

Emerson and National Instruments: Escalate or Negotiate?

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Decision scope: Emerson's next step after publicly proposing to acquire National Instruments (NI) for \$53 per share

Case convention: The deliberation and decision paths are hypothetical. The public offer and NI's announced strategic review are historical; the case does not represent private discussions.

The next move

At 6:55 a.m. Eastern Time on January 17, Emerson announced a \$53-per-share all-cash proposal to acquire NI, which Emerson described as an implied enterprise value of \$7.6 billion. The offer was already public at the case cutoff. Emerson said it had first submitted \$48 per share on May 25, 2022, then delivered the \$53 proposal to NI on November 3. [P1]

Assume you advise a hypothetical Emerson board committee immediately after the public announcement. The question is no longer whether to announce the proposal. It is whether Emerson should now activate further director, proxy, or tender-offer pressure, or hold the \$53 proposal and negotiate during NI's strategic review.

Emerson had publicly disclosed several preparations. It said it owned 2.3 million NI shares, had been cleared under the Hart-Scott-Rodino Act to increase its stake, was prepared to nominate two directors, and had retained proxy solicitor Innisfree. Emerson also said that if NI again refused to engage, it would ensure NI shareholders could assess its offer, while expressing a preference for a private agreement. These statements describe a prepared posture. At the cutoff, Emerson had not announced a director nomination, proxy solicitation, or tender offer. Its release stated that the proposal had no financing condition, but that does not remove execution or regulatory uncertainty. [P1]

Four days earlier, NI had announced a comprehensive strategic, business, and financial review involving potential acquirors and partners. NI set no completion deadline and gave no assurance that the review would result in a transaction. It had also announced a limited-duration rights plan expiring January 12, 2024. Under the summary in NI's release, the rights become exercisable if a person or group acquires beneficial ownership of 10% or more after the announcement, or 20% or more for passive institutional investors, subject to the plan's terms. The full terms and their application require legal analysis; this case does not resolve them. [P2]

Escalating could increase shareholder attention to the offer and increase pressure for engagement. It could also shift the process toward a public contest, add cost and distraction, and interact with the rights plan and other execution risks. Holding could preserve room for a negotiated transaction and allow NI's review to test other alternatives. It could also leave

Emerson waiting without a deadline while NI pursues its stand-alone plan or considers other counterparties.

Two strategic theses

Emerson argued that NI's modular electronic test-and-measurement hardware, software, and intelligent devices could complement Emerson's industrial automation technologies and software. It identified semiconductor, automotive and electric-vehicle, aerospace, and defense markets as areas where the combination could expand its reach. Emerson described an estimated \$35 billion priority-target addressable market, NI gross margin of approximately 70%, first-year adjusted-EPS accretion, and improved profit and cash flow through Emerson's Management System. These are bidder claims and forecasts. The public proposal does not provide enough detail to reproduce the market estimate or pro forma assumptions independently. [P1]

NI's filings show an established platform and exposure to several of the same end markets. NI describes modular PXI and C-series hardware used with LabVIEW and TestStand software, alongside application-specific systems and vertically focused offerings. It sells into semiconductor/electronics, transportation, aerospace/defense/government, and a broader portfolio grouping. NI stated that no single customer represented more than 3% of annual sales in 2019-2021. Those facts may support a complementary-platform thesis, but do not establish overlap with Emerson's customers or that Emerson could generate incremental sales. [P4] [P5]

NI's board offered a competing stand-alone thesis. It said the company was organizing around industry units and expected efficiency improvements and shareholder benefits in 2023 and beyond. NI's CEO emphasized software, services, and high-growth subsegments. These forward-looking statements were not quantified as of the cutoff. They provide a plausible rationale for completing the review, but do not prove that NI's stand-alone plan would outperform a transaction. [P2]

Emerson itself was reshaping its portfolio. Its fiscal 2022 filing described a higher-growth, cohesive industrial-technology portfolio and included AspenTech as a reporting segment. Emerson had also announced a pending sale of a majority stake in Climate Technologies; management said expected proceeds would support strategic M&A in four automation adjacencies. The sale had not closed at the cutoff, so expected proceeds were not yet cash in hand. This context makes an NI acquisition strategically plausible, but does not demonstrate NI-specific fit or deal value. [P3] [P6]

Exhibit 1. The \$53 proposal and reference prices

Emerson's comparison	Reference date/period	Bidder-calculated premium
NI closing share price	January 12, 2023	32%
NI closing share price	November 3, 2022	45%
30-day volume-weighted average price	Through January 12, 2023	38%
52-week intraday high of \$43.12	Through January 12, 2023	23%

Offer: \$53 per share in cash; stated enterprise value \$7.6 billion; no financing condition. Emerson's release says the November 3 proposal had been improved from \$48 per share submitted May 25. Source: [P1]. Premiums are Emerson's calculations using the listed reference

points. The reference dates matter because NI had announced its review on January 13. A premium to a market price is not by itself an estimate of intrinsic value.

Exhibit 2. NI's latest reported operating context

Measure	NI filing position available at cutoff
Net sales, nine months ended September 30, 2022	\$1,208.7 million, versus \$1,049.0 million a year earlier
Nine-month reported sales growth	15%
Nine-month constant-currency growth	18%
Currency impact on reported growth	−2.8%
Gross margin, nine months ended September 30, 2022	67.7%
Gross margin, third quarter 2022	66.4%
Nine-month sales by NI industry grouping	Semiconductor/electronics \$320.9m; transportation \$212.5m; aerospace/defense/government \$297.6m; portfolio \$377.7m

Source: NI Q3 2022 Form 10-Q, Note 2 and MD&A [P4]. Figures are reported by NI for unaudited periods ending September 30, 2022. The industry groups classify customer accounts, not product-level addressable markets. NI's Q3 operating margin was 18.8%, compared with 10.9% for the first nine months; Q3 included a gain on asset sale and should not be read as a normalized margin. The filing does not include Q4 or full-year 2022 results.

A process choice under incomplete information

Emerson's public announcement came after months of private proposals, according to its account. The \$53 terms were made without a claim in the release that Emerson had completed full diligence. NI had not set a timetable for its review and had not disclosed other parties or their terms. The shareholder register, support for the offer, NI customer overlap, product-level margins, integration costs, retention requirements, and regulatory analysis were not provided in the case evidence.

The academic evidence offers mechanisms and cautions, not a bid price. Ahuja and Katila studied 534 acquisitions by large global chemical firms over 1980-1991, using subsequent patent output as the innovation measure. For technology acquisitions, their results suggest that the amount and relative scale of acquired knowledge and its relatedness to the acquirer can matter; moderate relatedness performed better than very high or low relatedness in their setting. The study does not estimate financial value, tender outcomes, or Emerson-NI synergies. [A1]

King and coauthors' meta-analysis of 93 studies and 852 effect sizes found heterogeneous acquisition performance, with several average post-acquisition associations weak or negative. Its combined study-level firm count sums firms represented across studies and is not a count of unique acquisition events. The reported correlations are not percentage returns or deal-specific causal estimates. The evidence counsels against treating strategic fit as proof of value; it does

not establish that Emerson should withdraw or escalate. [A2]

Decision assignment

Recommend Emerson's next step as of the cutoff:

1. **Hold and negotiate:** maintain the \$53 proposal, seek substantive engagement, and participate in NI's review while deferring additional public pressure.
2. **Escalate prepared pressure:** move toward nominating directors and soliciting shareholder views, while deciding whether and when a tender offer is appropriate and whether its price should change.

State what information Emerson should demand before changing the offer or committing to a more costly process. Specify what would cause the board to change course. Address shareholder value, process timing, the possibility of other parties, execution and regulatory risks, and the distinction between NI's stand-alone prospects and Emerson-specific value. Do not assume that the strategic review, rights plan, or bidder's premium determines the answer.

Discussion questions

1. What is Emerson deciding at the cutoff, and which proposed actions were preparations rather than steps already launched?
2. How informative are Emerson's four premium comparisons? Which benchmark or combination of benchmarks is most useful, and what does it leave unanswered?
3. Compare Emerson's combination thesis with NI's stand-alone strategy. Which claims have corroborating operating evidence, and which remain forecasts or hypotheses?
4. What are the likely benefits and costs of escalating now versus waiting through NI's review? What evidence would change the balance?
5. What diligence, governance, legal, shareholder, and regulatory information should Emerson obtain before changing its offer or activating further pressure?

Sources and cutoff

Information is limited to sources publicly available by January 17, 2023, 6:55 a.m. ET. Exact locators, source versions, reading depth, and evidence limitations are in the research source register and evidence extraction.

- **[P1]** Emerson, “Emerson Announces Premium, All-Cash Proposal to Acquire National Instruments for \$53 Per Share,” January 17, 2023, 6:55 a.m. ET, ¶¶1-7 and combination rationale. [Investor release](#)
- **[P2]** NI, “NI Announces Commencement of Strategic Review Process,” January 13, 2023, opening paragraphs and rights plan summary. [Business Wire release](#)
- **[P3]** Emerson Electric Co., FY2022 Form 10-K, filed November 14, 2022, Part I, Item 1, pp. 1-7; Item 7, pp. 24-36. [SEC filing](#)
- **[P4]** National Instruments Corp., Q3 2022 Form 10-Q, filed October 28, 2022, Note 2, pp. 10-12; MD&A, pp. 34-42. [SEC filing](#)
- **[P5]** National Instruments Corp., 2021 Form 10-K, filed February 22, 2022, Part I, Item 1, pp. 3-9; Item 7, pp. 28-34. [SEC filing](#)
- **[P6]** Emerson, “Emerson to Sell Majority Stake in Copeland to Blackstone in Transaction Valuing the Business at \$14.0 Billion,” October 31, 2022. [Company release](#)
- **[A1]** Ahuja, Gautam, and Riitta Katila. 2001. “Technological Acquisitions and the Innovation Performance of Acquiring Firms: A Longitudinal Study.” *Strategic Management Journal* 22(3): 197-220, especially pp. 201-215. [Author-hosted full text](#)
- **[A2]** King, David R., Dan R. Dalton, Catherine M. Daily, and Jeffrey G. Covin. 2004. “Meta-analyses of Post-acquisition Performance: Indications of Unidentified Moderators.” *Strategic Management Journal* 25(2): 187-200, especially p. 192 and pp. 193-198. [Accepted manuscript](#)

The board-committee deliberation and decision paths are hypothetical. No post-cutoff response, competing proposal, tender outcome, proxy outcome, transaction completion, or realized result is included.