

ESCO Technologies

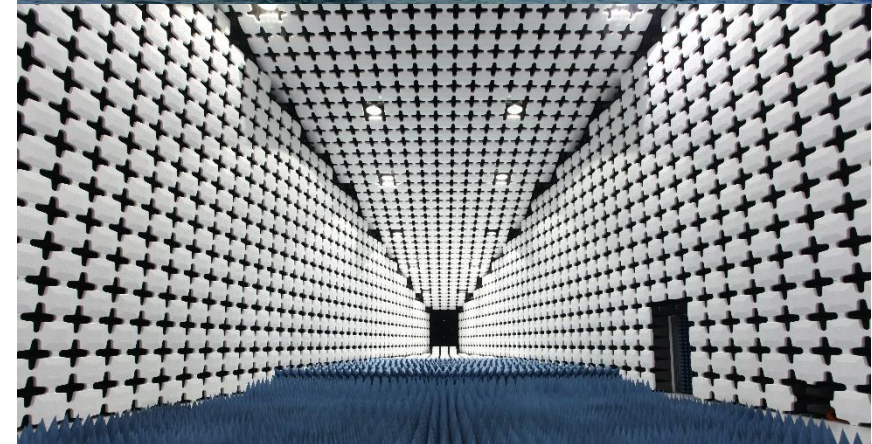
Fourth Quarter FY 2022 Earnings Call

Vic Richey
Chairman, CEO & President

Chris Tucker
Sr. Vice President & CFO

Bryan Saylor
Utility Solutions Group President

November 17, 2022



Forward Looking Statement

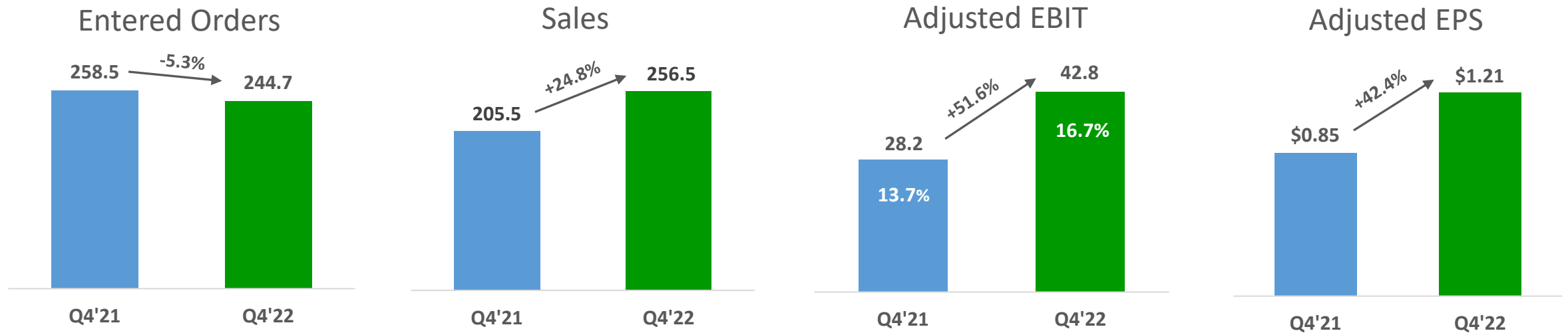
Statements in this presentation and made during today's conference call regarding the timing and magnitude of recovery in the Company's end markets, the continuing impacts of COVID-19 on the Company's results, sales, Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, cash flow, results of cost reduction efforts, margins, growth, the financial success of the Company, the strength of its end markets, the outlook for the A&D, Test and USG segments, the ability to increase shareholder value, the timing and success of acquisition efforts, internal investments in new products and solutions, the impacts of inflation, the long-term success of the Company, and any other statements which are not strictly historical are "forward-looking" statements within the meaning of the safe harbor provisions of the federal securities laws.

Investors are cautioned that such statements are only predictions and speak only as of the date of this presentation, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including but not limited to those described in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021; the availability and acceptance of viable COVID-19 vaccines by enough of the U.S. and world's population to curtail the pandemic; the continuing impact of the COVID-19 pandemic and the effects of known or unknown COVID-19 variants including labor shortages, facility closures, shelter in place policies or quarantines, material shortages, transportation delays, termination or delays of Company contracts, and the inability of our suppliers or customers to perform; the impacts of Executive Order 14042 and other vaccine mandates on our employees and businesses; the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; the timing and content of future contract awards or customer orders; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts or orders; weakening of economic conditions in served markets; the success of the Company's competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the success of the Company's acquisition efforts; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; changes in the costs and availability of certain raw materials; labor disputes; changes in U.S. tax laws and regulations; other changes in laws and regulations including but not limited to changes in accounting standards and foreign taxation; changes in interest rates; costs relating to environmental matters arising from current or former facilities; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the integration of recently acquired businesses.

During this call, the Company may discuss some non-GAAP financial measures in describing the Company's operating results. A reconciliation of these measures to their most comparable GAAP measures can be found in the press release issued today and found on the Company's website at www.escotechnologies.com under the link: Investor Relations.

In addition, the financial results presented in this presentation include certain non-GAAP financial measures such as EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS. These non-GAAP financial measures are reconciled to their respective GAAP equivalents in the "Reconciliation of Non-GAAP Measures" presented below.

Q4 Results (\$ in Millions, except per share amounts)



Entered Orders

- Book-to-Bill of 0.95 – record quarterly revenue > Q4 orders
- Continuing strength in commercial aerospace & renewables
- PY included acquired backlog at Altanova & Phenix

Sales

- Sales increased 25% – Organic +19% and Acquisitions +6%
- Organic Growth driven by commercial and defense aerospace, Navy, space, utility spending, renewables, medical/industrial shielding & power filters

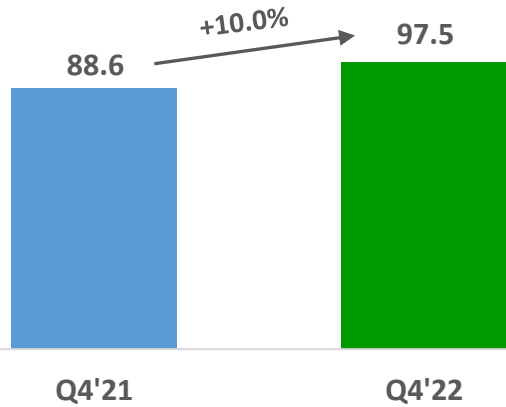
Adjusted EBIT

- Higher margins in A&D and Test, USG down slightly (23.7% vs 24.3%)

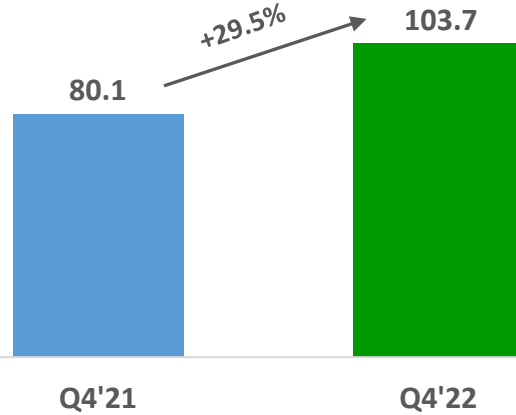
	Q4'21	Q4'22	Delta \$	Delta %
Entered Orders	\$258.5	\$244.7	(\$13.8)	-5.3%
Sales	205.5	256.5	51.0	24.8%
Adjusted EBIT	28.2	42.8	14.6	51.6%
<i>Adj EBIT Margin</i>	13.7%	16.7%	+3.0 pts	
Adjusted EBITDA	40.0	54.9	14.9	37.1%
<i>Adj EBITDA Margin</i>	19.5%	21.4%	+1.9 pts	
EPS GAAP	\$0.78	\$1.19	\$0.41	52.6%
EPS Adjusted	\$0.85	\$1.21	\$0.36	42.4%

A&D – Q4 (\$ in Millions)

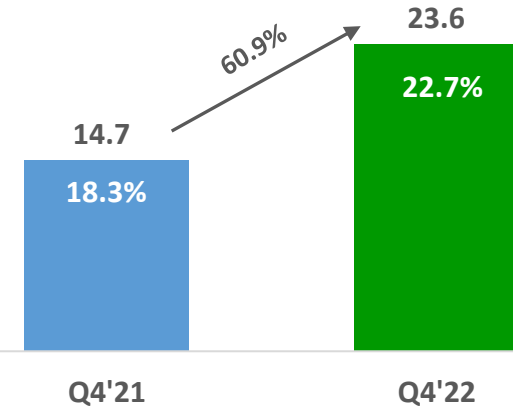
Entered Orders



Sales



Adjusted EBIT



Entered Orders

- Primarily driven by commercial aerospace recovery
- OEM production ramps & increased MRO

Sales

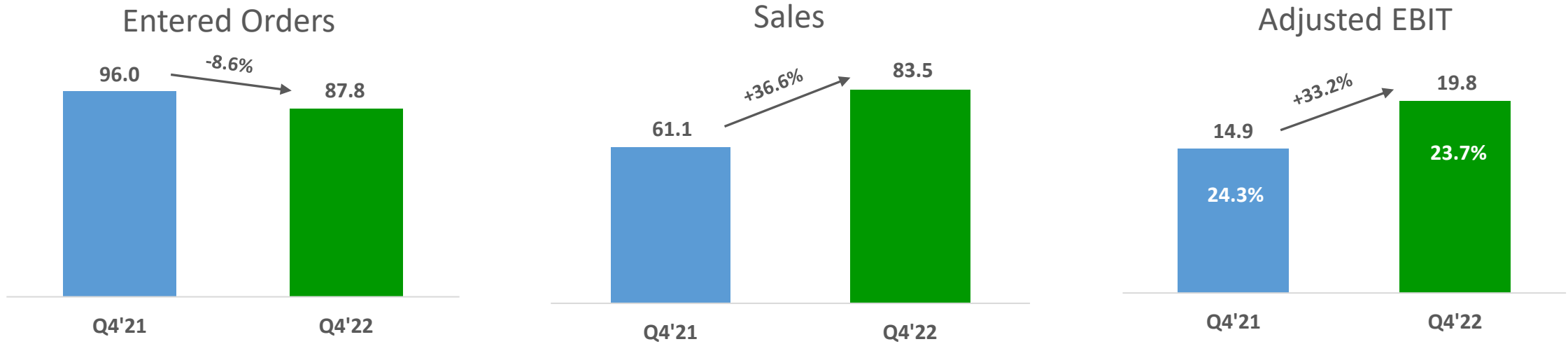
- Aerospace - Commercial +50% & Defense +22%
- Navy +28% and Space +20%
- Partially offset by Industrial - VACCO

Adjusted EBIT

- Driven by leverage on higher volume & price increases, partially offset by wage and material cost inflation
- Strong recovery for PTI, Mayday & Westland

	Q4'21	Q4'22	Delta \$	Delta %
Entered Orders	\$88.6	97.5	8.9	10.0%
Sales	80.1	103.7	23.6	29.5%
Adjusted EBIT	14.7	23.6	8.9	60.9%
<i>Adj EBIT Margin</i>	<i>18.3%</i>	<i>22.7%</i>	<i>+4.4 pts</i>	
	9/30/21	9/30/22	Delta \$	Delta %
Backlog	\$367.2	408.3	41.1	11.2%

USG – Q4 (\$ in Millions)



Entered Orders

- Decrease driven by timing of orders booked in Q4'21 related to acquired backlog - Altanova & Phenix
- NRG +\$7.2 (+76%) – Wind & Solar strength

Sales

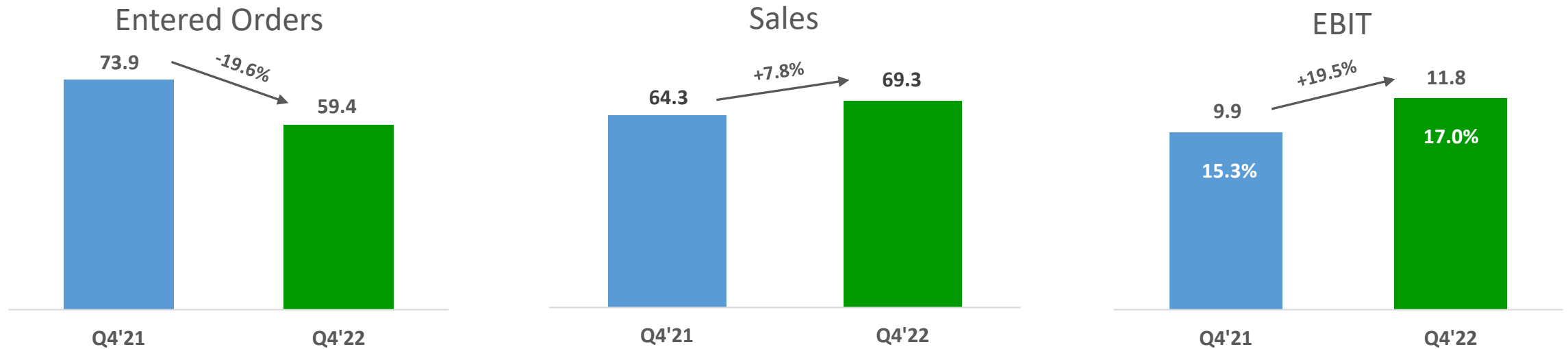
- Altanova & Phenix +\$10.6M
- Doble Organic +\$10.2M (+22%) – increased electric utility spending
- NRG +\$1.6M (+16%) - strong demand across renewables product lines

Adjusted EBIT

- Driven by leverage on higher revenue and price increases, partially offset by wage and material cost inflation, unfavorable mix & higher commissions

	Q4'21	Q4'22	Delta \$	Delta %
Entered Orders	\$96.0	87.8	(8.2)	-8.6%
Sales	61.1	83.5	22.4	36.6%
Adjusted EBIT	14.9	19.8	4.9	33.2%
<i>Adj EBIT Margin</i>	24.3%	23.7%	-0.6 pts	
	9/30/21	9/30/22	Delta \$	Delta %
Backlog	\$91.6	128.2	36.6	39.9%

Test – Q4 (\$ in Millions)



Entered Orders

- Power Filters (\$10M) – related to timing of large Q4'21 orders

Sales

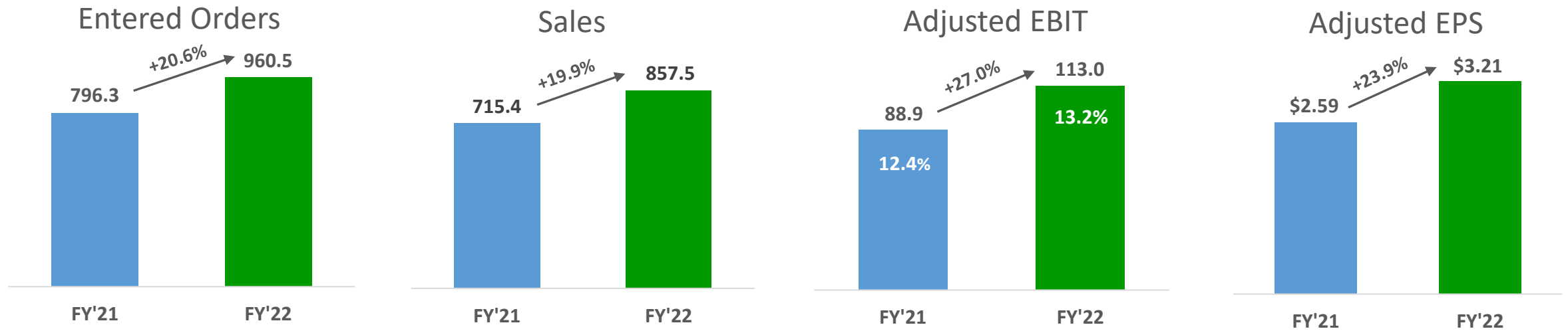
- Driven by medical/industrials shielding and power filter demand

Adjusted EBIT

- Driven by leverage on volume and price increases

	Q4'21	Q4'22	Delta \$	Delta %
Entered Orders	\$73.9	59.4	(14.5)	-19.6%
Sales	64.3	69.3	5.0	7.8%
EBIT	9.9	11.8	1.9	19.5%
<i>Adj EBIT Margin</i>	<i>15.3%</i>	<i>17.0%</i>	<i>+1.7 pts</i>	
	9/30/21	9/30/22	Delta \$	Delta %
Backlog	\$133.2	158.6	25.4	19.1%

Full Year Results (\$ in Millions, except per share amounts)



Entered Orders

- Book-to-Bill of 1.12 – Broad strength across all 3 segments
- Record year-end backlog of \$695M

Sales

- Sales increased 20% – Organic +13% and Acquisitions +7%
- Organic Growth driven by commercial aerospace, Navy, space, utility spending, renewables, T&M, medical/industrial shielding & power filters

Adjusted EBIT

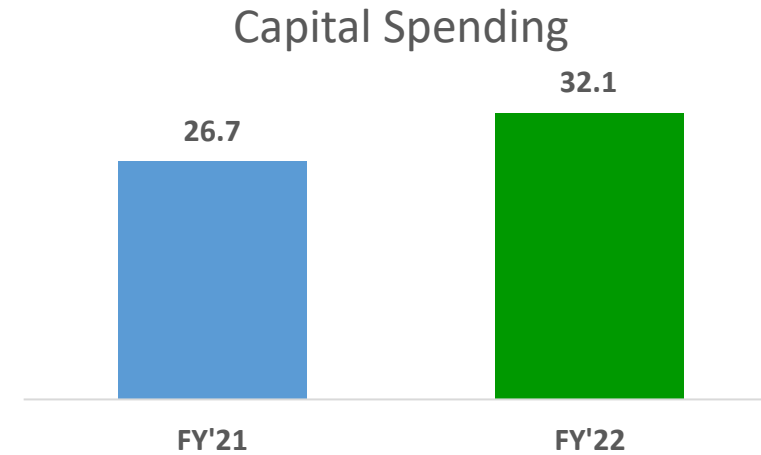
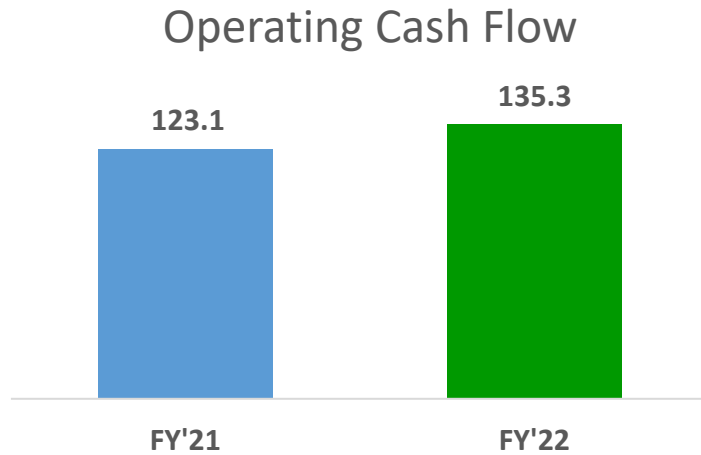
- Higher margins in A&D and Test, flat in USG

Adjusted EBITDA

- Depreciation & Amortization +\$6.3M compared to FY'21

	FY'21	FY'22	Delta \$	Delta %
Entered Orders	\$796.3	\$960.5	\$164.2	20.6%
Sales	715.4	857.5	142.1	19.9%
Adjusted EBIT	88.9	113.0	24.1	27.0%
<i>Adj EBIT Margin</i>	<i>12.4%</i>	<i>13.2%</i>	<i>+0.8 pts</i>	
Adjusted EBITDA	131.0	161.3	30.3	23.2%
<i>Adj EBITDA Margin</i>	<i>18.3%</i>	<i>18.8%</i>	<i>+0.5 pts</i>	
EPS GAAP	\$2.42	\$3.16	\$0.74	30.6%
EPS Adjusted	\$2.59	\$3.21	\$0.62	23.9%

YTD Cash Flow & Capital Expenditures (\$ in Millions)



Operating Cash Flow

- Strong cash flow driven by higher net earnings
- Accounts receivable higher related to sales increase
- Higher inventory related to increased backlog and management of supply chain issues and delivery schedules

Capital Expenditure

- Increase driven by purchase of NRG headquarters building in Q1'22

Acquisitions

- ATM (A&D) & Altanova/Phenix (USG) in FY'21 / NEco (A&D) in FY'22

Share Repurchase

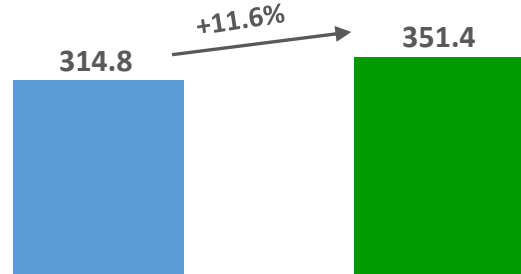
- Repurchased ~257.5K shares for \$20M

Cash Flow	FY'21	FY'22	Delta
Operating Cash Flow	\$123.1	135.3	12.2
Capital Expenditures	(26.7)	(32.1)	(5.4)
Acquisitions	(168.9)	(10.9)	158.0
Share Repurchase	-	(19.9)	(19.9)

Full Year Results (\$ in Millions, except per share amounts)

A&D

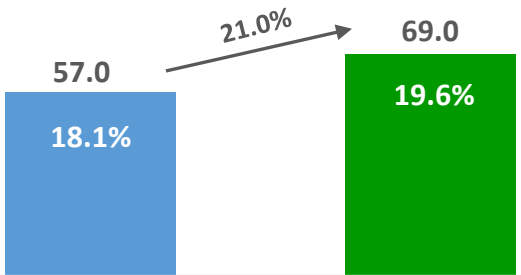
Sales



FY'21

FY'22

Adjusted EBIT



FY'21

FY'22

Sales

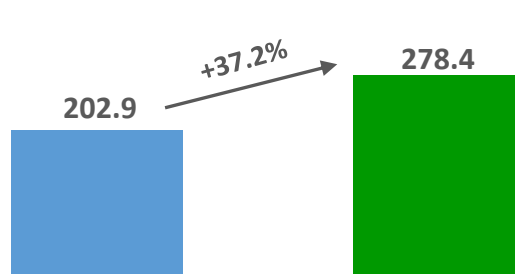
- Commercial Aerospace +\$29.7M (+32%)
- Navy +\$7.0M (+8%) and Space +\$6.5M (+11%)
- Partially offset by Industrial - VACCO

Adjusted EBIT

- Driven by leverage on higher volume & price increases, partially offset by inflation

USG

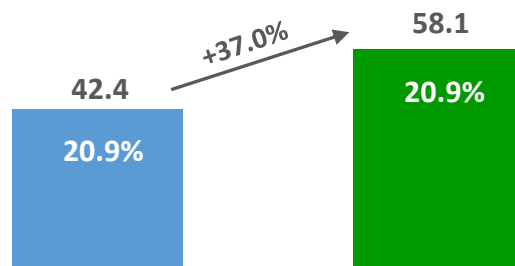
Sales



FY'21

FY'22

Adjusted EBIT



FY'21

FY'22

Sales

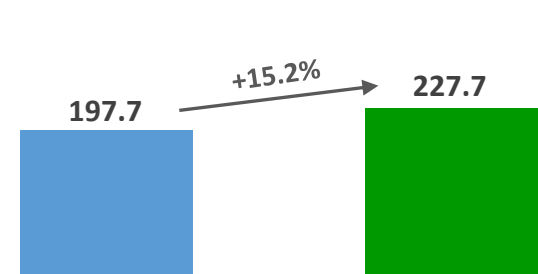
- Altanova & Phenix +\$47.1M
- Doble Organic +\$20.1M (+12%) – utility spending
- NRG +\$8.2M (+24%) - strong demand across renewables product lines

Adjusted EBIT

- Driven by leverage on higher revenue & price increases, partially offset by inflation, unfavorable mix, higher commissions, travel & conferences

Test

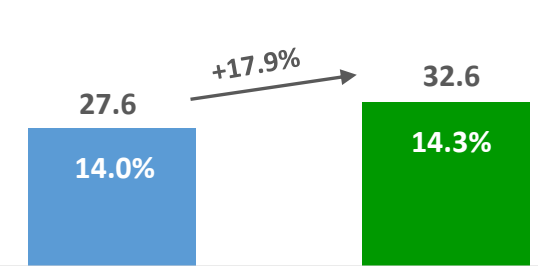
Sales



FY'21

FY'22

EBIT



FY'21

FY'22

Sales

- Driven by Test & Measurement projects, medical/industrial shielding & power filter demand

Adjusted EBIT

- Driven by leverage on volume and price increases, partially offset by material and wage inflation

FY'23 Guidance

Sales - Expectation is for full year Sales in the range of \$910M to \$930 (6% - 8% growth)

Adjusted EBIT - Expected to increase ~ 10% to 15%, with margins increasing to 13.5% - 14.0%

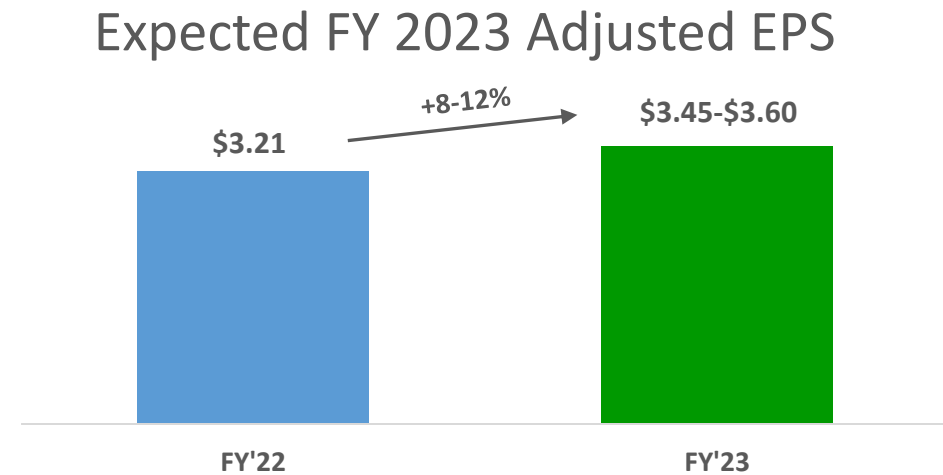
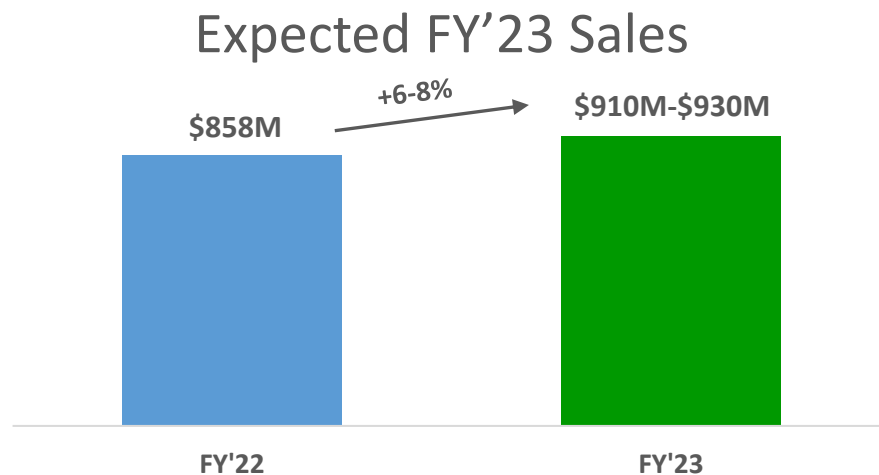
Adjusted EBITDA - Expected to increase ~ 7% to 12%, with margins increasing to 19.0% - 19.5%

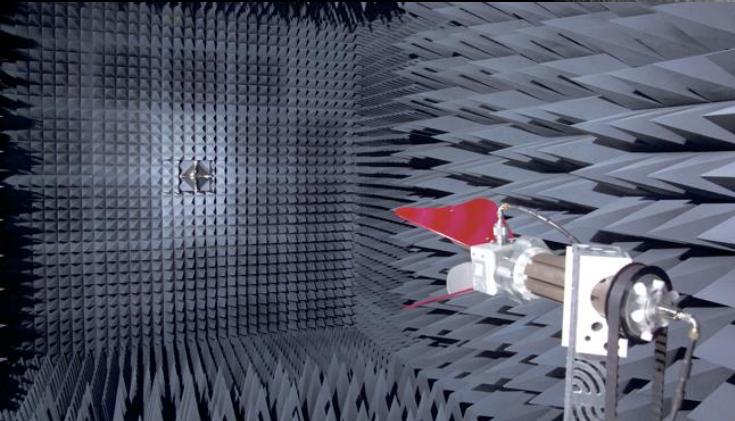
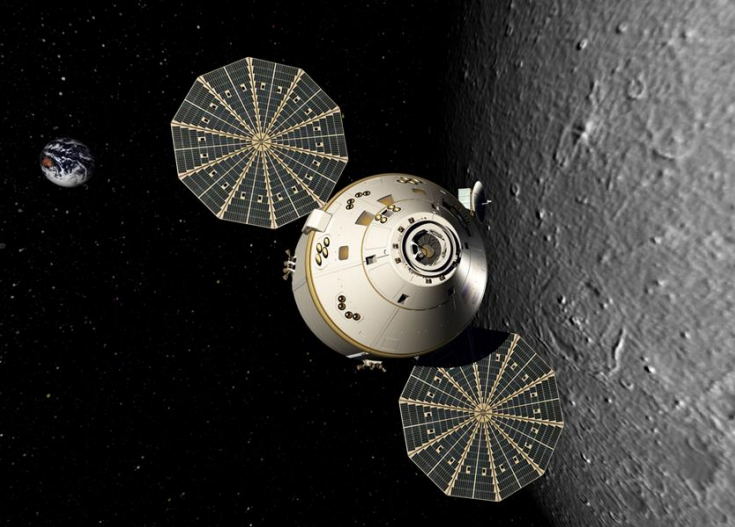
Interest Expense - ~9M due to higher interest rates

Effective Tax Rate - Expected to be in the range of 22.5% to 23.5%

Adjusted EPS

- **Full Year** – Expected to be in the range of \$3.45 - \$3.60 per share (7.5% - 12% growth)
- **Q1'23** – Expected to be flat to slightly up compared to Q1'22 Adjusted EPS
 - Expect quarterly Adjusted EPS to grow sequentially throughout the year

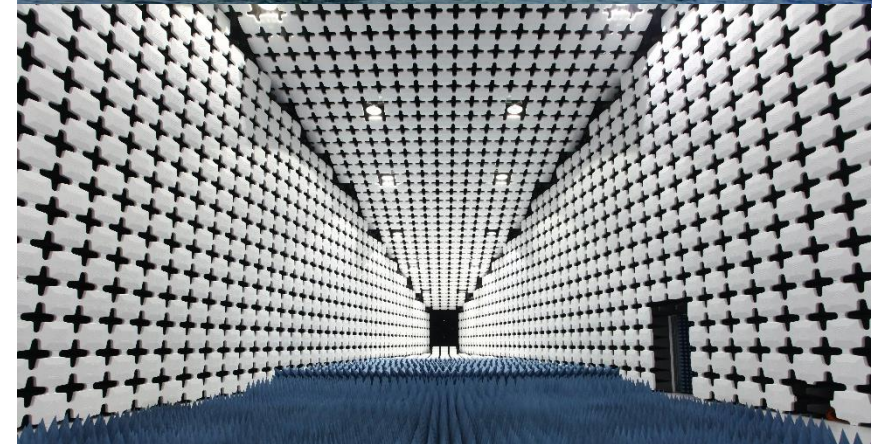




ESCO Technologies

Fourth Quarter FY 2022 Earnings Call

Q&A



Reconciliation of Non-GAAP Measures – Q4

	GAAP		Adjustments		As Adjusted	
	Q4'21	Q4'22	Q4'21	Q4'22	Q4'21	Q4'22
<u>EBIT</u>						
A&D	\$ 14,557	23,310	100	280	14,657	23,590
USG	13,264	19,764	1,610	49	14,874	19,813
Test	9,855	11,779	-	-	9,855	11,779
Corporate	(11,835)	(12,658)	654	230	(11,181)	(12,428)
Consolidated EBIT	25,841	42,195	2,364	559	28,205	42,754
Less: Interest Expense	(802)	(1,767)			(802)	(1,767)
Less: Income Tax	(4,674)	(9,388)	(544)	(129)	(5,218)	(9,517)
Net Earnings	20,365	31,040	1,820	430	22,185	31,470
Consolidated EBITDA	37,631	54,291	2,364	559	39,995	54,850
Less: Depreciation & Amortization	(11,790)	(12,096)	-	-	(11,790)	(12,096)
Consolidated EBIT	\$ 25,841	42,195	2,364	559	28,205	42,754

<u>EPS - As Adjusted</u>	Q4'21	Q4'22	
EPS - GAAP	\$ 0.78	\$ 1.19	
Purchase Accounting	\$ 0.03	\$ -	Phenix/Altanova
Acquisition Related Expenses - Corp	\$ 0.02	\$ -	
Restructuring Costs - Primarily USG	\$ 0.02	\$ -	
VACCO/NRG Severance	\$ -	\$ 0.01	
Management Transition Costs	\$ -	\$ 0.01	
EPS - As Adjusted	\$ 0.85	\$ 1.21	

Reconciliation of Non-GAAP Measures – Full Year

	GAAP		Adjustments		As Adjusted	
	FY'21	FY'22	FY'21	FY'22	FY'21	FY'22
EBIT						
A&D	\$ 56,536	68,352	485	615	57,021	68,967
USG	40,948	57,604	1,479	516	42,427	58,120
Test	27,636	32,592	-	-	27,636	32,592
Corporate	(42,194)	(47,262)	4,027	535	(38,167)	(46,727)
Consolidated EBIT	82,926	111,286	5,991	1,666	88,917	112,952
Less: Interest Expense	(2,255)	(4,851)			(2,255)	(4,851)
Less: Income Tax	(17,175)	(24,115)	(1,378)	(384)	(18,553)	(24,499)
Net Earnings	63,496	82,320	4,613	1,282	68,109	83,602
Consolidated EBITDA	124,975	159,629	5,991	1,666	130,966	161,295
Less: Depreciation & Amortization	(42,049)	(48,343)	-	-	(42,049)	(48,343)
Consolidated EBIT	\$ 82,926	111,286	5,991	1,666	88,917	112,952
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EPS - As Adjusted	FY'21	FY'22				
EPS - GAAP	\$ 2.42	\$ 3.16				
Purchase Accounting Charges	\$ 0.03	\$ 0.02	FY'21-Altanova & Phenix / FY'22-Altanova & Neco			
Acquisition Related Expenses	\$ 0.06	\$ 0.01				
Management Transition Costs	\$ 0.06	\$ 0.01				
Restructuring Costs - Primarily USG	\$ 0.08	\$ -				
VACCO/NRG Severance	\$ -	\$ 0.01				
Doble Watertown Facility Sale	\$ (0.06)	\$ -				
EPS - As Adjusted	\$ 2.59	\$ 3.21				