

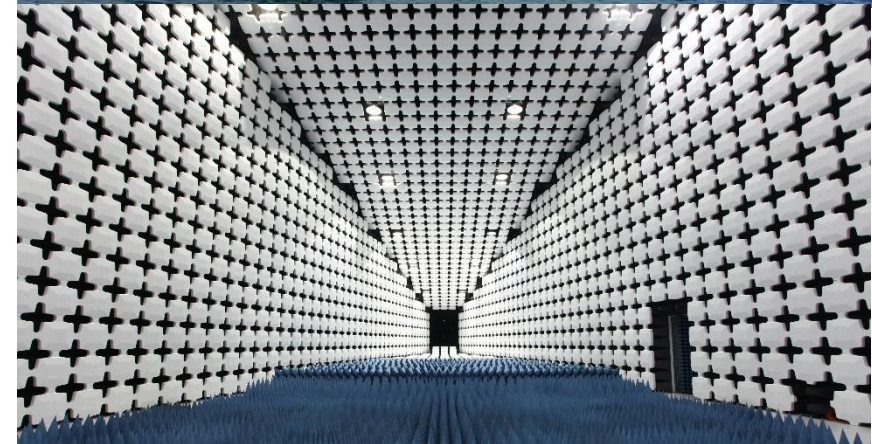
ESCO Technologies

Third Quarter FY 2024 Earnings Call

Bryan Saylor
President & CEO

Chris Tucker
Sr. Vice President & CFO

August 7, 2024



Forward Looking Statement

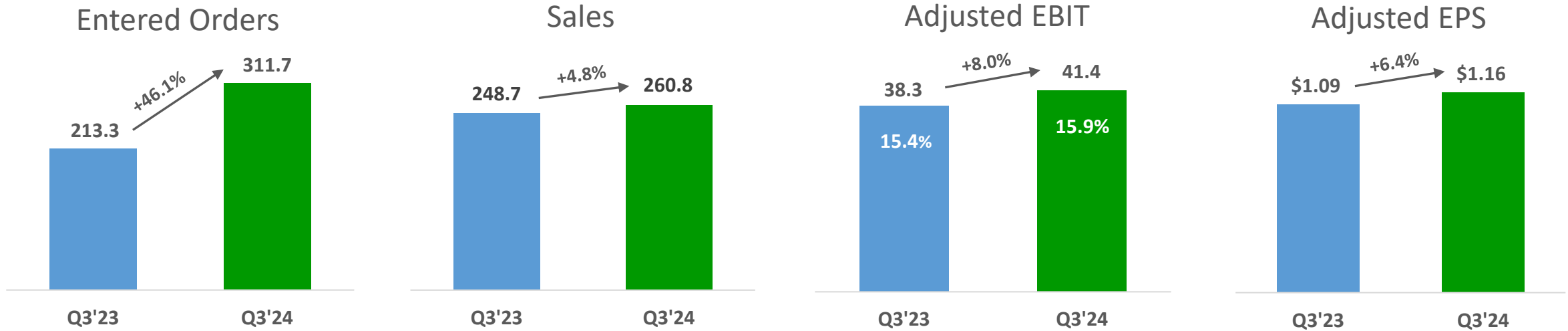
Statements in this presentation regarding Management's intentions, expectations and guidance for fiscal 2024, including restructuring and cost reduction actions, sales, orders, revenues, margin, earnings, Adjusted EPS, and any other statements which are not strictly historical, are "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. 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, 2023 and the following: the timing and outcome, if any, of the Company's strategic alternatives review for the Space business at VACCO; the impacts of climate change and related regulation of greenhouse gases; the impacts of labor disputes, civil disorder, wars, elections, political changes, tariffs and trade disputes, terrorist activities, cyberattacks or natural disasters on the Company's operations and those of the Company's customers and suppliers; disruptions in manufacturing or delivery arrangements due to shortages or unavailability of materials or components or supply chain disruptions; inability to access work sites; the timing and content of future contract awards or customer orders; the timely 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 or data breaches; the availability of acquisitions; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; material changes in the costs and availability of certain raw materials; material changes in the cost of credit; changes in laws and regulations including but not limited to changes in accounting standards and taxation; changes in interest, inflation and employment 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 and performance of acquired businesses.

During the 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.

Q3 Results (\$ in Millions, except per share amounts)



Entered Orders

- Strength across end-markets in all 3 Segments
- Q3 Book-to-Bill of 1.20 / Segment Book-to-Bills all > 1.10
- Record Ending Backlog +\$116M (+15%) from 9/30/23

Sales

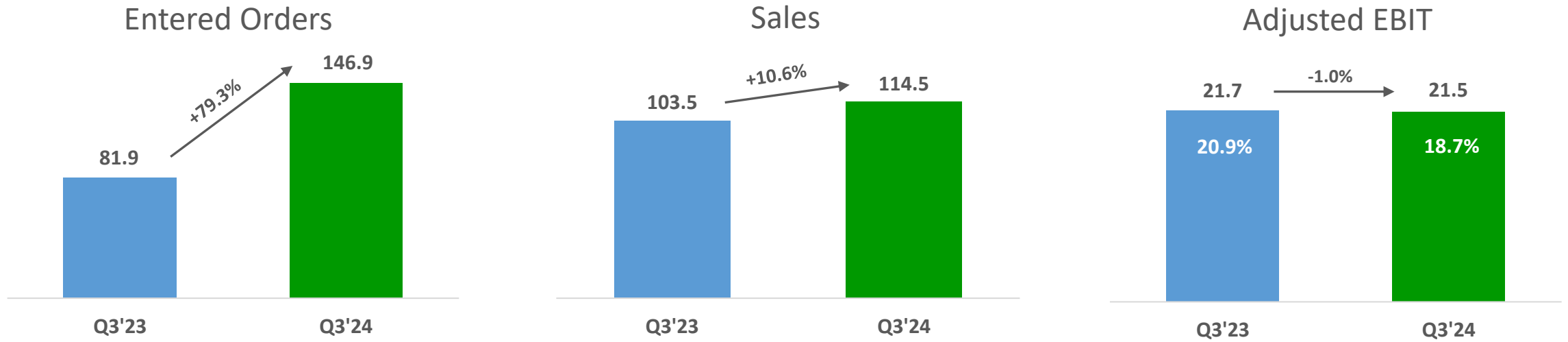
- Sales increased 5% – Organic +4% / MPE Acquisition +1%
- Double digit revenue growth at A&D

Adjusted EBIT

- Higher margins in USG and Test offset by lower margin in A&D

	Q3'23	Q3'24	Delta \$	Delta %
Entered Orders	\$213.3	311.7	98.4	46.1%
Sales	248.7	260.8	12.1	4.8%
Adjusted EBIT	38.3	41.4	3.1	8.0%
<i>Adj EBIT Margin</i>	15.4%	15.9%	+0.5 pts	
Adjusted EBITDA	51.1	55.2	4.1	8.0%
<i>Adj EBITDA Margin</i>	20.6%	21.2%	+0.6 pts	
EPS GAAP	\$1.08	\$1.13	\$0.05	4.6%
EPS Adjusted	\$1.09	\$1.16	\$0.07	6.4%

A&D – Q3 (\$ in Millions)



Entered Orders

- Navy – VA Class Block V QARMS \$32M & Ejection System Development \$9M
- Aerospace – Strong quarter for Commercial & Defense Aftermarket
- Q3 Book-to-Bill of 1.28
- Record Ending Backlog +\$111M (+23%) from 9/30/23

Sales

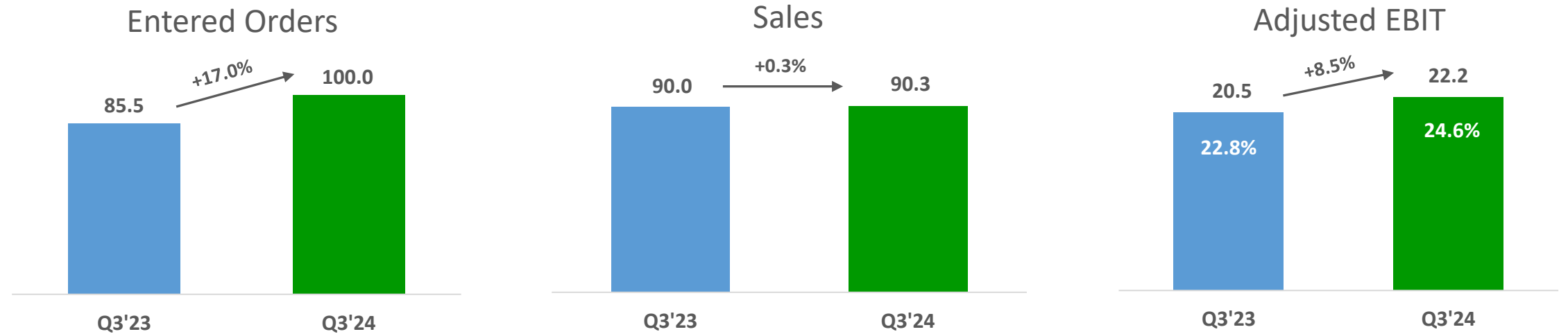
- Navy +\$8M (+35%)
- Aerospace - Commercial +\$2M (+6%) & Defense +\$2M (+11%)

Adjusted EBIT

- Leverage on higher volume and price increases more than offset by margin erosion at VACCO on space development programs, unfavorable mix, and inflationary pressures

	Q3'23	Q3'24	Delta \$	Delta %
Entered Orders	\$81.9	146.9	65.0	79.3%
Sales	103.5	114.5	11.0	10.6%
Adjusted EBIT	21.7	21.5	(0.2)	-1.0%
<i>Adj EBIT Margin</i>	20.9%	18.7%	-2.2 pts	
Adjusted EBITDA	25.0	24.9	(0.1)	-0.4%
<i>Adj EBITDA Margin</i>	24.1%	21.7%	-2.4 pts	
	Prior YE	6/30/24	Delta \$	Delta %
Backlog	\$484.1	594.7	110.6	22.9%

USG – Q3 (\$ in Millions)



Entered Orders

- Doble +\$19M – up 30% on service orders strength
- NRG (\$4M) – orders moderating after record Q3'23
 - \$19M in orders - 2nd highest quarter in NRG history
- Q3 Book-to-Bill of 1.11

Sales

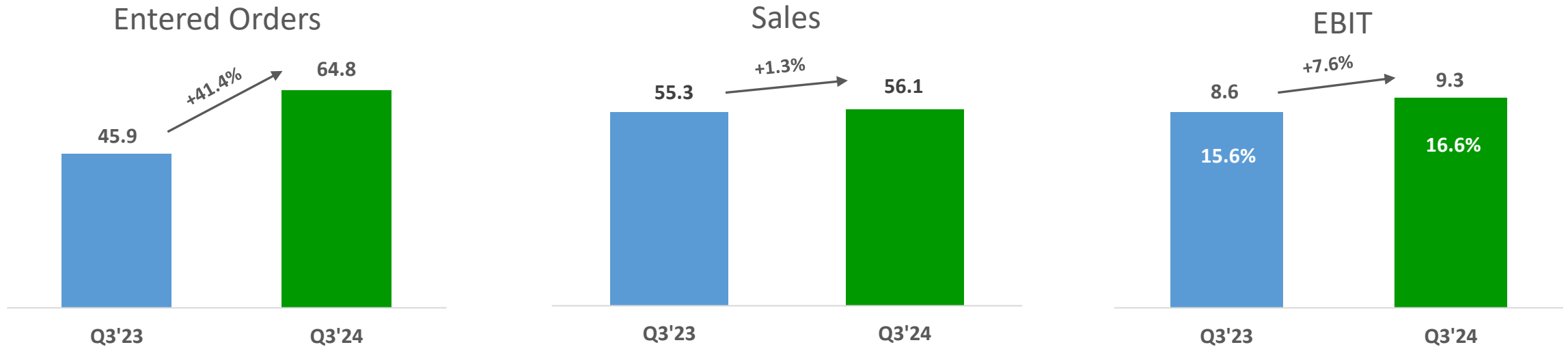
- Doble +\$0.4 (+1%) – strong quarter for services offset by lower protection testing / Sales up 3% sequentially and 7% YTD
- NRG – Sales flat to Q3'23 / Sales up 5% sequentially & 14% YTD

Adjusted EBIT

- Favorable mix from service business and price increases partially offset by inflationary pressures

	Q3'23	Q3'24	Delta \$	Delta %
Entered Orders	\$85.5	100.0	14.5	17.0%
Sales	90.0	90.3	0.3	0.3%
Adjusted EBIT	20.5	22.2	1.7	8.5%
<i>Adj EBIT Margin</i>	22.8%	24.6%	+1.8 pts	
<i>Adjusted EBITDA</i>	24.0	26.3	2.3	9.4%
<i>Adj EBITDA Margin</i>	26.7%	29.1%	+2.4 pts	
	Prior YE	6/30/24	Delta \$	Delta %
Backlog	\$133.5	128.9	(4.6)	-3.4%

Test – Q3 (\$ in Millions)



Entered Orders

- Large industrial project +\$12M & general rebound in US T&M orders +\$5M
- Orders +\$19M (41%) from Q3'23 & +\$21M (48%) sequentially
- Q3 Book-to-Bill of 1.16 / Ending Backlog +\$10M from 9/30/23

Sales

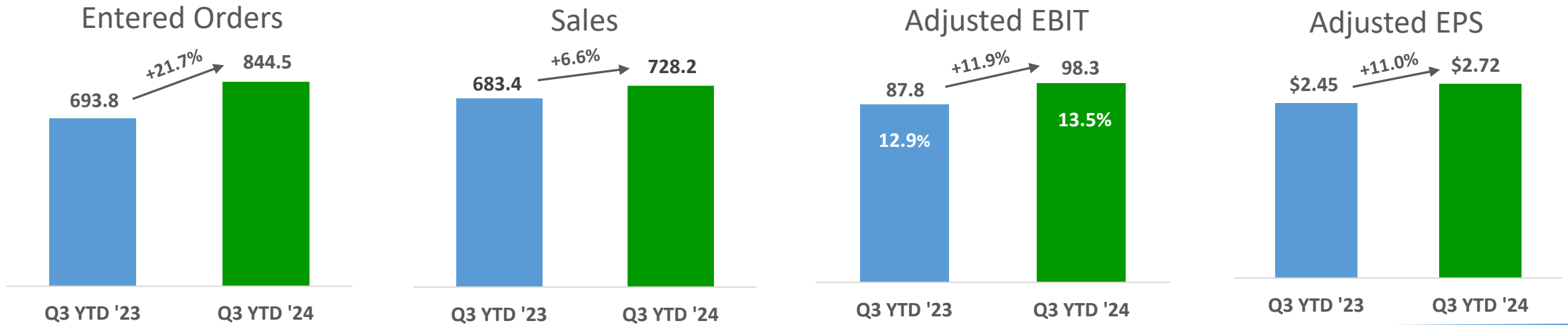
- Organic revenue down 5% / MPE Acquisition added 6%
 - Organic-Lower Wireless & US Filters
- Sales up 19% sequentially

Adjusted EBIT

- Improvement driven by high margin MPE content, price increases and cost reductions efforts, partially offset by mix on lower wireless and US filter volume and inflationary pressures

	Q3'23	Q3'24	Delta \$	Delta %
Entered Orders	\$45.9	64.8	+19.0	+41.4%
Sales	55.3	56.1	+0.8	+1.3%
Adjusted EBIT	8.6	9.3	+0.7	+7.6%
<i>Adj EBIT Margin</i>	<i>15.6%</i>	<i>16.6%</i>	<i>+1.0 pts</i>	
Adjusted EBITDA	9.9	10.6	+0.7	+6.5%
<i>Adj EBITDA Margin</i>	<i>18.0%</i>	<i>18.9%</i>	<i>+0.9 pts</i>	
	Prior YE	6/30/24	Delta \$	Delta %
Backlog	\$154.8	165.0	+10.2	+6.6%

Q3 YTD Results (\$ in Millions, except per share amounts)



Entered Orders

- Orders up 22%
 - Strength in Commercial/Defense Aerospace & Navy
 - YTD Book-to-Bill of 1.16, Ending Backlog +\$116M YTD (+15%)

Sales

- Sales increased 6.6%
 - A&D +13.5% - Navy +27%, Comm Aero +10%, Defense Aero +17%
 - USG +8.5% - Utilities +7.3% & Renewables +13.7%
 - Test (8.9%) – lower wireless & US Filters

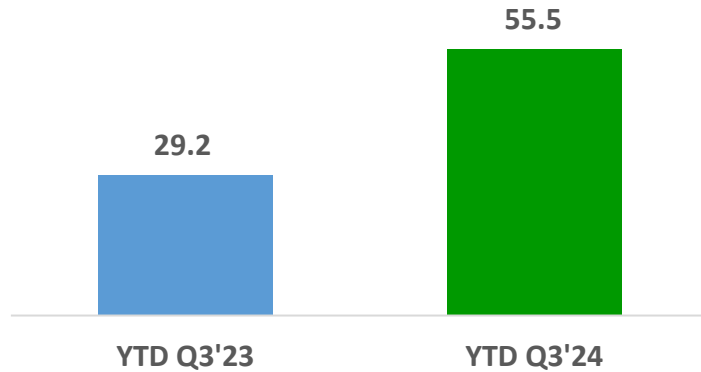
Adjusted EBIT

- Margins improve 60 basis points as leverage on higher sales and price increases more than offset revenue mix and inflation impacts
- Higher margins in A&D & USG offset by lower margin in Test

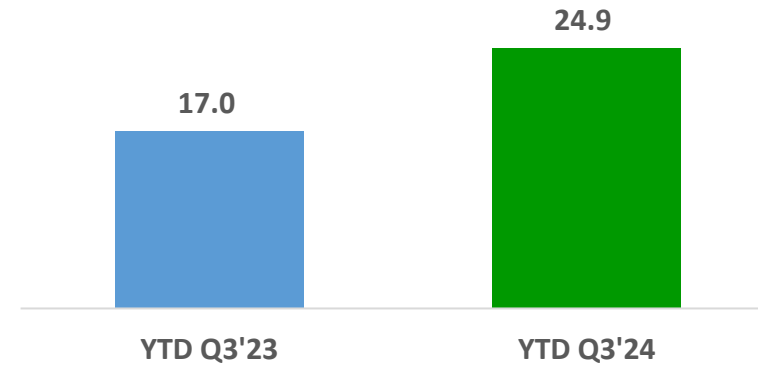
	Q3 YTD '23	Q3 YTD '24	Delta \$	Delta %
Entered Orders	\$693.8	844.5	+150.7	21.7%
Sales	683.4	728.2	44.8	6.6%
Adjusted EBIT	87.8	98.3	10.5	11.9%
<i>Adj EBIT Margin</i>	12.9%	13.5%	+0.6 pts	
Adjusted EBITDA	125.5	138.8	13.3	10.6%
<i>Adj EBITDA Margin</i>	18.4%	19.1%	+0.7 pts	
EPS GAAP	\$2.34	\$2.62	\$0.28	12.0%
EPS Adjusted	\$2.45	\$2.72	\$0.27	11.0%

Cash Flow & Capital Expenditures (\$ in Millions)

Operating Cash Flow



Capital Spending



Operating Cash Flow

- Improvement mainly driven by increase in accounts receivable collection and higher earnings

Capital Expenditures

- Higher Cap Ex YTD primarily relates to building improvements & machinery & equipment within the A&D segment

Acquisitions

- MPE (Test) in Q1'24 / CMT (A&D) in Q2'23

Share Repurchase

- Q3 repurchase of ~8K shares for \$0.8M
- FY'24 YTD repurchase of ~80K shares for ~\$8M YTD

Cash Flow	YTD Q3'23	YTD Q3'24	Delta
Operating Cash Flow	\$29.2	55.5	26.3
Capital Expenditures	(17.0)	(24.9)	(7.9)
Acquisitions	(17.7)	(56.4)	(38.7)
Share Repurchase	(12.4)	(8.0)	4.4

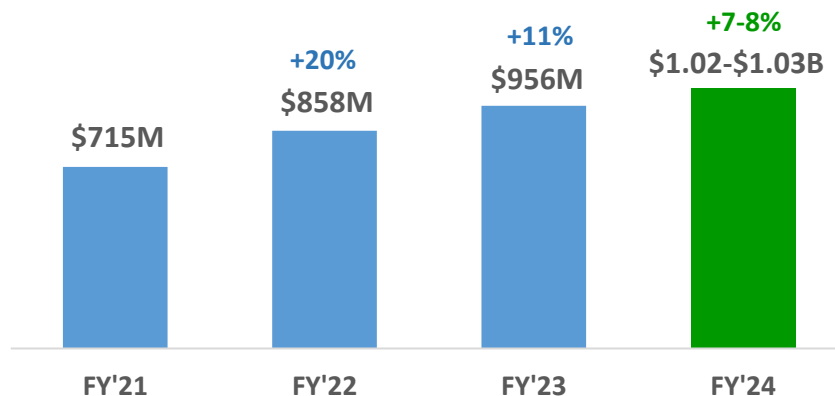
FY'24 Guidance

Sales — Expect growth of 7% to 8% and to be in the range of \$1.02B to \$1.03B (including MPE)

Adjusted EPS

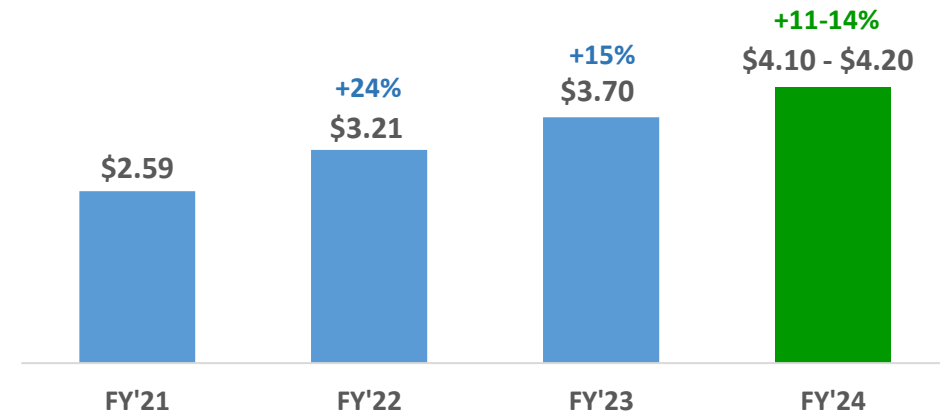
- **Q4'24** — Expectation is for Q4 Adjusted EPS in the range of \$1.38 - \$1.48, representing growth of 10% - 18% over the prior year
 - Guidance excludes further profitability erosion on Space programs at VACCO, which could range from \$5M to \$7M (\$0.15 - \$0.21) in Q4 2024
 - ESCO is undertaking a process to review strategic alternatives for the Space business at VACCO
- **Full Year** — Q4 guidance results in revised range for Adjusted EPS of \$4.10 - \$4.20, representing growth of 11% - 14% over the prior year

Sales Trends

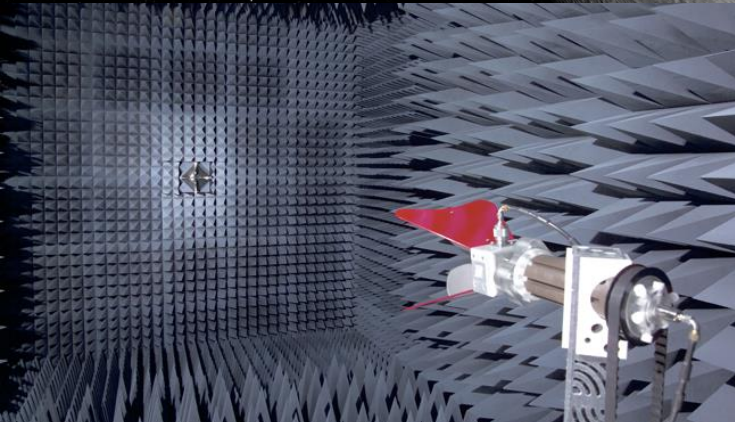
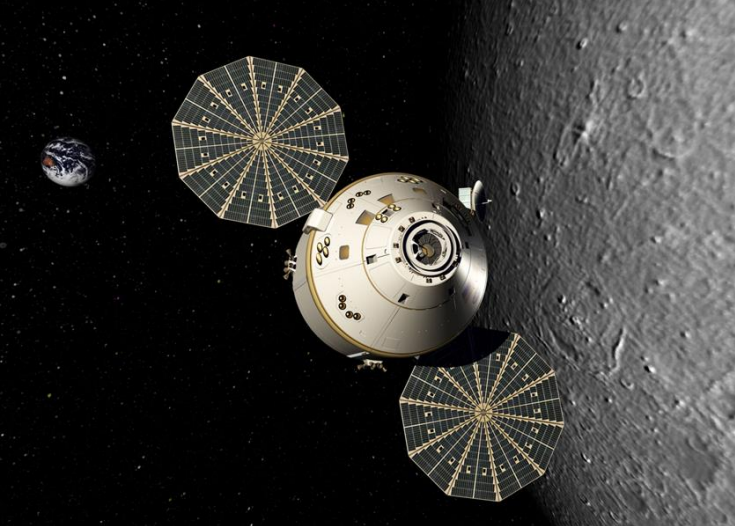


3 Year CAGR to FY'24 Midpoint = 13.0%

Adjusted EPS Trends



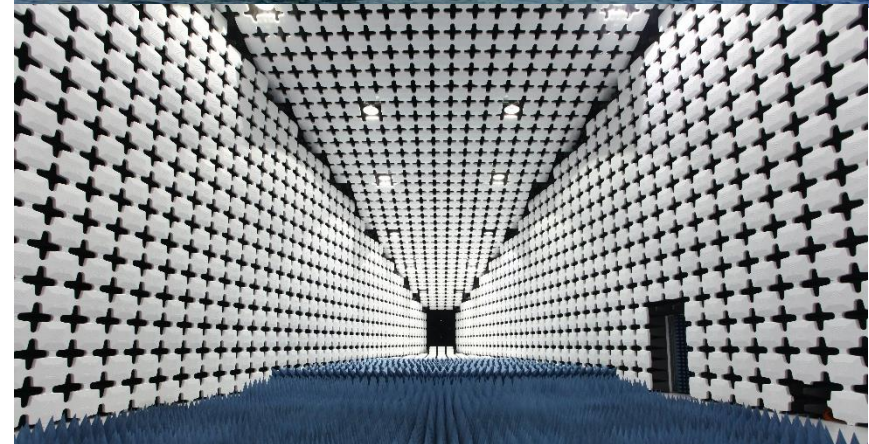
3 Year CAGR to FY'24 Midpoint = 17.0%



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Q&A



Reconciliation of Non-GAAP Measures – Q3

	GAAP		Adjustments		As Adjusted	
	Q3'23	Q3'24	Q3'23	Q3'24	Q3'23	Q3'24
EBIT						
A&D	\$21,665	\$21,356		88	21,665	21,444
USG	20,351	22,155	130	75	20,481	22,230
Test	8,643	9,292	-	5	8,643	9,297
Corporate	(12,658)	(12,296)	220	730	(12,438)	(11,566)
Consolidated EBIT	38,001	40,507	350	898	38,351	41,405
Less: Interest Expense	(2,495)	(3,335)		-	(2,495)	(3,335)
Less: Income Tax	(7,563)	(7,942)	(80)	(207)	(7,643)	(8,149)
Net Earnings	27,943	29,230	270	691	28,213	29,921
D&A						
A&D	\$ 3,289	\$ 3,419	-	-	3,289	3,419
USG	3,519	4,027	-	-	3,519	4,027
Test	1,297	1,294	-	-	1,297	1,294
Corporate	4,684	5,063	-	-	4,684	5,063
Consolidated EBIT	12,789	13,803	-	-	12,789	13,803
EBITDA						
A&D	24,954	24,775	-	88	24,954	24,863
USG	23,870	26,182	130	75	24,000	26,257
Test	9,940	10,586	-	5	9,940	10,591
Corporate	(7,974)	(7,233)	220	730	(7,754)	(6,503)
Consolidated EBITDA	50,790	54,310	350	898	51,140	55,208
Less: Depreciation & Amortization	(12,789)	(13,803)	-	-	(12,789)	(13,803)
Consolidated EBIT	\$38,001	\$40,507	350	898	38,351	41,405
EPS - As Adjusted	Q3'23	Q3'24				
EPS - GAAP	\$ 1.08	\$ 1.13				
Purchase Accounting/Acq Related Exp	\$ 0.01	\$ 0.02				
Restructuring - A&D/Test/USG	\$ -	\$ 0.01				
Adjustments	\$ 0.01	\$ 0.03				
EPS - As Adjusted	\$ 1.09	\$ 1.16				