

Electrical Products Group Conference

David N. Farr

Emerson Chairman and Chief Executive Officer

May 23, 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 presentation 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.*



2018 Outlook

Earnings Call May 1, 2018

Underlying Sales* Growth

Automation Solutions

Commercial & Residential Solutions

~7%

~8%

~5%

GAAP EPS

% change vs. PY Cont. Ops.

\$3.10 to \$3.20

22% to 26%

Operating Cash Flow

Capex

Free Cash Flow Conversion*

\$2.9B

~\$575M

~115%

Q3 Net Sales Growth / Underlying Growth*

~11% / ~7%

Q3 GAAP EPS

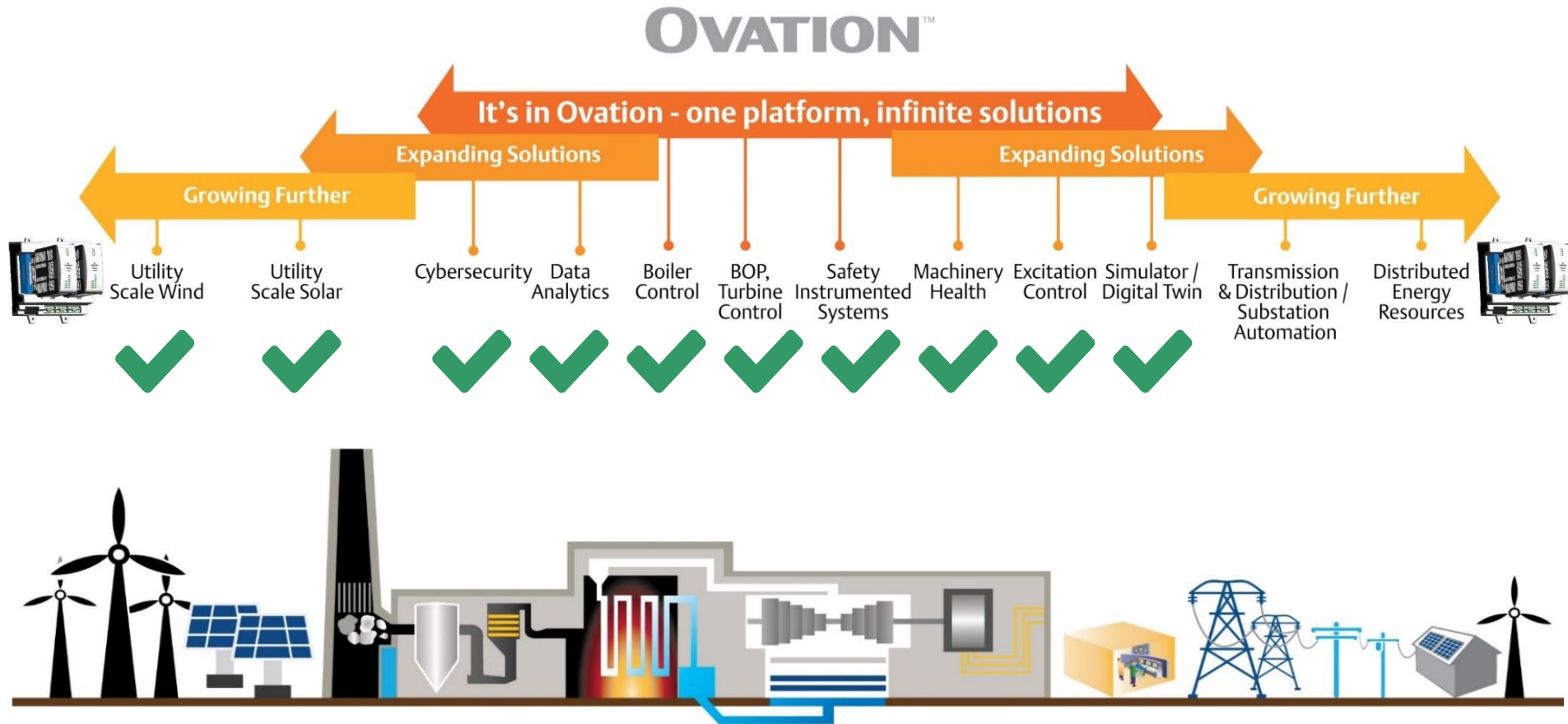
~**\$0.85**

% change vs. PY

35%

We Are Positioned to Deliver Strong Earnings and Cash Flow in 2018

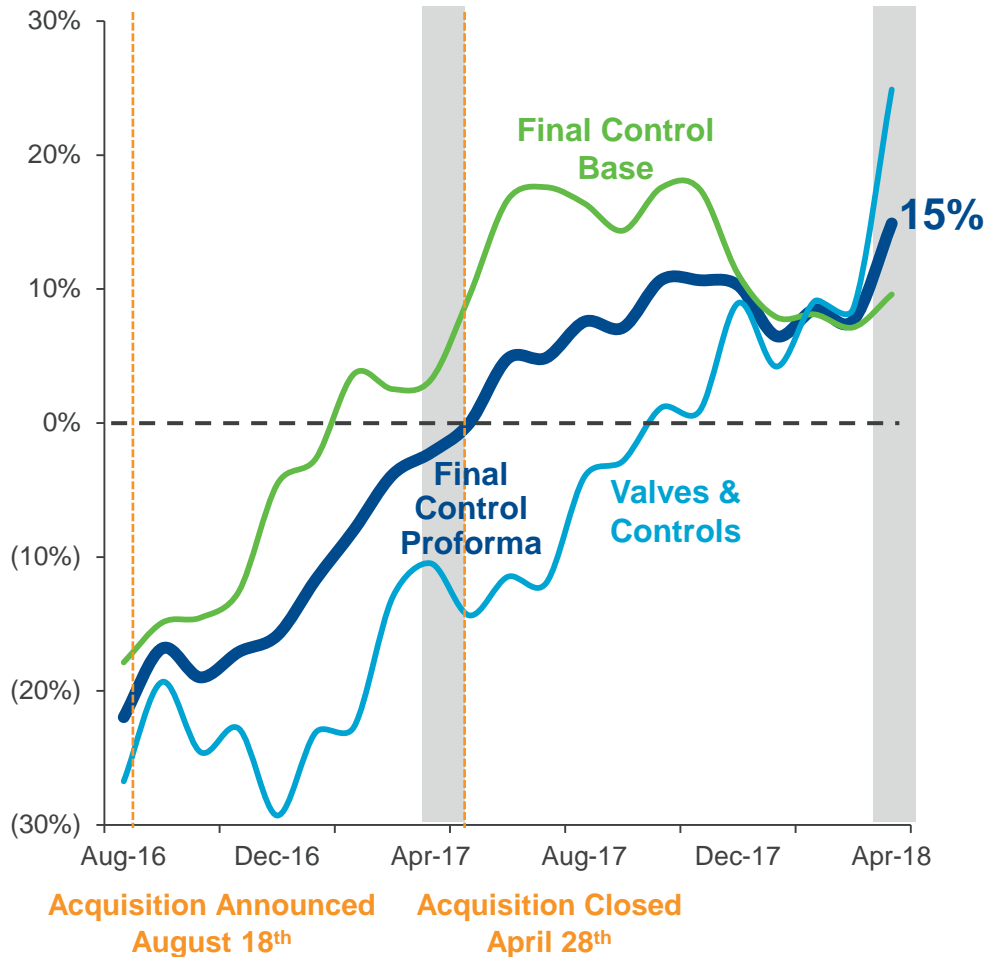
In Power Markets, We Continue to Strengthen Our DCS Platform, Ovation, to Expand Our Plant Footprint and Drive Into Adjacent Markets



Our Horizontal Expansion Strategy Enables Strong Participation in Plant Retrofits and Greenfield Projects -- Power Net Sales and Orders Grew in the 1st Half

Final Control Momentum Continues

April Trailing 3-Month Underlying Orders Were 15%

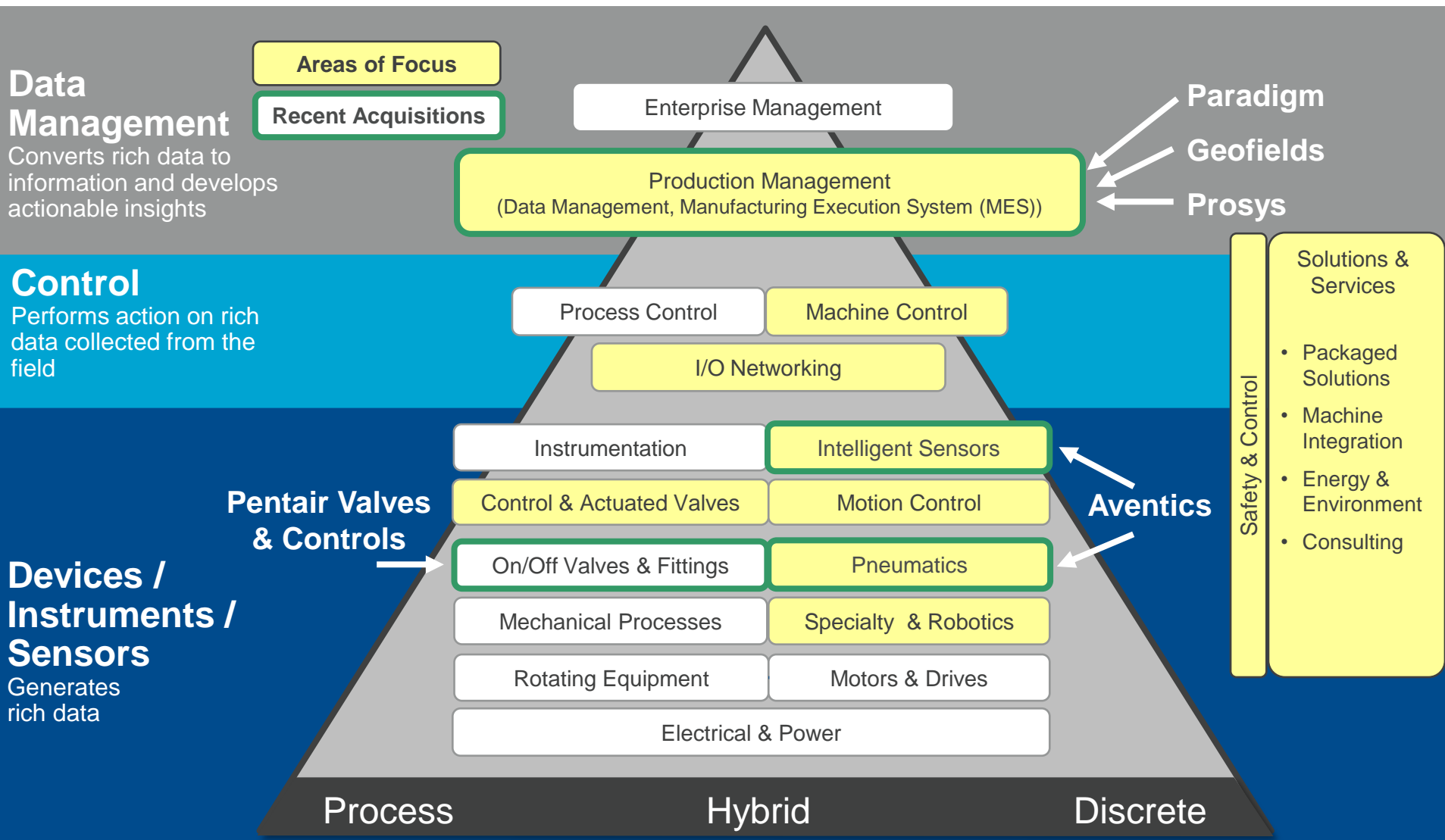


Valves & Controls Year 1 Accomplishments

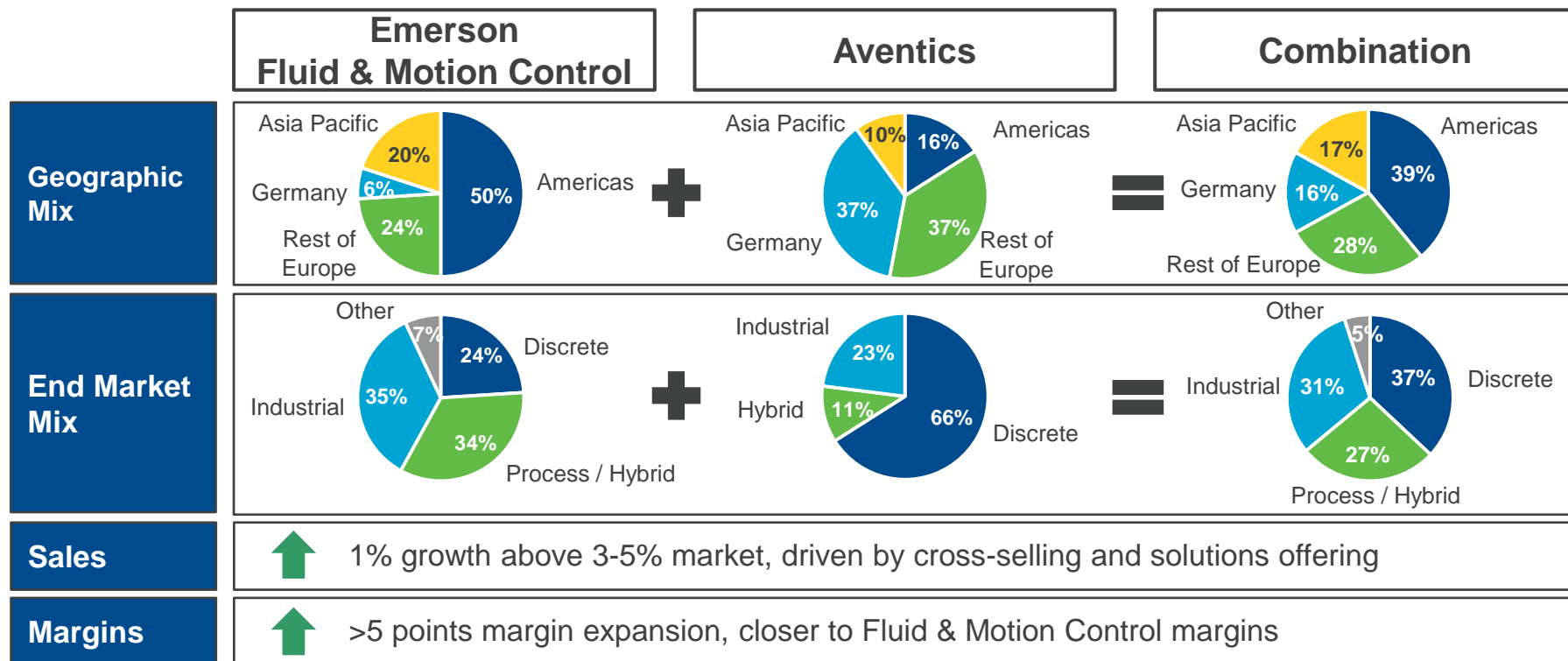
- **Main Valve Partner™** strategy launched; resulting in many 'combined portfolio' wins
- **Operating Model Transformation (OMT) unwind** successfully completed
- **\$17+M of supply chain synergy savings** negotiated
- **6 manufacturing facilities** closed or in progress; targeting **11 total facility closures** by the end of 2018
- Significant improvements in **service levels** achieved as we reduce overdue backlog
- Delivered **>\$150M of operating cash flow** in year one

Valves & Controls 3-Month Underlying Orders Have Been Positive Since October, Growth Programs Are Showing Traction and Integration Is on Track

Emerson Will Continue to Expand Automation Solutions' Capabilities



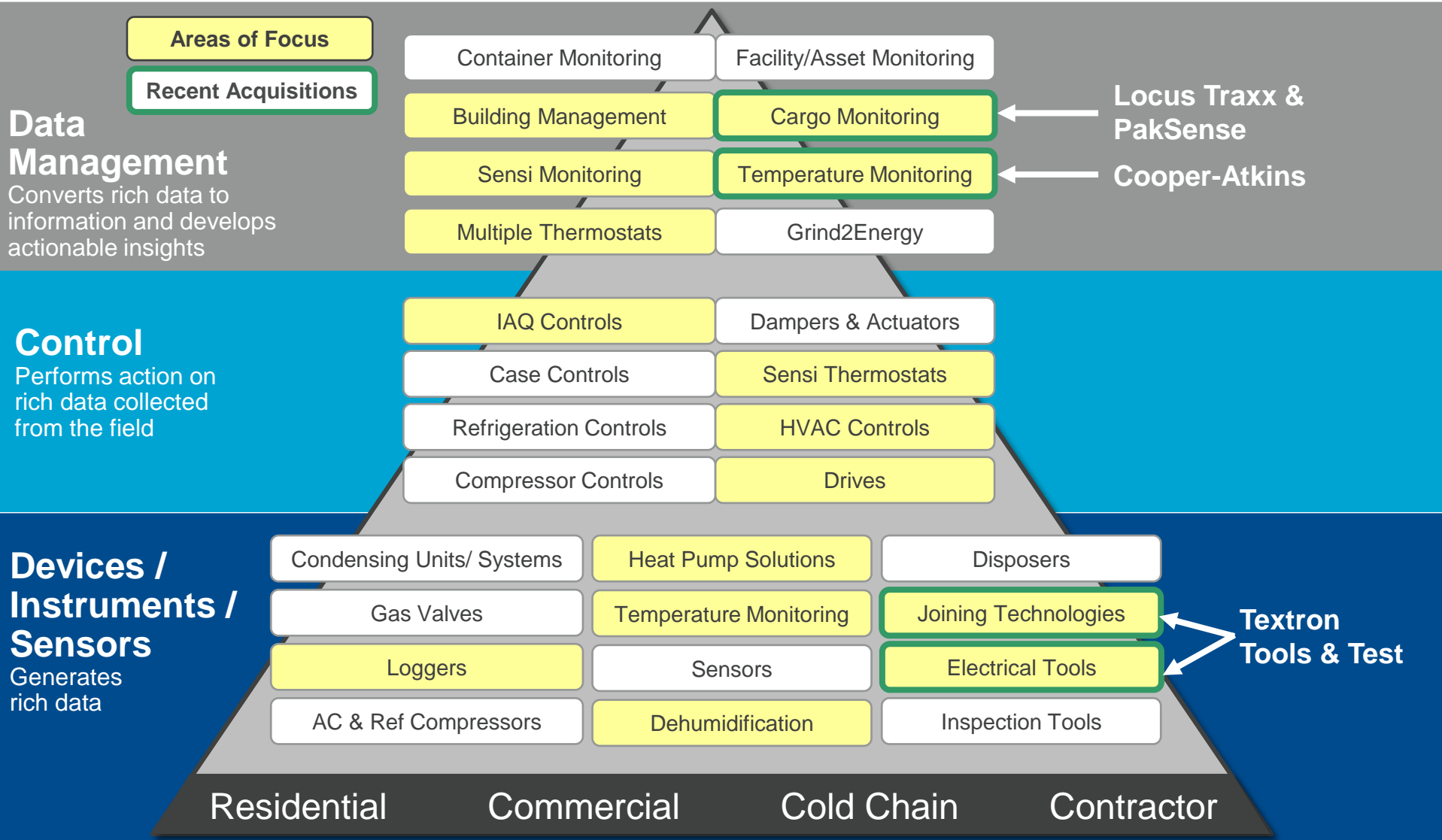
Aventics Synergies and Transaction Summary



Transaction Summary

- Cash purchase price €527M, ~12x 2018E EBITDA
- Slightly EPS accretive in 2019, excluding restructuring and acquisition accounting charges
- Preliminary amortization and acquisition accounting charges communicated after close
- Expected closing in fiscal Q4 2018

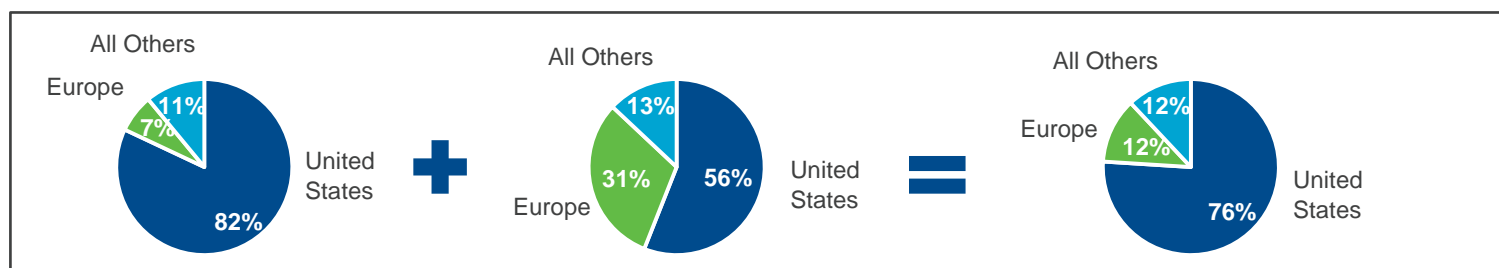
Emerson Will Continue to Expand Our Leadership in Commercial & Residential Solutions' Markets



Tools & Test Update -- Greenlee & Klauke

FY 2017	EMR Tools & Home Products ¹	Tools & Test	Meaningful Value Creation
Sales	\$1,645M	\$470M	<ul style="list-style-type: none"> ↑ Grow sales 1% above market
EBIT %	23%	11%	<ul style="list-style-type: none"> ↑ Drive to ~20% EBIT margin excluding amortization costs
Ops. CF	Tools & Test contributes ~\$100M of OPCF in 2022		<ul style="list-style-type: none"> ↓ Reduce TWC by \$25M - \$50M

Sales by Geography



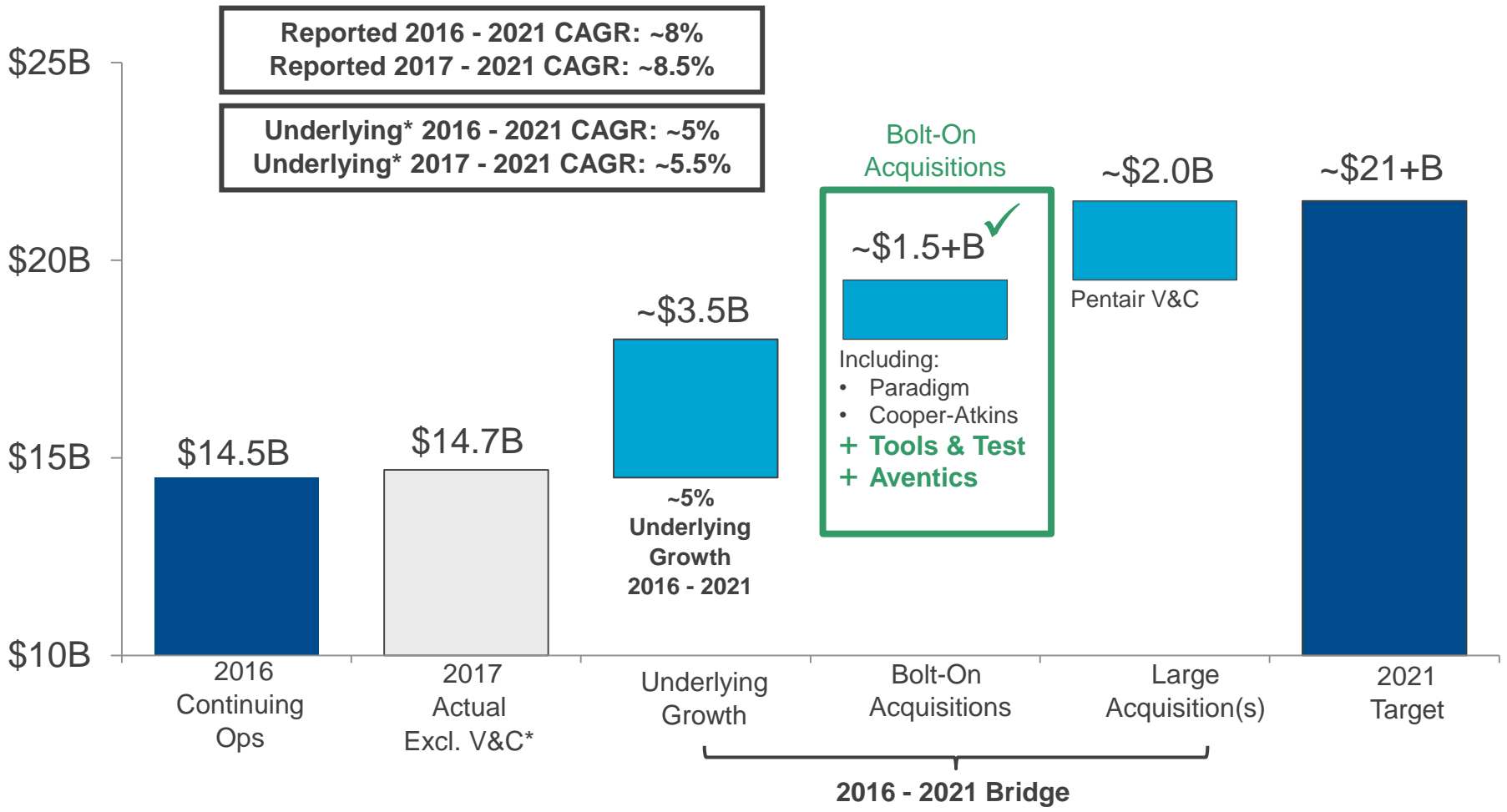
Transaction Update

- Expected closing June / July 2018
- Expected Q4 2018 one-time accounting charges of ~\$25M pre-tax, or ~(\$0.03) EPS impact
- Ongoing amortization (full year): ~\$25M
- Earnings and cash accretive in Fiscal 2019

**No change to 2018
GAAP EPS Guidance
of \$3.10 to \$3.20**

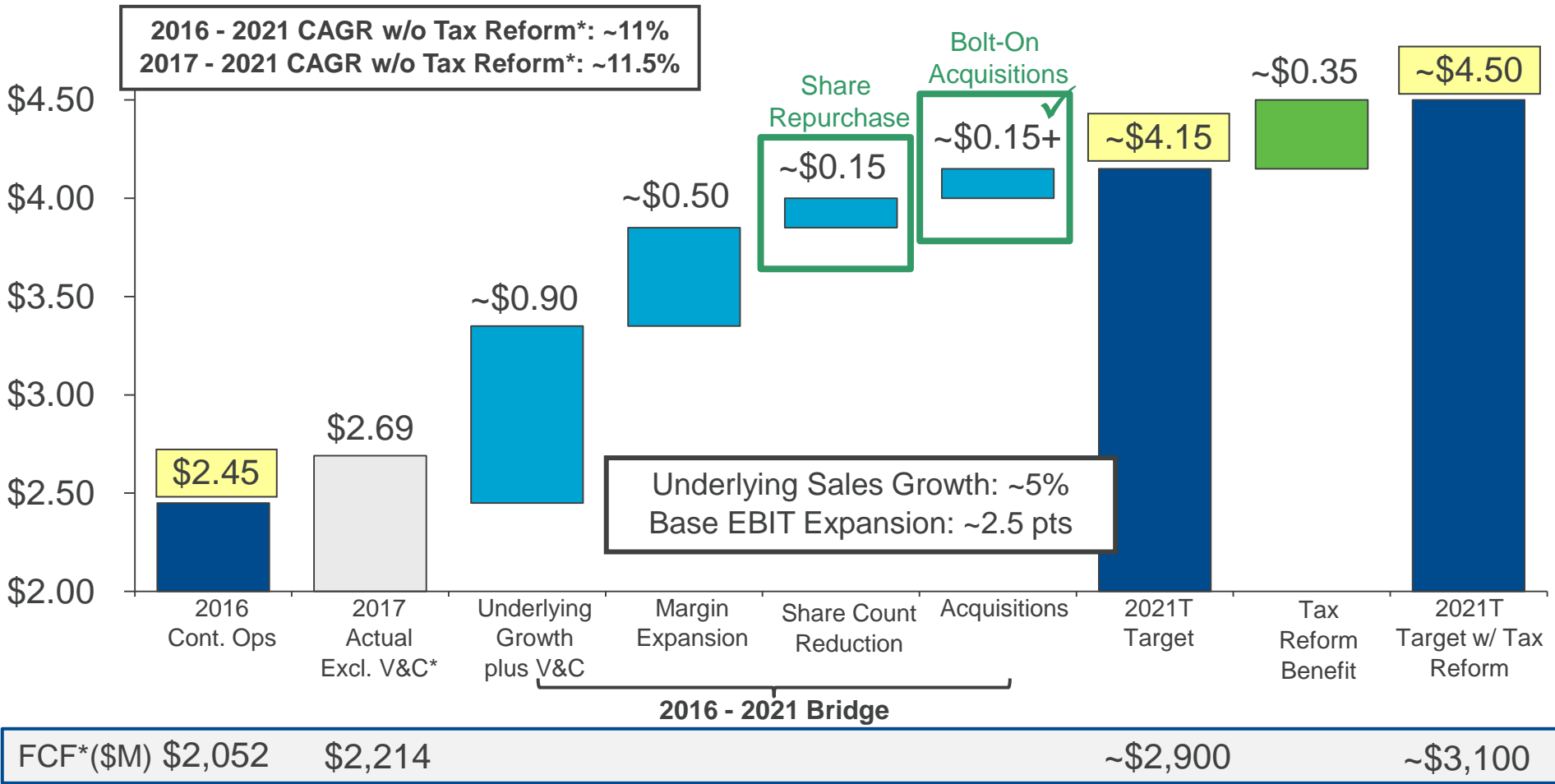
¹ Reported, includes ClosetMaid results (divested Oct 2017)

2016 Bridge to 2021T Sales



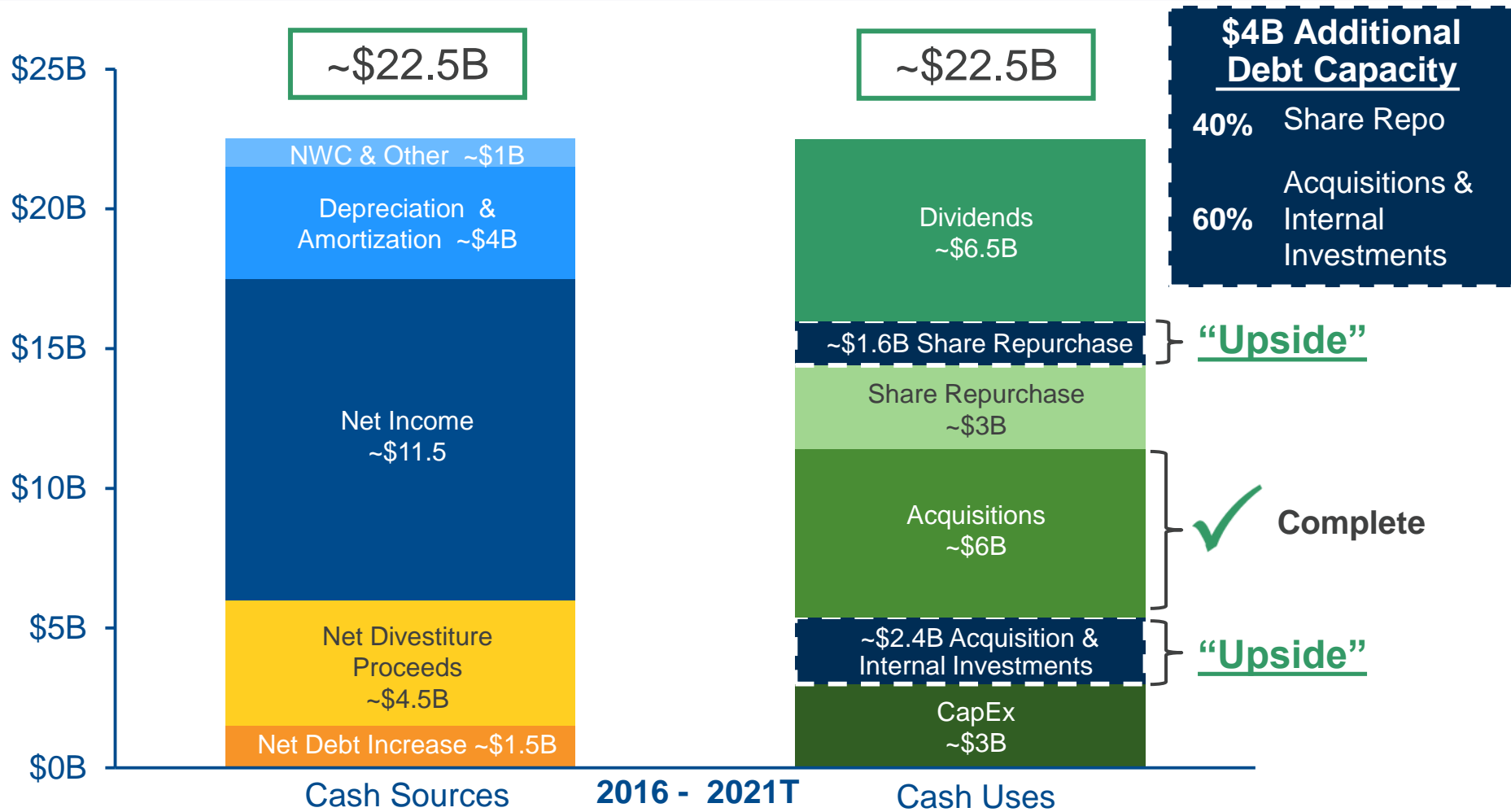
Acquisitions Contribution for the 2021 Sales Target Is Now Secured ---
 Additional Debt Capacity Allows Us to Target ~\$2.5B of Incremental Dollar Spend on Bolt-On Acquisitions / Internal Investments

2016 Bridge to 2021T EPS



Acquisition Contribution for 2021 EPS Target Is Now Secured ---
 Potential ~\$0.20 Upside to \$4.50 Plan Driven by ~\$0.4B / Year Higher Share Repurchase (Totaling ~\$1B / Year) and Additional Bolt-On Acquisitions

\$4B Additional Debt Capacity Provides Upside to 2021 Plan



Inclusive of Cash Sources and Uses from '17, '18, '19, '20, & '21

The \$4B of Higher Capital Allocation Is Due to Higher Underlying Sales Growth, Better Earnings Growth, and the Benefit of U.S. Tax Reform

Key Messages

- **Orders momentum is on track** and supports Emerson's 2018 ~7% underlying growth*
 - **Valves & Controls target margin improvement is reading through** -- integration with Final Control is near completion
 - Completed / Announced **~\$2.3B of strategic bolt-on acquisitions** over the last 6 months -- accretive and in our two core platforms
 - Set-up into 2019 is solid:
 - **Large project momentum continues** in our key end markets
 - **Emerging markets will outpace mature markets**, picking-up in 2019
- | | |
|------------------------------------|--|
| 2017 - 2020
Growth CAGR | Mature Markets: 3+% GFI Drives 5+% Sales Growth* |
| | Emerging Markets: 5+% GFI Drives 6% - 7% Sales Growth* |
- Emerson is **positioned to outperform**
 - 2021 acquisition plan targets are complete -- **Deploying an additional \$4B capital** to acquisitions, internal investments and share repurchase

We Expect a Strong 2nd Half Finish to 2018 With Orders Pace Continuing and Large Projects Starting to Convert

Reconciliation of Non-GAAP Measures

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

Q3 2018E Underlying Sales Change

	<u>Emerson</u>
Reported (GAAP)	~ 11%
FX	~ (3)%
Acquisitions/Divestitures	~ (1)%
Underlying*	<u>~ 7%</u>

FY 2018E Underlying Sales Change

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

Free Cash Flow Conversion

	<u>FY18E</u>
Operating Cash Flow Conversion (GAAP)	~ 145%
Capital Expenditures	~ (30)
Free Cash Flow Conversion*	<u>~ 115%</u>

Reconciliation of Non-GAAP Measures

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

	<u>2016-2021T</u>	<u>2017-2021T</u>
Sales CAGR		
Sales CAGR (GAAP)	~8%	~8.5%
Acq/Div/FX	~(3)%	~(3)%
Sales underlying CAGR*	~5%	~5.5%
	<u>2016-2021T</u>	<u>2017-2021T</u>
EPS Growth		
EPS growth with tax reform (GAAP)	~13%	~15.5%
Tax reform impact	~(2)%	~(4.0)%
EPS growth without tax reform*	~11%	~11.5%
	<u>2016</u>	
Free Cash Flow (\$ in millions)		
Operating cash flow (GAAP)	\$ 2,881	
Impact of repositioning items	179	
Operating cash flow adjusted*	3,060	
Capital expenditures including discontinued operations	(523)	
Free cash flow*	2,537	
Impact of discontinued operations	(485)	
Free cash flow continuing operations*	\$ 2,052	

Reconciliation of Non-GAAP Measures

Reconciliations of Non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

	<u>2017</u>	<u>2021T</u>
Free Cash Flow		
Operating cash flow (GAAP)	\$ 2,690	~3,800
Capital expenditures	(476)	~(700)
Free cash flow*	\$ 2,214	~3,100
Impact of tax reform		~(200)
Free cash flow excluding tax reform*		~\$2,900
Mature Market Sales CAGR	<u>2017 - 2020T</u>	
Sales CAGR (GAAP)	~6+%	
Acq/Div/FX	~(1)%	
Sales underlying CAGR*	~5+%	
Emerging Market Sales CAGR	<u>2017 - 2020T</u>	
Sales CAGR (GAAP)	8 - 9%	
Acq/Div/FX	~(2)%	
Sales underlying CAGR*	6 - 7%	