

ESCO Technologies

First Quarter FY 2025

Earnings Call

Bryan Saylor

President & CEO

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February 6, 2025



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, acquisition related amortization, 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.

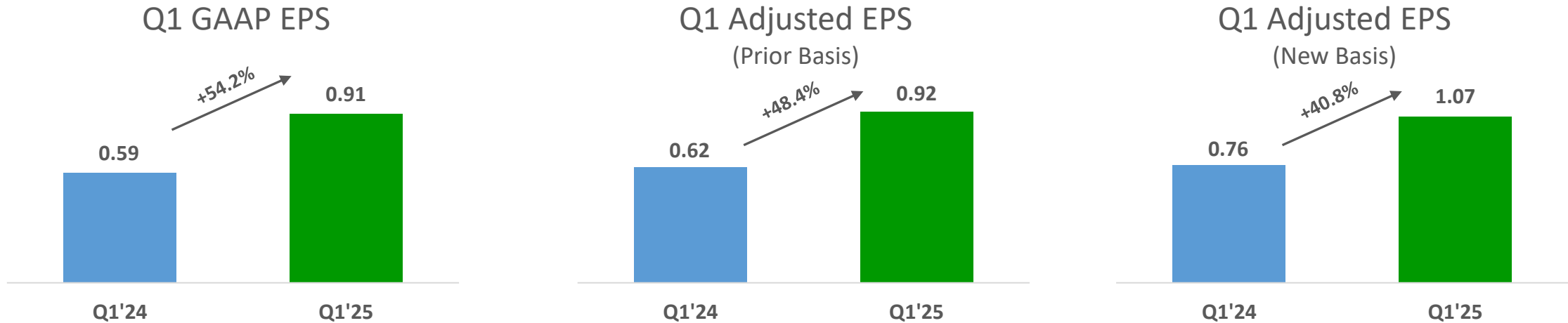
Investors are cautioned that such statements are only predictions and speak only as of the date of this presentation, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those 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, 2024 and the following: the timing and outcome, if any, of the Company's strategic alternatives review of VACCO and its Space business; 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.

Revision to Adjusted EPS Calculation

- Beginning in Q1'25 Acquisition Related Amortization is being excluded from Adjusted EPS



Q1'25 Adjusted EPS Guidance

November Q1'25 Adjusted EPS Guidance (Prior Basis)

Acquisition Related Amortization

Revised Q1'25 Adjusted EPS Guidance (New Basis)

Guidance Range

\$ 0.68	\$ 0.75
\$ 0.15	\$ 0.15
\$ 0.83	\$ 0.90

Q1'24 vs Q1'25 Adjusted EPS Comparison

GAAP EPS

Adjustments

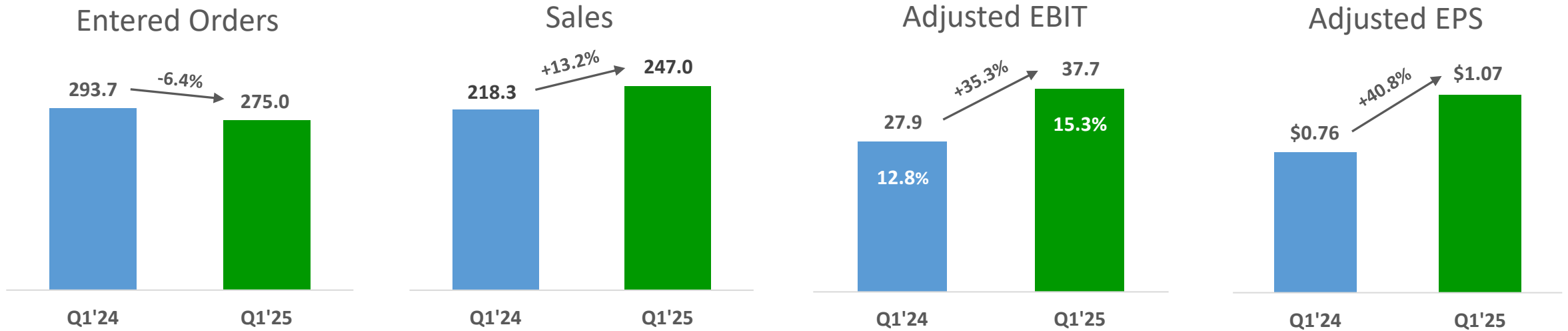
Adjusted EPS (Prior Basis)

Acquisition Related Amortization

Adjusted EPS (New Basis)

	Q1'24	Q1'25	Delta
GAAP EPS	\$ 0.59	\$ 0.91	\$ 0.32
Adjustments	\$ 0.03	\$ 0.01	\$ (0.02)
Adjusted EPS (Prior Basis)	\$ 0.62	\$ 0.92	\$ 0.30
Acquisition Related Amortization	\$ 0.14	\$ 0.15	\$ 0.01
Adjusted EPS (New Basis)	\$ 0.76	\$ 1.07	\$ 0.31

Q1 Results (\$ in Millions, except per share amounts)



Entered Orders

- Orders lower compared to strong Q1'24 (driven by large Navy order)
- Q1 Book-to-Bill of 1.11
- Record Ending Backlog of \$907M (+3% from 9/30/24)

Sales

- Sales increased 13.2% – All Organic

Adjusted EBIT

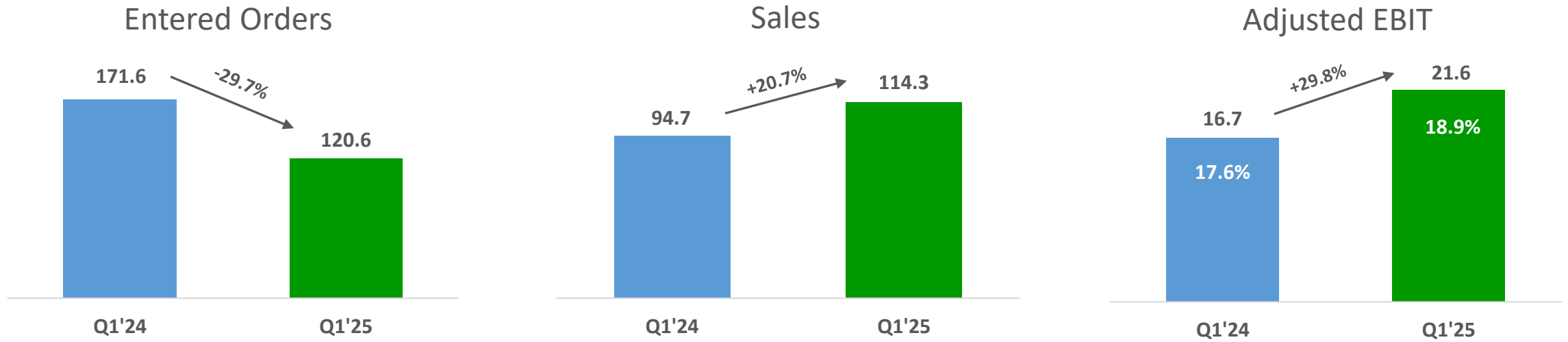
- Higher margins in all three segments

Adjusted EPS

- Adjusted EPS of \$1.07 increased 41% (incremental margin +34%)
- Adjusted EPS excludes acquisition related amortization (\$0.15 in Q1'25 & \$0.14 in Q1'24)

	Q1'24	Q1'25	Delta \$	Delta %
Entered Orders	\$293.7	275.0	(18.7)	-6.4%
Sales	218.3	247.0	28.7	13.2%
Adjusted EBIT	27.9	37.7	9.8	35.3%
<i>Adj EBIT Margin</i>	12.8%	15.3%	+2.5 pts	
Adjusted EBITDA	36.4	46.5	10.1	27.7%
<i>Adj EBITDA Margin</i>	16.7%	18.8%	+2.1 pts	
EPS GAAP	\$0.59	\$0.91	\$0.32	54.2%
EPS Adjusted	\$0.76	\$1.07	\$0.31	40.8%

A&D – Q1 (\$ in Millions)



Entered Orders

- Navy - lower as Q1'24 contained large orders for additional Block V Hull Treatments & Block VI LWWAA
- Aero - lower related to timing of large orders in prior year
- Q1 Book-to-Bill of 1.06
- Record Ending Backlog of \$607M up \$6M from 9/30/24

Sales

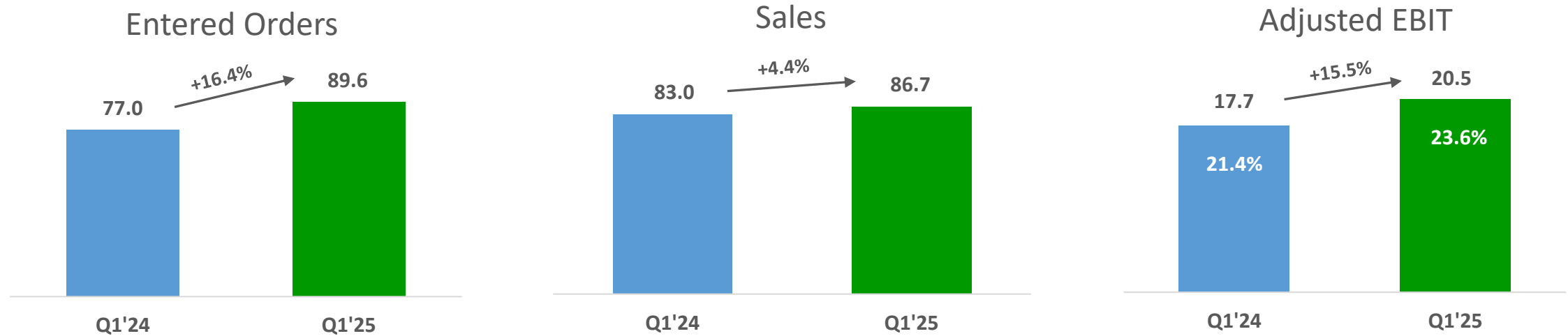
- Aerospace +\$9M (+18%) - Commercial +\$12M & Defense -\$3M
- Navy +\$13M (+56%)

Adjusted EBIT

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

	Q1'24	Q1'25	Delta \$	Delta %
Entered Orders	\$171.6	120.6	(51.0)	-29.7%
Sales	94.7	114.3	19.6	20.7%
Adjusted EBIT	16.7	21.6	4.9	29.8%
<i>Adj EBIT Margin</i>	<i>17.6%</i>	<i>18.9%</i>	<i>+1.3 pts</i>	
Adjusted EBITDA	20.1	25.1	5.0	25.1%
<i>Adj EBITDA Margin</i>	<i>21.2%</i>	<i>22.0%</i>	<i>+0.8 pts</i>	
	Prior YE	12/31/24	Delta \$	Delta %
Backlog	\$600.4	606.7	6.3	1.1%

USG – Q1 (\$ in Millions)



Entered Orders

- Doble +\$10M – solid quarter across product portfolio as customers work to extend life of assets
 - \$4M order at Phenix – largest in company history
- NRG +\$3M
- Q1 Book-to-Bill of 1.03 / Ending Backlog +\$3M from 9/30/24

Sales

- Doble +\$7.9M (+12%) – strong quarter for Services, Offline, and Protection Testing
- NRG -\$4.2M (-22%) – moderation in renewables

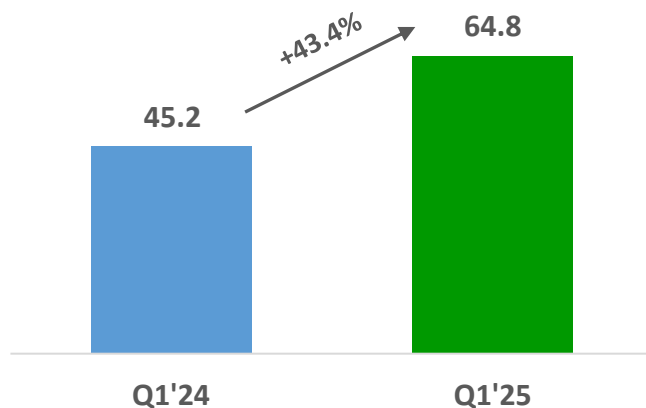
Adjusted EBIT

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

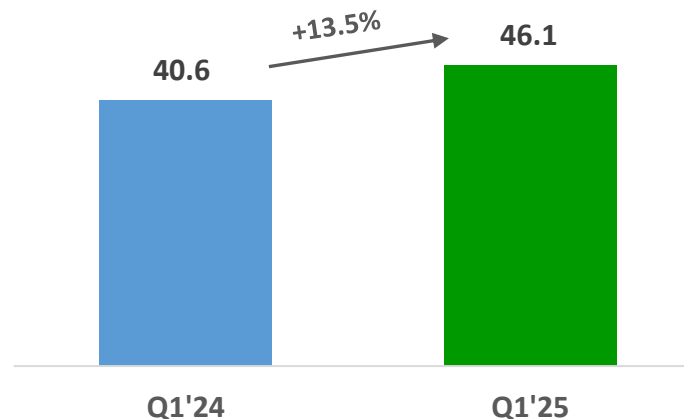
	Q1'24	Q1'25	Delta \$	Delta %
Entered Orders	\$77.0	89.6	12.6	16.4%
Sales	83.0	86.7	3.7	4.4%
Adjusted EBIT	17.7	20.5	2.8	15.5%
<i>Adj EBIT Margin</i>	21.4%	23.6%	+2.2 pts	
<i>Adjusted EBITDA</i>	21.5	24.4	2.9	13.4%
<i>Adj EBITDA Margin</i>	25.9%	28.1%	+2.2 pts	
	Prior YE	12/31/24	Delta \$	Delta %
Backlog	\$119.9	122.9	3.0	2.4%

Test – Q1 (\$ in Millions)

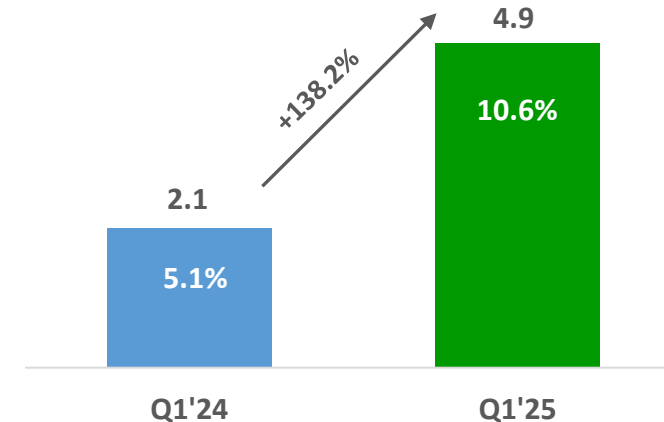
Entered Orders



Sales



EBIT



Entered Orders

- Orders +\$20M
 - Strong quarter for EMC Test & Measurement, A&D, Medical & Industrial Shielding
 - EMEA and Asia up, Americas lower
- Q1 Book-to-Bill of 1.41 / Ending Backlog +\$19M from 9/30/24

Sales

- Sales +13% - return to organic revenue growth
- Higher US Shielding, EMEA Test & Measurement, and MPE filter sales

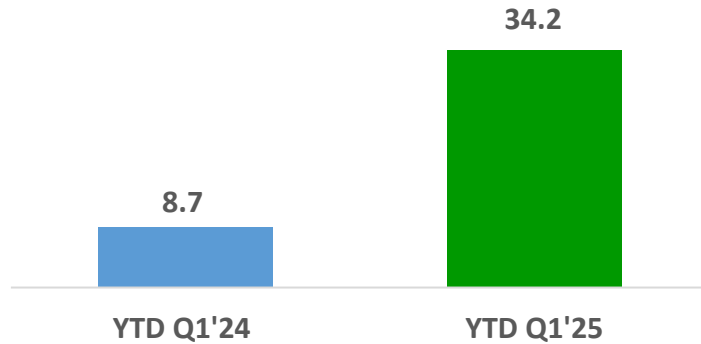
Adjusted EBIT

- Leverage on higher volume, price increases, and cost reduction efforts, partially offset by inflationary pressures and mix

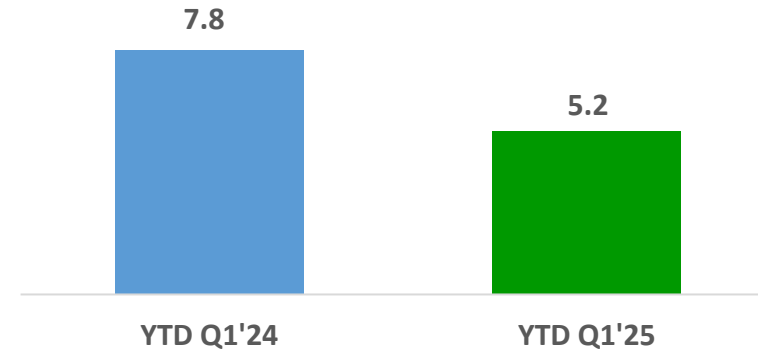
	Q1'24	Q1'25	Delta \$	Delta %
Entered Orders	\$45.2	64.8	19.6	43.4%
Sales	40.6	46.1	5.5	13.5%
Adjusted EBIT	2.1	4.9	2.8	138.2%
<i>Adj EBIT Margin</i>	5.1%	10.6%	+5.5 pts	
Adjusted EBITDA	3.4	6.3	2.9	85.2%
<i>Adj EBITDA Margin</i>	8.3%	13.6%	+5.3 pts	
	Prior YE	12/31/24	Delta \$	Delta %
Backlog	\$158.6	177.4	18.8	11.8%

Cash Flow & Capital Expenditures (\$ in Millions)

Operating Cash Flow



Capital Spending



Operating Cash Flow

- Improvement mainly due to an increase in net earnings and favorable working capital impacts

Capital Expenditures

- Lower building improvements and machinery & equipment within the A&D segment

Acquisitions

- MPE (Test) in Q1'24

EBITDA Leverage

- Balance Sheet healthy in preparation for SM&P acquisition closure

Cash Flow	YTD Q1'24	YTD Q1'25	Delta
Operating Cash Flow	\$8.7	34.2	25.5
Capital Expenditures	(7.8)	(5.2)	2.6
Acquisitions	(56.2)	-	56.2
EBITDA Leverage	0.8X	0.4X	(0.4X)

Revision to Adjusted EPS Calculation

- **Beginning in Q1'25 Acquisition Related Amortization is being excluded from Adjusted EPS**
- **Below are our FY'25 Guidance and FY'24 Actuals revised to exclude Acquisition Related Amortization**

FY 2025 Adjusted EPS Guidance

	Guidance Range		
November FY'25 Adjusted EPS Guidance (Prior Basis)	\$ 4.70	\$ 4.90	
Acquisition Related Amortization	\$ 0.60	\$ 0.60	Does not include pending SM&P acquisition
Revised November FY'25 Adjusted EPS Guidance (New Basis)	\$ 5.30	\$ 5.50	
Guidance Increase	\$ 0.25	\$ 0.25	
Updated FY'25 Adjusted EPS Guidance	\$ 5.55	\$ 5.75	

Q2 Adjusted EPS Guidance

Q2'25 Adjusted EPS Guidance (Prior Basis)	\$ 1.05	\$ 1.15
Acquisition Related Amortization	\$ 0.15	\$ 0.15
Q2'25 Adjusted EPS Guidance (New Basis)	\$ 1.20	\$ 1.30

FY'24 Adjusted EPS

	Q1	Q2	Q3	Q4	FY'24
Previously Reported Adjusted EPS (Prior Basis)	\$ 0.62	\$ 0.94	\$ 1.16	\$ 1.46	\$ 4.18
Acquisition Related Amortization	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.59
Revised FY'24 Adjusted EPS (New Basis)	\$ 0.76	\$ 1.09	\$ 1.31	\$ 1.61	\$ 4.77

FY'25 Guidance

Sales

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

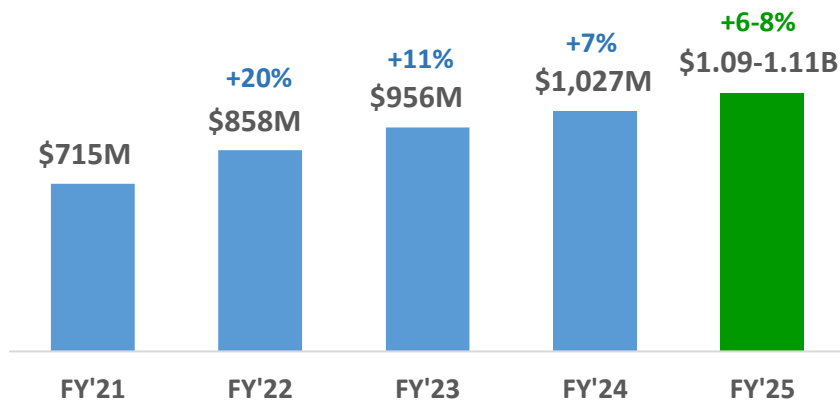
Adjusted EPS

- **Q2'25** – Expectation is for Q2 Adjusted EPS in the range of \$1.20 - \$1.30, represents 10% - 19% growth over Q2'24
- **Full Year - Increasing Adjusted EPS by \$0.25** to be in the range of \$5.55 - \$5.75 (from \$5.30 - \$5.50), represents 16% - 21% growth over FY'24

FY'25 Guidance excludes:

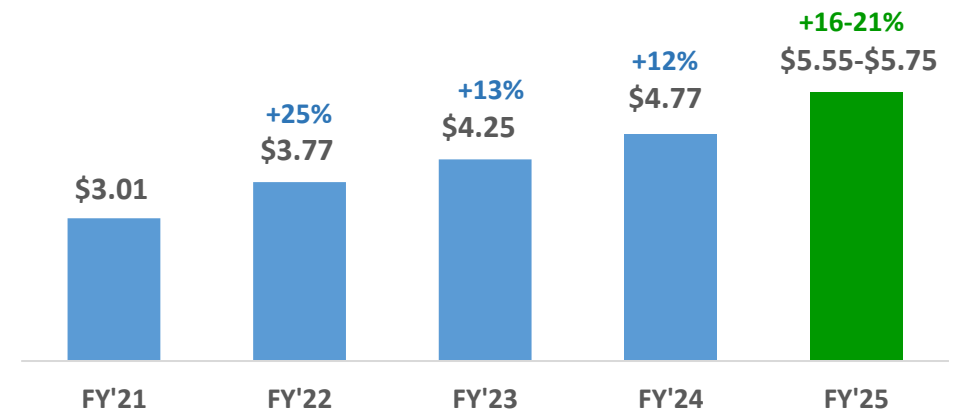
- Acquisition Related Amortization
- SM&P – the SM&P acquisition is expected to close in Q2 or early Q3 FY'25 – Guidance will be adjusted after closing
- Ongoing strategic review of the VACCO business

Sales Trends

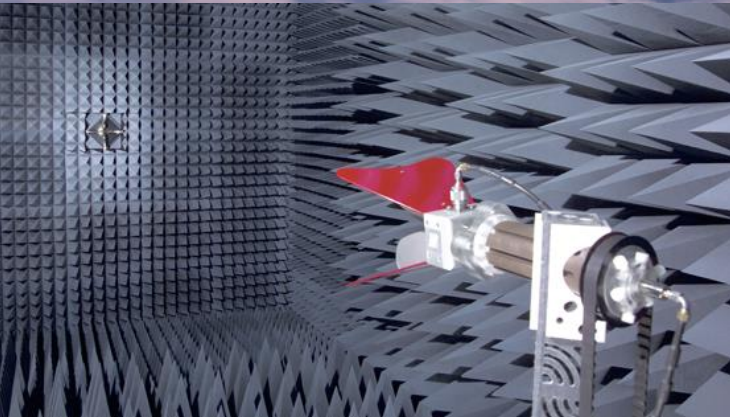


4 Year CAGR to FY'25 Midpoint = 11.4%

Adjusted EPS Trends (New Basis)



4 Year CAGR to FY'25 Midpoint = 17.1%



ESCO Technologies

First Quarter FY 2025

Earnings Call

Q&A



Reconciliation of Non-GAAP Measures

	3 Months ended December 31						Adjusted EPS Guidance				
	GAAP		Adjustments		As Adjusted		Q2'25		FY'25		
	Q1'24	Q1'25	Q1'24	Q1'25	Q1'24	Q1'25	Low	High	Low	High	
EBIT											
A&D	\$ 16,663	\$ 21,596	-	26	16,663	21,622	\$ 1.05	\$ 1.15	\$ 4.94	\$ 5.14	
USG	17,625	20,489	120	-	17,745	20,489	\$ -	\$ -	\$ 0.01	\$ 0.01	
Test	1,779	4,422	273	465	2,052	4,887	\$ 0.15	\$ 0.15	\$ 0.60	\$ 0.60	
Corporate	(13,946)	(14,309)	5,346	4,999	(8,600)	(9,310)					
Consolidated EBIT	22,121	32,198	5,739	5,490	27,860	37,688	\$ 1.20	\$ 1.30	\$ 5.55	\$ 5.75	
Less: Interest Expense	(2,667)	(2,257)		-	(2,667)	(2,257)					
Less: Income Tax	(4,285)	(6,468)	(1,320)	(1,262)	(5,605)	(7,730)					
Net Earnings	15,169	23,473	4,419	4,228	19,588	27,701					
D&A											
A&D	\$ 3,412	\$ 3,486	-	-	3,412	3,486					
USG	3,760	3,888	-	-	3,760	3,888					
Test	1,329	1,375	-	-	1,329	1,375					
Corporate	4,951	5,058	(4,904)	(4,997)	47	61					
Consolidated EBIT	13,452	13,807	(4,904)	(4,997)	8,548	8,810					
EBITDA											
A&D	20,075	25,082	-	26	20,075	25,108					
USG	21,385	24,377	120	-	21,505	24,377					
Test	3,108	5,797	273	465	3,381	6,262					
Corporate	(8,995)	(9,251)	442	2	(8,553)	(9,249)					
Consolidated EBITDA	35,573	46,005	835	493	36,408	46,498					
Less: Depreciation & Amortization	(13,452)	(13,807)	4,904	4,997	(8,548)	(8,810)					
Consolidated EBIT	\$ 22,121	\$ 32,198	5,739	5,490	27,860	37,688					
EPS - As Adjusted	Q1'24	Q1'25									
EPS - GAAP	\$ 0.59	\$ 0.91									
Purchase Accounting/Acq Related Exp	\$ 0.03	\$ -									
Restructuring Charges	\$ -	\$ 0.01									
Acquisition Related Amortization	\$ 0.14	\$ 0.15									
Adjustments	\$ 0.17	\$ 0.16									
EPS - As Adjusted	\$ 0.76	\$ 1.07									