Emerson to Advance Global Automation Leadership Through Acquisition of NI

April 12, 2023
Emerson is acquiring NI, a global test & measurement leader in an all-cash transaction for $60 per share with total equity value of $8.2B. Including the ~2.3 million NI shares Emerson already owns, the effective purchase price is $59.61 per share.

Key step in portfolio evolution, advancing Emerson’s position as a global automation leader and diversifying technology into test & measurement automation.

NI’s portfolio of intelligent devices, control and software aligned to capture secular growth trends in diversified discrete end markets like semiconductor, electric vehicles, electronics, aerospace and defense, accelerating Emerson revenue growth through the cycle.

Creates substantial value for Emerson shareholders:
- Significant cost synergies of $165M by the end of year 5 identified with detailed execution plans
- Accelerates underlying revenue growth, expands gross margins, accretive to year one adjusted EPS and meets Emerson’s stated return criteria
## Transaction Highlights

<table>
<thead>
<tr>
<th>Valuation</th>
<th>$60 per share all-cash transaction; Emerson’s effective price is $59.61, including the ~2.3 million shares Emerson already owns, acquired at $36.84</th>
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<tbody>
<tr>
<td></td>
<td>Total equity value of $8.2B</td>
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<tr>
<td></td>
<td>~15x fiscal 2023 consensus EBITDA including $165M of cost synergies</td>
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<tr>
<td>Financing</td>
<td>Transaction not subject to any financing conditions</td>
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<tr>
<td></td>
<td>Plan to use ~$8B of post-tax proceeds from majority sale of Climate Technologies to Blackstone</td>
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<tr>
<td></td>
<td>Net leverage of &lt;2x expected at closing</td>
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<tr>
<td>Financial Impact</td>
<td>Immediately accretive to adjusted EPS, gross margins and underlying growth profile</td>
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<tr>
<td></td>
<td>$165M of cost synergies to be realized by the end of year 5</td>
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<td></td>
<td>Meets acquisition return criteria</td>
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<td>Pathway to Completion</td>
<td>Subject to the completion of customary closing conditions, including regulatory approvals and approval by NI shareholders</td>
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<td>Transaction expected to close in the first half of Emerson’s fiscal 2024</td>
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**Highly Strategic and Attractive**

**Transaction Aligned**

**With Emerson’s Automation Strategy**
Test & Measurement Is An Attractive Automation Adjacency Complementary To Emerson’s Leading Portfolio

Highly Attractive Adjacencies
Large, higher-growth, profitable adjacencies serving diversified automation markets

Strong, Complementary Fit
Fits technology stack, creates more value for customers, drives synergies and value creation

$100B Priority TAM | MSD – HSD Growth
20%+ Average Operating Margin
Test & Measurement Will Be Accretive To Emerson’s Growth Through Exposure To Secular Trends In Diversified End Markets

<table>
<thead>
<tr>
<th>Market Verticals</th>
<th>Focus Segments</th>
<th>Growth Drivers</th>
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<tbody>
<tr>
<td>Semiconductor</td>
<td>Discrete and Modular Devices</td>
<td>Ubiquity Of Semiconductor Chips</td>
</tr>
<tr>
<td>Aerospace / Defense</td>
<td>Data Acquisition</td>
<td>Autonomous / Electric Vehicles</td>
</tr>
<tr>
<td>Transportation</td>
<td>Humidity and Gas Detection</td>
<td>Sustainability</td>
</tr>
<tr>
<td>MSD</td>
<td>Automated Test Equipment</td>
<td>Battery Growth</td>
</tr>
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M&A Priority TAM

Market Growth

$35B
NI has an attractive customer base, diverse end-market mix and exposure to compelling growth opportunities.

- **Revenue**: $1.7B
- **Gross Profit**: 68%
- **Customers**: ~35K
- **Employees**: ~7K

**Geography**
- **EMEA**: 26%
- **Americas**: 42%
- **APAC**: 32%
- **Other**: 31%

**End Market**
- **Semiconductor**: 26%
- **Aerospace & Defense**: 25%
- **Transportation**: 18%
- **Portfolio (All Other Industries)**: 31%

**Compelling Growth Vectors**

<table>
<thead>
<tr>
<th>Market</th>
<th>Technology Inflection</th>
<th>NI Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor</td>
<td>5G, Wi-Fi, UWB</td>
<td>Semiconductor Test Systems</td>
</tr>
<tr>
<td>Transportation</td>
<td>ADAS / Autonomous Vehicles, Electric Vehicles</td>
<td>EV Battery Test Systems, ADAS Record and Playback</td>
</tr>
<tr>
<td>Aerospace / Defense</td>
<td>Cognitive Systems, Digital Transformation, Sensor Fusion</td>
<td>Open and Modular Platforms</td>
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</table>
Emerson Has Experience Effectively Managing Industry-Leading Intelligent Devices, Controls And Software Businesses
NI Provides Key Automation Entry Point Into Discrete Markets

Diversification Into Discrete Markets

Expansion Opportunity

<table>
<thead>
<tr>
<th>Pre-Transaction</th>
<th>Post-Transaction</th>
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<tbody>
<tr>
<td>$1.6B</td>
<td>$2.9B</td>
</tr>
<tr>
<td>11% of sales</td>
<td>18% of sales</td>
</tr>
</tbody>
</table>

Design & Validation

Production & Manufacturing

Software

Control

Intelligent Devices

Semiconductor & Electronics

Transportation

Battery Manufacturing

Aerospace & Defense

Expansion Opportunity
Pro-Forma Emerson Is Expected To Have Higher Growth, Leading Software Mix And Diversified End-Market Exposure

1 Represents pro-forma 2022 Emerson including full-year heritage AspenTech, and excluding Micromine and any announced or completed divestitures; 2 Represents NI fiscal year 2022 (Pro-Forma)
$165M Of Year Five Synergies Drive Significant Value Creation Opportunity For Emerson Shareholders

**Research & Development**
- Improved engineering productivity
- Faster NPD speed to market using Emerson innovation process
- Leverage Emerson’s engineering centers of excellence

**Sales & Marketing**
- Improve channel effectiveness with customer segmentation tools
- Utilize Emerson’s in-region scale to drive efficiency
- Apply commercial excellence tools to improve channel and price management

**Corporate, General & Administrative**
- Eliminate standalone corporate costs
- Streamline duplicative functions
- Leverage Emerson’s shared service centers

**Trade Working Capital**
- Utilize Emerson’s best practices to improve balance sheet productivity
- Focus on inventory with additional opportunities on receivables

**Synergy Outlook**
- **$165M** Cost Synergies Realized by End of Year 5
- **$155M** Cumulative Cost to Realize Synergies
- **~28%** Year 5 Target Adjusted EBITA Percentage
The Emerson Management System Provides Confidence In Synergies

Emerson Management System

- Management Process
- Culture
- Commercial Excellence
- Innovation
- World-Class M&A
- Operational Execution

Valves & Controls (Acquired 2017)

- **Operational Execution**
  - Rationalization of administrative costs and centralization in best cost locations
  - Balance sheet productivity improvement
  - Improved facility and sourcing performance

- **Commercial Excellence**
  - Optimized go-to-market model
  - World-class distribution management
  - Enhanced pricing model maturity

- **Innovation**
  - Improved engineering productivity
  - Faster NPD speed to market
  - Leverage of best cost resources

- **Year Five Synergies Realization**
  - Original Commitment: $200M
  - Final Control Adjusted EBITA Margin Expansion
  - $300M
  - 790 bps

(2018-2022 Final Control Adjusted EBITA Margin Expansion)
Transaction Meets Acquisition Criteria And Value Creation Objectives

**Strategic Discipline**
- Aligned with core automation business
- Within 4 targeted adjacent markets
- Diversified end-market exposure

**Financial Discipline**
- Accretive future growth profile
- Accretive to gross margins with runway for adjusted EBITA accretion
- Cash-on-cash returns > risk adjusted cost of capital by year 5

**Integration Discipline**
- Corporate-led integration management office
- $165M of defined synergies to be tracked
- Operational excellence to be applied through Emerson Management System

- NI strengthens cohesive automation portfolio serving diverse end markets
- NI is expected to be additive to core business financials
- Transaction delivers shareholder value through multiple levers

**Accelerates Underlying Revenue Growth, Expands Gross Margins, Accretive to Adjusted EPS in Year 1**
NI Acquisition Advances Emerson’s Global Automation Focus

Leading Automation Platform
Expands Emerson’s portfolio to include automation of test & measurement processes

Attractive Financial Profile
68% gross margins with clear opportunities to streamline R&D and G&A costs through Emerson’s operational excellence

Diversified End Market Exposure
Exposure to discrete markets: semiconductor & electronics, aerospace & defense, and transportation & electric vehicles

Complementary Technology Capabilities
NI’s technology stack is highly regarded across intelligent devices, controls and software
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Additional Information And Where To Find It

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