

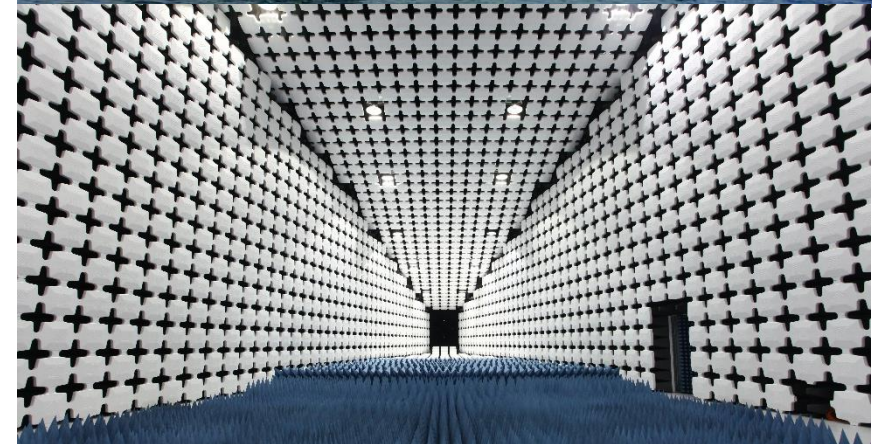
ESCO Technologies

Third Quarter FY 2022 Earnings Call

Vic Richey
Chairman, CEO & President

Chris Tucker
Sr. Vice President & CFO

August 8, 2022



Forward Looking Statement

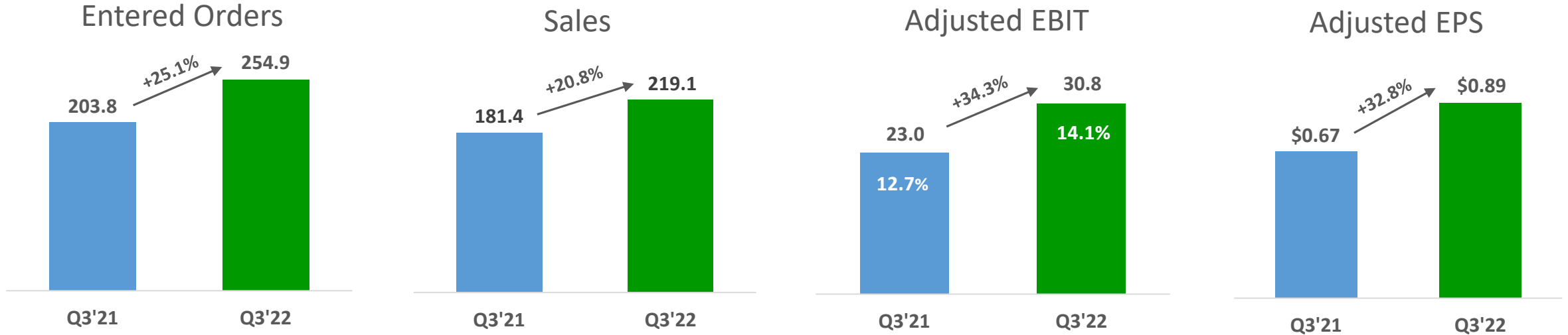
Statements in this presentation and made during today's conference call regarding the timing and magnitude of recovery in the Company's end markets, the continuing impacts of COVID-19 on the Company's results, sales, Adjusted SG&A, Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, cash flow, results of cost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

- Book-to-Bill of 1.16 – Broad strength across all 3 segments
 - Driven by test and measurement, space, commercial aerospace, electric utility, and renewables orders
- Record ending backlog of \$707M

Sales

- Sales increased 20.8% – Organic +13.8% and Acquisitions +7.0%
- Organic Growth driven by strength in Test, commercial aerospace, utility spending & renewables

Adjusted EBIT

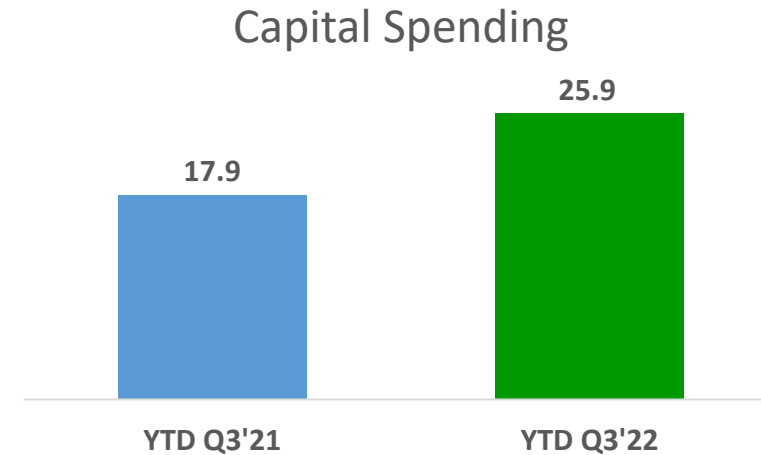
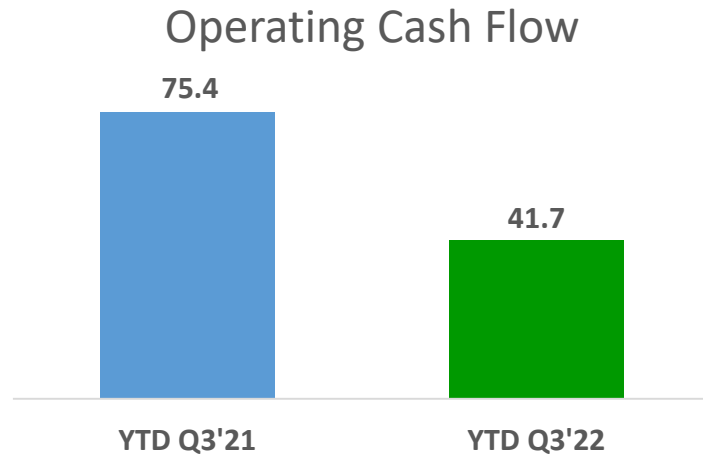
- Higher margins in A&D and USG, Test flat

Adjusted EBITDA

- Depreciation & Amortization +\$1.8M compared to Q3'21

	Q3'21	Q3'22	Delta \$	Delta %
Entered Orders	\$203.8	254.9	51.1	25.1%
Sales	181.4	219.1	37.7	20.8%
Adjusted EBIT	23.0	30.8	7.8	34.3%
<i>Adj EBIT Margin</i>	12.7%	14.1%	+1.4 pts	
Adjusted EBITDA	33.1	42.8	9.7	29.3%
<i>Adj EBITDA Margin</i>	18.2%	19.5%	+1.3 pts	
EPS GAAP	\$0.57	\$0.89	\$0.32	56.1%
EPS Adjusted	\$0.67	\$0.89	\$0.22	32.8%

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



Operating Cash Flow

- Accounts receivable increase due to sales increase
- Higher inventory related to managing supply chain issues and to support expected delivery schedules
- Unbilled accounts receivable increase due to timing of project execution

Capital Expenditure

- Increase driven by purchase of NRG headquarters building in Q1

Acquisitions

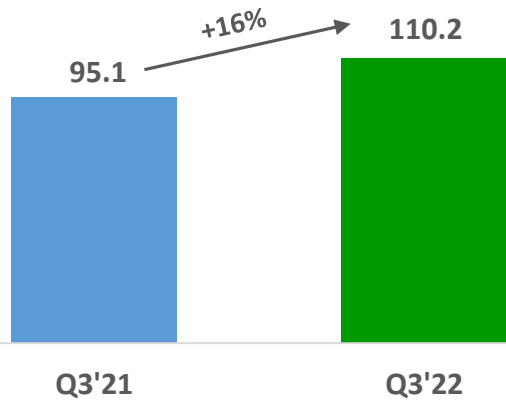
- NEco (A&D) in Q1'22 / ATM (A&D) in Q1'21

Share Repurchase

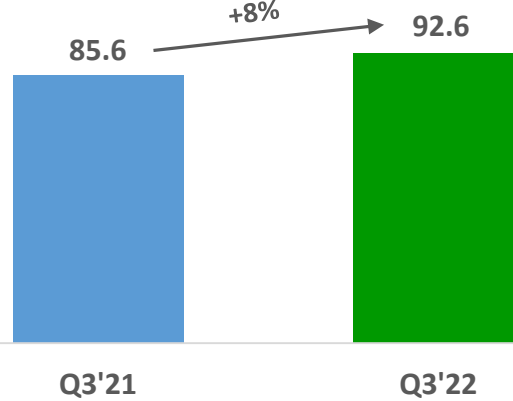
- Q3 2022 repurchased ~28K shares for \$2M
- YTD repurchased ~257K shares for \$20M

Cash Flow	YTD Q3'21	YTD Q3'22	Delta
Operating Cash Flow	\$75.4	41.7	(33.7)
Capital Expenditures	(17.9)	(25.9)	(8.0)
Acquisitions	(6.7)	(15.6)	(8.9)
Share Repurchase	-	(19.9)	(19.9)

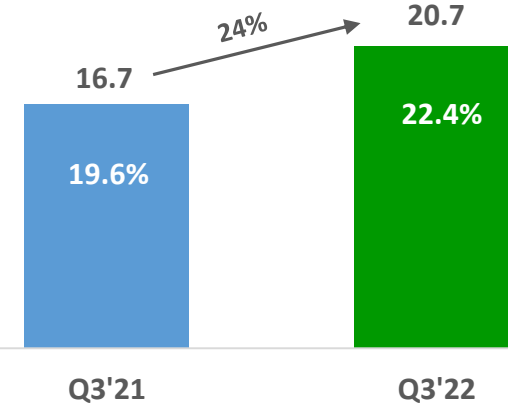
Entered Orders



Sales



Adjusted EBIT



Entered Orders

- SLS Shipset 4-6 long lead material funding (VACCO)
- 737 OEM production ramp, increased MRO
- Record ending backlog of \$415M – YTD increase of 13%

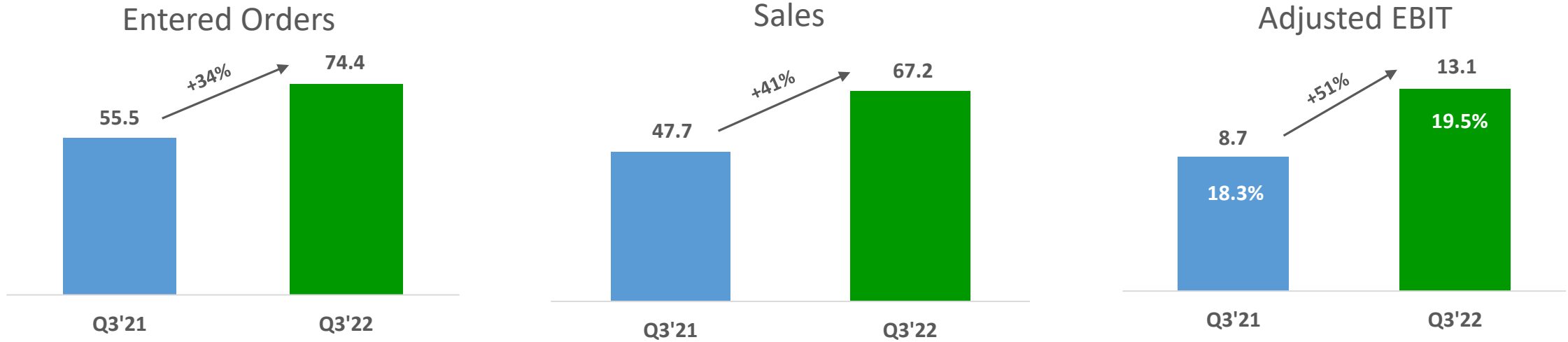
Sales

- Commercial Aerospace +\$8M / +35%
- Navy +\$3M / +11% and Space +\$2M / +13%
- Partially offset by lower Defense Aero (timing) and Industrial (VACCO)

Adjusted EBIT

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

	Q3'21	Q3'22	Delta \$	Delta %
Entered Orders	\$95.1	110.2	15.1	15.9%
Sales	85.6	92.6	7.0	8.2%
Adjusted EBIT	16.7	20.7	4.0	23.9%
<i>Adj EBIT Margin</i>	19.6%	22.4%	+2.8 pts	
	Prior YE	Q3'22	Delta \$	Delta %
Backlog	\$367.2	414.5	47.3	12.9%



Entered Orders

- Altanova & Phenix +\$13.9M
- NRG +\$4.5 (+49%) – Wind & Solar strength
- Ending backlog of \$124M – YTD increase of 35%

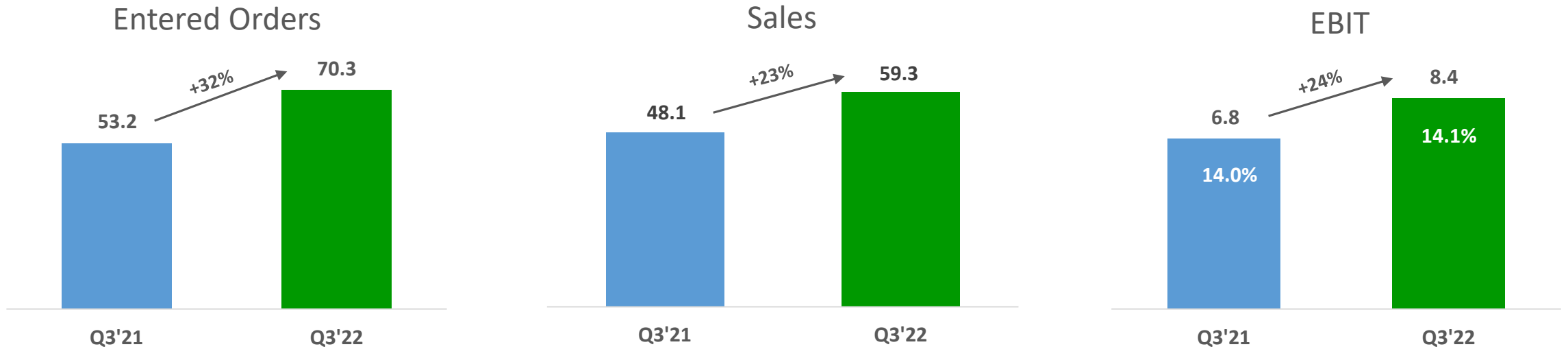
Sales

- Altanova & Phenix +\$11.6M
- Doble Organic +\$4.8M – Service, Protection Testing & Morgan Schaffer
- NRG +\$3.1M – strength across all product lines

Adjusted EBIT

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

	Q3'21	Q3'22	Delta \$	Delta %
Entered Orders	\$55.5	74.4	18.9	34.1%
Sales	47.7	67.2	19.5	40.9%
Adjusted EBIT	8.7	13.1	4.4	50.8%
<i>Adj EBIT Margin</i>	<i>18.3%</i>	<i>19.5%</i>	<i>+1.2 pts</i>	
	Prior YE	Q3'22	Delta \$	Delta %
Backlog	\$91.6	123.9	32.3	35.2%



Entered Orders

- Test & Measurement +\$21M – EMEA large chamber projects +\$13M & Americas +\$8M
- Record ending backlog of \$168M – YTD increase of 27%

Sales

- Driven by power filters and test and measurement projects

Adjusted EBIT

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

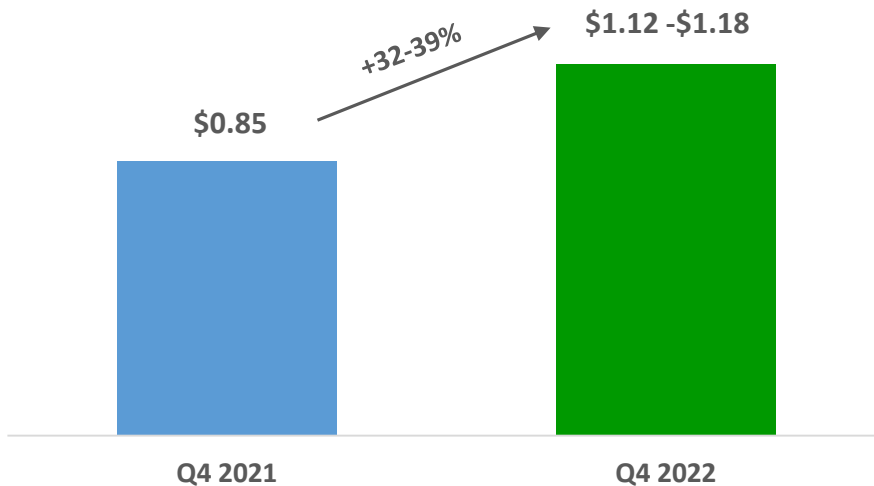
	Q3'21	Q3'22	Delta \$	Delta %
Entered Orders	\$53.2	70.3	17.1	32.1%
Sales	48.1	59.3	11.1	23.2%
EBIT	6.8	8.4	1.6	23.7%
<i>Adj EBIT Margin</i>	<i>14.0%</i>	<i>14.1%</i>	<i>+0.1 pts</i>	
	Prior YE	Q3'22	Delta \$	Delta %
Backlog	\$133.2	168.4	35.2	26.5%

FY'22 Guidance

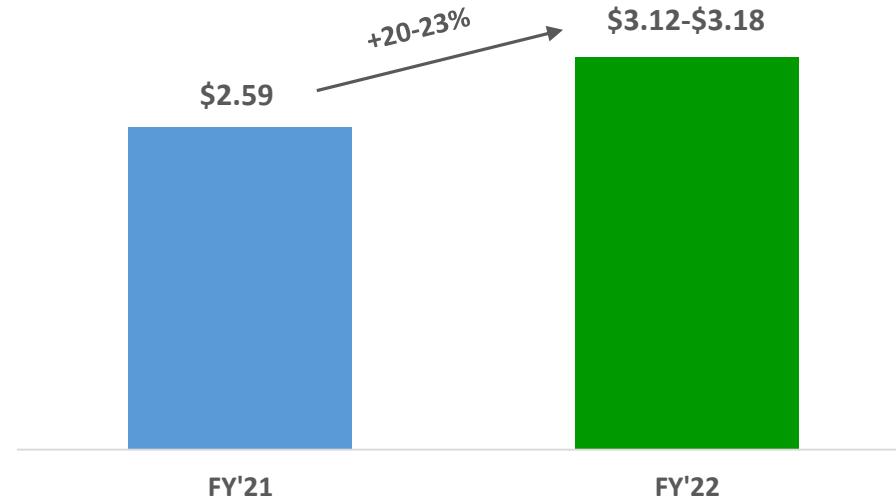
Adjusted EPS

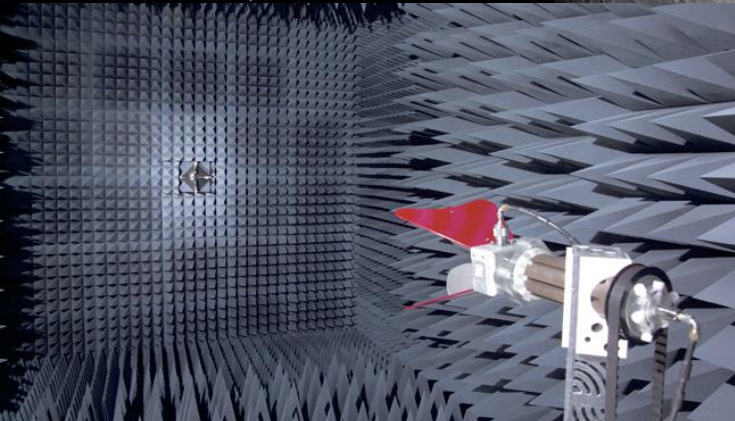
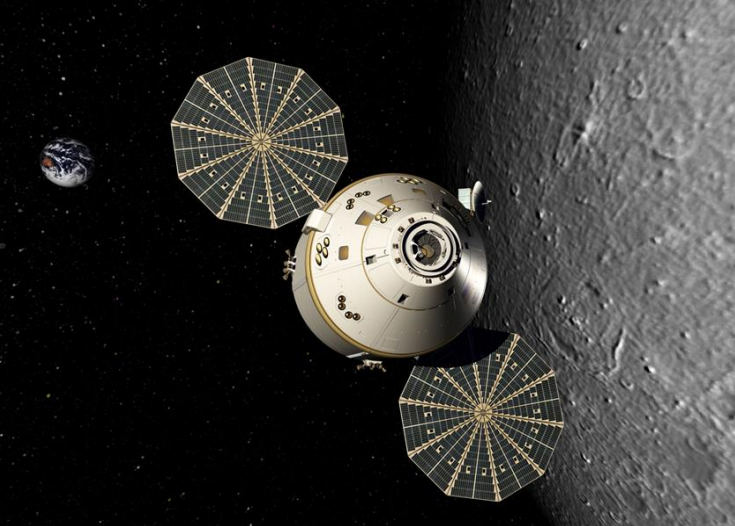
- Q4 - Expectation is for Q4 Adjusted EPS in the range of \$1.12 to \$1.18 per share, representing growth of 32% – 39% over the prior year
- Full Year – Consistent with our November guidance, but narrows Adjusted EPS to be in the range of \$3.12 to \$3.18 per share

Expected Q4 Adjusted EPS



Expected FY 2022 Adjusted EPS



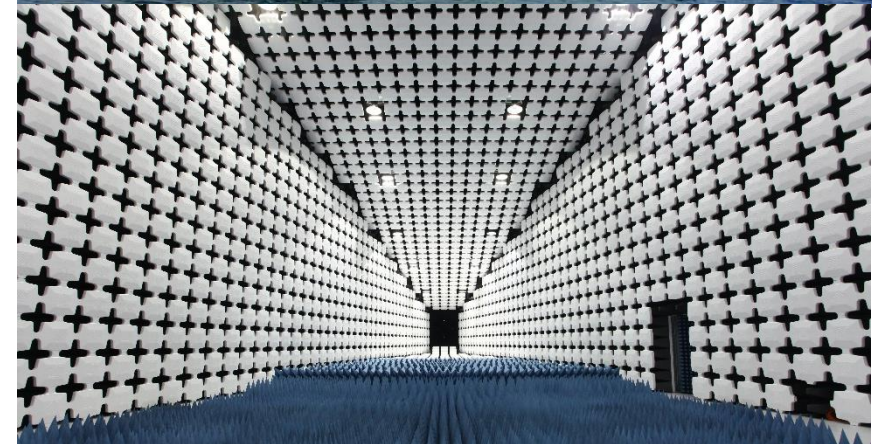


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Third Quarter FY 2022

Earnings Call

Q&A



Reconciliation of Non-GAAP Measures

	GAAP		Adjustments		As Adjusted	
	Q3'21	Q3'22	Q3'21	Q3'22	Q3'21	Q3'22
EBIT						
A&D	\$16,714	20,738	25	-	16,739	20,738
USG	8,227	13,135	483	-	8,710	13,135
Test	6,751	8,354	-	-	6,751	8,354
Corporate	(12,269)	(11,394)	3,023	-	(9,246)	(11,394)
Consolidated EBIT	19,423	30,833	3,531	-	22,954	30,833
Less: Interest Expense	(480)	(1,331)			(480)	(1,331)
Less: Income Tax	(4,034)	(6,329)	(812)	-	(4,846)	(6,329)
Net Earnings	14,909	23,173	2,719	-	17,628	23,173
Consolidated EBITDA	29,567	42,788	3,531	-	33,098	42,788
Less: Depreciation & Amortization	(10,144)	(11,955)	-	-	(10,144)	(11,955)
Consolidated EBIT	\$19,423	30,833	3,531	-	22,954	30,833
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EPS - As Adjusted	Q3'21	Q3'22				
EPS - GAAP	\$ 0.57	\$ 0.89				
USG Facility Move	\$ 0.01	\$ -				
Acquisition Related Expenses	\$ 0.03	\$ -				
Management Transition Costs	\$ 0.06	\$ -				
EPS - As Adjusted	\$ 0.67	\$ 0.89				