

INDUSTRIAL TECHNOLOGY SECTOR CASE STUDY

National Instruments Announces Plans to Explore Strategic Alternatives, Including a Sale

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January 2023

NATIONAL INSTRUMENTS ANNOUNCES PLANS TO EXPLORE STRATEGIC ALTERNATIVES, INCLUDING A SALE

Announcement Overview



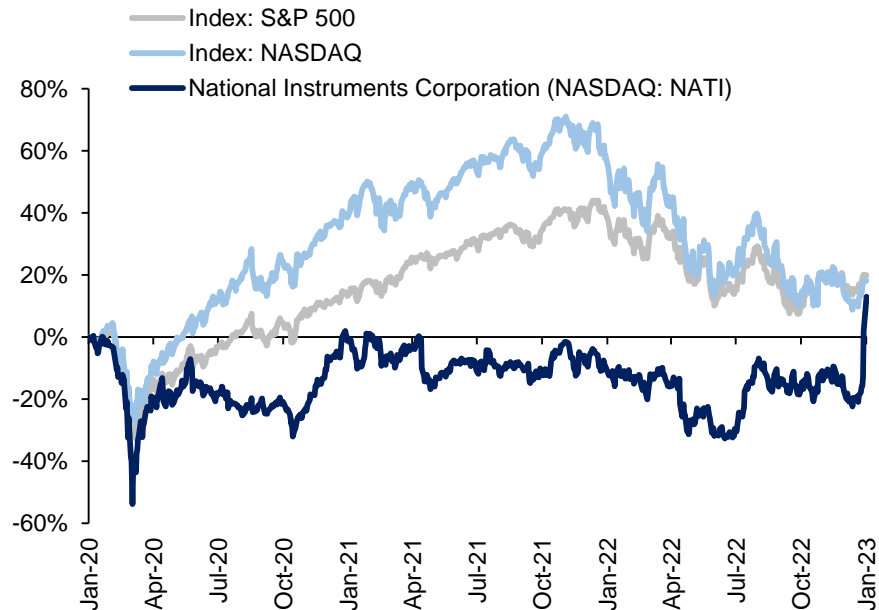
On January 13, 2023, National Instruments (NASDAQ: NATI) (“NI” or the “Company”) announced that its Board of Directors initiated a review and evaluation of strategic alternatives, including a sale. On the day of the announcement, NI’s stock increased 17%

- The review will include consideration of a full range of available strategic, business, and financial alternatives, including solicitations of interest from potential acquirors
 - On January 17, 2023, Emerson Electric (NYSE: EMR) (“Emerson”) announced that it submitted an all-cash proposal to acquire NI at an implied enterprise value of \$7.6 billion
 - There is no definitive timetable set for completion of the strategic review, and there is no assurance that the process will result in any specific transaction
- NI adopted a limited-duration shareholder rights plan, which will be triggered if a group’s ownership reaches 10% (20% for passive institutional investors), to ensure that all interested parties have the opportunity to participate fairly and to protect the best interests of the Company and its shareholders
- “Over the last five years, we have expanded our complete solutions for high-growth vertical markets. In 2023, we will make significant improvements in operating efficiencies. We are initiating a strategic review to explore options to maximize value for our shareholders.” – *Michael McGrath, Chairman of the Board of NI*

Overview of National Instruments

- NI was founded in 1976 and is headquartered in Austin, TX
- The Company offers systems, hardware, software, and services to the academic & research; aerospace, defense, & government; electronics; energy; industrial machinery; life sciences; semiconductor; and transportation industries
- NI manufactures hardware products for data acquisition & control, electronic test & instrumentation, wireless design & test, engineering education, and cable & accessory applications
- The Company provides software solutions for test management, data management, data logging, circuit design, Hardware-in-the-Loop testing, and wireless design
- NI offers support services to maximize productivity and reduce costs for its various solutions
- The Company specifically focuses on the areas of 5G and 6G technology, electronic vehicle testing, lifecycle analytics, radar and electronic warfare, space launch and exploration, and validation lab innovations

National Instruments (NASDAQ: NATI) 3-Year Stock Performance



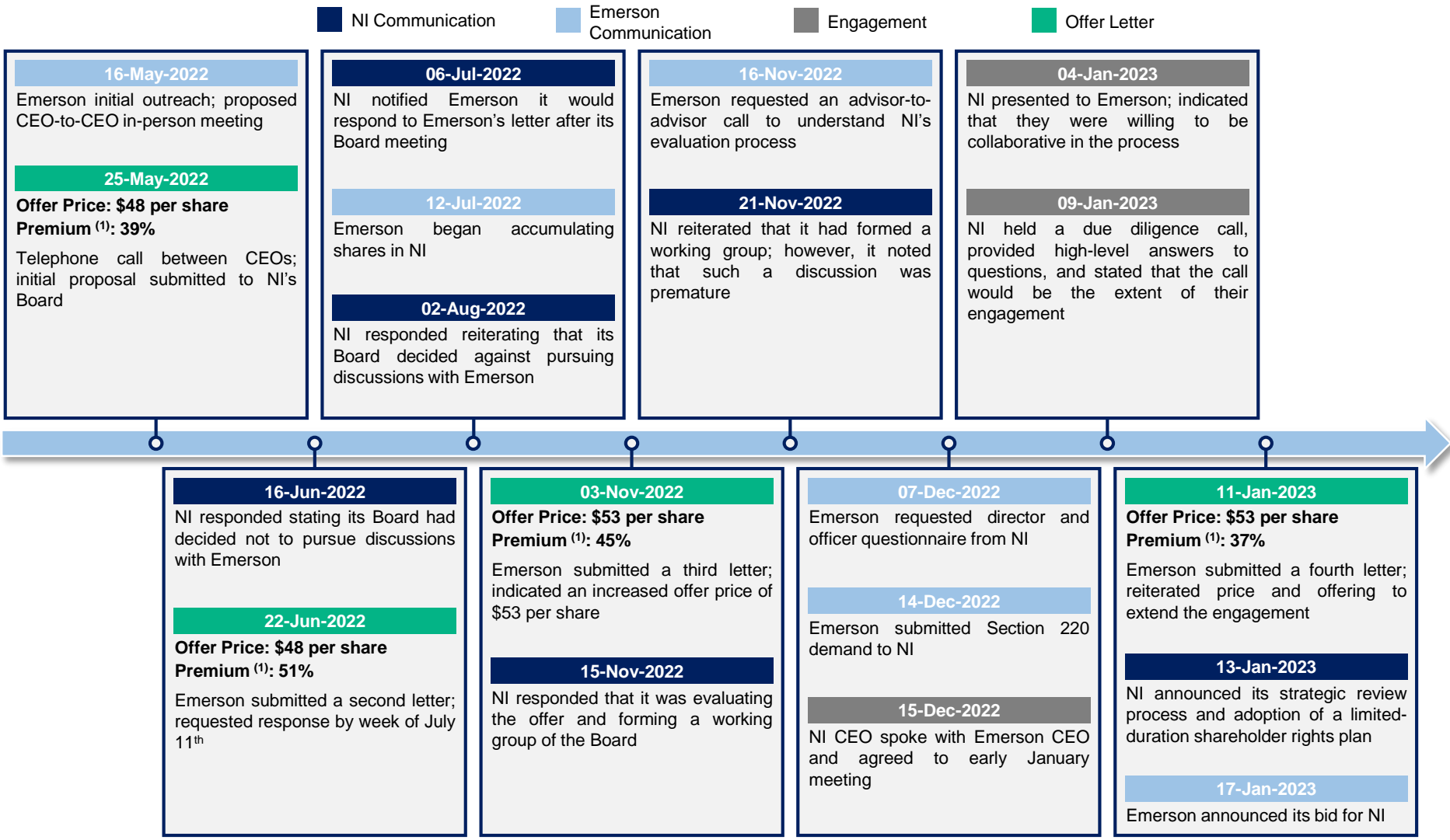
National Instruments Public Market Overview (\$ in millions, except per share data)

Stock Price (as of 1/17/23)	\$52.04	
52 Week High / 1/17 Stock Price % of High	\$54.69	95.2%
52 Week Low / 1/17 Stock Price % of Low	\$29.81	174.6%
Market Value	\$6,794.8	
Enterprise Value	\$7,258.9	
EV / 2022E EBITDA	25.3x	

	2019	2020	2021	2022E	2023P
Revenue	\$1,353.2	\$1,286.7	\$1,469.7	\$1,659.3	\$1,796.4
% Growth	-0.4%	-4.9%	14.2%	12.9%	8.3%
Gross Profit	1,016.3	917.2	1,048.7	1,169.5	1,301.5
Gross Margin	75.1%	71.3%	71.4%	70.5%	72.5%
EBITDA	\$213.3	\$159.2	\$221.6	\$287.4	\$353.1
EBITDA Margin	15.8%	12.4%	15.1%	17.3%	19.7%

Source: S&P Capital IQ

Proposal History



Source: Emerson Electric Presentation dated January 17, 2023

(1) Premium is based on the price of NI common stock as of the close immediately prior to the applicable offer letter; share price data from Bloomberg

Emerson Electric Strategic & Transaction Commentary

- **“Aligned with Emerson’s Portfolio Transformation Into a Cohesive, Higher Growth, and More Profitable Company:** Emerson is actively transforming its portfolio to create a higher value, cohesive industrial technology portfolio serving a diversified set of end markets. With NI, Emerson would gain a strong, complementary portfolio of differentiated electronic test and measurement offerings, and a technology stack of industry-leading intelligent devices, controls, and software that complements Emerson’s technology stack in its core automation markets. As outlined at Emerson’s November 29, 2022 Investor Conference, test and measurement is one of Emerson’s four priority segments.”
- **“Further Diversification of End Markets:** With favorable long-term trends and an estimated priority target total addressable market of \$35 billion, test and measurement is a fast-growing and complementary adjacency to Emerson’s portfolio. This acquisition would enable Emerson to further expand and diversify its customer base within highly attractive end markets with strong secular trends including semiconductor, automotive & electric vehicles, and aerospace & defense.”
- **“Significant Financial Benefits:** The transaction is expected to be accretive to Emerson’s adjusted EPS in the first year, meet Emerson’s communicated returns threshold, and improve Emerson’s overall growth. NI has an attractive financial profile, with approximately 70% gross margins. NI’s business has strong positions in attractive and growing markets, creating sustainable top line growth potential. Emerson sees significant potential for profit and cash flow improvement across the NI business by applying proven operational excellence and productivity levers through Emerson’s Management System.”
- **“Emerson’s Strong Commitment to the Transaction:** Emerson believes its premium proposal will bring clear and realizable value to NI shareholders, who have faced years of share price underperformance across nearly any period. Underscoring its commitment to consummating a transaction, Emerson has purchased 2.3 million shares of NI stock and has received approval under HSR1 to increase its stake. Emerson believes that there is a path to a friendly transaction and urges NI shareholders to make their views known to NI’s management and Board. Furthermore, Emerson is prepared to nominate directors for election to NI’s Board.”



“We have long admired NI and believe that combining its best-in-class electronic test and measurement product and software offerings with Emerson’s industry-leading automation technology and software would enhance our ability to bring comprehensive solutions to a diverse set of end markets, accelerating growth and positioning Emerson to create significant shareholder value.”

– **Lal Karsanbhai, President and Chief Executive Officer of Emerson**