

# Morgan Stanley Laguna Conference

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Chairman and Chief Executive Officer

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## 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 statement 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, the proposed acquisition of Valves & Controls and Emerson's other strategic portfolio 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 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](http://www.Emerson.com) under Investor Relations



# Valves and Controls Acquisition Update

## Fiscal 2017 <sup>1</sup>

- Acquisition is projected to be cash accretive ~\$100M
- EPS is slightly dilutive including ~\$50M of restructuring spend and intangible amortization of ~\$75M
- Excludes one-time purchase accounting estimate of \$225M to \$275M, (\$0.25) to (\$0.30) per share
  - Profit in inventory, backlog, deal costs. Expected to be recognized within 6 to 12 months after close

## Years 2 thru 5

- Continued intangible amortization of ~\$100M per year, (\$0.11) per share
- Additional restructuring spend of ~\$150M over the next 24 months
- Synergy opportunity is ~\$200M, net of SG&A investments
- Year 5 sales target of ~\$2B including synergies on the acquired business

<sup>1</sup> Assumes January 2017 close

**V&C Acquisition is Projected to be Cash Accretive Immediately and EPS Accretive in Year 2  
Sales Synergy Opportunity Represents Significant Upside**

# Cash from Divestitures and Repatriation

Total Sales Proceeds from Network Power, Leroy Somer and Control Techniques

- Net of taxes and fees	~\$4.3B
• Non-U.S. Portion of Net Proceeds	~\$1.3B
- Tax to repatriate	(~\$0.2B)
• Cash in Divested Businesses	~\$1.3B
- Tax to repatriate	(~\$0.1B)
• Total Repatriation Opportunity	~\$2.6B
- Tax to repatriate	(~\$0.3B)

**Expect to Repatriate Cash at Tax Cost of ~12%. Will Optimize Use of Offshore Cash to Pay for V&C Acquisition**

# Emerson's Free Cash Flow Supports Dividend Increase of \$0.02 Per Year

In \$Millions	2016E <sup>1</sup>	2017F	2019F	2021F
<b>Op. Cash Flow</b>	<b>\$2,900*</b>	<b>\$2,500 - \$2,600</b>	<b>\$2,700 - \$2,800</b>	<b>\$3,100 - \$3,200</b>
<b>Cap Ex</b>	<b>500</b>	<b>500</b>	<b>525</b>	<b>600</b>
<b>Free Cash Flow*</b>	<b>2,400</b>	<b>2,000 - 2,100</b>	<b>2,175 - 2,275</b>	<b>2,500 - 2,600</b>
<b>Dividend</b>	<b>\$1,225</b>	<b>\$1,230</b>	<b>\$1,240</b>	<b>\$1,260</b>
<b>% of FCF</b>	<b>51%</b>	<b>~60%</b>	<b>~56%</b>	<b>~50%</b>

2017 to 2021 Plan Assumes:

- Share repurchase of ~\$2B cumulative 2017 through 2021
- \$1B to \$2B of product line acquisitions

Capacity for up to \$3B of product line acquisitions

<sup>1</sup>Excludes ~\$200M of separation costs related to the sales of Network Power, Leroy Somer and Control Techniques

**Modest Increases in the Annual Dividend until Desired Range of 40% to 50% of Free Cash Flow is Achieved**

# Pentair Valves & Controls Acquisition Rationale

## Strengthen Market Position

- **Establishes Emerson presence globally in control, isolation, pressure relief valves and actuation**
  - Grows Emerson **Automation Solutions' business**
  - Pentair Valves & Controls' Sales peaked at \$2.4B in 2014; with a 17% Operating Margin
  - Increases 'served' market and provides future acquisition opportunities

## Desirable Target

- **Valves & Controls' portfolio is highly respected market leader**
  - World-class brands include Crosby, Anderson-Greenwood, Vanessa, and Keystone
  - Notable presence in Chemical, Mining, and Power markets
  - Significant Isolation Valve Aftermarket and Service organization
  - Critical addition of Pressure Relief Valves

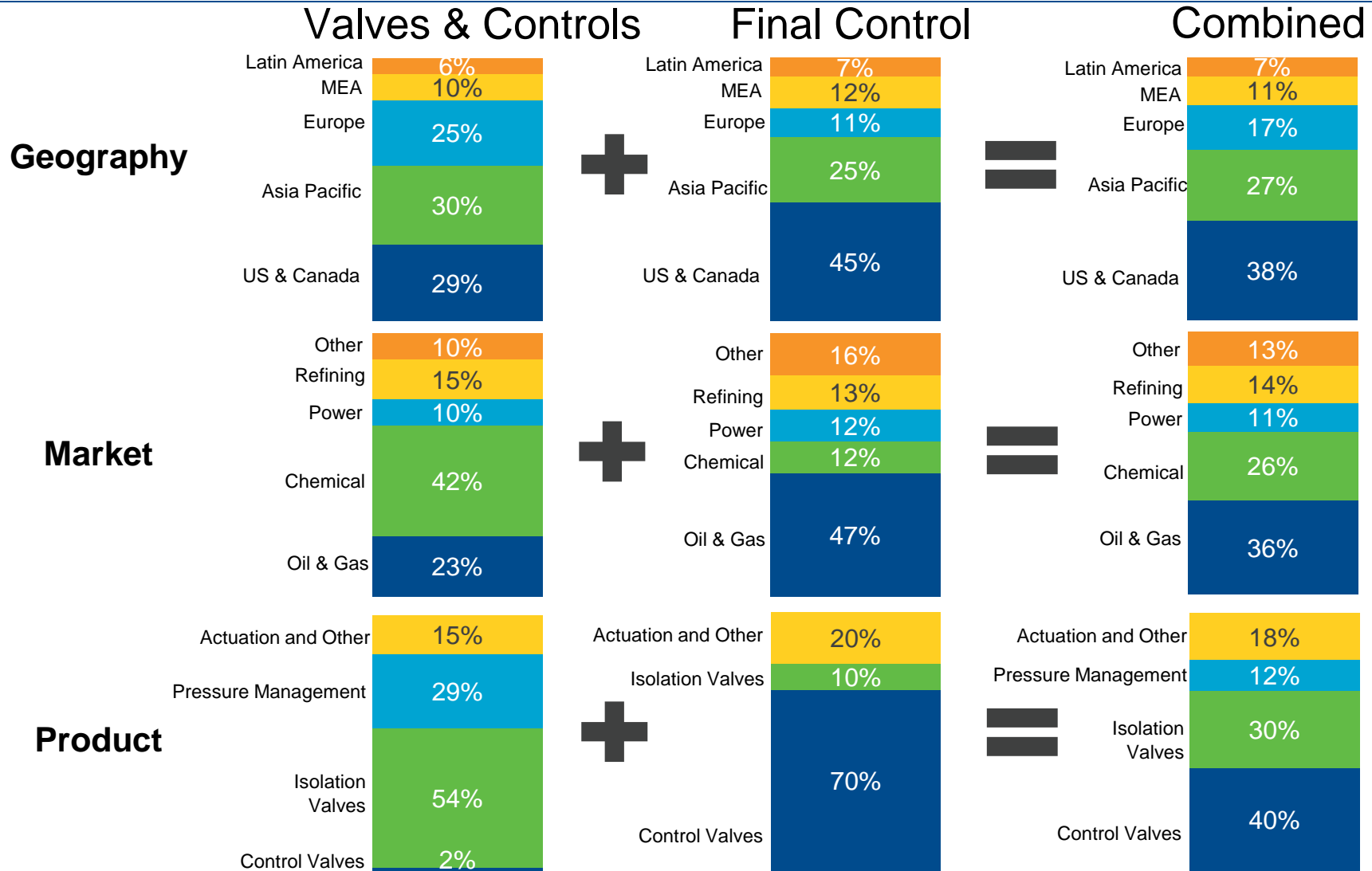
## Reduced Risk of Entry

- **Strong fit with Emerson, Automation Solutions, Final Control**
  - Management principles match the 'Emerson Playbook':
    - Perfect Execution
    - Best Cost Manufacturing
    - Best Cost Sourcing
    - Focus on Working Capital

## Value Creation

- **Strong value creation opportunities using Automation Solutions infrastructure**
  - Strategic Accounts
  - Best Cost Back Office
  - Global Project Pursuit
  - Lifecycle Services
  - Industry Solutions
  - Additive Manufacturing (3D)

# Emerson Final Control and Pentair Valves & Controls Business Overview



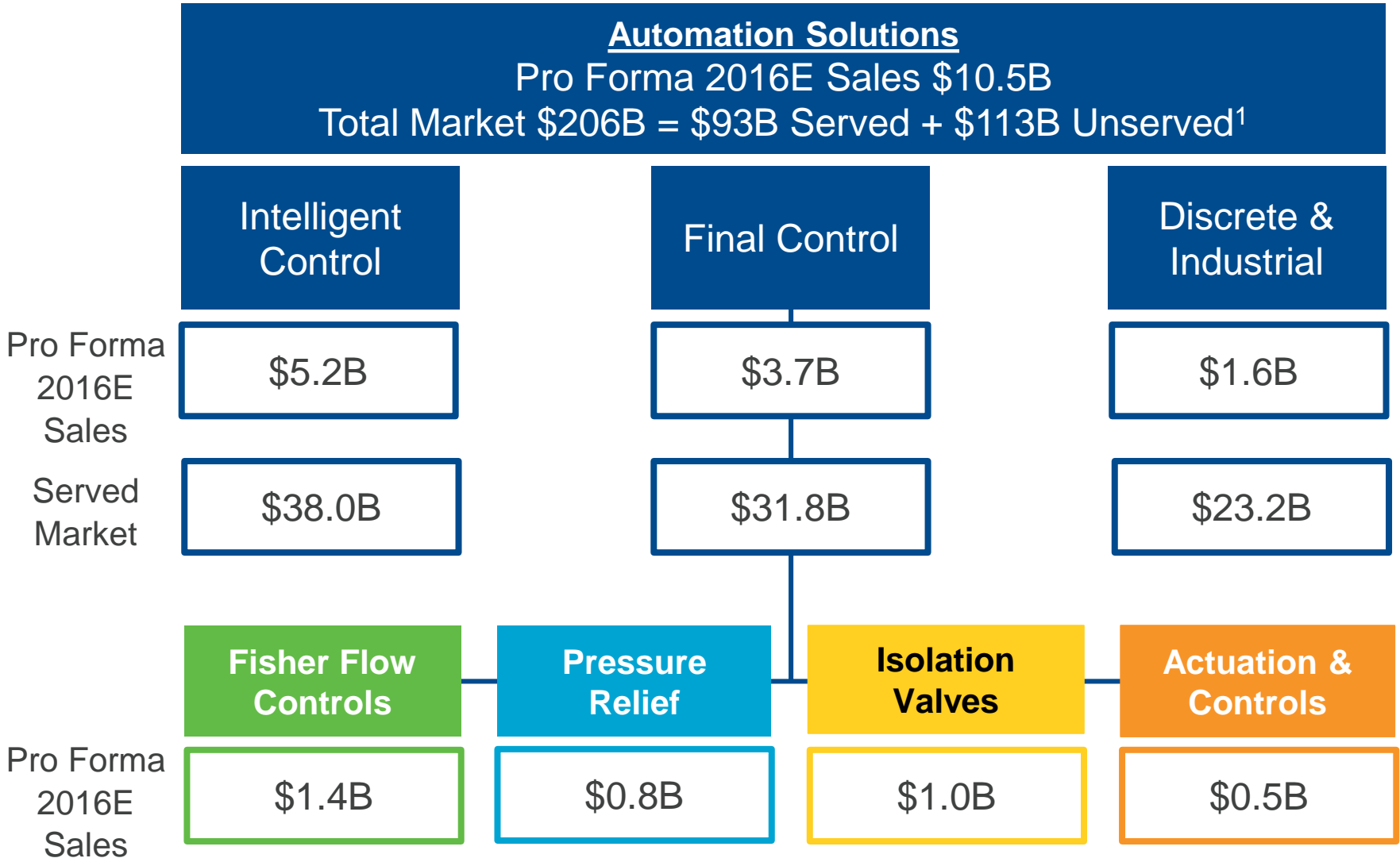
Combined Operating Margin 14-18+% Through-the-Cycle

# Pentair Valves & Controls Portfolio is Complementary to Emerson and Creates the Premier Global Valve and Actuation Player

Final Control Capabilities	Emerson Final Control	Pentair Valves & Controls	Combined Final Control Entity
<b>Control Valves</b>	Green	Red	Green
<b>Isolation Valves</b>	Yellow	Green	Green
Triple Offset BV	Yellow	Green	Green
Butterfly	Red	Green	Green
Ball	Yellow	Yellow	Green
Gate/Globe/Check	Red	Green	Green
Other On/Off Technologies	Red	Yellow	Yellow
<b>Actuation &amp; Controls</b>	Green	Yellow	Green
Electric	Yellow	Red	Yellow
Pneumatic	Green	Yellow	Green
Manual	Yellow	Yellow	Yellow
<b>Pressure Relief</b>	Red	Green	Green
<b>Key Brands</b>	Fisher Bettis	Crosby Vanessa Anderson Greenwood Keystone	

Establishes Global Leadership in Control, Isolation, Pressure Relief Valves and Actuation & Controls

# Automation Solutions Business Group Evolution



<sup>1</sup> \$113B Unserved Market = \$36B Process + \$7B Hybrid + \$70B Discrete





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# 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).

## **Operating Cash Flow**

	<b><u>2016E</u></b>
Operating cash flow excluding separation costs*	\$ 2,900
Separation costs	<u>(200)</u>
Operating cash flow	2,700
Capital expenditures	<u>(500)</u>
Free cash flow*	2,200
Separation costs	<u>200</u>
Free cash flow excluding separation costs*	\$ 2,400

## **Dividend % of Operating Cash Flow**

	<b><u>2016E</u></b>	<b><u>2017F</u></b>	<b><u>2019F</u></b>	<b><u>2021F</u></b>
Dividend % of free cash flow*	~51% <sup>1</sup>	~60%	~56%	~50%
Dividend % of capital expenditures & separation costs	<u>~(6)%</u>	<u>~(12)%</u>	<u>~(11)%</u>	<u>~(10)%</u>
Dividend % of operating cash flow	~45%	~48%	~45%	~40%

<sup>1</sup> Excludes \$200M of separation costs