

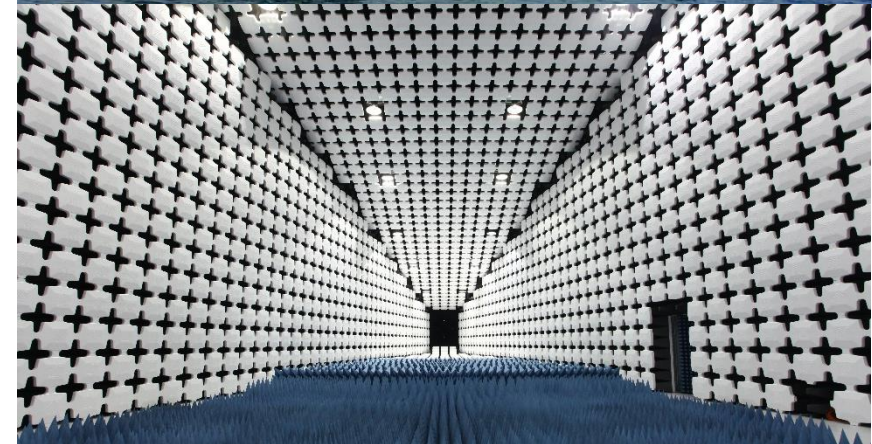
ESCO Technologies

Fourth Quarter FY 2023 Earnings Call

Bryan Saylor
President & CEO

Chris Tucker
Sr. Vice President & CFO

November 16, 2023



Forward Looking Statement

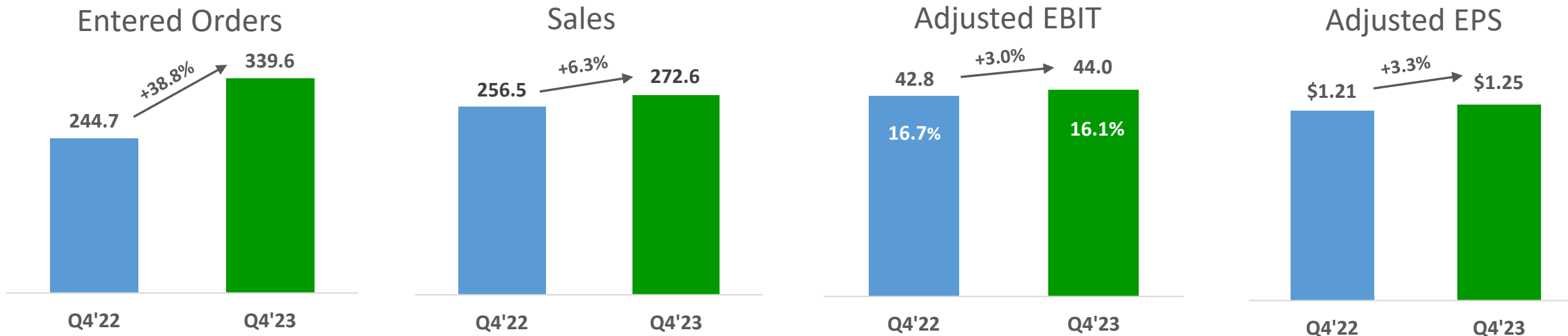
Statements in this presentation regarding expectations for future results, sales and sales growth, EPS, Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, cash flow, results of cost reduction efforts, margins, income tax rates, the financial success of the Company, the strength of its end markets, the outlook for the A&D, Test and USG segments, the ability to increase shareholder value, the results of acquisitions and international expansion 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 release, 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, 2022; 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; future impacts of the Inflation Reduction Act and other existing and future laws and regulations, future levels of utility infrastructure spending and demand for renewables products; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts or orders; changing economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the success of the Company’s acquisition and cost reduction 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

- Record Quarterly Orders
- Orders +\$95M (+39%) - Strength in Aerospace, Navy, Test & Utilities
- Q4 Book-to-Bill of 1.25
- Record Ending Backlog +\$67M (+9%) from 6/30/23

Sales

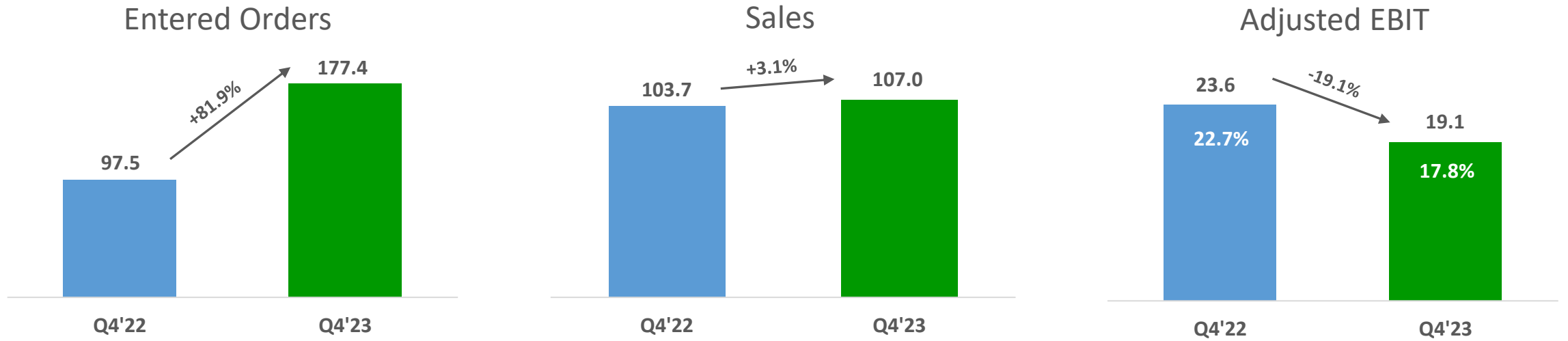
- Sales increased 6% – Organic +5% / CMT Acquisition +1%
- Organic Growth driven by commercial and defense aerospace, utility, and renewables spending

Adjusted EBIT

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

	Q4'22	Q4'23	Delta \$	Delta %
Entered Orders	\$244.7	\$339.6	\$94.9	38.8%
Sales	256.5	272.6	16.1	6.3%
Adjusted EBIT	42.8	44.0	1.2	3.0%
<i>Adj EBIT Margin</i>	16.7%	16.1%	-0.6 pts	
Adjusted EBITDA	54.9	56.9	2.0	3.7%
<i>Adj EBITDA Margin</i>	21.4%	20.9%	-0.5 pts	
EPS GAAP	\$1.19	\$1.24	\$0.05	4.2%
EPS Adjusted	\$1.21	\$1.25	\$0.04	3.3%

A&D – Q4 (\$ in Millions)



Entered Orders

- Entered Orders +\$80M (+82%) - Primarily driven by commercial /defense aerospace & Navy orders
- Q4 Book-to-Bill of 1.66
- Record Ending Backlog +19% from 9/30/22

Sales

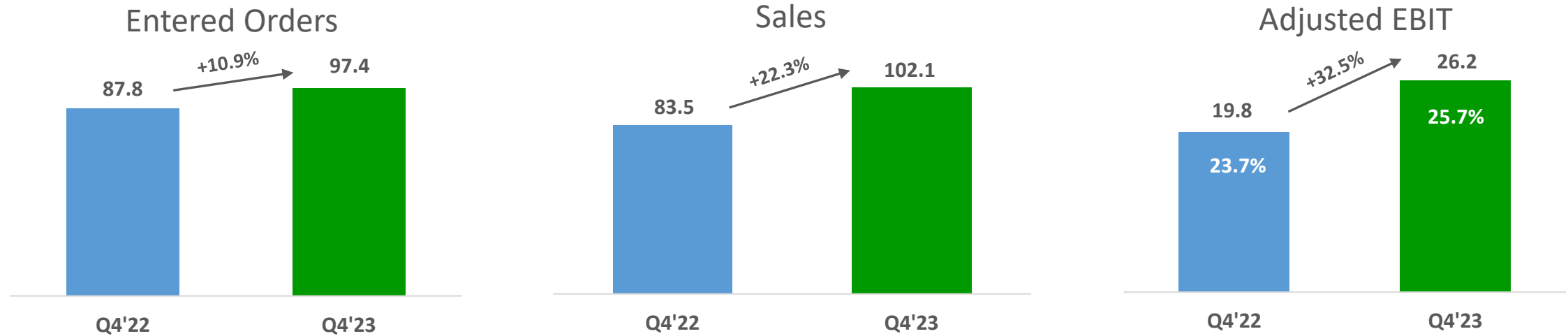
- Aerospace - Commercial +\$1M (+3%) & Defense +\$7M (+45%)
- Navy +\$2M, (+7%)
- Space -\$7M (-38%) - related to EAC adjustments

Adjusted EBIT

- Driven by leverage on higher aerospace and Navy volume
- Offset by margin erosion in Space

	Q4'22	Q4'23	Delta \$	Delta %
Entered Orders	\$97.5	177.4	79.9	81.9%
Sales	103.7	107.0	3.3	3.1%
Adjusted EBIT	23.6	19.1	(4.5)	-19.1%
<i>Adj EBIT Margin</i>	22.7%	17.8%	-4.9 pts	
	9/30/22	9/30/23	Delta \$	Delta %
Backlog	\$408.3	484.1	75.8	18.6%

USG – Q4 (\$ in Millions)



Entered Orders

- Entered Orders +\$10M (+11%)
 - Primarily driven by utility orders at Doble +\$14M (+20%)
 - NRG (\$4M) – moderate Q4 after record \$23M of orders in Q3 – full year orders +\$15M (+28%)

Sales

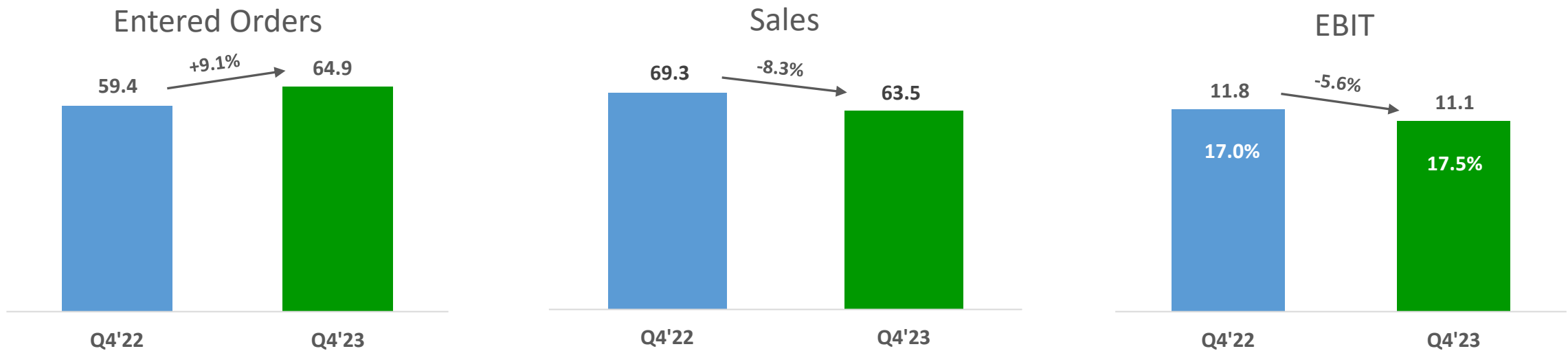
- Doble +\$10.7M (+15%) – strong quarter for protection testing
- NRG +\$8.0M (+69%) – high demand across all product lines

Adjusted EBIT

- Driven by leverage on higher revenue and price increases, partially offset by inflationary pressures and higher commissions

	Q4'22	Q4'23	Delta \$	Delta %
Entered Orders	\$87.8	97.4	9.6	10.9%
Sales	83.5	102.1	18.7	22.3%
Adjusted EBIT	19.8	26.2	6.4	32.5%
<i>Adj EBIT Margin</i>	23.7%	25.7%	+2.0 pts	
	9/30/22	9/30/23	Delta \$	Delta %
Backlog	\$128.2	133.5	5.3	4.1%

Test – Q4 (\$ in Millions)



Entered Orders

- Entered Orders +\$5M (+9%)
- Strong orders quarter highlighted by large Utility Shielding and Anechoic Chamber projects

Sales

- Lower domestic power filter sales and T&M volume in China
- Increased domestic service revenue and T&M activity in EMEA

Adjusted EBIT

- Margin improvement on lower revenue – price increases and cost reduction efforts more than offset impacts of lower volume and material and wage inflation

	Q4'22	Q4'23	Delta \$	Delta %
Entered Orders	\$59.4	64.9	+5.5	9.1%
Sales	69.3	63.5	(5.8)	-8.3%
EBIT	11.8	11.1	(0.7)	-5.6%
<i>Adj EBIT Margin</i>	<i>17.0%</i>	<i>17.5%</i>	<i>+0.5 pts</i>	
	9/30/22	9/30/23	Delta \$	Delta %
Backlog	\$158.6	154.8	(3.8)	-2.4%

Test Segment Acquisition – MPE, Ltd.

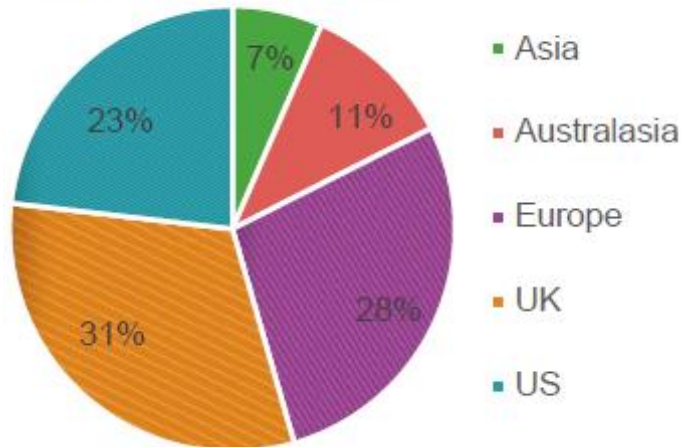
- Manufacturer of Electronic Filters

- 98 Years in Business
- Liverpool, UK
- 42,000 ft² Facility

- Facility & Component Filters:

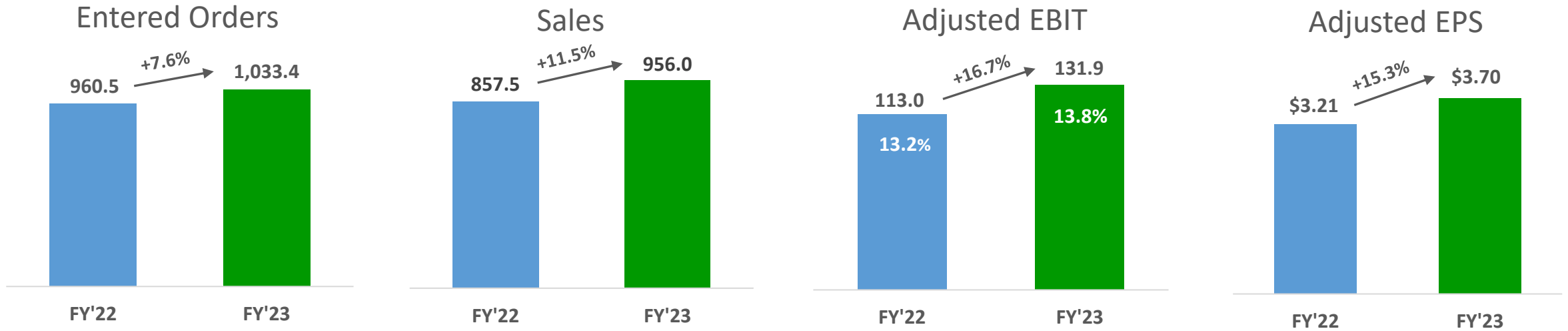
- Mil-Std EMP filters
- Feedthrough and equipment filters which are embedded into military, automotive & other critical systems
- Wide range of existing designs and applications

FY23 Revenue Split



Adds high margin component content to TEST

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



Entered Orders

- Entered Orders +\$73M (+8%) - driven by strength in commercial/defense aerospace, Navy, utilities & renewables
- Book-to-Bill of 1.08
- Record year-end backlog of \$772M, +\$77M (+11%) from 9/30/22

Sales

- Sales increased 11.5% – Organic +10.3% & Acquisitions +1.2%
- Organic Growth driven by commercial & defense aerospace, utility spending & renewables

Adjusted EBIT

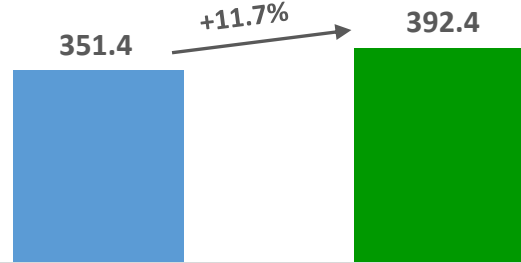
- Higher margins in USG and Test, partially offset by A&D

	FY'22	FY'23	Delta \$	Delta %
Entered Orders	\$960.5	\$1,033.4	\$72.9	7.6%
Sales	857.5	956.0	98.5	11.5%
Adjusted EBIT	113.0	131.9	18.9	16.7%
<i>Adj EBIT Margin</i>	<i>13.2%</i>	<i>13.8%</i>	<i>+0.6 pts</i>	
Adjusted EBITDA	161.3	182.4	21.1	13.1%
<i>Adj EBITDA Margin</i>	<i>18.8%</i>	<i>19.1%</i>	<i>+0.3 pts</i>	
EPS GAAP	\$3.16	\$3.58	\$0.42	13.3%
EPS Adjusted	\$3.21	\$3.70	\$0.49	15.3%

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

A&D

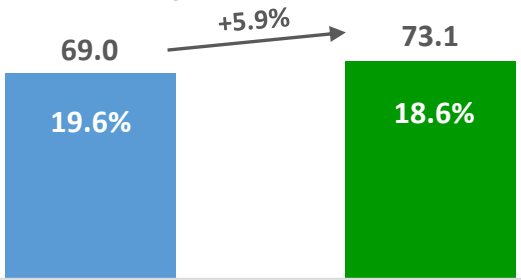
Sales



FY'22

FY'23

Adjusted EBIT



FY'22

FY'23

Sales

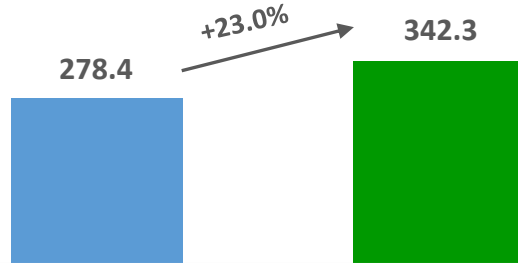
- Commercial Aerospace +\$23.8M (+19%)
- Defense Aerospace +\$17.1M (+32%)
- Navy +\$3.0M (+3%)

Adjusted EBIT

- Margin erosion on space development contacts offset leverage on higher aerospace volume

USG

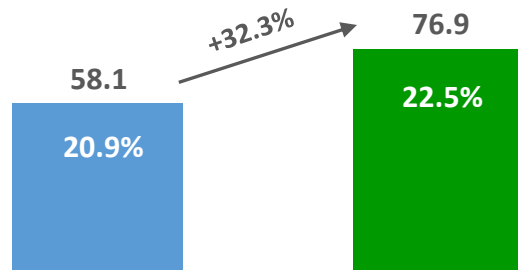
Sales



FY'22

FY'23

Adjusted EBIT



FY'22

FY'23

Sales

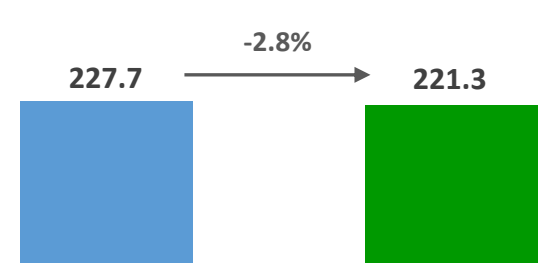
- Doble +\$41.8M (+18%) – increased condition monitoring and protection testing spending
- NRG +\$22.1M (+52%) - strong demand across renewables product lines / IRA Spending

Adjusted EBIT

- Leverage on higher revenue & price increases, partially offset by inflation and higher commissions

Test

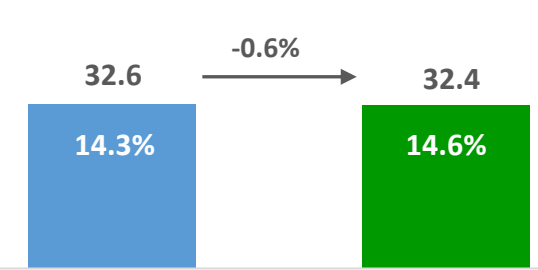
Sales



FY'22

FY'23

EBIT



FY'22

FY'23

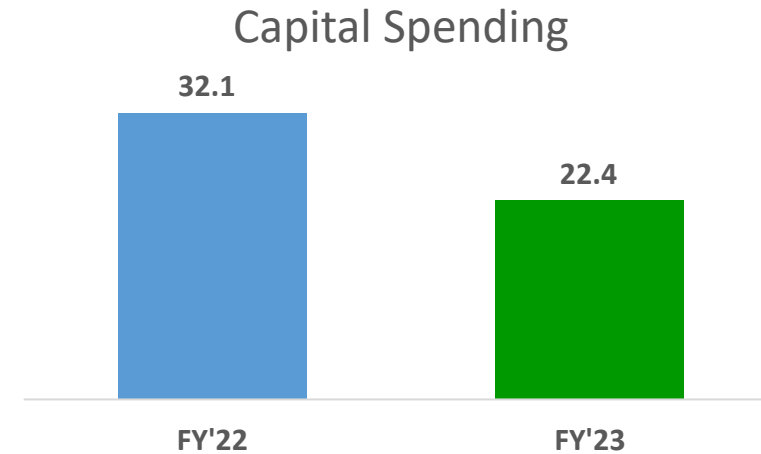
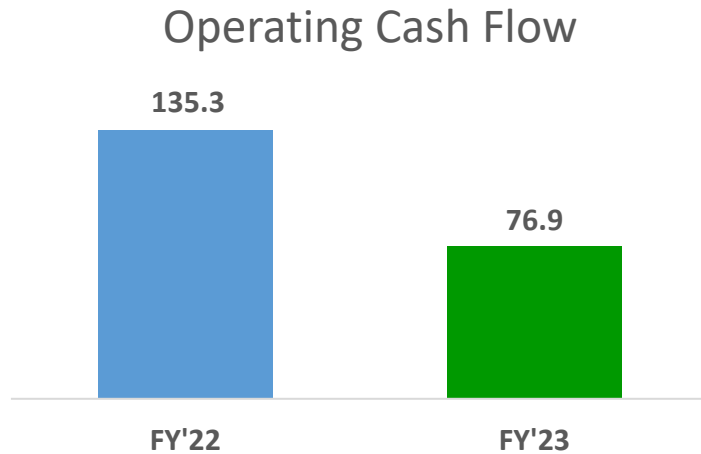
Sales

- Lower domestic filter sales and T&M volume in China
- Partially offset by increased domestic service revenue and T&M in EMEA

Adjusted EBIT

- Margin improvement on lower revenue – price increases and cost reduction efforts more than offset lower volume and inflation

Full Year Cash Flow & Capital Expenditures (\$ in Millions)



Operating Cash Flow

- Higher working capital requirements
 - Accounts Receivable related to increased sales
 - Contract Assets driven by high levels of past due backlog
 - \$20M YTD impact due to higher taxes paid
 - \$6M YTD impact of higher interest paid

Capital Expenditure

- FY'22 included purchase of NRG headquarters building for ~\$10M

Acquisitions

- NEco (A&D) in FY'22 / CMT (A&D) in FY'23

Share Repurchase

- Repurchased ~140K shares for \$12.4M in FY'23

Cash Flow	FY'22	FY'23	Delta
Operating Cash Flow	\$135.3	76.9	(58.4)
Capital Expenditures	(32.1)	(22.4)	9.7
Acquisitions	(10.9)	(17.7)	(6.8)
Share Repurchase	(19.9)	(12.4)	7.5

FY'24 Guidance

Sales - Expected to increase 7% to 9% and be in the range of \$1.02B to \$1.04B (including MPE)

- **A&D** - 8 percent to 10 percent
- **USG** - 6 to 8 percent
- **Test** - 8 to 10 percent (including MPE acquisition)

Adjusted EBIT - Expected to increase ~ 12% to 15%, with margins increasing to 14.3% - 14.7%

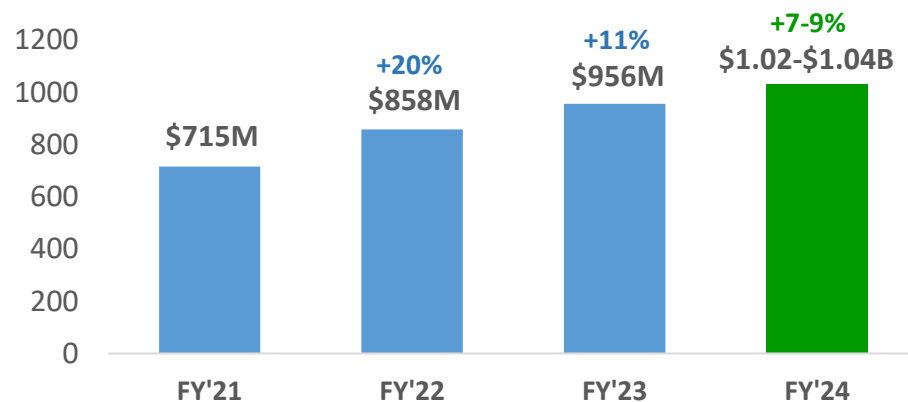
Adjusted EBITDA - Expected to increase ~ 10% to 12%, with margins increasing to 19.4% - 19.8%

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

Adjusted EPS

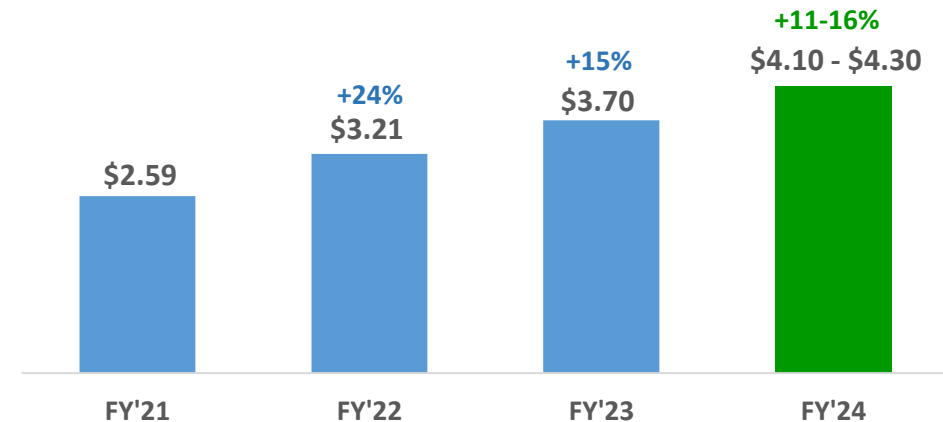
- **Full Year** - Expected to be in the range of \$4.10 - \$4.30 per share (11% - 16% growth)
- **Q1'24** - Expected to be in the range of \$0.64 - \$0.70 per share (7% - 17% growth) compared to Q1'23 Adjusted EPS

Sales Trends

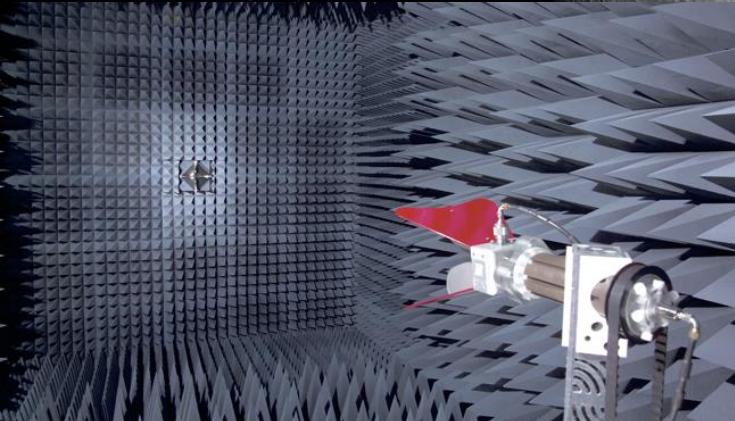
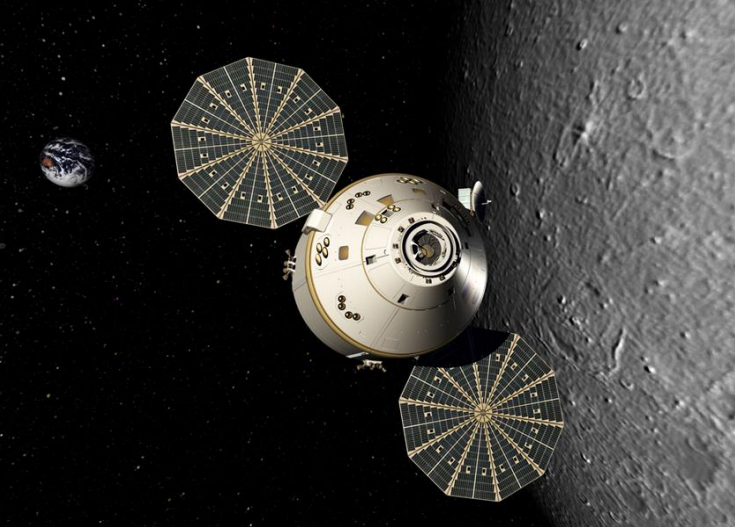


3 Year CAGR to FY'24 Midpoint = 13.0%

Adjusted EPS Trends



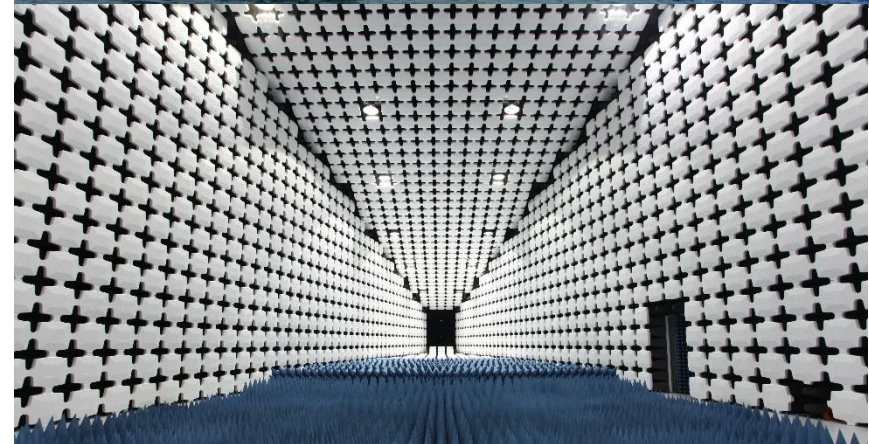
3 Year CAGR to FY'24 Midpoint = 17.5%



ESCO Technologies

Fourth Quarter FY 2023 Earnings Call

Q&A



Reconciliation of Non-GAAP Measures – Q4

	GAAP		Adjustments		As Adjusted	
	Q4'22	Q4'23	Q4'22	Q4'23	Q4'22	Q4'23
EBIT						
A&D	\$ 23,310	\$ 18,647	280	428	23,590	19,075
USG	19,764	26,179	49	63	19,813	26,242
Test	11,779	11,115	-	-	11,779	11,115
Corporate	(12,658)	(12,402)	230	-	(12,428)	(12,402)
Consolidated EBIT	42,195	43,539	559	491	42,754	44,030
Less: Interest Expense	(1,767)	(2,347)		-	(1,767)	(2,347)
Less: Income Tax	(9,388)	(9,195)	(129)	(113)	(9,517)	(9,308)
Net Earnings	31,040	31,997	430	378	31,470	32,375
Consolidated EBITDA	54,291	56,363	559	491	54,850	56,854
Less: Depreciation & Amortization	(12,096)	(12,824)	-	-	(12,096)	(12,824)
Consolidated EBIT	\$ 42,195	\$ 43,539	559	491	42,754	44,030
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EPS - As Adjusted	Q4'22	Q4'23				
EPS - GAAP	\$ 1.19	\$ 1.24				
Executive Management Transition	\$ 0.01	\$ -				
Restructuring - A&D/USG	\$ 0.01	\$ 0.01				
EPS - As Adjusted	\$ 1.21	\$ 1.25				

Reconciliation of Non-GAAP Measures – Full Year

	GAAP		Adjustments		As Adjusted	
	FY'22	FY'23	FY'22	FY'23	FY'22	FY'23
EBIT						
A&D	68,352	71,643	615	1,427	68,967	73,070
USG	57,604	76,722	516	193	58,120	76,915
Test	32,592	32,395	-	-	32,592	32,395
Corporate	(47,262)	(53,044)	535	2,513	(46,727)	(50,531)
Consolidated EBIT	111,286	127,716	1,666	4,133	112,952	131,849
Less: Interest Expense	(4,851)	(8,769)	-	-	(4,851)	(8,769)
Less: Income Tax	(24,115)	(26,402)	(384)	(951)	(24,499)	(27,353)
Net Earnings	82,320	92,545	1,282	3,182	83,602	95,727
Consolidated EBITDA	159,629	178,239	1,666	4,133	161,295	182,372
Less: Depreciation & Amortization	(48,343)	(50,523)	-	-	(48,343)	(50,523)
Consolidated EBIT	111,286	127,716	1,666	4,133	112,952	131,849
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EPS - As Adjusted	FY'22	FY'23				
EPS - GAAP	\$ 3.16	\$ 3.58				
Purchase Accounting/Acq Related Exp	\$ 0.03	\$ 0.03	FY'22-Altanova & Neco / FY'23 - CMT			
Management Transition Costs	\$ 0.01	\$ 0.06				
Restructuring - A&D/USG	\$ 0.01	\$ 0.03				
Adjustments	\$ 0.05	\$ 0.12				
EPS - As Adjusted	\$ 3.21	\$ 3.70				