

THE D. E. SHAW GROUP'S PERSPECTIVES ON EMERSON ELECTRIC CO.

OCTOBER 2019

ENHANCING ✓ EMERSON

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About The D. E. Shaw Group

Founded in 1988, the D. E. Shaw group is a global investment and technology development firm with over \$50 billion in assets under management, predominantly from institutional investors. We have a significant presence in the world's capital markets, investing in a wide range of companies and financial instruments in both developed and developing economies.

The D. E. Shaw group has been a long-term shareholder of Emerson Electric Co. ("Emerson Electric" or "Emerson")

We have partnered successfully to catalyze shareholder value creation at numerous companies

We have performed extensive research to understand Emerson's various businesses and available value creation opportunities. Specifically, we have:

- Used publicly available financial information to determine Emerson's relative financial and operational performance and capital allocation track record
- Worked with experienced operating partners within the industrial automation and HVAC industries, including numerous former Emerson employees, to further our understanding of Emerson's markets, competitive dynamics and strategic positioning
- Retained a leading consulting firm to aid in our in-depth due diligence through analysis of Emerson's operations, with an emphasis on understanding cost reduction, efficiency improvement opportunities and other potential areas for Emerson to improve across its key business units, including but not limited to:
 - Detailed assessment of cost rationalization opportunities (including a line-item analysis for every cost element within the Automation business and corporate center)
 - Analysis of publicly available headcount and salary data from online employment-oriented services to deconstruct Emerson's cost structure on an outside-in basis
 - Detailed assessment of any dis-synergies that would result from separation of Emerson's business units
- Retained tax and corporate counsel to understand various transaction structures involving Emerson's principal business segments and relevant governance mechanisms

CHANGE IS NEEDED AT EMERSON ELECTRIC

Change is Needed at Emerson Electric

EMERSON HAS DELIVERED LESS VALUE TO SHAREHOLDERS THAN ITS PEERS AND THE MARKET

- Emerson's total shareholder return has underperformed proxy peers and the market by 45% and 47%, respectively, in the past five years
- Emerson has also lagged peers in each of its business segments, underperforming automation peers and HVAC peers by 24% and climate peers by 88%
- Emerson's stock performance has lagged every relevant peer over every relevant time period

EMERSON HAS A POOR TRACK RECORD OF CAPITAL ALLOCATION

- Emerson's capital deployment has resulted in incremental returns below its cost of capital from 2000-2018
- Emerson spent nearly \$7 billion building the Network Power segment from 2000-2015 and then sold it for just \$4 billion
- Emerson attempted to pay 20x EBITDA for Rockwell Automation despite clear shareholder dissatisfaction with the deal

EMERSON HAS UNDERPERFORMED OPERATIONALLY AND SHOWS SIGNS OF POOR EXECUTION AND COST CONTROL

- Emerson has the highest levels of SG&A and corporate expense relative to sales amongst peers
- Emerson's Automation business has lower margins than peers in each of its business lines
- Emerson misses estimates much more frequently than peers eroding investor confidence

EMERSON'S GOVERNANCE PRACTICES ARE NOT SHAREHOLDER FRIENDLY

- Emerson is among 12% of S&P 500 companies and the only one of its proxy peers that maintains a classified board and prohibits annual elections for directors
- Emerson's shareholders have overwhelmingly voted to declassify Emerson's Board and yet the Board has failed to effectuate their will despite having means to do so
- Emerson's executive compensation structure is not aligned with shareholder returns and performance incentives pay out regardless of performance

EMERSON IS SEVERELY UNDERVALUED DESPITE BEST-IN-CLASS ASSETS, AND WE WOULD LIKE TO WORK TOGETHER CONSTRUCTIVELY WITH THE EMERSON BOARD AND MANAGEMENT TEAM TO UNLOCK VALUE FOR ALL SHAREHOLDERS

EMERSON HAS DELIVERED LESS VALUE TO SHAREHOLDERS
THAN ITS PEERS AND THE MARKET

Emerson Has Underperformed Any Relevant Peer Set Over Any Relevant Time Period

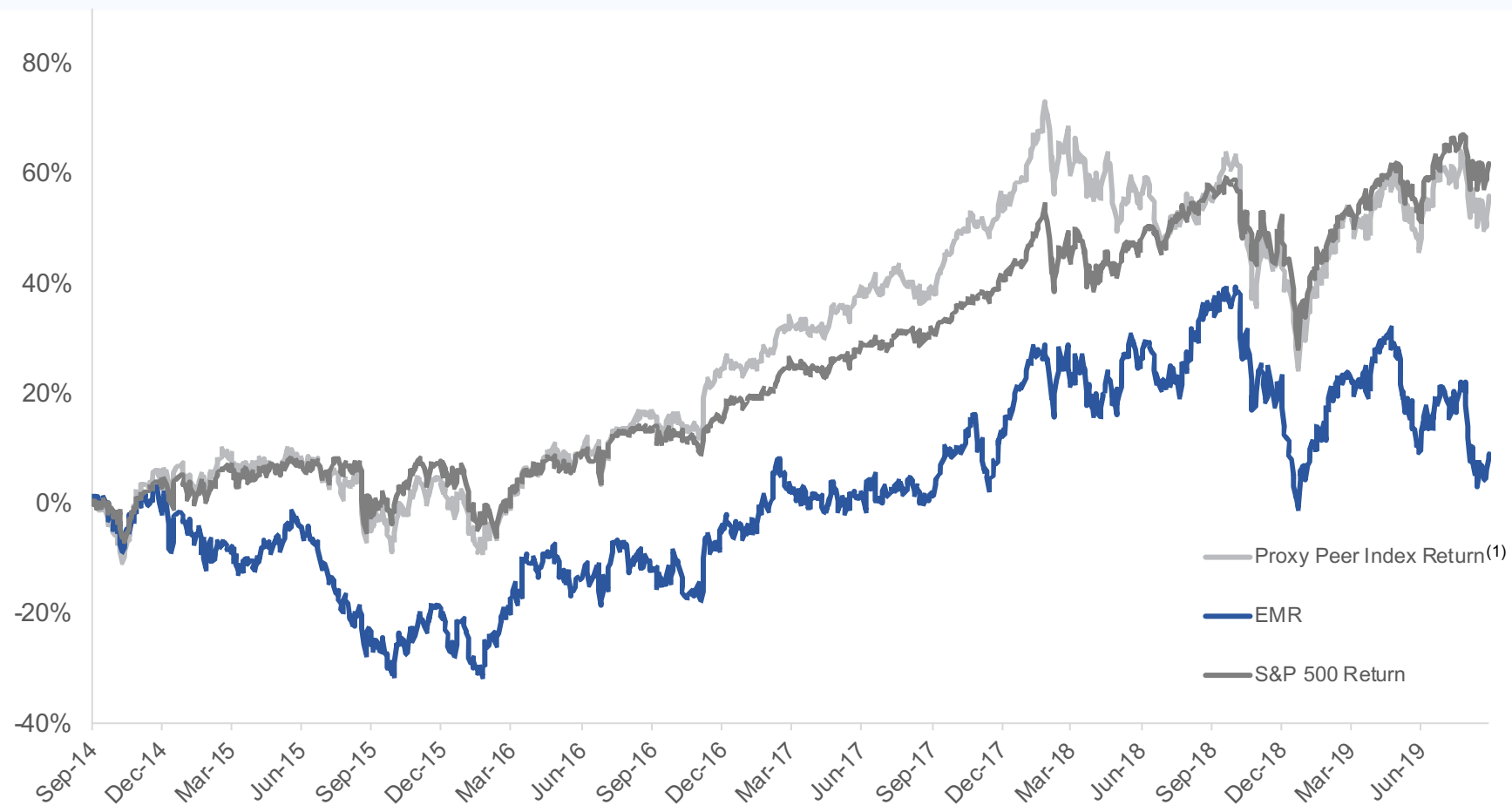
TOTAL SHAREHOLDER RETURN	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<u>Emerson's TSR vs.</u>				
Proxy Peers ⁽¹⁾	-10%	-1%	-45%	-198%
Automation Peers ⁽²⁾	-13%	-7%	-24%	-155%
HVAC OEM Peers ⁽³⁾	-29%	-19%	-88%	-272%
Multi-Industry Average ⁽⁴⁾	-13%	-4%	-42%	-209%
ISS Selected Peer Average ⁽⁵⁾	-16%	-23%	-71%	-235%
O&G Exposed Peers ⁽⁶⁾	-11%	-7%	-19%	-159%
XLI	-15%	-7%	-42%	-138%
S&P 500	-18%	-11%	-47%	-125%

Note(s):

- Source: Bloomberg
- Market Data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company
- Peer index returns calculated on an equal weighted basis
- 1. Includes Caterpillar, Cummins, DanaHER, Deere, DowDuPont, Eaton, Fluor, General Dynamics, Goodyear Tire, Honeywell, Illinois Tool Works, Ingersoll Rand, International Paper, Lockheed Martin, Northrop Grumman, Parker Hannifin, PPG, Raytheon, Schlumberger, TE Connectivity, Textron, United Technologies and 3M
- 2. Includes Rockwell, Honeywell, Flowserve, ABB, ROTORK and Schneider

- 3. Includes Johnson Controls, United Technologies, Lennox and Ingersoll Rand
- 4. Includes Rockwell, Honeywell, Flowserve, ABB, Johnson Controls, United Technologies, Lennox, Ingersoll Rand, Fortune Brands, Stanley Black & Decker, 3M, Allegion, AMETEK, Dover, Eaton, Fortive, General Electric, Parker Hannifin, Pentair, Cognex, Gardner Denver, Roper, nVent, Kennametal, Graco, Illinois Tool Works, Siemens, Schneider, ROTORK and SPX Flow
- 5. Includes 3M, Deere, Honeywell, Ingersoll Rand, Cummins, Raytheon, Eaton, ITW, Textron, Parker Hannifin, Rockwell, L3 Harris, Paccar
- 6. Includes ABB, AMETEK, Dover, Flowserve, Honeywell, Pentair, Rockwell, ROTORK

During the Past Five Years, Emerson Has Underperformed Proxy Peers and the Market by 45% and 47%, Respectively



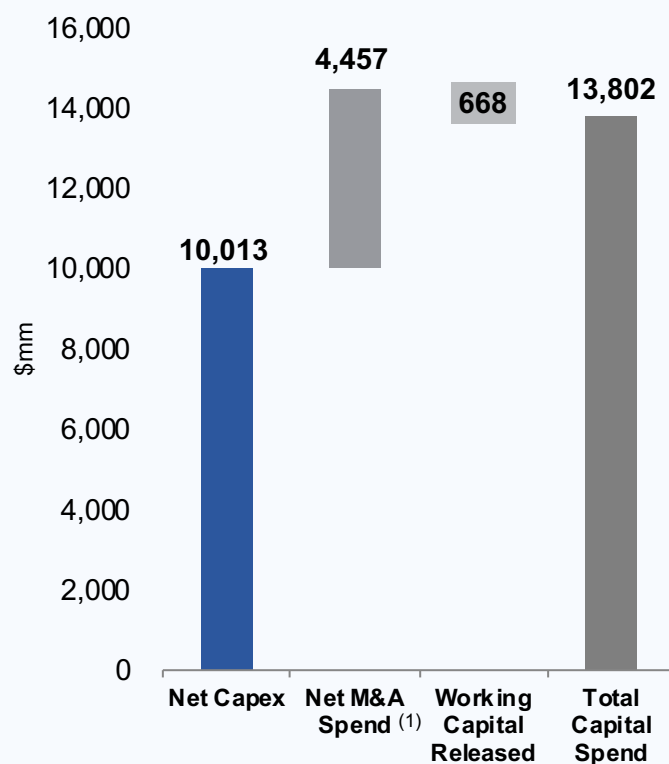
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- Source: Bloomberg
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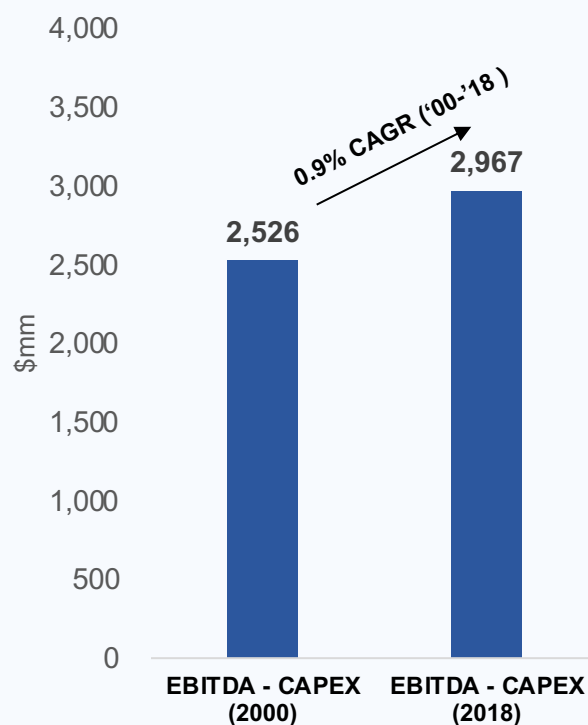
EMERSON HAS A POOR TRACK RECORD OF CAPITAL ALLOCATION

Emerson's Capital Deployment Has Resulted in Incremental Returns Below Its Cost of Capital...

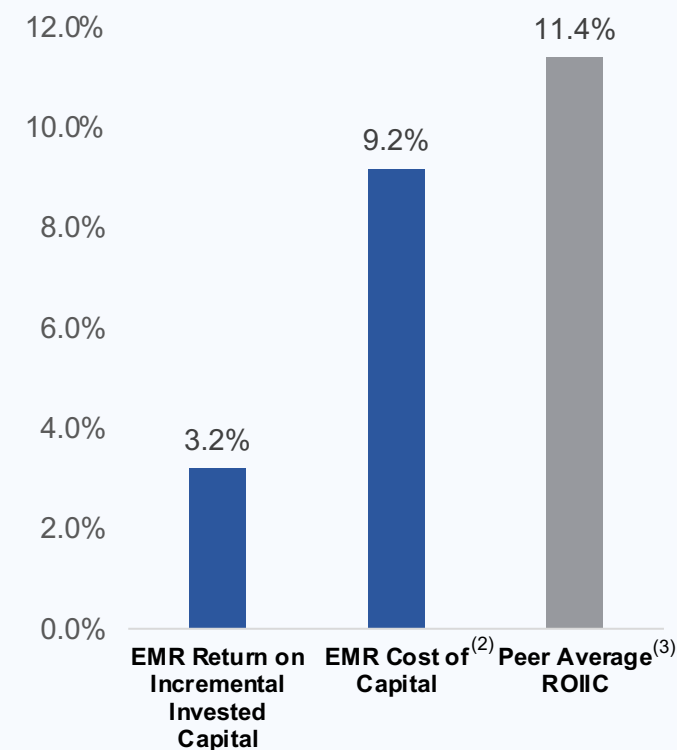
Since 2000, Emerson has spent nearly \$14bn of capital between M&A and capital expenditures...



... yet EBITDA-CAPEX has grown by only \$400mm...



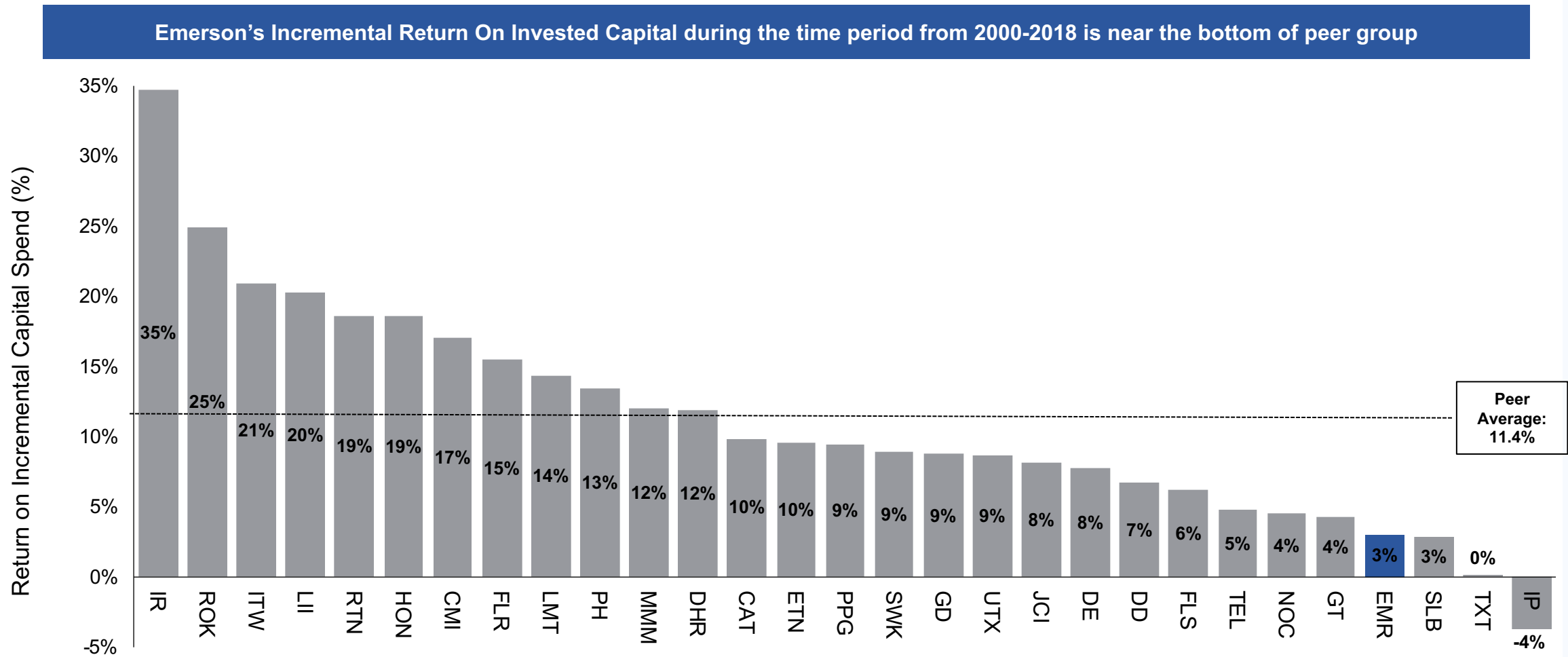
... resulting in a 3% pre-tax return on incremental capital during the period



Note(s):

- Source: Company filings
- Return on Incremental Invested Capital ("ROIC") is defined as incremental EBITDA-CAPEX during the period divided by incremental net capital spend and is adjusted for spinoffs and stock acquisitions
- Net M&A spend calculated as total acquisition spend less divestiture proceeds
- Emerson's WACC based on Bloomberg data
- Peer group includes Emerson proxy peers and operational peers on page 11

...And Meaningfully Below Those of Peers

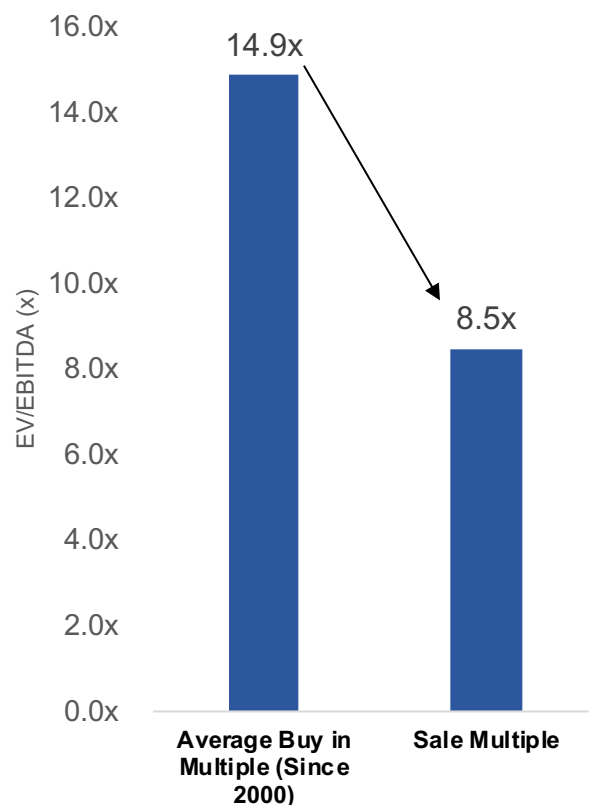


Note(s):

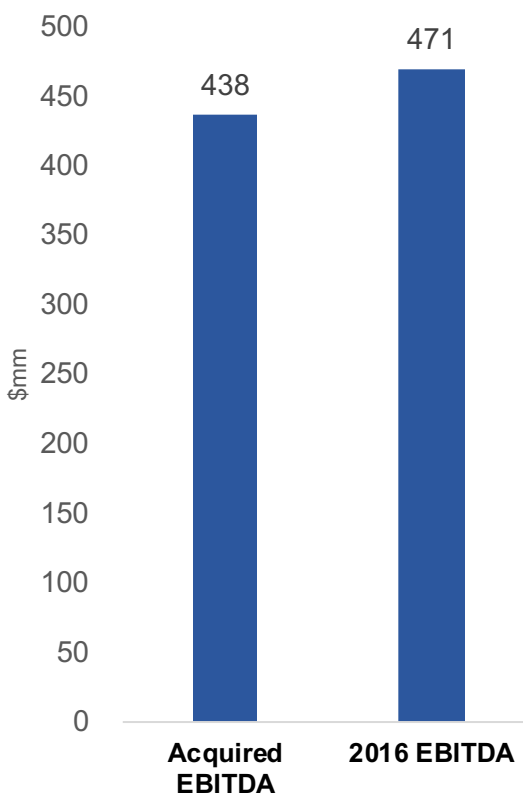
- Source: Company filings
- Return on Incremental Invested Capital ("ROIIC") is defined as incremental EBITDA-CAPEX during the period divided by incremental net capital spend and is adjusted for spinoffs and stock acquisitions
- Peer group includes Emerson proxy peers and operational peers

Emerson's Network Power Investment Destroyed Value

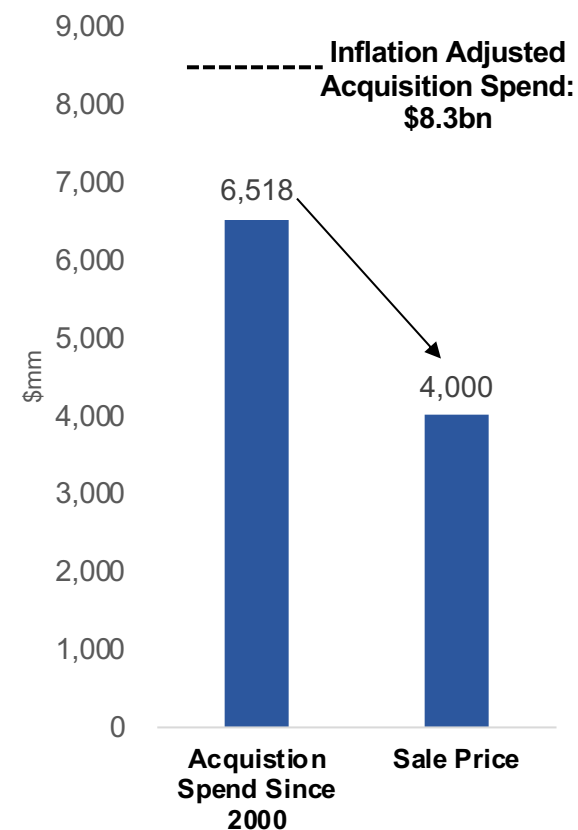
Emerson's average buy-in multiple for Network Power was nearly double that of the ultimate sale multiple Emerson received



Despite paying hefty price tags, Emerson was unable to meaningfully grow acquired EBITDA...



...resulting in shareholder value destruction as Emerson spent nearly \$7bn building Network Power and then sold it for \$4bn

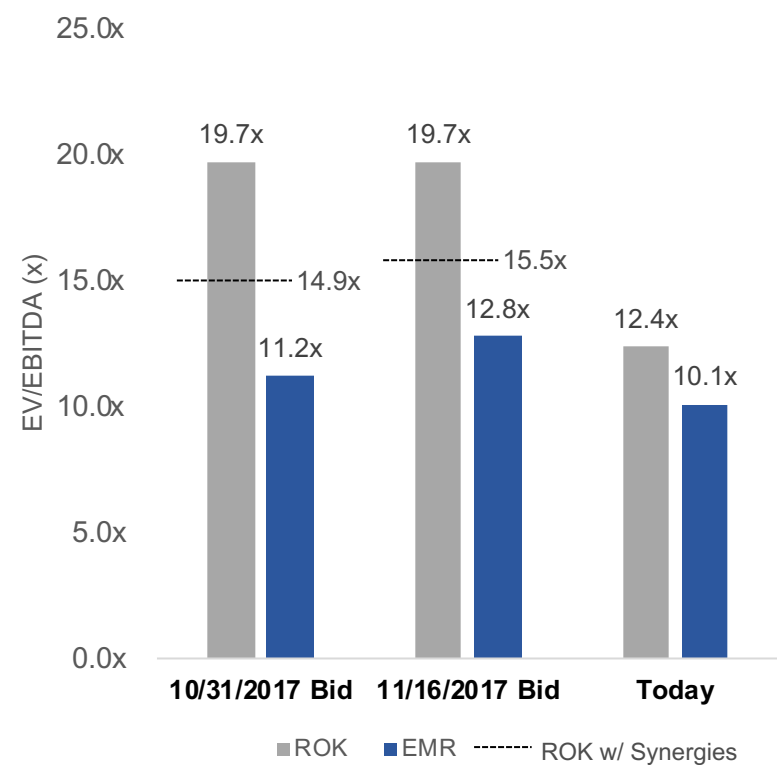


Note(s):

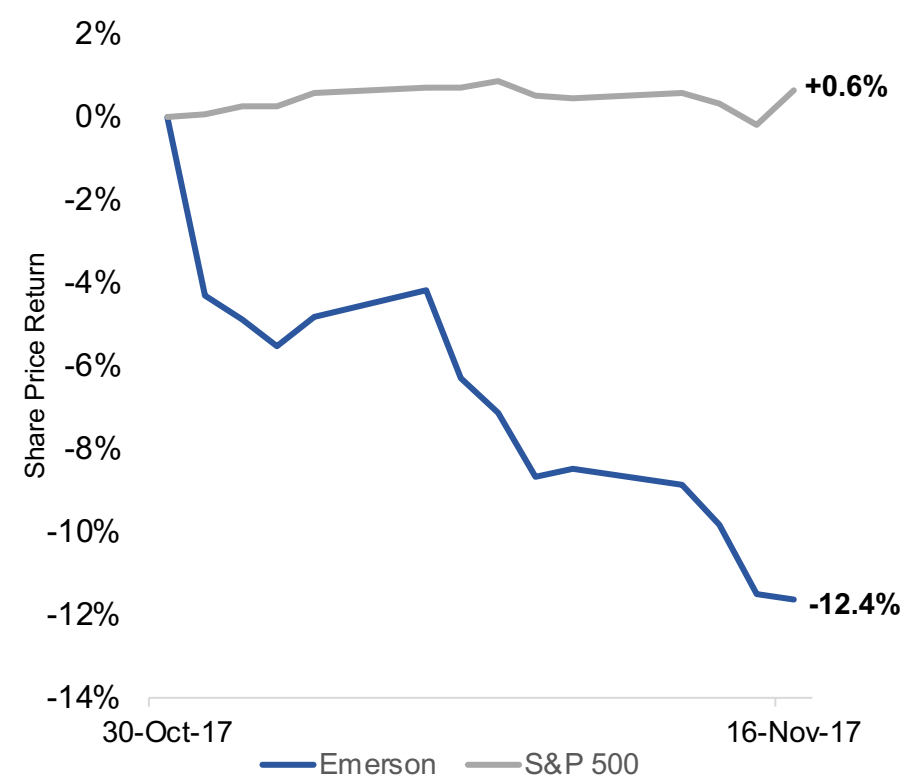
• Source: Company filings, Company press releases and various sell side equity research reports

Emerson's Attempt to Purchase Rockwell Automation Generated Extreme Shareholder Dissatisfaction

Emerson was willing to pay ~20x EBITDA for Rockwell Automation...



...and the stock underperformed the market by 13% in the weeks following the bid



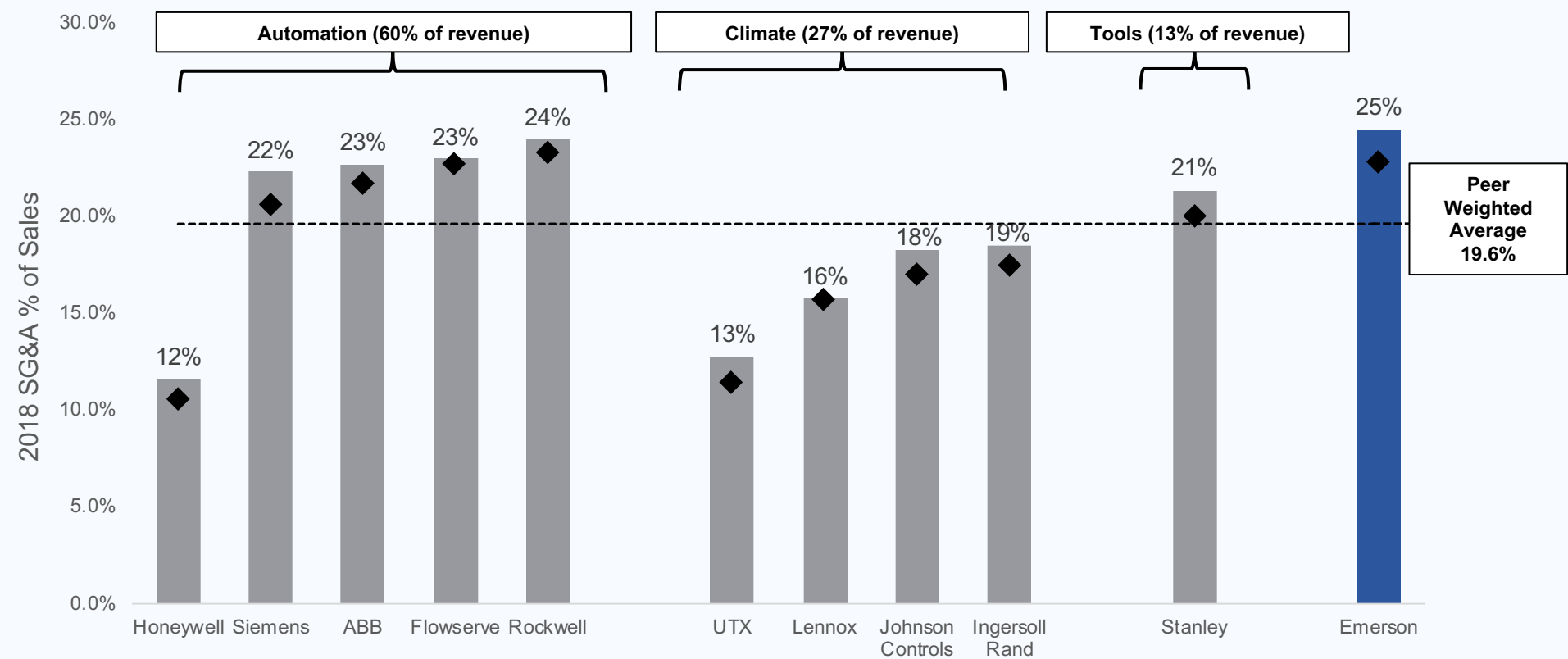
Note(s):

- Source: Bloomberg and Company press releases
- Market Data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company

**EMERSON HAS UNDERPERFORMED OPERATIONALLY AND
SHOWS SIGNS OF POOR EXECUTION AND COST CONTROL**

Emerson Has the Highest Levels of SG&A Relative to Sales Amongst Peers

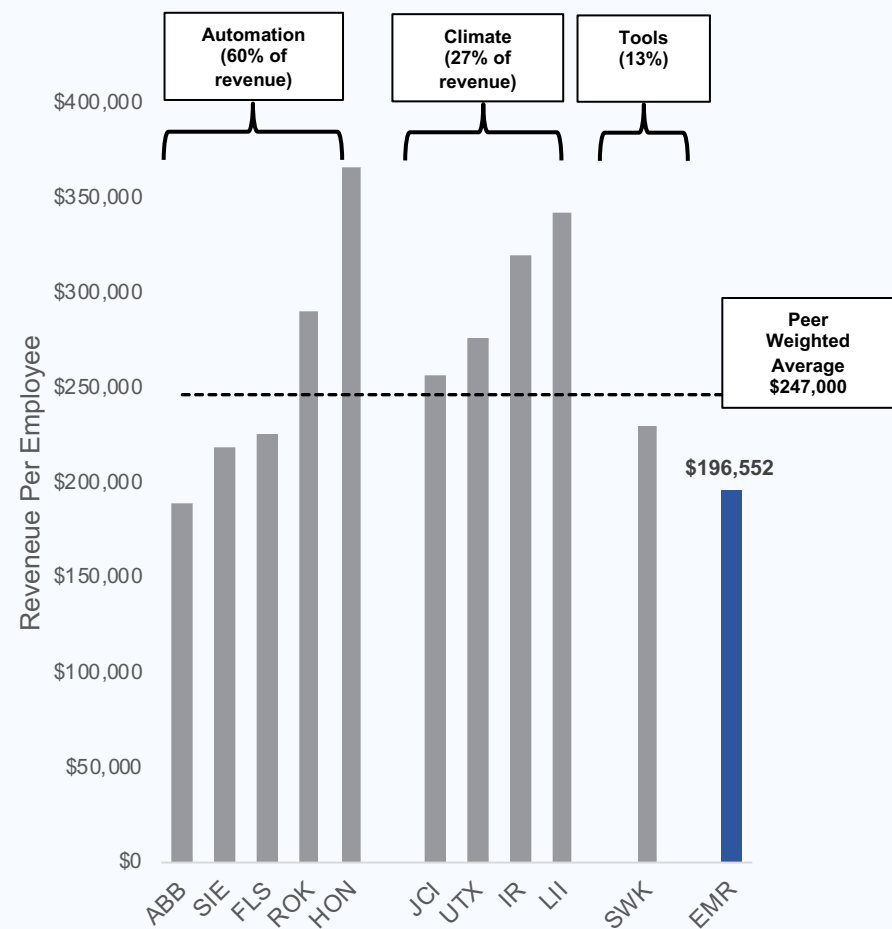
Relevant peer benchmarking indicates that SG&A could be reduced by nearly 500bps to ~20% of sales resulting in nearly \$900 million in savings



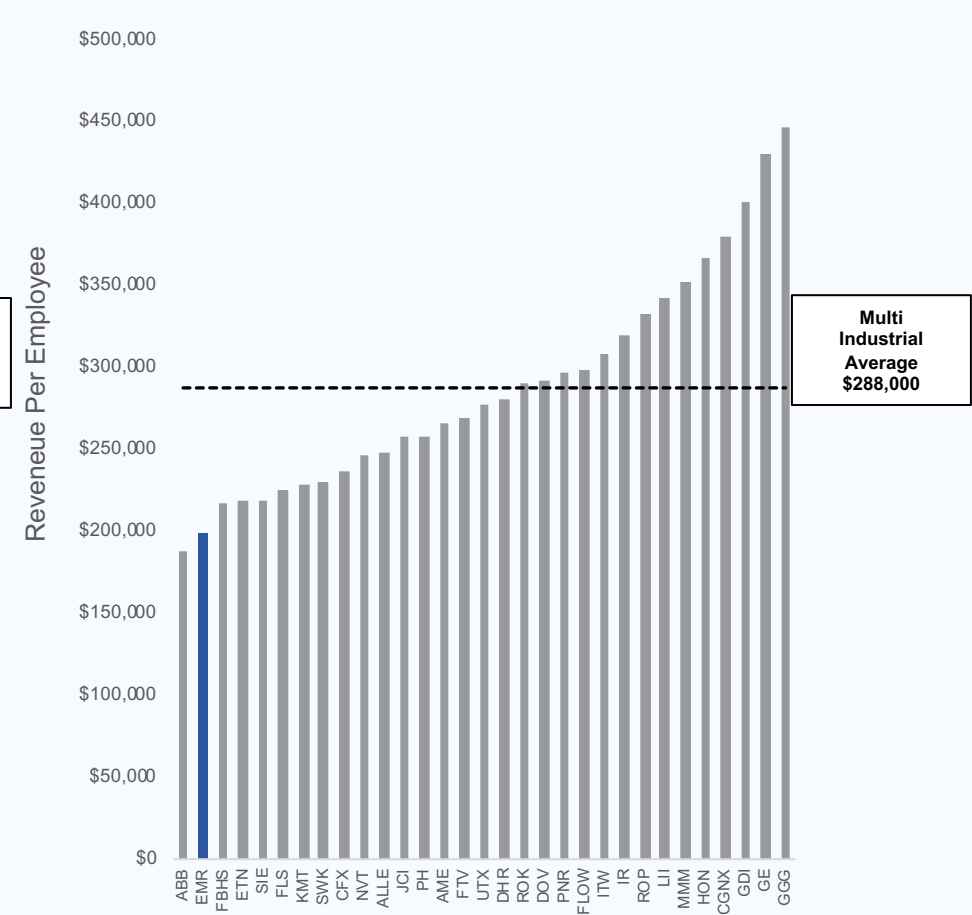
Note(s):
• Source: Company filings. SG&A includes R&D expenses and is adjusted for one-time items including restructuring charges, currency translation, gains/losses on asset sales and other non-recurring expenses
• ♦ = SG&A adjusted for amortization of intangible assets. Emerson stands above most peers at 23% of sales compared to 19% for the peer weighted average

Emerson's Employee Productivity Metrics Lag Both Direct Peers and the Broader Multi-Industrial Universe

Emerson's revenue per employee significantly lags peer averages across each of its business lines...



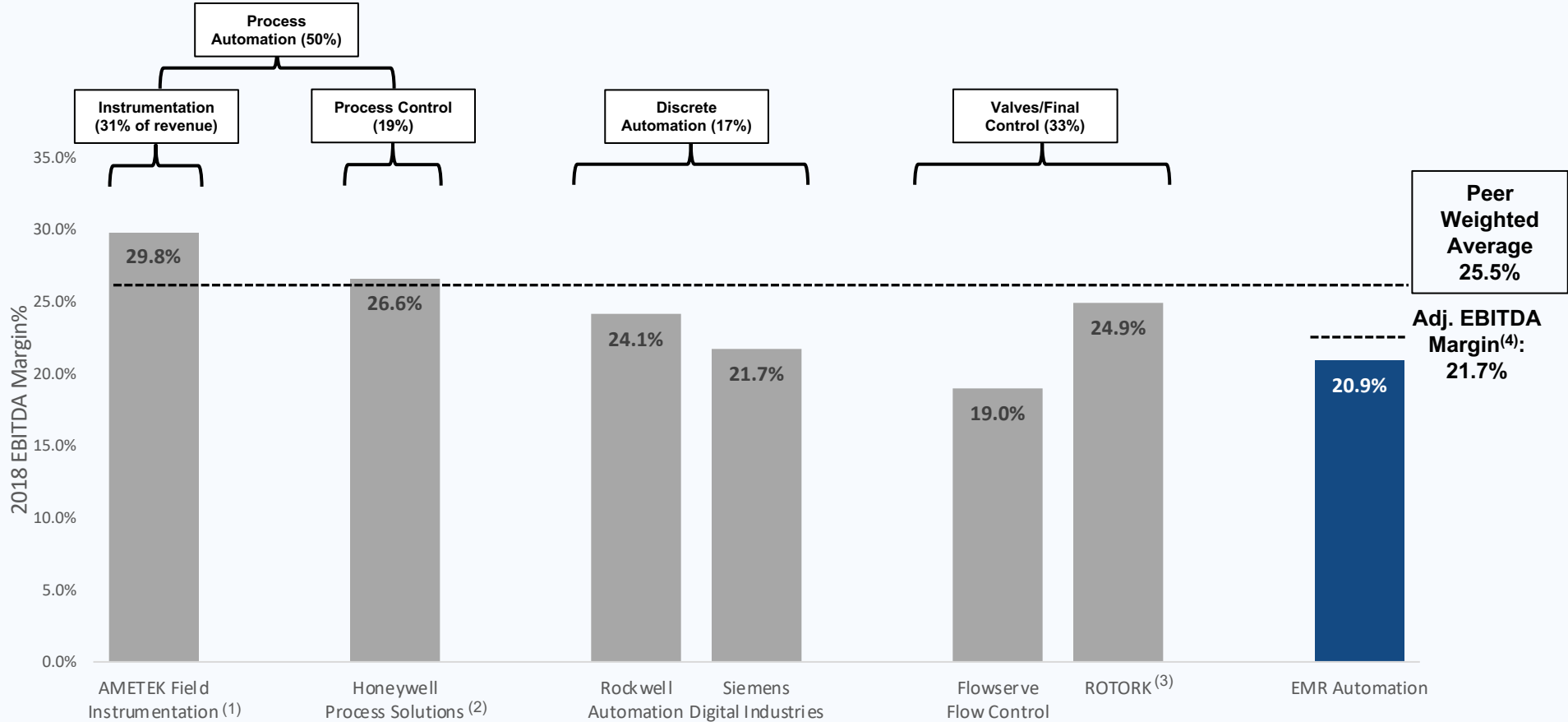
...and ranks near the bottom of the broader multi-industrial universe



Note(s):
• Source: Company filings.

Emerson's Automation Business is Being Under-Managed Relative to Its Potential

Emerson's Automation Solutions segment EBITDA margin of 20.9% in 2018 is below peer average margins in each of its business lines

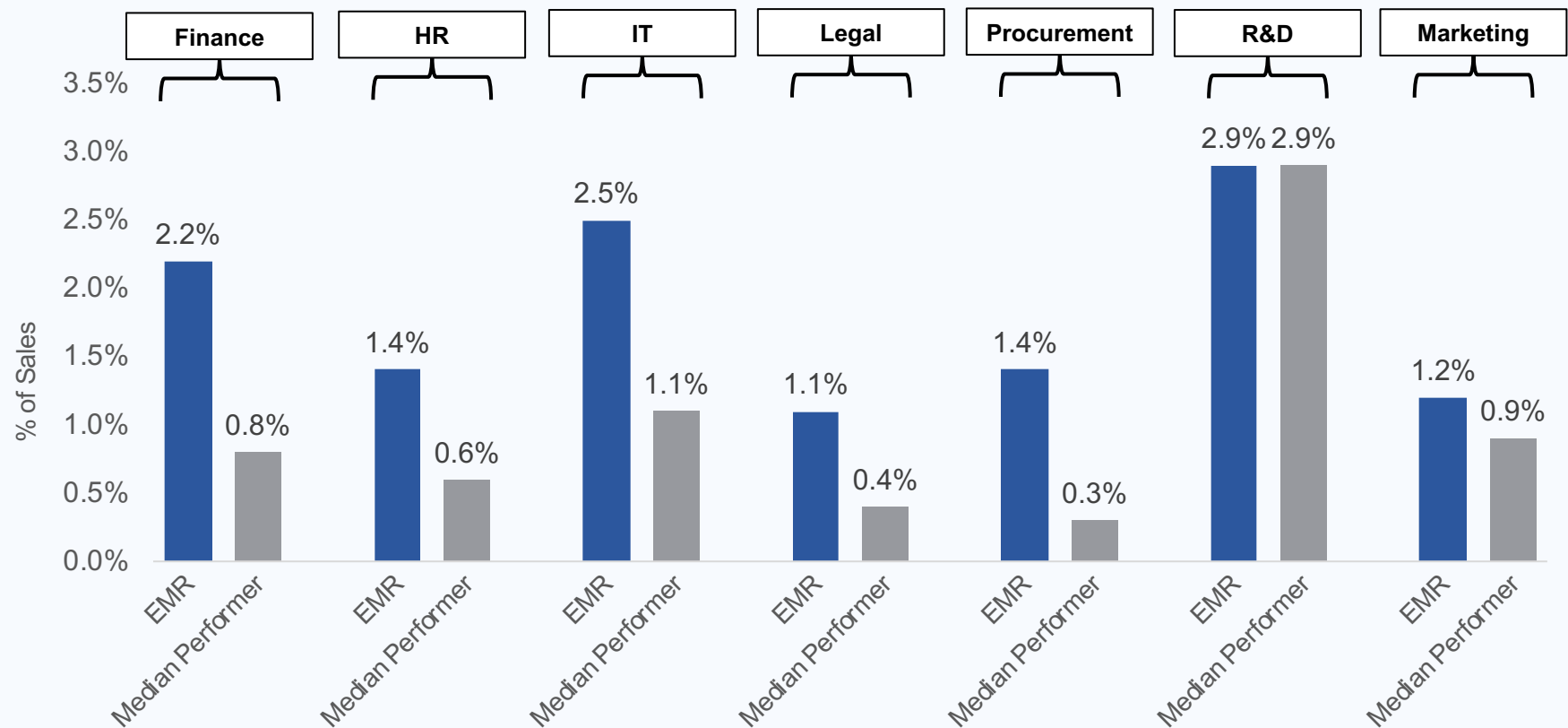


Note(s):

- Source: Company filings
- AMETEK field instrumentation margins in-line with segment average for AMETEK's Electronic Instruments Group (EIG)
- Honeywell Process Solutions sub-segment EBITDA margins estimated to be in-line with Performance Materials and Technologies segment per management direction; adjusted to exclude impact of new Smart Energy business in 2017
- ROTORK margins exclude ROTORK Gears segment
- Adjusted to reflect eighty basis point charge from Emerson corporate center to Automation segment

Emerson Automation Outspends Peers Across Most G&A Categories Due To a Culture of Cost Mismanagement

Emerson's Automation Solutions segment appears to be less efficient than peers across every G&A category with the exception of research and development based on bottom-up deconstruction of Emerson's cost base



Note(s):

- Source: Proprietary analysis by leading consulting firm based in part on comprehensive review of publicly available headcount and salary data from online employment-oriented services that covers over 80% of Emerson G&A employees, industry expert interviews and CEB Benchmark data for large (>\$1bn) industrial companies
- Median performer represents the median of CEB Benchmark data for large industrial companies

Emerson Automation Could Benefit From Footprint Consolidation in Houston...

Emerson Automation has as many as eighteen facilities in the City of Houston alone



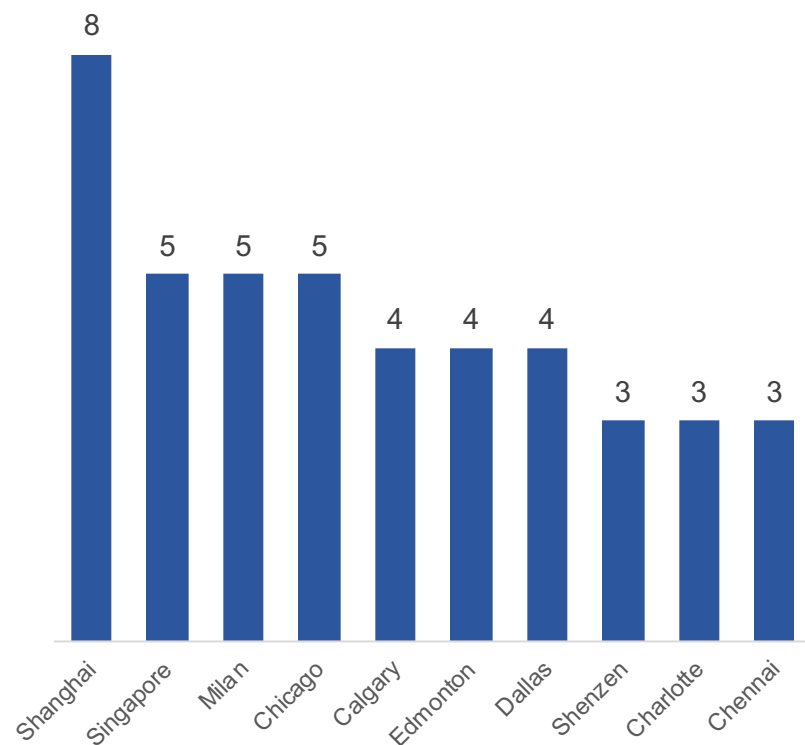
Note(s):

- Source: Company information, web-based map provider
- 6005 Rogerdale Road includes two office locations onsite for distinct Emerson businesses (Emerson Process Management and Emerson Energy Solutions International), bringing the total facility count to eighteen

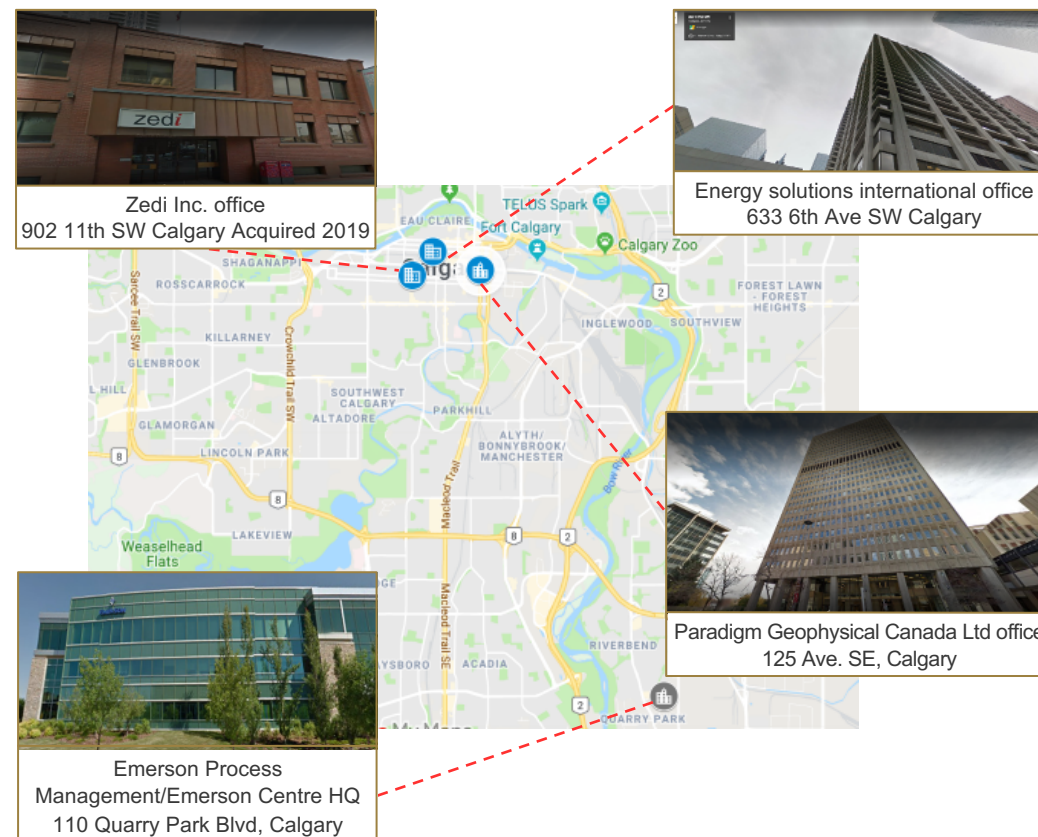
...Which Is Not the Only Location with Multiple Rooftops

In addition to Houston, Emerson has ten other cities with three or more rooftops and over thirty with two or more

Number of Emerson Rooftops by City

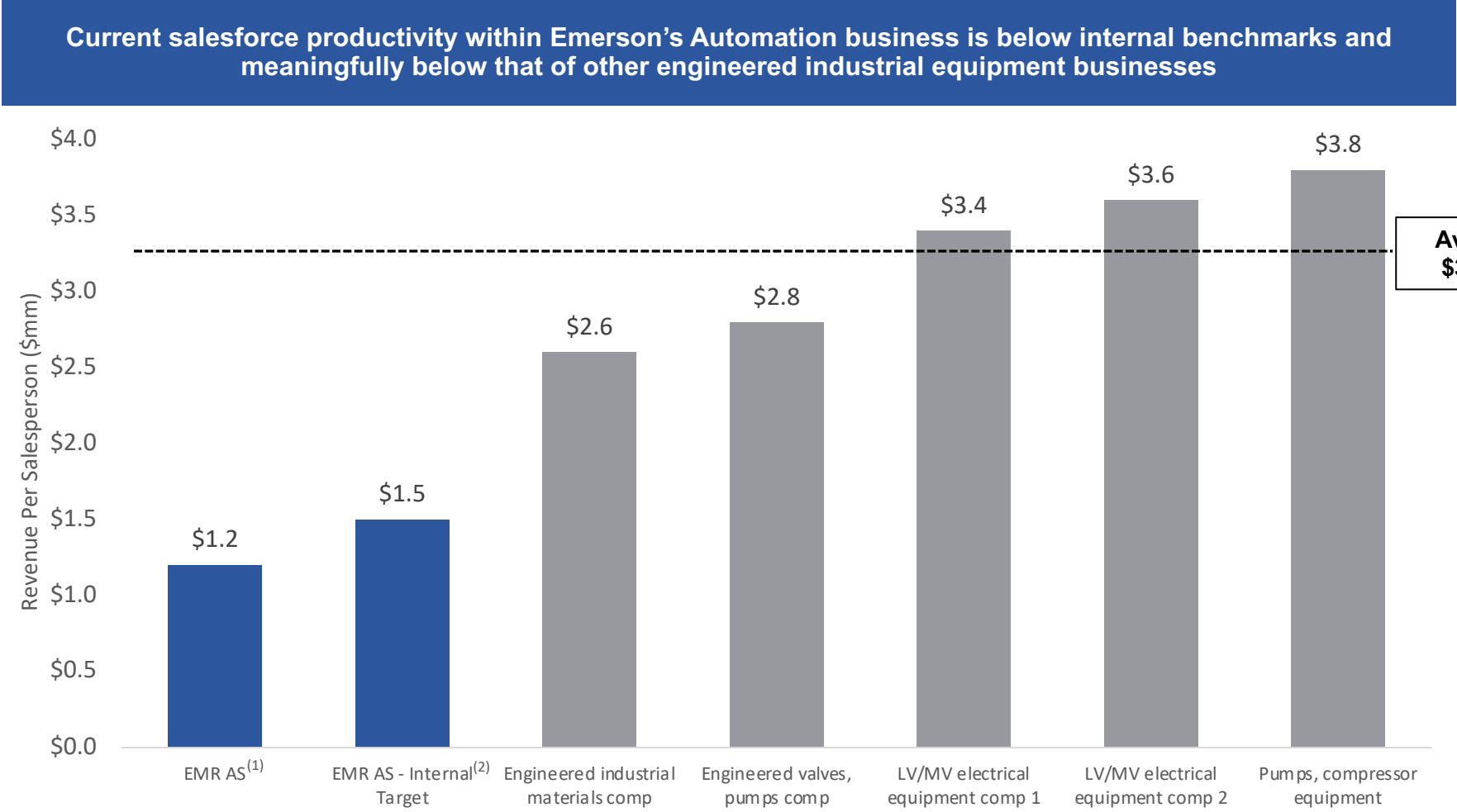


Calgary is just another such example



Note(s):
• Source: Company information, web-based map provider

Emerson Automation's Salesforce Productivity Significantly Trails Peers

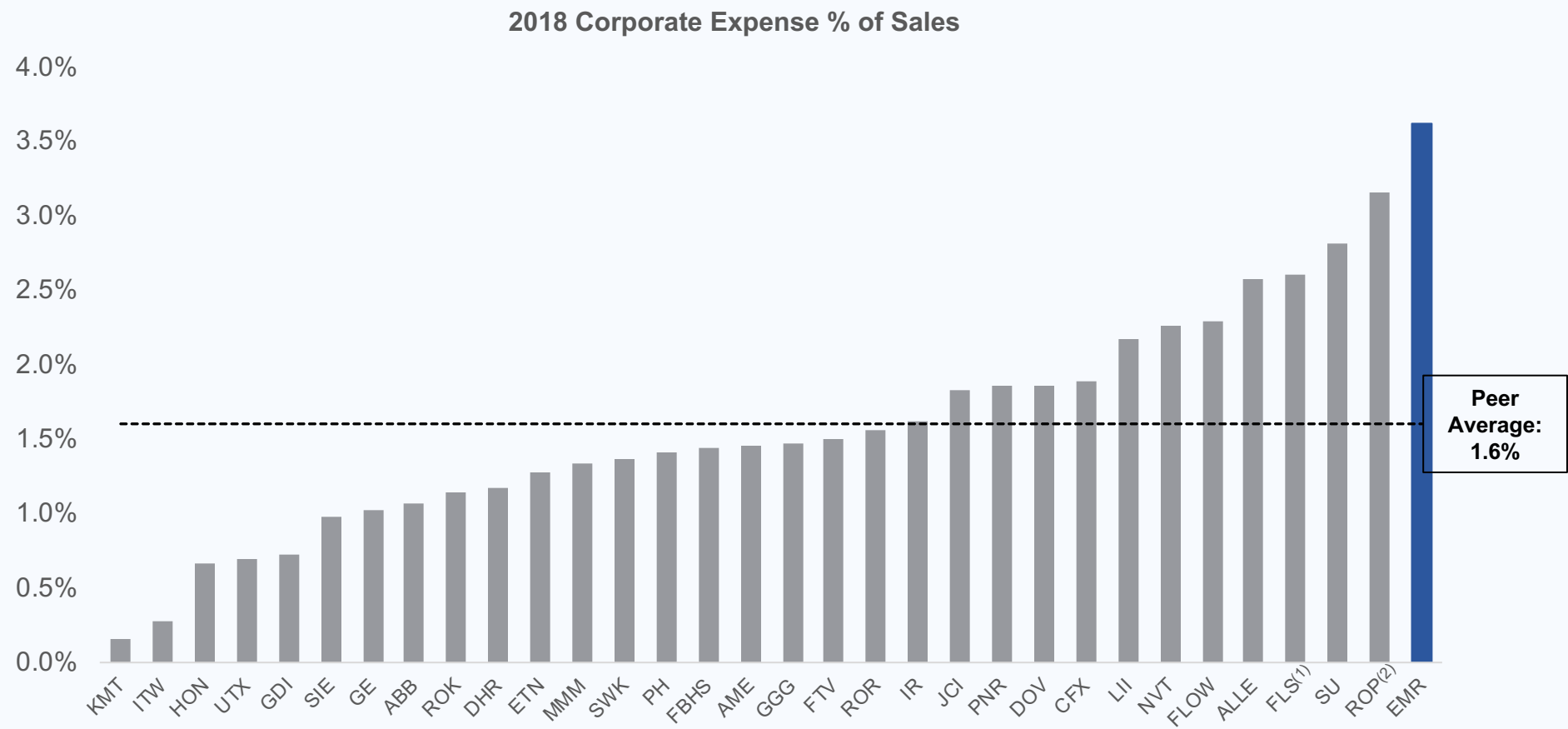


Note(s):

- Source: Proprietary analysis by leading consulting firm, Company investor presentations, the D. E. Shaw group proprietary estimates
- 1. Based on 12,500 salespeople from page 128 of Emerson 2019 Investor Day Presentation; assumes 25% of listed salespeople are Emerson impact partners. The fully loaded revenue per salesperson is ~\$900,000
- 2. Interviews with former Emerson employees

Emerson Has the Highest Corporate Expense Levels as a Percentage of Sales Among Multi-Industrial Companies

Despite underperforming segment margins within Automation Solutions, Emerson maintains the largest corporate center in the multi-industrial universe

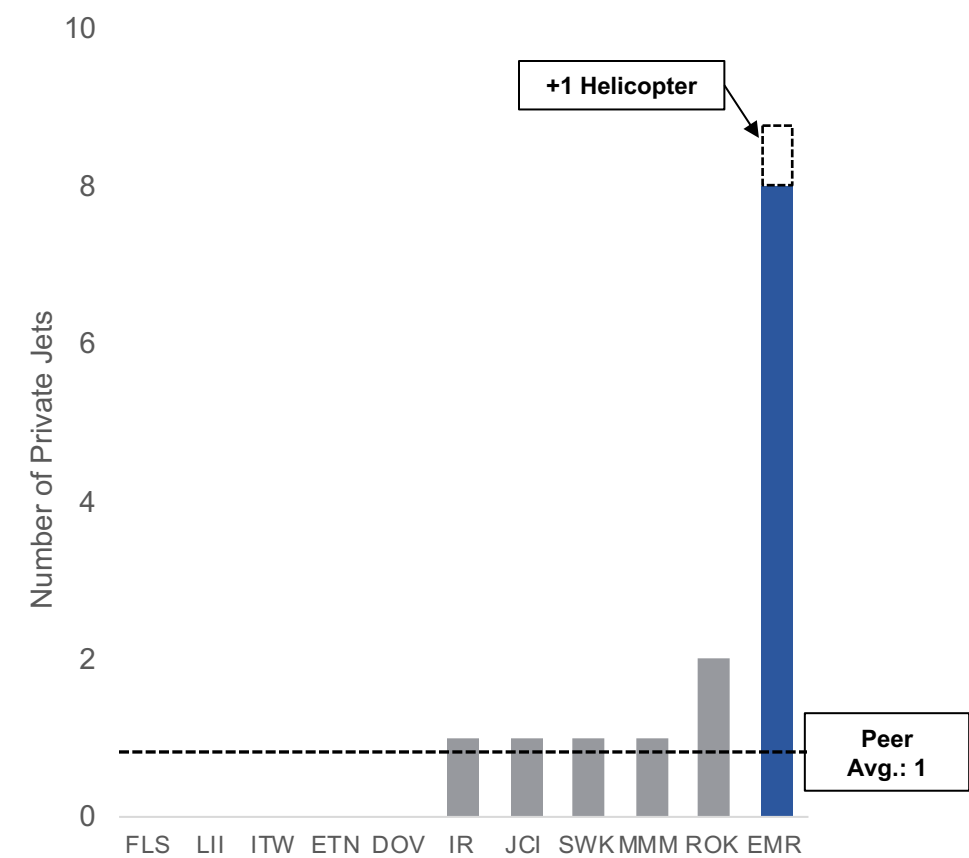


Note(s):

- Source: Company filings
- 1. Flowserve corporate expenses adjusted to reflect higher corporate expense from transformation costs associated with Flowserve 2.0
- 2. Roper corporate expenses adjusted to reflect \$35 million of accelerated vesting associated with the passing of former executive chairman

Emerson Operates an Exceptionally Large Fleet of Private Jets Which Suggests a Culture of Excessive Costs...

A relic of a bygone era in corporate America, Emerson maintains a fleet of eight private jets and a helicopter...



...which costs shareholders millions of dollars annually...

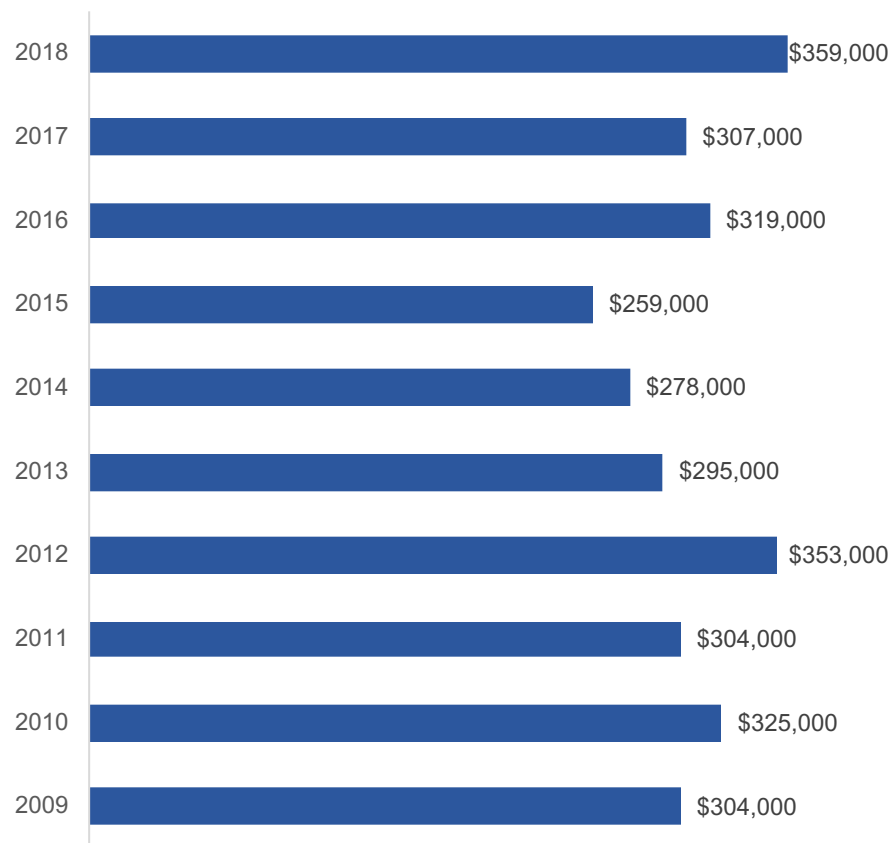
Type of Aircraft / Year	Annual Cost (\$mm)		
	Fixed	Variable	Total
Dassault Aviation Falcon 7X - 2013	\$1.0	\$1.5	\$2.5
Dassault Aviation Falcon 7X - 2008	\$1.0	\$1.5	\$2.5
Dassault Aviation Falcon 200EX - 2007	\$0.8	\$1.3	\$2.1
Raytheon Hawker 850XP - 2006	\$0.5	\$1.2	\$1.7
Dassault Mystere Falcon 50 - 2002	\$0.8	\$1.7	\$2.5
Dassault Falcon 900EX - 1996	\$0.8	\$1.7	\$2.5
Dassault Mystere Falcon 900 - 1987	\$0.8	\$1.7	\$2.5
BELL 412 (Helicopter) - 1987	\$0.5	\$0.6	\$1.1
Dassault Breguet Falcon 50 - 1980	\$0.8	\$1.7	\$2.5
Total Aircraft Operating Expenses	\$7.0	\$12.9	\$19.9
Plus: Cost of Capital			\$4.5
Total Aircraft Expenses			\$24.4

Emerson's internal airline has taken **260 flights in the last 90 days⁽¹⁾**, averaging roughly three flights a day, despite commercial alternatives on many routes

Note(s):
 • Source: FAA registrations, Business Jet Traveler, Conklin & de Decker (business aviation consultancy) Aircraft Performance Comparator
 1. The D. E. Shaw group proprietary estimates

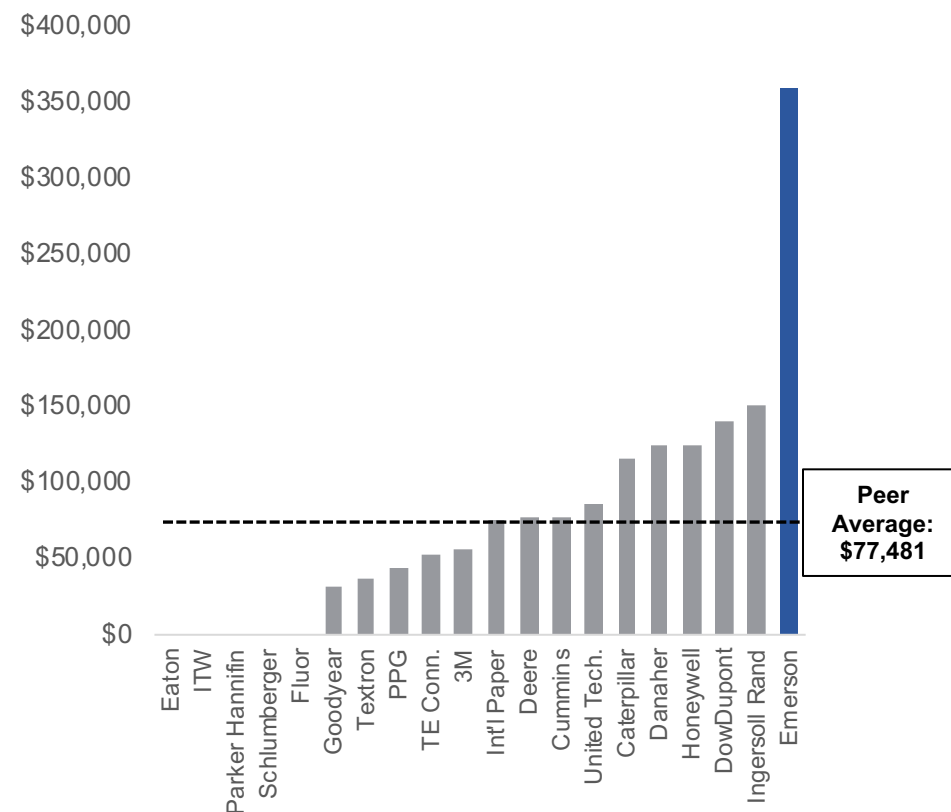
... And Personal Usage of Aircraft By Emerson's CEO is Substantially Higher Than Peers

Emerson's CEO is compensated over \$300,000 annually in perquisites related to personal usage of private jets...



...which is 4x more than the average for Emerson's proxy peers ⁽¹⁾

CEO Personal Usage of Aircraft



Note(s):

- Source: Emerson proxy materials; SEC proxy materials for other companies listed
- 1. Excludes proxy peers in the aerospace and defense industry

Emerson Even Has a Separate Aviation Department Staffed With Over Forty Employees

Emerson's aviation department was established in 1973 and has amassed more than 160,000 flight hours...



Dassault Falcon 7x



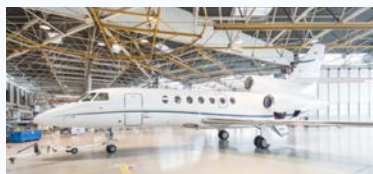
Dassault Falcon 7x



Dassault Falcon 2000EX



Raytheon Hawker 850XP



Dassault Mystere Falcon 50



Dassault Falcon 900 EX



Dassault Breguet Falcon 50



Dassault Mystere Falcon 900

... and has a highly coveted full time eight week summer internship

The Emerson Aviation Internship offers a wide variety of opportunities.

Scheduling

Responsible for ensuring maximum availability in accordance with the Flight Operations Manual including:

- Monthly and daily flight crew schedules
- Aircraft and pilot assignments for international and domestic flights
- Schedule communications with passengers and crew
- Maintenance, trainings, and other department coordinations

International Dispatch

Oversee all international itineraries and coordinate with passengers and flight crews. Also responsible for overflight, landing and airport slots, customs and immigration requirements. This department arranges airline, hotel and ground transportation and researches and provides pertinent trip security information on geo-political, aeronautical, and weather related events.

Flight Operations

Flight Operations is responsible for providing worldwide air transportation that is safe, flexible, reliable, and efficient through competent, well-trained personnel and airworthy aircraft. Flight crew duties include flight planning, weight and balance, flight risk assessments, pre/post-flight and coordination with maintenance, passenger coordination, catering and ensuring all operations are conducted with the highest regard for passenger, crew and aircraft safety.

Flight Planning

Compute worldwide flight planning including usage of current and forecast weather conditions to plan tech stops, fuel requirements, overflight permissions, landing requirements and alternate airports thru the use of industry leading software and applications

Safety

An integral cornerstone to business aviation is the Safety Management System (SMS). SMS helps identify hazards and risks and assists the department and flight crew to mitigate risk to an appropriate level for flight, maintenance, and ground operations. Management supports this process through continued review, recommendations and implementation of new policies to improve safety levels for all individuals.

Standards

Monitor and develop programs to ensure compliance with company operating policies and procedures, ensure consistency among aircraft, checklists, flight and training procedures in accordance with Flight Operations Manual, periodically revise Company Operations Manual and Standard Operating Procedures, administer flight crew line checks and liaison with national industry organizations.

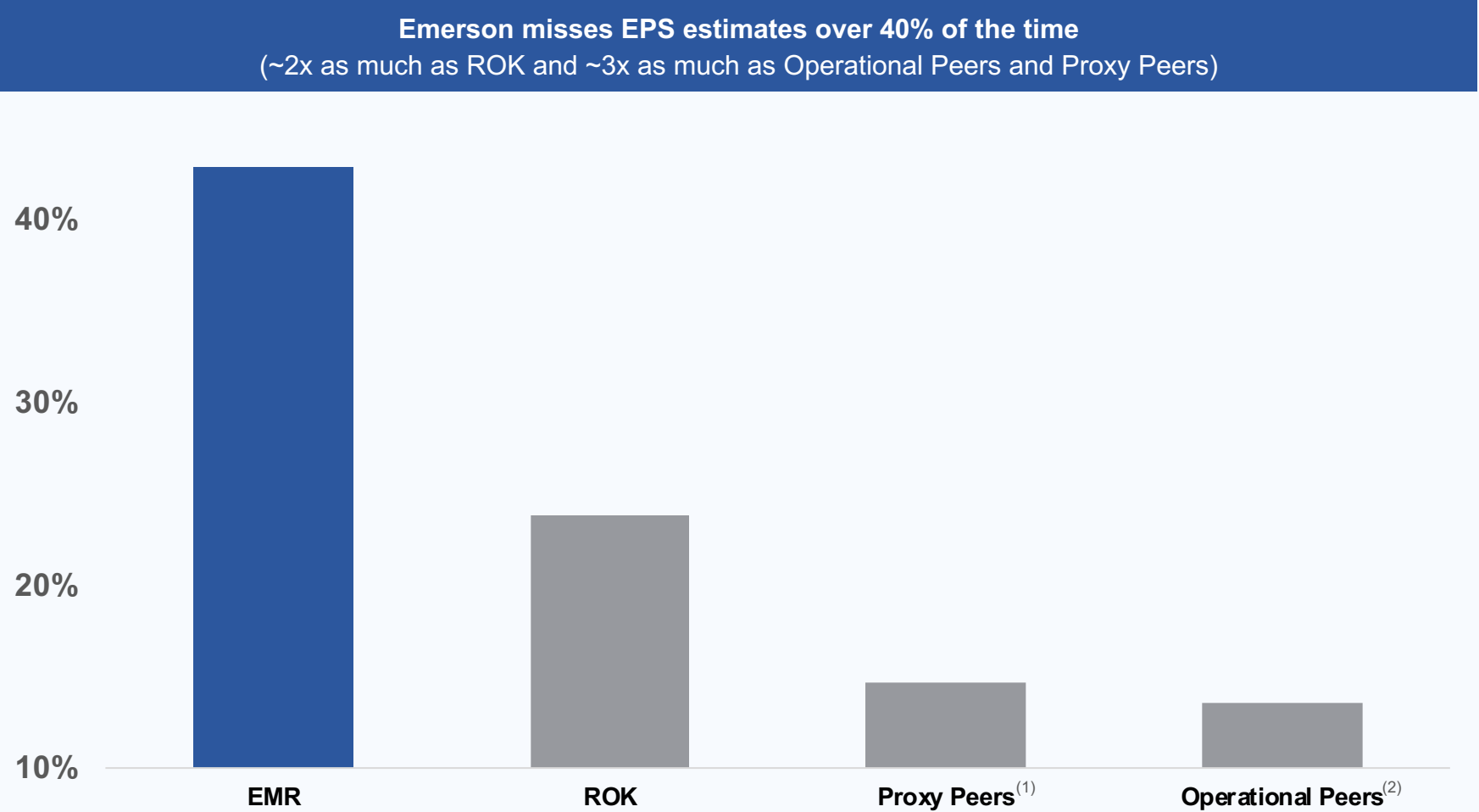
Training

Attend aircraft specific classroom and simulator training, survival, first-aid, and CPR training. Receive specialty training in a wide range of subjects including international operations, hazardous materials, decompression chamber and advance navigation. Choose from a variety of continuing education paths for Certified Aviation Manager, safety certifications, international roundtables, management courses and advanced college degree programs.

Note:

- Source: FAA registrations; undergraduate job posting
- Aircraft images represent standard examples of each aircraft model highlighted above

Emerson Misses Estimates Much More Frequently Than Peers Leading to An Erosion in Investor Confidence...

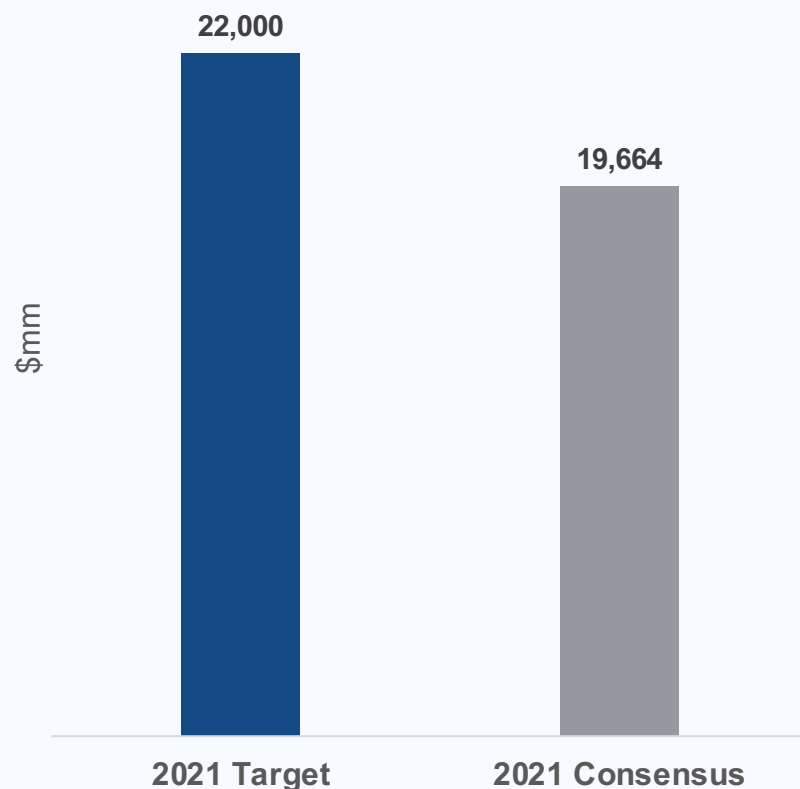


Note(s):

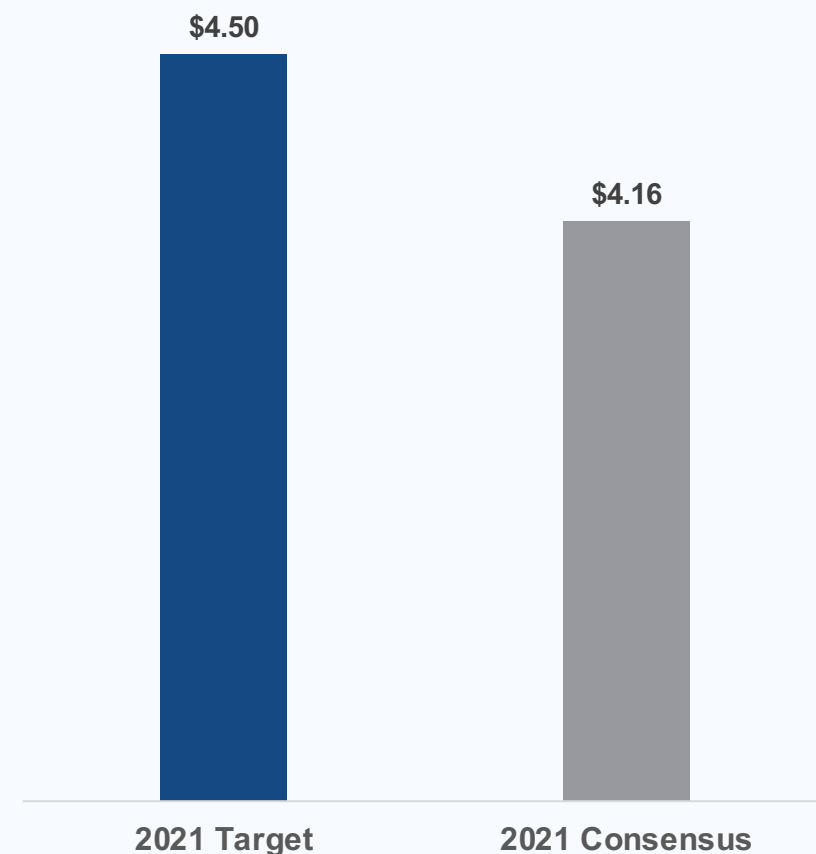
- Source: Bloomberg average of last five years
- 1. Operational peer group includes Lennox International, Rockwell Automation, Stanley Black & Decker, Ingersoll Rand, Honeywell, United Technologies, Flowserve
- 2. Proxy peer group includes Caterpillar, Cummins, Danaher, Deere, DowDuPont, Eaton, Fluor, General Dynamics, Goodyear Tire, Honeywell, Illinois Tool Works, Ingersoll Rand, International Paper, Lockheed Martin, Northrop Grumman, Parker Hannifin, PPG, Raytheon, Schlumberger, TE Connectivity, Textron, United Technologies and 3M

... And Skepticism Towards Emerson's Ability to Achieve Its 2021 Targets

Current consensus estimates imply that Emerson will miss its recently released 2021 revenue target by 11%...



...and the market is skeptical of Emerson's 2021 EPS targets as well

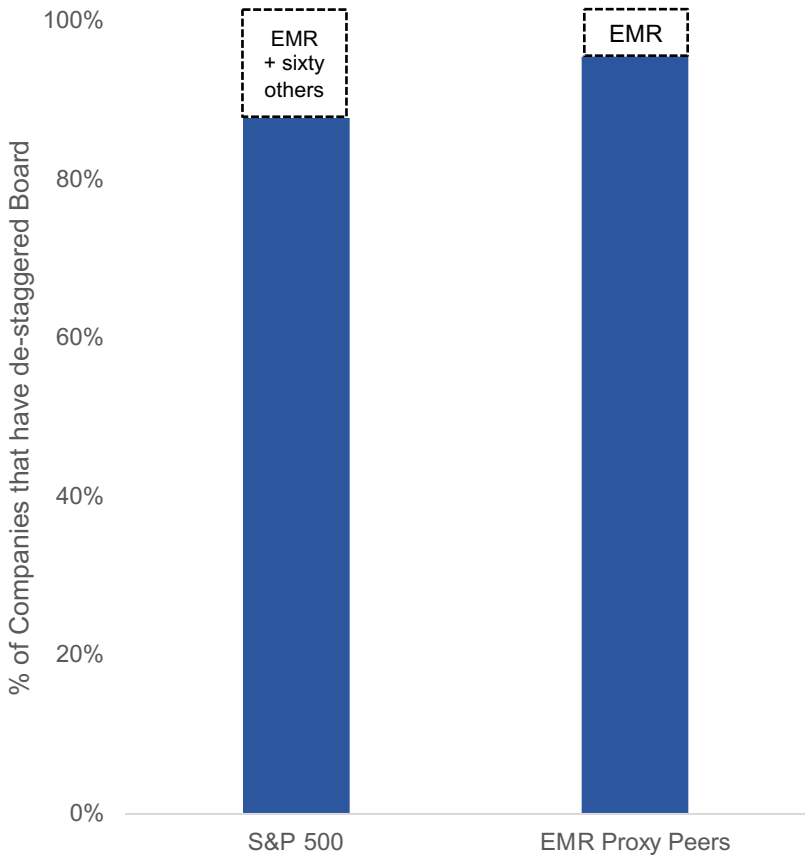


Note(s):
• Source: Company Investor Presentation and Bloomberg Consensus Estimates

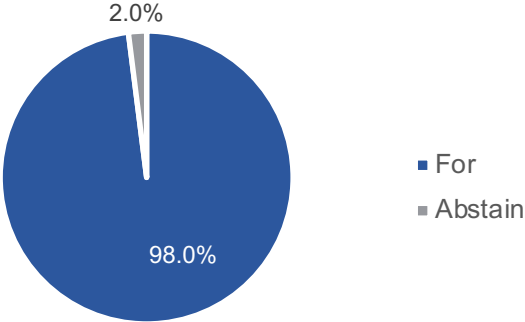
EMERSON'S GOVERNANCE PRACTICES ARE NOT SHAREHOLDER FRIENDLY

Emerson's Governance Practices Prevent Meaningful Shareholder Engagement...

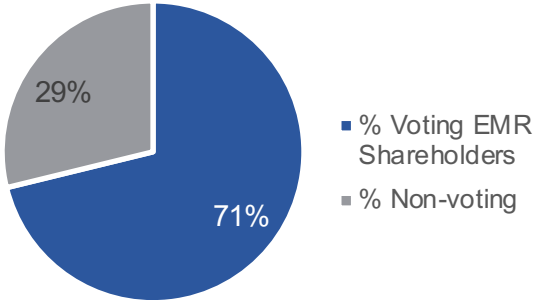
Emerson is the only company in its proxy peer group that still has a staggered board and one of a small minority in the S&P 500



A proposal to declassify the board of directors in 2013 received overwhelming support from voting shareholders...



...but Amendments to the Articles of Incorporation require the vote of 85% of all shareholders (voting and non-voting), an unrealistic requirement allowing the Company to ignore the will of shareholders



Note(s):
• Source: Company proxy materials

... And the Board Has Not Made an Attempt to Address This Issue

Emerson touted its declassification proposal as evidence of good governance in its latest proxy statement...

CORPORATE GOVERNANCE HIGHLIGHTS

Shareholder Responsiveness

“We recognize that the right of shareholders to amend bylaws and a declassified Board of Directors are increasingly considered important aspects of good corporate governance. In response to these trends and shareholder requests, we have acted. Last year, we approved and submitted for shareholder approval amendments to our Restated Articles of Incorporation providing shareholders the right to amend our Bylaws. However, under our Restated Articles of Incorporation, the amendment required the vote of 85% of outstanding shares in favor for approval, which was not attained. Similarly, our Board recently proposed an amendment to our Restated Articles to declassify our Board. That amendment also required such 85% vote and did not attain the required approval level”

– Emerson Electric 2018 Proxy Materials

...but if Emerson wanted all directors to be elected annually, it would amend its bylaws to allow each class one year terms that expire each year

RESTATED ARTICLES OF INCORPORATION OF EMERSON ELECTRIC CO.

Except as otherwise provided in the By-laws with respect to the implementation on this Article 5, Directors shall be elected to hold office for a term of three years, with the term of office of one class expiring each year.

Emerson’s decision to no longer offer shareholders the opportunity to declassify the Board is further indication that the Company does not want its Board declassified

Annual Meeting Date	Declassification Proposal?
February 2019	NO
February 2018	NO
February 2017	NO
February 2016	NO
February 2015	NO
February 2014	NO
February 2013	YES
February 2012	YES

Note(s):

- Source: Company proxy materials and Restated Articles of Incorporation

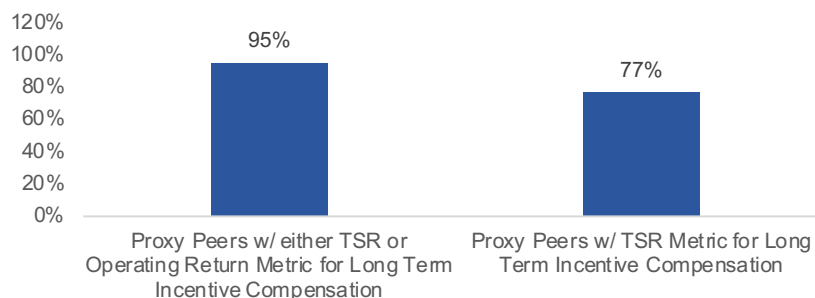
Emerson's Long-Term Incentive Compensation Structure Rewards Growth over Shareholder Returns...

Emerson's performance measures do not contemplate operating return or shareholder return metrics...

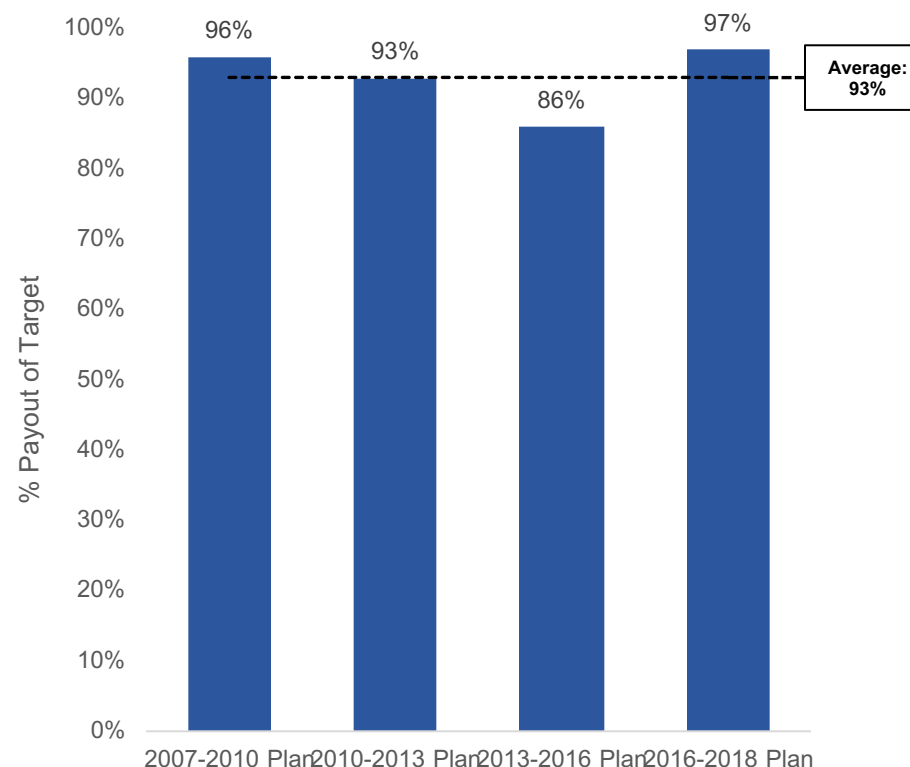
Performance Measures for Long-Term Incentive Compensation:

1. Earnings Per Share **Growth** (60%)
 - a) Target: Earnings Per Share Compound Annual Growth Rate over three years greater than or equal to **G7 GDP + 300 basis points**
2. Free Cash Flow (40%)
 - a) Target: Cumulative Free Cash Flow greater than or equal to the sum of yearly Free Cash Flow Target. Yearly Free Cash Flow target calculated as prior year Free Cash Flow increased by growth rate equal to **G7 GDP + 300 basis points**

...unlike over 90% of its proxy peers



As a result, Emerson's executive officers have been paid 86%-97% of compensation targets in every evaluation period regardless of stock performance



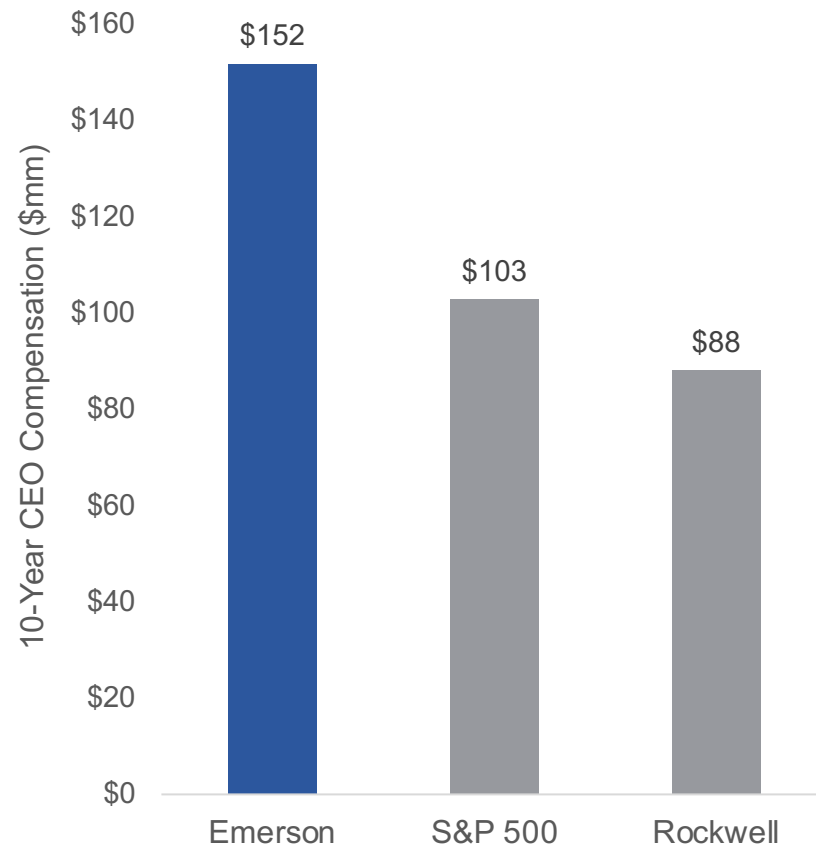
From January 2007 through December 2018, **Emerson underperformed proxy peers by 118%** yet still averaged a 93% payout of Long-Term incentive compensation during the period

Note(s):

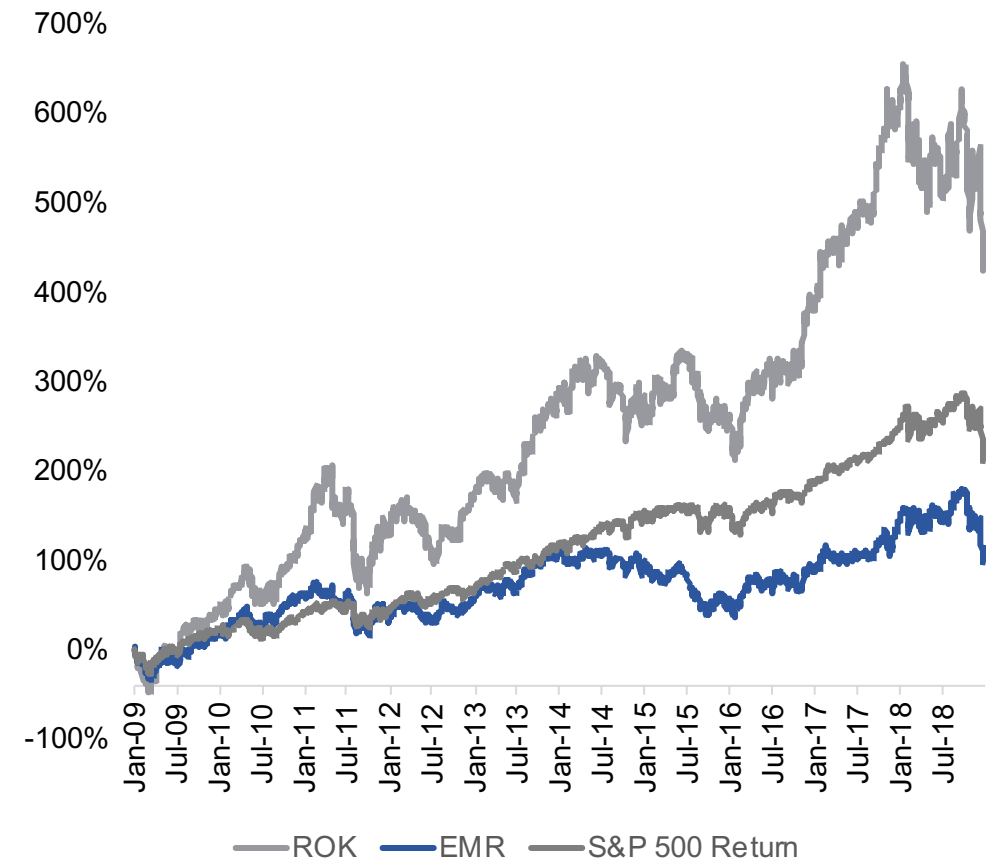
- Source: Emerson 2019 Proxy Statement

...Which Has Led to a Decoupling Between Executive Compensation and Total Shareholder Returns...

Emerson has paid its CEO over \$150 million during the past ten years (50% more than S&P 500 average and nearly double that of Rockwell)...



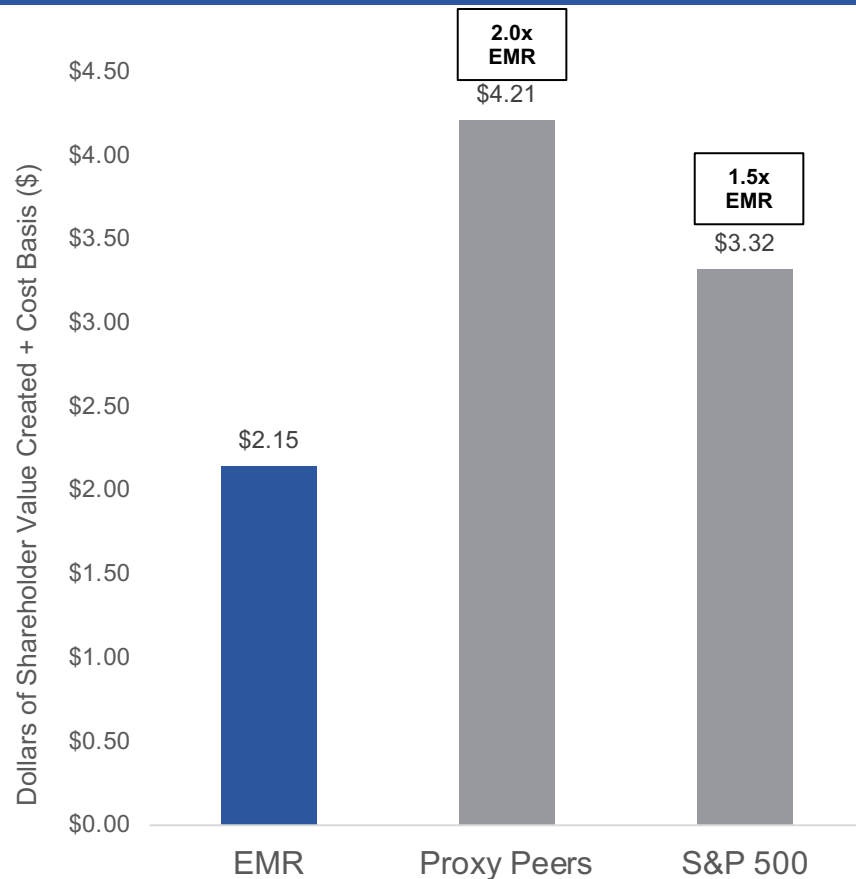
...despite total shareholder returns during the period that have lagged the S&P 500 and Rockwell by 118% and 340%, respectively



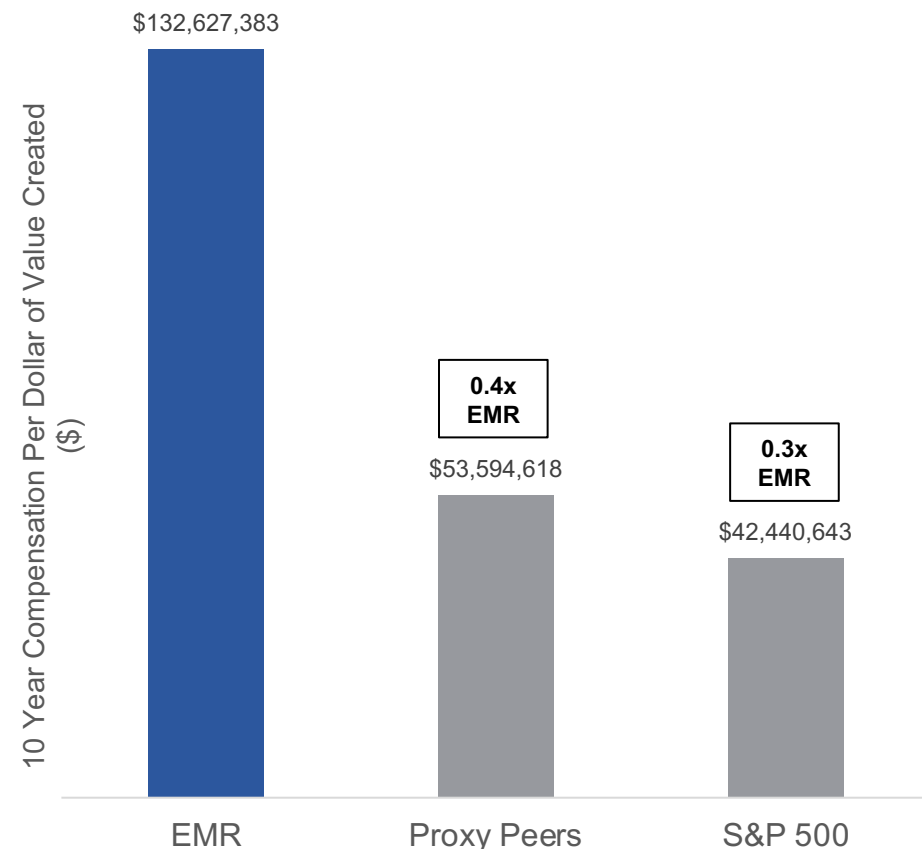
Note(s):
• Source: Bloomberg
• Market Data as of 12/31/2018

...Allowing For Emerson's CEO to Be Paid Substantially More Than Peers per Dollar of Shareholder Value Created

One dollar invested in Emerson ten years ago has generated less shareholder value than one invested in either Emerson's proxy peers or the S&P 500...



...but for each dollar of value creation, Emerson's CEO has been paid 2.5x and 3.1x more than the average proxy peer and S&P 500 CEO, respectively



Note(s):

- Source: Bloomberg
- Market Data as of 12/31/2018

All But One of Emerson's Proxy Peers Include a Return Focused Metric in Long-Term Incentive Compensation...

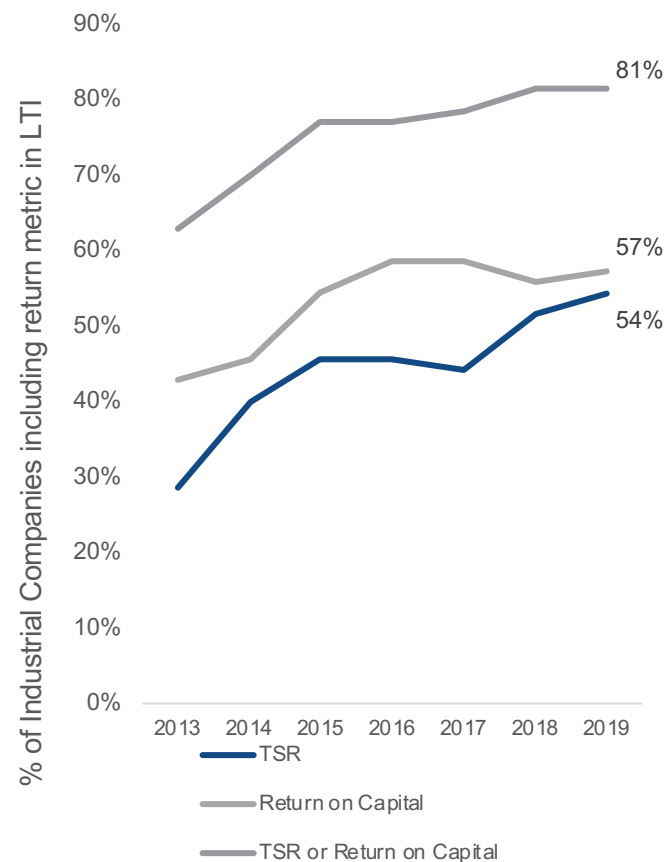
Company Name	LTI Performance Metric	Return Focused Metric?
Caterpillar Inc.	TSR	Yes
Cummins Inc.	ROIC, EBITDA	Yes
Danaher Corporation	TSR	Yes
Deere & Company	Economic Value Added (ROIC - WACC) , TSR modifier, Revenue Growth	Yes
Eaton Corporation plc	Relative TSR	Yes
Fluor Corporation	ROA criteria, relative TSR modifier	Yes
General Dynamics Corporation	ROIC and Relative TSR Modifier	Yes
The Goodyear Tire & Rubber Company	Net Income, Cash Flow Return on Capital, Relative TSR modifier	Yes
Honeywell International Inc.	Revenue, Segment Margin Rate, ROI, TSR	Yes
Illinois Tool Works Inc.	OI Margin, After-Tax ROIC, EPS growth, OI growth, Organic revenue growth	Yes
Ingersoll-Rand Plc	EPS, TSR, Cash flow return on invested capital ("CROIC")	Yes
International Paper Company	ROIC, Relative TSR	Yes
Lockheed Martin Corporation	Relative TSR, ROIC, Performance Cash	Yes
Northrop Grumman Corporation	Relative TSR and Cumulative FCF	Yes
Parker-Hannifin Corporation	Revenue growth, EPS growth and return on invested capital (ROIC)	Yes
PPG Industries, Inc.	TSR, EPS growth, cash flow return on capital	Yes
Raytheon Company	ROIC, Cumulative FCF, Relative TSR	Yes
Schlumberger Limited	Relative TSR modifier, ROCE	Yes
TE Connectivity Ltd.	EPS growth	No
Textron Inc.	TSR modifier	Yes
United Technologies Corporation	EPS Growth, ROIC, Relative TSR	Yes
3M Company	EPS growth, Relative organic volume growth, ROIC, and FCF conversion	Yes
Emerson Electric Co.	EPS, FCF	NO

Note(s):

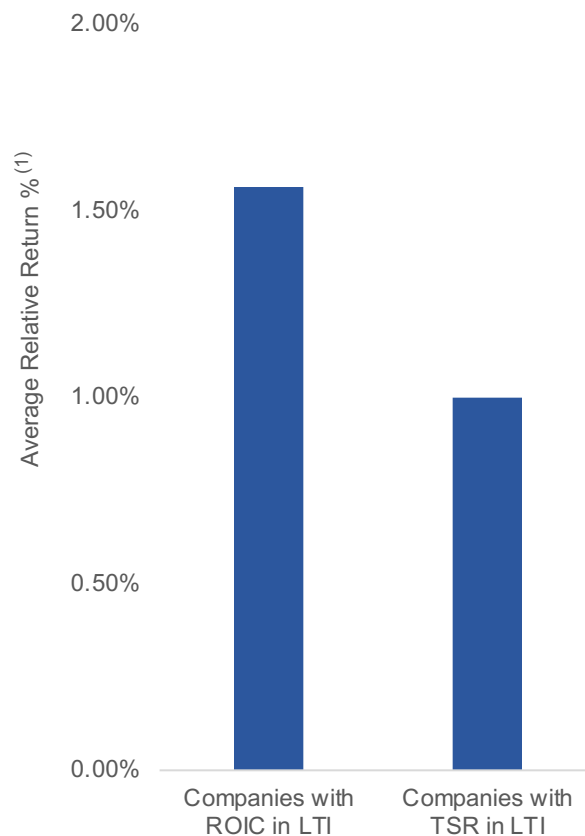
- Source: Company proxy filings

...Which Correlates To Outperformance Amongst Industrial Companies

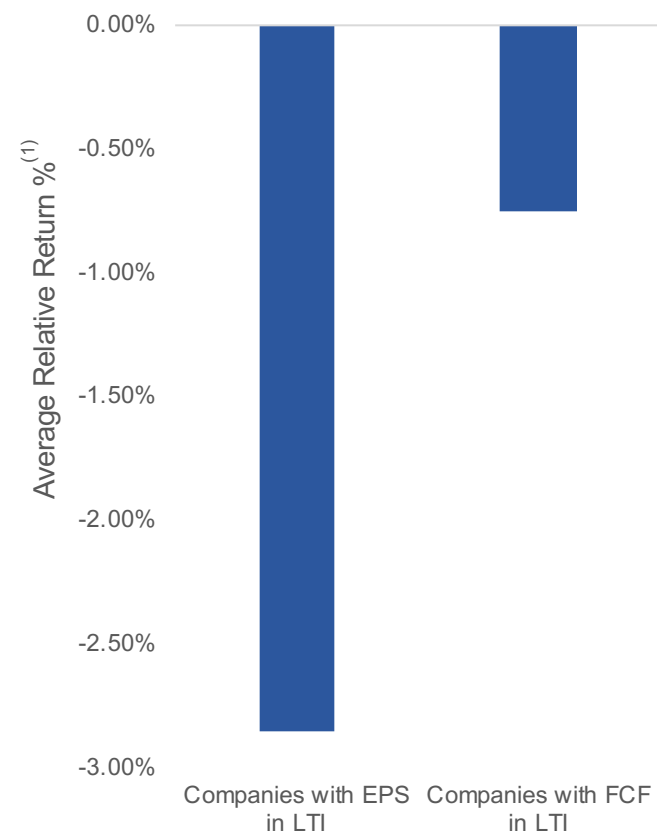
Inclusion of return focused metrics in company LTI plans has increased in the last five years...



... and has correlated to average annual TSR outperformance at those companies...



... while companies that use EPS or free cash flow measures have underperformed



Note(s):

• Source: Goldman Sachs Research analysis of seventy industrial companies

1. Average relative return defined as three year rolling average relative TSR for those companies that include contemplated performance measure in LTI plan from January 2012 - December 2018

EMERSON IS SEVERELY UNDERVALUED
DESPITE BEST-IN-CLASS ASSETS

Regardless of Execution and Governance Shortcomings, Emerson Has Top Tier Automation Assets...

Emerson is a Leading Player by Market Share In Every Process Automation Category in Which it Participates...

- #1 in Measurement and Analytical Instrumentation
- #1 in Final Control
- #1 in Valves
- #1 in Flow Solutions
- #1 in Plant Asset Management
- #2 in Distributed Control systems

...and its Products are Ranked Highly by both Customers and Competitors

Reader's Choice Awards Highlight Emerson's Brand Strength



#1 in 28 Field Device Categories

Pressure	Control Valves
Temperature	On/Off Valves
Level	Valve Actuators
Coriolis Flow	Liquid Analyzers
Ultrasonic Flow	Vortex Flow
Magnetic Flow	Gas Analyzers



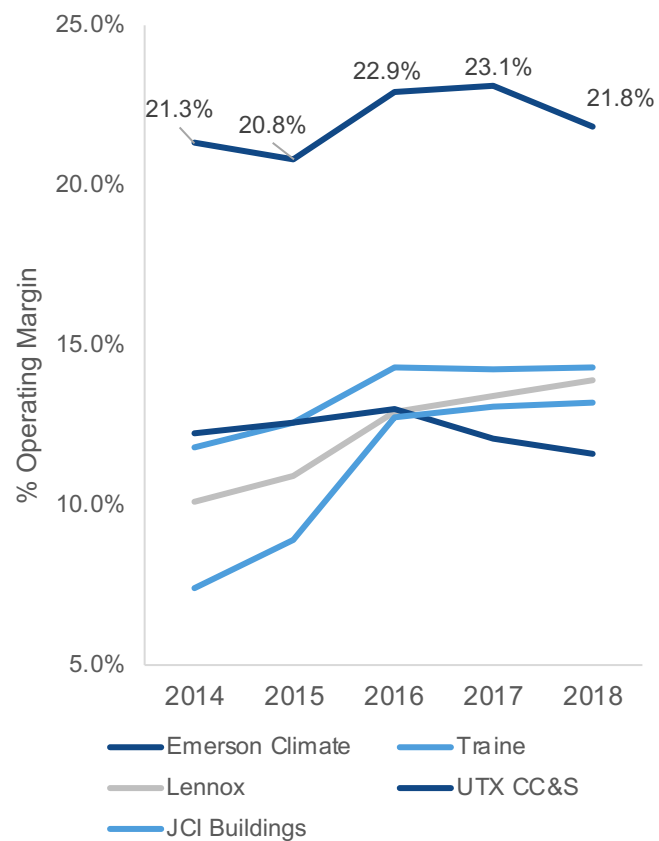
Software

- #1 Advanced Process Control
- #1 Asset Management Software
- #1 Loop-Tuning
- #1 Simulation

"Emerson is the big global player in instrumentation... everyone else is struggling..." – Honeywell Process Solutions Former Employee

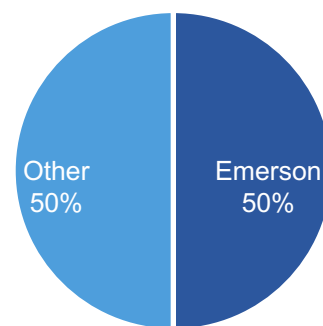
... and a Premium Climate Franchise

Emerson's position in the Climate value chain affords higher margins and returns than OEM peers...

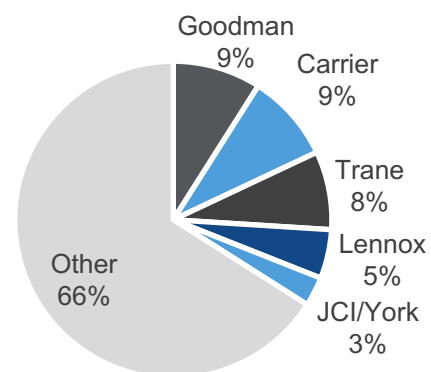


...and more commanding market share...

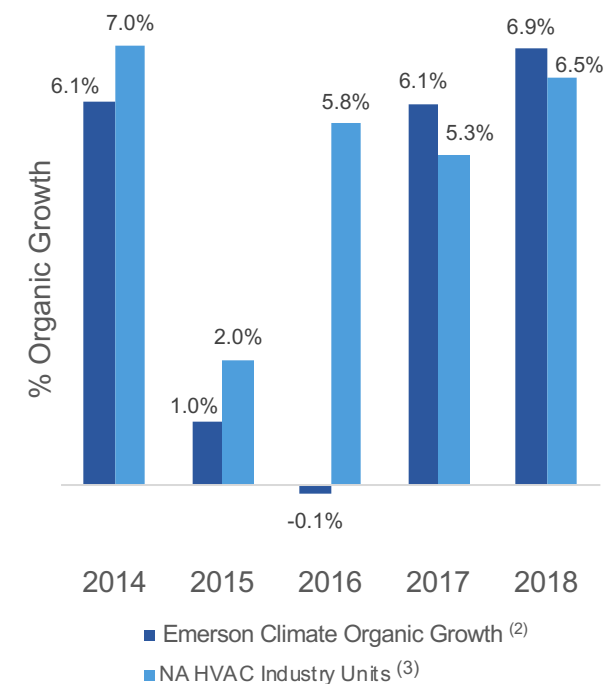
Global Compressor Market Share ⁽¹⁾



Global HVAC Equipment Market Share ⁽¹⁾



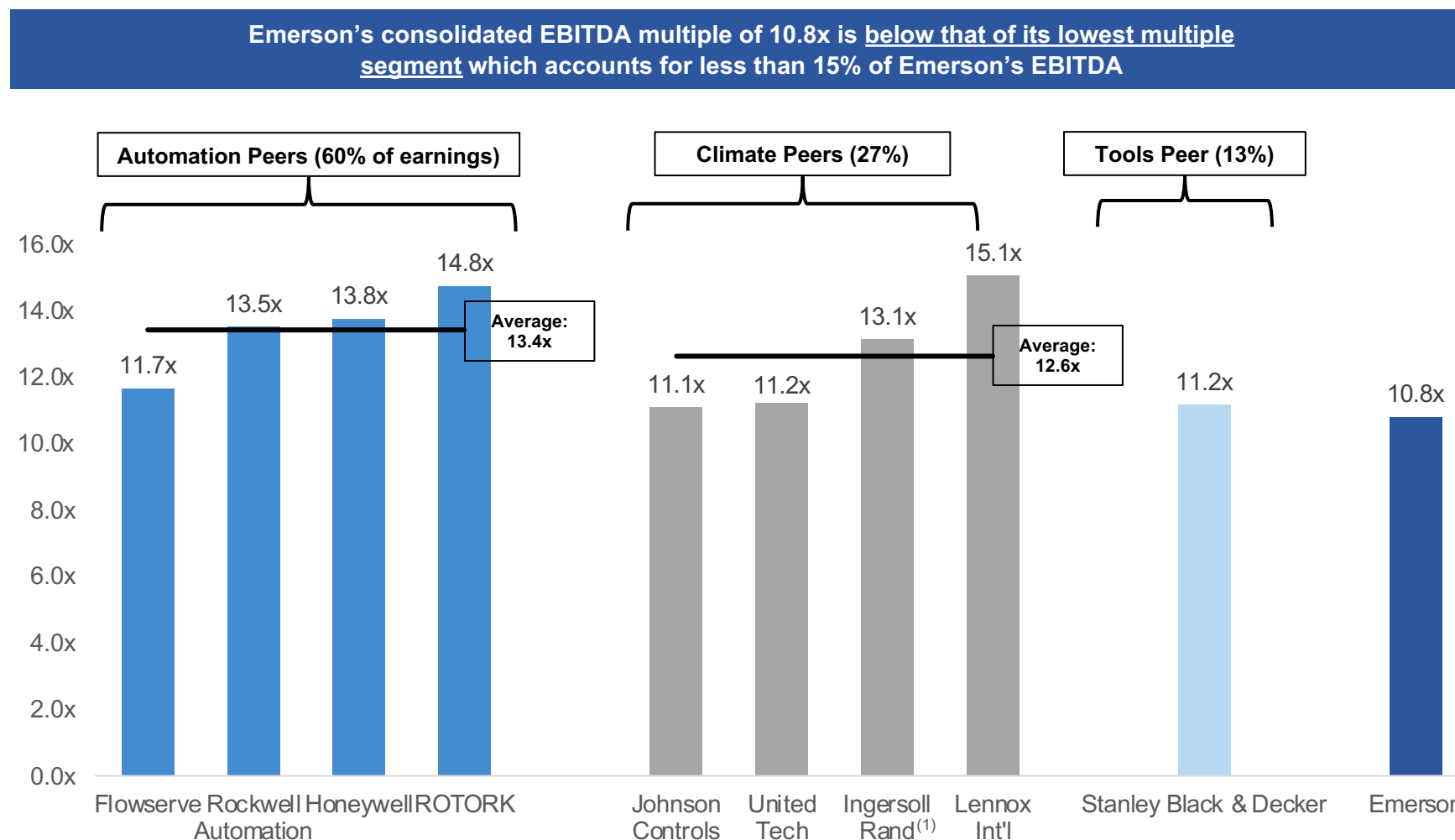
...and has grown in-line with the industry absent a regulation-driven destocking issue in 2016



Note(s):

1. HVAC industry estimates
2. From 2Q17 onward, growth rates based on Emerson's Climate Tech revenue growth plus F/X rate
3. North America HVAC industry unit growth reflects Emerson's mix of Residential HVAC and Commercial HVAC units

Despite a Best-In-Class Asset Portfolio, Emerson Is Trading Below Each Relevant Peer in Each Relevant Segment...

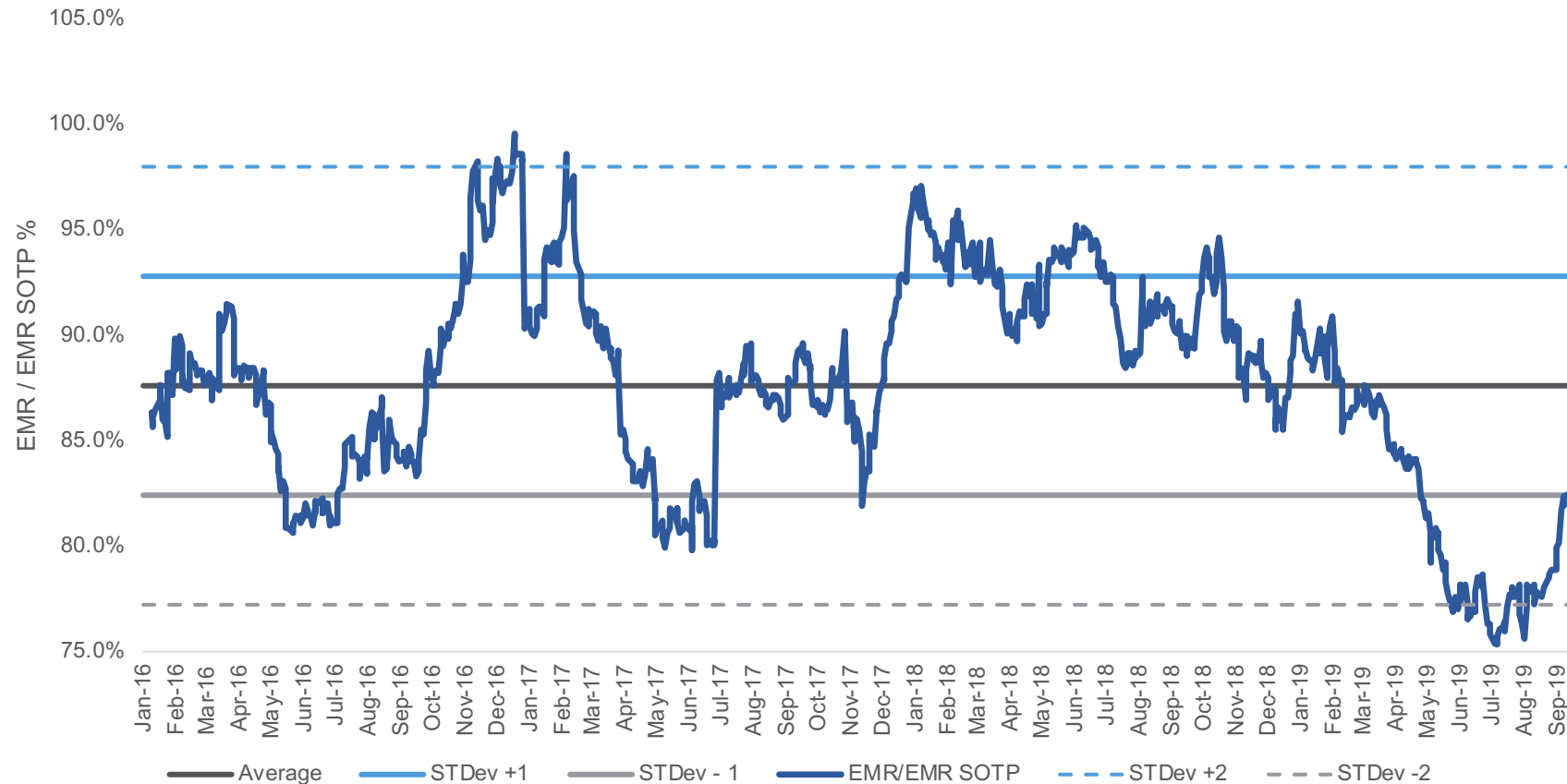


Note(s):

- Source: Bloomberg
- Market data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company
- All valuation multiples as based on 9/30/2020 metrics
- 1. Climate-only Ingersoll Rand valuation adjusted for spinoff and merger of industrial segment into Gardner Denver

... And the Recent Discount to Sum of The Parts Value is the Steepest it Has Been Since Emerson's Bid for Rockwell

Emerson has historically traded at a Sum of The Parts discount but is currently trading a standard deviation below the average discount to its Sum of The Parts value at an 18% discount



Note(s):

- Source: Bloomberg
- Market data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company
- 1. Peer group includes Lennox International, Rockwell Automation, Stanley Black & Decker, Ingersoll Rand, Honeywell, United Technologies, ROTORK, Johnson Controls and Flowserve

THE D. E. SHAW GROUP'S PROPOSAL FOR CHANGE

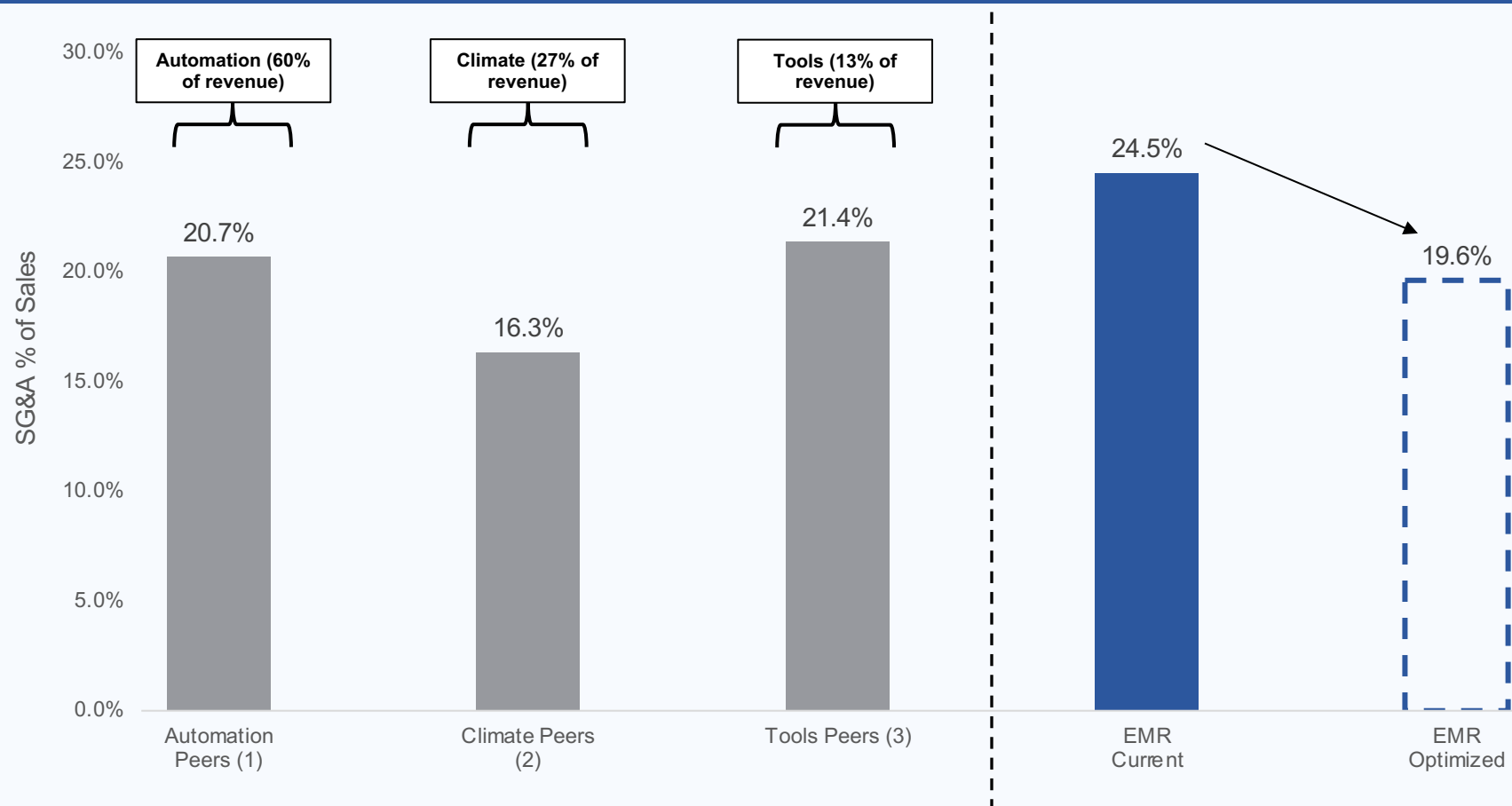
The D. E. Shaw Group's Proposal For Change Could Unlock Substantial Value for All Emerson Shareholders

- 1 | PURSUE OPERATIONAL ENHANCEMENT AND COST RATIONALIZATION PLAN AT EMERSON ELECTRIC
- 2 | PURSUE A SEPARATION OF EMERSON ELECTRIC INTO A PURE PLAY INDUSTRIAL AUTOMATION COMPANY ("AUTOMATION CO.") AND A CLIMATE TECHNOLOGY-FOCUSED COMPANY ("CLIMATE CO.")
- 3 | IMPROVE CORPORATE GOVERNANCE AT EMERSON ELECTRIC
 - A. Move to annually elected directors
 - B. Align executive compensation with shareholder returns

PURSUE OPERATIONAL ENHANCEMENT AND COST RATIONALIZATION PLAN AT EMERSON ELECTRIC

1 | Top-Down SG&A Benchmarking Suggests That Emerson Can Reduce SG&A by Nearly \$900 million Across Its Enterprise

Emerson has the opportunity to save nearly \$900mm and increase EBITDA by ~24% if it reduced its SG&A levels to peer average levels in each of its business lines

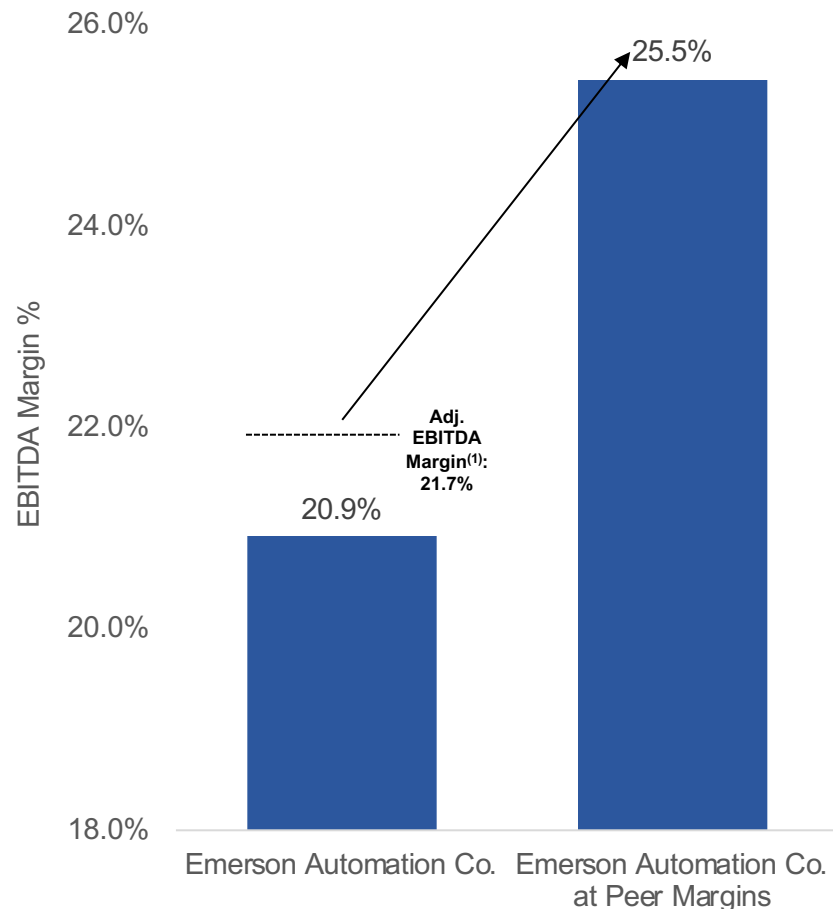


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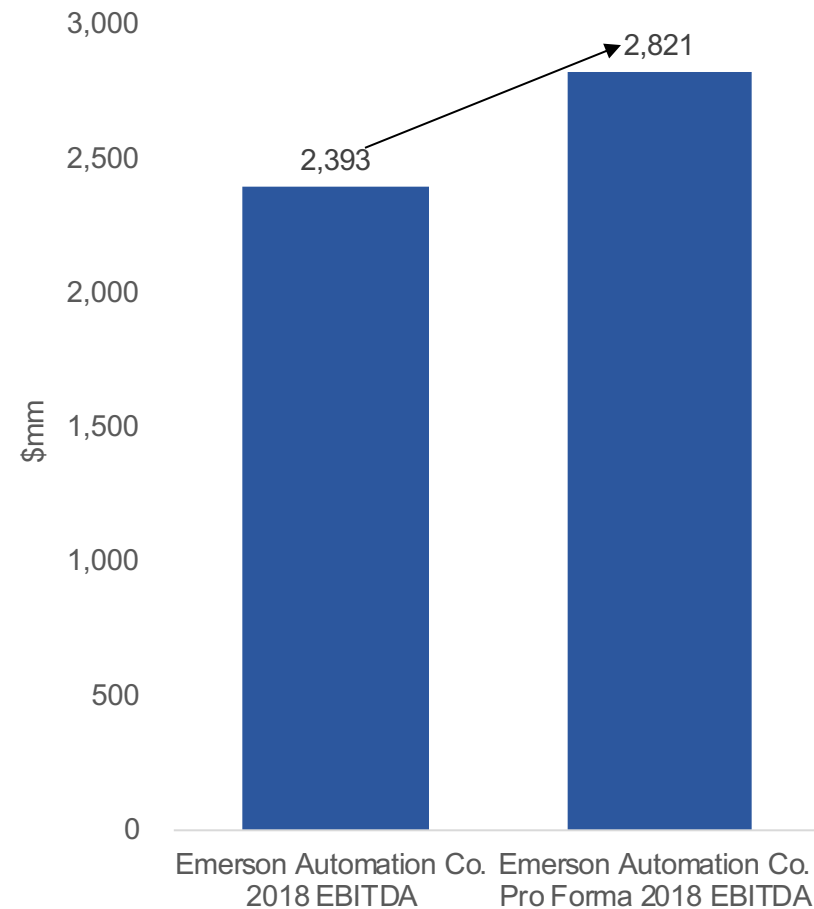
- Source: Company filings, Bloomberg
- Average includes Rockwell Automation, ABB, Flowserve, Honeywell and Siemens
- Average includes Lennox International, Ingersoll Rand, United Technologies and Johnson Controls
- Tools & Home Products peer is Stanley Black & Decker

1 | Top-Down Margin Benchmarking in Automation Co. Suggests Emerson Could Save Over \$400 million

Emerson's Automation Co. can achieve EBITDA margins of ~25% (21% operating margins) if it operates at the same profitability as peers



Reaching peer margins at Automation Co. would increase EBITDA within the segment by nearly 20%

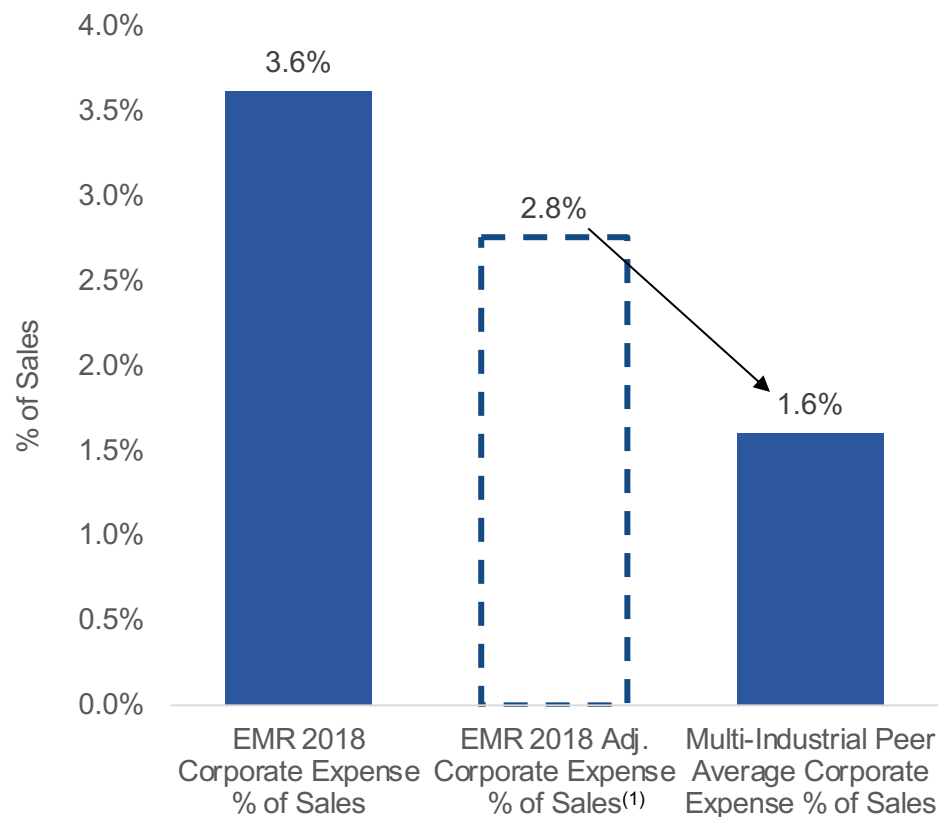


Note(s):

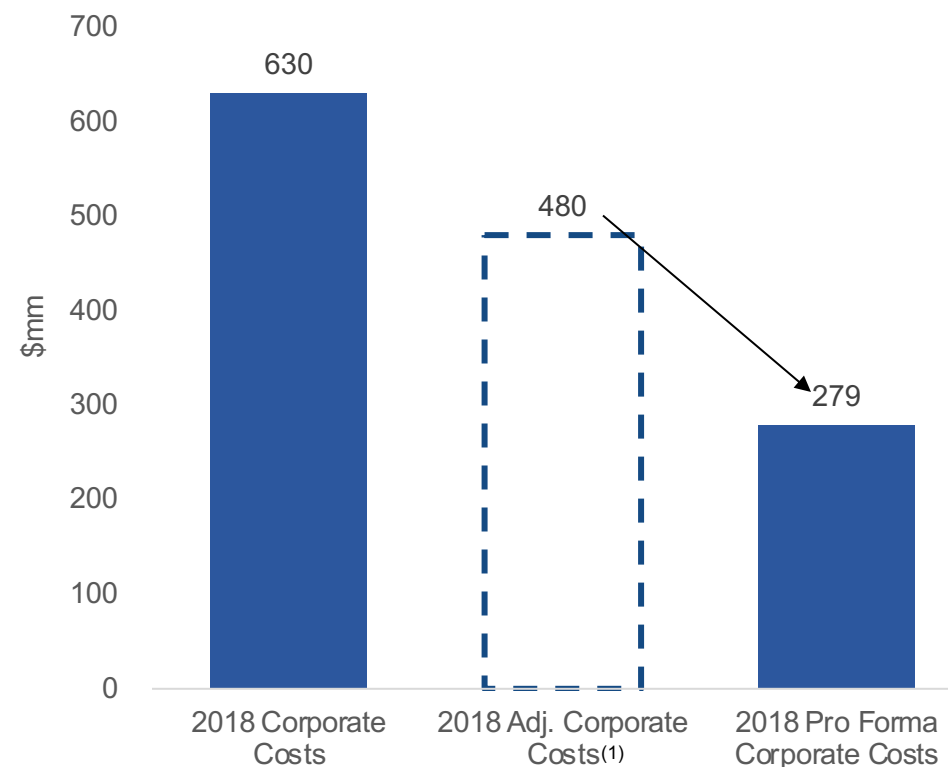
- Source: Company filings, Bloomberg
- 1. Adjusted to reflect eighty basis point charge from Emerson corporate center to Automation Co.

1 | Bringing Corporate Expenses in-line with the Multi-Industrial Average Could Increase EBITDA by \$200 million

Emerson's corporate expense as a percentage of sales is nearly double the peer average



Emerson could save \$200mm if it were to bring its corporate costs in line with the multi-industrial average



Note(s):

- Source: Company filings
- 1. Corporate expense adjusted to strip out one time purchase accounting and reflect \$120 million quarterly corporate expense run-rate highlighted by Emerson management

1 | Bottom-up Analysis of Emerson's Expenses Reveals An Even Greater Savings Opportunity of Over \$1 Billion in Automation and the Corporate Center

EXPENSE ITEM	DESCRIPTION & RATIONALE	SAVINGS OPPORTUNITY
Corporate Center General & Administrative Expense	<ul style="list-style-type: none"> Substantial <u>downsizing of aviation department and associated aircraft</u> Eliminate excess corporate G&A activity and push remainder into operating units with a <u>focus on duplicated HR, Finance, Supply chain and Manufacturing headcount</u> <u>Better align executive compensation with shareholder returns</u> 	\$200 million
Automation Co. General & Administrative Expense	<ul style="list-style-type: none"> Rationalize organizational matrix which currently includes <u>regional, functional, operational and product lines</u> and <u>promotes replication of G&A functions</u> (Finance/HR/IT/Legal/Admin) down to sub product level G&A functional costs <u>exceed accepted median industry benchmarks by an average of 45%</u> <u>VP to Non-VP ratios (spans) exceed industry norms by >2x in every area</u> 	\$140 million
Automation Co. Engineering Function	<ul style="list-style-type: none"> <u>Engineering replicated at front-line product levels</u> with duplicated leadership resulting in peak staff in each business line, limited sharing of resources and added product complexity Engineering should be moved up in the organization layers to a point where commonalities can be leveraged (product level rather than sub product) 	\$170 million
Automation Co. Marketing Expense	<ul style="list-style-type: none"> <u>Marketing occurs at three levels within the Company:</u> Corporate level, Brand level (e.g. Rosemount) and product level (e.g. Rosemount temperature) <i>"Marketing is repeated at every layer... they're everywhere" – Former Emerson Product Manager</i> 	\$40 million
Automation Co. Salesforce Expense	<ul style="list-style-type: none"> Improve salesforce productivity and increase internal benchmarks Current <u>sales per salesperson >50% below accepted industry standards</u> 4-5 layers of salesforce with no direct tie to the product line P&L limiting incentive for rigorous sales expense management and optimization 	\$90 million
Automation Co. Indirect spend (Travel/Facility/ MRO)	<ul style="list-style-type: none"> Implement policy changes/controls to bring Emerson indirect spend levels in line with peers <u>Rooftop consolidation initiatives (at least 22 locations have >1 rooftop and 11 have three or more)</u> 	\$190 million
Automation Co. Procurement	<ul style="list-style-type: none"> Procurement headcount is much larger than comparable procurement organizations <i>"central sourcing added limited value at the brand level and many decisions on who to buy from and where were made locally" – Former Product Manager</i> 	\$170 million
Automation Co. Manufacturing	<ul style="list-style-type: none"> Assess opportunity to accelerate consolidation of manufacturing sites. ~150 manufacturing sites (six in Houston alone) 	\$140 million

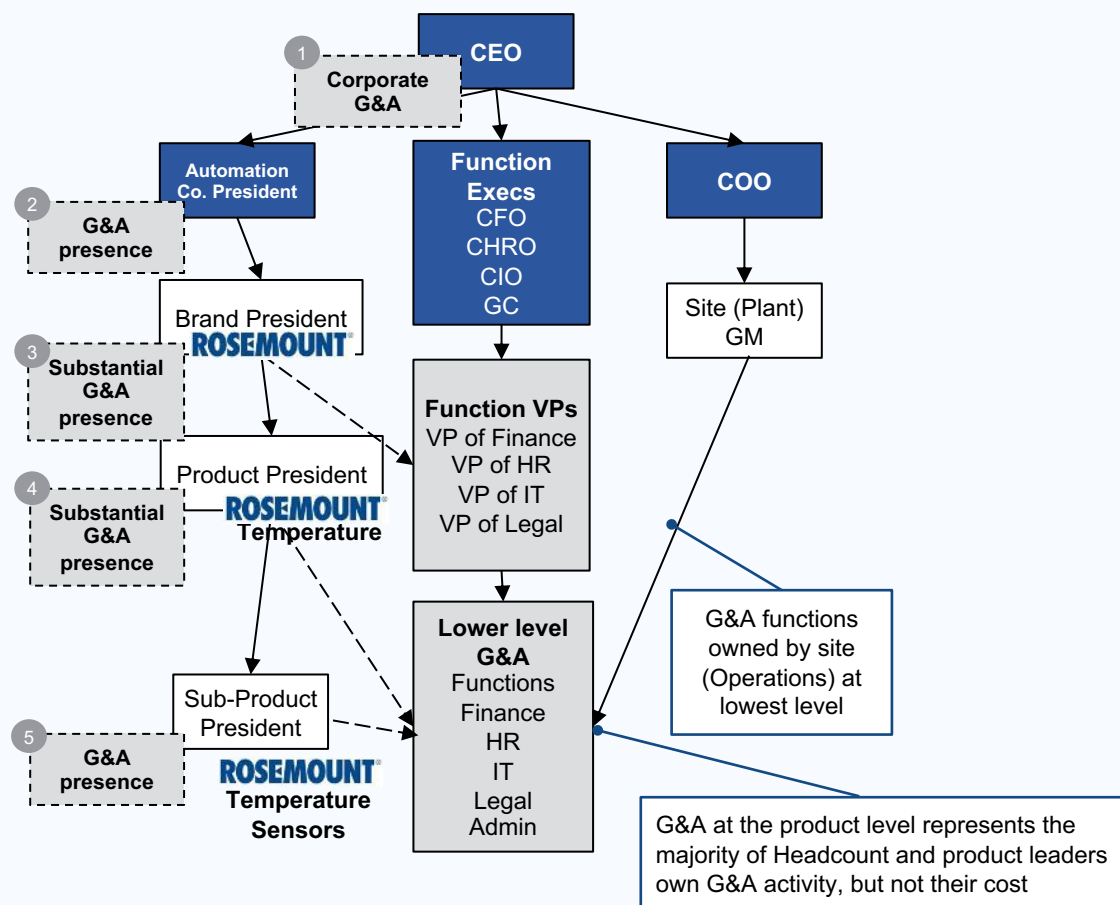
TOTAL: \$1,140 MILLION

Note(s):

- Source: Company filings; proprietary analysis by leading consulting firm based in part on comprehensive review of publicly available headcount and salary data from online employment-oriented services that covers over 80% of Emerson G&A employees and 90% of Emerson's marketing employees; industry expert interviews; the D. E. Shaw group proprietary estimates; CEB and APQC published SG&A benchmarks

1 Automation Co. G&A Expenses Provide an Illuminating Example That Alone Could Save Emerson Roughly \$140 million

Automation Company G&A resources appear to be replicated at every layer of the organization...



...leading to organizational spans that are substantially worse than industry norms...

	VP to Director	Dir. to Mgr.	Mgr. to Staff
Typical Industrial Company	4 - 8	6 - 10	8 - 12
Emerson Automation Co.			
Finance & Accounting	1.5	4.0	3.5
HR	2.2	5.1	1.5
IT	3.6	10.1	1.6
Legal	1.3	3.5	2.8
Marketing	3.3	4.0	1.1

...and a substantial opportunity to reduce costs and complexity by taking the following steps

PULL FUNCTIONS UP 1-2 LEVELS IN THE ORGANIZATION (BRAND OR SEGMENT LEVEL) SO THAT LOAD CAN BE BALANCED MORE EFFECTIVELY

REDUCE REDUNDANT RESOURCES

GIVE G&A EXECUTIVES OWNERSHIP OF G&A RESOURCES ENABLING THEM TO MANAGE STAFFING LEVELS THROUGHOUT

GIVEN TARGETS TO G&A LEADERS AND TRACK MAINTENANCE OF TARGETS

Note(s):

- Source: Company filings; proprietary analysis by leading consulting firm based in part on comprehensive review of publicly available headcount and salary data from online employment-oriented services that covers over 80% of Emerson G&A employees and 90% of Emerson's marketing employees; industry expert interviews; the D. E. Shaw group proprietary estimates; CEB and APQC published SG&A benchmarks

1 | Emerson Can Take Immediate Steps to Capture Savings

EMERSON CAN CAPTURE SUBSTANTIAL SAVINGS BY EXPLORING THE FOLLOWING AREAS:

1. Optimization of corporate overhead costs following separation of the Company into Automation Co. and Climate Co.
2. Simplification of organizational matrix within Automation Co. to limit duplication of G&A functions
3. Consolidation of engineering function
4. Enhanced salesforce productivity
5. Accelerate footprint consolidation initiatives
6. Downsizing of aviation department and associated aircraft

**WE BELIEVE THAT EACH OF THE ABOVE STEPS IS MADE EASIER BY
PURSUING A SEPARATION OF EMERSON ELECTRIC INTO A PURE PLAY INDUSTRIAL
AUTOMATION COMPANY AND A CLIMATE TECHNOLOGY-FOCUSED COMPANY**

**PURSUE A SEPARATION OF EMERSON ELECTRIC INTO
A PURE PLAY INDUSTRIAL AUTOMATION COMPANY AND
A CLIMATE TECHNOLOGY-FOCUSED COMPANY**

2 | Emerson Would Unlock Value Through an Immediate Separation of Automation Co. and Climate Co.

\$mm	Valuation Multiple			Valuation	
	2020 EBITDA ⁽⁶⁾	Peer Average	Best-in-Class Peer	Peer Average	Best-in-Class Peer
<u>Business Segment</u>					
Automation Company ⁽¹⁾	2,657	13.4x	14.8x	35,669	39,196
Climate Company ⁽²⁾	1,697	12.2x	13.9x	20,689	23,567
Climate Technologies ⁽³⁾	1,186	12.6x	15.1x	14,987	17,865
Tools & Home Products ⁽⁴⁾	510	11.2x	11.2x	5,702	5,702
Corporate Expense & Other	(269)	12.9x	14.4x	(3,480)	(3,875)
Stand-Up Costs ⁽⁵⁾	(61)	12.9x	14.4x	(783)	(872)
Total	4,024	12.9x	14.4x	52,095	58,015
(-) Debt				(6,213)	(6,213)
(-) Minority Interest				(49)	(49)
(+) Cash				1,603	1,603
Equity Value				47,436	53,356
S/O				615	615
Share Price				\$77.12	\$86.74
Upside %				20%	35%
A breakup alone could generate ~\$13/share - \$23/share of incremental equity value for shareholders (20% - 35% upside to Emerson’s current stock price)					

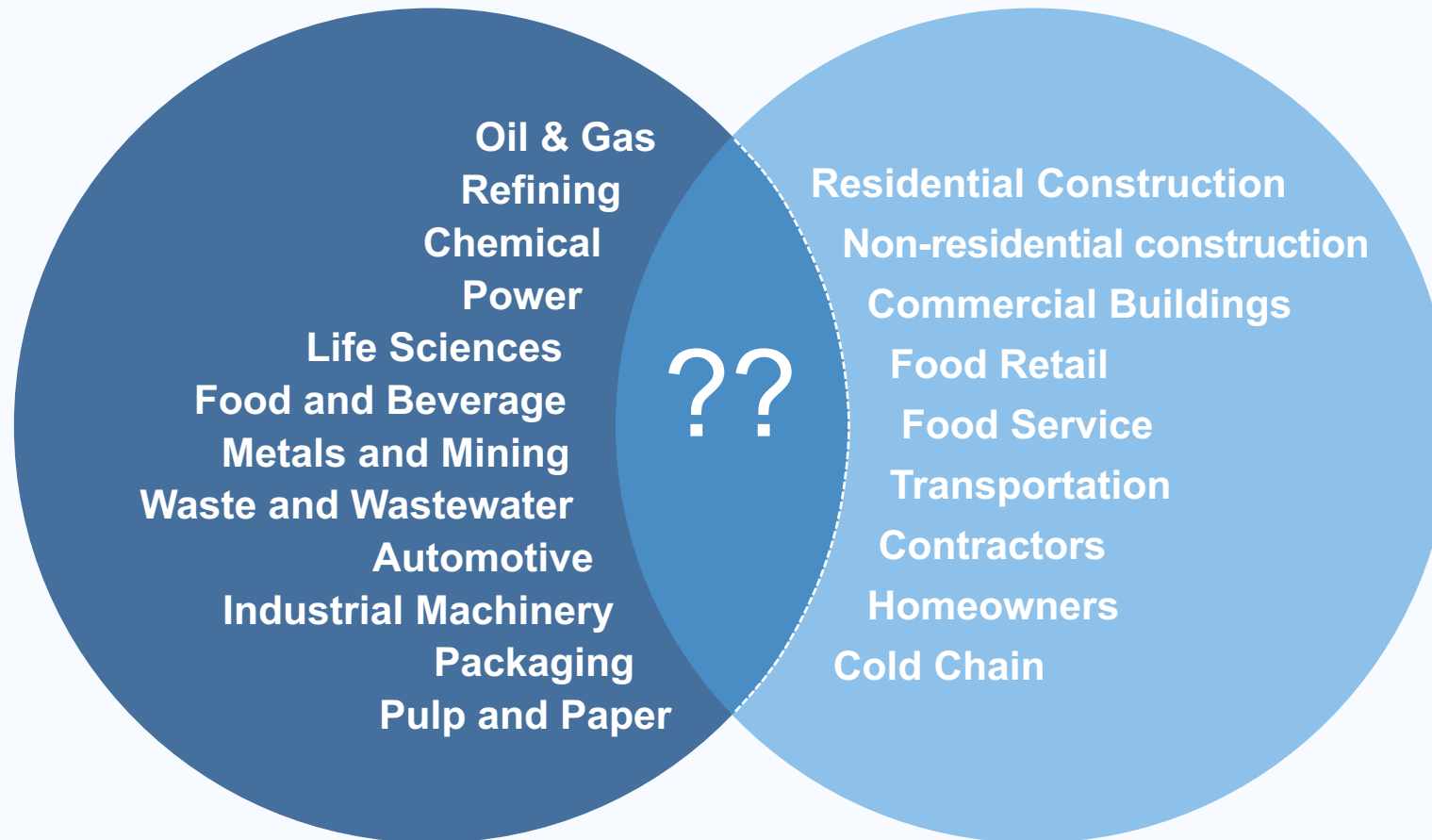
Note(s):

- Market data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company
- Peer group includes ROK, FLS, ROR and HON
- Climate Company comprised of Emerson's Climate Technologies and Tools & Home Products segments
- Peer group includes LII, UTX, IR Climate and JCI
- SWK used as primary pure play competitor
- Standup costs estimated at ~\$61mm based on break-up precedent data points
- 2020 Emerson consensus EBITDA as of 9/26/2019 less estimated standup costs

2 | Emerson's Automation Co. and Climate Co. Have Limited End Market Overlap...

Emerson's Automation Co. services
a wide array of end markets...

... none of which overlap directly with Emerson
Climate Co.'s served markets



2 | ... And Limited Operational Synergy...

EMERSON'S AUTOMATION CO. AND CLIMATE CO. HAVE LITTLE TO NO OVERLAP ALONG THE FOLLOWING FUNCTIONAL LINES LEADING TO LIMITED DIS-SYNERGIES FROM A SEPARATION:

TECHNOLOGY PLATFORMS / IT

- Limited underlying R&D and technology overlap
- Currently independent R&D

SUPPLY CHAIN

- Each division has adequate scale (~\$12bn in Automation Co. sales and ~\$7bn in Climate Co. sales)
- Limited supply chain overlap

MANUFACTURING FOOTPRINT

- Footprint not integrated

SALESFORCE

- Separate salesforce for each business segment

Note(s):

- Source: Interviews with former Emerson employees and proprietary research

2 | ... Yet Emerson Has Maintained Its Current Portfolio Structure...

Emerson's perspective on keeping the two segments together

1. Sharing of technology and best practices

- *"I still see a lot of integration capability, a lot of value-creation capability between the 2 businesses... So there's logic to have them together."*
– David Farr, Emerson 2019 Analyst Day
- *"There's a lot sharing of information, technology, customer space going back and forth. So it's -- there is still lot of capabilities for us to continue to leverage"*
– David Farr, Emerson 2019 Analyst Day
- *"The technology embedded in a lot of process instruments is technology that Bob can use within their systems, too. Now it has to be, obviously, simplified, dumbed down a little bit and also cheaper because it's a different application"*
– David Farr, Emerson 2019 Analyst Day

2. Overlap between the two segments in Food & Beverage and Life Sciences end markets

- *"Same thing with the customers. We have several customers in particular around the food and beverage, around the life science area. They're using -- will cross back and forth relative to the capabilities that we offer for our total solutions package"* – David Farr, Emerson 2019 Analyst Day

3. Company has not reached a valuation point where the split is compelling for shareholders

- *"As you know, we have always looked at businesses on ongoing basis, and when they do peak in value, we will deal with that issue. I do not see that peak valuation in these 2 businesses right now."*
– David Farr, Emerson 2019 Analyst Day

4. Emerson suggests leaving the decision to Emerson's next leader

- *"We note that Mr. Farr left the door open for a potential two-way split before his 2021/2022 retirement, but his intention is to leave that decision to his successor."*
– RBC Capital Analyst

Reality

- "Sharing of best practices" is not a good reason to maintain a holding company corporate structure that costs shareholders anywhere between \$14bn and \$21bn of value
- Conversations with former employees suggest that institutional silos prevent the sharing of best practices between the segments
- End markets highlighted by management make up less than 5% of revenue for the Automation Company
- Even within Food & Beverage, the Automation Company is servicing food manufacturers while the Climate Company services food retail and food service
- Emerson's discount to its sum of the parts value is over 20% today and provides a compelling valuation justification to split the Company
- Current Emerson shareholders will benefit from any future value creation generated by a spinoff
- "Peak value" unlikely to be achieved in conglomerate structure
- The succession decision should be driven by structure of the Company, not the other way around

2 | ... Despite There Being Substantial Potential Benefits to Separation

IN ADDITION TO ENHANCED VALUATION BY POTENTIAL, WE BELIEVE SEPARATION COULD LEAD TO ENHANCED OPERATIONAL PERFORMANCE DUE TO:

- Increased focus on distinct strategic priorities of each business
- Enhanced strategic optionality
- Enhanced financial flexibility to pursue market specific organic and inorganic growth opportunities
- Capital allocation and capital structure aligned with needs of each business
- Reduced complexity
- Reduction of costs and bureaucracy of holding company corporate structure
- Greater transparency and accountability to shareholders
- Compensation alignment

Separation is a means to an end to capture the complex operational enhancement and cost rationalization plan in the D. E. Shaw group's Proposal for Change

2 | Even Emerson Management Has Made Strong Case For Separation in the Recent Past

Emerson's comments during its 2015 Strategic Repositioning call make the case that Automation Solutions are completely different businesses with different end markets that use different technology

EMERSON STRATEGIC REPOSITIONING CALL – JUNE 2015

Q: “So just stepping back, why did you stop at two segments and not go to even one?” – Bernstein Analyst

A: “Because these are two distinct end markets that we're looking at from a customer perspective, Steve. And from my perspective, the Process and Industrial market, the technologies, everything you're dealing with, the channels are completely different than the Commercial and Residential space that you go after. So it is a completely different segment from a market. That's how we look at it, from a market” – David Farr

Q: “Dave, I meant more, just thinking about Emerson as a continued, broader multi-industry company as opposed to focusing even further and separating out climate or separating out the second market, the commercial and resi part” – Bernstein Analyst

A: “From my perspective, if I could just have one report set of numbers, I'd do that. But I think from my perspective I can rationalize and debate with anybody. I look at the end markets, which I think are key issues and what investments and the strategies you look – they are run differently” – David Farr

2 | Separation Would Create Leading Standalone Franchises in Automation and Climate

Automation Co. = “Best in Class” Process Automation Franchise with a Growing Discrete Business

- Separation would create a best-in-class pure play automation asset with attractive characteristics
- Automation Co. would have unmatched scale: Emerson’s automation business is #1 or #2 in every business in which it competes
 - #1 in Measurement and Analytical Instrumentation
 - #1 in Valves
 - #2 in Distributed Control systems
- Scarcity Value: Creates one of the only pure play industrial automation businesses of scale in the public market outside of Rockwell, Flowserve and ROTORK

Key Automation Co. Stats

- 2019E Sales: \$12.2bn; #216 S&P 500 Rank by Revenue
- 2019E EBITDA: \$2.5bn; #225 S&P 500 Rank by EBITDA
- 58,000 employees; #126 S&P 500 Rank by Employees

Climate Co. = Climate Focused Industrial Business with commanding market share in HVAC Compressor

- Separation provides investors access to Emerson’s high quality Copeland compressor business without oil & gas end market exposure
- Attractive characteristics of compressor business (~70% of Climate Co.)
 - Market Share: Emerson has high market share in HVAC compressor market
 - Pricing Power: Highest value part of HVAC system
 - Substantial Barriers to entry (Scale and Technology & Engineering)
 - Joint Venture with key OEM customers
 - Replacement exposure: Less cyclical in downturn
- Tools business (~30% of Climate Co.) provides investors with exposure to residential construction end markets

Key Climate Co. Stats

- 2019E Sales \$6.2bn; #341 S&P 500 Rank by Revenue
- 2019E EBITDA: \$1.6bn; #303 S&P 500 Rank by Revenue
- 27,500 employees; #214 by S&P 500 Rank by Employees

2 | Sell Side Analysts Agree That There is Value in a Separation

Morgan Stanley – September 2019

Based on a SOTP analysis we see an \$77 PT and 30% potential upside to current levels

Credit Suisse – June 2019

Trading at a Discount to SOTP: EMR is trading at a 20% discount on our sum-of-the-parts valuation construct... We do not see significant dis-synergies in a “breakup” scenario as there is modest overlap between Automation and Commercial & Residential Solutions segments.

Barclays – December 2018

We think there is some possibility that the Company further simplifies its portfolio at some point given the lack of obvious synergies between the two remaining platforms

RBC – June 2019

Our sum-of-the-parts shows a meaningful 18% implied upside at this time, which we believe could trigger increased clamoring for such a value-unlocking move

Morgan Stanley – February 2019

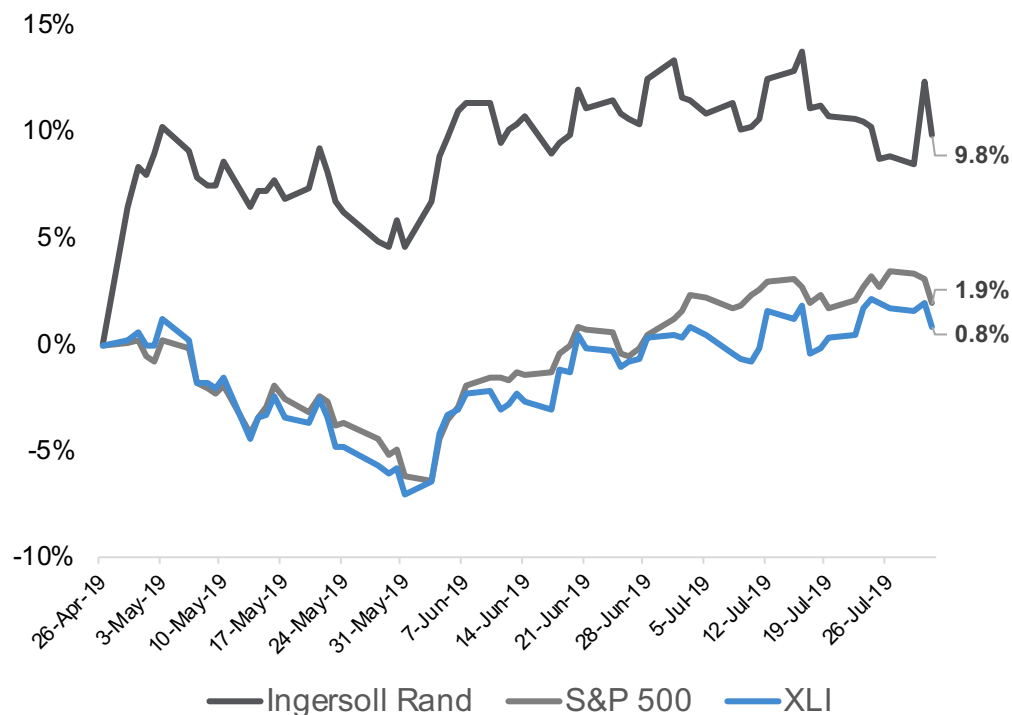
Sum of the parts provides ~20-25% upside: We don't expect SOTP to be the dominant valuation methodology exiting the analyst day... what we do expect is that the discount to the sum of the parts narrows as it becomes a more credible potential track for the company. CEO Dave Farr is unlikely to retire in the near future... we would expect he leaves whoever the ascendant management is with fewer difficult choices on managing a disparate portfolio. In this period of deconglomeration, this is a well worn path

Gordon Haskett – October 2018

Split Emerson into 2 Companies: Strategically, we would support the separation of Emerson into 2 companies. There would appear limited to no operational synergy between both divisions. On a sum-of-the-parts basis, our analysis suggests \$86 of value – representing 17% upside from the current Emerson share price

2 | Ingersoll Rand's Decision To Spin Off Industrial Unit Provides a Blueprint

Ingersoll Rand outperformed the market and XLI by 8% and 9%, respectively, in the three months following announced separation of its Climate and Industrial assets



Note(s):

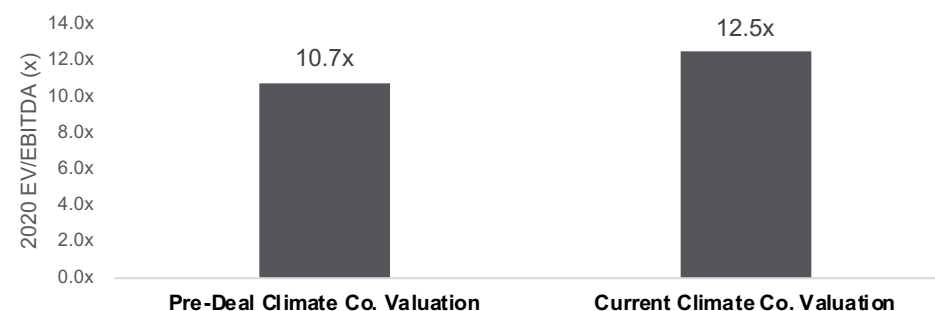
- Source: Bloomberg and Company filings
- Market data as of 7/31/19

Ingersoll Rand's management highlights the benefits of separation...

"As a pure play global leader in the climate control solutions markets, we will... capitalize on global sustainability megatrends that play directly to our strengths: reducing energy demand and greenhouse gas emissions and improving efficiency in buildings, homes and transportation. With greater focus, more targeted investments and a simplified business model, we believe our new company will continue to drive above GDP growth and deliver value for shareholders, customers and employees."

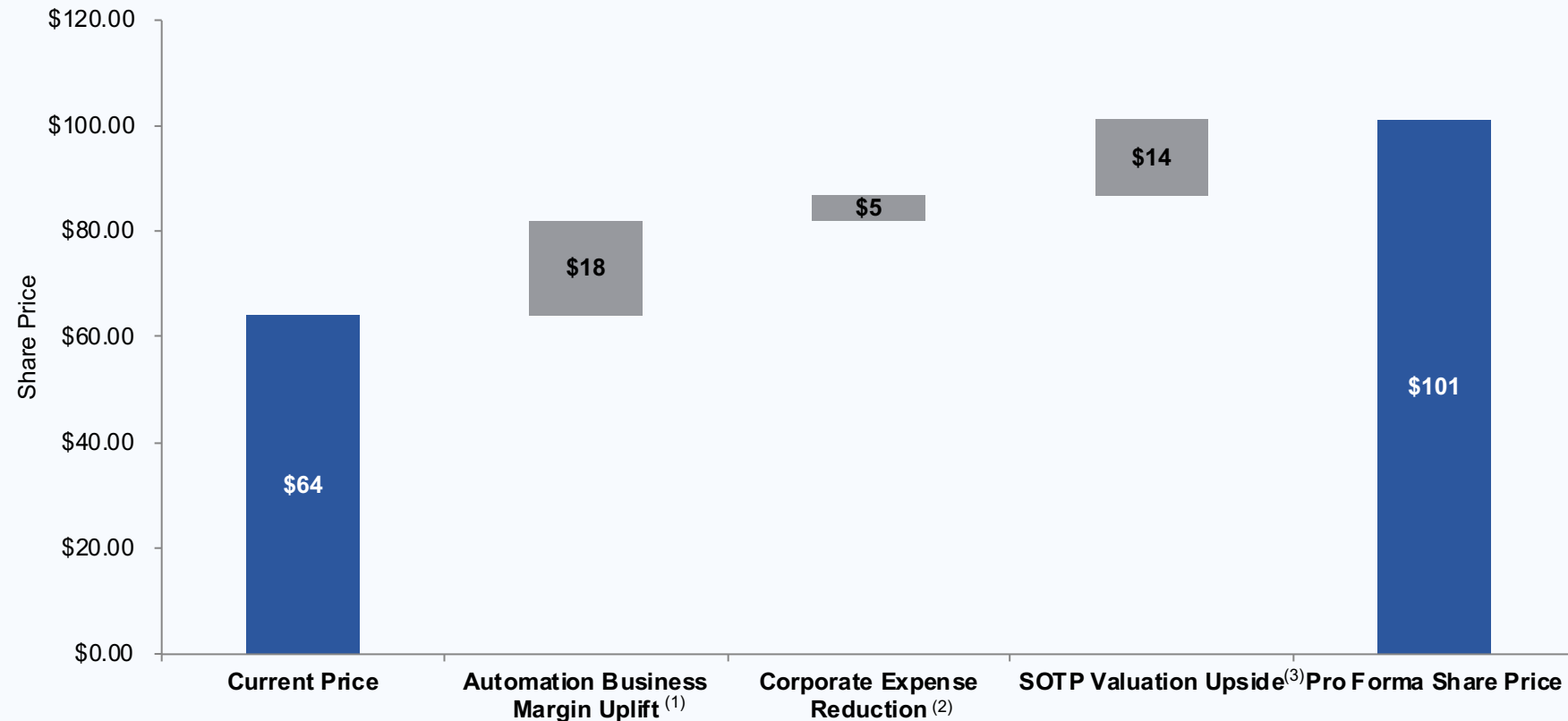
– Michael Lamach, Ingersoll Rand CEO

... and the market has rewarded Ingersoll's Climate assets with a higher valuation



1|2 | Combination of The D. E. Shaw Group's Proposals Could Generate Over \$20 Billion of Incremental Equity Value For Shareholders...

Creation of two standalone companies that can each optimize its profitability and eliminate excess corporate costs could generate over \$20bn of equity value for shareholders and over 50% upside to Emerson's stock price



Note(s):

- Market data as of 9/26/19, one day prior to press reports of the D. E. Shaw group's involvement with the Company
- 1. Assumes Emerson Automation Co. captures entire \$940 million of savings based on bottom analysis of Automation Co. expenses
- 2. Assumes Emerson corporate center cost reduced by \$200 million informed by bottom-up and top down analysis
- 3. Assumes Emerson Automation Co. and Climate Co. trade in-line with selected peer averages
- Compounding / multiplicative impact spread equally across each of the three buckets of upside

1|2| ... And Can Be Achieved with the Following Three-Step Value Creation Plan

Emerson should first simplify
the organization structure...

1. SEPARATE EMERSON ELECTRIC INTO AUTOMATION CO. AND CLIMATE CO. TO FACILITATE OPERATIONAL ENHANCEMENT AND COST RATIONALIZATION PLAN

...which will facilitate achievement
of operational improvements

2. APPROPRIATELY RATIONALIZE CORPORATE CENTER AT EMERSON ELECTRIC FOLLOWING THE SEPARATION

3. SIMPLIFY ORGANIZATIONAL MATRIX AND PURSUE OPERATIONAL IMPROVEMENT OF KEY FUNCTIONS WITHIN AUTOMATION CO.

- Limit G&A duplication
- Consolidation of engineering function
- Salesforce productivity
- Manufacturing
- Footprint consolidation

IMPROVE CORPORATE GOVERNANCE AT EMERSON ELECTRIC

3 | Emerson Should Implement the Following Governance Measures

A. Emerson should move to annually elected directors with a simple change to its Bylaws

- Emerson's Articles of Incorporation provide the By-laws with the flexibility to adjust the following key items:
 - The term length of each class of directors
 - The number of classes with expiring terms each year
- Language from the Articles of Incorporation:
 - "Except as otherwise provided in the By-laws with respect to implementation of this Article 5, Directors shall be elected to hold office for a term of three years, with the term of office one class expiring each year"**
- Emerson's Board should amend Company By-laws to **shorten the term length of each Director from three years to one year**, with the **terms of office expiring each year so all directors are up for election**
- Voting shareholders have shown overwhelming support (98%) for proposals to de-stagger the Board and move to annually elected directors. The proposed **fix is an easy way to heed shareholder concerns**

B. Emerson should incorporate returns focused targets in its performance plan

- Emerson's current short-term incentive compensation is **fully discretionary**
- Emerson's current long-term incentive structure is driven by achievement of **EPS growth (60%) and Free cash flow growth (40%) targets**, rewarding growth over returns
- Emerson should incorporate targets that are **tied directly to shareholder returns** and will not reward the Company for value destructive growth:
 - Relative Total Shareholder Return
 - Return on Assets
 - Return on Invested Capital
 - Return on Tangible Capital
- Rockwell Example:** "Performance shares are designed to reward management for our relative performance compared to the companies in the S&P 500® Index over a three-year period. The payouts of performance shares granted will be made based on our total shareowner return compared to the companies in the S&P 500® Index over a three-year period"

EMERSON'S PERFORMANCE CLEARLY DEMONSTRATES THAT
CHANGE IS NEEDED

WE ARE COMMITTED TO FOSTERING CHANGE FOR THE BENEFIT OF
ALL EMERSON SHAREHOLDERS
