

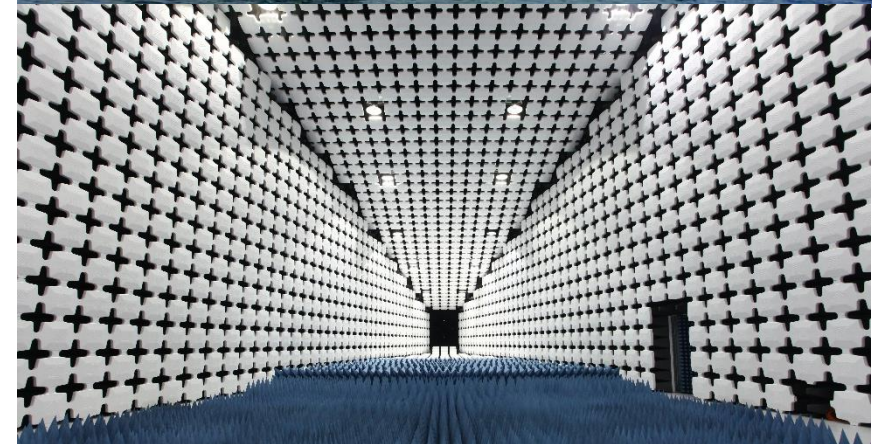
ESCO Technologies

Second Quarter FY 2024 Earnings Call

Bryan Saylor
President & CEO

Chris Tucker
Sr. Vice President & CFO

May 9, 2024



Forward Looking Statement

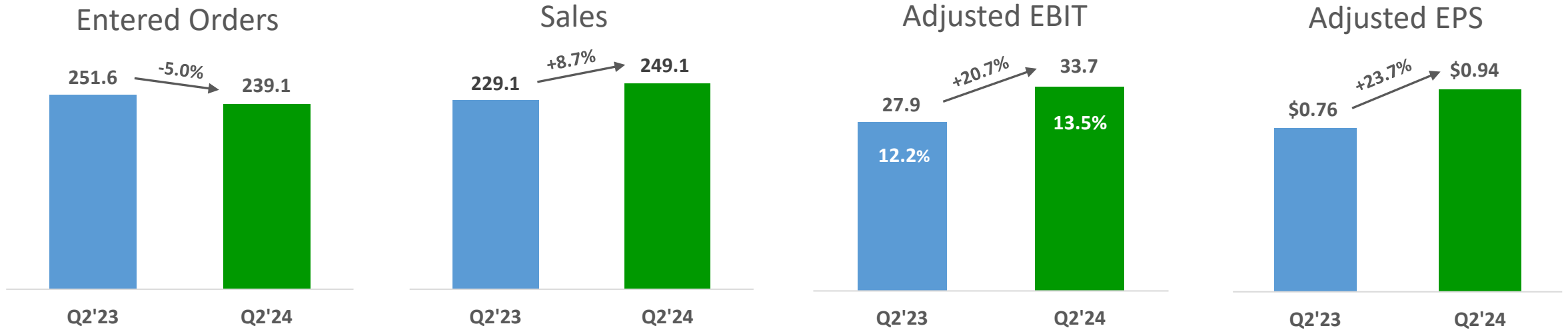
Statements in this press release regarding Management's intentions, expectations and guidance for fiscal 2024, including restructuring and cost reduction efforts, sales, orders, revenues, margin, earnings, Adjusted EPS, and any other statements which are not strictly historical, are "forward-looking 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 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, 2023 and the following: 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 selected 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 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.

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



Entered Orders

- Strength in Aerospace offset by lower Test orders
- Q2 Book-to-Bill of 0.96
- Ending Backlog +\$65M (+8%) from 9/30/23

Sales

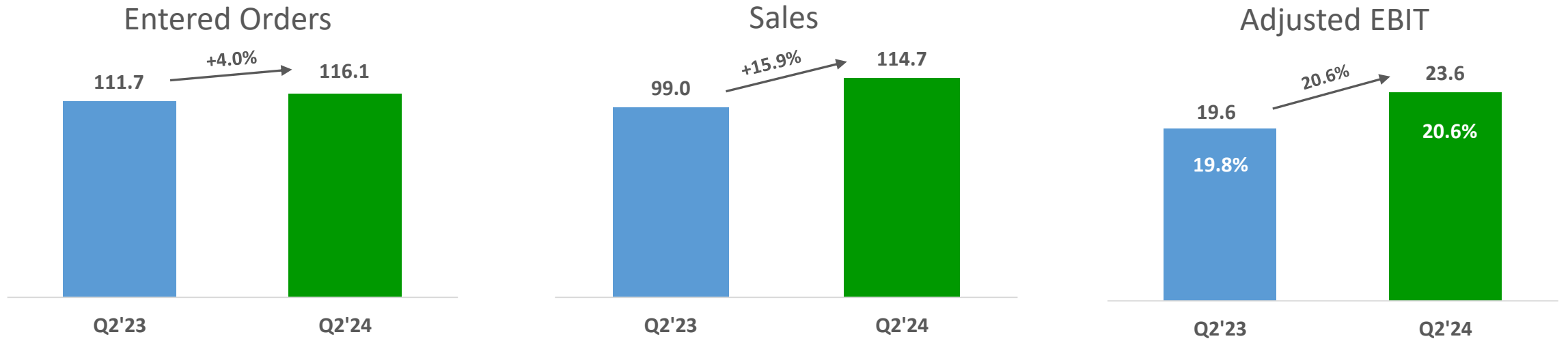
- Sales increased 9% – Organic +8% / MPE Acquisition +1%
- Double digit revenue growth at A&D and USG, partially offset by lower Test

Adjusted EBIT

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

	Q2'23	Q2'24	Delta \$	Delta %
Entered Orders	\$251.6	239.1	(12.5)	-5.0%
Sales	229.1	249.1	20.0	8.7%
Adjusted EBIT	27.9	33.7	5.8	20.7%
<i>Adj EBIT Margin</i>	12.2%	13.5%	+1.3 pts	
Adjusted EBITDA	40.5	47.2	6.7	16.6%
<i>Adj EBITDA Margin</i>	17.7%	18.9%	+1.2 pts	
EPS GAAP	\$0.69	\$0.90	\$0.21	30.4%
EPS Adjusted	\$0.76	\$0.94	\$0.18	23.7%

A&D – Q2 (\$ in Millions)



Entered Orders

- Aerospace – Strong quarter for Commercial & Defense OEM/Aftermarket

Sales

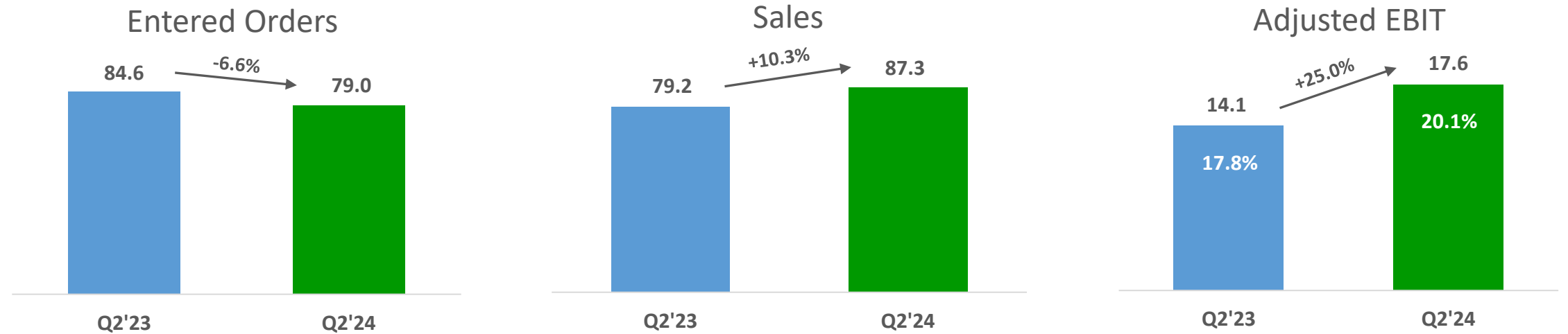
- Navy +\$7M (+32%)
- Aerospace - Commercial +\$5M (+14%) & Defense +\$3M (+20%)

Adjusted EBIT

- Leverage and price increases, partially offset by inflationary pressures and mix

	Q2'23	Q2'24	Delta \$	Delta %
Entered Orders	\$111.7	116.1	4.4	4.0%
Sales	99.0	114.7	15.7	15.9%
Adjusted EBIT	19.6	23.6	4.0	20.6%
<i>Adj EBIT Margin</i>	19.8%	20.6%	+0.8 pts	
Adjusted EBITDA	22.6	27.0	4.4	19.4%
<i>Adj EBITDA Margin</i>	22.8%	23.5%	+0.7 pts	
	Prior YE	3/31/24	Delta \$	Delta %
Backlog	\$484.1	562.3	78.2	16.2%

USG – Q2 (\$ in Millions)



Entered Orders

- NRG (\$4M) – orders moderating after record FY'23
- Doble (\$2M) – down slightly (3%) compared to prior year

Sales

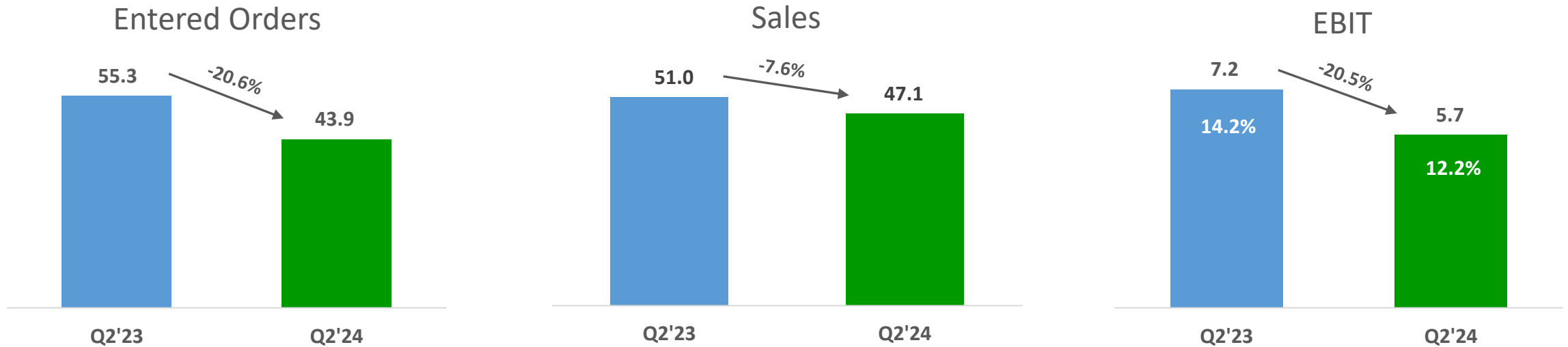
- Doble +\$6M (+10%) – strong quarter for services & cybersecurity/compliance
- NRG +\$2M (+13%) – higher solar sales

Adjusted EBIT

- Favorable mix from service business, leverage on higher revenue, and price increases partially offset by inflationary pressures

	Q2'23	Q2'24	Delta \$	Delta %
Entered Orders	\$84.6	79.0	(5.6)	-6.6%
Sales	79.2	87.3	8.1	10.3%
Adjusted EBIT	14.1	17.6	3.5	25.0%
<i>Adj EBIT Margin</i>	17.8%	20.1%	+2.3 pts	
<i>Adjusted EBITDA</i>	17.5	21.3	3.8	22.0%
<i>Adj EBITDA Margin</i>	22.1%	24.4%	+2.3 pts	
	Prior YE	3/31/24	Delta \$	Delta %
Backlog	\$133.5	119.2	(14.3)	-10.7%

Test – Q2 (\$ in Millions)



Entered Orders

- Wireless (\$4M) – expected to stay slow through the year
- Delays on a few large projects – timing
- Partially offset by higher OTC filters, services & MPE

Sales

- Lower Wireless T&M, Filters, and Acoustic volume
- Organic revenue down 12% / MPE Acquisition added 4%

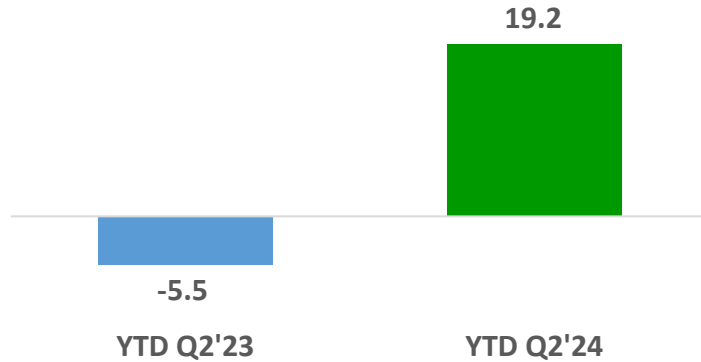
Adjusted EBIT

- Driven by leverage on lower volume and inflationary pressures, largely mitigated by price increases and cost reduction efforts

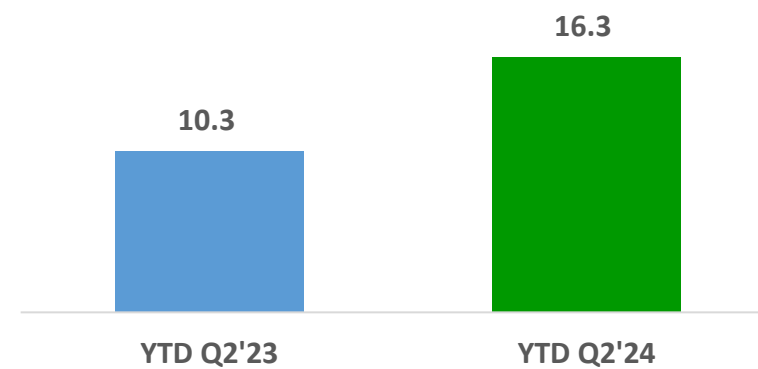
	Q2'23	Q2'24	Delta \$	Delta %
Entered Orders	\$55.3	43.9	(11.4)	-20.6%
Sales	51.0	47.1	(3.9)	-7.6%
Adjusted EBIT	7.2	5.7	(1.5)	-20.5%
<i>Adj EBIT Margin</i>	14.2%	12.2%	-2.0 pts	
Adjusted EBITDA	8.6	7.1	(1.5)	-17.2%
<i>Adj EBITDA Margin</i>	16.8%	15.0%	-1.8 pts	
	Prior YE	3/31/24	Delta \$	Delta %
Backlog	\$154.8	156.3	+1.5	+1.0%

Cash Flow & Capital Expenditures (\$ in Millions)

Operating Cash Flow



Capital Spending



Operating Cash Flow

- Improvement mainly driven by lower accounts receivable balances 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

- Repurchased ~72K shares for \$7M in Q2'24

Cash Flow	YTD Q2'23	YTD Q2'24	Delta
Operating Cash Flow	\$(5.5)	19.2	24.7
Capital Expenditures	(10.3)	(16.3)	(6.0)
Acquisitions	(17.9)	(56.2)	(38.3)
Share Repurchase	(12.2)	(7.2)	5.0

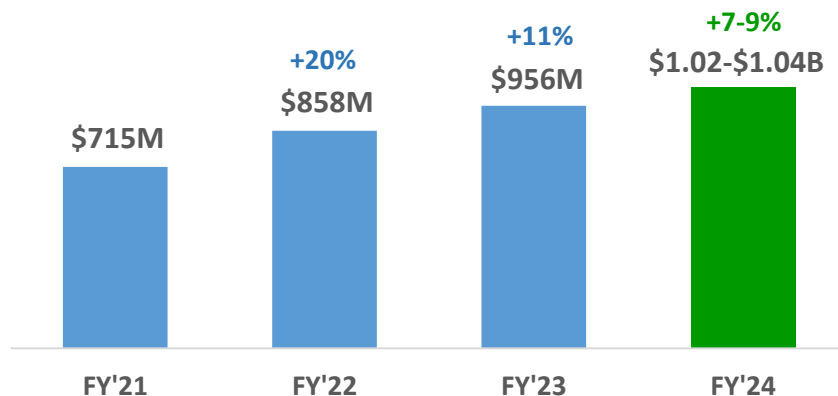
FY'24 Guidance

Sales – Continue to expect growth of 7% to 9% and to be in the range of \$1.02B to \$1.04B (including MPE)

Adjusted EPS

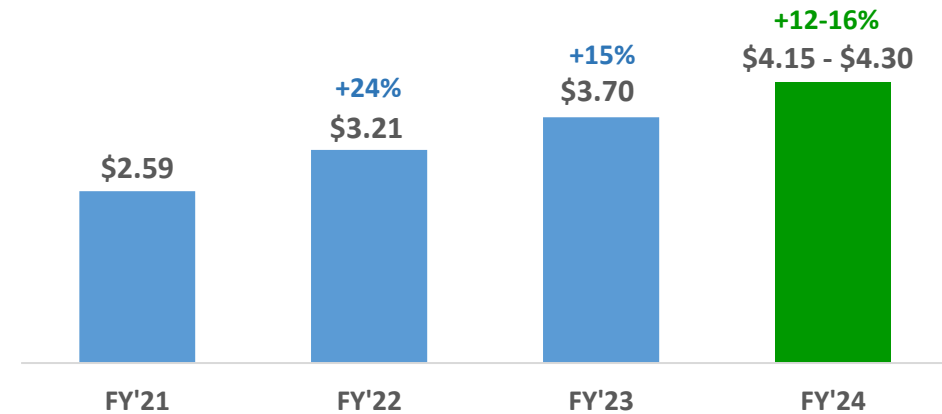
- **Q3'24** – Expectation is for Q3 Adjusted EPS in the range of \$1.16 - \$1.22, representing growth of 6% - 12% over the prior year
- **Full Year** – Maintaining range for Adjusted EPS of \$4.15 - \$4.30, representing growth of 12% - 16% over the prior year

Sales Trends

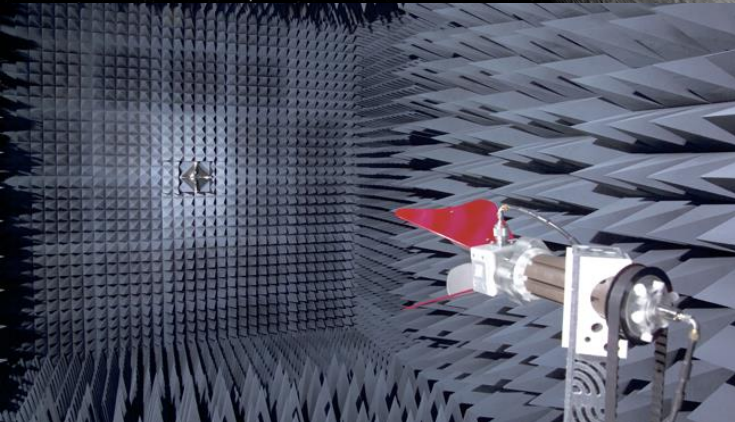
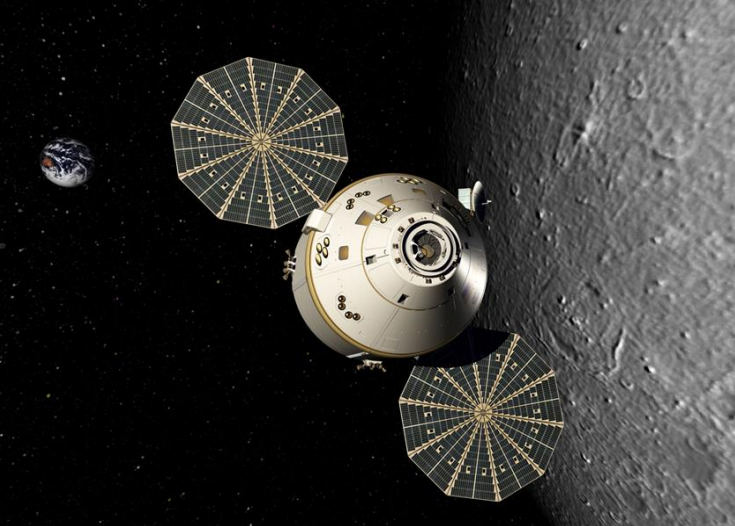


3 Year CAGR to FY'24 Midpoint = 13.0%

Adjusted EPS Trends



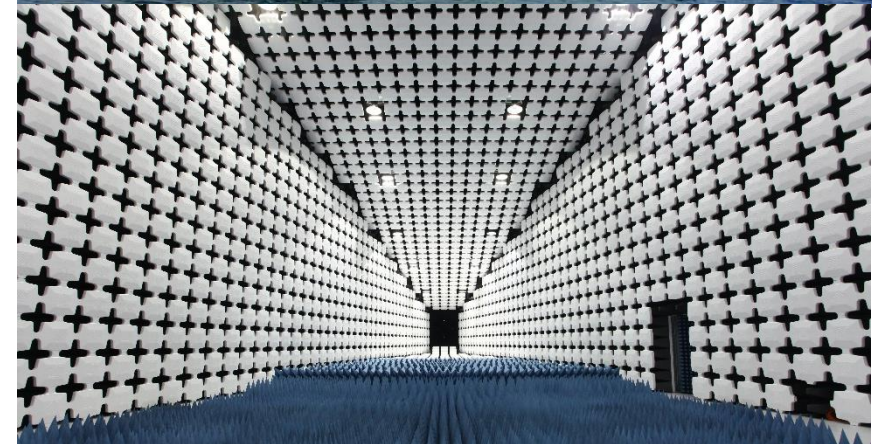
3 Year CAGR to FY'24 Midpoint = 17.8%



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Q&A



Reconciliation of Non-GAAP Measures – Q2

	GAAP		Adjustments		As Adjusted	
	Q2'23	Q2'24	Q2'23	Q2'24	Q2'23	Q2'24
<u>EBIT</u>						
A&D	\$18,795	\$23,377	800	263	19,595	23,640
USG	14,061	17,575	-	-	14,061	17,575
Test	7,226	5,542	-	203	7,226	5,745
Corporate	(14,463)	(14,047)	1,500	785	(12,963)	(13,262)
Consolidated EBIT	25,619	32,447	2,300	1,251	27,919	33,698
Less: Interest Expense	(2,269)	(3,226)		-	(2,269)	(3,226)
Less: Income Tax	(5,472)	(6,002)	(529)	(288)	(6,001)	(6,290)
Net Earnings	17,878	23,219	1,771	963	19,649	24,182
<u>D&A</u>						
A&D	\$ 2,987	\$ 3,321	-	-	2,987	3,321
USG	3,422	3,747	-	-	3,422	3,747
Test	1,337	1,341	-	-	1,337	1,341
Corporate	4,797	5,694	-	(627)	4,797	5,067
Consolidated EBIT	12,543	14,103	-	(627)	12,543	13,476
<u>EBITDA</u>						
A&D	21,782	26,698	800	263	22,582	26,961
USG	17,483	21,322	-	-	17,483	21,322
Test	8,563	6,883	-	203	8,563	7,086
Corporate	(9,666)	(8,353)	1,500	158	(8,166)	(8,195)
Consolidated EBITDA	38,162	46,550	2,300	624	40,462	47,174
Less: Depreciation & Amortization	(12,543)	(14,103)	-	627	(12,543)	(13,476)
Consolidated EBIT	\$25,619	\$32,447	2,300	1,251	27,919	33,698
<u>EPS - As Adjusted</u>	Q2'23	Q2'24				
EPS - GAAP	\$ 0.69	\$ 0.90				
Purchase Accounting/Acq Related Exp	\$ 0.02	\$ 0.02				
Executive Management Transition	\$ 0.04	\$ -				
Restructuring - A&D/Test	\$ 0.01	\$ 0.02				
Adjustments	\$ 0.07	\$ 0.04				
EPS - As Adjusted	\$ 0.76	\$ 0.94				