WOODWARD



Fourth Quarter and Fiscal Year 2021 Results

November 18, 2021

Today's Agenda

▪ Highlights	Don Guzzardo
▪ Market Review	Tom Gendron
▪ Financial Results & Outlook	Mark Hartman
▪ 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 regarding our business and financial outlook for 2022, including trends in our business, statements about the continued and expected or potential effects of the COVID-19 pandemic on our business, and the management of our business, our continued resilience against a challenging macroeconomic backdrop, the continued and expected uncertainty and volatility around the pace of recovery in our markets, the strength of our financial position and our ability to maintain our financial position, our ability to effectively capitalize on future market opportunities, and expectations related to the performance of our segments and specific markets within those segments, and our future sales, earnings, earnings per share, segment earnings as a percent of segment net sales, cash flows, working capital, and effective tax rate. 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 significant volatility in financial, product, service, 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 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 efforts; Woodward's ability to successfully manage competitive factors, including prices, 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 suppliers to perform contractual obligations and 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, delays or changes 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; 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; 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; 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 cybersecurity breaches or other information technology system interruptions or intrusions; and other risk factors described in Woodward's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended September 30, 2020 and any subsequently filed Quarterly Report on Form 10-Q, as well as its Annual Report on Form 10-K for the year ended September 30, 2021, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

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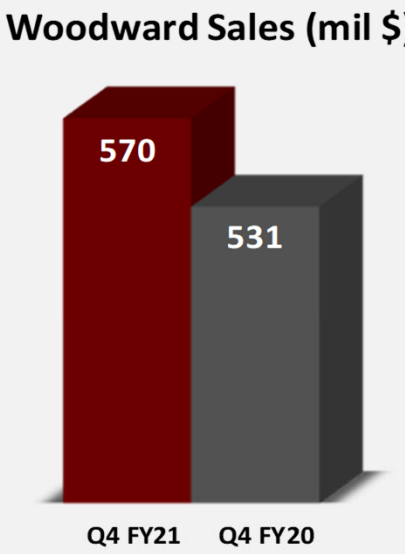
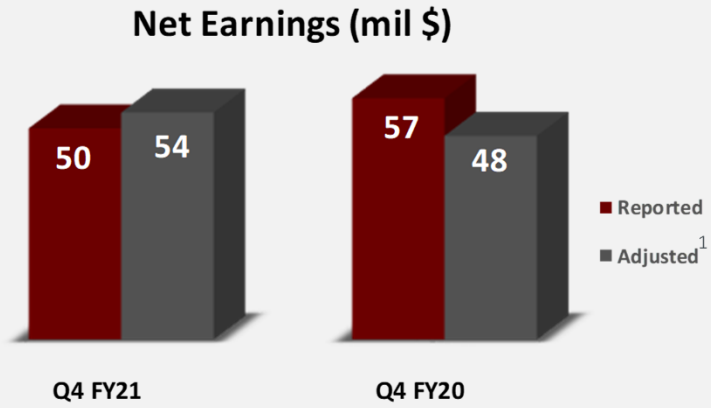
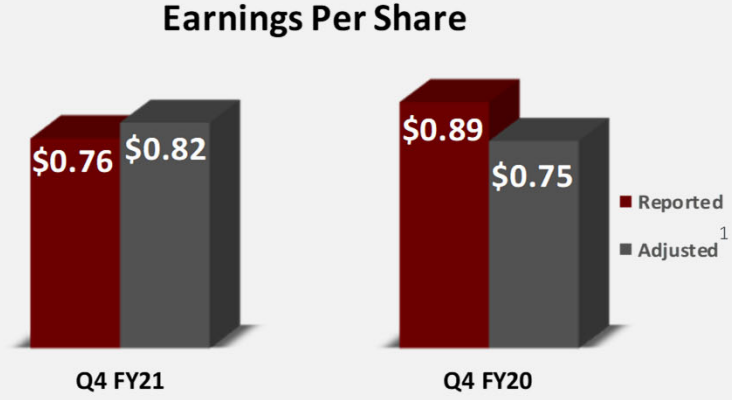
Q4 Fiscal Year 2021 Consolidated Results







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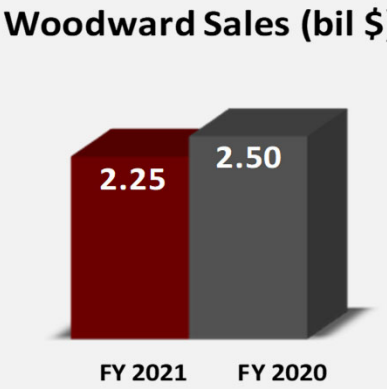
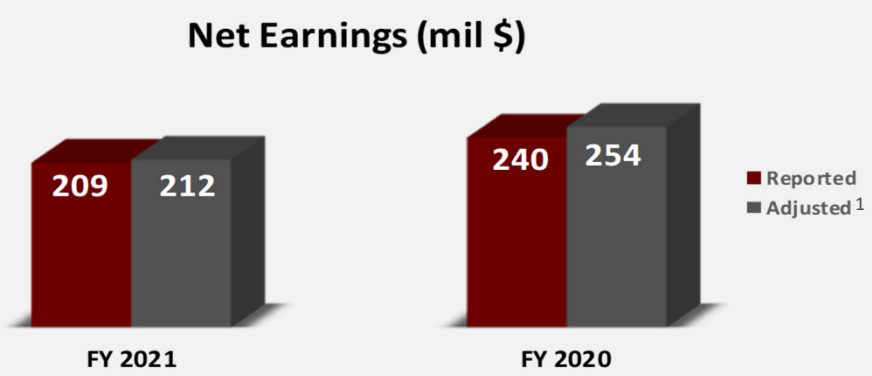
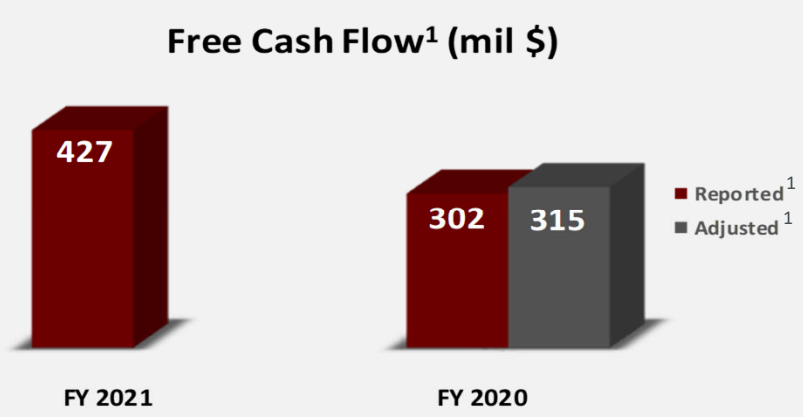
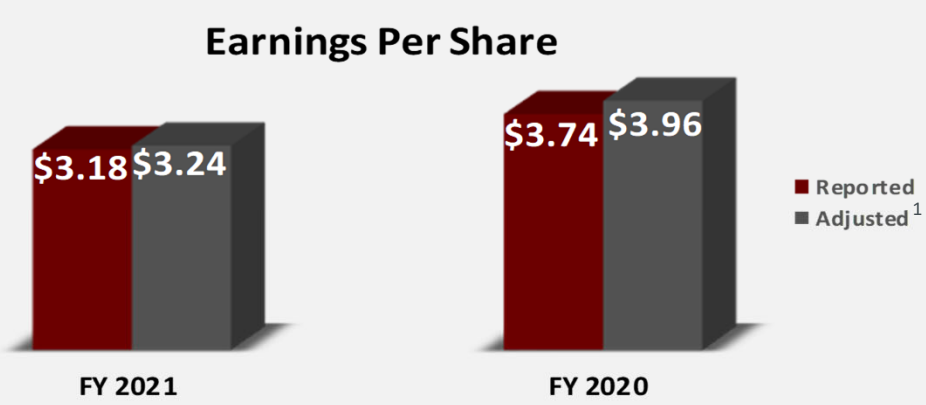
Fiscal Year 2021 Consolidated Results









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Solid Performance

COVID-19 and supply chain impacts continue

Seeing improvement in most of our markets

Strong financial position

- Strong cash generation - free cash flow of $427M
- Approximately $1.4B of liquidity, combined cash on hand and revolver capacity
- Leverage at 1.7x EBITDA[1] at end of Q4

Continuing to invest for the future and position Woodward to capitalize on future opportunities

Aerospace

Commercial OEM

- 67% sales increase for the quarter versus prior year period
- OEM production rates increasing as domestic passenger traffic nears pre-COVID levels, while the international traffic recovery lags

Commercial aftermarket

- 23% sales increase for the quarter versus prior year period
- Increased utilization of the fleet
- Higher level of Woodward content on the aircraft being utilized

Defense

- Markets were stable
- Anticipate guided weapons will soften going forward

A320neo



737 MAX





F-35

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Industrial

Power generation

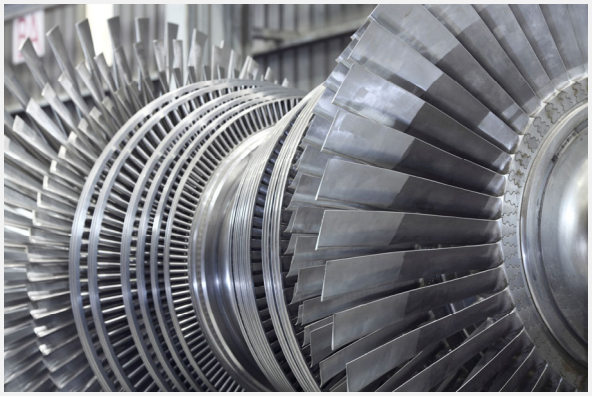
- Demand for gas turbines increasing on growth in Asia and continuing replacement of coal powered plants
- Strong demand for data center back up power

Transportation

- Marine markets improving on new ship orders and increased utilization
- China natural gas truck market soft due to
  - The absorption of China V diesel pre-buys caused by implementation of China VI diesel emissions regulations
  - Increased global natural gas prices

Oil and gas

- Oil prices returning to pre-2020 levels, prompting renewed capital investment





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Aerospace Q4 Fiscal Year 2021 Results

Segment net sales

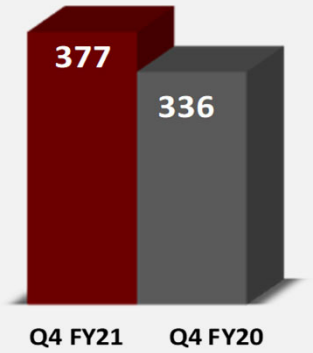
- Higher commercial OEM and aftermarket
- Defense aftermarket down compared to strong prior year quarter

Segment earnings

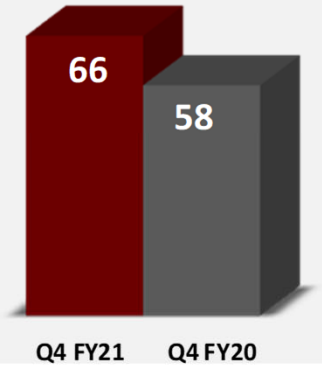
- Higher volumes, predominately commercial OEM



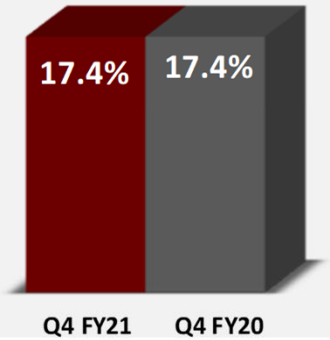
Aerospace Sales (mil $)



Segment Earnings (mil $)



Segment Margin



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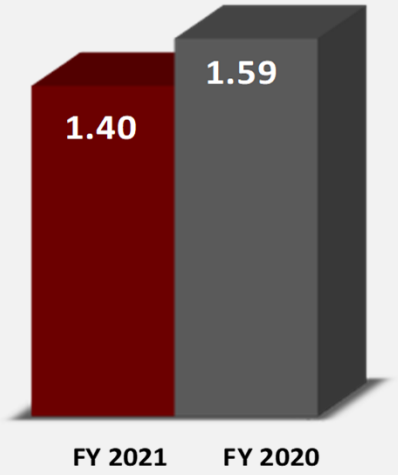
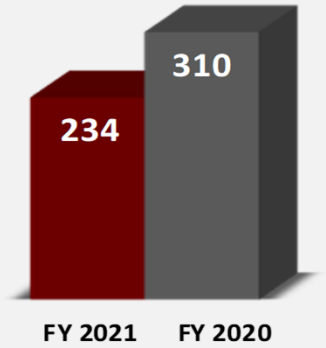
Aerospace Fiscal Year 2021 Results

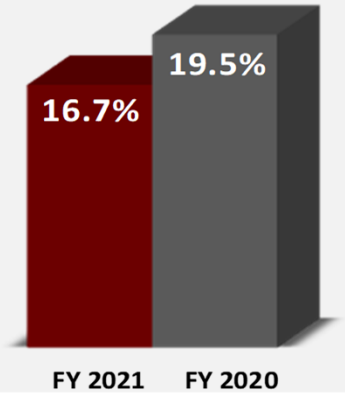
Aerospace Sales (bil $)



Segment Earnings (mil $)



Segment Margin



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Industrial Q4 Fiscal Year 2021 Results

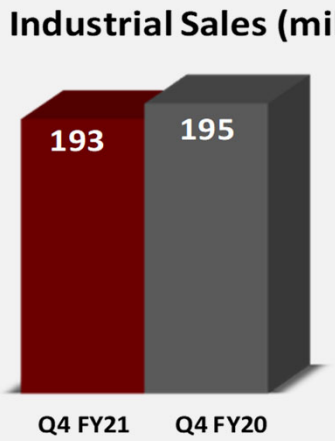
Segment net sales

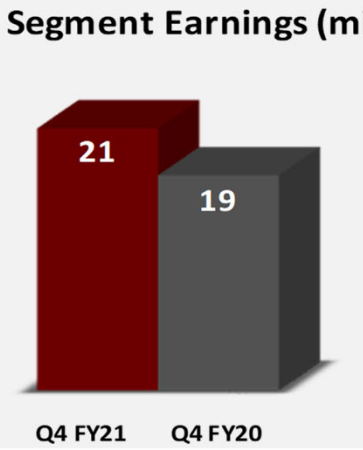
- Lower industrial gas turbine sales
- Weakness in China natural gas truck engines
- Improvements in marine

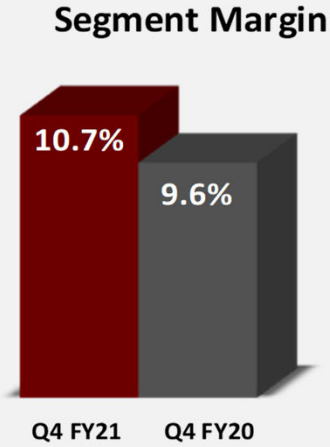
Industrial segment earnings

- Favorable foreign currency exchange rates impact









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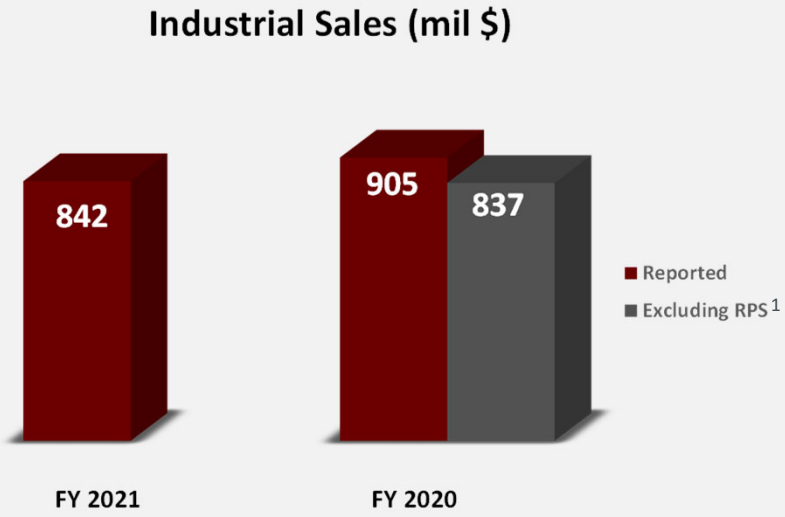
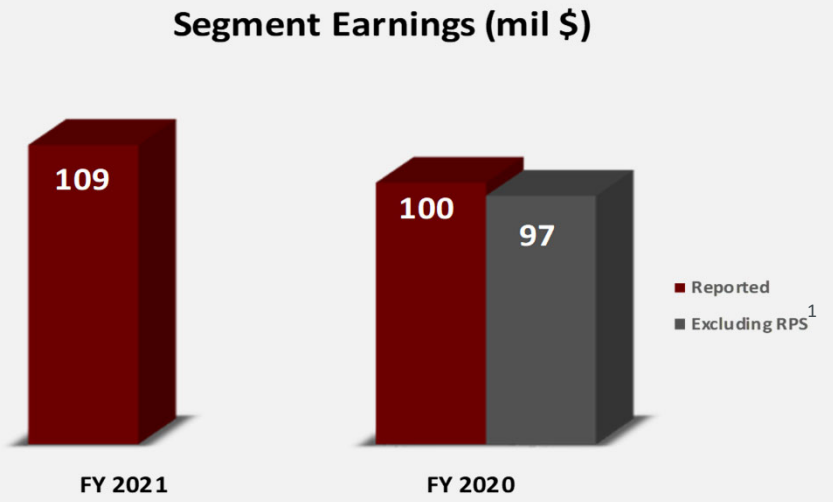
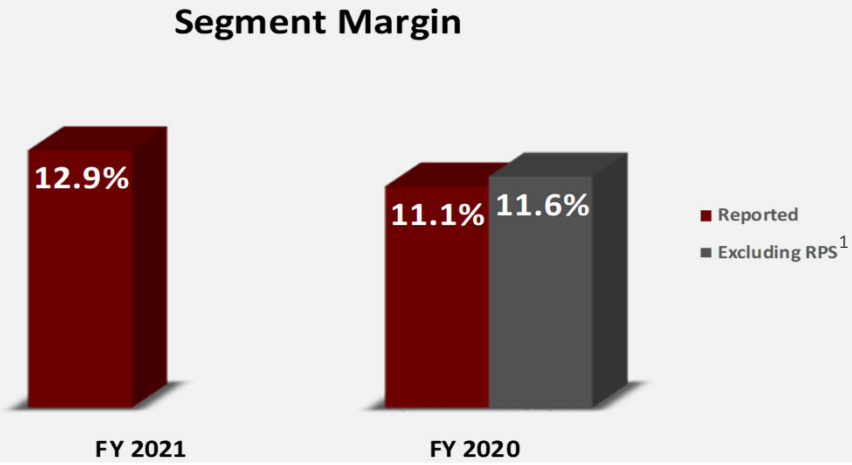
Industrial Fiscal Year 2021 Results







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Selected Financial Items

Quarter and Year-to-Date Comparatives	Q4 FY 21	Q4 FY 20	FY 2021	FY 2020
Gross Margin*	23.5%	23.3%	24.5%	25.7%
SG&A Expenses - % of Sales	6.7%	7.7%	8.3%	8.7%
R&D Expenses - % of Sales	4.9%	5.1%	5.2%	5.3%
Effective Tax Rate	18.2%	16.0%	15.1%	14.7%
EBITDA[1] (mils)	$101	$ 111	$408	$447
Adjusted EBITDA[1] (mils)	$106	$ 98	$413	$474
Cash from Operations (mils)			$465	$349
Capital Expenditures (mils)			$ 38	$ 47
Free Cash Flow[1] (mils)			$427	$302
Adjusted Free Cash Flow[1] (mils)			$427	$315

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

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Fiscal Year 2022 Outlook

End markets and supply chain disruptions are anticipated to improve in fiscal year 2022, although the uncertainty and volatility around the pace of recovery is expected to persist. Growth and profitability in both segments could be negatively affected if COVID-19 and supply chain disruptions do not improve, or if the pace of inflation puts additional pressure on labor and material costs.

Fiscal Year 2022 Outlook

Woodward

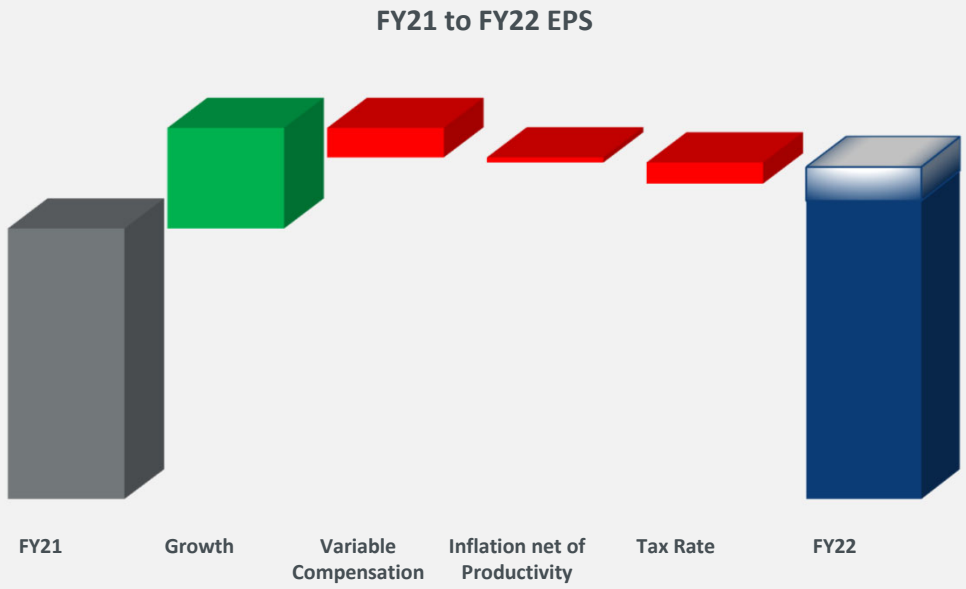
- Revenue between $2.45 and $2.65 billion
- Effective tax rate ~21%
- Earnings per share between $3.55 and $3.95
- ~66 million shares
- Free cash flow ~$315M
  - Free cash flow conversion greater than 100%
  - Capital expenditures ~$30M higher

Aerospace

- Revenue up low double digits to mid-teens
- Margin up ~200 to 300 basis points

Industrial

- Revenue up low double digits to mid-teens
- Margin ~flat to up 150 basis points





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 September 30, 2021			*Three Months Ended September 30, 2020*		
	Earnings Before Income Tax	*Net Earnings*	*Earnings Per Share*	*Earnings Before Income Tax*	*Net Earnings*	*Earnings Per Share*
Net Earnings (U.S. GAAP)	$ 61,030	$ 49,905	$ 0.76	$ 68,118	$ 57,239	$ 0.89
Non-U.S. GAAP adjustments						
Gain on sale of properties	-	-	-	(11,131)	(8,376)	(0.13)
Merger and divestiture transaction costs	-	-	-	(2,299)	(1,730)	(0.03)
Restructuring charges	5,008	3,736	0.06	3,176	2,421	0.04
Gain on sale of disposal group	-	-	-	(2,025)	(1,436)	(0.02)
Total non-U.S. GAAP adjustments	5,008	3,736	0.06	(12,279)	(9,121)	(0.14)
Adjusted earnings[1]	$ 66,038	$ 53,641	$ 0.82	$ 55,839	$ 48,118	$ 0.75

Non-U.S. GAAP Measures – (cont.)

Woodward, Inc. and Subsidiaries
RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS[1]
(Unaudited - in thousands, except per share amounts)

	Year Ended September 30, 2021			*Year Ended September 30, 2020*		
	Earnings Before Income Tax	*Net Earnings*	*Earnings Per Share*	*Earnings Before Income Tax*	*Net Earnings*	*Earnings Per Share*
Net Earnings (U.S. GAAP)	$ 245,799	$ 208,649	$ 3.18	$ 281,881	$ 240,395	$ 3.74
Non-U.S. GAAP adjustments						
Gain on sale of properties	-	-	-	(24,653)	(18,551)	(0.29)
Impairment of assets sold	-	-	-	37,902	28,016	0.44
Merger and divestiture transaction costs	-	-	-	16,355	12,307	0.19
Restructuring charges	5,008	3,736	0.06	22,216	16,621	0.26
Loss on sale of disposal group	-	-	-	515	365	0.01
Acceleration of stock compensation	-	-	-	2,376	1,788	0.03
Net gain on cross-currency interest rate swaps	-	-	-	(27,481)	(26,904)	(0.42)
Total non-U.S. GAAP adjustments	5,008	3,736	0.06	27,230	13,642	0.22
Adjusted earnings[1]	$ 250,807	$ 212,385	$ 3.24	$ 309,111	$ 254,037	$ 3.96

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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)

	Q4 2021	*Q4 2020*	*YTD 2021*	*YTD 2020*
Net earnings	$ 49,905	$ 57,239	$ 208,649	$ 240,395
Income taxes	11,125	10,879	37,150	41,486
Interest expense	8,730	9,309	34,282	35,811
Interest income	(409)	(424)	(1,495)	(1,764)
EBIT[1]	69,351	77,003	278,586	315,928
Non-U.S. GAAP adjustments*	5,008	(12,279)	5,008	27,230
Adjusted EBIT[1]	$ 74,359	$ 64,724	$ 283,594	$ 343,158

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

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

Woodward, Inc. and Subsidiaries

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

(Unaudited - in thousands)

	Q4 2021	*Q4 2020*	*YTD 2021*	*YTD 2020*
Net earnings (U.S. GAAP)	$ 49,905	$ 57,239	$ 208,649	$ 240,395
Income taxes	11,125	10,879	37,150	41,486
Interest expense	8,730	9,309	34,282	35,811
Interest income	(409)	(424)	(1,495)	(1,764)
Amortization of intangible assets	10,338	9,977	41,893	39,458
Depreciation expense	21,387	23,599	87,631	91,700
EBITDA[1] (Non-U.S. GAAP)	101,076	110,579	408,110	447,086
Non-U.S. GAAP adjustments*	5,008	(12,279)	5,008	27,230
Adjusted EBITDA[1] (Non-U.S. GAAP)	$ 106,084	$ 98,300	$ 413,118	$ 474,316

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

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)

	Q4 2021	*Q4 2020*	*YTD 2021*	*YTD 2020*
Industrial segment net sales	$ 193,385	$ 194,956	$ 841,715	$ 904,702
Renewable power systems and related businesses sales	-	-	-	67,663
Industrial segment net sales excluding renewable power systems and related businesses	$ 193,385	$ 194,956	$ 841,715	$ 837,039

Woodward, Inc. and Subsidiaries

RECONCILIATION OF INDUSTRIAL SEGMENT EARNINGS EXCLUDING RENEWABLE POWER SYSTEMS AND RELATED BUSINESSES[1]

(Unaudited - in thousands)

	Q4 2021	*Q4 2020*	*YTD 2021*	*YTD 2020*
Industrial segment earnings	$ 20,747	$ 18,681	$ 108,672	$ 100,321
Renewable power systems and related businesses earnings	-	-	-	3,602
Industrial segment earnings excluding renewable power systems and related businesses	$ 20,747	$ 18,681	$ 108,672	$ 96,719

Non-U.S. GAAP Measures – (cont.)

Woodward, Inc. and Subsidiaries
RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW
AND ADJUSTED FREE CASH FLOW[1]
(Unaudited - in thousands)

	YTD 2021	*YTD 2020*
Cash From Operations	$ 464,669	$ 349,491
Payments for property, plant, and equipment	(37,689)	(47,087)
Free cash flow[1]	426,980	302,404
Cash proceeds from the sale of the Duarte facility	-	30,089
Cash paid for merger and divestiture transaction costs	-	19,853
Cash paid for restructuring charges	-	18,065
Net cash proceeds from cross-currency interest rate swaps	-	(55,191)
Adjusted free cash flow[1]	$ 426,980	$ 315,220

Explanation of Non-U.S. GAAP Measures

[1]Adjusted and Non-U.S. GAAP Financial Measures: Adjusted net earnings, adjusted earnings per share, adjusted Industrial segment earnings, adjusted EBIT and EBITDA, adjusted effective tax rate, Industrial segment net 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, and the gains or losses (as applicable depending on the period of comparison) associated with the Company's divestiture of the renewable power systems and related businesses (which we refer to as "RPS" or the disposal group), (iii) costs associated with the previously proposed merger with Hexcel, (iv) transaction costs associated with the completed divestiture of the disposal group, (v) restructuring charges, (vi) acceleration of stock compensation expense related to restructuring activities, and (vii) the net gain on settlement of cross-currency interest rate swaps. 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, cash payments added back for merger and divestiture transaction costs and restructuring activities, and excluding cash proceeds from the settlement of our cross-currency interest rate swaps. 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 and EBITDA, and adjusted EBIT and 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 and 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.


ALWAYS INNOVATING FOR A BETTER FUTURE