

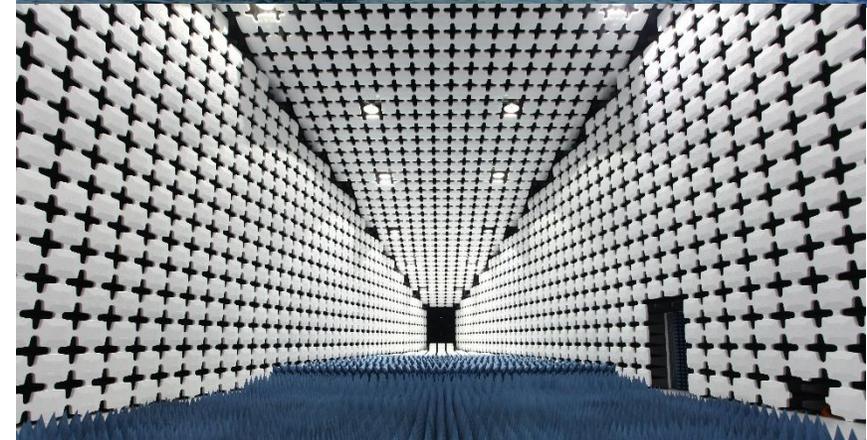
# ESCO Technologies

## Second Quarter FY 2022 Earnings Call

**Vic Richey**  
Chairman, CEO & President

**Chris Tucker**  
Sr. Vice President & CFO

May 9, 2022



# Forward Looking Statement

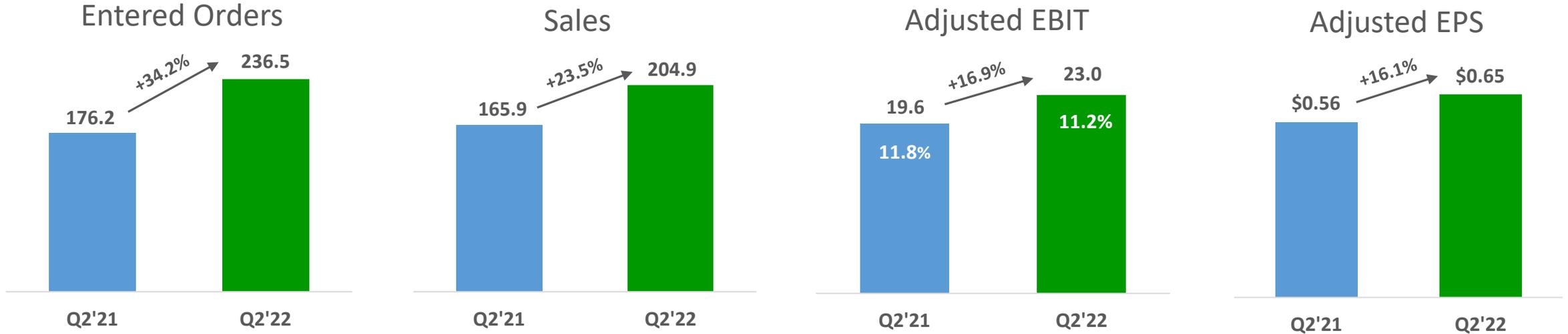
Statements in this presentation and made during today's conference call regarding the timing and magnitude of recovery in the Company's end markets, the continuing impacts of COVID-19 on the Company's results, sales, Adjusted SG&A, Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, cash flow, results of cost 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](http://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.

# Q2 Results (\$ in Millions, except per share amounts)



## Entered Orders

- Book-to-Bill of 1.15 – driven by North American utility and commercial aerospace orders
- Record ending backlog of \$671M

## Sales

- Sales increased 23.5% – Organic +16.5% and Acquisitions +7.0%
- Organic Growth driven by rebound in utility spending, commercial aerospace & Test

## Adjusted EBIT

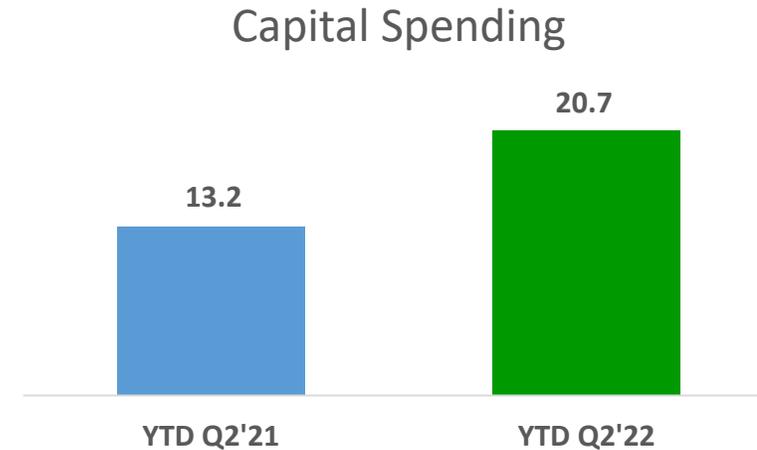
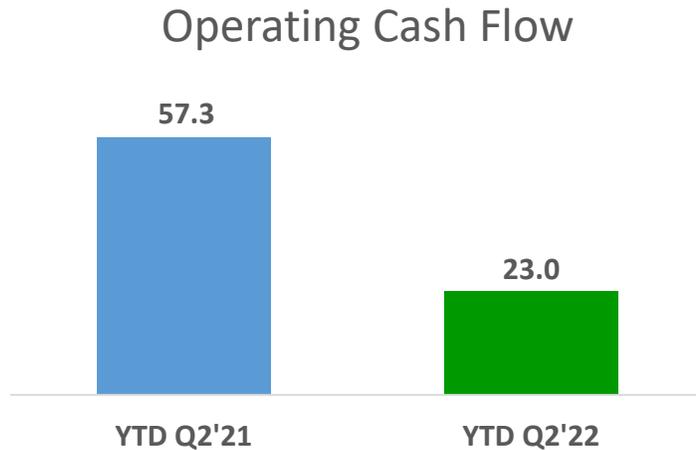
- Higher margins at Test and USG, offset by deleverage on lower revenue at VACCO and product mix in A&D

## Adjusted EBITDA

- Depreciation & Amortization +\$2.0M compared to Q2'21

|                          | Q2'21        | Q2'22        | Delta \$         | Delta % |
|--------------------------|--------------|--------------|------------------|---------|
| Entered Orders           | \$176.2      | 236.5        | 60.3             | 34.2%   |
| Sales                    | 165.9        | 204.9        | 39.0             | 23.5%   |
| Adjusted EBIT            | 19.6         | 23.0         | 3.4              | 16.9%   |
| <i>Adj EBIT Margin</i>   | <i>11.8%</i> | <i>11.2%</i> | <i>(0.6) pts</i> |         |
| Adjusted EBITDA          | 29.8         | 35.1         | 5.3              | 17.9%   |
| <i>Adj EBITDA Margin</i> | <i>17.9%</i> | <i>17.1%</i> | <i>(0.8) pts</i> |         |
| EPS GAAP                 | \$0.59       | \$0.64       | \$0.05           | 8.5%    |
| EPS Adjusted             | \$0.56       | \$0.65       | \$0.09           | 16.1%   |

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



## Operating Cash Flow

- Timing of milestone payments compared to prior year
- Higher inventory related to managing supply chain issues and to support expected delivery schedules in second half of the year

## Capital Expenditure

- Increase driven by purchase of NRG headquarters building in Q1

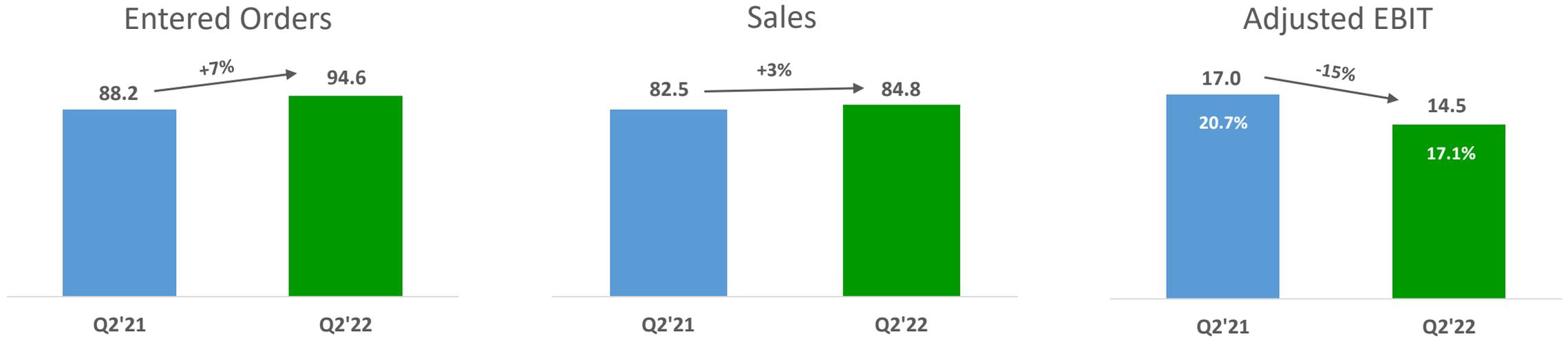
## Acquisitions

- NEco (A&D) in Q1'22 / ATM (A&D) in Q1'21

## Share Repurchase

- Q2 2022 repurchased ~113,000 shares for \$8M
- YTD repurchased ~229,000 shares for \$18M

| Cash Flow            | YTD Q2'21 | YTD Q2'22 | Delta  |
|----------------------|-----------|-----------|--------|
| Operating Cash Flow  | \$57.3    | 23.0      | (34.3) |
| Capital Expenditures | (13.2)    | (20.7)    | (7.5)  |
| Acquisitions         | (6.7)     | (15.6)    | (8.9)  |
| Share Repurchase     | -         | (17.9)    | (17.9) |



## Entered Orders

- Overall recovery of commercial aerospace – 737 production ramp, increased MRO activity, A350, and business jets

## Sales

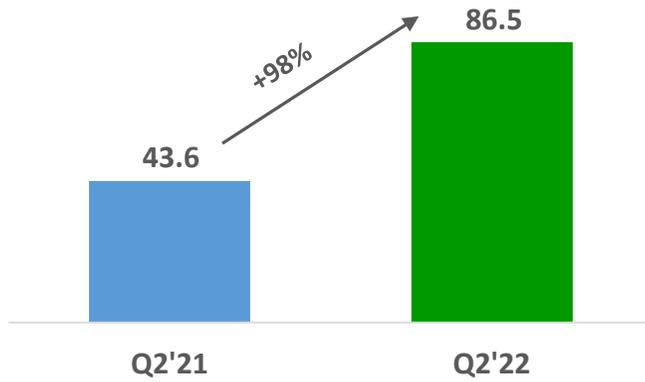
- Commercial Aerospace increased 30%
- Navy growth at Globe & Westland, more than offset by declines at VACCO

## Adjusted EBIT

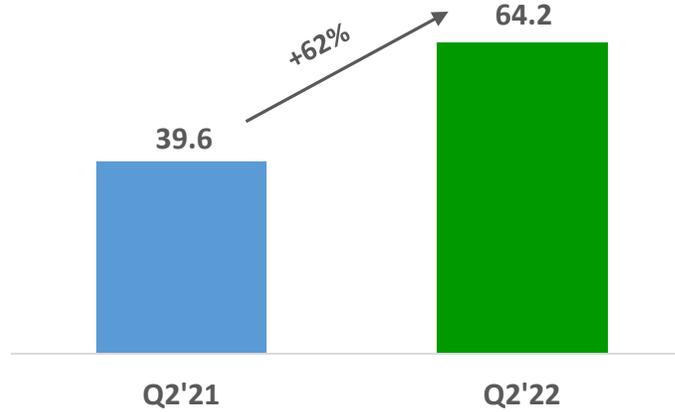
- Driven by deleverage on lower volume at VACCO and product mix in aerospace

|                        | Q2'21        | Q2'22        | Delta \$         | Delta % |
|------------------------|--------------|--------------|------------------|---------|
| Entered Orders         | \$88.2       | 94.6         | 6.4              | 7.2%    |
| Sales                  | 82.5         | 84.8         | 2.3              | 2.8%    |
| Adjusted EBIT          | 17.0         | 14.5         | (2.5)            | -15.0%  |
| <i>Adj EBIT Margin</i> | <i>20.7%</i> | <i>17.1%</i> | <i>(3.6) pts</i> |         |
| Backlog                | \$349.2      | 396.9        | 47.7             | 13.7%   |

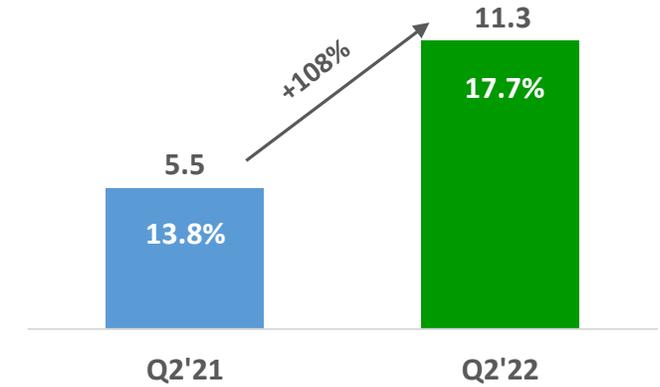
Entered Orders



Sales



Adjusted EBIT



**Entered Orders**

- Broad strength across product portfolio – Core Doble +\$27.1M, Altanova/Phenix +\$12.6M, Renewable +\$3.2M

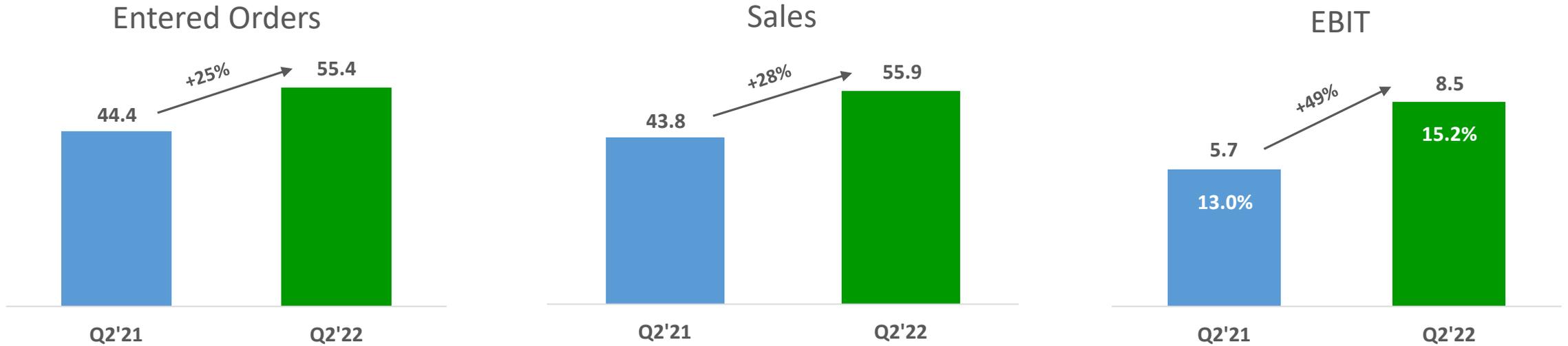
**Sales**

- Doble Organic Growth +\$12.4M (+39%) - Rebound in North American utility spending
- Altanova & Phenix acquisitions +\$10.4M
- NRG +\$1.8M (23%) on continued strength in renewables

**Adjusted EBIT**

- Driven by leverage on higher revenue and price increases
- Partially offset by wage and material cost inflation and expenses related to trade shows and customer events

|                        | Q2'21        | Q2'22        | Delta \$       | Delta % |
|------------------------|--------------|--------------|----------------|---------|
| Entered Orders         | \$43.6       | 86.5         | 42.9           | 98.2%   |
| Sales                  | 39.6         | 64.2         | 24.6           | 62.3%   |
| Adjusted EBIT          | 5.5          | 11.3         | 5.8            | 107.5%  |
| <i>Adj EBIT Margin</i> | <i>13.8%</i> | <i>17.7%</i> | <i>3.9 pts</i> |         |
| Backlog                | \$48.9       | 116.7        | 67.8           | 138.4%  |



### Entered Orders

- Continued strength in orders – domestic medical shielding and global demand for test and measurement projects

### Sales

- Driven by medical shielding, power filters, and test and measurement projects in the U.S. and China

### Adjusted EBIT

- Volume and price increases, partially offset by material cost and wage inflation

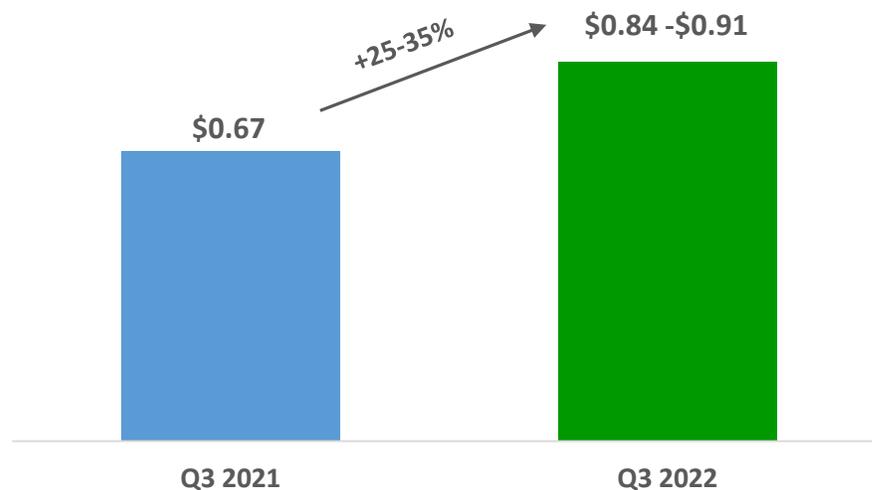
|                        | Q2'21        | Q2'22        | Delta \$       | Delta % |
|------------------------|--------------|--------------|----------------|---------|
| Entered Orders         | \$44.4       | 55.4         | 11.0           | 24.9%   |
| Sales                  | 43.8         | 55.9         | 12.1           | 27.6%   |
| EBIT                   | 5.7          | 8.5          | 2.8            | 49.3%   |
| <i>Adj EBIT Margin</i> | <i>13.0%</i> | <i>15.2%</i> | <i>2.2 pts</i> |         |
| Backlog                | \$118.4      | 157.4        | 39.0           | 32.9%   |

# FY'22 Guidance

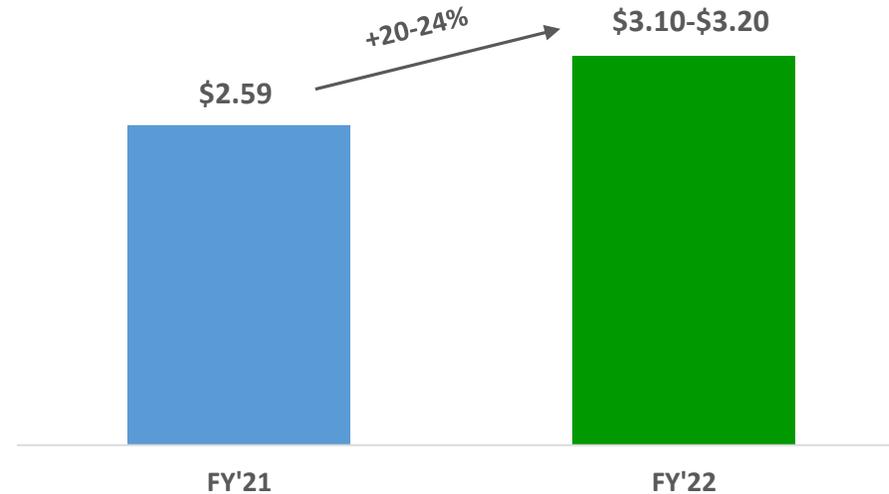
## Adjusted EPS

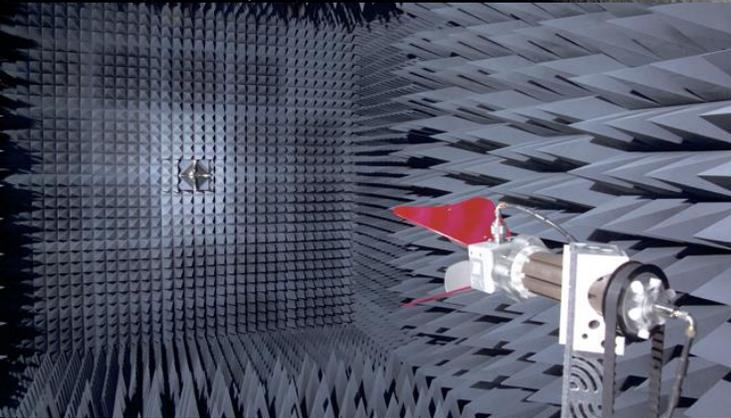
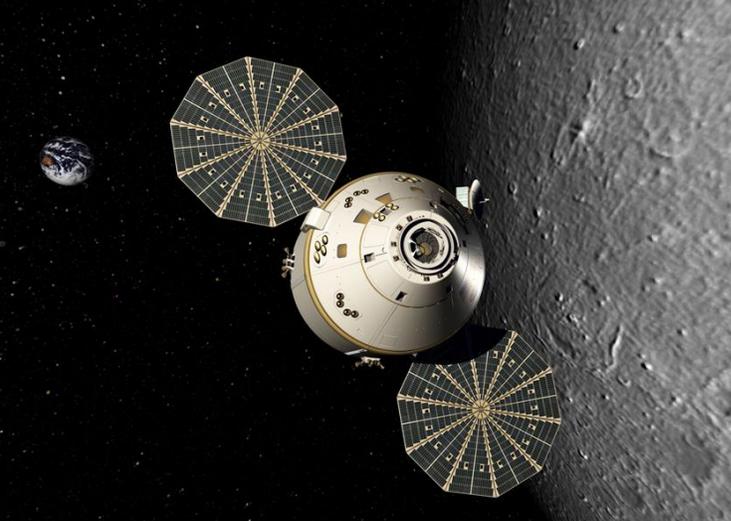
- Q3 - Expectation is for Q3 Adjusted EPS in the range of \$0.84 to \$0.91 per share, representing growth of 25% – 35% over the prior year
- Full Year - Consistent with our November guidance, Management projects 2022 Adjusted EPS to be in the range of \$3.10 to \$3.20 per share

Expected Q3 Adjusted EPS



Expected FY 2022 Adjusted EPS

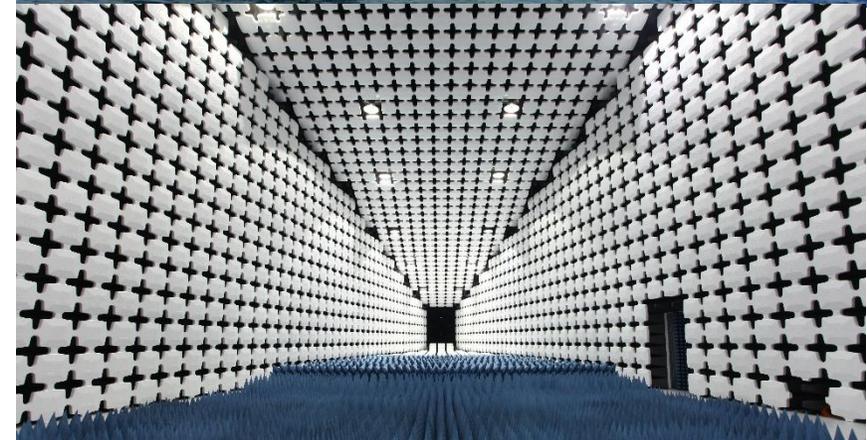




# ESCO Technologies

## Second Quarter FY 2022 Earnings Call

Q&A



# Reconciliation of Non-GAAP Measures

|  | GAAP      |          | Adjustments |       | As Adjusted |          |
|--|-----------|----------|-------------|-------|-------------|----------|
|  | Q2'21     | Q2'22    | Q2'21       | Q2'22 | Q2'21       | Q2'22    |
| <u>EBIT</u>                              |           |          |             |       |             |          |
| A&D                                      | \$17,006  | 14,349   | 40          | 140   | 17,046      | 14,489   |
| USG                                      | 6,725     | 11,314   | (1,264)     | 17    | 5,461       | 11,331   |
| Test                                     | 5,688     | 8,494    | -           | -     | 5,688       | 8,494    |
| Corporate                                | (8,838)   | (11,469) | 290         | 125   | (8,548)     | (11,344) |
| Consolidated EBIT                        | 20,581    | 22,688   | (934)       | 282   | 19,647      | 22,970   |
| Less: Interest Expense                   | (432)     | (1,020)  |             |       | (432)       | (1,020)  |
| Less: Income Tax                         | (4,745)   | (5,085)  | 215         | (65)  | (4,530)     | (5,150)  |
| Net Earnings                             | 15,404    | 16,583   | (719)       | 217   | 14,685      | 16,800   |
| Consolidated EBITDA                      | 30,684    | 34,808   | (934)       | 282   | 29,750      | 35,090   |
| Less: Depreciation & Amortization        | (10,103)  | (12,120) | -           | -     | (10,103)    | (12,120) |
| Consolidated EBIT                        | \$20,581  | 22,688   | (934)       | 282   | 19,647      | 22,970   |
| <u>EPS - As Adjusted</u>                 |           |          |             |       |             |          |
| EPS - GAAP                               | \$ 0.59   | \$ 0.64  |             |       |             |          |
| Acquisition Related Expenses/Adjustments | \$ 0.01   | \$ 0.01  |             |       |             |          |
| Facility Consolidation                   | \$ 0.02   | \$ -     |             |       |             |          |
| Doble Watertown Settlement               | \$ (0.06) | \$ -     |             |       |             |          |
| EPS - As Adjusted                        | \$ 0.56   | \$ 0.65  |             |       |             |          |