



First Quarter 2019 Earnings Conference Call

February 5, 2019

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the second quarter and remainder of the 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, including, among others, the impact of the Tax Cuts and Jobs Act, are provided in our most recent Annual Report on Form 10-K and subsequent reports 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 2019 Results

SUMMARY

Demand in-line with management expectations

- Automation Solutions +7% underlying*; growth across all world areas
- Commercial & Residential Solutions (1%) underlying* and was +7% excluding the Climate Asia business
- December 3-month underlying orders +7%

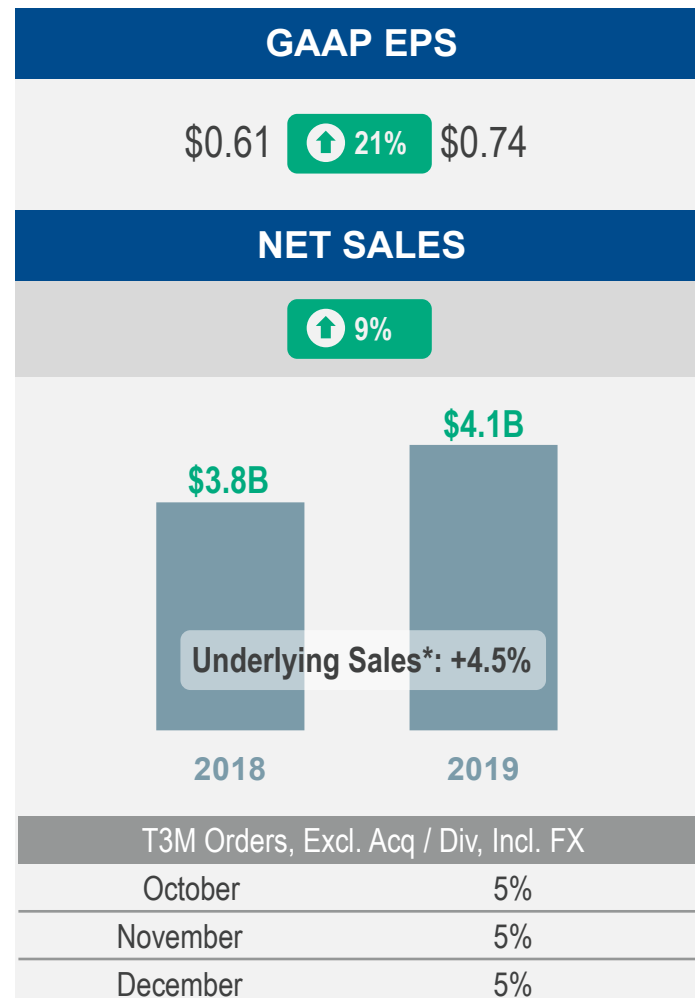
EPS was \$0.74, stronger than expected

- Helped by lower incentive comp and tax rate
- Raised 2019 EPS guidance

Operating cash flow \$323M, down \$124M due to timing items. Full year target intact.

Repurchased \$0.8B shares, \$1B through January

Closed A.E. Valves and GE Intelligent Platforms acquisitions



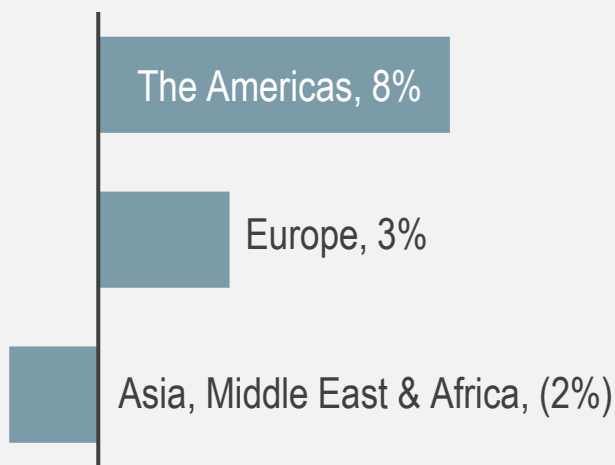
THE FIRST QUARTER WAS A SOLID START, AND EMERSON IS ON-TRACK TO DELIVER A STRONG 2019

First Quarter 2019, P&L Summary

| (\$M EXCEPT EPS) | 2018 | 2019 | Chg. | |
|-----------------------|---------------|---------------|----------|---|
| Sales | \$3,816 | \$4,147 | 9% | Underlying sales* +4.5% |
| Gross profit | \$1,614 | \$1,761 | 9% | |
| % of sales | 42.3% | 42.5% | +20 bps | |
| SG&A expense | (\$995) | (\$1,077) | | |
| Other deductions, net | <u>(\$78)</u> | <u>(\$50)</u> | | +\$13 Foreign currency +\$11 Pension |
| EBIT* | \$541 | \$634 | 17% | |
| % of sales* | 14.2% | 15.3% | +110 bps | |
| Tax Rate | 21.6% | 20.9% | | ~3 pts of favorable discrete items |
| Shares | 640.5 | 627.8 | | |
| GAAP EPS | \$0.61 | \$0.74 | 21% | Driven by solid underlying growth, lower incentive compensation and taxes |

First Quarter 2019, Underlying Sales

UNDERLYING SALES CHANGE



Congrats to our LatAm teams

DOUBLE DIGIT GROWTH!

Underlying sales*

4.5%

Acquisitions

6 pts

FX impact

(1.5) pts

Net sales

9%



STEADY DEMAND CONTINUED IN INDUSTRIAL MARKETS GLOBALLY;
ASIA DECLINED DUE TO SLOWER CHINA HEATING & AIR CONDITIONING MARKETS

First Quarter 2019, Business Segment Earnings & Cash Flow

| (\$M) | 2018 | 2019 | CHG. | |
|------------------------|---------|---------|-----------|---|
| Business segment EBIT* | \$638 | \$644 | 1% | |
| % of sales* | 16.7% | 15.6% | (110) bps | (50) bps excluding Aventics, Tools & Test acquisitions* |
| Accounting methods | \$51 | \$59 | | |
| Corporate & other | (\$148) | (\$69) | | +\$63M Incentive comp +\$25M Prior year acquisition accounting charges |
| Interest expense, net | (\$38) | (\$43) | | |
| Pretax earnings | \$503 | \$591 | 17% | |
| % of sales | 13.2% | 14.2% | +100 bps | |
| Operating cash flow | \$447 | \$323 | (28%) | Accounts payable, accruals timing, expected to reverse in 2019 |
| Capital expenditures | (\$96) | (\$155) | | Timing of large-scale facility projects to support growth |
| Free cash flow* | \$351 | \$168 | (52%) | |
| Trade working capital | \$2,843 | \$3,063 | | |
| % of sales | 18.6% | 18.5% | (10) bps | Improvement in Inventory and Receivables performance |

First Quarter 2019 Automation Solutions

UNDERLYING SALES CHANGE VS. PY

| | |
|----------------------------|---------|
| The Americas | 8% |
| Europe | 3% |
| Asia, Middle East & Africa | 8% |
| Automation Solutions | 7% |
| FX Impact | (2) pts |
| Acq Impact | 4 pts |
| Reported Sales | 9% |

Strong orders and sales with emerging markets outpacing mature markets

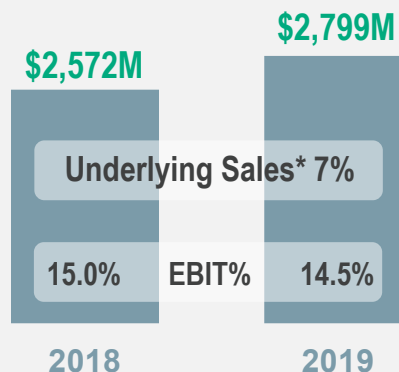
Upstream, chemical, midstream and metals & mining were particularly strong

Modest backlog build at December 31

Margin (50) bps including 60 bps dilution from the Aventics acquisition. Impacted by timing of investments and tariff mitigation actions.

REPORTED SALES

↑ 9%



T3M Orders, Excl. Acq / Div, Incl. FX

October 5 to 10%

November 10%

December 5 to 10%

December 3-month underlying orders were up 12%



**BROAD-BASED GROWTH CONTINUED ACROSS THE WORLD AREAS
DRIVEN MAINLY BY STRONG MRO SPEND AND BROWNFIELD PROJECTS**

First Quarter 2019 Commercial & Residential Solutions

UNDERLYING SALES CHANGE VS. PY

| | |
|------------------------------------|---------|
| The Americas | 8% |
| Europe | 3% |
| Asia, Middle East & Africa | (23%) |
| Commercial & Residential Solutions | (1%) |
| FX Impact | (1) pts |
| Acq Impact | 9 pts |
| Reported Sales | 7% |

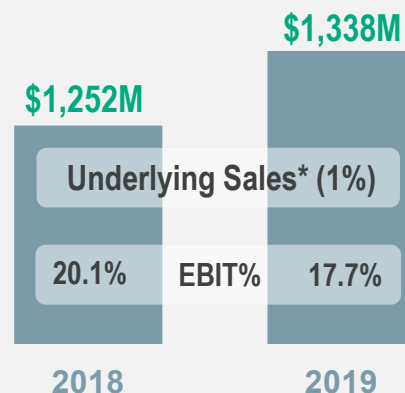
Asia, Middle East & Africa decline due to China heating and air conditioning markets. Professional tools and cold chain businesses remained strong.

Strong demand in North America HVAC, global cold chain and global professional tools markets.

Margin (240) bps including 90 bps dilution from the Tools & Test acquisition. Price-cost drove the decline, and is expected to improve through the year.

REPORTED SALES

↑ 7%



T3M Orders, Excl. Acq / Div, Incl. FX

October -5 to 0%

November -5%

December -5 to 0%

December 3-month underlying orders were down (2%)



ASIA HEATING AND AIR CONDITIONING DECLINE WAS IN-LINE WITH EXPECTATIONS; TRENDS ARE STABLE / IMPROVING

2019 Outlook

| | Earnings Call Nov 6, 2018 | Updated Guidance ¹ Feb 5, 2019 |
|--|------------------------------|--|
| Net Sales Growth | 6% to 9% | 7% to 10% |
| Automation Solutions | 6% to 9% | 7% to 10% |
| Commercial & Residential Solutions | 8% to 10% | 8% to 10% |
| Underlying Sales* Growth | 4% to 7% | 4% to 7% |
| Automation Solutions | 5% to 8% | 5% to 8% |
| Commercial & Residential Solutions | 3% to 5% | 3% to 5% |
| GAAP EPS | \$3.55 to \$3.70 | \$3.60 to \$3.75 |
| Tax Rate | 25% | 24 to 25% |
| Operating Cash Flow | \$3.2B | \$3.2B |
| Capex | \$650M | \$650M |
| Free Cash Flow Conversion* | >100% | >100% |
| Q2 Sales Growth Net / Underlying* | | ~10% / ~6.5% |
| Q2 GAAP EPS | - N/A - | \$0.84 +/- \$0.02 |
| % change vs. PY | | +11% |

Incl. (\$0.02)
for GE and
A.E. Valves
acquisitions

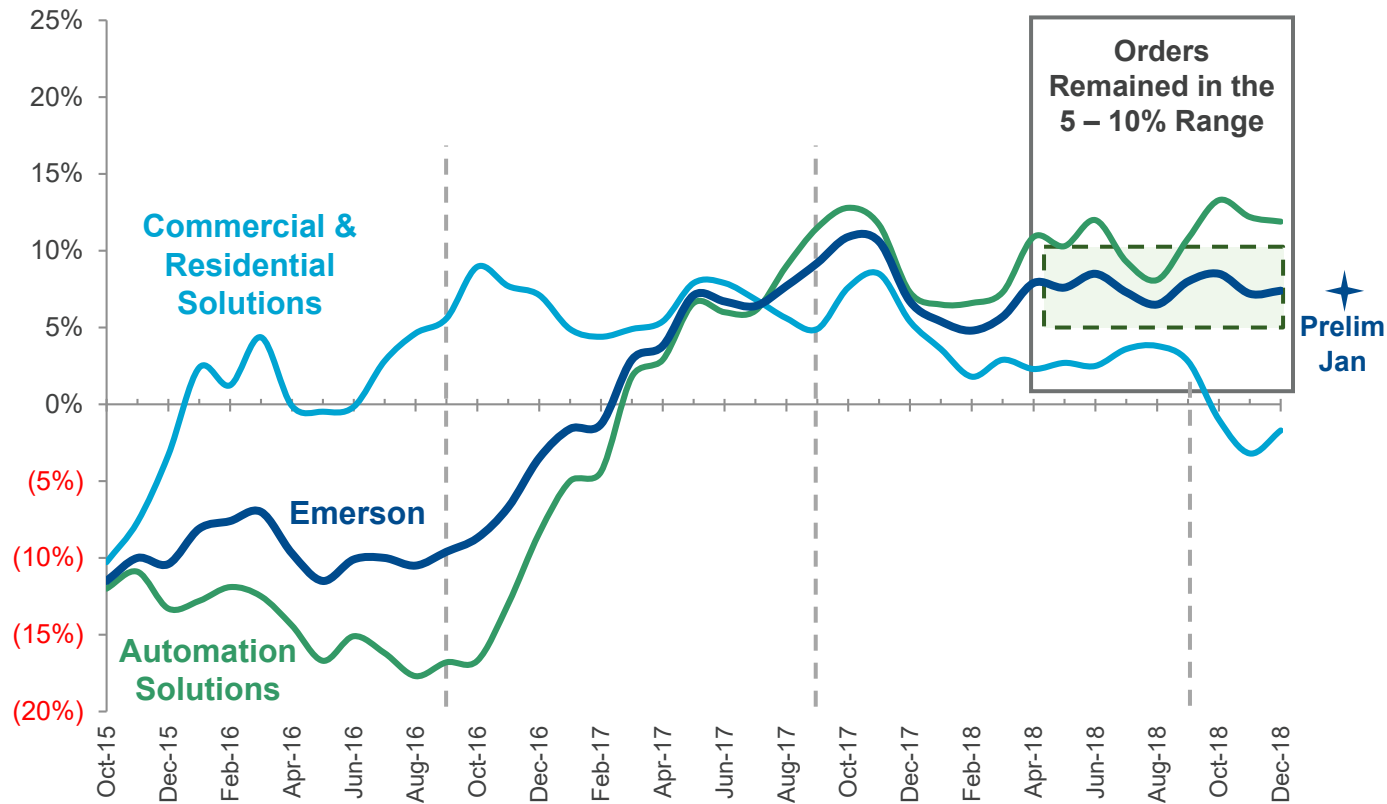
¹Updated Guidance includes impact of recent acquisitions A.E. Valves (closed Dec 2018) and GE Intelligent Platforms (closed Jan 2019)



**ABSORBING THE DILUTIVE IMPACT OF RECENT ACQUISITIONS AND RAISING EPS
GUIDANCE ON STRONG Q1 RESULTS**

Total Emerson Underlying Order Trends

Trailing 3-Month Average vs. Prior Year



Orders data includes the Valves & Controls acquisition results on a pro forma basis for all periods. The acquisition closed April 28, 2017.



UNDERLYING ORDERS MOMENTUM CONTINUED INTO THE FIRST QUARTER AND PRELIMINARY JANUARY RESULTS

Automation Solutions Q1 2019 Underlying Orders

Estimated December Trailing 3-Month Average vs. Prior Year

GROWTH BY END MARKET

| Underlying Orders | Q1'19 |
|---------------------------------|----------|
| Upstream | 15%+ |
| Midstream Pipelines & Terminals | 15%+ |
| Refining | 0 – 5% |
| LNG | 10 – 15% |
| Chemical | 10% |
| Power | Flat |
| Metals & Mining | 15%+ |
| Life Sciences | 5 – 10% |
| Discrete | 5 – 10% |

GROWTH BY WORLD AREA

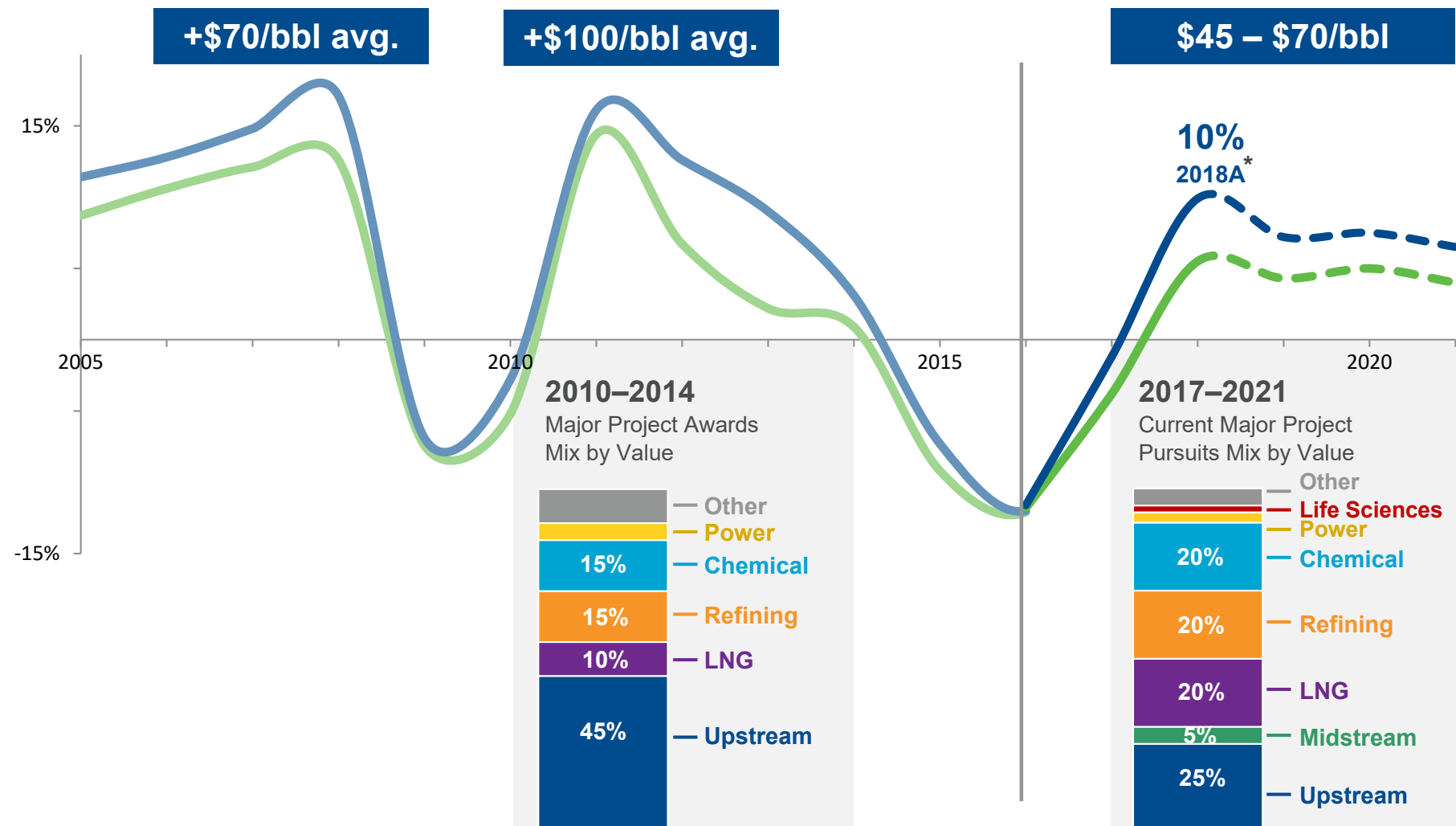
| Underlying Orders | Q1'19 |
|-----------------------------|-------------|
| Americas | 10 – 15% |
| Europe | 5 – 10% |
| Asia, Middle East & Africa | 10% |
| Automation Solutions | +12% |



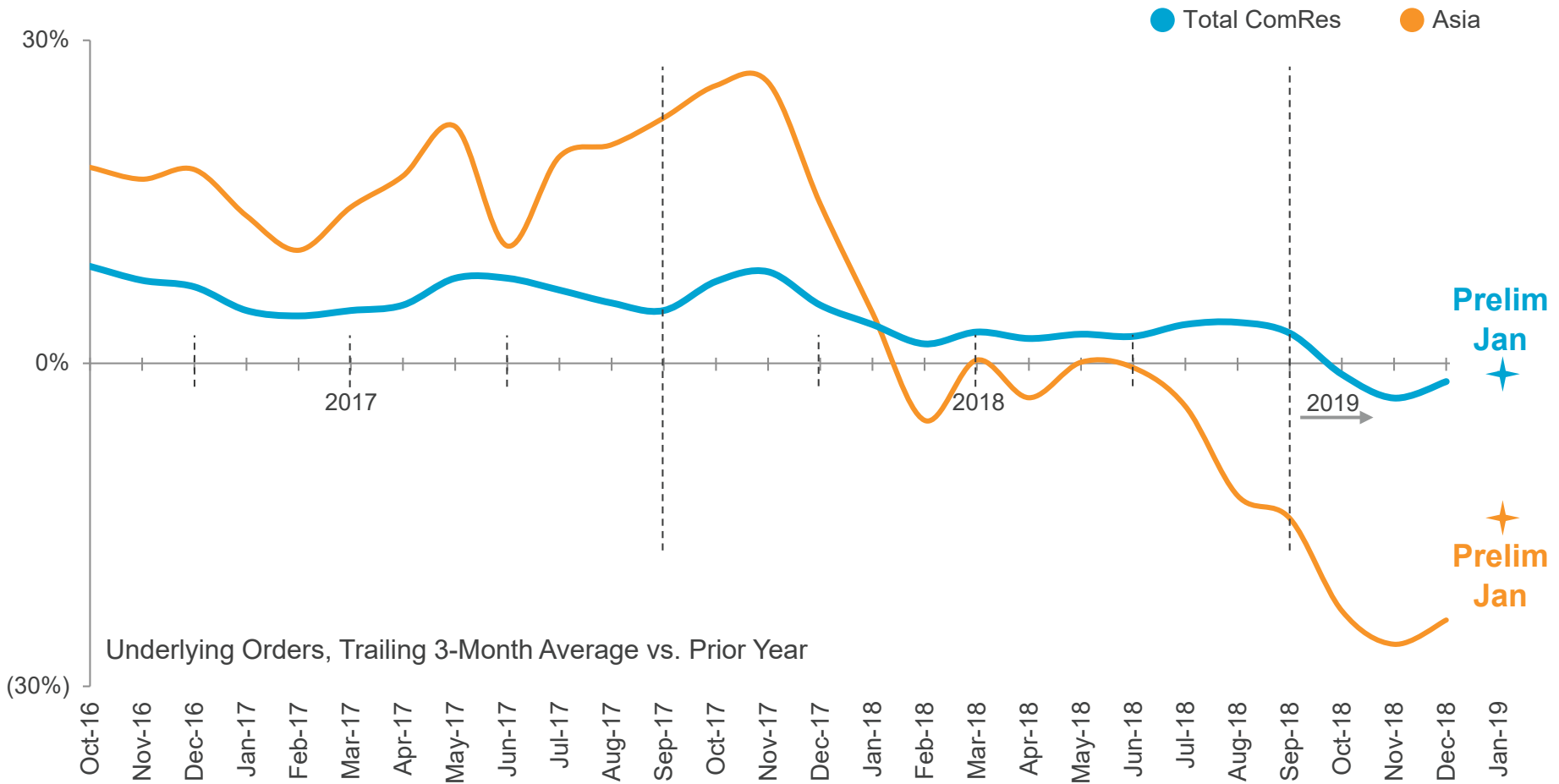
FIRST QUARTER UNDERLYING ORDERS GROWTH WAS BROAD-BASED AND STRONG ACROSS ALL WORLD AREAS

Prior Cycles Were Shaped by \$70–\$100/Barrel Oil; Broader-based Business and Growth this Cycle

● Emerson Process Management Underlying Sales Growth ● Emerson Automation Solutions Underlying Sales Growth ● Market Growth



Commercial & Residential Solutions Asia Underlying Orders Coming off the Bottom

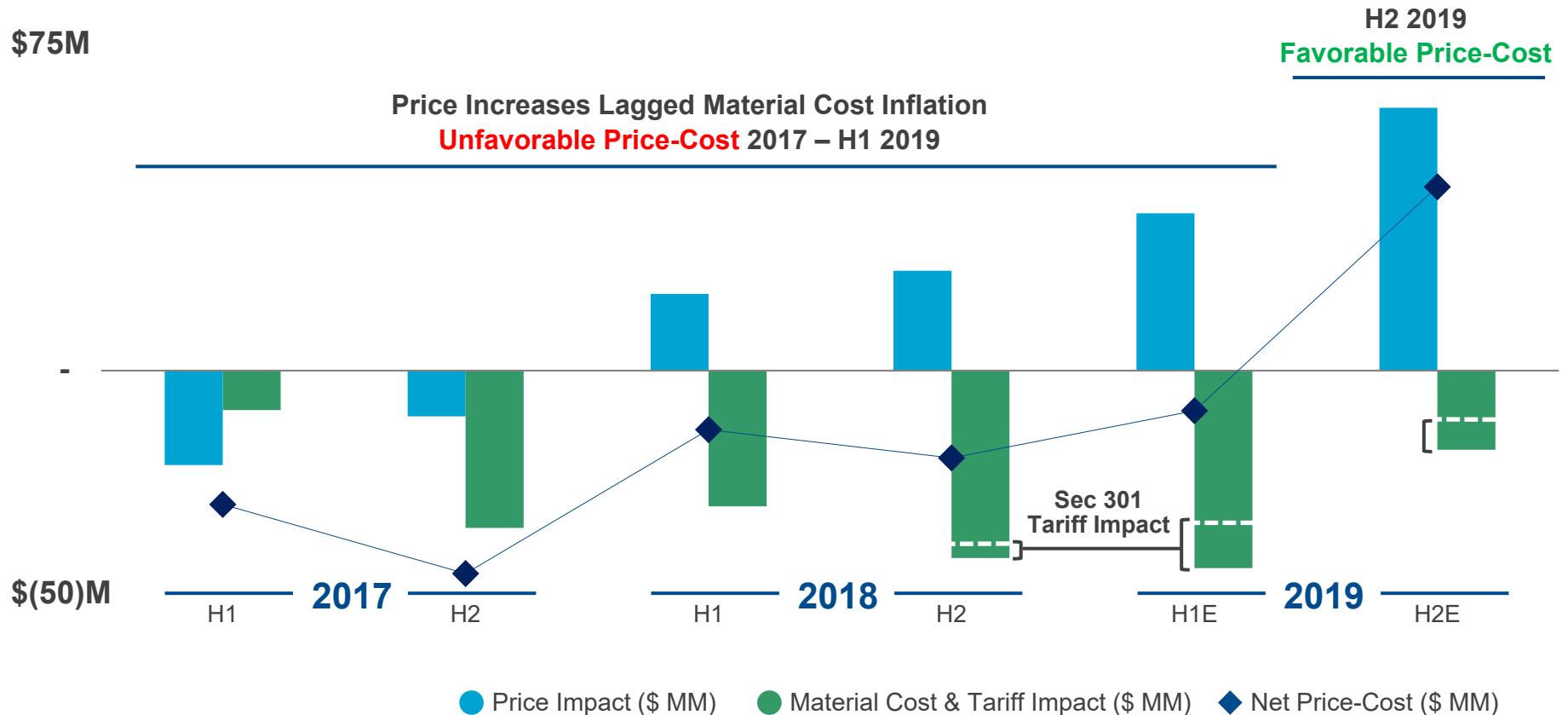


Underlying Orders, Trailing 3-Month Average vs. Prior Year



PRELIM JANUARY ORDERS 'NOSE UP' AND EASING COMPS SUPPORT
RETURN TO GROWTH IN THE SECOND HALF OF 2019

Commercial & Residential Solutions Price-Cost Expected to Turn Positive in Second Half of 2019



➤ JANUARY 1 PRICE INCREASES AND MODERATING COST PRESSURES DRIVE OVER 100 BASIS POINTS OF MARGIN IN THE SECOND HALF OF 2019

GE Intelligent Platforms Acquisition Provides a Solid PLC Technology and Installed Base

KEY FACTS & BACKGROUND

| | |
|-----------------------|--|
| FOUNDED | 1981 |
| HEADQUARTERS | Charlottesville, VA |
| KEY LOCATIONS | Augsburg (DE), Bangalore (IN), Shanghai (CN) |
| EMPLOYEES | 650 |
| EST. INSTALLED | Base:~\$2B |
| 2017 SALES | \$210M |

| | | |
|-------------------------|--------------|--------------------|
| EMR 2019E Impact | Sales EPS | \$125M (\$0.03) |
|-------------------------|--------------|--------------------|

TECHNOLOGY DIFFERENTIATORS



Ruggedness



Reliability

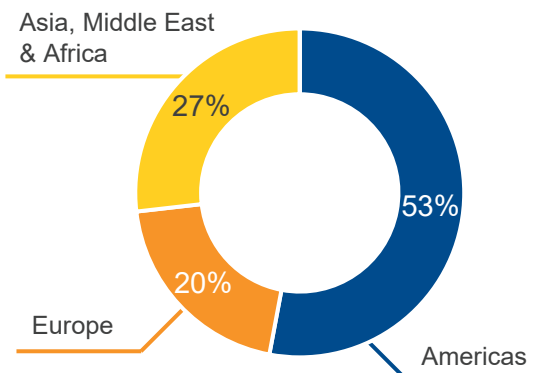


Cybersecurity

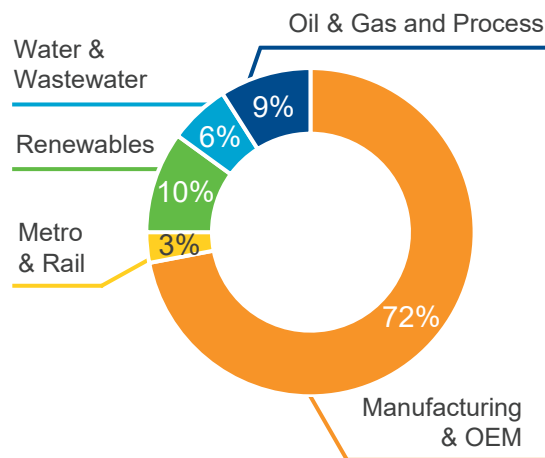


Optimization & Analytics

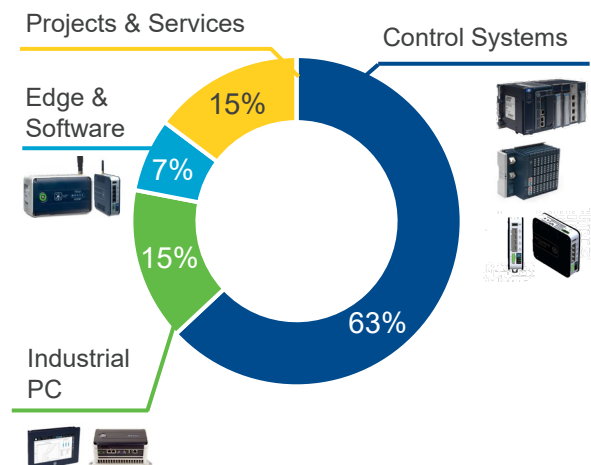
SALES BY GEOGRAPHY



SALES BY INDUSTRY



SALES BY PRODUCT



➤ Mike Train will Present Control Strategy at Our February 14 Investor Conference

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)

Q1 2019 Underlying Sales Change

| |
|---|
| Reported (GAAP) |
| (Favorable) / Unfavorable FX |
| Acquisitions |
| Underlying* |
| Climate Technologies Asia impact |
| Underlying excluding Climate Technologies Asia* |

| | Auto Solns | Comm & Res Solns | Emerson |
|--|-------------------|---------------------------------|----------------|
| | 9% | 7% | 9% |
| | 2% | 1% | 1.5% |
| | <u>(4)%</u> | <u>(9)%</u> | <u>(6)%</u> |
| | 7% | (1)% | 4.5% |
| | | <u>8%</u> | |
| | | 7% | |

FY 2019E Underlying Sales Change

| |
|------------------------------|
| Reported (GAAP) |
| (Favorable) / Unfavorable FX |
| Acquisitions |
| Underlying* |

| | Auto Solns | Comm & Res Solns | Emerson |
|--|-------------------|---------------------------------|----------------|
| | 7 - 10% | 8 - 10% | 7 - 10% |
| | ~ 2% | ~ 1% | ~ 2% |
| | <u>~ (4)%</u> | <u>~ (6)%</u> | <u>~ (5)%</u> |
| | 5 - 8% | 3 - 5% | 4 - 7% |

FY 2019E November Prior Guidance Underlying Sales Change

| |
|------------------------------|
| Reported (GAAP) |
| (Favorable) / Unfavorable FX |
| Acquisitions |
| Underlying* |

| | Auto Solns | Comm & Res Solns | Emerson |
|--|-------------------|---------------------------------|----------------|
| | ~ 6 - 9% | ~ 8 - 10% | ~ 6 - 9% |
| | ~ 2% | ~ 1% | ~ 2% |
| | <u>~ (3)%</u> | <u>~ (6)%</u> | <u>~ (4)%</u> |
| | ~ 5 - 8% | ~ 3 - 5% | ~ 4 - 7% |

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)

Q2 2019E Guidance Underlying Sales Change

| | <u>Emerson</u> |
|------------------------------|----------------|
| Reported (GAAP) | ~ 10% |
| (Favorable) / Unfavorable FX | ~ 3% |
| Acquisitions | ~ (6.5)% |
| Underlying* | ~ 6.5% |

FY 2018 Underlying Sales Change

| | <u>Auto Solns</u> |
|------------------------------|-------------------|
| Reported (GAAP) | 21% |
| (Favorable) / Unfavorable FX | (1)% |
| Acquisitions | (10)% |
| Underlying* | 10% |

EBIT

| | <u>Q1 FY18</u> | <u>Q1 FY19</u> | <u>Change</u> |
|-------------------------------------|----------------|----------------|---------------|
| Pretax earnings (GAAP) | \$ 503 | \$ 591 | 17% |
| Interest expense, net | 38 | 43 | - |
| Earnings before interest and taxes* | \$ 541 | \$ 634 | 17% |

EBIT Margin

| | <u>Q1 FY18</u> | <u>Q1 FY19</u> | <u>Change</u> |
|--|----------------|----------------|---------------|
| Pretax margin (GAAP) | 13.2% | 14.2% | 100 bps |
| Interest expense, net | 1.0% | 1.1% | 10 bps |
| Earnings before interest and taxes margin* | 14.2% | 15.3% | 110 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)

Business Segment EBIT

| | <u>Q1 FY18</u> | <u>Q1 FY19</u> | <u>Change</u> |
|---|----------------|----------------|------------------|
| Pretax margin (GAAP) | 13.2% | 14.2% | 100 bps |
| Corp. & other, differences in accounting methods & interest expense, net % of sales | 3.5% | 1.4% | (210) bps |
| Business segment EBIT margin* | <u>16.7%</u> | <u>15.6%</u> | <u>(110) bps</u> |
| Aventics and Tools & Test acquisitions impact | - | 0.6% | 60 bps |
| Business segment EBIT margin excluding Aventics and Tools & Test acquisitions* | <u>16.7%</u> | <u>16.2%</u> | <u>(50) bps</u> |

Cash Flow

| | <u>Q1 FY18</u> | <u>Q1 FY19</u> | <u>Change</u> | <u>FY19E</u> |
|----------------------------|----------------|----------------|---------------|-------------------|
| Operating cash flow (GAAP) | \$ 447 | \$ 323 | (28)% | \$ ~ 3,200 |
| Capital expenditures | (96) | (155) | (24)% | (650) |
| Free cash flow* | <u>\$ 351</u> | <u>\$ 168</u> | <u>(52)%</u> | <u>\$ ~ 2,500</u> |

Cash Flow to Net Earnings Conversion

| | <u>FY19E</u> |
|---------------------------------------|--------------------|
| Operating cash flow conversion (GAAP) | ~ 140% |
| Capital expenditures | ~ (40) |
| Free cash flow conversion* | <u>> ~ 100%</u> |

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.