

# ***Strategic Portfolio Repositioning***

**David N. Farr**

**Chairman and Chief Executive Officer**

**June 30, 2015**

## Safe Harbor Statement

This presentation, our commentary related hereto, and our responses to your questions may contain forward-looking statements, which involve risks and uncertainties, and Emerson undertakes no obligation to update any such statement to reflect later developments. These risks and uncertainties include our ability to complete the potential transactions referenced herein, as well as those set forth in our most recent Annual Report on Form 10-K and subsequent reports as filed with the SEC.

## Non-GAAP Measures

In this presentation we will discuss some non-GAAP measures (denoted with an \*) 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 is available at our website [www.emerson.com](http://www.emerson.com) under the investor relations tab.



# **EMERSON**

# ***Portfolio Repositioning Strategy to Drive Shareholder Value***

---

- Emerson is planning to spin off Network Power through a tax-free distribution to its shareholders
- Emerson is also exploring strategic alternatives for its Motors and Drives, Power Generation, and remaining Storage businesses
- Result is a more focused and nimble portfolio of businesses with leadership positions in high-growth end markets
- Targeting substantial completion of strategic actions by September 30, 2016

**A Streamlined Portfolio Will Drive Shareholder Value by Enhancing Growth, Profitability, Return on Total Capital, and Investment Opportunities**

# Focused Portfolio With Leadership Positions in High-Growth End Markets

**\$16.3B Revenue / 19.7% EBIT\***

## Process and Industrial

~\$10.6B Rev

### ✓ Automation and Electrical:

- Oil & Gas
- Life Sciences
- Food & Beverage
- Mining
- Chemical
- Power
- Petrochemical
- Water & Wastewater

### Market Positions

- #1 in Measurement Devices
- #1 in Control Valves and Regulators
- #1 in Wireless Devices
- #1 in Fluid Control

**Market Growth ~5-7%**

## Commercial and Residential

~\$5.7B Rev

### ✓ Infrastructure and Tools:

- Commercial Buildings
- Retail Sites
- Contractors
- Homeowners

### Market Positions

- #1 in Residential Compressors
- #1 in Commercial Compressors
- #1 in Commercial Controls
- #1 in Plumbing Tools
- #1 in Wet/Dry Vacs
- #1 in Food Waste Disposers

**Market Growth ~4-6%**

\*Revenue and EBIT are proforma, non-GAAP\* metrics based on 2014 results excluding divestitures completed to date, as well as the planned spinoff of Network Power and the potential separations of the Motors and Drives, Power Generation, and remaining Storage businesses

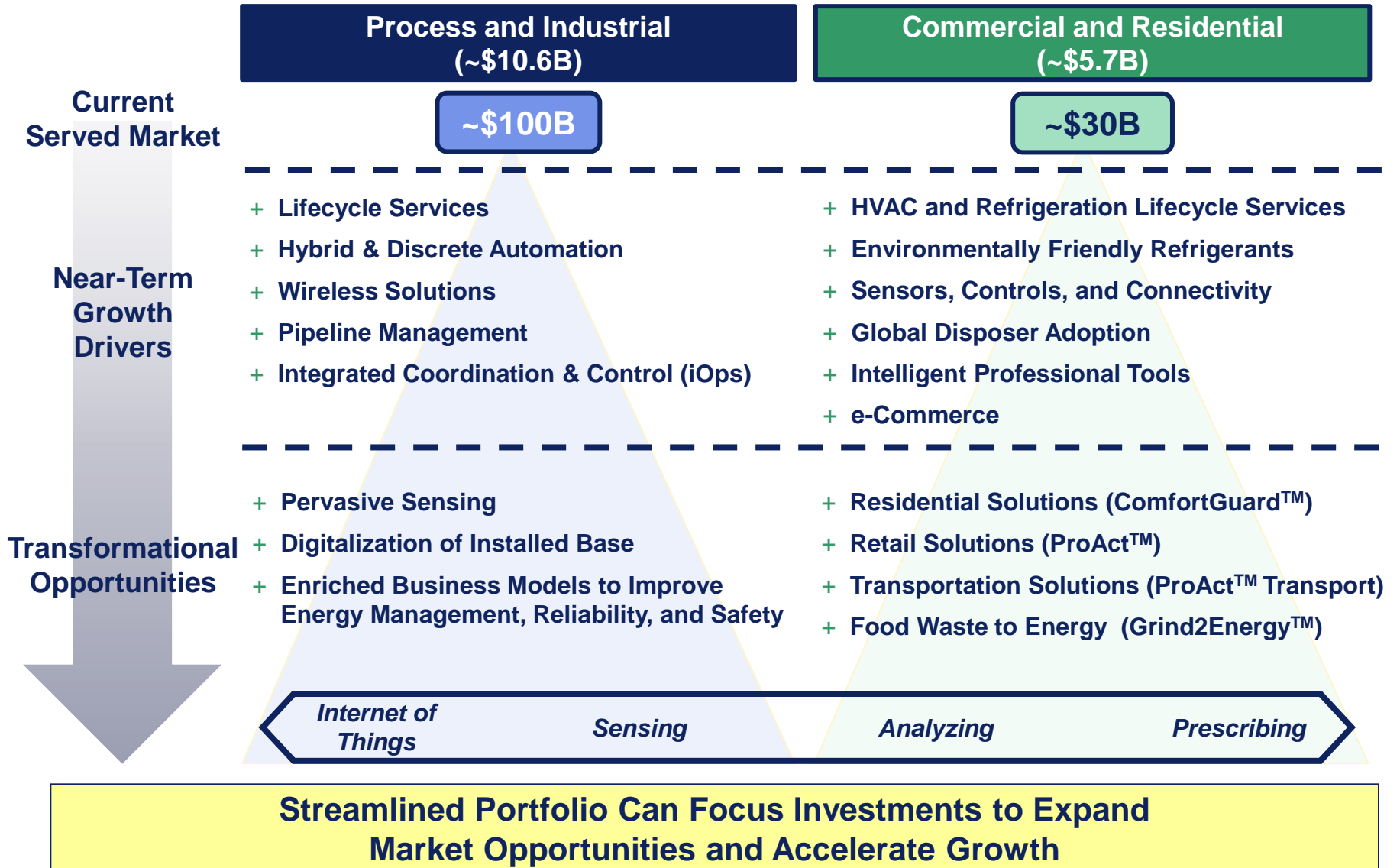
# Enhanced Growth, Profitability, and Return on Total Capital

Metrics	Emerson 2014	Emerson 2014 Post Strategic Actions <sup>(1)</sup>
2014 Revenue	\$24.5B	\$16.3B
Underlying Sales Growth* 2010 – 2014 CAGR	4.5%	6.9%
2014 EBIT*	16.5%	19.7%
2014 ROTC*	20.2%	33.1%

(1) Revenue, Underlying Sales Growth, EBIT, and ROTC are proforma, non-GAAP\* metrics based on 2014 results excluding divestitures completed to date, as well as the planned spinoff of Network Power and the potential separations of the Motors and Drives, Power Generation, and remaining Storage businesses

Note: 2014 results exclude \$508M goodwill impairment charge

# Opportunity to Accelerate Growth With Focused Investments



# ***Emerson Will Drive Shareholder Value Through Leadership Positions in Strong Growth Markets***

---

- ✓ **Focused and nimble portfolio of businesses**
- ✓ **Strong organic growth runway within large served markets**
- ✓ **Opportunity for business expansion through enriched business models and acquisitions**
- ✓ **Management and resource allocation focus on highest return on investment opportunities**
- ✓ **Strengthened financial profile with higher profitability and return on capital**
- ✓ **Strong free cash flow and balance sheet; substantial financial flexibility for balanced capital allocation**

# Network Power Business Overview

## Financial Profile\*

2014 Revenue:	\$4.9B
2014 EBITDA:	\$0.7B
2014 EBITDA Margin:	13.5%
2014 Operating Margin:	12.8%

Industrial 7%

15%  
Telecom

22%  
Service

56%  
Data Center

Middle East & Africa

4%

Latin America 6%

19%  
Europe

29%  
Asia

42%  
North America

Major Markets Served

Sales by Geography

## Business Highlights

- Leading, stand-alone provider of power, thermal, monitoring, and management systems for data center and telecom industries
- Sustainable competitive advantage from domain and controls expertise, as well as significant product breadth
- Growth through expanded offerings, solutions, and services
- Ongoing restructuring efforts have simplified the business and positioned it for future success

\*Excludes Artesyn and Connectivity Solutions

125

**Celebrate. Challenge. Consider It Solved.**



**EMERSON™**



# Reconciliation of Non-GAAP Financial Measures

This information reconciles non-GAAP measures (denoted with a \*) with the most directly comparable GAAP measure, \$ in billions

## Emerson Consolidated

<u>Net Sales</u>	<u>2014</u>	<u>Sales Growth</u>	<u>2010-2014 CAGR</u>
Reported Net Sales	\$ 24.5	Reported Sales Growth	4.0%
Impact of Strategic Actions	\$ (8.2)	Acq/Div/FX	0.5%
Net Sales Post Strategic Actions*	\$ 16.3	Underlying Sales Growth*	4.5%
		Impact of Strategic Actions	2.4%
		Underlying Sales Growth Post Strategic Actions*	6.9%

<u>EBIT Margin*</u>	<u>2014</u>	<u>ROTC</u>	<u>2014</u>
Pretax Earnings Percentage	13.6%	Reported ROTC	17.5%
Interest Expense	0.8%	Goodwill Impairment	2.7%
EBIT Margin*	14.4%	ROTC Excluding Impairment*	20.2%
Goodwill Impairment	2.1%	Impact of Strategic Actions	12.9%
EBIT Margin Adjusted*	16.5%	ROTC Post Strategic Actions*	33.1%
Impact of Strategic Actions	3.2%		
EBIT Margin Post Strategic Actions*	19.7%		

## Emerson Network Power

	<u>2014</u>	
Reported Network Power Segment Net Sales	\$ 5.1	
Artesyn and Connectivity Solutions	\$ (0.2)	
Network Power Business Net Sales	\$ 4.9	
Reported Network Power Segment EBIT	\$ 0.5	9.0%
Artesyn and Connectivity Solutions	\$ -	0.6%
Network Power Business EBIT*	\$ 0.5	9.6%
Network Power Business Depreciation & Amortization	\$ 0.2	3.9%
Network Power Business EBITDA*	\$ 0.7	13.5%
Network Power Business EBIT*	\$ 0.5	9.6%
Network Power Business Other Income/Deductions	\$ 0.1	3.2%
Network Power Business Operating Profit*	\$ 0.6	12.8%

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