



2024 Q3 Emerson Earnings

August 7, 2024



Safe Harbor Statement

Statements in this presentation and our commentary and responses to questions that are not strictly historical may be “forward-looking” statements, which involve risks and uncertainties, and Emerson undertakes no obligation to update any such statements to reflect later developments. These risks and uncertainties include the scope, duration and ultimate impacts of the Russia-Ukraine and other global conflicts, as well as economic and currency conditions, market demand, pricing, protection of intellectual property, cybersecurity, tariffs, competitive and technological factors, inflation, among others, as set forth in the Company's most recent Annual Report on Form 10-K and subsequent reports filed with the SEC. The outlook contained herein represents the Company's expectation for its consolidated results, other than as noted herein.

Non-GAAP Measures

In this presentation we will discuss some non-GAAP measures 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.

Continuing Operations

All financial metrics in this presentation are on a continuing operations basis, unless otherwise noted. Please refer to endnotes for the definition of certain terms used in this presentation.

Key Messages



Current End-Market Demand

3% underlying orders growth in Q3 – process and hybrid up MSD and discrete down LSD

Expecting LSD growth in H2 and for the full year



Solid Q3 Performance

Operating leverage, adjusted EPS and free cash flow all exceeded Q3 expectations with orders and sales in line with guidance



Test & Measurement Update

Q3 pace of orders activity slightly below expectations while profitability in line due to impact of synergy realization

Now expecting fiscal 2024 sales to be \$1.45 – \$1.5B and adjusted EPS of \$0.42 – \$0.44



Updating Full Year Guidance

Adjusting guidance for underlying sales to mid-point of prior guide and increasing guidance for adjusted EPS at the mid-point and free cash flow

Considers current state of discrete end markets, softer China and strong Q3 from AspenTech

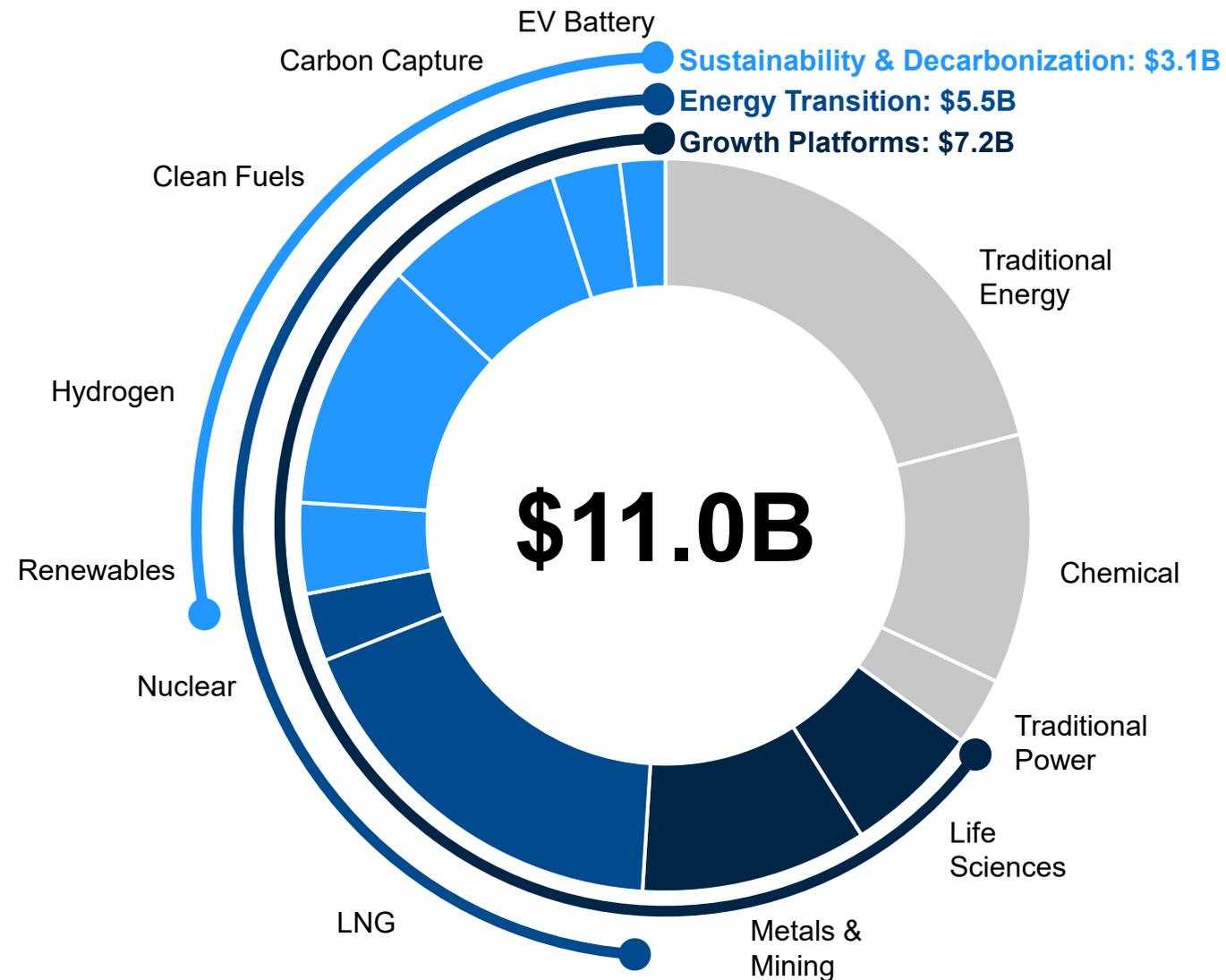
2024 Q3 Key Metrics

	Results	Prior Guidance
Underlying Orders Growth ¹	3%	
Underlying Sales Growth	3%	3% – 4.5%
Gross Profit Margin	52.8%	
Operating Leverage ²	67%	Mid 30s
Adjusted EPS	\$1.43	\$1.38 – \$1.42
Free Cash Flow	\$975M	

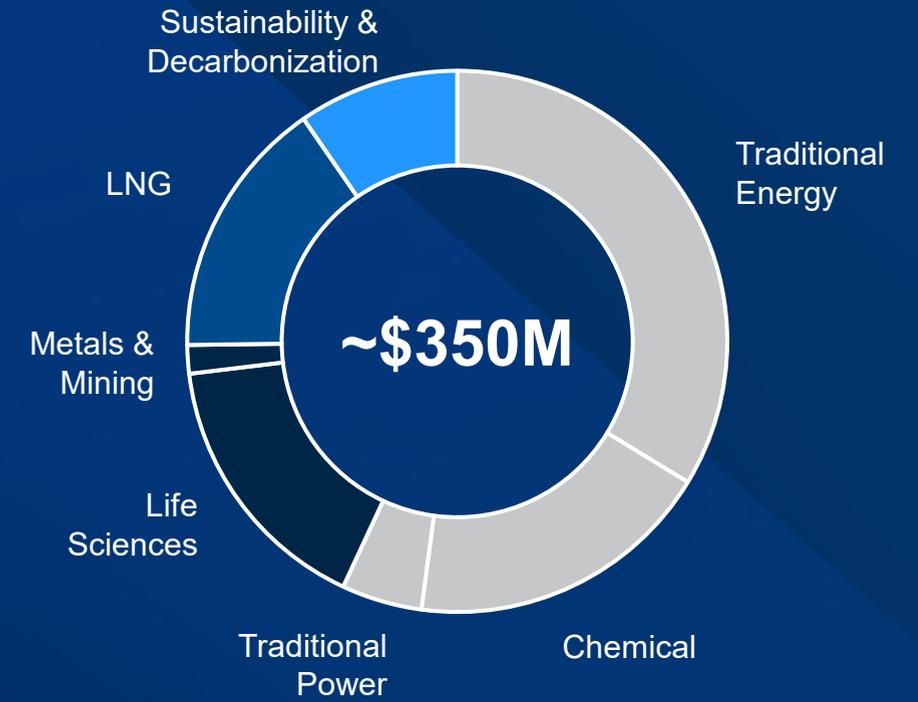
¹ Excludes AspenTech
² Excludes Test & Measurement

Sustained Strength in Large Projects

PROJECT FUNNEL



PROJECT WINS



GROWTH PLATFORM WINS

Lithium Mining → **Nemaska Lithium**

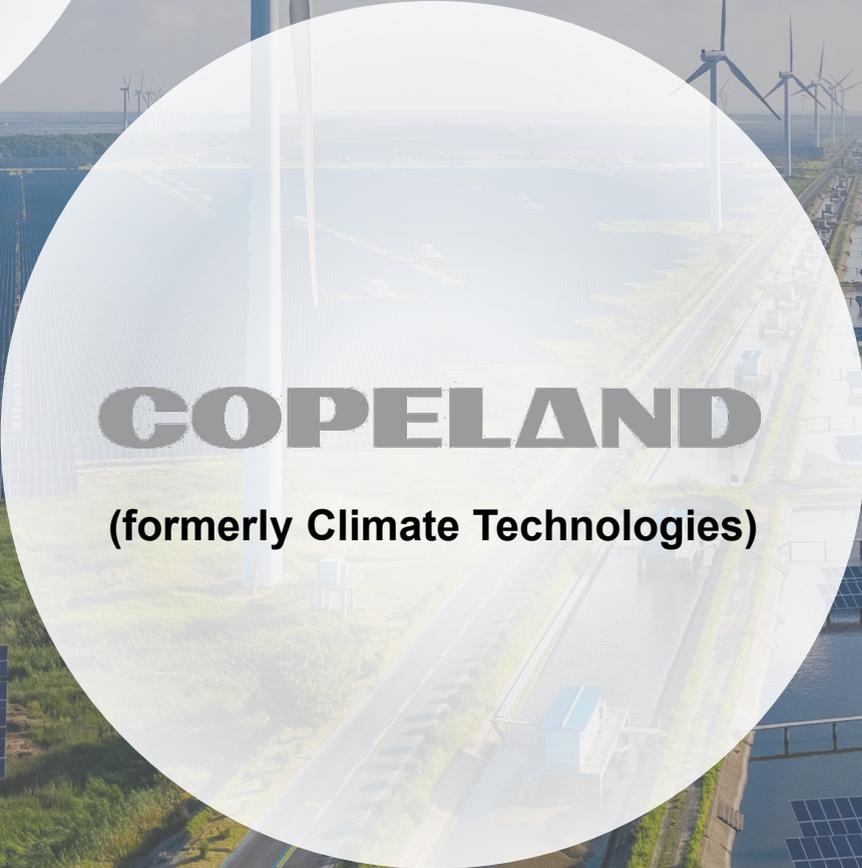
Renewables → **Large Indian Renewable Energy Company**

Green Hydrogen → **ACWA Power**

Breakthrough Innovation

Software-defined automation

Updated Ovation Automation Platform to include software-defined architecture to help customers better leverage data, new technologies and artificial intelligence (AI)



Portfolio Management

Simplification

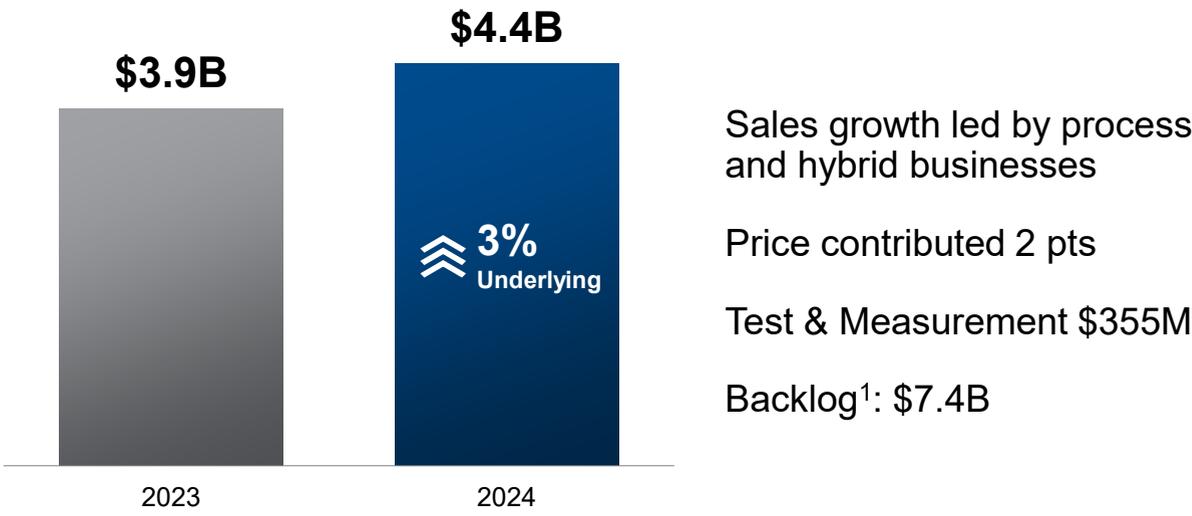
Announced definitive agreement to sell remaining interests in Copeland

Closed Copeland note receivable August 2

Expect to close equity stake by the end of August

2024 Q3 Performance Summary

Sales



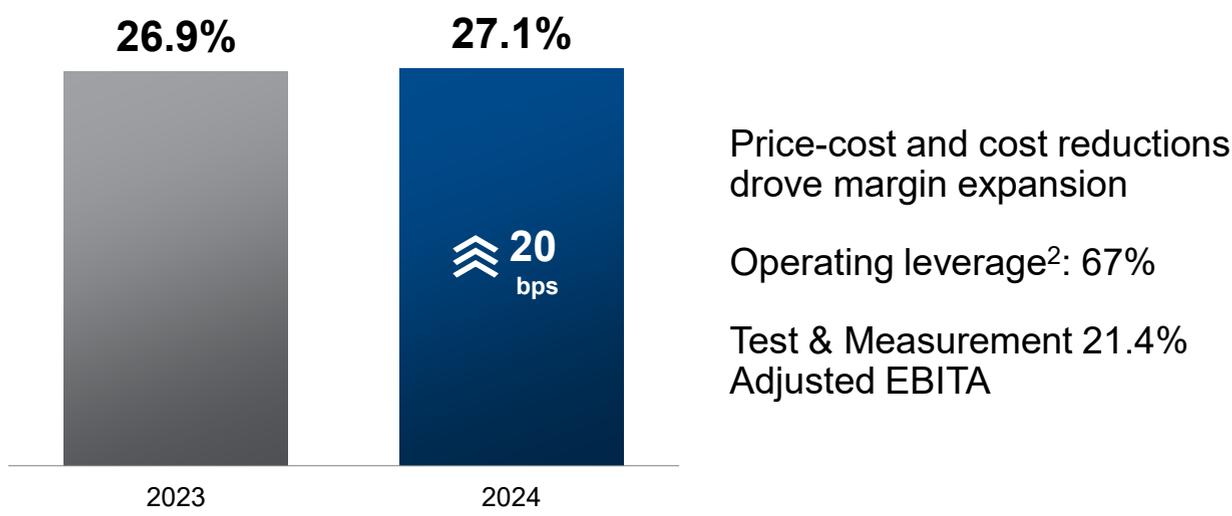
Sales growth led by process and hybrid businesses

Price contributed 2 pts

Test & Measurement \$355M

Backlog¹: \$7.4B

Adjusted Segment EBITA

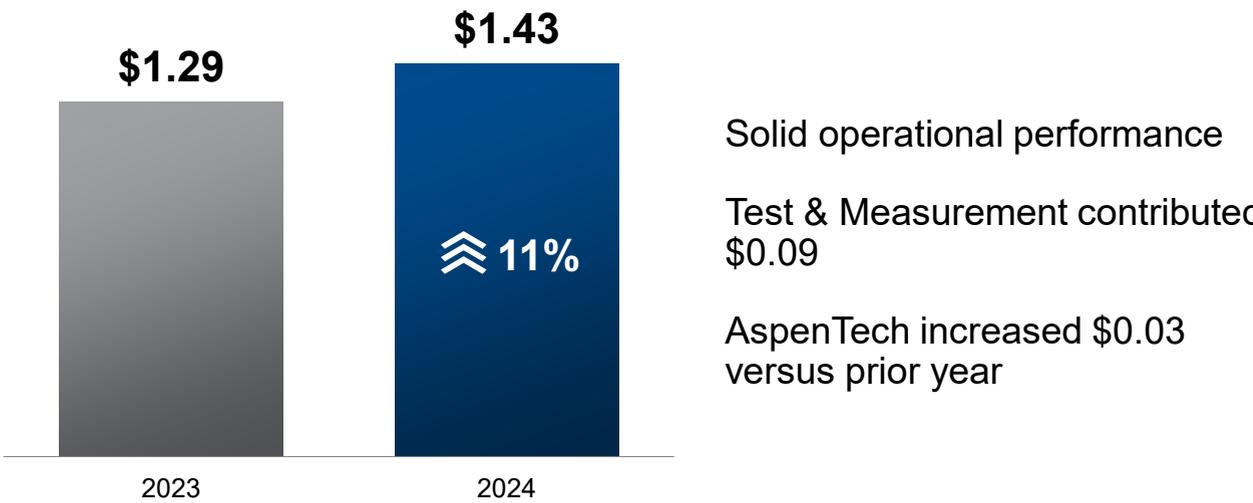


Price-cost and cost reductions drove margin expansion

Operating leverage²: 67%

Test & Measurement 21.4% Adjusted EBITA

Adjusted EPS

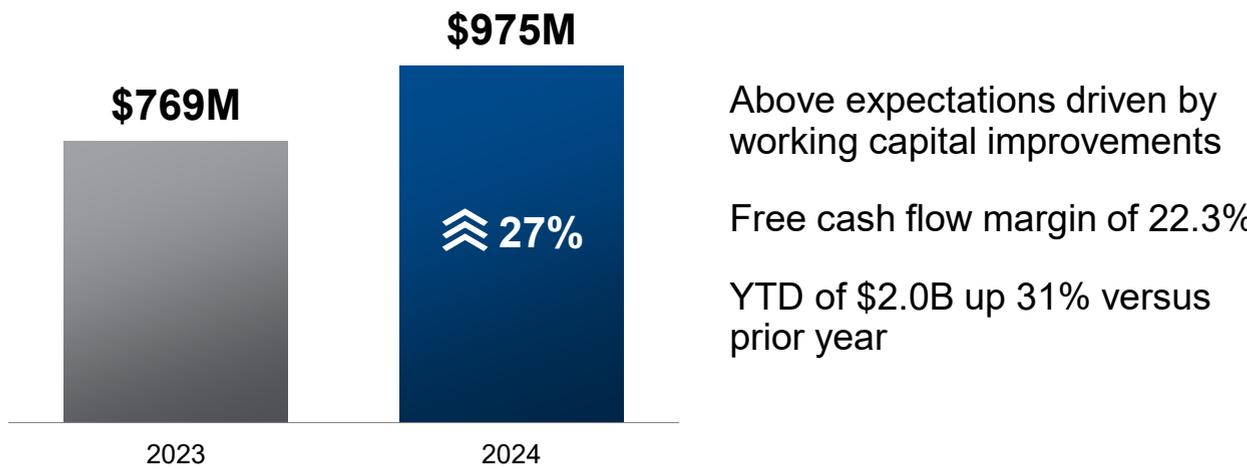


Solid operational performance

Test & Measurement contributed \$0.09

AspenTech increased \$0.03 versus prior year

Free Cash Flow



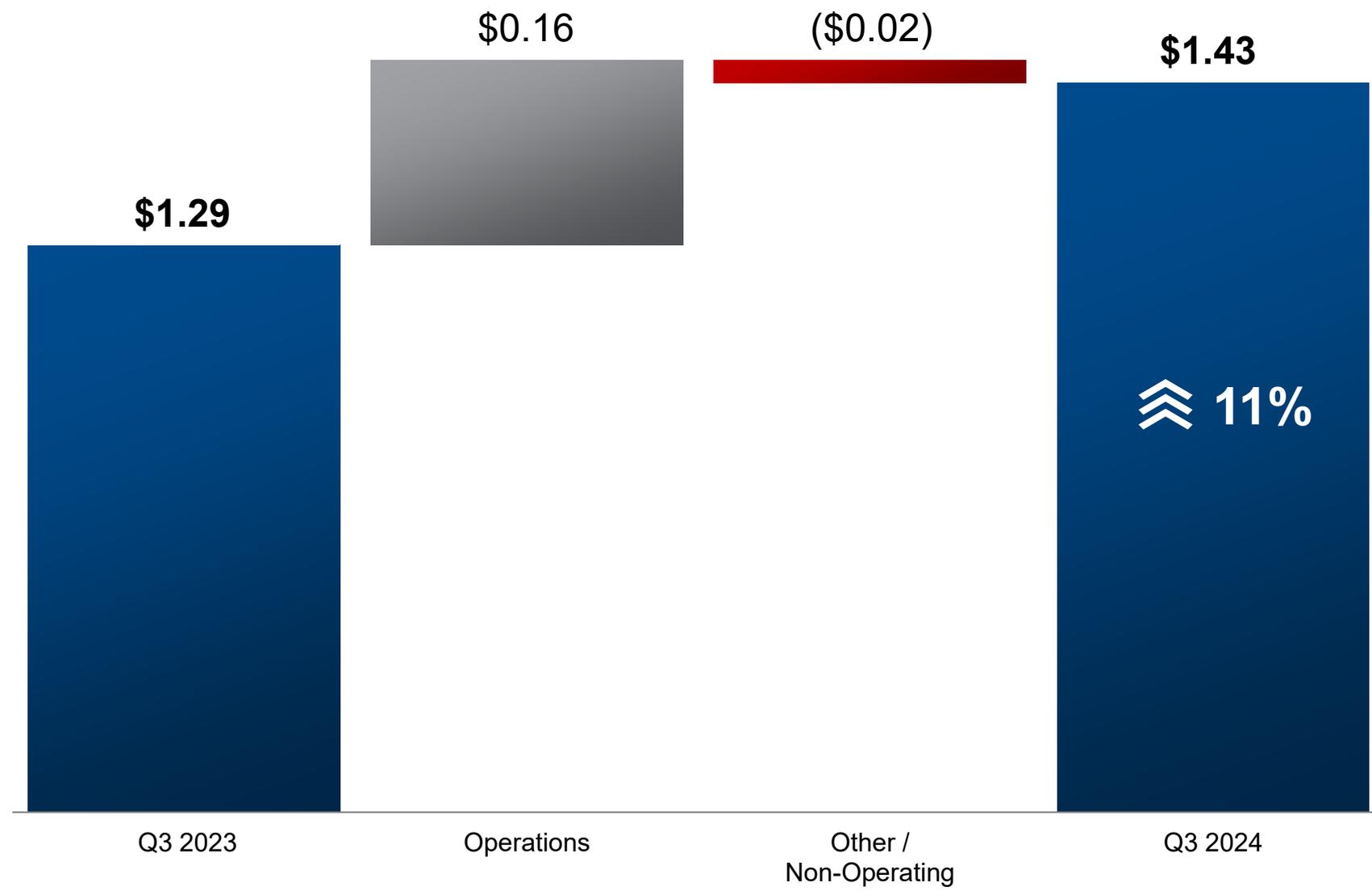
Above expectations driven by working capital improvements

Free cash flow margin of 22.3%

YTD of \$2.0B up 31% versus prior year

¹ Excludes AspenTech
² Excludes Test & Measurement

Q3 Adjusted EPS Bridge



2024 Continuing Operations Guidance

	2024
Net Sales Growth	~15%
FX	~(0.5 pts)
Acquisitions (NI)	~9.5 pts
Divestitures	~0 pts
Underlying Sales Growth	~6%
Operating Leverage¹	Mid to High 40s
Adjusted EPS	\$5.45 – \$5.50
Test & Measurement Contribution ²	\$0.42 – \$0.44
AspenTech Contribution	\$0.32 – \$0.34
Free Cash Flow	~\$2.8B

Share repurchase: ~\$300M

Dividend payments: \$1.2B

Tax rate: ~22%

¹ Excludes Test & Measurement
² Includes the impact of stock compensation and tax

Appendix

Corporate and Other Items

<i>(in millions)</i>	2024 Q3	2024 Expectations
Stock Compensation – GAAP	(\$56)	~(\$260)
Integration-Related Stock Compensation Expense	\$9	~\$55
Adjusted Stock Compensation – Non-GAAP	(\$47)	~(\$205)
Pension	\$38	~\$145
Corporate & Other – GAAP	(\$38)	~(\$605)
Restructuring and Related Costs	\$1	~\$5
Acquisition / Divestiture Fees and Related Costs	\$13	~\$170
Amortization of Acquisition-Related Inventory Step-Up		\$231
Loss on Divestiture of Business		\$39
Adjusted Corporate & Other – Non-GAAP	(\$24)	~(\$160)
Interest Income / (Expense)¹	(\$32)	~(\$90)
Non-Controlling Interest – GAAP	(\$23)	~\$20
Amortization of Intangibles (AspenTech)	(\$40)	~(\$160)
Adjusted Non-Controlling Interest – Non-GAAP	(\$63)	~(\$140)
Average Diluted Share Count	574.8	~574

¹ Includes interest on the Copeland note receivable through June 6, 2024

Sale of Remaining Copeland Interest and Note Receivable Agreements Entered June 6, 2024

SUMMARY OF TRANSACTIONS

\$3.5B Transaction Value including pretax cash proceeds and net release of future indemnity obligations
~\$2.9B After-Tax Proceeds which is intended to be used to pay off existing debt obligations
 ~\$0.2B expected net pretax gain of both transactions together

INDIVIDUAL TRANSACTIONS

Sale of 40% Copeland Equity Interest
 to Blackstone & co-investors
Expected close in August 2024

Sale of Copeland Note Receivable
 to Copeland
Closed August 2, 2024

FINANCIAL STATEMENT PRESENTATION SUMMARY

Book Value (as of June 30, 2024)	\$1.0B	Book Value (at signing)	\$2.2B
Sale Price	\$1.5B	Sale Price	\$1.9B
Est. Gain (to be recognized at closing)	\$0.5B pretax	Loss (recognized at signing)	(\$279M) pretax
Balance Sheet Presentation¹	\$1.0B Held-for-Sale	Balance Sheet Presentation¹	\$1.9B Held-for-Sale
Income Statement Presentation¹	Discontinued Ops	Income Statement Presentation¹	Continuing Operations
	Equity Earnings / (Losses)		Interest Income Through June 6, 2024
			\$279M Book Value loss (excl. from Adj. EPS)

¹ As of June 30, 2024

Reconciliation of Non-GAAP Measures

Underlying Growth

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

Underlying Sales Growth	2024 Q3	2024 Guidance
Reported (GAAP)	11%	~15%
(Favorable) / Unfavorable FX	1%	~0.5 pts
(Acquisitions) / Divestitures	(9%)	~(9.5) pts
Underlying (non-GAAP)	3%	~6%

2024 Q3 Underlying Sales Change	Reported (GAAP)	(Favorable) / Unfavorable FX	(Acquisitions) / Divestitures	Underlying (Non-GAAP)
Intelligent Devices	1%	1%	-%	2%
Software and Control	42%	1%	(36%)	7%
Emerson	11%	1%	(9%)	3%

Reconciliation of Non-GAAP Measures

Adjusted Segment EBITA

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

Adjusted Segment EBITA	2023 Q3	2024 Q3
Net sales	\$3,946	\$4,380
Pretax earnings (GAAP)	822	455
<i>Pretax earnings margin (GAAP)</i>	20.8%	10.4%
Corporate items and interest expense, net	57	367
Amortization of intangibles	169	313
Restructuring and related costs	12	54
Adjusted segment EBITA (non-GAAP)	\$1,060	\$1,189
<i>Adjusted segment EBITA margin (non-GAAP)</i>	26.9%	27.1%

Operating Leverage	2024 Q3	2024 Guidance
Pretax margin leverage (GAAP)	(85%)	Low (30s) to High (20s)
Corporate items and interest expense, net / amortization of intangibles / restructuring and related costs / Test & Measurement	152%	High 70s
Adjusted segment EBITA leverage, excluding Test & Measurement (non-GAAP)	67%	Mid to High 40s

Operating Leverage, or Incremental Margins, throughout the presentation is defined as the ratio of the change in adjusted segment EBITA for the current period less the prior period, divided by the change in the net sales for the current period less the prior period.

Reconciliation of Non-GAAP Measures Adjusted Earnings

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	FY2023	2024 Q1	2024 Q2	2024 Q3
Net Earnings to Common Stockholders	\$2,331	\$792	\$9,352	\$744	\$13,219	\$142	\$501	\$329
<i>Discontinued Operations Earnings:</i>								
<i>Discontinued operations previously reported</i>	(2,002)	(262)	(8,760)	(43)	(11,067)			
<i>Copeland equity loss / (gain) – now in disc. ops</i>			51	83	134	27	46	15
Continuing Operations Earnings	\$329	\$530	\$643	\$784	\$2,286	\$169	\$547	\$344
<i>Amortization of intangibles</i>	87	88	88	93	356	208	209	199
<i>Restructuring and related</i>	11	20	10	37	78	69	28	46
<i>Acquisition / divestiture fees and related costs</i>		7	36	33	77	96	16	15
<i>Amortization of acquisition related inventory step up</i>						217		
<i>Discrete taxes</i>						(57)		
<i>Divestiture loss / (gain)</i>				(122)	(122)		(19)	
<i>NI investment gain</i>		(27)	(9)	(7)	(43)			
<i>Interest income on undeployed proceeds</i>			(27)	(81)	(108)			
<i>AspenTech Micromine purchase price hedge</i>	(15)	6	(1)		(11)			
<i>Russia business exit</i>	47				47			
<i>Loss on Copeland note receivable</i>								217
Adjusted Continuing Operations Earnings	\$459	\$624	\$740	\$737	\$2,560	\$702	\$781	\$821

Reconciliation of Non-GAAP Measures

Adjusted EPS

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	FY2023	2024 Q1	2024 Q2	2024 Q3	2024 Guidance
Net Earnings to Common Stockholders	\$3.97	\$1.38	\$16.28	\$1.29	\$22.88	\$0.25	\$0.87	\$0.57	\$3.37 - \$3.47
<i>Discontinued Operations Earnings:</i>									
<i>Discontinued operations previously reported</i>	(3.41)	(0.46)	(15.25)	(0.07)	(19.16)				
<i>Copeland equity loss / (gain)¹ – now in disc. ops</i>			0.09	0.14	0.24	0.04	0.08	0.03	(0.55 - 0.60)
Continuing Operations Earnings	\$0.56	\$0.92	\$1.12	\$1.36	\$3.96	\$0.29	\$0.95	\$0.60	\$2.82 - \$2.87
<i>Amortization of intangibles</i>	0.15	0.16	0.15	0.16	0.62	0.36	0.36	0.35	~1.42
<i>Restructuring and related</i>	0.02	0.04	0.02	0.07	0.14	0.12	0.05	0.08	~0.34
<i>Acquisition / divestiture fees and related costs</i>		0.01	0.07	0.06	0.13	0.17	0.03	0.02	~0.24
<i>Amortization of acquisition related inventory step up</i>						0.38			0.38
<i>Discrete taxes</i>						(0.10)			(0.10)
<i>Divestiture loss / (gain)</i>				(0.21)	(0.21)		(0.03)		(0.03)
<i>NI investment gain</i>		(0.05)	(0.02)	(0.01)	(0.07)				
<i>Interest income on undeployed proceeds</i>			(0.05)	(0.14)	(0.19)				
<i>AspenTech Micromine purchase price hedge</i>	(0.03)	0.01			(0.02)				
<i>Russia business exit</i>	0.08				0.08				
<i>Loss on Copeland note receivable</i>								0.38	0.38
Adjusted Continuing Operations Earnings	\$0.78	\$1.09	\$1.29	\$1.29	\$4.44	\$1.22	\$1.36	\$1.43	\$5.45 - \$5.50

¹ The earnings from discontinued operations for 2024 are expected to be \$0.55 to \$0.60 per share, including the after-tax gain on the equity stake in Copeland.

Restatement of Copeland equity losses are unaudited

Earnings per share are computed independently each period; as a result, the quarterly amounts may not sum to the calculated annual figure.

Reconciliation of Non-GAAP Measures

Free Cash Flow

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

					<u>\$ in billions</u>
	2023 Q3	2024 Q3	9 Months Ended June 30, 2023	9 Months Ended June 30, 2024	2024 Guidance
Operating cash flow (GAAP)	\$842	\$1,067	\$1,719	\$2,244	~\$3.2
Capital expenditures	(73)	(92)	(194)	(251)	~(0.4)
Free cash flow (non-GAAP)	\$769	\$975	\$1,525	\$1,993	~\$2.8

Reconciliation of Non-GAAP Measures

Test & Measurement (T&M)

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

Earnings Per Share	2024 Q3	2024 Guidance
Earnings per share - T&M contribution (GAAP)	(\$0.15)	(\$0.98) - (\$0.96)
Amortization of intangibles	0.18	~0.75
Restructuring and related costs	0.05	~0.20
Amortization of acquisition-related inventory step-up	-	0.36
Acquisition-related costs	0.01	~0.09
Adjusted earnings per share - T&M contribution (non-GAAP)	\$0.09	\$0.42 - \$0.44

Test & Measurement Adjusted Segment EBITA Margin	2024 Q3
T&M segment margin (GAAP)	(24.7%)
Amortization of intangibles & restructuring and related costs	46.1%
T&M adjusted segment EBITA margin (non-GAAP)	21.4%

Reconciliation of Non-GAAP Measures

AspenTech

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in millions, except per share amounts)

Earnings Per Share	2024 Q3	2024 Guidance
Earnings per share (GAAP)	\$0.05	(\$0.06) - (\$0.04)
Amortization of intangibles	0.09	~0.37
Restructuring and related costs	-	~0.01
Adjusted earnings per share (non-GAAP)	\$0.14	\$0.32 - \$0.34

Reconciliation of Non-GAAP Measures

Other

This information reconciles non-GAAP measures with the most directly comparable GAAP measure (dollars in billions, except per share amounts)

	June 30, 2024
Backlog (GAAP)	\$8.7
AspenTech	(1.3)
Backlog excluding AspenTech (non-GAAP)	\$7.4

Endnotes

Continuing Operations:

With the June 6, 2024 definitive agreement to completely exit its remaining interests in the Copeland joint venture, Emerson will report financial results for the Copeland equity ownership as discontinued operations for all periods presented, beginning in Q3 2024. The earnings from discontinued operations for 2024 are expected to be \$0.55 to \$0.60 per share, including the after-tax gain on the equity stake in Copeland. The Company's 2024 continuing operations after the complete Copeland divestiture (assumed to close by the end of August 2024) will include interest income earned from the Copeland Note Receivable through June 6, 2024. The pretax loss on the sale of the note receivable, \$279M (\$217M after-tax), is also reported in continuing operations but excluded from adjusted earnings per share, (\$0.38).