

First Quarter 2017 Earnings Conference Call

February 7, 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.

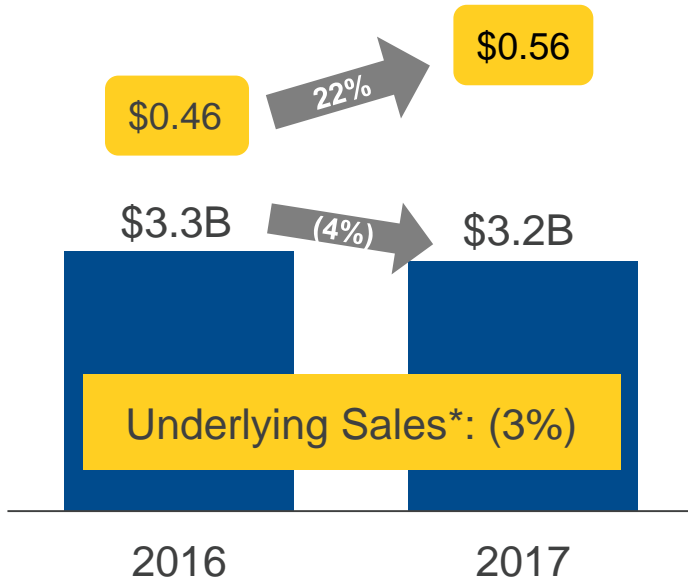
Non-GAAP Measures

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.



First Quarter 2017

Revenue and EPS



T3M Orders

November	-10 to -5%
December	-5 to 0%
January Est	0 to 5%

Summary

- Mixed but generally improving global economic conditions in the quarter
 - Automation spending remained down as a result of low oil prices, but trends are improving
 - Favorable HVACR, U.S. and Asian construction markets
- Earnings per share from continuing operations increased 22% to \$0.56
- Improved profitability primarily due to savings from prior year restructuring actions
- Operating cash flow from continuing operations increased 6% to \$410M

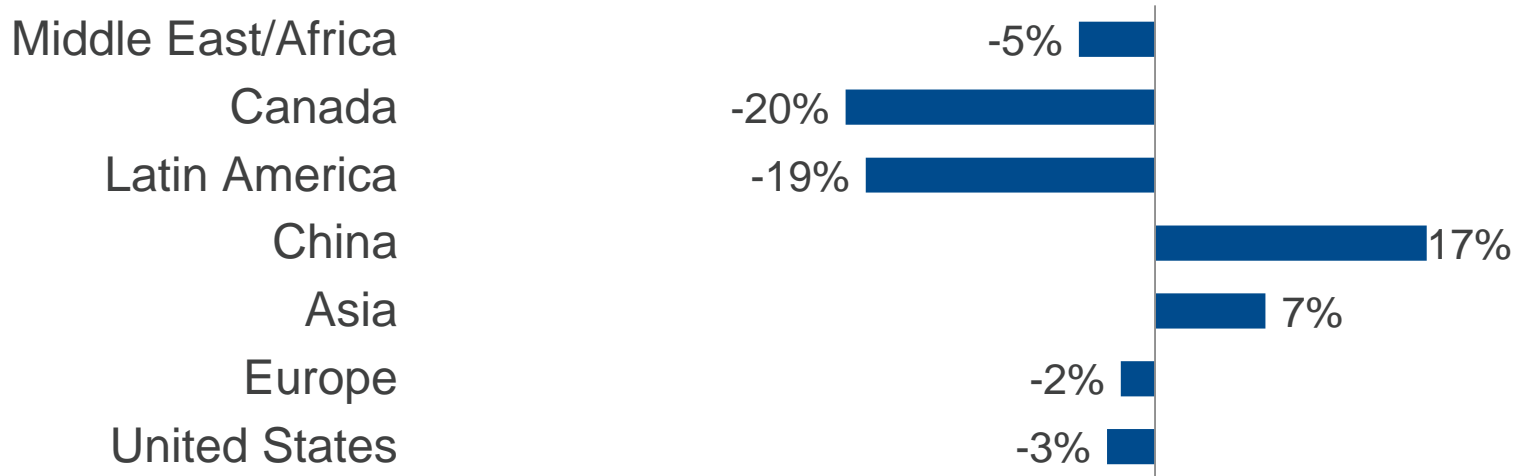
First Quarter Results Exceeded Expectations

First Quarter 2017 P&L Summary

<u>(\$M excl. EPS)</u>	<u>2016</u>	<u>2017</u>	<u>Chg.</u>	
Sales	\$3,337	\$3,216	(4%)	→ Underlying sales* down (3%)
Gross profit	\$1,414	\$1,365	(3%)	
% of sales	42.4%	42.4%	- bps	→ Benefit of cost reduction and containment actions
SG&A expense	(\$879)	(\$822)		
Other deductions, net	<u>(\$54)</u>	<u>(\$33)</u>		
EBIT*	\$481	\$510	6%	
% of sales*	14.4%	15.8%	140 bps	→ EBIT margin up 140 basis points
Shares	652.5	644.3		
EPS – Continuing Ops	\$0.46	\$0.56	22%	→ \$0.07 income tax benefit
EPS	\$0.53	\$0.48	(9%)	

First Quarter 2017

Underlying Sales* Change



Underlying sales*	(3%)
Acq/Div	- pts
FX impact	(1) pts
Net sales	(4%)

**Generally Improving Conditions - -
Most Notably in U.S., Asia and Western Europe**

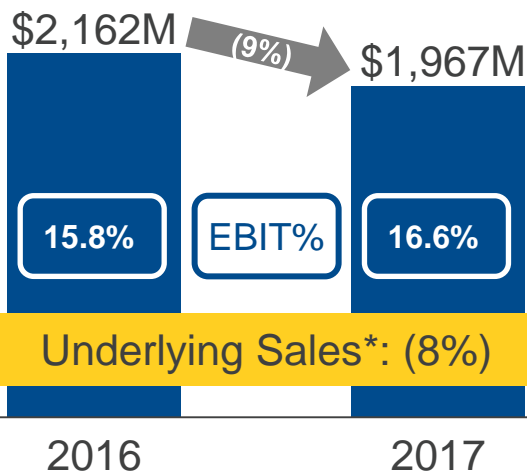
First Quarter 2017

Business Segment Earnings & Cash Flow

<u>(\$M)</u>	<u>2016</u>	<u>2017</u>	<u>Chg.</u>	
Business segment EBIT*	\$559	\$575	3%	
% of sales*	16.7%	17.9%	120 bps	→ Segment margin up 120 basis points driven by benefits from prior year restructuring actions
Accounting methods	\$44	\$33		
Corporate & other	(\$122)	(\$98)		→ Favorable comparisons on stock compensation (\$26M)
Interest expense, net	<u>(\$47)</u>	<u>(\$46)</u>		
Pretax earnings	\$434	\$464	7%	
% of sales	13.0%	14.4%	140 bps	
Operating cash flow <i>from continuing operations</i>	\$386	\$410	6%	
Capital expenditures	<u>(\$124)</u>	<u>(\$100)</u>	(20%)	→ Appropriate level of capital spending
Free cash flow* <i>from continuing operations</i>	\$262	\$310	19%	
Trade working capital	\$2,466	\$2,369		
% of sales	18.5%	18.4%	(10 bps)	→ Strong trade working capital management

First Quarter 2017 Automation Solutions

Reported Sales



T3M Orders

November	-15 to 10%
December	-10 to -5%
January Est	~0%

Sales % Chg. vs. PY

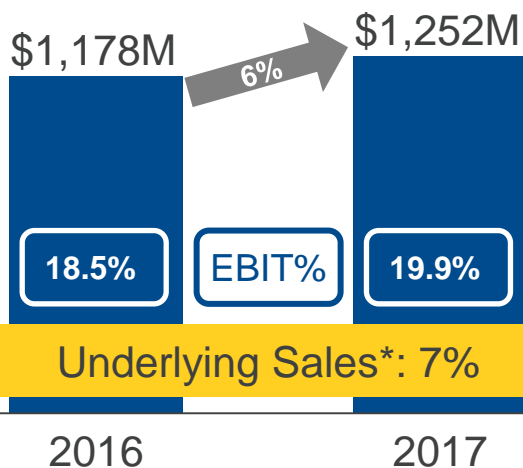
NA	(11%)
Asia	(2%)
<i>China</i>	4%
Europe	(5%)
LAM	(29%)
MEA	3%
FX Impact	(1) pt

- Spending in energy related and general industrial markets remains at low levels, but improving
- Power, chemical and life sciences markets continue to provide growth
- Improving MRO spending will benefit 2nd and 3rd quarters
- Margin increased 80 basis points primarily due to savings from restructuring actions

**Business Will Remain Under Pressure in Second Quarter - -
Continued Improvement in Served Markets During the Fiscal Year**

First Quarter 2017 Commercial & Residential Solutions

Reported Sales



Sales % Chg. vs. PY

NA	4%
Asia	26%
<i>China</i>	40%
Europe	7%
LAM	3%
MEA	(29%)
FX Impact	(1) pt

- Strong demand in global air conditioning and refrigeration markets, favorable conditions in U.S. and Asian construction markets
- NA growth led by U.S. residential and commercial air conditioning
- Broad strength in Asia HVAC
 - Energy-efficient solutions in China
- Margin improved 140 bps from volume leverage and savings from restructuring actions; Benefits of platform leverage

T3M Orders

November	5 to 10%
December	5 to 10%
<i>January Est</i>	<i>0 to 5%</i>

Favorable Conditions in HVACR and U.S. Construction Support Outlook for Low to Mid-Single Digit Growth in 2017

Fiscal Year 2017 Outlook

- First quarter results and recent orders trends support improving 2017 outlook - - The turn in orders is occurring one quarter sooner than expected
- Revised fiscal year 2017 guidance
 - Net sales remain at (1%) to (3%); Underlying sales* increased to 0% to (2%) excluding unfavorable currency translation of ~1%
 - Automation Solutions platform down (5%) to (7%); underlying sales* down (3%) to (5%) excluding unfavorable currency translation of ~2%
 - Commercial & Residential Solutions platform up 3% to 5%
 - Earnings per share raised to \$2.47 to \$2.62 from previous \$2.35 to \$2.50
 - Includes \$0.07 income tax benefit from the first quarter
 - Excludes impact of pending acquisition of Pentair's Valves & Controls business
- Operating cash flow from continuing operations expected to be ~\$2.5B, flat to the prior year

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)

	Emerson	Auto Solns	Comm & Res Solns
Q1 2017 Underlying Sales Change			
Reported (GAAP)	(4)%	(9)%	6%
FX/Acq./Div.	1%	1%	1%
Underlying*	(3)%	(8)%	7%

	Q1 2016	Q1 2017	Change
EBIT			
Pretax earnings (GAAP)	\$ 434	464	7%
<i>% of sales</i>	13.0%	14.4%	140 bps
Interest expense, net	47	46	(1)%
<i>% of sales</i>	1.4%	1.4%	-
EBIT*	\$ 481	510	6%
<i>% of sales*</i>	14.4%	15.8%	140 bps

The Commercial & Residential Solutions business includes the results of both our Climate Technologies and Tools & Home Products segments

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 results attributable to the pending acquisition of the Pentair Valves & Controls business.