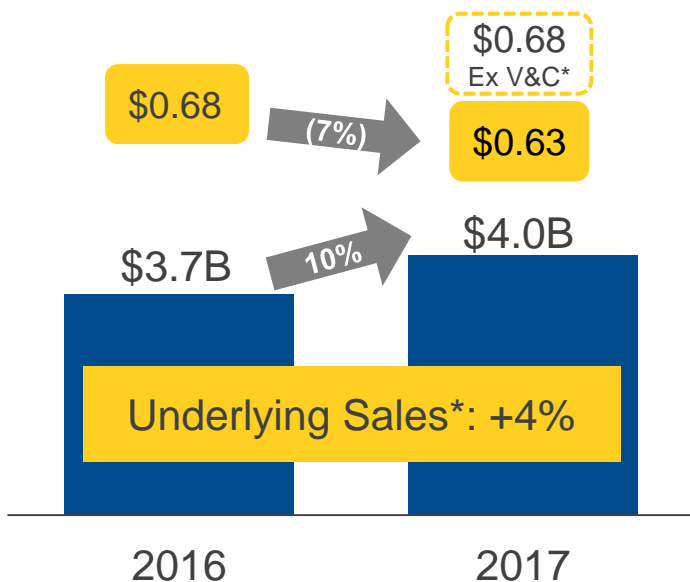
Non-GAAP Measures

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.



Third Quarter 2017

Revenue and EPS



T3M Orders

April	0 to 5%
May	5 to 10%
June	5 to 10%

Summary

- Improving served markets resulted in high-single digit order rates and 4% underlying sales growth
 - Automation market demand reflects favorable trends in oil & gas, power, life sciences and discrete
 - HVACR and construction-related markets remained favorable
- Profitability excluding V&C
 - Gross margin* approx. flat
 - Total segment margin* increased 80 bps to 20.9%
 - EBIT margin* decreased 40 bps to 18.7% due to a prior year gain
- EPS from continuing operations excluding Valves & Controls* was flat
- Generated \$774M of operating cash flow from continuing ops, up 23%
 - Year-to-date cash flow is \$1,785M, up 9%

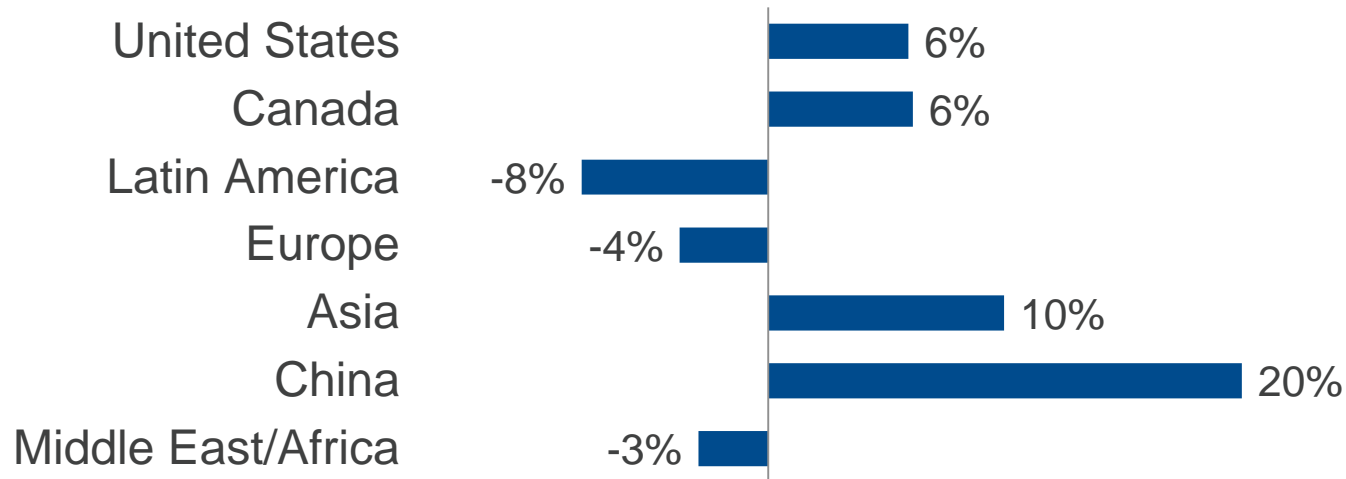
Returned to Growth and Delivered Strong Cash Flow
EPS Excluding V&C* was Flat

Third Quarter 2017 P&L Summary

<u>(\$M except EPS)</u>	<u>2016</u>	<u>2017</u>	<u>Chg.</u>	
Sales	\$3,674	\$4,039	10%	→ Underlying sales* +4%
Gross profit	\$1,593	\$1,678	5%	
% of sales	43.4%	41.5%	(190) bps	→ Approx. flat excluding V&C*
SG&A expense	(\$852)	(\$931)		
Other deductions, net	<u>(\$39)</u>	<u>(\$87)</u>		
EBIT*	\$702	\$660	(6%)	
% of sales*	19.1%	16.3%	(280) bps	→ (40) bps excluding V&C*, reflecting \$18M prior yr. gain
Shares	645.2	643.8		
EPS – Continuing Ops	\$0.68	\$0.63	(7%)	→ Includes (\$0.05) V&C impact (\$0.04) First year acquisition accounting charges (\$0.01) Operations
EPS	\$0.74	\$0.64	(14%)	

Third Quarter 2017 Underlying Sales

Underlying Sales* Change



Underlying sales*	4%
Acq/Div	7 pts
FX impact	(1) pt
Net sales	10%

**Trend of Improvement in Global Demand Continues
Most Notably in North America and Asia**

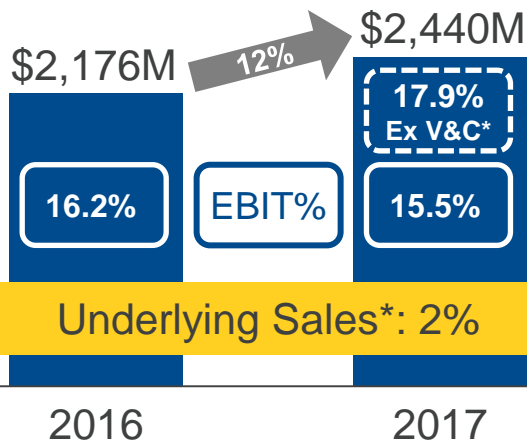
Third Quarter 2017

Business Segment Earnings & Cash Flow

<u>(\$M)</u>	<u>2016</u>	<u>2017</u>	<u>Chg.</u>	
Business segment EBIT*	\$738	\$780	6%	
% of sales*	20.1%	19.3%	(80) bps	→ 20.9%* excl. V&C, up 80 basis points
Accounting methods	\$47	\$38		
Corporate & other	(\$83)	(\$158)		→ Corp & other change includes:
Interest expense, net	<u>(\$46)</u>	<u>(\$39)</u>		<ul style="list-style-type: none"> • \$37M first year acquisition charges • \$13M higher acq/div related costs • Prior year \$18M dumping duty gain
Pretax earnings	\$656	\$621	(5)%	
% of sales	17.8%	15.4%	(240) bps	
Operating cash flow <i>from continuing operations</i>	\$628	\$774	23%	
Capital expenditures	<u>(\$91)</u>	<u>(\$106)</u>	17%	
Free cash flow* <i>from continuing operations</i>	\$537	\$668	24%	→ YTD June Free Cash Flow* increased \$142M, +11%
Trade working capital	\$2,534	\$3,204		
% of sales	17.3%	19.4%	210 bps	→ Excluding V&C, TWC% improved 1.2 pts to 16.1%

Third Quarter 2017 Automation Solutions

Reported Sales



T3M Orders

April	0 to 5%
May	5 to 10%
June	5 to 10%

Sales % Chg. vs. PY

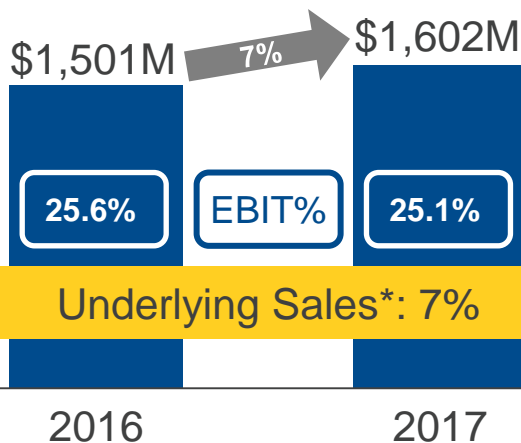
NA	6%
Asia	6%
<i>China</i>	13%
Europe	(5%)
LAM	(17%)
MEA	(2%)
FX Impact	(1) pt
Acq Impact	11 pts

- MRO, optimization and small project spend is improving across most geographies and end markets
- Improving trends in North American energy related markets; Canada returned to growth in the quarter
- Favorable trends continue in discrete markets, particularly in Asia and Europe
- Margin excluding V&C increased 170* basis points driven by cost reductions and leverage on higher volume

Demand was Broad-Based Across Our End Markets and Supports Updated 2017 Underlying Sales Outlook of Down 1 to 2%

Third Quarter 2017 Commercial & Residential Solutions

Reported Sales



T3M Orders

April	0 to 5%
May	5 to 10%
June	5 to 10%

Sales % Chg. vs. PY

NA	6%
Asia	17%
<i>China</i>	32%
Europe	1%
LAM	7%
MEA	(6%)
FX/Acq Impact	0 pts

- Strong demand in global air conditioning and refrigeration markets, favorable conditions in construction related markets
- North American growth driven by
 - Mid-teens growth in U.S. residential HVAC
 - Industrial refrigeration
 - Professional tools for oil & gas and construction markets
- Asia growth driven by China commercial and residential HVAC
- Margin decreased 50 bps versus prior year. Sequentially, Q3 margin improved 140 bps and leveraged at ~40%

The Business Executed a Strong Third Quarter and Demand Outlook Supports the Expectation for 5% to 6% Sales Growth in 2017

Solutions Approach and Key Growth Programs are Delivering Above-Market Growth in Many Areas

Residential Home Comfort

- 100% China Heat Pump growth as preferred option to coal furnace
- Next generation Two-Stage Modulated Solution launched with US OEMs – “comfort at a value”
- New Sensi Touch Wi-Fi Thermostat launched for premium tier product growth
- Ramping partnership with European Heat Pump OEM

Energy Efficient Commercial Buildings

- AC rooftop retrofits improving efficiency & building comfort – Transformative Wave drives, monitoring & diagnostics
- Simple management tools for small & medium buildings that build on our Sensi, ProAct & Transformative Wave portfolio

Food Quality & Safety Across the Cold Chain

- Launched ProAct Cargo business – transport temperature sensors, remote monitoring and compliance reporting
- Grind2Energy food waste management for commercial kitchens - subscription service with real-time data analytics
- Leveraging plumbing pressing expertise into refrigeration applications via a strategic fittings partnership

**Current Premium to Market Growth is 1+ pt.
Target is to Deliver Average ~1 pt. Premium Over the Next Five Years**

Fiscal Year 2017 Outlook

Guidance Update

No change to ~1% underlying sales growth target

Expect to exceed cash target

Raising EPS guidance, reflecting strong operational performance and favorable order trends

- **Net Sales Growth ~5%**
 - Automation Solutions 4% – 5%
 - Commercial & Residential Solutions 5% – 6%
- **Underlying Sales* Growth ~1%**
 - Automation Solutions* (1%) – (2%)
 - Commercial & Residential Solutions* 5% – 6%
- **Operating Cash Flow \$2.5B+**
- **GAAP EPS \$2.48 to \$2.52**
 - Includes ~(\$0.15) impact from V&C acquisition
 - (\$0.10) first year acquisition accounting charges for inventory and backlog amortization
 - (\$0.05) impact of operations, incl. intangibles amortization
- **Adjusted EPS* \$2.58 to \$2.62**
 - Includes (\$0.05) impact V&C operations; Excludes (\$0.10) first year acquisition accounting charges
 - Prior guidance **\$2.50 to \$2.60⁽¹⁾** on a comparable basis

(1) EPS guidance provided last quarter was \$2.55 to \$2.65, which excluded the impact of the Valves & Controls acquisition

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)

	Auto Solns	Comm & Res Solns	Emerson
Q3 2017 Underlying Sales Change			
Reported (GAAP)	12%	7%	10%
Unfavorable FX	1%	1%	1%
Acquisitions	(11)%	(1)%	(7)%
Underlying*	2%	7%	4%
Current Guidance - Full Year Expected 2017 Underlying Sales Change	Auto Solns	Comm & Res Solns	Emerson
Reported (GAAP)	4 - 5%	5 - 6%	~ 5%
Acquisitions	(6)%	-	~ (4)%
Underlying*	(2) - (1)%	5 - 6%	~ 1%
Gross Profit	Q3 FY16	Q3 FY17	Change
Gross profit margin (GAAP)	43.4%	41.5%	(190) bps
Valves & Controls impact	-	1.8%	180 bps
Gross profit margin excluding Valves & Controls*	43.4%	43.3%	(10) bps

The outlook contained herein represents the Company's expectations for its consolidated results from continuing operations, and excludes the results of discontinued operations and any impact from the divestiture of ClosetMaid, expected to close in the fourth quarter.

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

Reconciliation of Non-GAAP Measures

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(dollars in millions)

EBIT	Q3 FY16	Q3 FY17	Change
Pretax earnings (GAAP)	\$ 656	\$ 621	(5)%
<i>% of sales</i>	17.8%	15.4%	(240) bps
Interest expense, net	46	39	(1)%
<i>% of sales</i>	1.3%	0.9%	(40) bps
EBIT*	\$ 702	\$ 660	(6)%
<i>% of sales</i>	19.1%	16.3%	(280) bps
Valves & Controls impact	-	2.4%	240 bps
EBIT margin excluding Valves & Controls*	19.1%	18.7%	(40) bps

Q3 Earnings Per Share	Q3 FY16	Q3 FY17	Change
Earnings per share from continuing operations (GAAP)	\$ 0.68	\$ 0.63	(7)%
Valves & Controls impact	-	0.05	7%
Earnings per share from continuing operations excluding Valves & Controls*	\$ 0.68	\$ 0.68	-

Reconciliation of Non-GAAP Measures

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(dollars in millions)

	Previous Guidance FY17E	Current Guidance FY17E	
Earnings Per Share			
Earnings per share from continuing operations (GAAP)	\$2.40 - \$2.50	\$2.48 - \$2.52	
Valves & Controls first year acquisition accounting charges	~ \$0.10	~ \$0.10	
Earnings per share from continuing operations excluding Valves & Controls first year acquisition accounting charges*	\$2.50 - \$2.60	\$2.58 - \$2.62	
Valves & Controls operations	~ \$0.05	~ \$0.05	
Earnings per share from continuing operations excluding Valves & Controls	\$2.55 - \$2.65	\$2.63 - \$2.67	
 Business Segment EBIT	 Q3 FY16	 Q3 FY17	 Change
Pretax margin (GAAP)	17.8%	15.4%	(240) bps
Corp. & other, differences in accounting methods & interest	2.3%	3.9%	160 bps
Business segment EBIT margin*	20.1%	19.3%	(80) bps
Valves & Controls impact	-	1.6%	160 bps
Business segment EBIT margin excluding Valves & Controls*	20.1%	20.9%	80 bps

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(dollars in millions)

Automation Solutions Segment EBIT Margin

	<u>Q3 FY16</u>	<u>Q3 FY17</u>	<u>Change</u>
Automation Solutions Segment EBIT margin (GAAP)	16.2%	15.5%	(70) bps
Valves & Controls impact	-	2.4%	240 bps
Automation Solutions Segment EBIT margin excluding Valves & Controls*	16.2%	17.9%	170 bps

Cash Flow

	<u>9 Months Ended June 30,</u>		<u>Change</u>
	<u>2016</u>	<u>2017</u>	
Operating cash flow (GAAP)	\$ 1,644	\$ 1,785	\$141, 9%
Capital expenditures	(301)	(300)	\$1, 2%
Free cash flow*	\$ 1,343	\$ 1,485	\$142, 11%

Free Cash Flow to Net Earnings

	<u>3 Months Ended June 30, 2017</u>	<u>9 Months Ended June 30, 2017</u>
Operating cash flow from continuing operations to net earnings from continuing operations (GAAP)	185%	152%
Capital expenditures and Valves & Controls impact	(43)%	(31)%
Free cash flow from continuing operations to net earnings from continuing operations, excluding Valves & Controls*	142%	121%