

An offshore oil rig structure is visible in the background, featuring a complex network of white and yellow metal beams and ladders. Two workers in orange protective suits and hard hats are walking on a platform in the distance. The foreground is dominated by a large stack of dark, threaded metal pipes, with several pipes lying horizontally and others stacked vertically. The sky is a clear, pale blue.

Second Quarter 2018 Earnings Conference Call

May 1, 2018

Safe Harbor Statement

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

Second Quarter 2018 Results

SUMMARY

Strong market conditions continued. Both business platforms delivered solid underlying growth.

- Underlying orders have stayed in the 5-10% expected range
- Both mature and emerging market underlying sales grew high-single digits

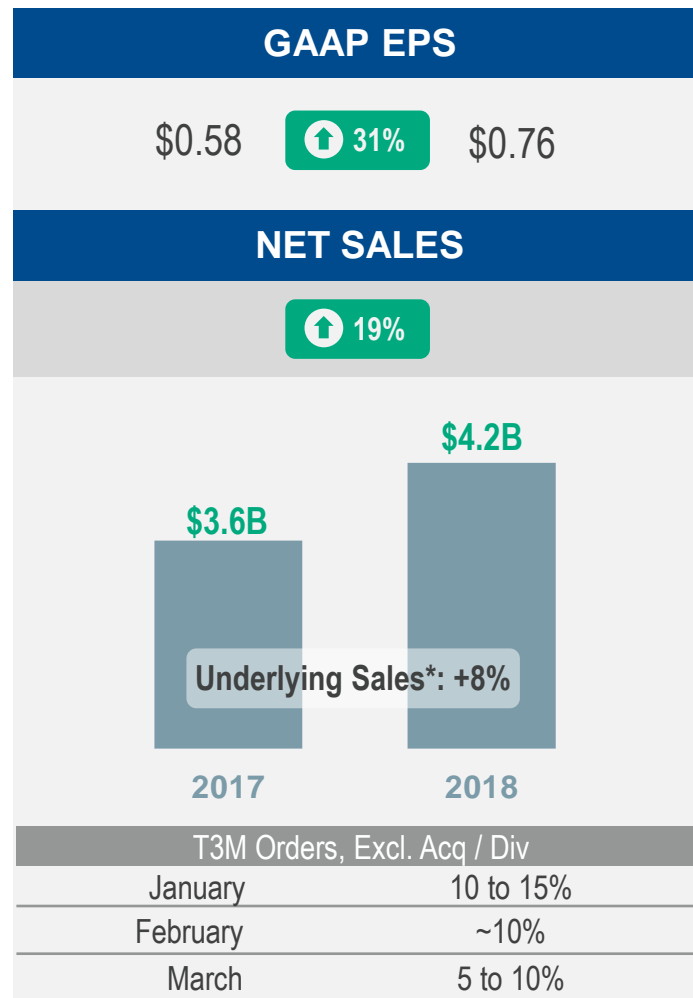
Margins improved, driven by leverage and prior year cost actions. Price/cost was neutral.

- Gross margin was 43.0%, down (60) bps, or up +40 bps without V&C*
- EBIT margin without V&C* was up 170 bps to 18.7%; solid margin on incremental sales

GAAP EPS was \$0.76, up 31%

Generated \$497M of operating cash flow from continuing operations, 12% of sales

Returned more than \$550M to shareholders



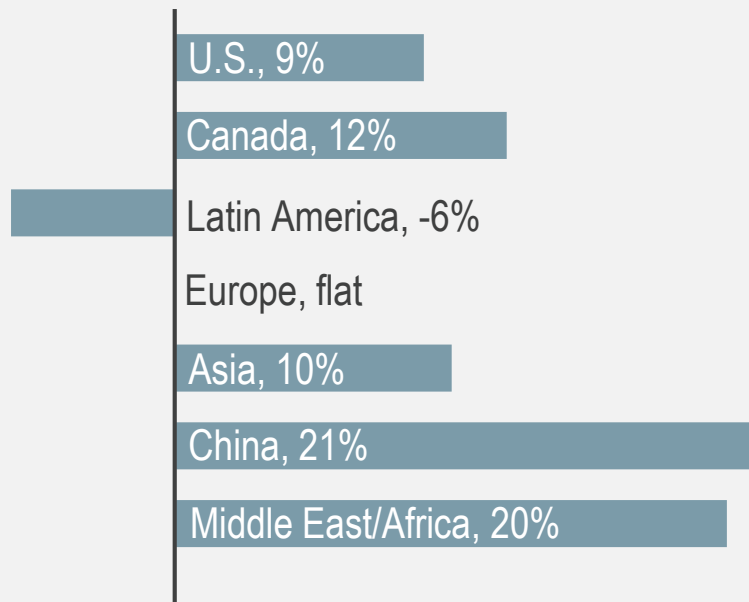
MOMENTUM IN OUR END MARKETS CONTINUED IN THE SECOND QUARTER
STRONG UNDERLYING GROWTH AND MARGIN IMPROVEMENT

Second Quarter 2018, P&L Summary

(\$M EXCEPT EPS)	2017	2018	Chg.	
Sales	\$3,574	\$4,248	19%	Underlying sales* +8%
Gross profit	\$1,557	\$1,825	17%	
% of sales	43.6%	43.0%	(60) bps	+40 bps excluding V&C*
SG&A expense	(\$868)	(\$1,032)		
Other deductions, net	<u>(\$83)</u>	<u>(\$99)</u>		Higher intangibles amortization
EBIT*	\$606	\$694	15%	
% of sales*	17.0%	16.3%	(70) bps	+170 bps excluding V&C*
Shares	644.8	636.0		
GAAP EPS, Continuing Ops	\$0.58	\$0.76	31%	
GAAP EPS	\$0.45	\$0.76	69%	Includes discontinued operations in Q2 '17

Underlying Sales Second Quarter and First Half 2018

Q2 UNDERLYING SALES* CHANGE



Underlying sales*	8%
Acq/Div	8 pts
FX impact	3 pts
Net sales	19%

FIRST HALF UNDERLYING SALES* CHANGE

8%
13%
-1%
flat
12%
22%
9%
8%
8 pts
3 pts
19%



**+8% UNDERLYING SALES GROWTH IN THE SECOND QUARTER AND FIRST HALF
STRONG MOMENTUM IN BOTH MATURE AND EMERGING MARKETS**

Second Quarter 2018, Business Segment Earnings & Cash Flow

(\$M)	2017	2018	CHG.	
Business segment EBIT*	\$673	\$785	17%	
% of sales*	18.8%	18.5%	(30) bps	20.1% excl. V&C*, up +130 bps
Accounting methods	\$35	\$55		
Corporate & other	(\$102)	(\$146)		Increased acq/div related costs
Interest expense, net	<u>(\$41)</u>	<u>(\$36)</u>		
Pretax earnings	\$565	\$658	16%	
% of sales	15.8%	15.5%	(30) bps	
Operating cash flow <i>from continuing operations</i>	\$601	\$497	(17%)	Higher sales level drives increased inventory and receivables
Capital expenditures	(\$94)	(\$98)		
Free cash flow* <i>from continuing operations</i>	\$507	\$399	(21%)	
Trade working capital	\$2,442	\$3,336		
% of sales	17.1%	19.6%	+250 bps	Excluding V&C, TWC% up 30 basis points to 17.4%

Second Quarter 2018 Automation Solutions

UNDERLYING SALES CHANGE VS. PY

North America	16%
Asia	7%
<i>China</i>	20%
Europe	(1%)
Latin America	(10%)
Middle East/Africa	29%
Automation Solutions	10%
FX Impact	4 pts
Acq Impact	17 pts

Underlying sales growth of 10% reflected continued momentum in both mature and emerging markets.

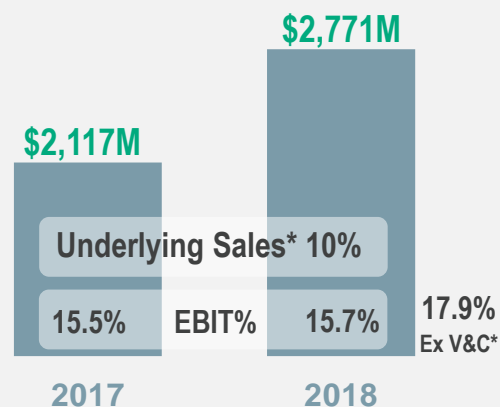
North American growth was broad-based, with particular strength in oil and gas and chemical markets.

Growth in China was strong across process, hybrid and discrete markets.

Margin increased +20 bps. Excluding V&C,* margin increased +240 bps.

REPORTED SALES

↑ 31%



T3M Orders, Excl. Acq / Div

January	15 to 20%
February	10 to 15%
March	~10%



**BROAD-BASED STRENGTH DROVE 10% UNDERLYING SALES* GROWTH
INCREASED FULL-YEAR UNDERLYING SALES* OUTLOOK TO ~8%,
HIGH-END OF PREVIOUS GUIDANCE RANGE**

Second Quarter 2018 Commercial & Residential Solutions

UNDERLYING SALES CHANGE VS. PY

North America	1%
Asia	17%
<i>China</i>	22%
Europe	5%
Latin America	flat
Middle East/Africa	(4%)
Commercial & Residential Solutions	4%
FX Impact	2 pts
Acq/Div Impact	(4) pts

Asia strength continued to be broad-based, both in China and across the region.

N.A. air conditioning slowed due to cooler weather and timing of seasonal U.S. OEM inventory ramp.

Europe growth was driven by both HVACR and construction-related markets.

Margin (10) bps. as material inflation and unfavorable mix was partially offset by leverage, higher price, cost reduction actions, and aided by the ClosetMaid divestiture.

REPORTED SALES

↑ 2%

\$1,460M

\$1,483M

Underlying Sales* 4%

23.7%

EBIT%

23.6%

2017

2018

T3M Orders, Excl. Acq / Div

January	5 to 10%
February	0 to 5%
March	~5%



CONTINUED FAVORABLE TRENDS IN GLOBAL HVACR AND CONSTRUCTION-RELATED MARKETS SUPPORT 2018 UNDERLYING SALES* OUTLOOK OF ~5%

2018 Outlook

	Earnings Call Feb 6, 2018	Updated Guidance May 1, 2018
Net Sales Growth	11% to 13%	~13%
Automation Solutions	18% to 20%	~20%
Commercial & Residential Solutions	1% to 3%	~2%
Underlying Sales* Growth	5% to 7%	~7%
Automation Solutions	6% to 8%	~8%
Commercial & Residential Solutions	4% to 6%	~5%
GAAP EPS	\$3.05 to \$3.15	\$3.10 to \$3.20
% change vs. PY Cont. Ops.	20% to 24%	22% to 26%
Operating Cash Flow	\$2.9B	\$2.9B
Capex	~\$575M	~\$575M
Free Cash Flow Conversion*	~120%	~115%

Updated guidance does not include results of the Tools & Test acquisition, expected to close in Q4



INCREASED FULL-YEAR EPS AND SALES GUIDANCE REFLECTS STRONG FIRST HALF PERFORMANCE AND CONTINUED FAVORABLE DEMAND TRENDS

Tools & Test Acquisition Is a Strong Strategic Fit and has Cash Flow Improvement Runway

Desirable Target

Highly Respected Portfolio Complements Emerson's

- Iconic professional trade brands: Greenlee & Klauke
- Leading portfolio of Joining and Diagnostic technologies
- Consistent performance and cash flow generation, with room to improve

Strengthen Market Position

Complements Emerson's Leadership in Professional Tools Market

- Expands Emerson's addressable market ~\$2B
- Creates broadest tools offering for professional tradespeople
- Scales channel presence and customer footprint
- Improves geographic mix

Value Creation

Bolt-On Acquisition with Potential for Meaningful Value Creation

- Significant margin expansion opportunity
- Trade working capital and cash flow improvement
- 3 to 5% market growth with channel leverage and cross-selling synergies



ACQUISITION COMBINES ICONIC PROFESSIONAL TOOLS BRANDS – GREENLEE AND KLAUKE WITH EMERSON'S RIDGID – TO CREATE THE INDUSTRY'S BROADEST PORTFOLIO FOR PROS AND A LEADING POSITION GLOBALLY IN JOINING, DIAGNOSTIC, AND MAPPING TECHNOLOGIES

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)

	Auto Solns	Comm & Res Solns	Emerson
Q2 2018 Underlying Sales Change			
Reported (GAAP)	31%	2%	19%
FX	(4)%	(2)%	(3)%
Acquisitions/Divestitures	(17)%	4%	(8)%
Underlying*	10%	4%	8%

	Emerson
FY 2018 YTD Q2 Underlying Sales Change	
Reported (GAAP)	19%
FX	(3)%
Acquisitions/Divestitures	(8)%
Underlying*	8%

	Auto Solns	Comm & Res Solns	Emerson
FY 2018E <u>Updated Guidance</u> Underlying Sales Change			
Reported (GAAP)	~ 20%	~ 2%	~ 13%
FX	~ (3)%	~ (2)%	~ (2)%
Acquisitions/Divestitures	~ (9)%	~ 5%	~ (4)%
Underlying*	~ 8%	~ 5%	~ 7%

	Auto Solns	Comm & Res Solns	Emerson
FY 2018E <u>Prior Guidance</u> Underlying Sales Change			
Reported (GAAP)	18 - 20%	1 - 3%	11 - 13%
FX	~ (3)%	~ (2)%	~ (2)%
Acquisitions/Divestitures	~ (9)%	~ 5%	~ (4)%
Underlying*	6 - 8%	4 - 6%	5 - 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 FY17	Q2 FY18	Change
Gross Margin			
Gross margin (GAAP)	43.6%	43.0%	(60) bps
Valves & Controls impact	-	1.0%	100 bps
Gross margin excluding Valves & Controls*	43.6%	44.0%	40 bps
EBIT			
Pretax earnings (GAAP)	\$ 565	\$ 658	16%
Interest expense, net	41	36	(1)%
EBIT*	\$ 606	\$ 694	15%
EBIT Margin			
Pretax margin (GAAP)	15.8%	15.5%	(30) bps
Interest expense, net	1.2%	0.8%	(40) bps
EBIT margin*	17.0%	16.3%	(70) bps
Valves & Controls impact	-	2.4%	240 bps
EBIT margin excluding Valves & Controls*	17.0%	18.7%	170 bps
Business Segment EBIT			
Pretax margin (GAAP)	15.8%	15.5%	(30) bps
Corp. & other, differences in accounting methods & interest expense, net % of sales	3.0%	3.0%	- bps
Business segment EBIT margin*	18.8%	18.5%	(30) bps
Valves & Controls impact	-	1.6%	160 bps
Business segment EBIT margin excluding Valves & Controls*	18.8%	20.1%	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)

Automation Solutions Segment EBIT Margin	Q2 FY17	Q2 FY18	Change
Automation Solutions Segment EBIT margin (GAAP)	15.5%	15.7%	20 bps
Valves & Controls impact	-	2.2%	220 bps
Automation Solutions EBIT margin excluding Valves & Controls*	15.5%	17.9%	240 bps

Free Cash Flow Conversion	Prior Guidance FY18E	FY18E
Operating Cash Flow Conversion (GAAP)	> 150%	~ 145%
Capital Expenditures	~ (30)	~ (30)
Free Cash Flow Conversion*	> 120%	~ 115%

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.