WOODWARD



FOURTH QUARTER AND FISCAL YEAR 2022 RESULTS

November 17, 2022

Q4 FISCAL YEAR 2022 AGENDA

INTRODUCTION

Dan Provaznik

IMPRESSIONS & MARKET REVIEW

Chip Blankenship

FINANCIAL RESULTS & OUTLOOK

Mark Hartman

PROPRIETARY

FOR YOUR INFORMATION

CAUTIONARY

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, our expectations of revenue growth in fiscal year 2023, including our expectations regarding customer demand, the impact of pricing and productivity, trends in our margins for fiscal year 2023, our strategic investments and their impact, our continued focus on operational excellence, talent development, and innovation to create additional value for shareholders, and statements regarding our business and financial outlook for fiscal year 2023, including our guidance for sales, earnings, EBIT, variable compensation costs, effective tax rate and free cash flow and capital expenditures as well as our assumptions regarding our outlook, anticipated trends in our business and the timing and pace of improvements in the supply and labor environment. 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: (1) uncertainties related to the COVID-19 pandemic; (2) global economic uncertainty and instability in the financial markets that affect Woodward, its customers, and its supply chain; (3) risks related to continued constraints and disruptions in the global supply chain and labor markets; (4) Woodward's long sales cycle; (5) risks related to Woodward's concentration of revenue among a relatively small number of customers; (6) Woodward's ability to implement and realize the intended effects of any restructuring efforts; (7) Woodward's ability to successfully manage competitive factors including expenses and fluctuations in sales; (8) changes and consolidations in the aerospace market; (9) Woodward's financial obligations including debt obligations and tax expenses and exposures; (10) risks related to Woodward's U.S. government contracting activities including potential changes in government spending patterns; (11) Woodward's ability to protect its intellectual property rights and avoid infringing the intellectual property rights of others; (12) changes in the estimates of fair value of reporting units or of long-lived assets; (13) environmental risks; (14) Woodward's continued access to a stable workforce and favorable labor relations with its employees; (15) Woodward's ability to manage various regulatory and legal matters; (16) risks from operating internationally; (17) cybersecurity and other technological risks; 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 fiscal year ended September 30, 2021, 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, 2022, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

FISCAL YEAR 2022 SUMMARY

STRONG DEMAND ACROSS THE BUSINESS

SALES NEGATIVELY IMPACTED BY

- $85M OF GLOBAL SUPPLY CHAIN AND LABOR DISRUPTIONS
- UNFAVORABLE FOREIGN CURRENCY EXCHANGE RATES

EARNINGS NEGATIVELY IMPACTED BY



- NET INFLATIONARY PRESSURES ON MATERIAL AND LABOR COSTS
- GLOBAL SUPPLY CHAIN DISRUPTIONS
- INEFFICIENCIES RELATED TO TRAINING RECENT HIRES



FY22 FREE CASH FLOW OF $141M

2.1 TIMES LEVERAGE



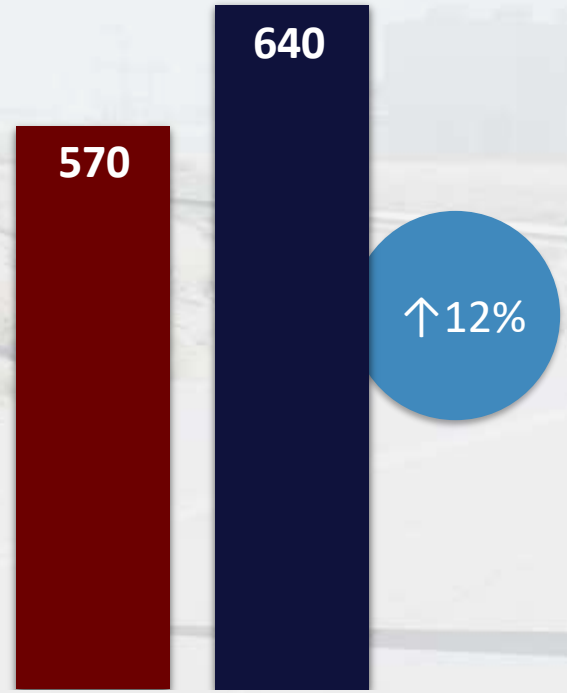
RETURNED $518M TO SHAREHOLDERS IN FY22

- $473M IN SHARE REPURCHASES
- $45M IN DIVIDENDS

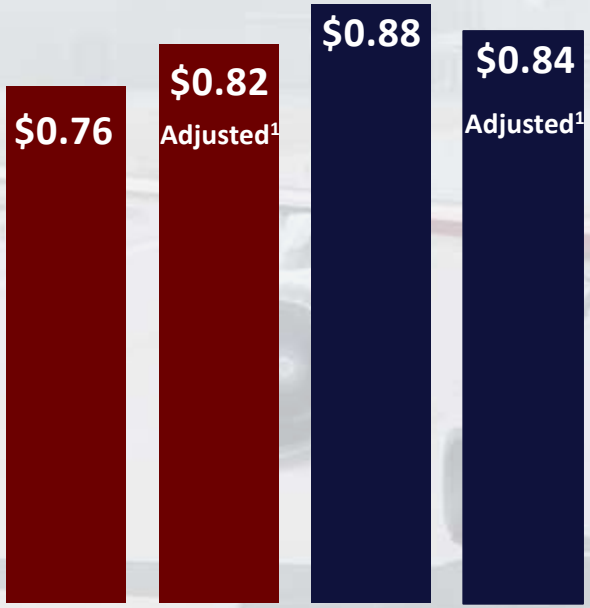


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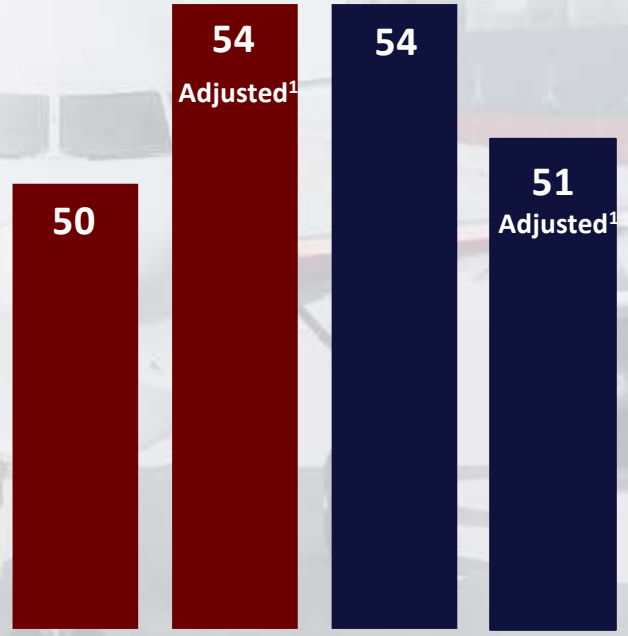
Q4 FY 2022 CONSOLIDATED RESULTS



Net Sales (mil $)



Earnings per Share (EPS)



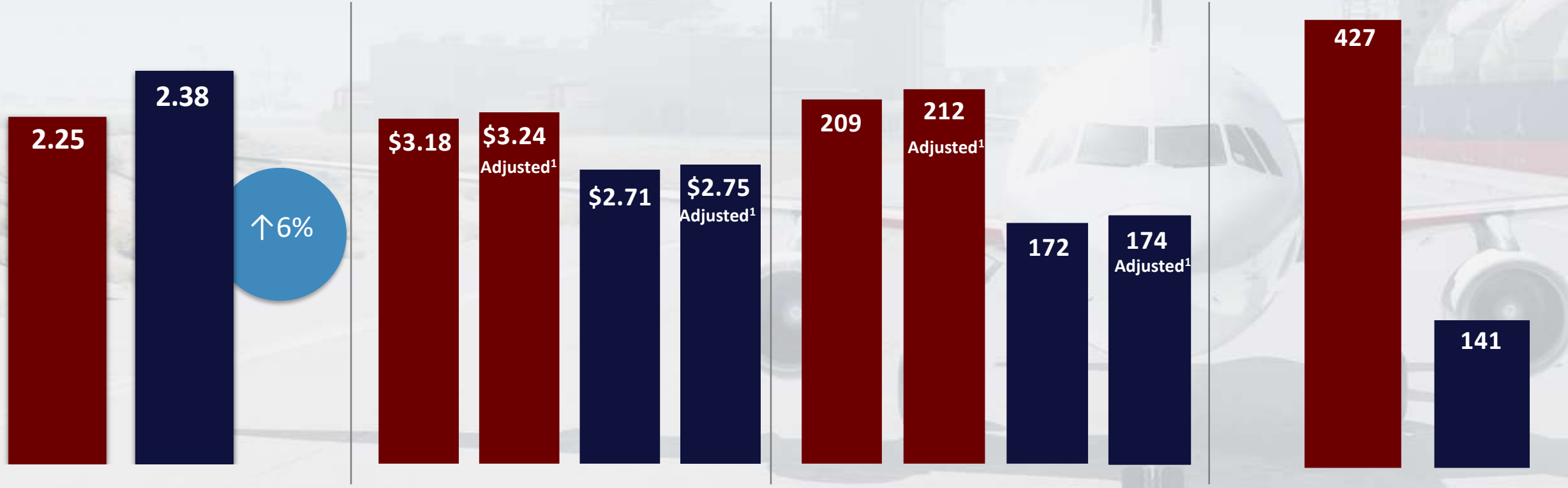
Net Earnings (mil $)

FY21 FY22

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FISCAL YEAR 2022 CONSOLIDATED RESULTS



FY21 FY22

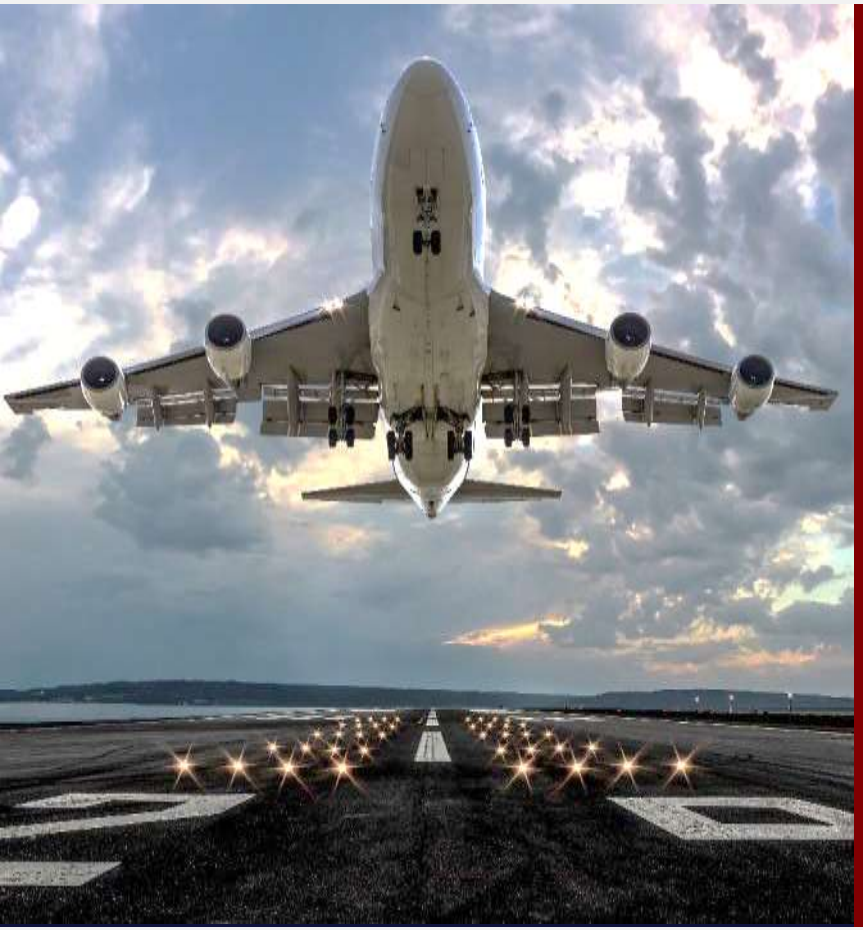
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AEROSPACE OVERVIEW

AEROSPACE MARKETS



COMMERCIAL OEM

- 24% sales increase over the prior year quarter
- Higher OEM build rates

COMMERCIAL AFTERMARKET

- 34% sales increase over the prior year quarter
- Increased passenger traffic – both domestic and international
- Increased fleet utilization

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AEROSPACE MARKETS



DEFENSE OEM

- 18% sales decrease over the prior year quarter
- Decline in guided weapons
- Other markets were stable

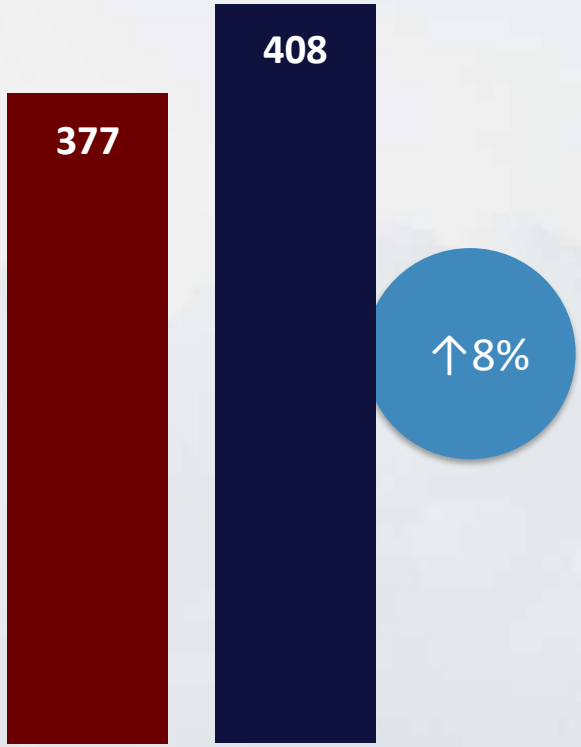
DEFENSE AFTERMARKET

- 7% sales decrease over the prior year quarter
- Impacted by global supply chain and labor disruptions

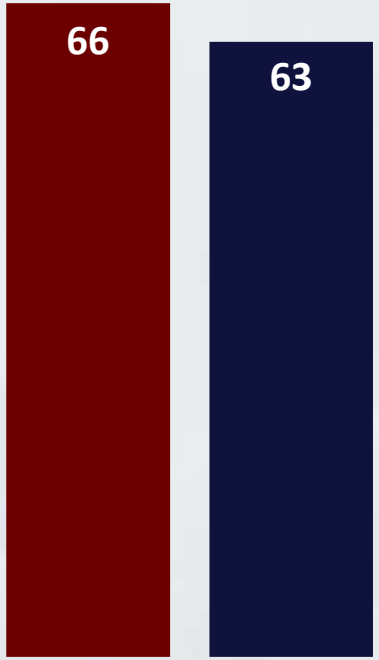
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AEROSPACE Q4 FISCAL YEAR 2022

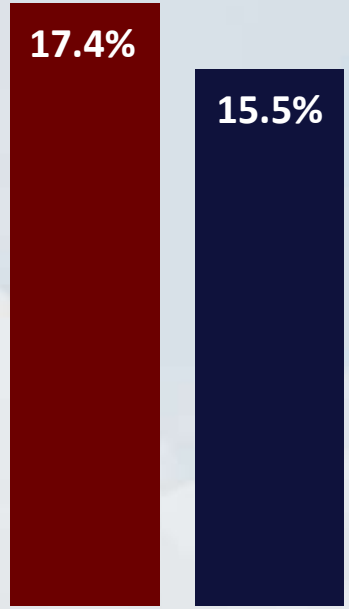




Segment Sales (mil $)



Segment Earnings (mil $)



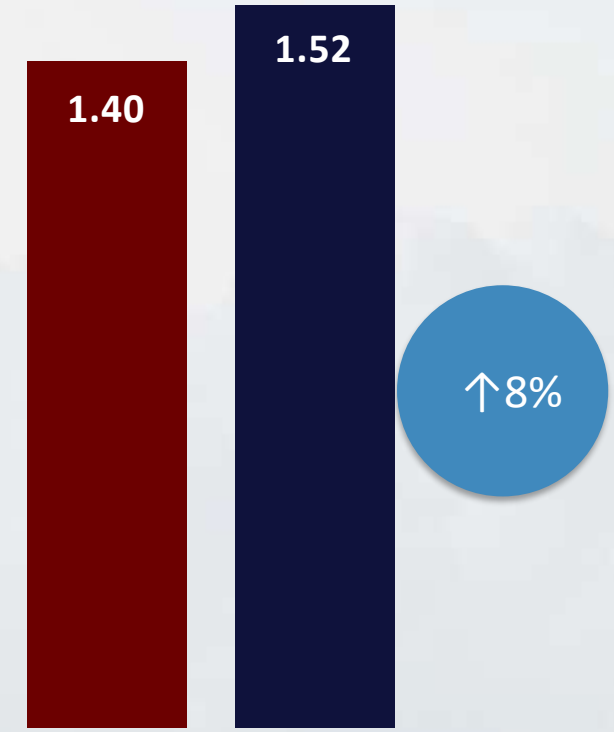
Segment Margin

FY21 FY22

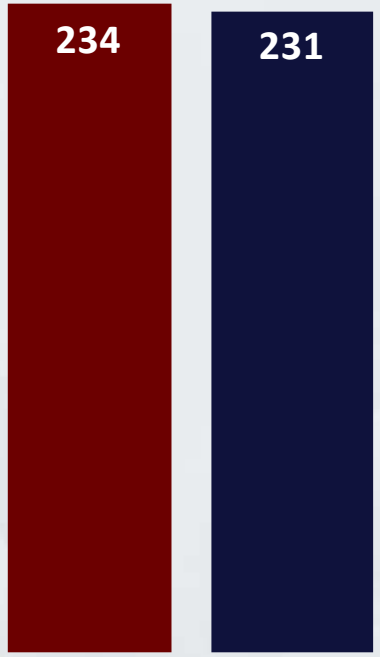
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AEROSPACE FISCAL YEAR 2022

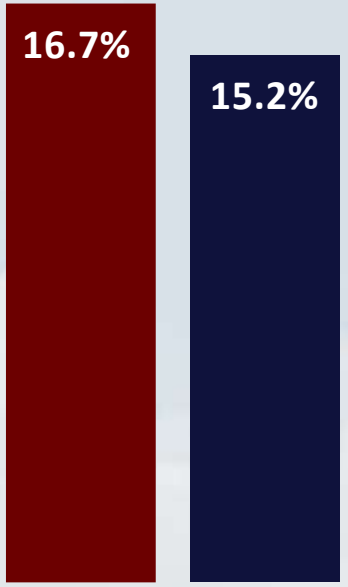




Segment Sales (bil $)



Segment Earnings (mil $)



Segment Margin

FY21 FY22

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INDUSTRIAL OVERVIEW

INDUSTRIAL MARKETS





POWER GENERATION

- Strong growth in Asia driving demand for industrial turbomachinery
- Aftermarket activity increasing
- Data center back-up power demand is strong

TRANSPORTATION

- Global marine market strong on increasing ship build rates and higher utilization
- China natural gas truck production remains depressed

OIL AND GAS

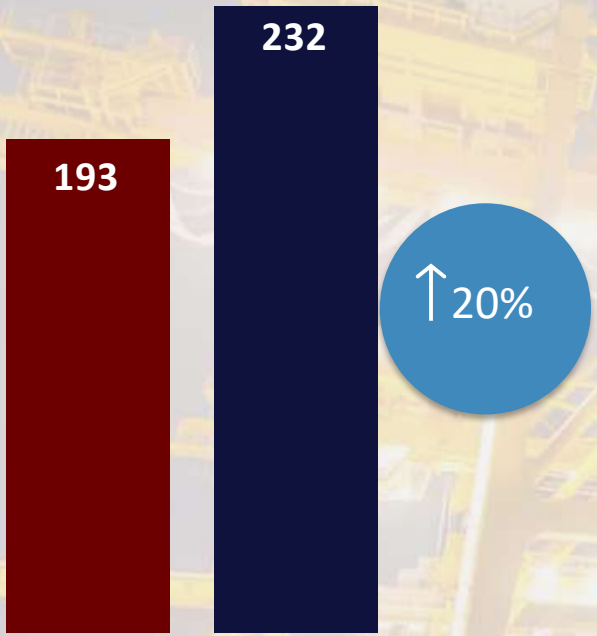
- Market favorable on high commodity prices and strong equipment utilization



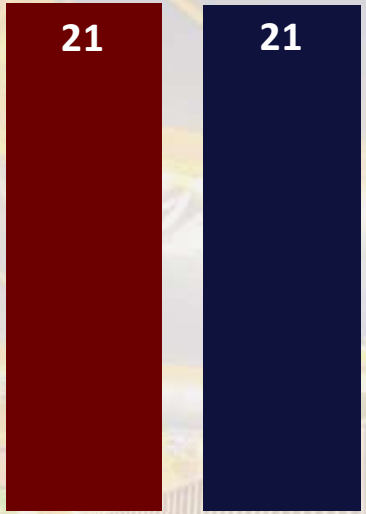


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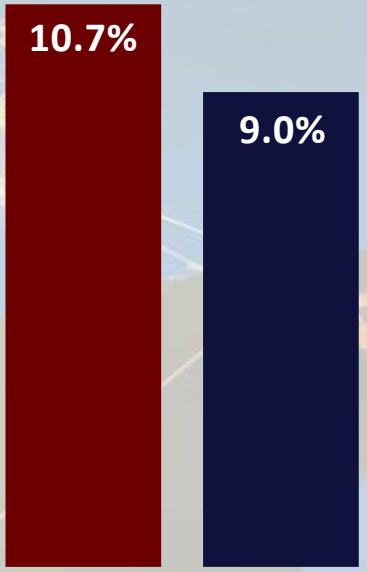
INDUSTRIAL Q4 FISCAL YEAR 2022



Segment Sales (mil $)



Segment Earnings (mil $)

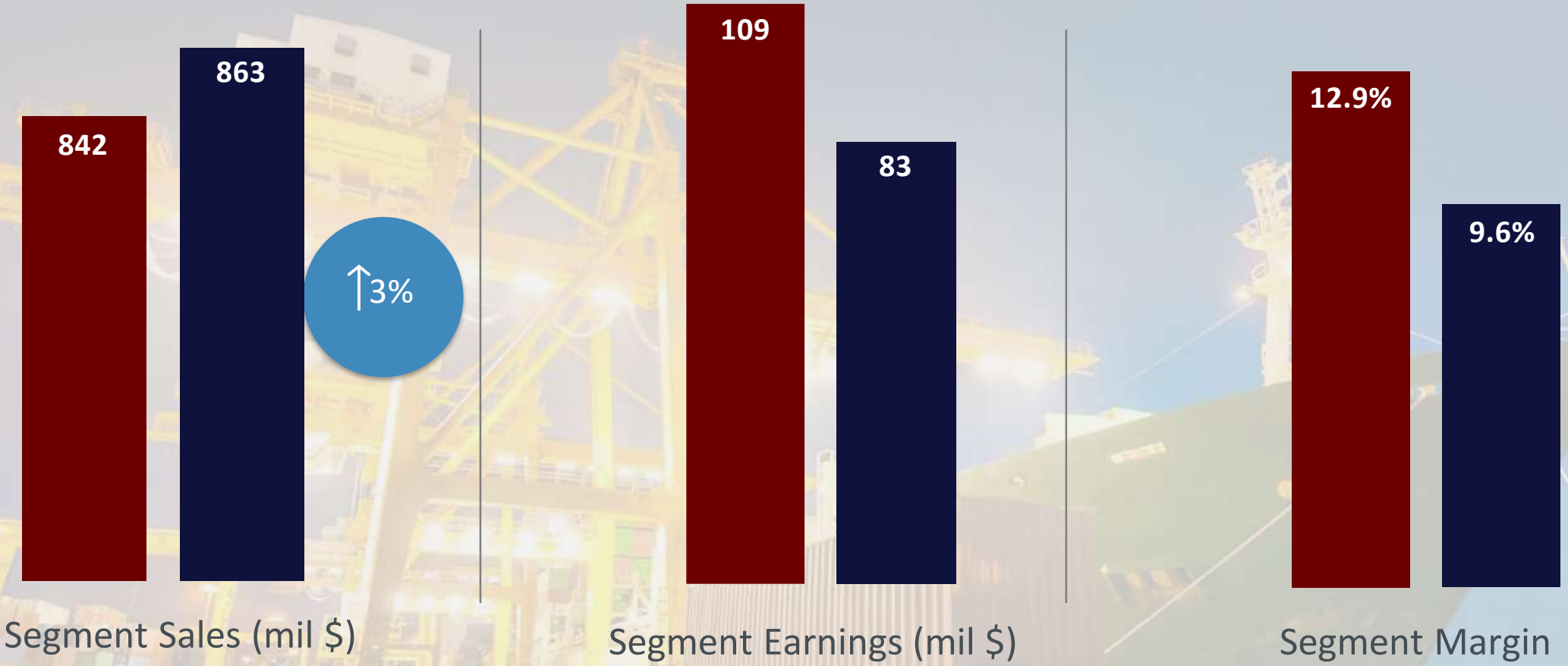


Segment Margin

FY21 FY22

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INDUSTRIAL FISCAL YEAR 2022



FY21 FY22

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SELECTED FINANCIAL RESULTS

Quarter and Year-to-Date Comparatives				
	Q4 FY 22	Q4 FY 21	YTD FY 22	YTD FY 21
Gross Margin *	21.2%	23.5%	22.0%	24.5%
SG&A Expenses - % of Sales	7.8%	6.7%	8.5%	8.3%
R&D Expenses - % of Sales	4.7%	4.9%	5.0%	5.2%
Effective Tax Rate	6.5%	18.2%	14.1%	15.1%
EBITDA[1] (mils)	$ 96	$ 101	$ 353	$ 408
Adjusted EBITDA[1] (mils)	$ 93	$ 106	$ 356	$ 413
Cash from Operations (mils)			$ 194	$ 465
Capital Expenditures (mils)			$ 53	$ 38
Free Cash Flow[1] (mils)			$ 141	$ 427

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

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CAPITAL DEPLOYMENT TO STOCKHOLDERS



RETURN TO SHAREHOLDERS

Long term commitment to return a minimum 50% of net earnings to Shareholders, via

- Dividends
- Share Repurchases

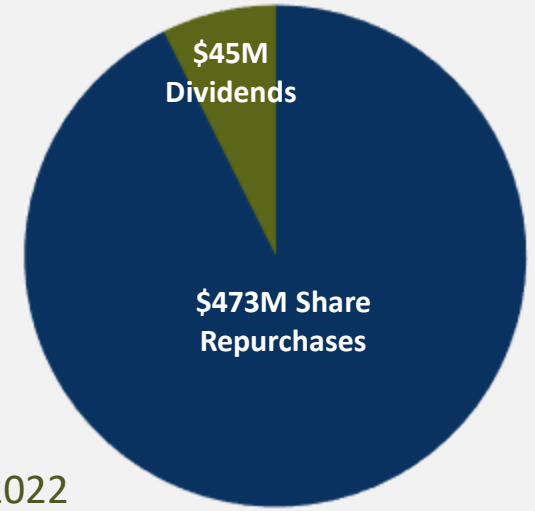
DIVIDENDS

- $45M in fiscal 2022

SHARE REPURCHASES

- $473M of shares repurchased in fiscal 2022
- $800M share repurchase program authorized in January 2022
  - $45M of shares repurchased during the fourth quarter of fiscal year 2022
  - $354M remaining under the authorization

$518M RETURNED TO SHAREHOLDERS FY22



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FISCAL YEAR OUTLOOK – 2023

WOODWARD

- Revenue between $2.60 and $2.75B
- Effective tax rate[1] ~19%
- EPS between $3.15 and $3.60 based on ~61 million shares
- ~$10M increase in annual interest expense
- ~$60M in annual variable incentive compensation costs
- Free cash flow between $200M and $250M
  - Capital expenditures ~$80M

AEROSPACE

- Revenue increase between 14% and 19%
- Margin increase between 150 to 200 basis points

INDUSTRIAL

- Revenue flat to up 5%
- Margin will be flat

ANTICIPATING SUPPLY CHAIN AND LABOR DISRUPTIONS WILL BEGIN TO SUBSIDE DURING THE YEAR, WITH THE PACE OF IMPROVEMENT INCREASING IN THE SECOND HALF OF THE YEAR. THE PACE OF IMPROVEMENT IS UNCERTAIN.



APPENDIX

NON-U.S. GAAP RECONCILIATIONS

Woodward, Inc. and Subsidiaries

RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS[1]

(Unaudited - in thousands, except per share amounts)

	Three Months Ended September 30, 2022			*Three Months Ended September 30, 2021*		
	Before Income Tax	*Net of Income Tax*	*Per Share, Net of Income Tax*	*Before Income Tax*	*Net of Income Tax*	*Per Share, Net of Income Tax*
Earnings (U.S. GAAP)	$ 57,769	$ 54,041	$ 0.88	$ 61,030	$ 49,905	$ 0.76
Non-U.S. GAAP adjustments:						
Non-recurring matter unrelated to the ongoing operations of the business	-	-	-	-	-	-
Business development activities	-	-	-	-	-	-
Restructuring activities	(3,420)	(2,565)	(0.04)	5,008	3,736	0.06
Total non-U.S. GAAP adjustments	(3,420)	(2,565)	(0.04)	5,008	3,736	0.06
Adjusted earnings (Non-U.S. GAAP)	$ 54,349	$ 51,476	$ 0.84	$ 66,038	$ 53,641	$ 0.82

Woodward, Inc. and Subsidiaries

RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS[1]

(Unaudited - in thousands, except per share amounts)

	Year Ended September 30, 2022			*Year Ended September 30, 2021*		
	Before Income Tax	*Net of Income Tax*	*Per Share, Net of Income Tax*	*Before Income Tax*	*Net of Income Tax*	*Per Share, Net of Income Tax*
Earnings (U.S. GAAP)	$ 199,898	$ 171,698	$ 2.71	$ 245,799	$ 208,649	$ 3.18
Non-U.S. GAAP adjustments:						
Non-recurring matter unrelated to the ongoing operations of the business	3,272	2,454	0.04	-	-	-
Business development activities	2,982	2,236	0.04	-	-	-
Restructuring activities	(3,420)	(2,565)	(0.04)	5,008	3,736	0.06
Total non-U.S. GAAP adjustments	2,834	2,125	0.04	5,008	3,736	0.06
Adjusted earnings (Non-U.S. GAAP)	$ 202,732	$ 173,823	$ 2.75	$ 250,807	$ 212,385	$ 3.24

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NON-U.S. GAAP RECONCILIATIONS

Woodward, Inc. and Subsidiaries

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

(Unaudited - in thousands)

	Three Months Ended September 30,		*Year Ended September 30,*	
	2022	*2021*	*2022*	*2021*
Net earnings (U.S. GAAP)	$ 54,041	$ 49,905	$ 171,698	$ 208,649
Income taxes	3,728	11,125	28,200	37,150
Interest expense	9,509	8,730	34,545	34,282
Interest income	(320)	(409)	(1,814)	(1,495)
EBIT (Non-U.S. GAAP)	66,958	69,351	232,629	278,586
Non-U.S. GAAP adjustments*	(3,420)	5,008	2,834	5,008
Adjusted EBIT (Non-U.S. GAAP)	$ 63,538	$ 74,359	$ 235,463	$ 283,594

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

Woodward, Inc. and Subsidiaries

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

(Unaudited - in thousands)

	Three Months Ended September 30,		*Year Ended September 30,*	
	2022	*2021*	*2022*	*2021*
Net earnings (U.S. GAAP)	$ 54,041	$ 49,905	$ 171,698	$ 208,649
Income taxes	3,728	11,125	28,200	37,150
Interest expense	9,509	8,730	34,545	34,282
Interest income	(320)	(409)	(1,814)	(1,495)
Amortization of intangible assets	9,025	10,338	37,609	41,893
Depreciation expense	20,345	21,387	83,019	87,631
EBITDA (Non-U.S. GAAP)	96,328	101,076	353,257	408,110
Non-U.S. GAAP adjustments*	(3,420)	5,008	2,834	5,008
Adjusted EBITDA (Non-U.S. GAAP)	$ 92,908	$ 106,084	$ 356,091	$ 413,118

*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 RECONCILIATIONS

Woodward, Inc. and Subsidiaries

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

(Unaudited - in thousands)

	Year Ended September 30,	
	2022	*2021*
Net cash provided by operating activities	$ 193,638	$ 464,669
Payments for property, plant, and equipment	(52,868)	(37,689)
Free cash flow (Non-U.S. GAAP)	140,770	426,980
Cash paid for business development activities	2,982	-
Cash paid for restructuring activities	505	-
Adjusted free cash flow (Non-U.S. GAAP)	$ 144,257	$ 426,980

Woodward, Inc. and Subsidiaries

RECONCILIATION OF NONSEGMENT EXPENSES TO ADJUSTED NONSEGMENT EXPENSES[1]

(Unaudited - in thousands)

	Three Months Ended September 30,		*Year Ended September 30,*	
	2022	*2021*	*2022*	*2021*
Nonsegment expenses (U.S. GAAP)	$ 17,276	$ 17,111	$ 81,092	$ 64,442
Non-recurring matter unrelated to the ongoing operations of the business	-	-	(3,272)	-
Business development activities	-	-	(2,982)	-
Restructuring activities	3,420	(5,008)	3,420	(5,008)
Adjusted nonsegment expenses (Non-U.S. GAAP)	$ 20,696	$ 12,103	$ 78,258	$ 59,434

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APPENDIX

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, and adjusted nonsegment expenses exclude, as applicable, (i) costs related to business development activities (ii) a charge related to a non-recurring matter unrelated to the ongoing operations of the business, and (iii) restructuring activities. Woodward believes that these items are short-term costs or charges and are otherwise not related to the ongoing operations of the business. Therefore, Woodward 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 payments for costs related to business development activities and restructuring activities. Management believes these adjustments to free cash flow better portray 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 earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, 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.

2Website, 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



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