

## Emerson Electric Co

## Emerson's boundless automation (and ambition)

Maintain Rating: BUY | PO: 130.00 USD | Price: 110.35 USD

## “Boundless Automation” vision from user conference

We attended Emerson's user conference, Emerson Exchange, in Dusseldorf on Feb. 27. CEO Lal Karsanbhai presented the company's vision for boundless automation. This refers to a seamless connection from field products to both edge and cloud devices. Translating this back to financials, we see Emerson aiming to take share in its traditional process and hybrid markets (~67% of revenue) on new product & software adoption. We maintain our Buy rating and \$130 Price Objective.

## Intelligent Field: wireless + smart edge devices

The intelligent field includes products in the final control and measurement & analytical segments (46% of FY24E revenue). Emerson's strategy is to increase wireless adoption and embed greater analytical capabilities on edge devices. Wireless sensors reduce total project costs by 30-40%. We see Emerson's smart edge devices as gaining share over legacy products and coming at premium price points.

## Edge: software-defined &amp; virtual control systems

Emerson's vision for the edge is to enable automation and control on virtual machines using off-the-shelf commercial hardware. Edge applications are in the control systems & software segment (16% of FY24E revenue). The roadmap includes virtualized offerings for DeltaV and Ovation distributed control systems (DCS). The first offering is the DeltaV PK Flex Controller, which Emerson launched in 2023 and sold as a subscription-based license. Clients pay only for what they need, lowering the initial capex costs.

## Cloud: early days, several stakes in the ground

Emerson's cloud strategy is still in early stages. Emerson has developed several SaaS offerings, ranging from project engineering to SCADA (Zedi) to lifecycle services. We were impressed by a new offering, DeltaV Revamp, which uses machine learning and AI to automate legacy control software migrations. This lowers the cost of migrating from competitors' systems – further aiding Emerson's share gains.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.65	4.44	5.36	5.73	6.28
GAAP EPS	5.42	22.78	3.11	4.28	4.94
EPS Change (YoY)	-19.1%	21.6%	20.7%	6.9%	9.6%
Consensus EPS (Bloomberg)			5.39	5.74	6.41
DPS	2.06	2.08	2.10	2.12	2.14
Valuation (Sep)					
P/E	30.2x	24.9x	20.6x	19.3x	17.6x
GAAP P/E	20.4x	4.8x	35.5x	25.8x	22.3x
Dividend Yield	1.9%	1.9%	1.9%	1.9%	1.9%
EV / EBITDA*	25.0x	21.9x	18.7x	17.5x	16.3x
Free Cash Flow Yield*	3.0%	3.4%	3.9%	4.4%	4.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 10.

14 March 2024

## Equity

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## Stock Data

Price	110.35 USD
Price Objective	130.00 USD
Date Established	4-Mar-2024
Investment Opinion	B-1-7
52-Week Range	76.94 USD - 111.20 USD
Mkt Val (mn) / Shares Out (mn)	69,278 USD / 627.8
Free Float	99.6%
Average Daily Value (mn)	355.19 USD
BofA Ticker / Exchange	EMR / NYS
Bloomberg / Reuters	EMR US / EMR.N
ROE (2024E)	14.9%
Net Dbt to Eqty (Sep-2023A)	0.4%
ESGMeter™	Medium

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Timestamp: 14 March 2024 05:00AM EDT

# iQprofile<sup>SM</sup> Emerson Electric Co

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.6%	7.6%	7.8%	8.6%	9.5%
Return on Equity	21.5%	16.5%	14.9%	15.8%	17.0%
Operating Margin	19.5%	21.4%	22.0%	25.6%	26.6%
Free Cash Flow	2,073	2,363	2,678	3,028	3,319

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.1x	1.0x	1.1x	1.1x
Asset Replacement Ratio	0.7x	1.3x	1.3x	1.3x	1.3x
Tax Rate	20.8%	20.4%	22.1%	22.5%	23.0%
Net Debt-to-Equity Ratio	52.5%	0.4%	28.2%	25.1%	21.7%
Interest Cover	13.9x	24.3x	40.4x	37.9x	46.6x

## Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	13,804	15,165	17,574	18,432	19,344
% Change	-24.3%	9.9%	15.9%	4.9%	4.9%
Gross Profit	6,306	7,427	9,079	9,560	10,071
% Change	-16.6%	17.8%	22.2%	5.3%	5.3%
EBITDA	3,443	3,929	4,616	4,933	5,297
% Change	-19.1%	14.1%	17.5%	6.9%	7.4%
Net Interest & Other Income	(194)	(134)	(96)	(112)	(99)
<b>Net Income (Adjusted)</b>	<b>2,176</b>	<b>2,563</b>	<b>3,071</b>	<b>3,257</b>	<b>3,530</b>
<b>% Change</b>	<b>-19.8%</b>	<b>17.8%</b>	<b>19.8%</b>	<b>6.0%</b>	<b>8.4%</b>

## Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,907	2,206	2,260	2,456	2,777
Depreciation & Amortization	842	1,051	1,646	1,584	1,511
Change in Working Capital	(312)	(190)	(164)	(441)	(429)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(65)	(341)	(661)	(168)	(137)
Capital Expenditure	(299)	(363)	(402)	(403)	(403)
<b>Free Cash Flow</b>	<b>2,073</b>	<b>2,363</b>	<b>2,678</b>	<b>3,028</b>	<b>3,319</b>
<b>% Change</b>	<b>-30.8%</b>	<b>14.0%</b>	<b>13.3%</b>	<b>13.1%</b>	<b>9.6%</b>
Share / Issue Repurchase	(500)	(2,000)	(507)	(1,021)	(1,251)
Cost of Dividends Paid	(1,223)	(1,198)	(1,203)	(1,205)	(1,203)
Change in Debt	3,691	(2,324)	410	(790)	(900)

## Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,804	8,051	1,090	1,102	1,067
Trade Receivables	3,008	2,518	2,894	3,086	3,291
Other Current Assets	3,694	3,250	3,489	3,711	3,898
Property, Plant & Equipment	3,361	2,363	1,872	1,012	207
Other Non-Current Assets	23,805	26,564	34,150	33,829	33,526
<b>Total Assets</b>	<b>35,672</b>	<b>42,746</b>	<b>43,494</b>	<b>42,739</b>	<b>41,990</b>
Short-Term Debt	2,115	547	900	1,100	200
Other Current Liabilities	5,662	4,485	4,935	4,909	4,873
Long-Term Debt	8,259	7,610	7,667	6,677	6,677
Other Non-Current Liabilities	3,320	3,506	3,506	3,506	3,506
<b>Total Liabilities</b>	<b>19,356</b>	<b>16,148</b>	<b>17,008</b>	<b>16,192</b>	<b>15,256</b>
<b>Total Equity</b>	<b>16,316</b>	<b>26,598</b>	<b>26,486</b>	<b>26,548</b>	<b>26,734</b>
<b>Total Equity &amp; Liabilities</b>	<b>35,672</b>	<b>42,746</b>	<b>43,494</b>	<b>42,739</b>	<b>41,990</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 10.

## Company Sector

Industrials/Multi-Industry

## Company Description

Emerson is a Missouri-based, diversified global industrial technology company. Its products are offered under two platforms: Automation Solutions and Safety & Productivity Solutions.

## Investment Rationale

EMR's strategy is to leverage its strength to grow market share in process & hybrid markets and expand into discrete areas (e.g., life sciences, food & beverage, electronics). We see potential upside as the company executes on National Instruments synergies (transaction closed October 12, 2023). The transition to a pure-play industrial automation firm should also lead to higher valuation multiples over time, in our view.

## Stock Data

Average Daily Volume 3,218,724

## Quarterly Earnings Estimates

	2023	2024
Q1	0.78A	1.22A
Q2	1.09A	1.24E
Q3	1.29A	1.41E
Q4	1.29A	1.49E

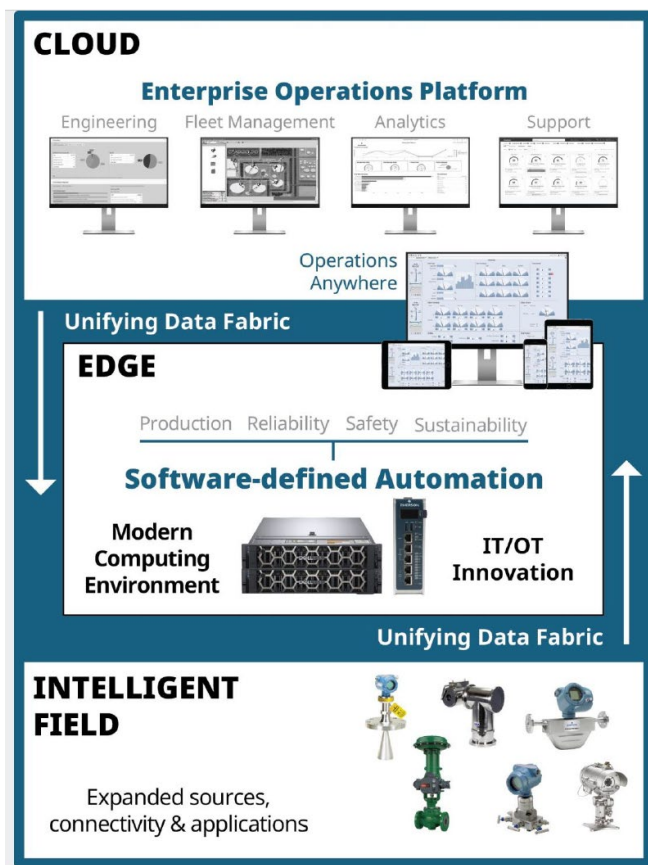
# Overview of boundless automation

Currently, industrial automation is hardware centric and driven by capex budgets. Data is isolated and disorganized. Emerson's pathway seeks to resolve these issues with a unified, software-defined automation platform.

From a financial perspective, Emerson will grow recurring revenue by shifting from hardware sales in capex budgets to term license software sales in opex budgets. By embedding encryption and security at the device level, this lessens risks around increased connectivity.

## Exhibit 1: Cloud, edge, and Intelligent Field

Emerson's boundless automation goes across cloud, edge, and Intelligent Field



Source: Company presentations

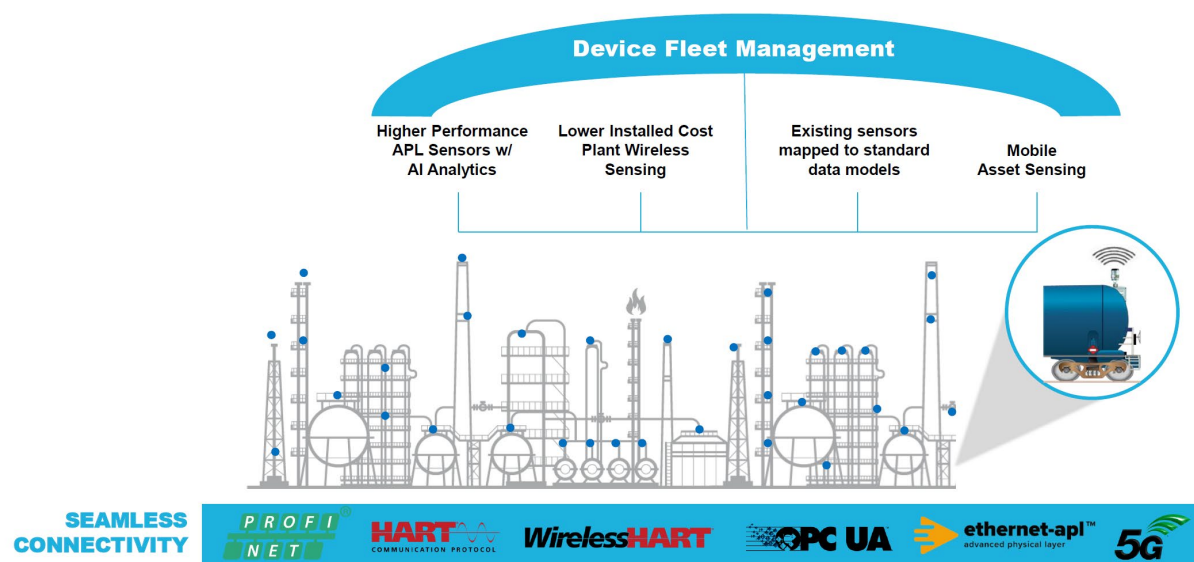
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## Intelligent Field: wireless, edge analytics

Emerson's strategy for field devices is to increase wireless adoption and embed greater analytical abilities. The intelligent field includes products in the final control (\$4.0bn in FY23 revenue) and measurement & analytical (\$3.6bn) segments (largely in process industries).

### Exhibit 2: Open protocol for industrial systems

Various connectivity options



Source: Company presentation

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## Mid-teens growth for wireless devices

### Emerson created the standard for industrial process communications

In 1986, Emerson introduced HART as an open protocol for industrial systems. HART enables both analog and digital signals in a single wire. This allows host applications to receive analog (e.g., continuous variables such as pressure, temperature, level, flow) and digital data. HART became widely adopted with ABB, Endress+Hauser, Festo, Flowserve, Honeywell, Siemens, and others creating HART devices. A wireless standard of HART came out in 2007, and an ethernet-based internet protocol (IP) standard was introduced in 2012. Since 2007, Emerson has grown an installed base of over 500,000 wireless connected devices.

### Wireless adoption is a growth acceleration for Emerson's sensing products

Wireless deployments result in ~40-50% lower total costs for clients and drive faster commissioning. Reducing friction in wireless deployments serves as an accelerator for field device revenue growth. Emerson is optimistic on growing its wireless product revenue at a mid-teens CAGR. We estimate ~\$200mn in revenue currently, or ~6% of the measurement & analytical segment.

While 6% may seem low, this reflects the vast installed base of wired Emerson devices. Approximately 60% of measurement & analytical segment revenue comes from maintenance, repair, and overhaul (MRO) or recurring revenue offerings.

Emerson has launched several new products to accelerate wireless adoption. These include the 1410S wireless gateway, which allows for self-organizing networks. This allows field devices to serve as network connectors (e.g., a mesh network versus point-and-spoke). The ability to automatically reroute communication paths among field

devices creates a network with >99% data reliability. The 1410S comes with built-in (and upgradeable) encryption and “drag and drop” connection to the network. Another new product (the 781S smart antenna) increases wireless area coverage by 65%. A single gateway can support up to 400 connected devices.

## Adding more intelligence in the field

With an installed base of over 3mn digital valve controllers (DVCs), Emerson is a category leader in this product line. The new Fisher FIELDVUE DVC7K Digital Valve Controller (DVC) adds edge analytics into the DVC. This means a user can perform data analysis in real time, at the device or at the edge/cloud. Users can access the controller at the device, a mobile device, or a host system.

### Exhibit 3: Fisher FIELDVUE DVC7K Digital Valve Controller

Combines wireless connectivity, edge analytics, and automatic calibration



Source: Company presentations

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## Enabling digital transformation

Data from field sensors and controllers is often kept in separate silos. While discrete industries have distinct steps in production, process industries have continuous production processes. Performing analytics or developing machine learning tools require holistic plant-level data.

Emerson’s AMS Device Manager has been sold since 1996. This software aggregates data from field sensors and controllers – both Emerson and third-party.

At a single plant in Iowa, Bayer uses Emerson’s AMS Device Manager to connect four DeltaV distributed control systems, ~750 control valves, ~1,000 motors, and ~3,000 infrared cameras. AMS Device Manager drives the plant’s predictive maintenance, safety, and reliability efforts.

In 2023, Emerson released the AMS Device Manager Data Server. This allows field device data to be shared with other applications. The centralized data can then be integrated with other data sources for advanced analytics and machine learning without custom data integration. It features built-in cybersecurity, automatic device mapping, and low-code connections. AMS Device Manager Data Server can extend into Emerson’s Plantweb Insight, AspenTech’s Inmation data historian, and third-party programs.

This is subscription-based, recurring revenue that can be attached to a large existing installed base.

## Edge

Emerson's vision is to enable automation and control as a unified layer. This would combine level two (i.e., supervisory and monitoring software) and level three (e.g., management execution system software) offerings. This focuses on hardware and software offerings in the Control Systems & Software segment (\$2.6bn in FY23 revenue), as well as connections with Aspen Tech (\$1.0bn).

### Virtual is the new reality

Traditional IT infrastructure uses dedicated servers, with dedicated storage, within a hardware-defined network. Hyperconverged infrastructure uses virtual machines (which can be run on any server) and software-defined storage and networks. Virtual machines have been used for decades in IT departments and in cloud data centers to improve the scale & utilization of server hardware.

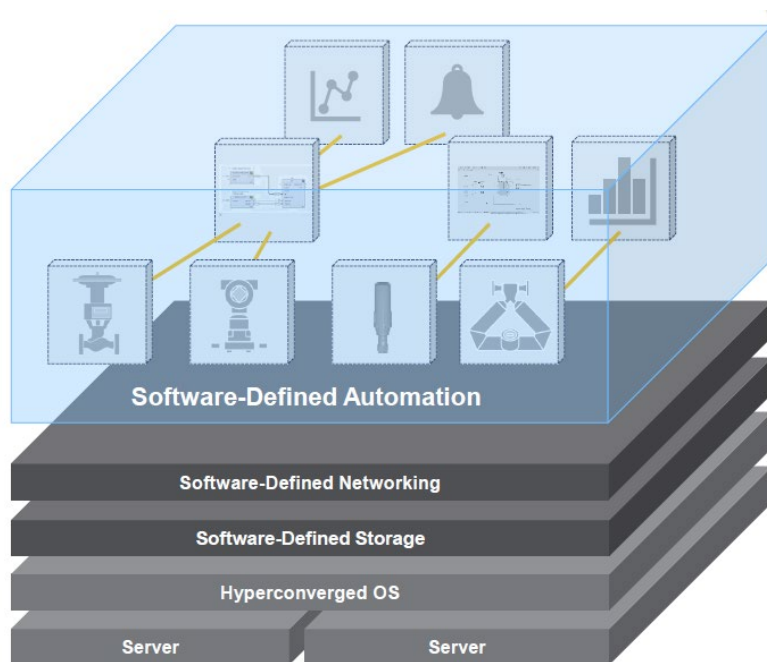
### Why use virtual machines in industrial automation?

Similar to traditional IT, virtual machines make it easier and less expensive to deploy, with better utilization of fewer hardware assets. A few edge servers can run dozens of virtual DeltaV instances with low-latency and lower operating costs.

Virtual machines are already used for human machine interfaces (e.g., control panel for a machine). A single server/PC runs multiple control panels, each running on a separate virtual machine. However, virtual distributed control systems (DCS) offerings have not been introduced by major automation companies.

#### Exhibit 4: Transition to software-defined architecture for automation

Emerson's roadmap includes software-defined offerings for DeltaV and Ovation DCS product lines



Source: Company presentation

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### Emerson's first offering: DeltaV PK Flex Controller

The first offering launched in 2023 is a DeltaV PK Flex Controller, which is sold as a subscription-based license. The underlying hardware can run 50-1,500 devices with multiple input-output options. Clients pay only for what they need, lowering the initial capex costs.



Emerson's DeltaV PK Controller can support up to 250 devices using Ethernet advanced physical layer (APL). Also known as industrial ethernet, ethernet APL supplies power and communication in a single cable with built-in safety for use in hazardous areas. The DeltaV PK Controller is an alternative to PLCs in smaller application. These controllers can run both on a stand-alone basis or integrated to a larger DeltaV DCS.

## Roadmap: software-defined DCS

Emerson's roadmap includes a virtualized, software-defined offerings for its DeltaV (process & hybrid) and Ovation (power & water) DCS product lines. Emerson will sell these products on a subscription-basis and be hardware independent.

### Integration with Aspen

Approximately 70% of the DeltaV's 11,000 installed base does not have level three optimization software. This represents a significant cross-sell opportunity for Aspen Tech's offerings. Emerson is integrating Aspen Tech's DMC3 (adaptive process control optimization software) and InfoPlus.21 (historian) with Emerson's DeltaV software suite. We note that joint Emerson/Aspen Tech sales have been growing already without software integration.

## Cloud: adding to software portfolio

Emerson's cloud strategy is still in early stages. Software revenue comes from Aspen Tech (7% of FY24E revenue) and an additional 6% across automation and industry-specific software. Emerson has developed several SaaS offerings, ranging from project engineering to SCADA (Zedi) to lifecycle services. At Emerson Exchange, the most interesting software demo we saw was DeltaV Revamp.

### DeltaV Revamp

#### Making migrations easier with cloud software, machine learning, and AI

Emerson manages ~300-400 modernization projects a year. These are challenging projects, with significant direct costs and indirect costs (e.g., plant downtime). Over the years, Emerson has introduced several offerings to lower the cost of hardware upgrades.

For example, IO.CONNECT and Flex.CONNECT allow customers to keep existing input-output (IO) wiring, which reduces modernization upfront project costs by 30-40%. Options are available for legacy ABB, Honeywell, Rockwell, Schneider, and Siemens products. However, the software upgrades have remained a challenge and key source of risks.

#### Next stage: DeltaV Revamp

In 2022, Emerson launched DeltaV Revamp. Revamp is cloud-based software for managing the transition of the control systems. At many plants, the original PLC code may be 15-20 years old with limited documentation. Periodic upgrades create multiple code vintages where the same task (e.g., motor control) is implemented in different ways. However, Emerson's scale (300-400 modernization projects per year) has enabled them to build an extensive project experience library.

Using machine learning, Revamp software identifies the legacy code which matches the existing project library and automatically translates these into DeltaV configurations. When Revamp recognizes custom code, it uses a generative AI copilot to help project teams understand the logic from original source documentation.

# Valuation

We base our \$130 price objective on a 16x EV/EBITDA multiple of our CY25E EBITDA. Our target multiple is at a discount to multi-industrial peers trading at 17x CY24 estimates. We argue a discounted multiple is warranted given above-peer margins offset by higher merger integration risks.

## Exhibit 6: EMR valuation versus comparable stocks

EMR trades at a discount to peers on EV/EBITDA

Company	Ticker	Stock Price 3/13/2024	P/E		EV/EBITDA		EBITDA Margin		EPS Growth		P/FCF	
			2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
ABB	ABLZF	\$48.19	23.6 x	21.2 x	14.0 x	12.5 x	18.8%	19.4%	1%	11%	19.9 x	20.0 x
AMETEK	AME	\$181.53	26.6 x	24.5 x	19.4 x	17.9 x	30.4%	30.6%	7%	9%	26.3 x	25.7 x
Eaton	ETN	\$300.24	29.6 x	27.7 x	23.6 x	21.4 x	21.9%	22.1%	11%	7%	35.2 x	32.8 x
Honeywell	HON	\$199.73	19.8 x	17.8 x	13.3 x	12.4 x	26.8%	27.2%	10%	11%	22.6 x	19.0 x
Rockwell	ROK	\$284.38	18.6 x	17.6 x	14.3 x	13.1 x	23.1%	23.3%	20%	6%	20.4 x	18.2 x
Schneider	SBGSF	€ 213.70	<u>29.0 x</u>	<u>25.9 x</u>	<u>17.4 x</u>	<u>15.7 x</u>	<u>19.9%</u>	<u>20.3%</u>	<u>4%</u>	<u>12%</u>	<u>26.8 x</u>	<u>26.0 x</u>
<b>AVERAGE</b>			<b>24.5 x</b>	<b>22.4 x</b>	<b>17.0 x</b>	<b>15.5 x</b>	<b>23.5%</b>	<b>23.8%</b>	<b>9%</b>	<b>9%</b>	<b>25.2 x</b>	<b>23.6 x</b>
<b>Emerson</b>	<b>EMR</b>	<b>\$110.35</b>	<b>20.2 x</b>	<b>18.8 x</b>	<b>15.1 x</b>	<b>13.8 x</b>	<b>26.4%</b>	<b>26.9%</b>	<b>17%</b>	<b>8%</b>	<b>23.6 x</b>	<b>20.7 x</b>
<b>Emerson at PO</b>		<b>\$130</b>	<b>23.8 x</b>	<b>22.2 x</b>	<b>17.5 x</b>	<b>16.0 x</b>					<b>27.8 x</b>	<b>24.4 x</b>

Source: BofA Global Research, company files

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## Price objective basis & risk

### Emerson Electric Co (EMR)

We base our \$130 price objective on a 16x EV/EBITDA multiple of our CY25E EBITDA. Our target multiple is at a discount with multi-industrial peers trading at 17x CY24 estimates. We argue a discounted multiple is warranted given above-peer margins offset by higher merger integration risks.

Downside risks to our PO are 1) deterioration in energy capex outlook or oil price correction 2) emerging market slowdown, which could impact the company's growth, and 3) acquisition integration risks.

## Analyst Certification

I, Andrew Obin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
<b>NEUTRAL</b>				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
<b>UNDERPERFORM</b>				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

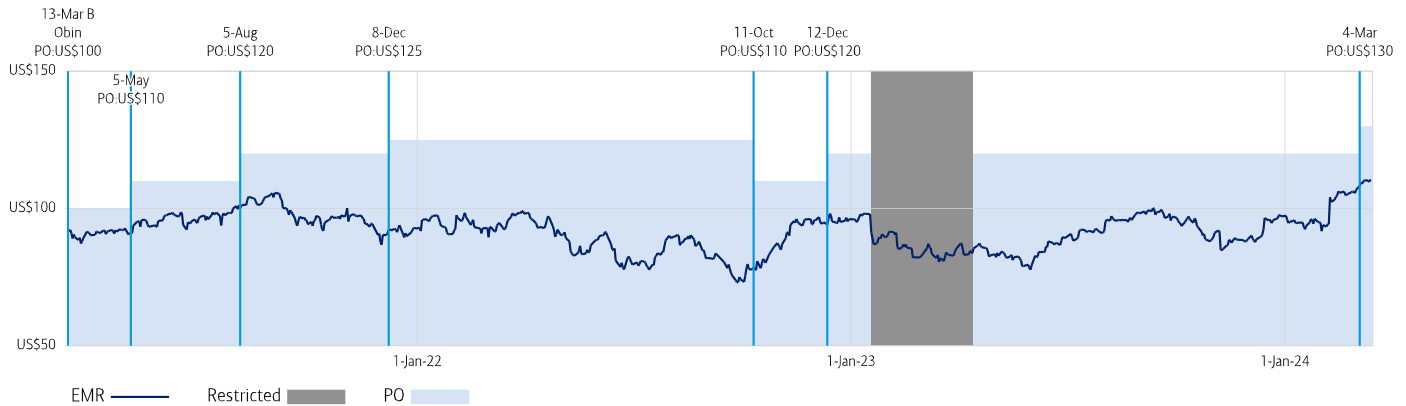
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### Emerson (EMR) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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