



FISCAL YEAR 2023 FIRST QUARTER RESULTS

January 30, 2023

Q1 FISCAL YEAR 2023 AGENDA

INTRODUCTION

Dan Provaznik

STRATEGIES & MARKET REVIEW

Chip Blankenship

FINANCIAL RESULTS & OUTLOOK

Mark Hartman

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 market demand; the impact of pricing and productivity; trends in our margins for fiscal year 2023; the impact of our strategic investments to mitigate supply chain risk, reduce complexity, and improve operational performance, including our ability to deliver on such investments to position Woodward to efficiently capitalize on strong end market demand; 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 of improvements in the supply chain 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, 2022, as well as its Quarterly Report on Form 10-Q for the first quarter ended December 31, 2022, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

Q1 FISCAL YEAR 2023 SUMMARY

STRONG END MARKET DEMAND

SALES NEGATIVELY IMPACTED BY

- \$95M OF GLOBAL SUPPLY CHAIN AND LABOR DISRUPTIONS
- UNFAVORABLE FOREIGN CURRENCY EXCHANGE RATES



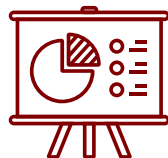
EARNINGS NEGATIVELY IMPACTED BY

- NET INFLATIONARY PRESSURES ON MATERIAL AND LABOR COSTS
- GLOBAL SUPPLY CHAIN DISRUPTIONS
- INEFFICIENCIES RELATED TO TRAINING RECENT HIRES
- RETURN OF ANNUAL INCENTIVE COMPENSATION



Q1 FY23 FREE CASH FLOW¹ OF NEGATIVE \$19M

2.3 TIMES LEVERAGE

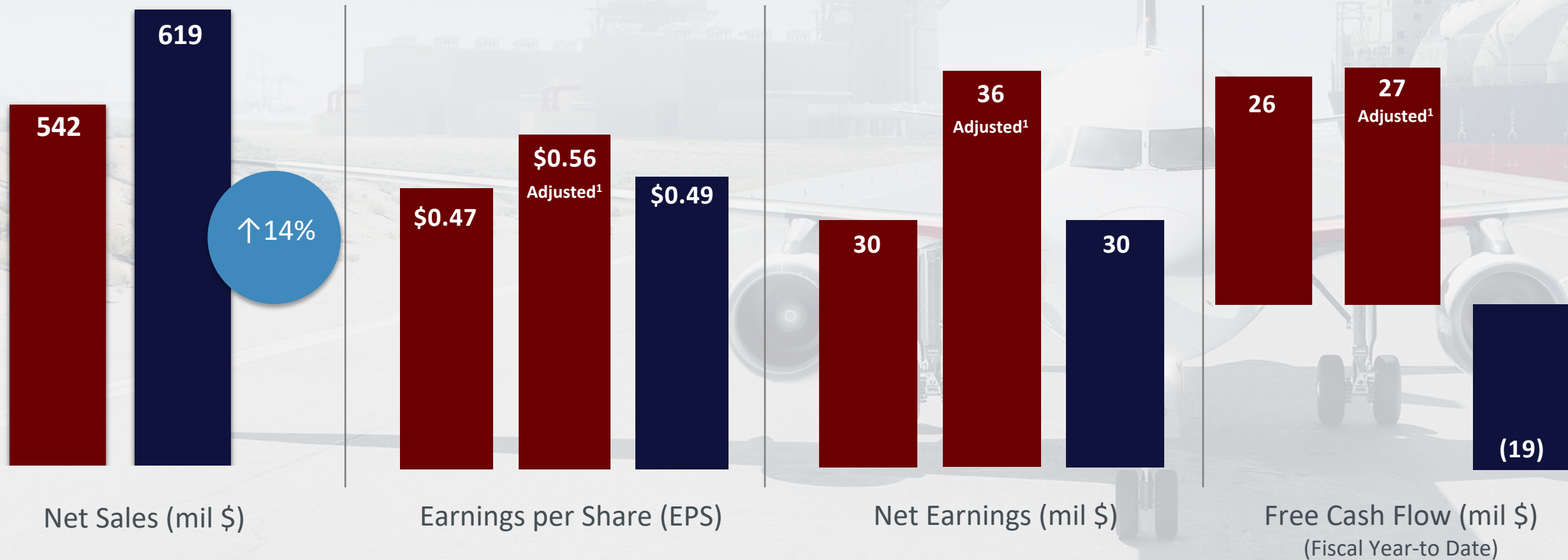


RETURNED \$37M TO SHAREHOLDERS IN Q1 FY23

- \$26M IN SHARE REPURCHASES
- \$11M IN DIVIDENDS



Q1 FISCAL YEAR 2023 CONSOLIDATED RESULTS





AEROSPACE OVERVIEW

AEROSPACE MARKETS



COMMERCIAL OEM

- 32% sales increase over the prior year quarter
- Higher OEM build rates

COMMERCIAL AFTERMARKET

- 47% sales increase over the prior year quarter
- Increased passenger traffic – both domestic and international
- Increased fleet utilization

AEROSPACE MARKETS



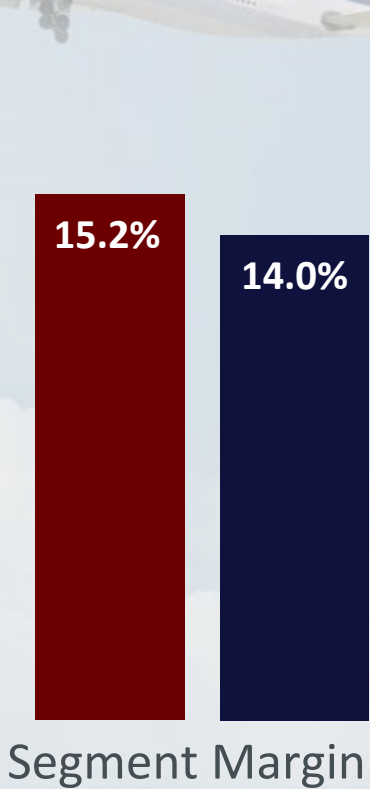
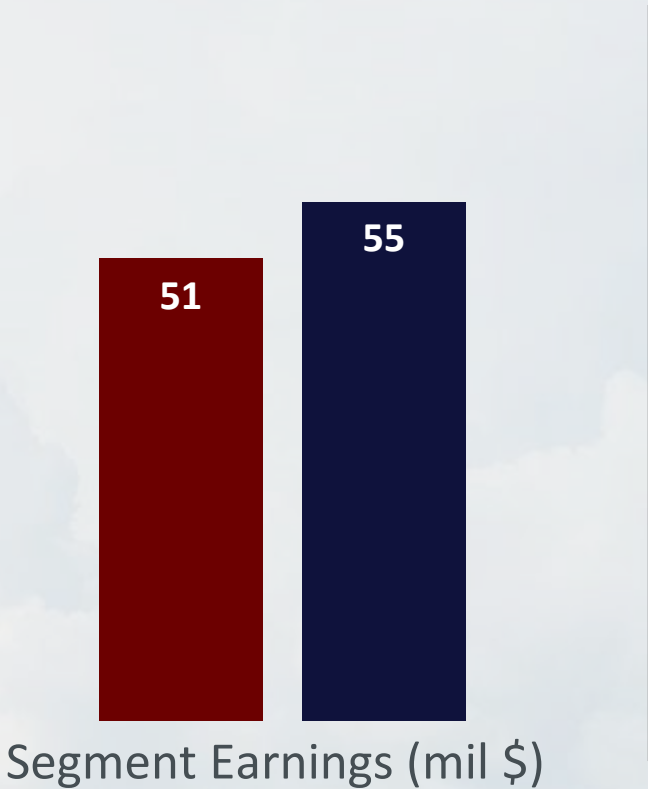
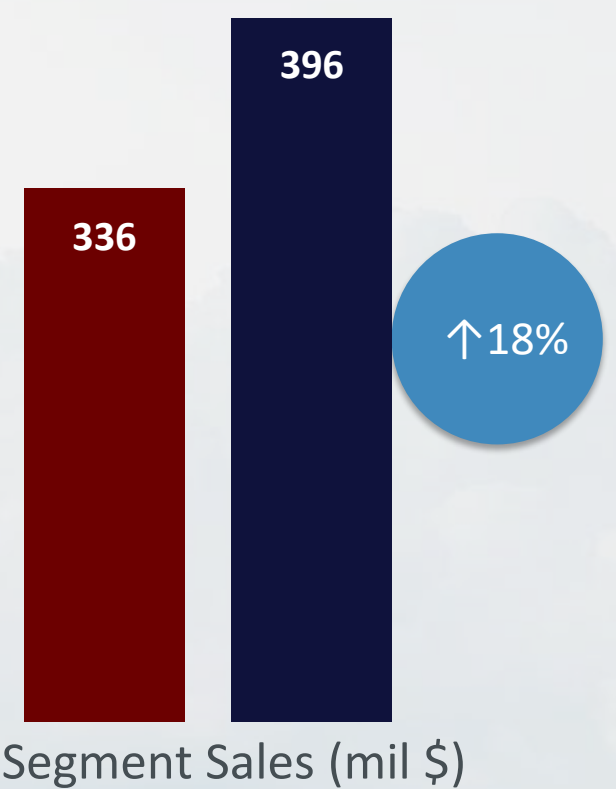
DEFENSE OEM

- 15% sales decrease over the prior year quarter
- Decline in guided weapons
- Other markets were stable

DEFENSE AFTERMARKET

- Flat from the prior year quarter
- Impacted by global supply chain and labor disruptions

AEROSPACE Q1 FISCAL YEAR 2023





INDUSTRIAL OVERVIEW

INDUSTRIAL MARKETS



POWER GENERATION

- Strong growth in Asia driving demand for industrial turbomachinery
- Global aftermarket activity increasing
- Consistent demand for backup power at data centers

TRANSPORTATION

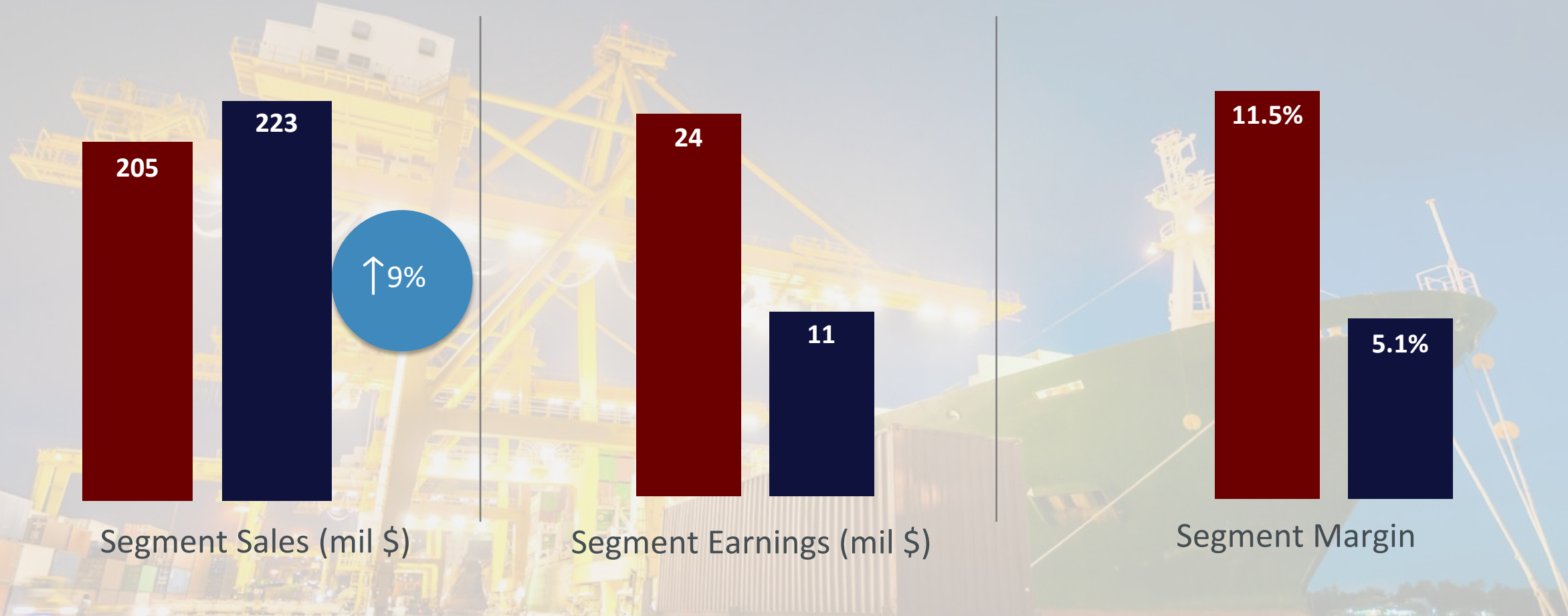
- Global marine market healthy on increased ship build rates and higher utilization
- China natural gas truck production remains depressed

OIL AND GAS

- Market favorable on high commodity prices and strong equipment utilization



INDUSTRIAL Q1 FISCAL YEAR 2023



SELECTED FINANCIAL RESULTS

Quarter and Year-to-Date Comparatives		
	Q1 FY 22	Q1 FY 23
Gross Margin *	22.6%	20.4%
SG&A Expenses - % of Sales	11.5%	10.2%
R&D Expenses - % of Sales	4.7%	4.6%
Effective Tax Rate	19.7%	6.7%
EBITDA ¹ (mils)	\$ 76	\$ 72
Adjusted EBITDA ¹ (mils)	\$ 84	\$ 72
Cash from Operations (mils)	\$ 39	\$ 5
Capital Expenditures (mils)	\$ 13	\$ 24
Free Cash Flow ¹ (mils)	\$ 26	\$ (19)
Adjusted Free Cash Flow ¹ (mils)	\$ 27	\$ (19)

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

CAPITAL DEPLOYMENT TO STOCKHOLDERS



RETURN TO SHAREHOLDERS

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

- Dividends
- Share Repurchases

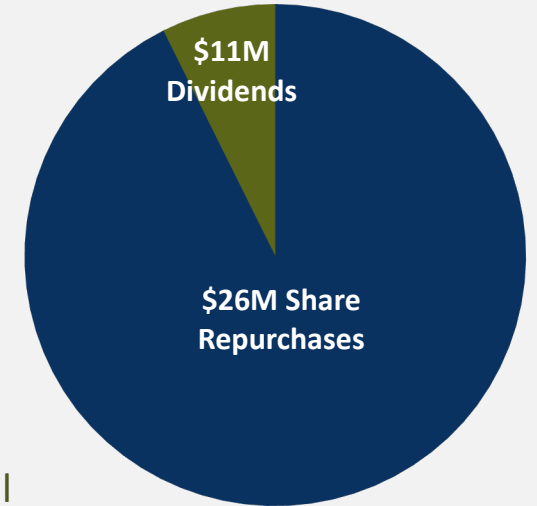
DIVIDENDS

- \$11M in Q1 fiscal 2023

SHARE REPURCHASES

- \$26M of shares repurchased in Q1 fiscal 2023
- \$800M share repurchase program authorized in January 2022
 - \$328M remaining under the authorization

\$37M RETURNED TO SHAREHOLDERS Q1 FY23



FISCAL YEAR 2023 OUTLOOK

WOODWARD



- Revenue between \$2.60 and \$2.75B
- Effective tax rate¹ ~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 flat

ANTICIPATE SUPPLY CHAIN AND LABOR DISRUPTIONS WILL BEGIN TO SUBSIDE DURING THE SECOND HALF OF THE YEAR. THE PACE OF IMPROVEMENT IS UNCERTAIN.

FISCAL YEAR 2023 OUTLOOK

A FEW REMINDERS TO ASSIST WITH YOUR MODELING

1. As a result of our strategic investments and mitigation actions, we anticipate the supply chain and labor disruptions will begin to subside in the second half of the fiscal year.
2. We expect the full year price realization to be in the range of 5% of sales.
3. EBIT is expected to include approximately \$60 million of annual variable incentive compensation costs, an increase of approximately \$50 million over the prior year. \$12 million was recorded in first quarter of fiscal year 2023.
4. We anticipate our interest expense will increase by approximately \$10 million due to rising interest rates.
5. As we reduce our past dues in the second half of the year, we expect to generate free cash flow in the same period.



APPENDIX

NON-U.S. GAAP RECONCILIATIONS

Woodward, Inc. and Subsidiaries
RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS¹
(Unaudited - in thousands, except per share amounts)

	<i>Three-Months Ended</i>		
	<i>December 31, 2022</i>		
	<u><i>Before Income Tax</i></u>	<u><i>Net of Income Tax</i></u>	<u><i>Per Share, Net of Income Tax</i></u>
Earnings (U.S. GAAP)	\$ 31,749	\$ 29,606	\$ 0.49
Non-U.S. GAAP adjustments:			
Non-recurring matter unrelated to the ongoing operations of the business	-	-	-
Business development activities	-	-	-
Total non-U.S. GAAP adjustments	-	-	-
Adjusted earnings (Non-U.S. GAAP)	\$ 31,749	\$ 29,606	\$ 0.49

RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS¹
(Unaudited - in thousands, except per share amounts)

	<i>Three-Months Ended</i>		
	<i>December 31, 2021</i>		
	<u><i>Before Income Tax</i></u>	<u><i>Net of Income Tax</i></u>	<u><i>Per Share, Net of Income Tax</i></u>
Earnings (U.S. GAAP)	\$ 37,746	\$ 30,305	\$ 0.47
Non-U.S. GAAP adjustments:			
Non-recurring matter unrelated to the ongoing operations of the business	5,000	3,750	0.06
Business development activities	2,982	2,236	0.03
Total non-U.S. GAAP adjustments	7,982	5,986	0.09
Adjusted earnings (Non-U.S. GAAP)	\$ 45,728	\$ 36,291	\$ 0.56

NON-U.S. GAAP RECONCILIATIONS

Woodward, Inc. and Subsidiaries
RECONCILIATION OF NET EARNINGS TO EBIT¹ AND ADJUSTED EBIT¹
(Unaudited - in thousands)

	<i>Three-Months Ended December 31,</i>	
	<u>2022</u>	<u>2021</u>
Net earnings (U.S. GAAP)	\$ 29,606	\$ 30,305
Income taxes	2,143	7,441
Interest expense	11,142	8,306
Interest income	(366)	(641)
EBIT (Non-U.S. GAAP)	<u>42,525</u>	<u>45,411</u>
Non-U.S. GAAP adjustments*	-	7,982
Adjusted EBIT (Non-U.S. GAAP)	<u>\$ 42,525</u>	<u>\$ 53,393</u>

*See Reconciliation of Earnings to Adjusted Earnings¹ table above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

Woodward, Inc. and Subsidiaries
RECONCILIATION OF NET EARNINGS TO EBITDA¹ AND ADJUSTED EBITDA¹
(Unaudited - in thousands)

	<i>Three-Months Ended December 31,</i>	
	<u>2022</u>	<u>2021</u>
Net earnings (U.S. GAAP)	\$ 29,606	\$ 30,305
Income taxes	2,143	7,441
Interest expense	11,142	8,306
Interest income	(366)	(641)
Amortization of intangible assets	9,178	9,688
Depreciation expense	20,126	21,033
EBITDA (Non-U.S. GAAP)	<u>71,829</u>	<u>76,132</u>
Non-U.S. GAAP adjustments*	-	7,982
Adjusted EBITDA (Non-U.S. GAAP)	<u>\$ 71,829</u>	<u>\$ 84,114</u>

*See Reconciliation of Earnings to Adjusted Earnings¹ table above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

NON-U.S. GAAP RECONCILIATIONS

Woodward, Inc. and Subsidiaries
RECONCILIATION OF NONSEGMENT EXPENSES TO ADJUSTED NONSEGMENT EXPENSES¹
(Unaudited - in thousands)

	<i>Three-Months Ended December 31,</i>	
	<u>2022</u>	<u>2021</u>
Nonsegment expenses (U.S. GAAP)	\$ 24,311	\$ 29,365
Non-recurring matter unrelated to the ongoing operations of the business	-	(5,000)
Business development activities	-	(2,982)
Adjusted nonsegment expenses (Non-U.S. GAAP)	<u>\$ 24,311</u>	<u>\$ 21,383</u>

Woodward, Inc. and Subsidiaries
RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW¹ AND ADJUSTED FREE CASH FLOW¹
(Unaudited - in thousands)

	<i>Three-Months Ended December 31,</i>	
	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities (U.S. GAAP)	\$ 5,402	\$ 39,290
Payments for property, plant, and equipment	(24,390)	(13,123)
Free cash flow (Non-U.S. GAAP)	(18,988)	26,167
Cash paid for business development activities	-	770
Cash paid for restructuring charges	-	505
Adjusted free cash flow (Non-U.S. GAAP)	<u>\$ (18,988)</u>	<u>\$ 27,442</u>

NON-U.S. GAAP MEASURES

¹Adjusted 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 and (ii) a charge related to a non-recurring matter unrelated to the ongoing operations of the business. 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. Guidance with respect to non-U.S. GAAP measures as provided in this release excludes, as applicable, costs, charges and payments related to (i) business development activities, and (ii) restructuring activities.

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

