

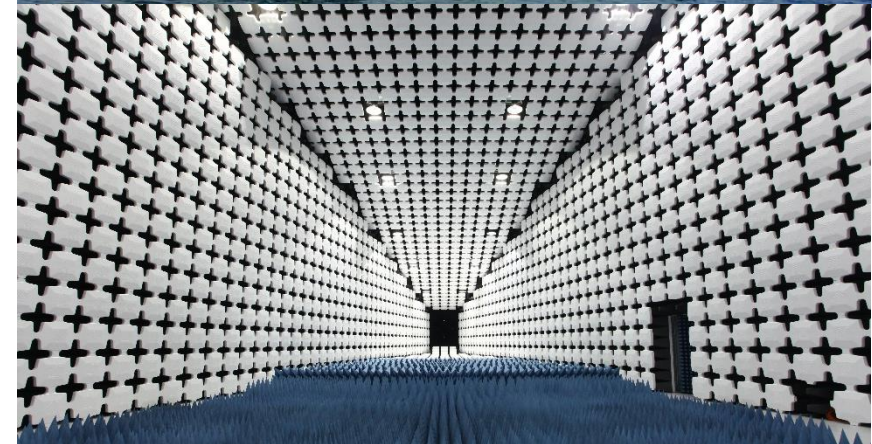
ESCO Technologies

Fourth Quarter FY 2024 Earnings Call

Bryan Saylor
President & CEO

Chris Tucker
Sr. Vice President & CFO

November 14, 2024



Forward Looking Statement

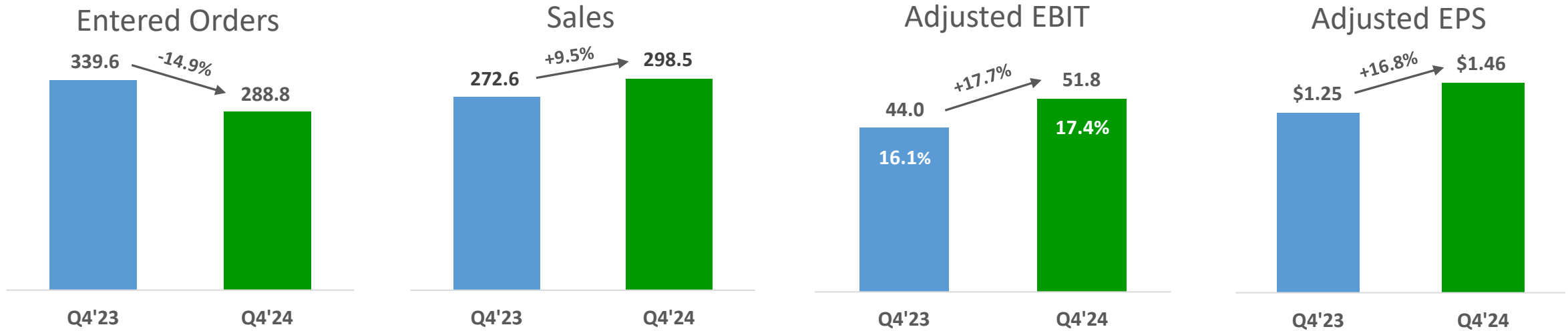
Statements in this presentation regarding Management's intentions, expectations and guidance for fiscal 2025, including restructuring and cost reduction actions, sales, orders, revenues, margin, earnings, Adjusted EPS, and any other statements which are not strictly historical, are "forward-looking statements" 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; of the Company's pending acquisition of SM&P; 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.

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



Entered Orders

- Orders lower compared to record quarterly orders in Q4'23
- Q4 Book-to-Bill of 0.97 / Ending Backlog increased \$107M (14%) from 9/30/23

Sales

- Sales increased 9.5% – Organic +8.5% / MPE Acquisition +1%

Adjusted EBIT

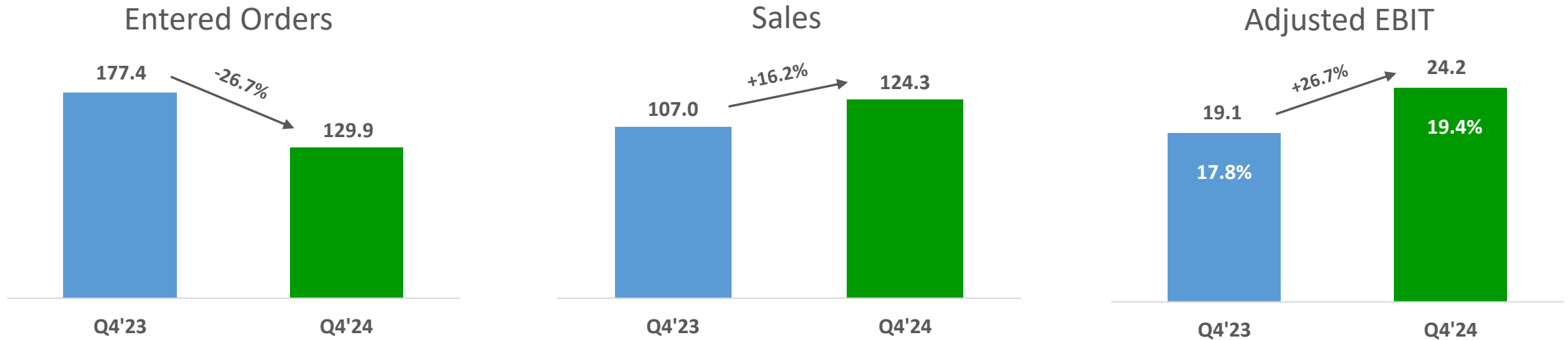
- Higher margins in all three segments

Adjusted EPS

- Adjusted EPS of \$1.46 includes the impact of profit erosion on Space development programs at VACCO in the quarter
 - PTI/Crissair (reduction in past dues) & Doble offset Space impacts
- Q4 Guidance of \$1.38 - \$1.48 excluded the potential for Space profit erosion at VACCO (\$0.15 - \$0.21) – Actual impact was (\$0.21) in Q4

	Q4'23	Q4'24	Delta \$	Delta %
Entered Orders	\$339.6	288.8	(50.8)	-14.9%
Sales	272.6	298.5	25.9	9.5%
Adjusted EBIT	44.0	51.8	7.8	17.7%
<i>Adj EBIT Margin</i>	16.1%	17.4%	+1.3 pts	
Adjusted EBITDA	56.9	65.9	9.0	15.9%
<i>Adj EBITDA Margin</i>	20.9%	22.1%	+1.2 pts	
EPS GAAP	\$1.24	\$1.32	\$0.08	6.5%
EPS Adjusted	\$1.25	\$1.46	\$0.21	16.8%

A&D – Q4 (\$ in Millions)



Entered Orders

- Navy – Q4'23 contained large orders for the Machining of Block V Hull Treatments & Ejection Valve System Development
- Q4 Book-to-Bill of 1.05
- Record Ending Backlog +\$116M (+24%) from 9/30/23

Sales

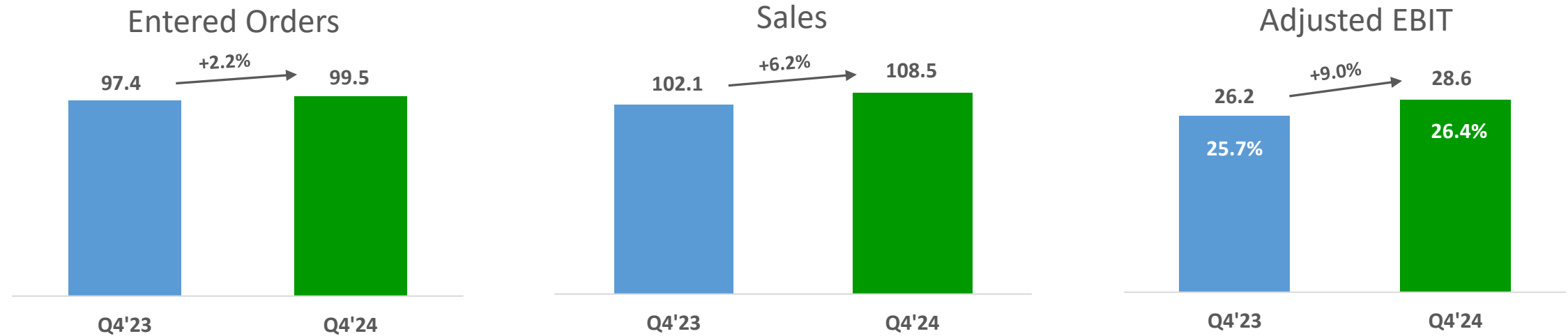
- Aerospace - Commercial +\$8M (+20%) & Defense +\$7M (+33%)
- Navy +\$5M (+17%)

Adjusted EBIT

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

	Q4'23	Q4'24	Delta \$	Delta %
Entered Orders	\$177.4	129.9	(47.5)	-26.7%
Sales	107.0	124.3	17.3	16.2%
Adjusted EBIT	19.1	24.2	5.1	26.7%
<i>Adj EBIT Margin</i>	17.8%	19.4%	+1.6 pts	
Adjusted EBITDA	22.4	27.7	5.3	23.3%
<i>Adj EBITDA Margin</i>	21.0%	22.3%	+1.3 pts	
	9/30/23	9/30/24	Delta \$	Delta %
Backlog	\$484.1	600.4	116.3	24.0%

USG – Q4 (\$ in Millions)



Entered Orders

- Doble (\$5M) – solid quarter (\$81M in orders) vs tough comp
- NRG +\$7M - \$19M in Q4 orders - 2nd highest quarter in history
- Q4 Book-to-Bill of 0.92

Sales

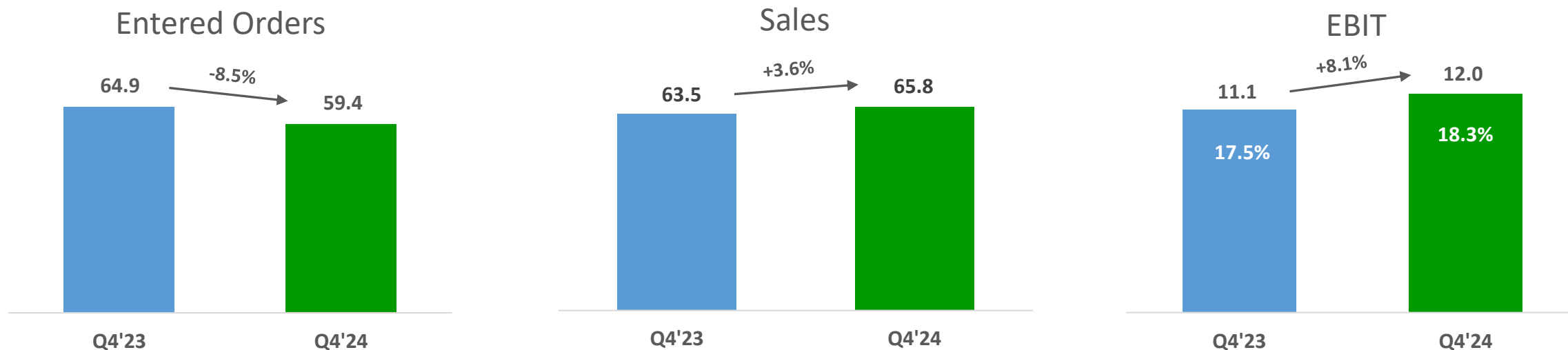
- Doble +\$4.7M (+6%) – strong quarter for Services and Condition Monitoring, partially offset by lower Protection Testing
- NRG +\$1.7M (+9%) – \$21M in sales – highest quarter in NRG history

Adjusted EBIT

- Leverage on higher volume and price increases partially offset by inflationary pressures

	Q4'23	Q4'24	Delta \$	Delta %
Entered Orders	\$97.4	99.5	2.1	2.2%
Sales	102.1	108.5	6.4	6.2%
Adjusted EBIT	26.2	28.6	2.4	9.0%
<i>Adj EBIT Margin</i>	25.7%	26.4%	+0.7 pts	
Adjusted EBITDA	29.9	32.7	2.8	9.2%
<i>Adj EBITDA Margin</i>	29.3%	30.1%	+0.8 pts	
	9/30/23	9/30/24	Delta \$	Delta %
Backlog	\$133.5	119.9	(13.6)	-10.1%

Test – Q4 (\$ in Millions)



Entered Orders

- Orders (\$5.5M) – lower related to U.S. Industrial Shielding (Q4'23 included a large Utility Shielding order) & China weakness
- Q4 Book-to-Bill of 0.90 / Ending Backlog +\$4M from 9/30/23

Sales

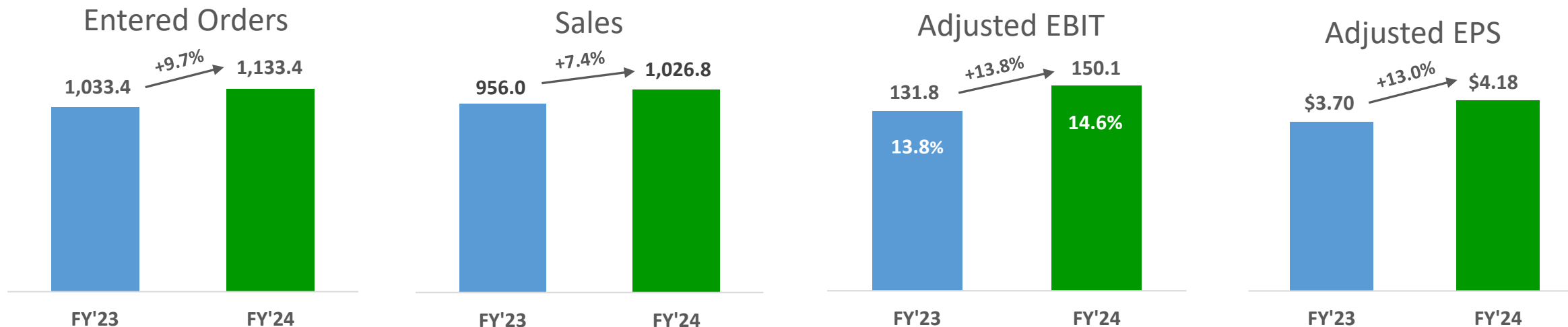
- Organic revenue down 1% / MPE Acquisition added 5%
- Sales up 17% sequentially

Adjusted EBIT

- Record quarterly margin driven by high margin MPE content, price increases and cost reductions efforts, partially offset by inflationary pressures

	Q4'23	Q4'24	Delta \$	Delta %
Entered Orders	\$64.9	59.4	(5.5)	-8.5%
Sales	63.5	65.8	2.3	3.6%
Adjusted EBIT	11.1	12.0	0.9	8.1%
<i>Adj EBIT Margin</i>	<i>17.5%</i>	<i>18.3%</i>	<i>+0.8 pts</i>	
Adjusted EBITDA	12.4	13.4	1.0	7.9%
<i>Adj EBITDA Margin</i>	<i>19.6%</i>	<i>20.4%</i>	<i>+0.8 pts</i>	
	9/30/23	9/30/24	Delta \$	Delta %
Backlog	\$154.8	158.6	3.8	2.5%

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



Entered Orders

- Orders +\$100M (+10%)
 - Strength in Commercial/Defense Aerospace & Navy
 - Book-to-Bill of 1.10, Ending Backlog +\$107M (+14%)

Sales

- Sales +\$71M (+7%)
 - A&D +14% - Navy +22%, Comm Aero +12% & Defense Aero +25%
 - USG +8% - Regulated Utilities +7% & Renewables +12%
 - Test (5%)
 - Organic revenue down 9% - lower wireless & China
 - MPE Acquisition added 4%

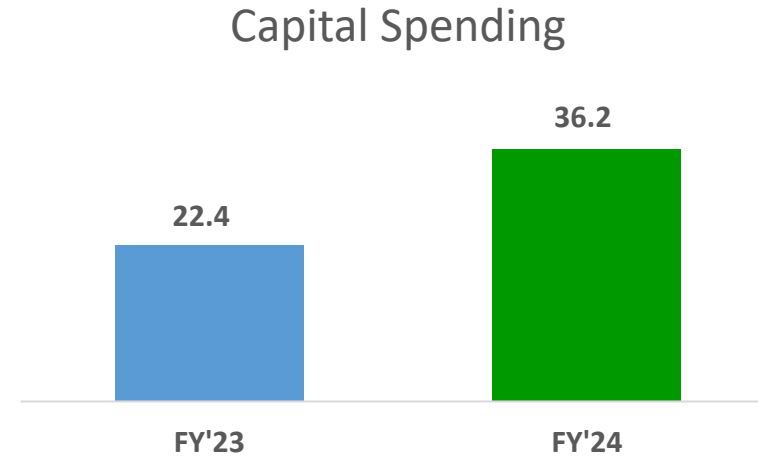
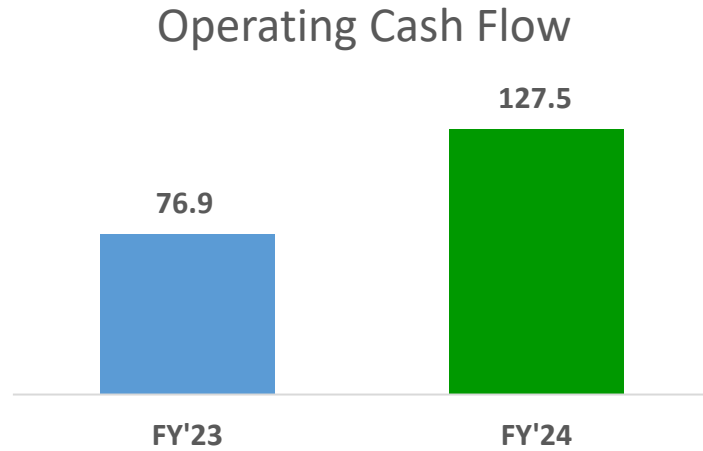
Adjusted EBIT

- Margin improved 80 basis points as leverage on higher sales and price increases more than offset margin erosion at VACCO on space development programs and inflationary pressures

	FY'23	FY'24	Delta \$	Delta %
Entered Orders	\$1,033.4	1,133.4	100.0	9.7%
Sales	956.0	1,026.8	70.8	7.4%
Adjusted EBIT	131.8	150.1	18.3	13.8%
<i>Adj EBIT Margin</i>	<i>13.8%</i>	<i>14.6%</i>	<i>+0.8 pts</i>	
Adjusted EBITDA	182.4	204.7	22.3	12.2%
<i>Adj EBITDA Margin</i>	<i>19.1%</i>	<i>19.9%</i>	<i>+0.8 pts</i>	
EPS GAAP	\$3.58	\$3.94	\$0.36	10.1%
EPS Adjusted	\$3.70	\$4.18	\$0.48	13.0%

A Record Year on All Key Metrics

Cash Flow & Capital Expenditures (\$ in Millions)



Operating Cash Flow

- Improvement mainly driven by higher earnings and lower working capital requirements

Capital Expenditures

- Higher Cap Ex 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

- No shares repurchased in Q4
- FY'24 repurchase of ~80K shares for ~\$8M

Cash Flow	FY'23	FY'24	Delta
Operating Cash Flow	\$76.9	127.5	50.6
Capital Expenditures	(22.4)	(36.2)	(13.8)
Acquisitions	(17.7)	(56.4)	(38.7)
Share Repurchase	(12.4)	(8.0)	4.4

FY'25 Guidance

Sales - Expected to increase 6% to 8% and be in the range of \$1.09B to \$1.11B

- **A&D** - expected to increase 7% - 9%
- **USG** - expected to increase 7% - 9%
- **Test** – expected to increase 3% - 5%

Adjusted EBIT - Expected to increase ~ 12% to 15%, with margins increasing to 15.3% - 15.7%

Adjusted EBITDA - Expected to increase ~ 10% to 13%, with margins increasing to 20.5% - 21.0%

Effective Tax Rate - Expected to be in the range of 23.0% to 23.5%

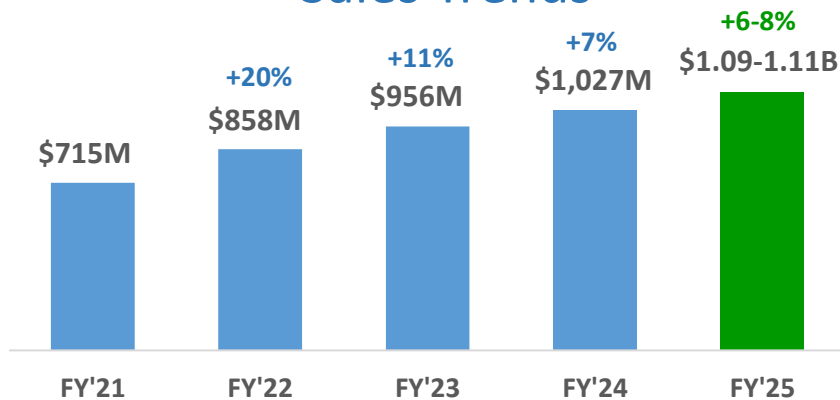
Adjusted EPS

- **Full Year** - Expected to be in the range of \$4.70 - \$4.90 per share (12% - 17% growth)
- **Q1'25** - Expected to be in the range of \$0.68 - \$0.75 per share (10% - 21% growth) compared to Q1'24 Adjusted EPS

FY'25 Guidance excludes:

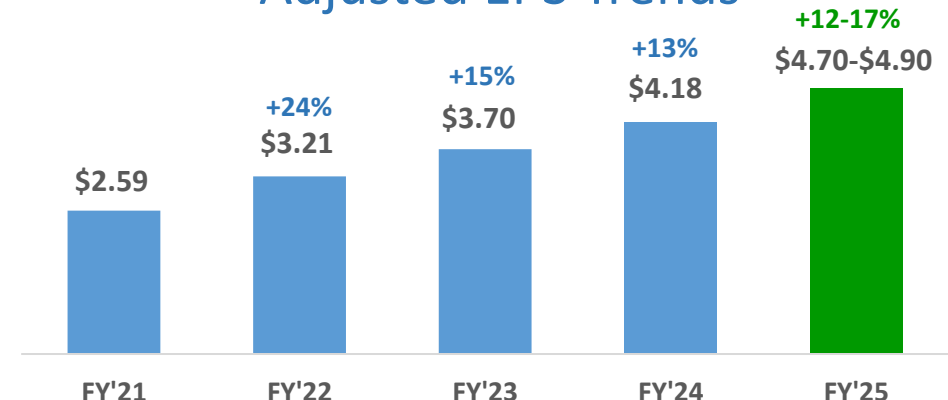
- SM&P – the SM&P acquisition is expected to close in early Q2 FY'25 – Guidance will be adjusted after closing
- Ongoing strategic review of the Space business at VACCO

Sales Trends

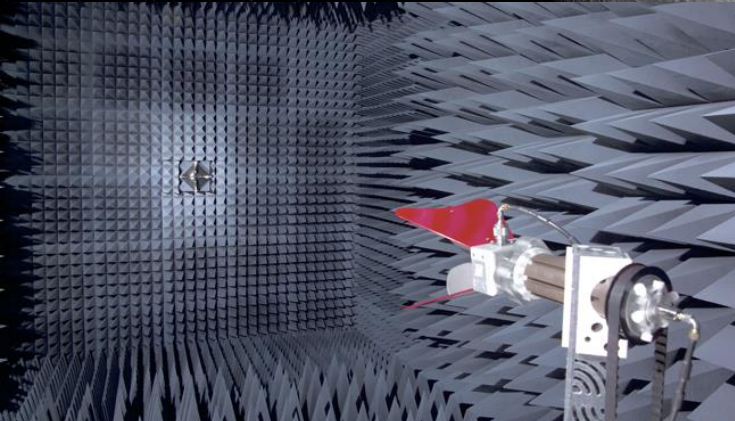
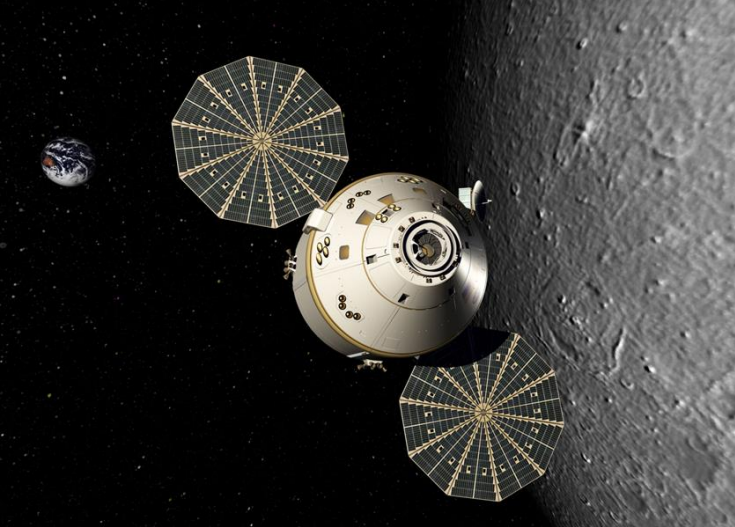


4 Year CAGR to FY'25 Midpoint = 11.4%

Adjusted EPS Trends



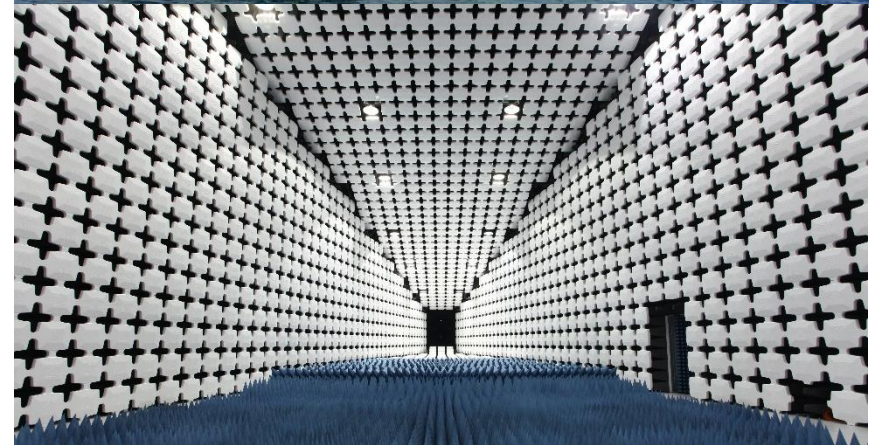
4 Year CAGR to FY'25 Midpoint = 16.7%



ESCO Technologies

Fourth Quarter FY 2024 Earnings Call

Q&A



Reconciliation of Non-GAAP Measures – Q4

	GAAP		Adjustments		As Adjusted	
	Q4'23	Q4'24	Q4'23	Q4'24	Q4'23	Q4'24
<u>EBIT</u>						
A&D	\$ 18,647	\$ 23,351	428	819	19,075	24,170
USG	26,179	28,563	63	30	26,242	28,593
Test	11,115	12,015	-	-	11,115	12,015
Corporate	(12,402)	(13,868)	-	913	(12,402)	(12,955)
Consolidated EBIT	43,539	50,061	491	1,762	44,030	51,823
Less: Interest Expense	(2,347)	(6,019)		3,050	(2,347)	(2,969)
Less: Income Tax	(9,195)	(9,779)	(113)	(1,107)	(9,308)	(10,886)
Net Earnings	31,997	34,263	378	3,705	32,375	37,968
<u>D&A</u>						
A&D	\$ 3,360	\$ 3,487	-	-	3,360	3,487
USG	3,675	4,073	-	-	3,675	4,073
Test	1,306	1,386	-	-	1,306	1,386
Corporate	4,483	5,105	-	-	4,483	5,105
Consolidated EBIT	12,824	14,051	-	-	12,824	14,051
<u>EBITDA</u>						
A&D	22,007	26,838	428	819	22,435	27,657
USG	29,854	32,636	63	30	29,917	32,666
Test	12,421	13,401	-	-	12,421	13,401
Corporate	(7,919)	(8,763)	-	913	(7,919)	(7,850)
Consolidated EBITDA	56,363	64,112	491	1,762	56,854	65,874
Less: Depreciation & Amortization	(12,824)	(14,051)	-	-	(12,824)	(14,051)
Consolidated EBIT	\$ 43,539	\$ 50,061	491	1,762	44,030	51,823
<u>EPS - As Adjusted</u>	Q4'23	Q4'24				
EPS - GAAP	\$ 1.24	\$ 1.32				
Acquisition Debt Financing	\$ -	\$ 0.09				
Acquisition Costs	\$ -	\$ 0.03				
Restructuring - A&D/USG	\$ 0.01	\$ 0.02				
Adjustments	\$ 0.01	\$ 0.14				
EPS - As Adjusted	\$ 1.25	\$ 1.46				

Reconciliation of Non-GAAP Measures – Full Year

	GAAP		Adjustments		As Adjusted	
	FY'23	FY'24	FY'23	FY'24	FY'23	FY'24
EBIT						
A&D	\$ 71,643	\$ 84,747	1,427	1,170	73,070	85,917
USG	76,722	85,918	193	225	76,915	86,143
Test	32,395	28,629	-	481	32,395	29,110
Corporate	(53,044)	(54,158)	2,513	3,079	(50,531)	(51,079)
Consolidated EBIT	127,716	145,136	4,133	4,955	131,849	150,091
Less: Interest Expense	(8,769)	(15,247)		3,050	(8,769)	(12,197)
Less: Income Tax	(26,402)	(28,008)	(951)	(1,841)	(27,353)	(29,849)
Net Earnings	92,545	101,881	3,182	6,164	95,727	108,045
D&A						
A&D	\$ 12,584	\$ 13,639	-	-	12,584	13,639
USG	13,963	15,608	-	-	13,963	15,608
Test	5,267	5,349	-	-	5,267	5,349
Corporate	18,709	20,813	-	(836)	18,709	19,977
Consolidated EBIT	50,523	55,409	-	(836)	50,523	54,573
EBITDA						
A&D	84,227	98,386	1,427	1,170	85,654	99,556
USG	90,685	101,526	193	225	90,878	101,751
Test	37,662	33,978	-	481	37,662	34,459
Corporate	(34,335)	(33,345)	2,513	2,243	(31,822)	(31,102)
Consolidated EBITDA	178,239	200,545	4,133	4,119	182,372	204,664
Less: Depreciation & Amortization	(50,523)	(55,409)	-	836	(50,523)	(54,573)
Consolidated EBIT	\$127,716	\$145,136	4,133	4,955	131,849	150,091
EPS - As Adjusted	FY'23	FY'24				
EPS - GAAP	\$ 3.58	\$ 3.94				
Acquisition Debt Financing	\$ -	\$ 0.09				
Purchase Accounting/Acquisition Costs	\$ 0.03	\$ 0.10				
Management Transition Costs	\$ 0.06	\$ -				
Restructuring - A&D/USG/Test/Corp	\$ 0.03	\$ 0.05				
Adjustments	\$ 0.12	\$ 0.24				
EPS - As Adjusted	\$ 3.70	\$ 4.18				

FY'23 - CMT / FY'24 - MPE & SM&P