

First Quarter 2016 Earnings Conference Call

February 2, 2016

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 include our ability to successfully complete on the terms and conditions contemplated, and the financial impact of, our strategic repositioning actions, as well as those provided in our most recent Annual Report on Form 10-K and subsequent reports as filed with the SEC.

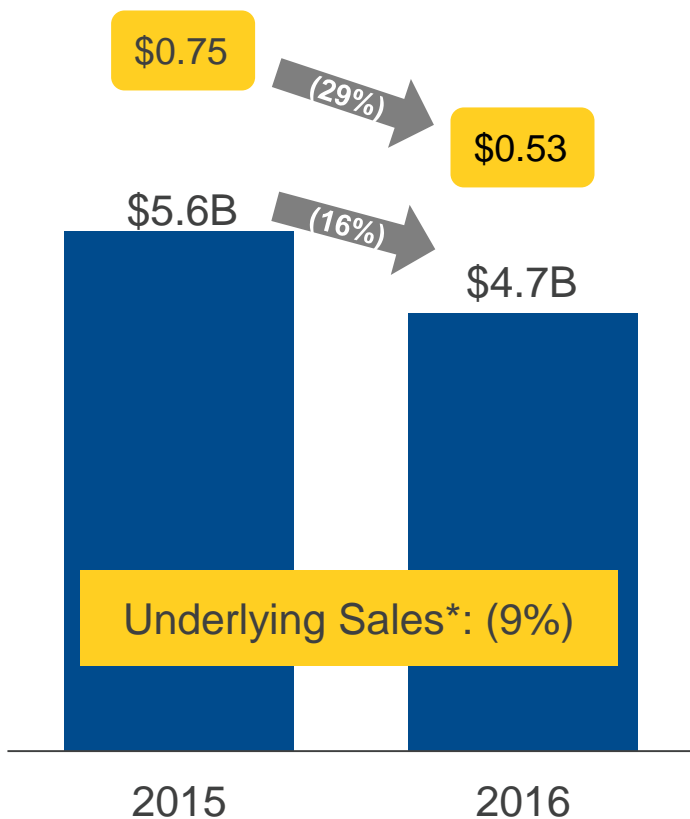
Non-GAAP Measures

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 Investor Relations.



First Quarter 2016

Revenue and EPS



Summary

- Served markets remained challenging
 - It is a global industrial recession
 - Lower and uncertain oil and gas prices
 - Economic indicators suggest weakening industrial spending in calendar 4th quarter
 - Data center and Telcom spending mixed
- Adjusted earnings per share* of \$0.56 excludes separation costs of \$24M in the quarter
- Share repurchase \$554M; Full Year plan of \$1.2B

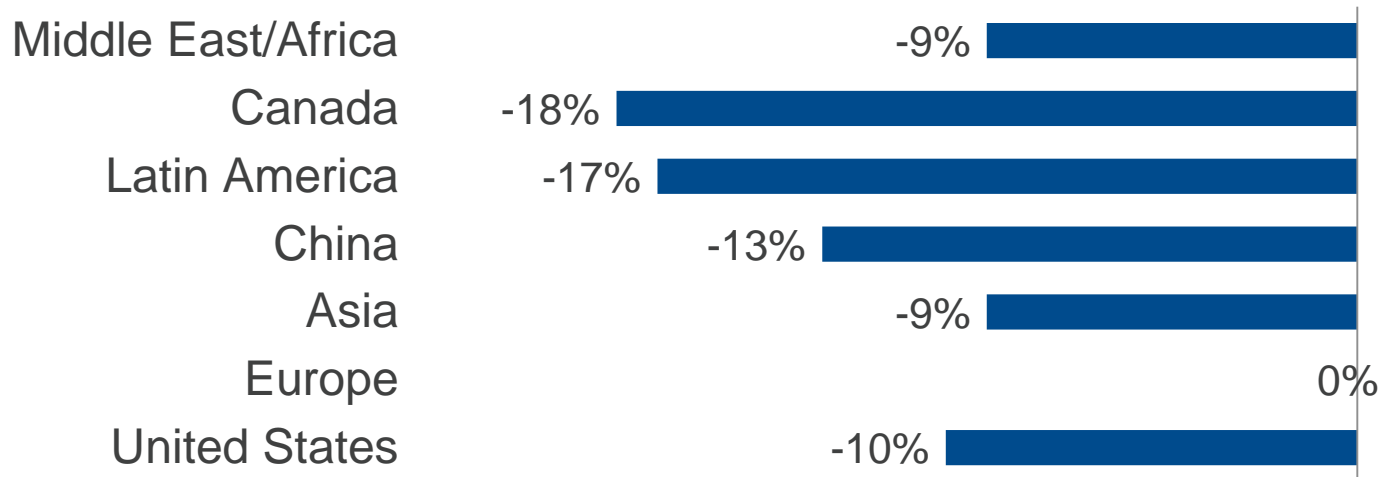
First Quarter Results Slightly Better than Expectations, and In-line for Total Fiscal 2016 Forecast

First Quarter 2016 P&L Summary

<u>(\$M excl. EPS)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>	
Sales	\$5,587	\$4,713	(16%)	→ Underlying sales* down (9%)
Gross profit	\$2,280	\$1,889	(17%)	→ Volume deleverage and unfavorable mix
% of sales	40.8%	40.1%	(70) bps	→ Aggressive restructuring is starting to have a positive impact
SG&A expense	(\$1,405)	(\$1,226)		→ Unfavorable currency transactions (\$27M) and separation costs (\$24M)
Other deductions, net	<u>(\$64)</u>	<u>(\$114)</u>		
EBIT*	\$811	\$549	(32%)	
% of sales*	14.5%	11.7%	(280) bps	
Shares	694.7	652.5		→ Share repurchase \$554M
EPS	\$0.75	\$0.53	(29%)	
Adjusted EPS*	\$0.75	\$0.56	(25%)	→ Better than expectation of \$0.50

First Quarter 2016

Underlying Sales Change



Underlying sales*	(9%)
Acq/Div (Power Transmission Solutions and InterMetro businesses)	(3) pts
FX – Stronger USD	(4) pts
Net sales	(16%)

Underlying Sales Decreased in all Regions Except Europe, Where Our Euro Based Businesses are Now More Globally Competitive

First Quarter 2016

Business Segment Earnings & Cash Flow

<u>(\$M)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>
Business segment EBIT*	\$864	\$644	(26%)
% of sales*	15.0%	13.3%	(170) bps
Accounting methods	\$58	\$55	
Corporate & other	(\$111)	(\$150)	
Interest expense, net	<u>(\$46)</u>	<u>(\$46)</u>	
Pretax earnings	\$765	\$503	(34%)
% of sales	13.7%	10.7%	(300) bps
Operating cash flow	\$571	\$487	(15%)
Capital expenditures	<u>(\$207)</u>	<u>(\$145)</u>	(30%)
Free cash flow*	\$364	\$342	(6%)
Trade working capital	\$4,166	\$3,670	
% of sales	18.6%	19.5%	(90) bps

→ Volume deleverage and unfavorable mix partially offset by savings from restructuring actions

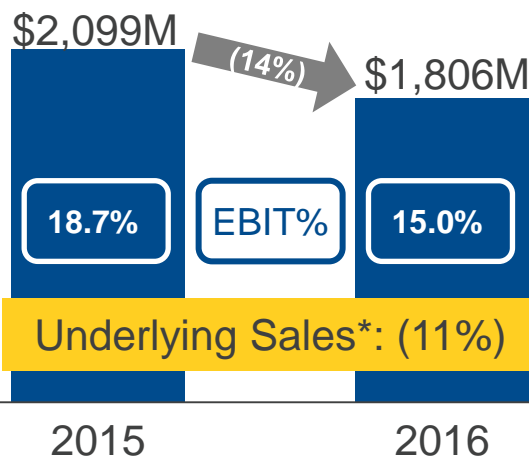
→ Unfavorable comparisons on stock compensation (\$21M) and separation costs (\$24M)

→ Reflects impact of lower earnings

→ Lower capital spending due to lower global demand
- - Industrial Recession

First Quarter 2016 Process Management

Reported Sales



T3M Orders

October	-20 to -15%
November	-15 to -10%
December	-15%

Sales % Chg. vs. PY

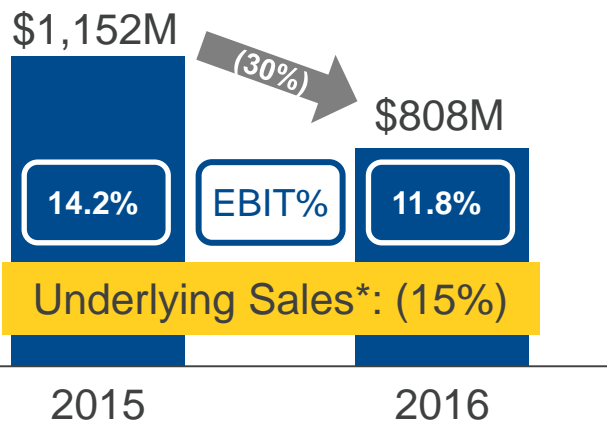
NA	(11%)
Asia	(14%)
<i>China</i>	(20%)
Europe	5%
LAM	(21%)
MEA	(20%)
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FX – Stronger USD	(4%)
Acquisitions	1%

- Energy sector opex and capex spending remains challenging
- Upstream projects under way continue to completion, new projects facing increasing pressure
- Downstream markets favorable in U.S., Europe, and Middle East
 - Small to mid-sized projects in power and chemical
- Latin America suffering from economic and political instability
- Segment margin decreased from volume deleverage, partially offset by savings from restructuring actions

Upstream Markets to Remain Challenging While Activity Levels in Power, Chemical and Life Sciences are Expected to Remain Favorable – Shifting Resources Away from Upstream O&G Market

First Quarter 2016 Industrial Automation

Reported Sales



T3M Orders

October	-20 to -15%
November	-20 to -15%
December	-20 to -15%

Sales % Chg. vs. PY

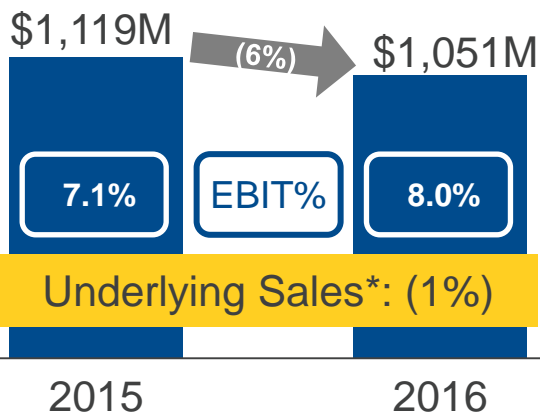
NA	(23%)
Asia	(13%)
<i>China</i>	(14%)
Europe	(6%)
LAM	(25%)
MEA	1%
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FX – Stronger USD	(5%)
Divestiture – Power Transmission Solutions	(10%)

- Continued weakness from
 - Industrial spending – global industrial recession
 - Upstream oil and gas
 - Europe
- Sales and profit dollars lower from power transmission solutions divestiture
- Segment margins decreased primarily due to volume deleverage and unfavorable mix

The Second Quarter is Expected to Reflect Similar Conditions with Improvement Expected in the Second Half of the Fiscal Year – Easier Comparisons and Bottoming of the Cycle

First Quarter 2016 Network Power

Reported Sales



T3M Orders

October	-20 to -15%
November	-15 to -10%
December	-10 to -5%

Sales % Chg. vs. PY

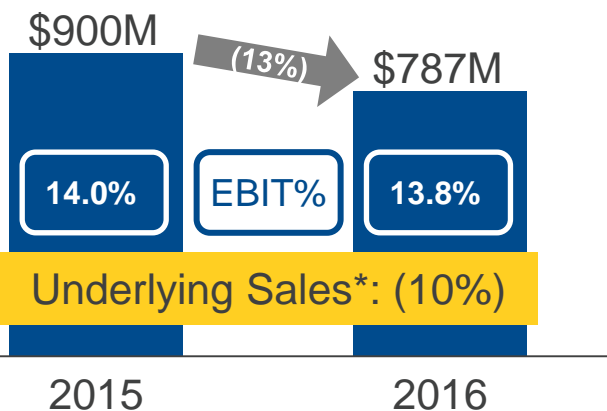
NA	(6%)
Asia	1%
<i>China</i>	(2%)
Europe	Flat
LAM	12%
MEA	3%
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FX – Stronger USD	(5%)

- Global demand for data center and telcom spending was mixed
- Europe supported by large data center project booked in the prior year
- Asia had growth in Australia, India, and Southeast Asia
- Latin America reflected favorable data center activity, particularly Mexico
- Segment margins increased 90 bps benefitting from restructuring actions

Recent Order Trends Have Reflected Improving Conditions in Both Data Center and Telecommunications Investment – This Business has Bottomed and is Now Slowly Turning Up

First Quarter 2016 Climate Technologies

Reported Sales



Sales % Chg. vs. PY

NA	(14%)
Asia	(9%)
<i>China</i>	(16%)
Europe	1%
LAM	(24%)
MEA	25%
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FX – Stronger USD	(3%)

T3M Orders

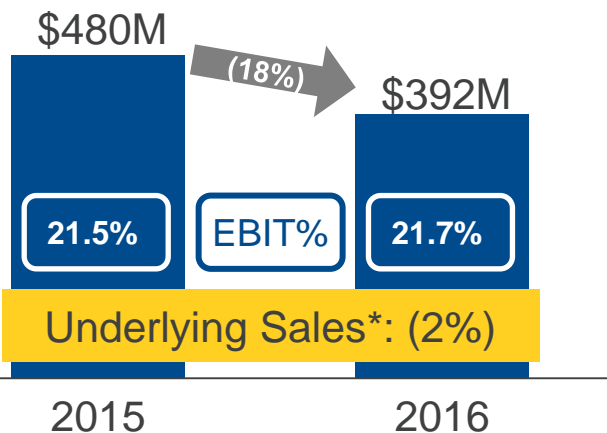
October	-15 to -10%
November	-15 to -10%
December	-10 to -5%

- Global air conditioning decreased driven by higher U.S. residential demand in the prior year from regulatory changes - 1.2M unit pull forward
- North American residential market is rebounding after tough prior year comparisons
- Global refrigeration markets grew modestly, growth in U.S. and Asia partially offset by softness in Europe
- Segment margin down 20 bps due to volume deleverage partially offset by savings from restructuring actions

Global Demand in Air Conditioning and Refrigeration Markets Remains Favorable Supporting Outlook for Modest Levels of Growth

First Quarter 2016 Commercial & Residential Solutions

Reported Sales



Sales % Chg. vs. PY

NA	(2%)
Asia	19%
<i>China</i>	8%
Europe	4%
LAM	(19%)
MEA	(25%)
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FX – Stronger USD	(1%)
Divestiture - InterMetro	(15%)

- Favorable conditions in U.S. construction markets
- Professional tools business continues to be impacted by reduced spending in upstream oil and gas markets
- Segment margin improved 20 bps from favorable impact of divestiture of commercial storage business

T3M Orders

October	-10 to -5%
November	-5 to 0%
December	-5 to 0%

Favorable Trends in U.S. Res and Non-Res Construction are Expected to Continue, Supporting Outlook for Modest Levels of Growth – Will Fight Negative Comparisons from the Divested InterMetro Business¹⁰

Fiscal Year 2016 Outlook

- Difficult conditions to persist throughout fiscal 2016 – But we do still see bottom forming in sales and earnings by mid-year 2016
- Affirming our fiscal year guidance
 - Underlying sales* of (2%) to (5%)
 - Foreign currency headwinds of ~(2%)
 - Deduction for completed divestitures of ~(2%)
 - Adjusted* earnings per share of \$3.05 to \$3.25
 - Excluding ~\$250-\$350M of estimated separation costs (\$0.35 to \$0.50)
- Expectations for the second quarter
 - Underlying sales* of (4%) to (6%) – Less negative than first quarter
 - Foreign currency headwinds of ~(2%)
 - Deduction for completed divestitures of ~(2%)
 - Adjusted* earnings per share of \$0.60 to \$0.65
 - Excluding ~\$75M of estimated separation costs (\$0.11)
- Operating cash flow of ~\$3B for total fiscal year

Reconciliation of Non-GAAP Measures & Other

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure (\$M except per share amounts).

<u>Q1 2016 Sales Growth</u>	<u>Process Mgmt</u>	<u>Industrial Auto</u>	<u>Network Power</u>	<u>Climate Tech</u>	<u>Comm & Res Solns</u>	<u>Total</u>
Underlying*	(11)%	(15)%	(1)%	(10)%	(2)%	(9)%
Acq/Div	1%	(10)%	-	-	(15)%	(3)%
FX	(4)%	(5)%	(5)%	(3)%	(1)%	(4)%
Reported	(14)%	(30)%	(6)%	(13)%	(18)%	(16)%

<u>Sales Growth</u>	<u>Q2 2016E</u>	<u>2016E</u>
Underlying*	~ (6) - (4)%	~ (5) - (2)%
Acq/Div	~ (2)%	~ (2)%
FX	~(2)%	~(2)%
Reported	~ (10) - (8)%	~ (9) - (6)%

<u>Earnings Per Share</u>	<u>Q1 2016</u>	<u>Q2 2016E</u>	<u>2016E</u>
Adjusted*	\$0.56	~\$0.60 - ~\$0.65	~ \$3.05 - \$3.25
Separation costs	(0.03)	~(0.11)	~ (0.50) - (0.35)
Reported	\$0.53	~\$0.49 - \$0.54	~ \$2.55 - \$2.90

<u>EBIT</u>	<u>Q1 FY15</u>	<u>Q1 FY16</u>	<u>% Change</u>	<u>% of Sales</u>
EBIT*	\$ 811	549	(32)%	
% of sales*	14.5%	11.7%		(280) bps
Interest expense, net	(46)	(46)	(2)%	
Pretax earnings	\$ 765	503	(34)%	
% of sales	13.7%	10.7%		(300) bps

Note: Underlying sales and orders exclude the impact of acquisitions, divestitures and currency translation.

^ The outlook represents the Company's expectations for its consolidated results including the expected full year results for the businesses that are subject of the Company's portfolio repositioning actions, and does not assume any gains or losses on the ultimate disposition of these businesses.