



Emerson Electric Company (EMR)

Updated August 26th, 2026, by Josh Arnold

Key Metrics

Current Price:	\$155	5 Year CAGR Estimate:	6.6%	Market Cap:	\$86 B
Fair Value Price:	\$131	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	11/13/26 ¹
% Fair Value:	118%	5 Year Valuation Multiple Estimate:	-3.3%	Dividend Payment Date:	12/10/26
Dividend Yield:	1.4%	5 Year Price Target	\$202	Years Of Dividend Growth:	69
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

Overview & Current Events

Emerson Electric was founded in Missouri in 1890 and since that time, it has evolved through organic growth, as well as strategic acquisitions and divestitures, from a regional manufacturer of electric motors and fans into an \$86 billion diversified global leader in technology and engineering. Its global customer base and diverse product and service offerings afford it more than \$18 billion in annual revenue. The company's very impressive 69-year dividend increase streak lands it on the prestigious Dividend Kings list.

Emerson posted third quarter earnings on August 4th, 2026, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$1.71, which was three cents ahead of estimates. Revenue was up 7% year-over-year to \$4.87 billion, beating estimates by \$70 million. The company also raised guidance for the full fiscal year.

The management team noted that it continues to invest in automation, digitalization, and software to better position it for the future. The company's third quarter showed sales and margin expansion, with strong cash flow exceeding the management team's expectations as well.

Underlying orders were up 7%, led by Software & Systems. Pretax margin was 18.8% of revenue, up strongly from 16.1% a year earlier. Adjusted segment EBITDA was 28.5% of revenue, higher from 27.1% a year earlier.

Operating cash flow was up 34% to \$1.43 billion, while free cash flow was up 36% to \$1.32 billion. The company also raised its adjusted earnings-per-share guidance by a nickel, and we've done the same, now to \$6.55 per share.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$2.46	\$2.54	\$3.46	\$3.71	\$3.46	\$4.10	\$5.25	\$4.28	\$5.49	\$6.00	\$6.55	\$10.08
DPS	\$1.90	\$1.92	\$1.94	\$1.96	\$2.00	\$2.04	\$2.06	\$2.08	\$2.10	\$2.11	\$2.22	\$2.57
Shares²	643	642	641	632	601	595	591	575	570	563	560	550

Emerson is undergoing a significant shift in its strategy, whereby it is selling off legacy units and focusing more on automation and recurring revenue. We're estimating growth of 9% as management remains bullish, we've seen strong organic sales growth, as well as with respect to margins. We think mid-single digit growth in revenue and a tailwind from the buyback will be the key drivers of earnings-per-share growth in the coming years, and we see Emerson as rebounding. Guidance for this year is quite bullish at this point, implying record earnings by a wide margin.

The dividend is also expected to grow in the low single-digits as recent years have seen Emerson focus more on acquisitions and share repurchases than growing the dividend. Growth rates will likely be unimpressive as the company continues to focus on using its ample cash flow on acquisitions and debt reduction, not above average dividend growth. Indeed, the average yield in the past was nearly triple what it is today.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.6	22.9	20.5	17.7	18.8	18.2	13.9	22.6	19.9	20.3	23.7	20.0
Avg. Yld.	3.8%	3.3%	2.7%	3.0%	3.1%	2.3%	2.8%	2.2%	1.9%	1.6%	1.4%	1.3%

Emerson's price-to-earnings ratio is higher since our last update, at 23.7 times earnings, which is above our estimate of fair value at 20. We are therefore forecasting a -3.3% impact from the valuation in the coming years on total returns. We see the yield as declining over time, primarily from small dividend increases. FCF remains strong, but as mentioned, the management team is producing extremely small dividend increases in recent years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	77%	75%	58%	53%	58%	50%	39%	49%	38%	35%	34%	26%

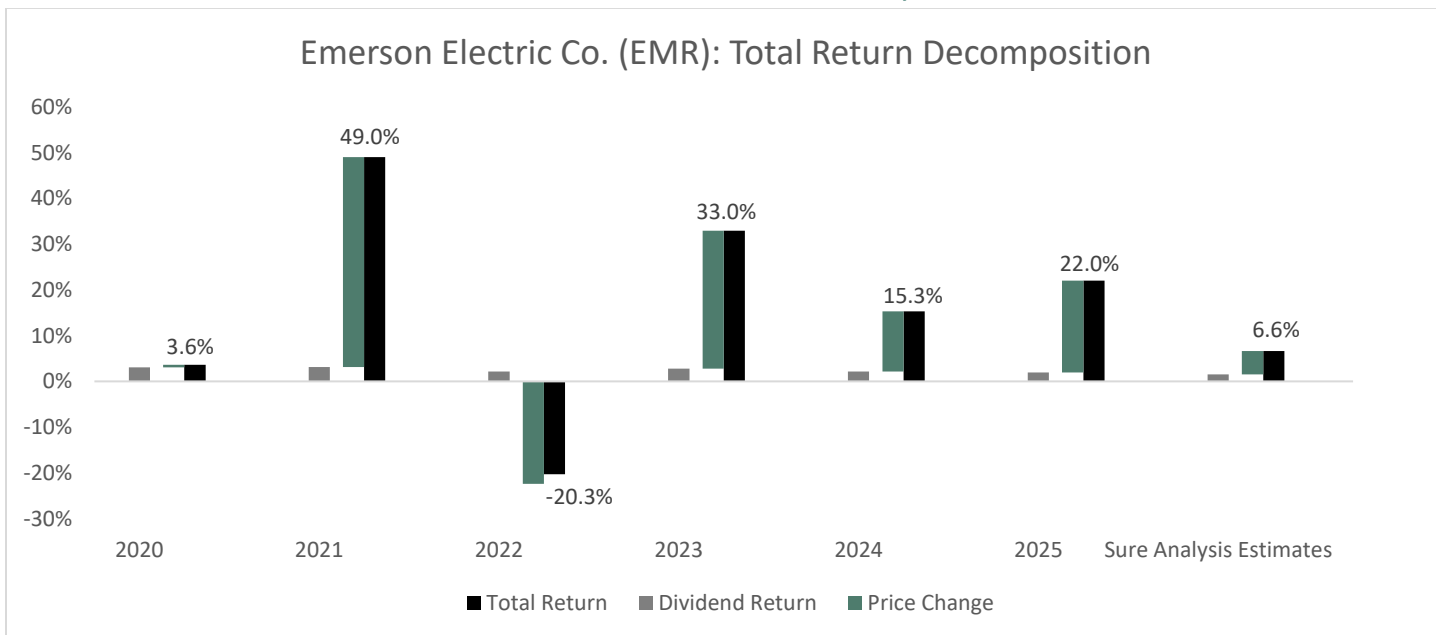
Emerson's payout ratio is only about a third of earnings, and we believe it will continue to drift lower over time as Emerson focuses on acquisitions instead of boosting the payout by large amounts. The dividend is very safe as it is well covered by free cash flow, and the yield is decent, so it is a suitable dividend stock. We also note that Emerson likes to buy back its stock and make sizable acquisitions, which puts a natural cap on how much the company is willing to use for dividend payments.

Emerson's competitive advantage is in its many decades of experience in building customer relationships and engineering excellence. It has a global customer base that is seeing strong economic growth and that underlying sales tailwind should power results going forward. It is very susceptible to recessions, however, so any signs of economic weakness should put investors on alert, as we saw in 2020.

Final Thoughts & Recommendation

After third quarter earnings, the stock is overvalued. Our 9% growth forecast, combined with shares at 118% of our estimate of fair value and a modest dividend yield, means we are forecasting 6.6% total annual returns in the coming years. We are reiterating shares at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	14,522	15,264	17,408	18,372	16,785	18,236	19,629	15,165	17,492	18,011
Gross Profit	6,262	6,431	7,432	7,815	7,009	7,563	8,188	7,427	8,885	8,629
Gross Margin	43.1%	42.1%	42.7%	42.5%	41.8%	41.5%	41.7%	49.0%	50.8%	47.9%
SG&A Exp.	3,464	3,607	4,269	4,457	3,986	4,179	4,248	4,186	5,142	5,103
D&A Exp.	568	636	758	822	854	969	1,039	1,051	1,689	1,518
Operating Profit	2,714	2,688	2,952	3,120	2,784	3,084	3,583	2,630	2,666	3,526
Op. Margin	18.7%	17.6%	17.0%	17.0%	16.6%	16.9%	18.3%	17.3%	15.2%	19.6%
Net Profit	1,635	1,518	2,203	2,306	1,965	2,303	3,231	13,219	1,968	2,238
Net Margin	11.3%	9.9%	12.7%	12.6%	11.7%	12.6%	16.4%	87.2%	11.3%	12.4%
Free Cash Flow	2,434	1,436	2,275	2,412	2,545	2,994	2,391	274	2,913	2,667
Income Tax	697	660	443	531	345	585	855	599	415	696

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	21,732	19,589	20,390	20,497	22,882	24,715	35,672	42,746	44,246	41,964
Cash & Equivalents	3,182	3,062	1,093	1,494	3,315	2,354	1,804	8,051	3,588	1,544
Acc. Receivable	2,701	3,072	3,023	2,985	2,802	2,971	3,008	2,518	2,927	3,101
Inventories	1,208	1,696	1,813	1,880	1,928	2,050	2,191	2,006	2,180	2,213
Goodwill & Int.	4,811	7,206	9,206	9,151	9,202	10,600	21,386	20,743	28,503	27,651
Total Liabilities	14,114	10,819	11,400	12,224	14,435	14,792	19,356	16,148	16,737	21,666
Accounts Payable	1,517	1,776	1,943	1,874	1,715	2,108	2,028	1,275	1,335	1,384
Long-Term Debt	6,635	4,656	4,760	5,721	7,486	6,665	10,374	8,157	7,687	9,429
Total Equity	7,568	8,718	8,947	8,233	8,405	9,883	10,364	20,689	21,636	20,282
LTD/E Ratio	0.88	0.53	0.53	0.69	0.89	0.67	1.00	0.39	0.36	0.68

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.5%	7.3%	11.0%	11.3%	9.1%	9.7%	10.7%	33.7%	4.5%	5.2%
Return on Equity	20.9%	18.6%	24.9%	26.8%	23.6%	25.2%	31.9%	85.1%	7.3%	9.4%
ROIC	11.2%	11.0%	16.2%	16.6%	13.1%	14.2%	14.9%	43.0%	5.6%	6.4%
Shares Out.	643	642	641	632	601	602	596	577	574	567
Revenue/Share	22.45	23.72	27.40	29.60	27.67	30.30	32.92	26.27	30.47	31.78
FCF/Share	3.76	2.23	3.58	3.89	4.20	4.98	4.01	0.48	5.07	4.71

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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