



# Emerson Electric (NYSE: EMR)

Target: \$130.27  
Current: \$109.89  
Upside: 18.84%



# Investment Thesis

1

Market Leadership & Diversification

2

Automation & Innovation Focus

3

Strong Financials & Potential Growth

A wide-angle photograph of a large industrial workshop or factory floor. The space is filled with various pieces of heavy machinery, workbenches, and shelving units. Two workers are visible: one man is seated at a workbench in the foreground, focused on a task, while another man stands further back near a blue cabinet. The environment is cluttered with tools, parts, and equipment, creating a sense of a busy, active manufacturing or repair facility.

# Company Overview

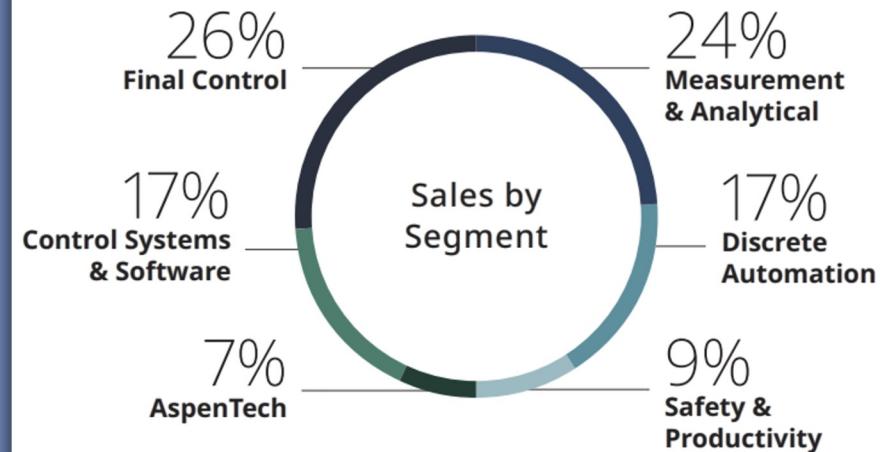
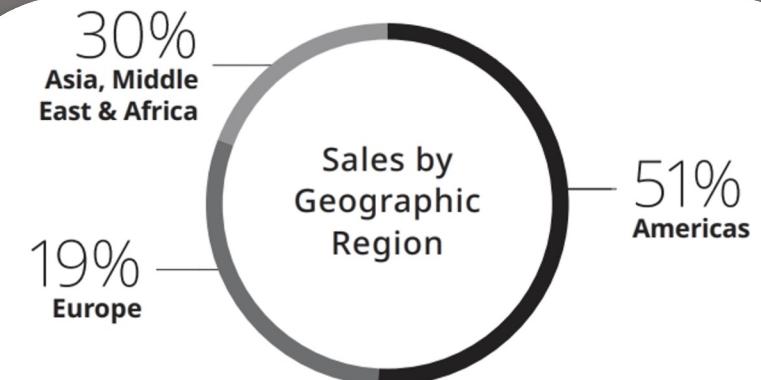
# Company Overview

## Commentary

- Founded in 1890
- Headquarters in St. Louis, MO
- 130 manufacturing locations worldwide as of Sept. 2023
- 67000 employees as of 2023
- Operates in six segments

## Key Performance Indicators

- 2023 Gross Profit Margin: 49%
- 2023 Net Sales: \$15.2 billion
- Adjusted Earnings Per Share: \$1.22
- Free Cash Flow: \$2.4 billion



## Key

Software and Control



Intelligent Devices



# Management

**Lal Karsanbhai**

**CEO**

CEO since 2021,  
worked at Emerson  
since 1995



**Ram Krishnan**

**COO**

COO since 2021,  
worked at Emerson  
since 1994



## Management Commentary and Projections

Acquisition of National  
Instruments Corp in 2023

- Brought products to the market faster and at a lower cost
- Brought \$1.7 billion in revenue in the last twelve months ending in Sept. 2023

Sales were up 10% in 2023  
compared to the previous year

- 2023 AspenTech net sales:  
\$1.04 billion

**Mike Baughman**

**CFO**

CFO since 2017 when  
he joined the company



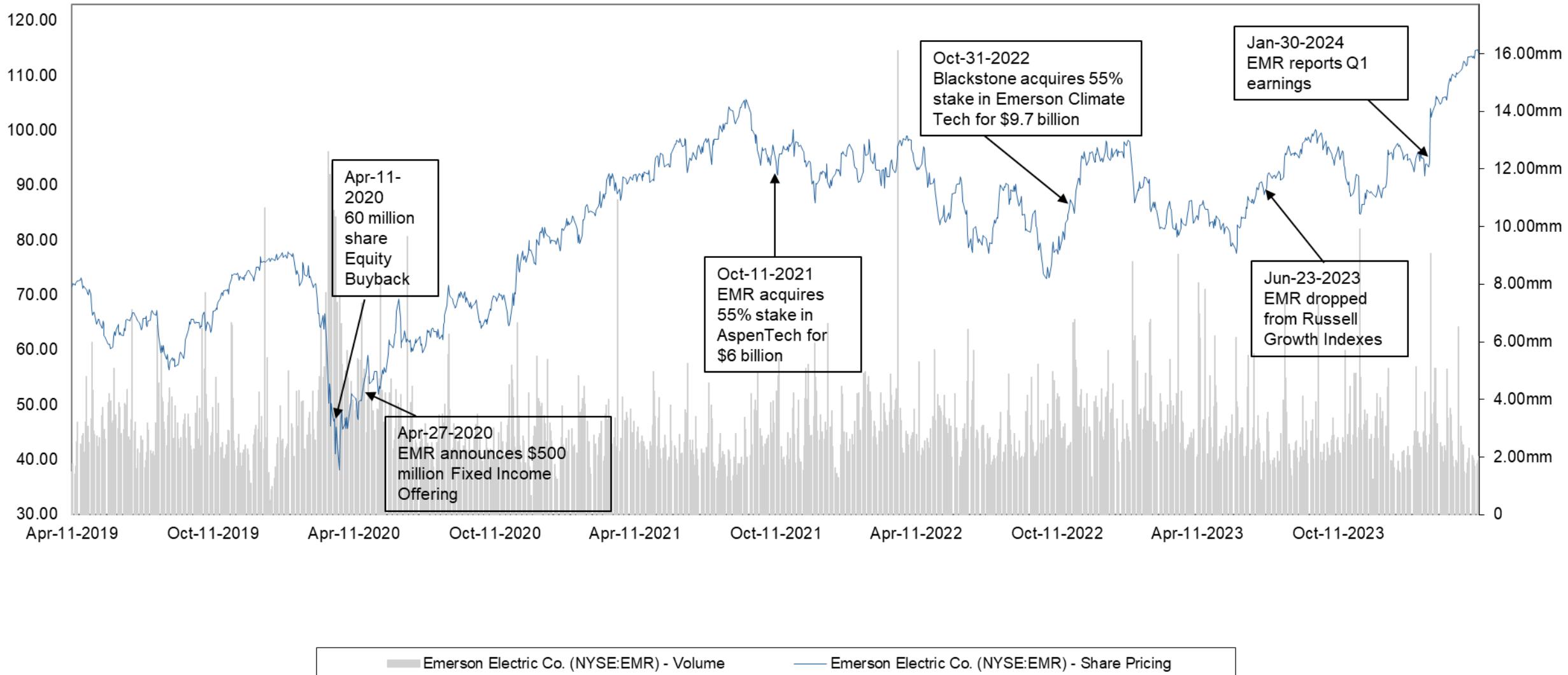
**Michael Train**

**Chief Sustainability  
Officer**

Joined Emerson in  
1991



# Annotated Stock Chart



# EMR Risk

- Diverse products across multiple markets leaves them susceptible to various market threats

Metric	Ratio
Standard Deviation	1.58%
Sharpe	3.23%
Sortino	4.61%
Treynor	0.10%
2 Year Beta	0.993

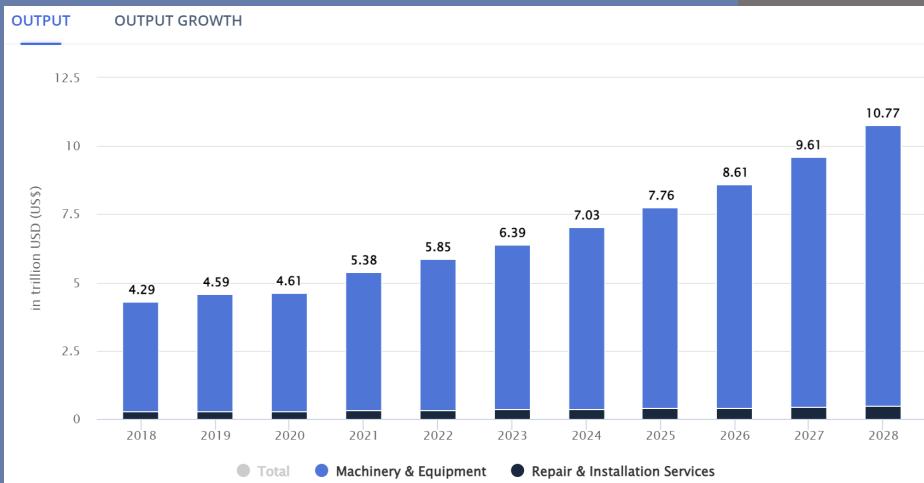
- High competition in software industry with potential new restrictions on data
- Relatively aggressive acquisition strategy may lead to difficulties in integration and synergies

A black and white photograph of an industrial worker in a facility with complex steel piping and ductwork. The worker, wearing a yellow hard hat, safety glasses, and orange ear protection, is holding a laptop and looking towards the right side of the frame. The laptop screen displays a control panel or monitoring software. The background is filled with large pipes, valves, and structural elements typical of a factory or power plant.

# Market Overview

# Industry Highlights

- Demand comes from purchasing companies – direct consumers
- **11.29% industry CAGR (2024-2028)**
- Positive but lagging year in 2023 – partly due to a decelerating housing market
- Big-picture driver is investment made into infrastructure
  - 2021 Infrastructure bill



Industrial products & services output growth

## Headwinds

- Current housing market – this will get better in the long-run
- Commercial real estate post-covid
- “Higher for longer” approach to interest rates

## Tailwinds

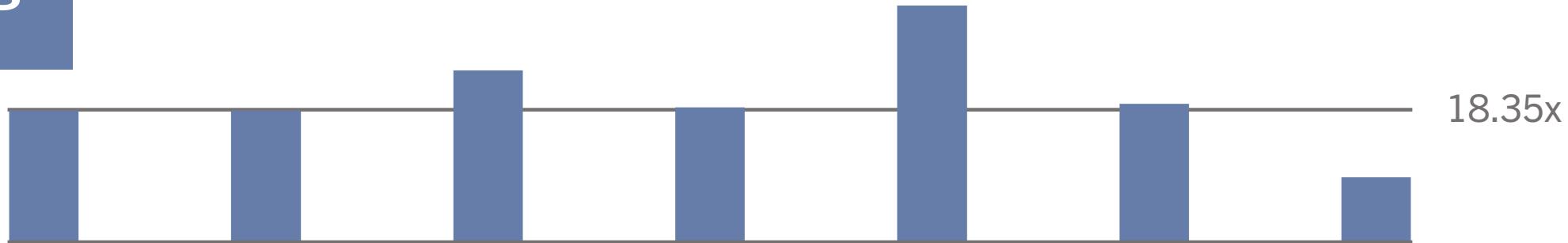
- Federal incentives for digitalization & improving infrastructure
- Data storage facilities
  - Not just AI companies
  - **8% CAGR for mainframe market (2024-2032)**
- AspenTech



A photograph of two men in a factory or industrial setting. One man, wearing a dark shirt, is seen from the back, looking at a large metal shelving unit filled with cylindrical components. The other man, wearing a light blue button-down shirt, is facing the first man, gesturing towards the shelving unit with his right hand. The background shows a complex network of overhead pipes, ducts, and lighting fixtures. The word "Valuation" is overlaid in large white letters across the center of the image.

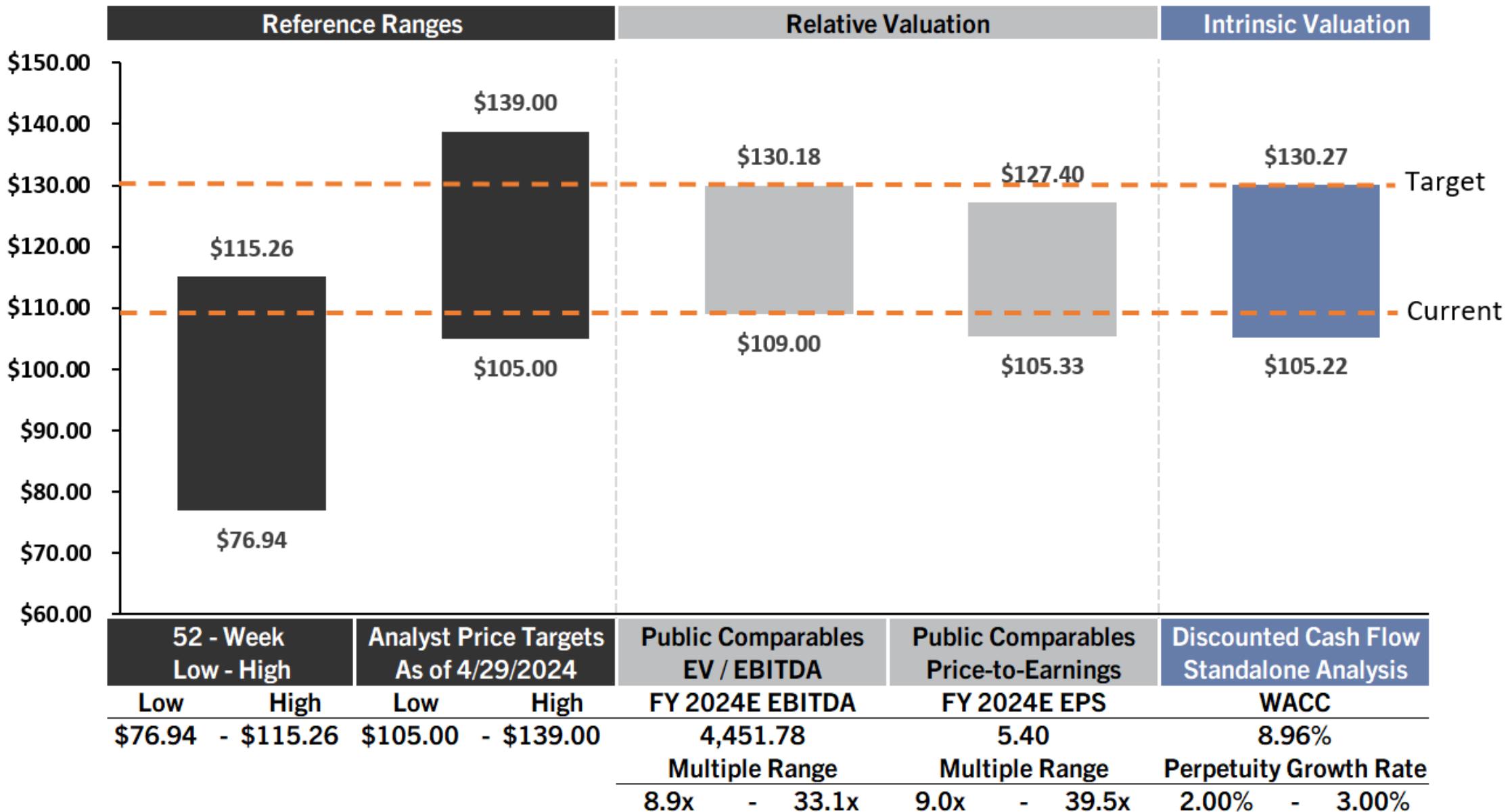
# Valuation

# Peer Group Benchmarking



	<b>EMERSON</b>	<b>ITW</b>	<b>Roper Technologies</b>	<b>Johnson Controls</b>	<b>VERTIV</b>	<b>FORTIVE</b>	<b>3M</b>
Market Cap	62,103.80	74,674.40	57,696.80	44,052.00	29,056.50	28,236.90	51,252.30
TEV	71,952.91	82,773.85	69,745.00	51,446.20	30,608.55	32,245.40	71,054.83
Revenue '26	19,487.89	17,838.95	8,050.75	30,532.58	9,336.68	7,377.03	25,669.56
EV / EBITDA	18.35	18.33	24.00	18.75	33.09	19.30	8.93
Book Value per Share	\$36.14	\$10.06	\$166.30	\$24.50	\$3.82	\$29.76	\$8.70
ROE	70.25%	96.95%	8.69%	12.86%	27.44%	8.84%	-71.64%
D / E	40.89%	277.80%	43.39%	67.22%	221.80%	39.29%	344.99%
Beta	0.993	1.031	0.984	0.994	1.757	1.063	0.991

# Football Field



# DCF Valuation

Terminal Growth: 3.00%  
 WACC: 8.96%  
 Revenue CAGR: 10.80%  
 Industry CAGR: 11.27%

Implied Per Share Price:  
 \$130.27

## Emerson Electric Co

### Discounted Cash Flows

Midyear:	Yes	Historicals	Forecast Period					Terminal Value	2024 - 2028 CAGR
	Yes		2023A	2024E	2025E	2026E	2027E		
	22.00%								
Revenue		15,165.00	16,727.18	18,617.55	20,814.65	23,062.88	25,323.33	25,323.33	10.80%
% Change in Revenue		9.86%	10.30%	11.30%	11.80%	10.80%	9.80%		
less: COGS		(7,738.00)	(7,866.02)	(8,754.98)	(9,788.17)	(10,845.41)	(11,908.39)		
Gross Profit		7,427.0	8,861.2	9,862.6	11,026.5	12,217.5	13,414.9	13,414.93	12.55%
less: Operating Expense		(4,709.00)	(4,727.67)	(5,261.96)	(5,882.93)	(6,518.36)	(7,157.24)		
EBIT		2,718.0	4,133.5	4,600.6	5,143.5	5,699.1	6,257.7	6,257.70	18.15%
less: Income Taxes		(597.96)	(909.37)	(1,012.14)	(1,131.58)	(1,253.80)	(1,376.69)		
<b>NOPAT</b>		<b>\$2,120.04</b>	<b>\$3,224.12</b>	<b>\$3,588.48</b>	<b>\$4,011.97</b>	<b>\$4,445.31</b>	<b>\$4,881.00</b>	<b>\$4,881.00</b>	<b>18.15%</b>
plus: D&A		1,051.00	1,067.03	1,126.48	1,187.21	1,248.83	1,313.66	482.31	
plus: Amortization of Intangibles		482.00	482.00	482.00	482.00	482.00	482.00	482.00	
less: CapEx		(363.00)	(395.32)	(430.53)	(464.56)	(498.96)	(535.90)	(535.90)	
less: dNWC		(1,105.00)	(578.39)	57.83	(270.61)	(292.11)	(158.67)	55.53	
<b>Unlevered FCF</b>		<b>\$2,185.04</b>	<b>\$3,799.43</b>	<b>\$4,824.26</b>	<b>\$4,946.00</b>	<b>\$5,385.08</b>	<b>\$5,982.09</b>	<b>\$5,364.94</b>	<b>22.31%</b>
% Change in FCF			73.88%	26.97%	2.52%	8.88%	11.09%		

Growth Rate	WACC	Present Value of UFCF				
		0.5 yrs	1.5 yrs	2.5 yrs	3.5 yrs	4.5 yrs
2.00%	8.71%	3,644.08	4,256.38	4,014.24	4,020.50	4,108.47
2.50%	8.96%	3,639.90	4,241.74	3,991.25	3,988.30	4,066.22
3.00%	9.21%	3,635.73	4,227.18	3,968.45	3,956.44	4,024.50

WACC	Cumulative FCF			Terminal Value (Gordon Growth)			Enterprise Value			
	2.00%	2.50%	3.00%	2.00%	2.50%	3.00%	76,072.75	80,882.33	86,534.56	
	8.71%	20,043.67	20,043.67	20,043.67	56,029.08	60,838.67	66,490.89	73,387.82	77,809.40	82,973.13
8.96%	19,927.41	19,927.41	19,927.41	53,460.41	57,881.99	63,045.72	70,888.96	74,965.27	79,698.22	
9.21%	19,812.30	19,812.30	19,812.30	51,076.66	55,152.97	59,885.92				
Net Debt	Equity Value			Diluted Shares Outstanding			Implied Per Share Price			
8,434.00	67,638.75	72,448.33	78,100.56	572.18	572.18	572.18	\$118.21	\$126.62	\$136.50	
8,434.00	64,953.82	69,375.40	74,539.13	572.18	572.18	572.18	\$113.52	\$121.25	\$130.27	
8,434.00	62,454.96	66,531.27	71,264.22	572.18	572.18	572.18	\$109.15	\$116.28	\$124.55	

# Allocation and Recommendation

## Strong Buy

- Significantly undervalued by market
- Leader in many segments
- Well-diversified across lines of business

- **Recommended Duration**
  - Hold 7 to 10 years to capture full upside of advanced AI capabilities over competition
- **Catalysts**
  - History of strong financials, dominant status across several markets, and industry leader in AI implementation
- **Pre-Mortem**
  - AI models banned or restricted



# Conclusion

A dark, moody background image showing three large, dark-colored pipes or tubes stacked together, creating a sense of depth and industrial feel.

We strongly recommend a long position in EMR due to the implied price target of **\$130.27** which is **18.84%** upside from the current price of **\$109.62**.

# Appendix



# Appendix

In Millions of USD 12 Months Ending	2021A 9/30/2021	2022A 9/30/2022	2023A 9/30/2023	2024E 9/30/2024	2025E 9/30/2025	2026E 9/30/2026	2027E 9/30/2027	2028E 9/30/2028
<b>Income Statement</b>								
<b>Revenue</b>	<b>12,932.00</b>	<b>13,804.00</b>	<b>15,165.00</b>	<b>16,954.65</b>	<b>19,125.06</b>	<b>21,573.29</b>	<b>24,334.94</b>	<b>27,450.10</b>
Cost of Revenue	7,202.00	7,498.00	7,738.00	7,972.99	8,993.63	10,144.93	11,443.60	12,908.52
Gross Profit	5,730.00	6,306.00	7,427.00	8,981.66	10,131.42	11,428.37	12,891.34	14,541.59
<b>Total Operating Expenses</b>								
Research & Development	485.00	385.00	523.00	564.49	636.75	718.26	810.20	913.92
Selling, General & Administrative	3,494.00	3,614.00	4,186.00	4,227.48	4,768.65	5,379.09	6,067.68	6,844.42
Other	319.00	519.00	683.00	704.08	711.72	719.45	727.26	735.16
<b>Operating Income</b>	<b>1,917.00</b>	<b>2,626.00</b>	<b>2,719.00</b>	<b>4,189.70</b>	<b>4,726.03</b>	<b>5,331.02</b>	<b>6,013.45</b>	<b>6,783.25</b>
Depreciation & Amortization	762.00	842.00	1,051.00	1,069.03	1,130.95	1,193.89	1,260.04	1,332.40
Depreciation	499.00	312.00	287.00	480.62	523.42	564.80	606.62	651.53
Amortization	300.00	530.00	764.00	588.41	607.53	629.09	653.42	680.86
Interest Expense	155.00	194.00	34.00	115.01	106.96	122.42	113.85	105.88
<b>Pre-Tax Income</b>	<b>3,133.00</b>	<b>4,231.00</b>	<b>2,726.00</b>	<b>3,005.66</b>	<b>3,488.13</b>	<b>4,014.71</b>	<b>4,639.56</b>	<b>5,344.97</b>
Income Tax Expense	346.00	549.00	599.00	660.45	766.47	882.17	1,019.48	1,174.48
Tax Rate	20%	23%	22%	22%	22%	22%	22%	22%
<b>Net Income</b>	<b>2,327.00</b>	<b>3,230.00</b>	<b>13,200.00</b>	<b>2,345.21</b>	<b>2,721.66</b>	<b>3,132.53</b>	<b>3,620.08</b>	<b>4,170.49</b>



# Appendix

In Millions of USD 12 Months Ending	2021A 9/30/2021	2022A 9/30/2022	2023A 9/30/2023	2024E 9/30/2024	2025E 9/30/2025	2026E 9/30/2026	2027E 9/30/2027	2028E 9/30/2028
<b>Condensed Balance Sheet</b>								
<b>Assets</b>								
<b>Current Assets</b>								
Cash & Cash Equivalents	8,432.00	8,506.00	13,819.00	16,474.03	19,022.17	22,174.40	25,865.87	30,090.27
Accounts Receivable	2,354.00	1,804.00	8,051.00	9,394.54	11,311.93	13,417.28	15,915.91	18,946.00
Inventories	2,971.00	2,261.00	2,518.00	3,162.46	3,291.79	3,773.05	4,327.87	4,802.49
Other Current Assets	2,050.00	1,742.00	2,006.00	2,526.22	2,849.60	3,214.39	3,625.87	4,090.02
<b>Total Assets</b>	<b>24,715.00</b>	<b>35,672.00</b>	<b>42,746.00</b>	<b>47,058.09</b>	<b>51,525.27</b>	<b>56,789.67</b>	<b>62,826.80</b>	<b>69,679.96</b>
<b>Liabilities &amp; Equity</b>								
<b>Current Liabilities</b>								
Current Liabilities	6,246.00	7,777.00	5,032.00	6,321.58	6,907.30	7,583.65	8,361.13	9,251.67
Accrued Expenses	3,266.00	3,038.00	3,210.00	3,273.97	3,693.08	4,165.84	4,699.11	5,300.66
Accounts Payable	2,108.00	1,276.00	1,275.00	1,918.81	2,164.44	2,441.51	2,754.05	3,106.61
Short-Term Debt	872.00	2,115.00	547.00	1,128.81	1,049.79	976.30	907.96	844.41
<b>Total Liabilities</b>	<b>14,792.00</b>	<b>19,356.00</b>	<b>16,148.00</b>	<b>16,945.15</b>	<b>17,489.42</b>	<b>18,217.11</b>	<b>19,143.74</b>	<b>20,287.37</b>
<b>Total Shareholders' Equity</b>								
Common Stock	9,923.00	16,316.00	26,598.00	30,112.95	34,035.84	38,572.56	43,683.06	49,392.59
Additional Paid-In Capital	477.00	477.00	477.00	477.00	477.00	477.00	477.00	477.00
Treasury Stock	522.00	57.00	62.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	16,291.00	16,738.00	18,667.00	18,667.00	18,667.00	18,667.00	18,667.00	18,667.00
Accumulated Other Comprehensive Income	26,047.00	28,053.00	40,070.00	43,719.28	47,647.04	51,951.13	56,861.26	62,523.41
Minority Interest	-872.00	-1,485.00	-1,253.00	-1,325.33	-1,330.20	-1,097.58	-897.20	-849.82
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>24,715.00</b>	<b>35,672.00</b>	<b>42,746.00</b>	<b>47,058.09</b>	<b>51,525.26</b>	<b>56,789.67</b>	<b>62,826.80</b>	<b>69,679.96</b>



EMERSON

# Appendix

In Millions of USD 12 Months Ending	2021A 9/30/2021	2022A 9/30/2022	2023A 9/30/2023	2024E 9/30/2024	2025E 9/30/2025	2026E 9/30/2026	2027E 9/30/2027	2028E 9/30/2028
<b>Condensed Cash Flow Statement</b>								
Cash from Operating Activities								
Net Income	2,327.00	3,231.00	13,219.00	2,345.21	2,721.66	3,132.53	3,620.08	4,170.49
Depreciation & Amortization	762.00	842.00	1,051.00	1,069.03	1,130.95	1,193.89	1,260.04	1,332.40
Stock-Based Compensation	197.00	125.00	250.00	250.00	250.00	250.00	250.00	250.00
Pension & Postretirement Benefit Expense	-41.00	-43.00	-43.00	-43.00	-43.00	-43.00	-43.00	-43.00
Less: Increase (Decrease) in Inventory	-11.00	-334.00	-160.00	-520.22	-323.39	-364.78	-411.48	-464.15
Less: Increase (Decrease) in Accounts Receivable	-18.00	710.00	-257.00	-644.46	-129.33	-481.26	-554.82	-474.61
Add: Increase (Decrease) in Accounts Payable	107.00	147.00	-17.00	643.81	245.63	277.07	312.54	352.55
Less: Increase (Decrease) in Other Current Assets	-91.00	-56.00	-1.00	-146.81	-178.04	-200.83	-226.54	-255.54
<b>Cash Flow from Operations</b>	<b>3,575.00</b>	<b>2,922.00</b>	<b>637.00</b>	<b>2,953.57</b>	<b>3,674.48</b>	<b>3,763.62</b>	<b>4,206.82</b>	<b>4,868.13</b>
Cash from Investing Activities								
Capital Expenditures	-404.00	-299.00	-363.00	-395.32	-430.53	-464.56	-498.96	-535.90
Acquisitions	-1,592.00	-5,702.00	-705.00	0.00	0.00	0.00	0.00	0.00
Proceeds from divestitures	30.00	17.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-25.00	300.00	953.00	0.00	0.00	0.00	0.00	0.00
<b>Cash Flow from Investing</b>	<b>-2,120.00</b>	<b>-5,334.00</b>	<b>12,415.00</b>	<b>-395.32</b>	<b>-430.53</b>	<b>-464.56</b>	<b>-498.96</b>	<b>-535.90</b>
Cash from Financing Activities								
Dividends Paid	-1,210.00	-1,223.00	-1,198.00	-1,304.07	-1,206.10	-1,171.57	-1,290.04	-1,491.66
Proceeds from Short-Term Borrowings Greater than Three Months	71.00	1,162.00	395.00	0.00	0.00	0.00	0.00	0.00
Change in Debt	-308.00	2,466.00	-649.00	89.37	-120.46	-22.14	80.81	189.53
Purchase of Common Stock	-500.00	-500.00	-2,214.00	0.00	0.00	0.00	0.00	0.00
Proceeds from Lease Liabilities	0.00	2,975.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	100.00	80.00	-1,087.00	0.00	0.00	0.00	0.00	0.00
<b>Cash Flow from Financing</b>	<b>-2,422.00</b>	<b>2,048.00</b>	<b>-6,823.00</b>	<b>-1,214.70</b>	<b>-1,326.56</b>	<b>-1,193.71</b>	<b>-1,209.24</b>	<b>-1,302.13</b>



# Appendix

WACC Buildup		
\$ and shares in millions, except per share data		
Cost of capital assumptions		
Cost of debt	3.68%	
Tax rate	22.00%	
Cost of debt (after tax)	2.87%	
Risk free rate	4.62%	
Beta	0.993	
Market risk premium	5.25%	
Cost of equity	9.8%	
Capital weights (capital structure)		
	Current	% of total
Equity	62,447	87.39%
Debt	9,013	12.61%
Cost of capital (WACC)		8.958%