



# Ultra Maritime Signature Management & Power Acquisition Call

ESCO Technologies Inc. | July 9, 2024

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Sr. Vice President & CFO





## Forward Looking Statement

Statements contained in this release regarding future growth, growth strategy, expectations, beliefs and benefits resulting from the acquisition, and other statements which are not strictly historical are considered “forward-looking statements” within the meaning of the safe harbor provisions of the Federal securities laws. There is no assurance that the acquisition will be consummated, and there are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. The risks and uncertainties in connection with such forward-looking statements related to the acquisition include, but are not limited to, the ability and timing to consummate the acquisition, including obtaining the required regulatory approvals and financing to fund the acquisition; ESCO’s ability to promptly and effectively integrate the acquired business after the acquisition has closed, and ESCO’s ability to obtain expected cost savings and synergies of the acquisition; operating costs, customer loss and business disruption (including difficulties maintaining relationships with the employees, customers or suppliers of the acquired business) that may be greater than expected following the consummation of the acquisition; and other risks and uncertainties described in Item 1A, Risk Factors, of ESCO’s annual report on Form 10-K for the year ended September 30, 2023.



## ESCO to acquire the Signature Management & Power business of Ultra Maritime (“SM&P”)

- > Leading provider of signature & power management solutions for submarines and surface ships for the US and UK naval defense markets
- > Differentiated mission & safety critical technology solutions, underpinned by best-in-class power conversion, power management, and magnetic & electric field analysis capabilities
- > Full suite of mission critical OEM and Aftermarket solutions across Naval Defense
- > Long-standing heritage and strong positioning in US/UK and AUKUS submarine platforms
- > Long-term, multi-decade relationships with key OEM Primes
- > Strong-track record of revenue growth with attractive margin profile



## Transaction Overview

<b>Terms</b>	<ul style="list-style-type: none"> <li>&gt; Purchase price of \$550M, with ~\$30M of tax benefits associated with the transaction</li> <li>&gt; On an adjusted basis, represents ~11x CY'24E EBITDA multiple</li> </ul>
<b>Timing</b>	<ul style="list-style-type: none"> <li>&gt; Expect to close deal by Q1 FY'25</li> <li>&gt; Requires US and UK regulatory approval</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>&gt; Transaction will be funded through cash on hand and incremental debt, with committed financing in place</li> <li>&gt; Expected net leverage ratio of ~3x post closing</li> <li>&gt; Targeting return to ~2x net leverage by the end of FY'25</li> </ul>
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>&gt; Continues shift in business mix towards profitable and high growth end markets</li> <li>&gt; Adds complementary, IP-rich, strategic capabilities in defense</li> <li>&gt; Enables continued investment in key customer mission focus areas</li> <li>&gt; Expected to be accretive to revenue growth, Adjusted EBITDA margins and earnings, excluding one-time acquisition costs and acquisition related amortization</li> </ul>

## SM&P Overview

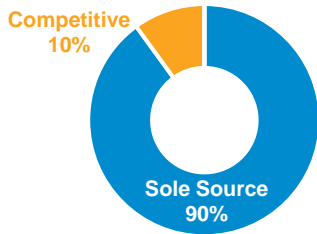
- > Leading provider of signature & power management solutions for US and UK naval defense market
- > Highly advanced, designed-in, and mission critical IP that is substantially retained throughout production stages
- > Expected CY'24 Revenue ~\$175M
- > Backlog of >\$350M, ~2x of revenue coverage
- > Headquartered in Yaphank, New York with 3 other locations strategically located across the US and UK

## Content on Major US, UK and AUKUS Platforms

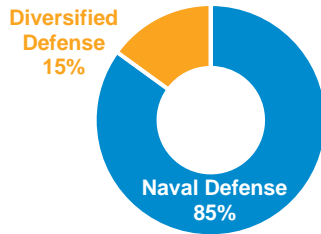


## Revenue Breakdown

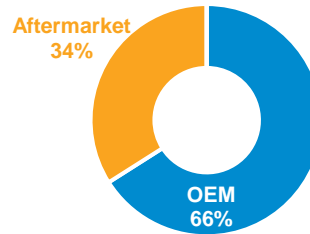
By Relationship



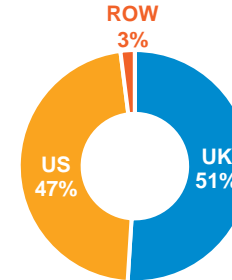
By Domain



OEM / Aftermarket



By Geography



## Select Customers



## SM&P Overview (cont'd)

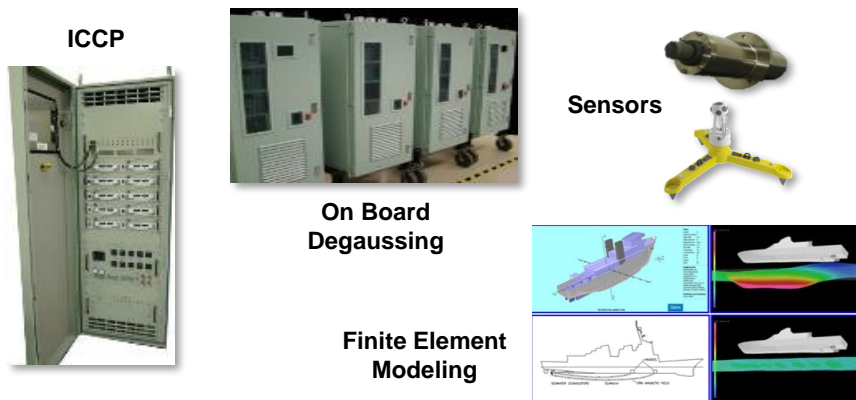
### Signature Management

- > Magnetic and electric field countermeasures to prevent underwater mine and sensor detection and advanced signature management solutions for surface ships & submarines
- > Industry leading design expertise and cost-effective, low size, weight and power hardware solutions
- > State of the art, innovative hardware solutions developed under proprietary IRAD projects and robust IP portfolio
- > 30+ years experience with US and UK platforms

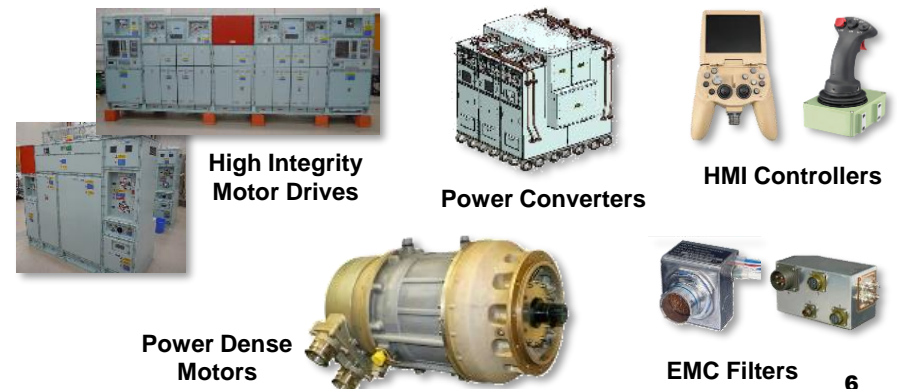
### Power Management

- > Power management & control equipment for naval surface & sub-surface platforms and select aerospace platforms
- > Safety critical power-dense motor drives supporting electric cruise propulsion
- > High integrity power electronic and system design, control algorithms, shock and vibration resilience and thermal analysis
- > Focused IRAD on developing modular solutions for faster to market customer solutions
- > 50+ year presence on US and UK submarines and surface ships

#### Product Portfolio



#### Product Portfolio





## Summary Transaction Benefits

### Strategic Direction

- > Continues shift in business mix towards high margin/high growth end markets
- > Adds scale to presence within A&D portfolio
- > Provides key customers with ability to leverage a single, trusted supplier

### Complementary Naval Capabilities & Platforms

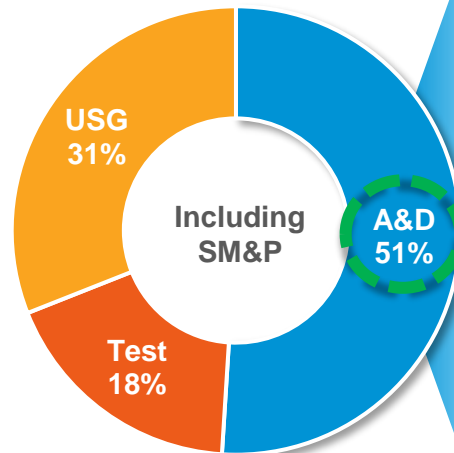
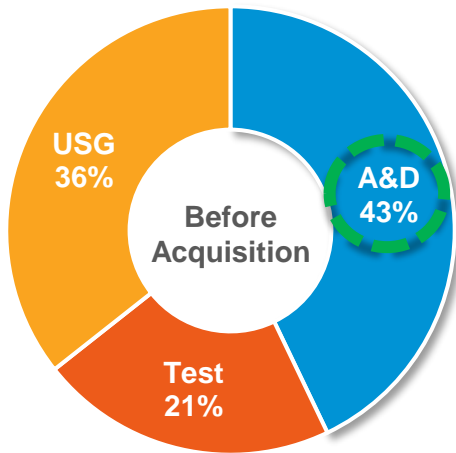
- > Expands content on US naval programs - Virginia Class, Columbia Class, Arleigh Burke DDG Destroyers & future builds of Ford CVN Aircraft Carriers
- > Expands international content - Vanguard Replacement & Astute submarine platforms
- > Adds significant growth opportunities on AUKUS SSN-A submarine platform

### Financial Benefits

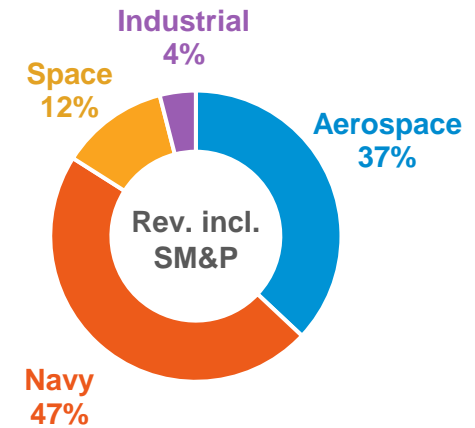
- > Accretive to revenue growth & Adjusted EBITDA margins
- > Expected to be accretive to ESCO Adjusted EPS in first year post close, excluding one-time acquisition costs and acquisition related amortization

## Continues Shift Towards High Growth & Margin Markets

FY'24 ESCO Pro Forma Revenue Profile



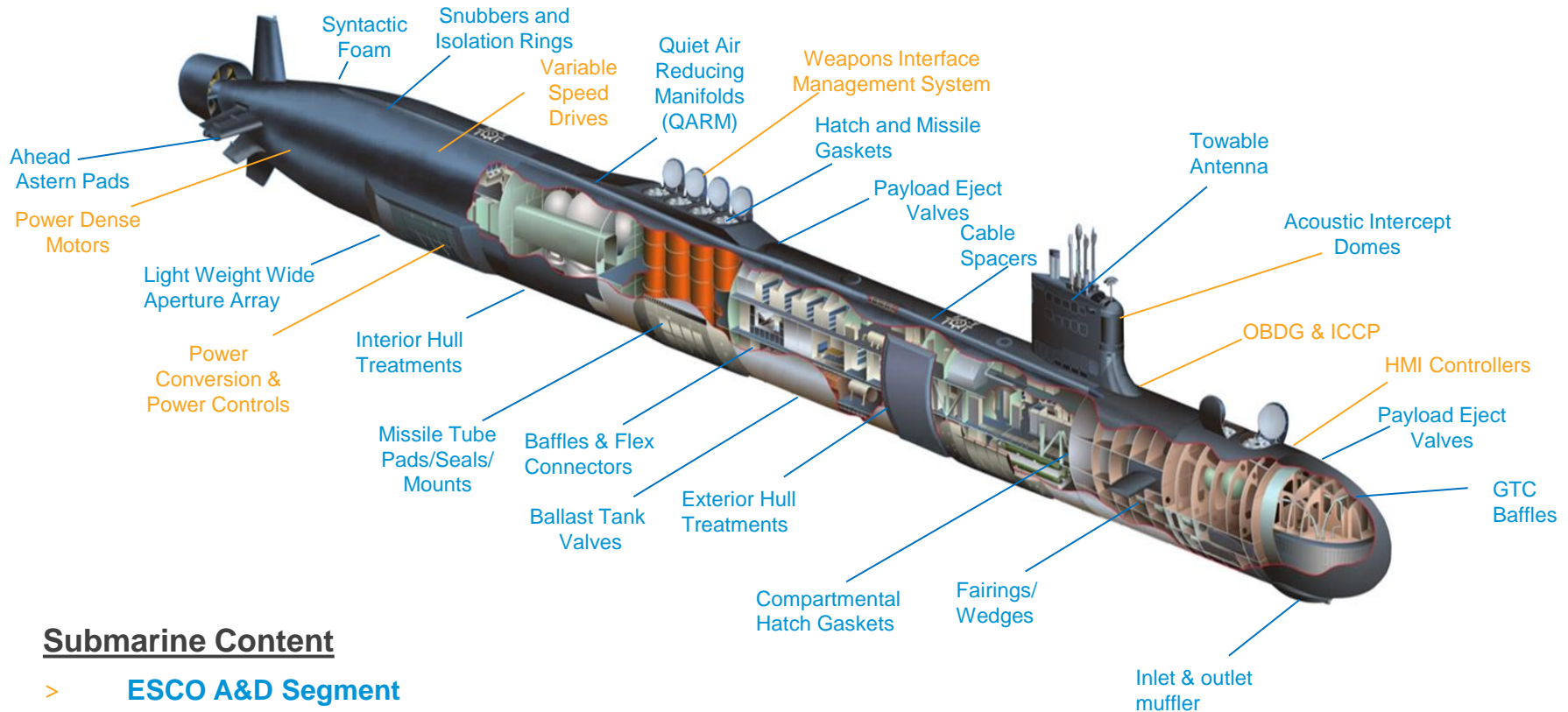
Pro Forma A&D Profile



SM&P Financial Profile	Mid-Twenties Adjusted EBITDA Margin	~12% 3-yr Revenue Growth



## Highly Complementary Naval Product Portfolio



### Submarine Content

- > **ESCO A&D Segment**
- > **SM&P**









## Acquisition Meets ESCO's Stated M&A Goals

### Stated M&A Goals

- > In our core businesses or markets, or very close
- > Leadership position in niche markets
- > Technology driven products or services
- > Demonstrated financial performance (Reasonably predictable revenue streams & solidly profitable)
- > Clearly defined growth opportunities
- > Synergistic to core business platforms

### SM&P

-  Defense / Naval
-  #1 or #2 position in both product lines
-  Highly-advanced, mission critical offerings with strong IP
-  90% sole-source revenue with >20% Adjusted EBITDA margins
-  +12% forward revenue growth CAGR
-  Complementary capabilities on key submarine platforms

## Conclusion: The ESCO Investment Opportunity

- > We have confidence in our well-tested operating model
- > We serve technology-oriented end-markets with long-term organic growth trajectories
  - Commercial and defense aerospace – build rates increasing
  - Navy submarine fleet investments
  - Utility infrastructure spending
- > Executing on previously stated plan to supplement growth with small to mid-size M&A
  - Prudent pro forma leverage of ~3x with clear line of sight to ~2x leverage
- > ROIC Focus – Management and Shareholder interests aligned



<u>FY'23</u> <u>ESCO</u> <u>Actuals</u>	<u>Expected</u> <u>CY'24 SM&amp;P</u> <u>Results</u>
\$956M Revenue	\$175M Revenue
\$182M Adj. EBITDA (19% in FY'23)	Adj. EBITDA margins accretive to ESCO A&D segment (22% in FY'23)



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