WOODWARD



Fiscal Year 2021 First Quarter Results

February 1, 2021

Today’s Agenda

▪ Highlights	Don Guzzardo
▪ Market Review	Tom Gendron
▪ Financial Results & Outlook	Bob Weber
▪ Q&A	

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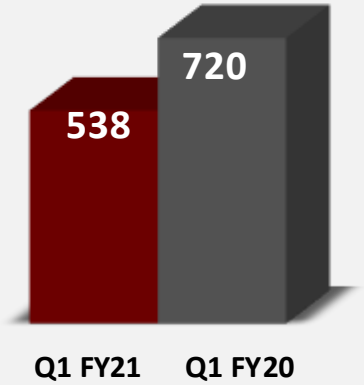
Cautionary Statement

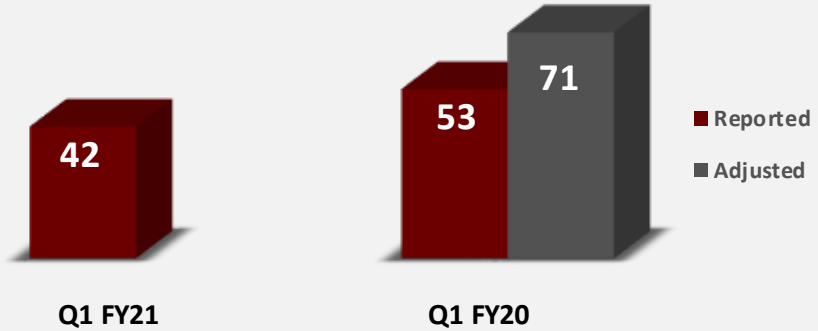
Information in this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to, statements about the continued and expected or potential effects of the COVID-19 pandemic and new COVID-19 viral variants on our business, and the management of our business, including our operations and strategy, as well as any potential benefits with respect to a vaccine or therapeutics for COVID-19; the markets in which we compete and the effect of COVID-19 and other factors on such markets, and our strategies and investments, including our intended strategic and operational focus; and expected improvements in aircraft production rates. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements include, but are not limited to, the COVID-19 pandemic and related public health measures, as well as the resulting volatility in financial, commodities (including oil and gas) and other markets and industries (including the aviation industry), a decline in our customers' business, or our business with, or financial distress of, Woodward's significant customers; global economic uncertainty and instability in the financial markets; Woodward's ability to manage product liability claims, product recalls or other liabilities associated with the products and services that Woodward provides; Woodward's ability to obtain financing, on acceptable terms or at all, to implement its business plans, complete acquisitions, or otherwise take advantage of business opportunities or respond to business pressures; Woodward's long sales cycle, customer evaluation process, and implementation period of some of its products and services; Woodward's ability to implement and realize the intended effects of any restructuring and alignment efforts; Woodward's ability to successfully manage competitive factors, including prices, promotional incentives, competitor product development, industry consolidation, and commodity and other input cost increases; Woodward's ability to manage expenses and product mix while responding to sales increases or decreases; the ability of Woodward's subcontractors to perform contractual obligations and its suppliers to provide Woodward with materials of sufficient quality or quantity required to meet Woodward's production needs at favorable prices or at all; Woodward's ability to monitor its technological expertise and the success of, and/or costs associated with, its product development activities; consolidation in the aerospace market and our participation in a strategic joint venture with General Electric Company may make it more difficult to secure long-term sales in certain aerospace markets; Woodward's debt obligations, debt service requirements, and ability to operate its business, pursue its business strategies and incur additional debt in light of covenants contained in its outstanding debt agreements; Woodward's ability to manage additional tax expense and exposures; risks related to Woodward's U.S. Government contracting activities, including liabilities resulting from legal and regulatory proceedings, inquiries, or investigations related to such activities; the potential of a significant reduction in defense sales due to decreases in the amount of U.S. Federal defense spending or other specific budget cuts impacting defense programs in which Woodward participates; changes in government spending patterns, priorities, subsidy programs and/or regulatory requirements; future impairment charges resulting from changes in the estimates of fair value of reporting units or of long-lived assets; future results of Woodward's subsidiaries; environmental liabilities related to manufacturing activities and/or real estate acquisitions; Woodward's continued access to a stable workforce and favorable labor relations with its employees; physical and other risks related to Woodward's operations and suppliers, including natural disasters and COVID-19 related impacts, which could disrupt production; Woodward's ability to successfully manage regulatory, tax, and legal matters; changes in accounting standards that could adversely impact our profitability or financial position; risks related to Woodward's common stock, including changes in prices and trading volumes; impacts of tariff regulations; risks from operating internationally, including the impact on reported earnings from fluctuations in foreign currency exchange rates, and compliance with and changes in the legal and regulatory environments of the United States and the countries in which Woodward operates; fair value of defined benefit plan assets and assumptions used in determining Woodward's retirement pension and other postretirement benefit obligations and related expenses; industry risks, including increases in natural gas prices, unforeseen events that may reduce commercial aviation, such as diseases, epidemics, pandemics and natural disasters, and increasing emissions standards; any adverse effects on Woodward's operations due to information systems interruptions or intrusions; certain provisions of Woodward's charter documents and Delaware law that could discourage or prevent others from acquiring the company; and other risk factors described in Woodward's filings with the Securities and Exchange Commission, including its Quarterly Report on Form 10-Q for the quarter ended December 31, 2020, which we expect to file shortly, and its Annual Report on Form 10-K for the year ended September 30, 2020, and other risks described in Woodward's filings with the Securities and Exchange Commission.

Q1 Fiscal Year 2021 Consolidated Results

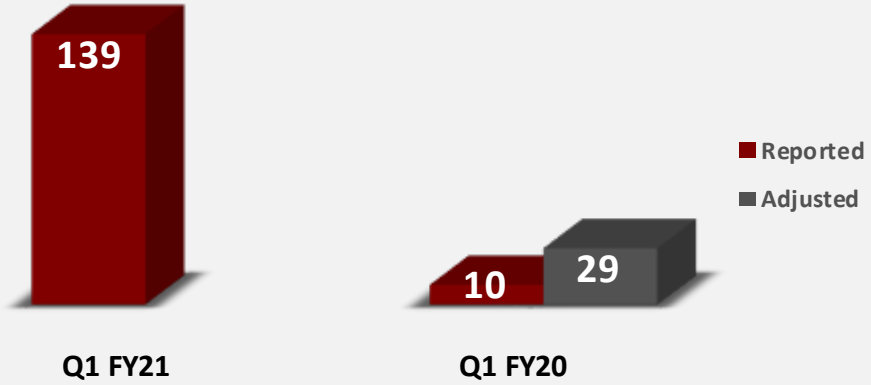
Woodward Sales (mil $)



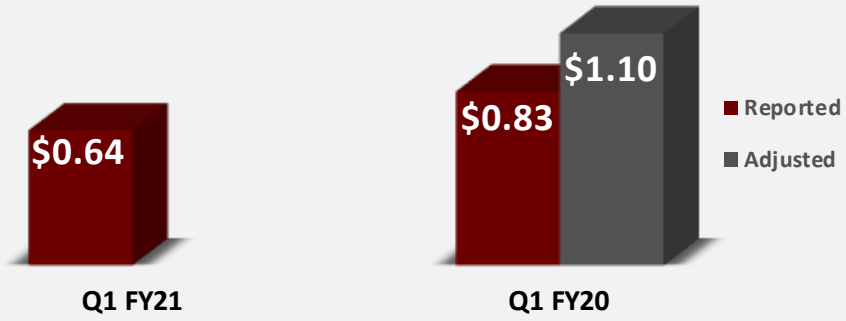
Net Earnings (mil $)



Free Cash Flow[1] (mil $)



Earnings Per Share



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Volatility Due to COVID-19…We Acted Swiftly

Focused on the safety of our members and communities while maintaining financial strength

Strategically adjusted our business to align with customer expectations

Managing cash and de-risking the balance sheet

- Strong liquidity with approximately $1.2 billion of combined cash on hand and revolver capacity
- Lowered leverage to 1.7x EBITDA[1] at end of Q1

Our team has executed well throughout the evolving landscape

Continuing to invest for the future and position Woodward to emerge stronger

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Aerospace

Commercial aerospace

- Significantly impacted by COVID-19
- Anticipate future improvement in passenger traffic with rollout of vaccines
- Boeing 737 MAX returning to service in many key markets

Commercial aftermarket

- 48% sales decrease for the quarter versus prior year period

Defense

- Defense OEM spending remains solid for fixed-wing and rotorcraft
  - Guided weapons volumes anticipated to moderate
- Defense aftermarket activity remains strong as a result of improved U.S. fleet readiness and global upgrade programs
- Woodward backlog remains strong

A320neo



737 MAX





F-35

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Industrial

Power generation

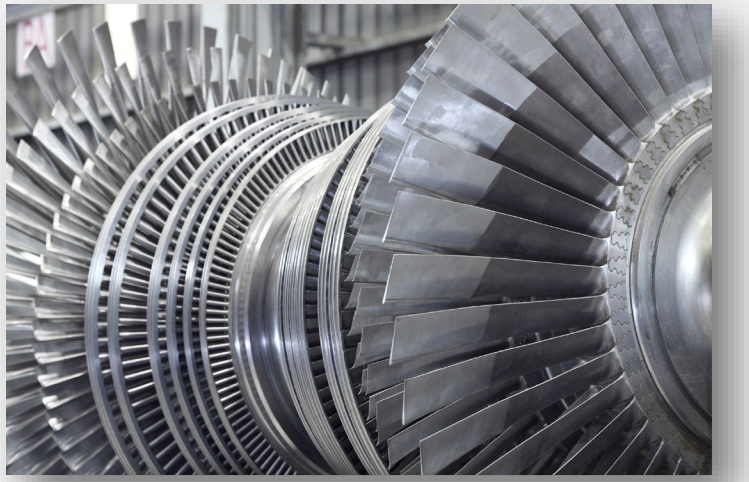
- Gas turbine market remains near bottom of cycle
  - Not expected to be as negatively impacted by pandemic
- Increased emissions regulations driving shift to nat gas and cleaner burning diesel engines
- Expect continued growth in energy demand to be led by Asia

Transportation

- Strong China natural gas truck demand
  - Anticipate seasonal pressure due to high demand for nat gas in winter months
- Marine market continues to be severely impacted by pandemic

Oil and gas

- Remains weak due to low oil prices and reduced capital investment
- Rig counts showing some signs of improvement in recent weeks





Aerospace Q1 Fiscal Year 2021 Results

Segment net sales

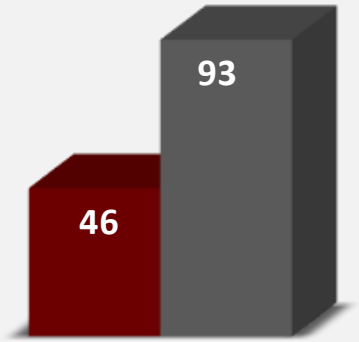
- Significantly lower commercial
- Slight declines in defense

Segment earnings

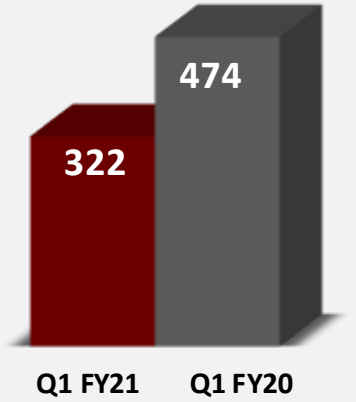
- Lower sales volume
- Partially offset by cost reduction initiatives



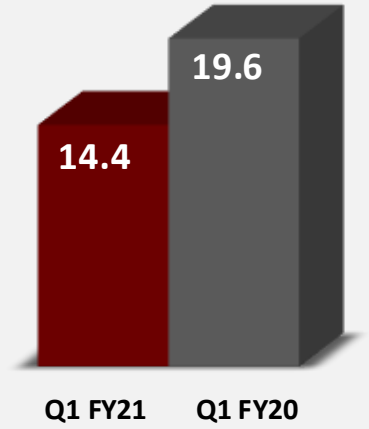
Segment Earnings (mil $)



Aerospace Sales (mil $)



Segment Margin %



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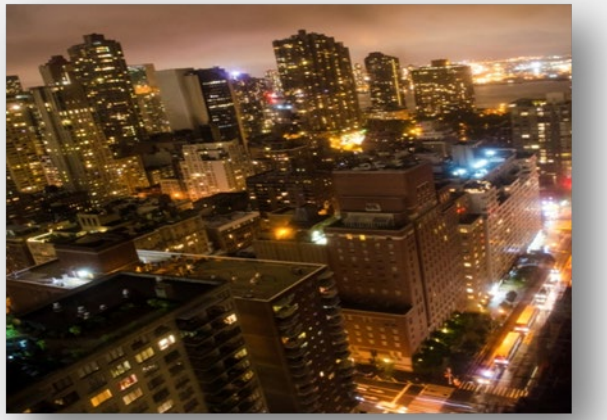
Industrial Q1 Fiscal Year 2021 Results

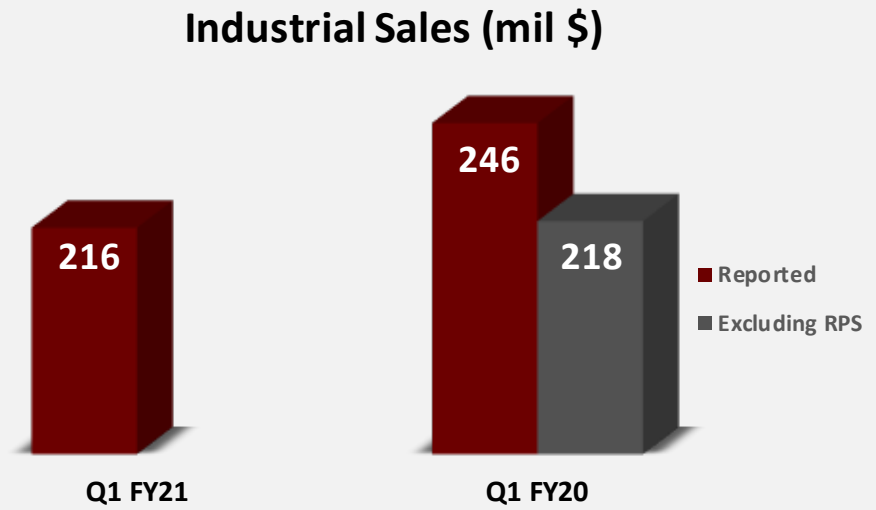
Segment sales

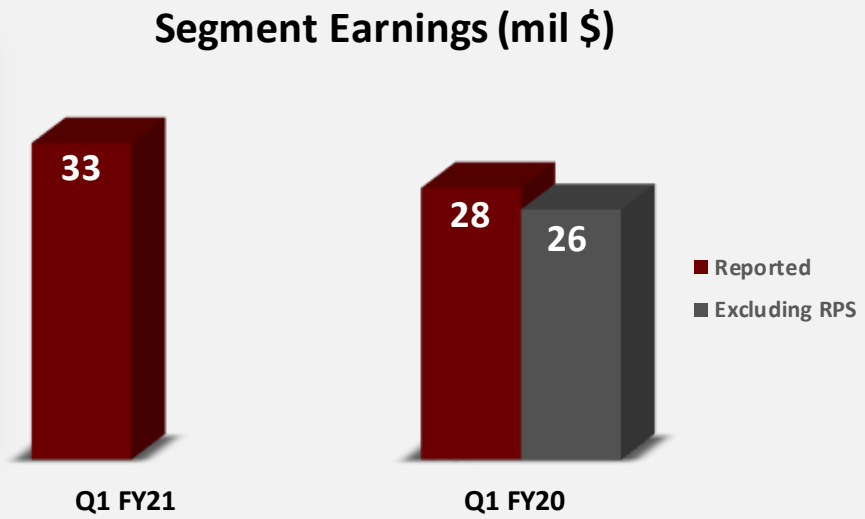
- Divestiture of RPS
- Weakness in oil and gas
- Negative impacts of the pandemic on our markets
- Partially offset by strong China natural gas trucks

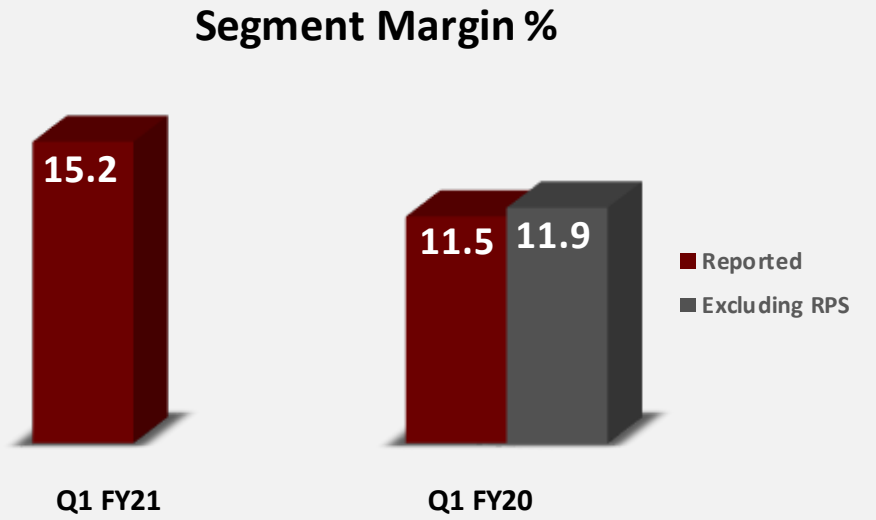
Segment earnings

- Cost reduction initiatives









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Selected Financial Items

Quarter-to-Date Comparatives	Q1 FY 21	Q1 FY 20
Gross Margin *	25.3%	25.7%
SG&A Expenses - % of Sales	10.4%	8.6%
R&D Expenses - % of Sales	6.0%	5.1%
Effective Tax Rate	12.6%	13.3%
EBITDA[1] (mils)	$ 89	$ 103
Adjusted EBITDA[1] (mils)	$ 89	$ 127
Cash from Operations (mils)	$ 147	$ 27
Capital Expenditures (mils)	$ 7	$ 17
Free Cash Flow[1] (mils)	$ 139	$ 10
Adjusted Free Cash Flow[1] (mils)	$ 139	$ 29

* *Gross margin defined as (Net Sales less Cost of Goods Sold) / (Net Sales)*

Fiscal Year 2021 Outlook

The dynamic and volatile nature of the COVID-19 global pandemic has continued to cause uncertainty in many of our markets. While the ongoing rollout of vaccines across the globe has begun, new viral variants and regional resurgences make forecasting the future of our business challenging in the near-term. Given this uncertainty, and the protracted nature of this crisis, we will not be providing financial guidance at this time, although we are optimistic that ongoing stabilization will lead to recovery across the globe.

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Appendix

Non-U.S. GAAP Measures

Woodward, Inc. and Subsidiaries

RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS [1]

(Unaudited - in thousands, except per share amounts)

	Three-Months Ended December 31, 2020			*Three-Months Ended December 31, 2019*		
	Earnings Before Income Tax	*Net Earnings*	*Earnings Per Share*	*Earnings Before Income Tax*	*Net Earnings*	*Earnings Per Share*
Earnings (U.S. GAAP)	$ 47,584	$ 41,570	$ 0.64	$ 61,548	$ 53,373	$ 0.83
Non-U.S. GAAP adjustments:						
Gain on sale of Duarte property	-	-	-	(13,522)	(10,175)	(0.16)
Impairment of long-lived assets held for sale	-	-	-	37,902	28,016	0.43
Total non-U.S. GAAP adjustments	-	-	-	24,380	17,841	0.27
Adjusted earnings (Non-U.S. GAAP)	$ 47,584	$ 41,570	$ 0.64	$ 85,928	$ 71,214	$ 1.10

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Non-U.S. GAAP Measures (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF NET EARNINGS TO EBIT[1] AND ADJUSTED EBIT[1]

(Unaudited - in thousands)

	Q1 FY21	*Q1 FY20*
Net earnings (U.S. GAAP)	$ 41,570	$ 53,373
Income taxes	6,014	8,175
Interest expense	8,906	9,009
Interest income	(495)	(487)
EBIT (Non-U.S. GAAP)	55,995	70,070
Non-U.S. GAAP adjustments*	-	24,380
Adjusted EBIT (Non-U.S. GAAP)	$ 55,995	$ 94,450

*See Reconciliation of Earnings to Adjusted Earnings[1] tables above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

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Non-U.S. GAAP Measures (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF NET EARNINGS TO EBITDA[1] AND ADJUSTED EBITDA[1]

(Unaudited - in thousands)

	Q1 FY21	*Q1 FY20*
Net earnings (U.S. GAAP)	$ 41,570	$ 53,373
Income taxes	6,014	8,175
Interest expense	8,906	9,009
Interest income	(495)	(487)
Amortization of intangible assets	10,469	9,905
Depreciation expense	22,608	22,546
EBITDA (Non-U.S. GAAP)	89,072	102,521
Non-U.S. GAAP adjustments*	-	24,380
Adjusted EBITDA (Non-U.S. GAAP)	$ 89,072	$ 126,901

*See Reconciliation of Earnings to Adjusted Earnings[1] tables above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

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Non-U.S. GAAP Measures – (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF INDUSTRIAL SEGMENT NET SALES

EXCLUDING RENEWABLE POWER SYSTEMS AND RELATED BUSINESSES[1]

(Unaudited - in thousands)

	Q1 FY21	*Q1 FY20*
Industrial segment net sales	$ 215,952	$ 246,430
Renewable power systems and related businesses sales	-	28,566
Industrial segment net sales excluding renewable power systems and related businesses	$ 215,952	$ 217,864

Woodward, Inc. and Subsidiaries

RECONCILIATION OF INDUSTRIAL SEGMENT EARNINGS

EXCLUDING RENEWABLE POWER SYSTEMS AND RELATED BUSINESSES[1]

(Unaudited - in thousands)

	Q1 FY21	*Q1 FY20*
Industrial segment earnings	$ 32,888	$ 28,230
Renewable power systems and related businesses earnings	-	2,247
Industrial segment earnings excluding renewable power systems and related businesses	$ 32,888	$ 25,983

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Non-U.S. GAAP Measures – (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW[1] AND ADJUSTED FREE CASH FLOW[1]

(Unaudited - in thousands, except per share amounts)

	Q1 FY21	*Q1 FY20*
Net cash provided by operating activities (U.S. GAAP)	$ 146,725	$ 27,445
Payments for property, plant, and equipment	(7,263)	(17,232)
Free cash flow (Non-U.S. GAAP)	139,462	10,213
Cash proceeds from the sale of the Duarte facility	-	18,767
Adjusted free cash flow (Non-U.S. GAAP)	$ 139,462	$ 28,980

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Explanation of Non-U.S. GAAP Measures

[1]Adjusted and Non-U.S. GAAP Financial Measures: Adjusted net earnings, adjusted earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, Industrial segment sales excluding RPS, Industrial segment earnings excluding RPS, and adjusted nonsegment expenses exclude, as applicable, (i) the gain on sale of assets associated with the sale of the Company's real property, (ii) the charge from the impairment of assets held for sale, (iii) renewable power systems and related businesses sales, and (iv) renewable power systems and related businesses earnings. Woodward believes that these items are short-term costs/benefits or are otherwise not related to the ongoing operations of the business and therefore, uses them to illustrate more clearly how the underlying business of Woodward is performing. Adjusted free cash flow is free cash flow (defined below) plus the cash proceeds from the sale of real property at our former Duarte operations. Management believes these adjustments to free cash flow better portrays Woodward's operating performance.

EBIT (earnings before interest and taxes), EBITDA (earnings before interest, taxes, depreciation and amortization), free cash flow, adjusted free cash flow, adjusted net earnings, adjusted net earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, Industrial segment sales excluding RPS, Industrial segment earnings excluding RPS, and adjusted nonsegment expenses are financial measures not prepared and presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Management uses EBIT and adjusted EBIT to evaluate Woodward's operating performance without the impacts of financing and tax related considerations. Management uses EBITDA and adjusted EBITDA in evaluating Woodward's operating performance, making business decisions, including developing budgets, managing expenditures, forecasting future periods, and evaluating capital structure impacts of various strategic scenarios. Management also uses free cash flow, which is derived from net cash provided by or used in operating activities less payments for property, plant, and equipment, as well as adjusted free cash flow (as described above), in reviewing the financial performance of Woodward's various business segments and evaluating cash generation levels. Securities analysts, investors, and others frequently use EBIT, EBITDA and free cash flow in their evaluation of companies, particularly those with significant property, plant, and equipment, and intangible assets that are subject to amortization. The use of any of these non-U.S. GAAP financial measures is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. Because EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA exclude certain financial information compared with net earnings, the most comparable U.S. GAAP financial measure, users of this financial information should consider the information that is excluded. Free cash flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Management's calculations of EBIT, EBITDA, adjusted net earnings, adjusted earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, adjusted nonsegment expenses, free cash flow, and adjusted free cash flow may differ from similarly titled measures used by other companies, limiting their usefulness as comparative measures.

[2]Website, Facebook, Twitter: Woodward has used, and intends to continue to use, its Investor Relations website, its Facebook page and its Twitter handle as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

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ALWAYS INNOVATING FOR A BETTER FUTURE



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