

EMERSON ELECTRIC CO  
Form 10-Q  
August 08, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-278

EMERSON ELECTRIC CO.  
(Exact name of registrant as specified in its charter)  
Missouri 43-0259330  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
8000 W. Florissant Ave.  
P.O. Box 4100  
St. Louis, Missouri 63136  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (314) 553-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock of \$0.50 par value per share outstanding at July 31, 2018: 628,465,551 shares.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Consolidated Statements of Earnings  
EMERSON ELECTRIC CO. & SUBSIDIARIESThree and nine months ended June 30, 2017 and 2018  
(Dollars in millions, except per share amounts; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2018	2017	2018
Net sales	\$4,039	4,456	10,829	12,520
Costs and expenses:				
Cost of sales	2,361	2,507	6,229	7,125
Selling, general and administrative expenses	931	1,054	2,621	3,078
Other deductions, net	87	88	203	275
Interest expense (net of interest income of \$10, \$10, \$25 and \$35, respectively)	39	39	126	113
Earnings from continuing operations before income taxes	621	768	1,650	1,929
Income taxes	202	49	477	327
Earnings from continuing operations	419	719	1,173	1,602
Discontinued operations, net of tax	6	—	(133 )	—
Net earnings	425	719	1,040	1,602
Less: Noncontrolling interests in earnings of subsidiaries	12	7	26	16
Net earnings common stockholders	\$413	712	1,014	1,586
Earnings common stockholders:				
Earnings from continuing operations	\$407	712	1,147	1,586
Discontinued operations, net of tax	6	—	(133 )	—
Net earnings common stockholders	\$413	712	1,014	1,586
Basic earnings per share common stockholders:				
Earnings from continuing operations	\$0.63	1.13	1.77	2.50
Discontinued operations	0.01	—	(0.20 )	—
Basic earnings per common share	\$0.64	1.13	1.57	2.50
Diluted earnings per share common stockholders:				
Earnings from continuing operations	\$0.63	1.12	1.77	2.49
Discontinued operations	0.01	—	(0.20 )	—
Diluted earnings per common share	\$0.64	1.12	1.57	2.49

Cash dividends per common share	\$0.48	0.485	1.44	1.455
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See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income  
EMERSON ELECTRIC CO. & SUBSIDIARIES

Three and nine months ended June 30, 2017 and 2018  
(Dollars in millions; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2018	2017	2018
Net earnings	\$425	719	1,040	1,602
Other comprehensive income (loss), net of tax:				
Foreign currency translation	74	(273 )	230	(118 )
Pension and postretirement	35	22	155	67
Cash flow hedges	5	(14 )	37	(22 )
Total other comprehensive income	114	(265 )	422	(73 )
Comprehensive income	539	454	1,462	1,529
Less: Noncontrolling interests in comprehensive income of subsidiaries	11	7	24	16
Comprehensive income common stockholders	\$528	447	1,438	1,513

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets  
EMERSON ELECTRIC CO. & SUBSIDIARIES

(Dollars in millions, except per share amounts; unaudited)

	Sept 30, 2017	June 30, 2018
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$3,062	3,411
Receivables, less allowances of \$91 and \$98, respectively	3,072	3,027
Inventories	1,696	1,805
Other current assets	422	333
Total current assets	8,252	8,576
Property, plant and equipment, net	3,321	3,260
Other assets		
Goodwill	5,316	5,745
Other intangible assets	1,890	2,157
Other	810	749
Total other assets	8,016	8,651
Total assets	\$19,589	20,487
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	\$862	2,862
Accounts payable	1,776	1,647
Accrued expenses	2,342	2,392
Income taxes	65	53
Total current liabilities	5,045	6,954
Long-term debt	3,794	3,126
Other liabilities	1,980	1,947
Equity		
Common stock, \$0.50 par value; authorized, 1,200,000,000 shares; issued, 953,354,012 shares; outstanding, 641,691,971 shares and 628,411,667 shares, respectively	477	477
Additional paid-in-capital	297	332
Retained earnings	21,995	22,660
Accumulated other comprehensive income (loss)	(1,019 )	(1,092 )
Cost of common stock in treasury, 311,662,041 shares and 324,942,345 shares, respectively	(13,032 )	(13,964)
Common stockholders' equity	8,718	8,413
Noncontrolling interests in subsidiaries	52	47
Total equity	8,770	8,460
Total liabilities and equity	\$19,589	20,487

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows  
EMERSON ELECTRIC CO. & SUBSIDIARIES

Nine months ended June 30, 2017 and 2018  
(Dollars in millions; unaudited)

	Nine Months Ended June 30,	
	2017	2018
Operating activities		
Net earnings	\$1,040	1,602
Loss from discontinued operations, net of tax	133	—
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	454	557
Changes in operating working capital	16	(286 )
Other, net	142	(5 )
Cash from continuing operations	1,785	1,868
Cash from discontinued operations	(727 )	—
Cash provided by operating activities	1,058	1,868
Investing activities		
Capital expenditures	(300 )	(314 )
Purchases of businesses, net of cash and equivalents acquired	(2,991 )	(770 )
Divestitures of businesses	40	223
Other, net	(80 )	(71 )
Cash from continuing operations	(3,331 )	(932 )
Cash from discontinued operations	5,022	—
Cash provided by (used in) investing activities	1,691	(932 )
Financing activities		
Net increase (decrease) in short-term borrowings	(1,136 )	1,581
Payments of short-term borrowings greater than three months	(90 )	—
Payments of long-term debt	(253 )	(251 )