



# FISCAL YEAR 2023 SECOND QUARTER RESULTS

May 1, 2023

# Q2 FISCAL YEAR 2023 AGENDA

## INTRODUCTION

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## STRATEGIES & MARKET REVIEW

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## FINANCIAL RESULTS & OUTLOOK

Mark Hartman

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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, our expectations of anticipated year-over-year growth in the second half of fiscal year 2023 and other anticipated trends in our business; our focus on operational enhancements and ability to drive value for our shareholders; and statements regarding our business and financial outlook for fiscal year 2023, including our guidance for sales, adjusted earnings, adjusted earnings per share, segment sales growth, segment earnings as a percent of sales, adjusted effective tax rate, adjusted free cash flow, and capital expenditures as well as our assumptions regarding our outlook. 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) global economic uncertainty and instability in the financial markets that affect Woodward, its customers, and its supply chain; (2) risks related to continued constraints and disruptions in the global supply chain and labor markets; (3) Woodward's long sales cycle; (4) risks related to Woodward's concentration of revenue among a relatively small number of customers; (5) Woodward's ability to implement and realize the intended effects of any restructuring efforts; (6) Woodward's ability to successfully manage competitive factors including expenses and fluctuations in sales; (7) changes and consolidations in the aerospace market; (8) uncertainties related to the COVID-19 pandemic; (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, any subsequently filed Quarterly Report on Form 10-Q, as well as its Quarterly Report on Form 10-Q for the second quarter ended March 31, 2023, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

# Q2 FISCAL YEAR 2023 SUMMARY

## STRONG END MARKET DEMAND

**SALES UP 22%**

### SALES IMPACTED BY

- ONGOING INDUSTRY-WIDE SUPPLY CHAIN AND LABOR DISRUPTIONS
- UNFAVORABLE FOREIGN CURRENCY EXCHANGE RATES



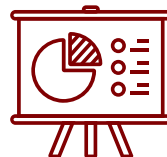
## ADJUSTED EARNINGS<sup>1</sup> IMPROVEMENT DRIVEN BY

- HIGHER VOLUMES
- FAVORABLE PRODUCT MIX
- PRICE REALIZATION
- PARTIALLY OFFSET BY INFLATION, HIGHER MANUFACTURING COSTS AND ANNUAL INCENTIVE COMPENSATION



**ADJUSTED FREE CASH FLOW<sup>1</sup> OF NEGATIVE \$1M  
IN FY23 YTD**

**2.2 TIMES LEVERAGE**

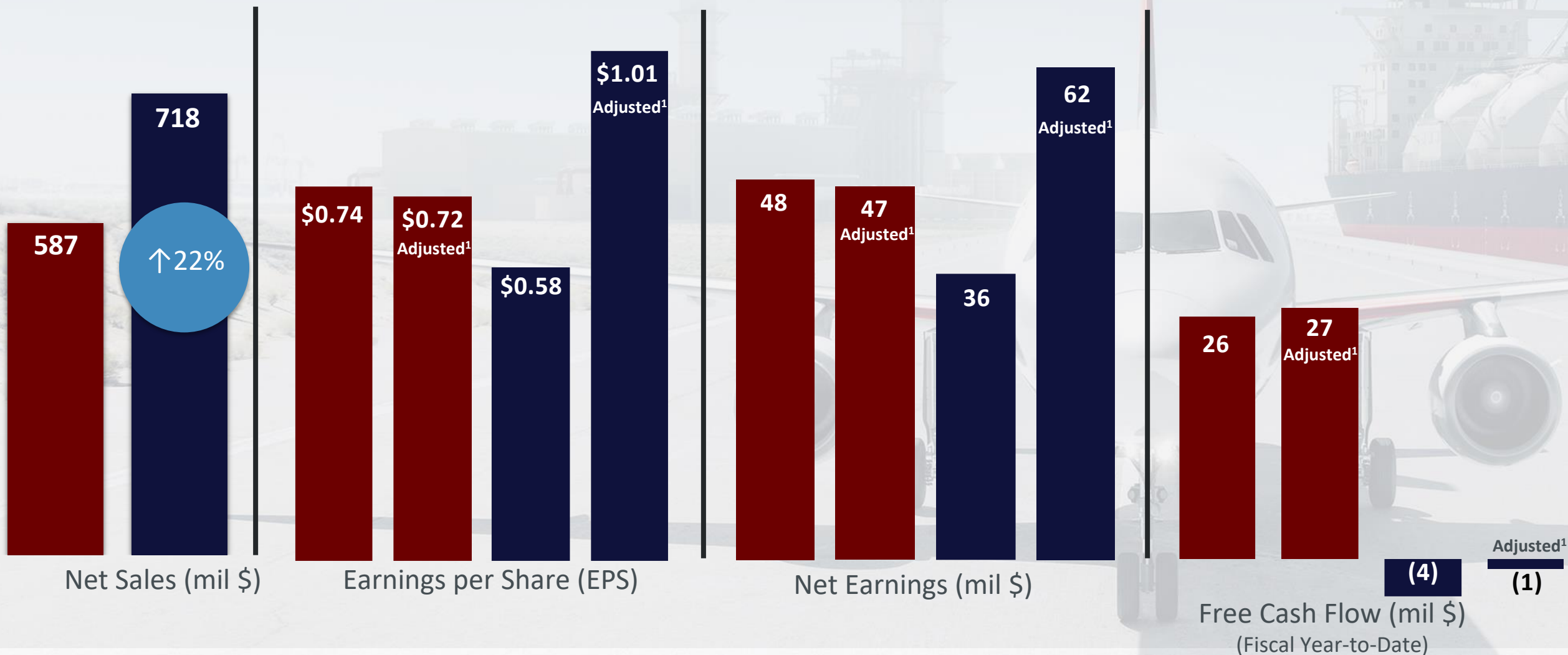


**RETURNED \$51M TO SHAREHOLDERS IN FY23 YTD**

- \$26M IN SHARE REPURCHASES
- \$25M IN DIVIDENDS



# Q2 FISCAL YEAR 2023 CONSOLIDATED RESULTS





# AEROSPACE OVERVIEW

# AEROSPACE - COMMERCIAL



## COMMERCIAL OEM

- 30% sales increase over the prior year quarter
- Higher OEM build rates

## COMMERCIAL AFTERMARKET

- 28% sales increase over the prior year quarter
- Continuing passenger traffic recovery in all regions - both domestic and international
- Increased fleet utilization

# AEROSPACE - DEFENSE



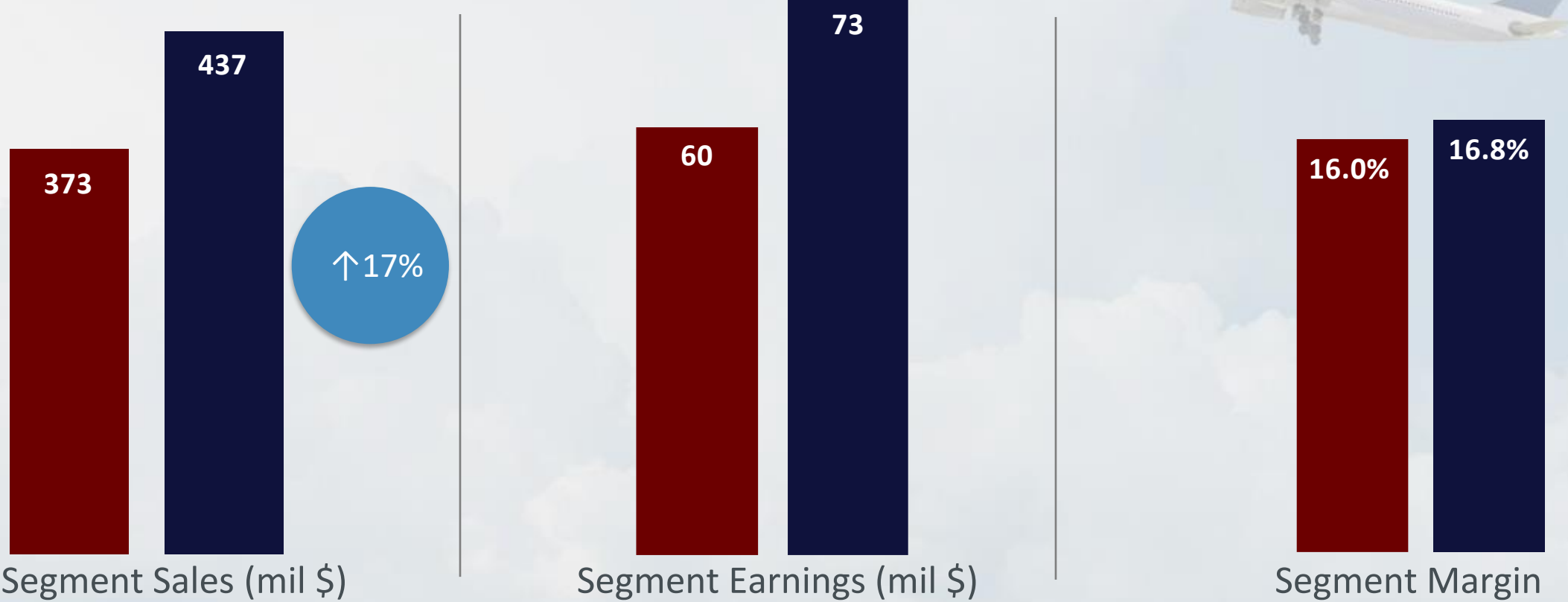
## DEFENSE OEM

- 10% sales decrease over the prior year quarter
- Decline in guided weapons
- Other programs are stable at elevated levels

## DEFENSE AFTERMARKET

- 16% sales increase over the prior year quarter
- Increased upgrade activity

# AEROSPACE Q2 FISCAL YEAR 2023



↑17%



# INDUSTRIAL OVERVIEW

# INDUSTRIAL MARKETS



## POWER GENERATION

- Demand remains strong driven by LNG growth and expansion
- Global aftermarket activity increasing
- Continued demand for backup power at data centers

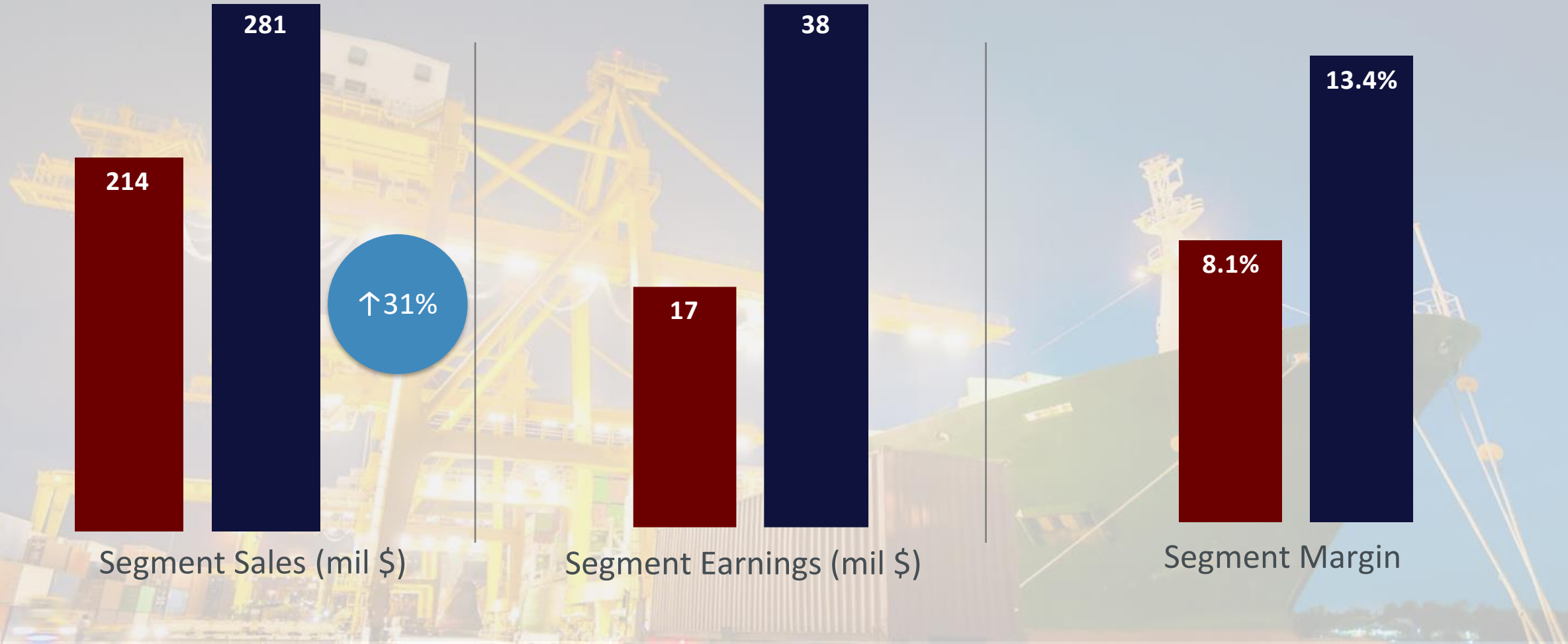
## TRANSPORTATION

- Global marine healthy on increased ship utilization, normalizing freight rates, and continued strength in the aftermarket
- Limited demand for natural gas trucks in China - unclear if demand will continue

## OIL AND GAS

- Favorable on elevated commodity prices and strong equipment utilization

# INDUSTRIAL Q2 FISCAL YEAR 2023



# SELECT FINANCIAL RESULTS

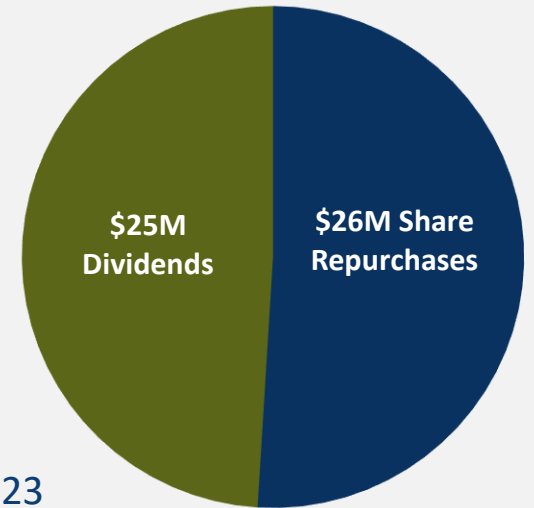
Quarter and Year-to-Date Comparatives				
	Q2 FY 22	Q2 FY 23	YTD FY 22	YTD FY 23
Gross Margin *	22.7%	22.1%	22.7%	21.3%
SG&A Expenses - % of Sales	7.5%	10.5%	9.4%	10.4%
R&D Expenses - % of Sales	5.5%	5.3%	5.1%	5.0%
Effective Tax Rate	11.4%	11.8%	14.8%	9.5%
EBITDA <sup>1</sup> (mils)	\$ 92	\$ 83	\$ 169	\$ 154
Adjusted EBITDA <sup>1</sup> (mils)	\$ 91	\$ 117	\$ 175	\$ 189
Cash from Operations (mils)			\$ 50	\$ 40
Capital Expenditures (mils)			\$ 24	\$ 44
Free Cash Flow <sup>1</sup> (mils)			\$ 26	\$ (4)
Adjusted Free Cash Flow <sup>1</sup> (mils)			\$ 27	\$ (1)

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

# CAPITAL DEPLOYMENT TO STOCKHOLDERS



**\$51M RETURNED TO SHAREHOLDERS IN FY23 YTD**



## RETURN TO SHAREHOLDERS

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

- Dividends
- Share Repurchases

## DIVIDENDS

- \$25M in fiscal 2023 YTD

## SHARE REPURCHASES

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

# FISCAL YEAR 2023 REVISED OUTLOOK

We continue to expect year-over-year improvements in the second half of fiscal 2023. Due to our better-than-expected results experienced in the second quarter, as well as the anticipated lower income tax rate for the full year, we are raising certain aspects of our full year guidance.

	Prior Fiscal Year 2023 Guidance	Current Fiscal Year 2023 Guidance
<b><u>Total Company</u></b>		
Sales	\$2,600 - \$2,750	\$2,700 - \$2,800
Adjusted Effective Tax Rate	~19%	~16%
Adjusted Free Cash Flow	\$200 - \$250	No Change
Capital Expenditures	~80	No Change
Adjusted EPS	\$3.15 - 3.60	\$3.50 - \$3.75
<b><u>Aerospace</u></b>		
Sales Growth	14% - 19%	No Change
Segment Earnings (% of Sales)	150bps - 200bps	No Change
<b><u>Industrial</u></b>		
Sales Growth	Flat - 5%	14% - 19%
Segment Earnings (% of Sales)	Flat	No Change



# APPENDIX

## NON-U.S. GAAP RECONCILIATIONS

*Woodward, Inc. and Subsidiaries*  
**RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS<sup>1</sup>**  
*(Unaudited - in thousands, except per share amounts)*

	<i>Three-Months Ended</i>			<i>Three-Months Ended</i>		
	<i>March 31, 2023</i>			<i>March 31, 2022</i>		
	<i>Before Income Tax</i>	<i>Net of Income Tax</i>	<i>Per Share, Net of Income Tax</i>	<i>Before Income Tax</i>	<i>Net of Income Tax</i>	<i>Per Share, Net of Income Tax</i>
<b>Earnings (U.S. GAAP)</b>	\$ 40,241	\$ 35,511	\$ 0.58	\$ 54,096	\$ 47,906	\$ 0.74
Non-U.S. GAAP adjustments:						
Specific charge for excess and obsolete inventory	11,995	9,016	0.15	-	-	-
Product rationalization	10,504	7,896	0.13	-	-	-
Restructuring charge	5,172	3,874	0.06	-	-	-
Non-recurring charge related to customer collections	4,997	3,761	0.06	-	-	-
Non-restructuring separation costs	2,208	1,661	0.03	-	-	-
Non-recurring matter unrelated to the ongoing operations of the business	-	-	-	(1,728)	(1,296)	(0.02)
Business development activities	-	-	-	-	-	-
<b>Total non-U.S. GAAP adjustments</b>	<u>34,876</u>	<u>26,208</u>	<u>0.43</u>	<u>(1,728)</u>	<u>(1,296)</u>	<u>(0.02)</u>
<b>Adjusted earnings (Non-U.S. GAAP)</b>	\$ 75,117	\$ 61,719	\$ 1.01	\$ 52,368	\$ 46,610	\$ 0.72

*Woodward, Inc. and Subsidiaries*  
**RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS<sup>1</sup>**  
*(Unaudited - in thousands, except per share amounts)*

	<i>Six-Months Ended</i>			<i>Six-Months Ended</i>		
	<i>March 31, 2023</i>			<i>March 31, 2022</i>		
	<i>Before Income Tax</i>	<i>Net of Income Tax</i>	<i>Per Share, Net of Income Tax</i>	<i>Before Income Tax</i>	<i>Net of Income Tax</i>	<i>Per Share, Net of Income Tax</i>
<b>Earnings (U.S. GAAP)</b>	\$ 71,990	\$ 65,117	\$ 1.07	\$ 91,842	\$ 78,211	\$ 1.21
Non-U.S. GAAP adjustments:						
Specific charge for excess and obsolete inventory	11,995	9,016	0.15	-	-	-
Product rationalization	10,504	7,896	0.13	-	-	-
Restructuring charge	5,172	3,874	0.06	-	-	-
Non-recurring charge related to customer collections	4,997	3,761	0.06	-	-	-
Non-restructuring separation costs	2,208	1,661	0.03	-	-	-
Non-recurring matter unrelated to the ongoing operations of the business	-	-	-	3,272	2,454	0.04
Business development activities	-	-	-	2,982	2,236	0.03
<b>Total non-U.S. GAAP adjustments</b>	<u>34,876</u>	<u>26,208</u>	<u>0.43</u>	<u>6,254</u>	<u>4,690</u>	<u>0.07</u>
<b>Adjusted earnings (Non-U.S. GAAP)</b>	\$ 106,866	\$ 91,325	\$ 1.50	\$ 98,096	\$ 82,901	\$ 1.28

## NON-U.S. GAAP RECONCILIATIONS

*Woodward, Inc. and Subsidiaries*  
**RECONCILIATION OF NET EARNINGS TO EBIT<sup>1</sup> AND ADJUSTED EBIT<sup>1</sup>**  
*(Unaudited - in thousands)*

	<i>Three-Months Ended March 31,</i>		<i>Six-Months Ended March 31,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Net earnings (U.S. GAAP)	\$ 35,511	\$ 47,906	\$ 65,117	\$ 78,211
Income taxes	4,730	6,190	6,873	13,631
Interest expense	12,845	8,197	23,987	16,503
Interest income	(508)	(500)	(874)	(1,141)
<b>EBIT (Non-U.S. GAAP)</b>	<b>52,578</b>	<b>61,793</b>	<b>95,103</b>	<b>107,204</b>
Non-U.S. GAAP adjustments*	34,876	(1,728)	34,876	6,254
<b>Adjusted EBIT (Non-U.S. GAAP)</b>	<b>\$ 87,454</b>	<b>\$ 60,065</b>	<b>\$ 129,979</b>	<b>\$ 113,458</b>

\*See Reconciliation of Earnings to Adjusted Earnings<sup>1</sup> 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 EBITDA<sup>1</sup> AND ADJUSTED EBITDA<sup>1</sup>**  
*(Unaudited - in thousands)*

	<i>Three-Months Ended March 31,</i>		<i>Six-Months Ended March 31,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Net earnings (U.S. GAAP)	\$ 35,511	\$ 47,906	\$ 65,117	\$ 78,211
Income taxes	4,730	6,190	6,873	13,631
Interest expense	12,845	8,197	23,987	16,503
Interest income	(508)	(500)	(874)	(1,141)
Amortization of intangible assets	9,418	9,587	18,596	19,275
Depreciation expense	20,535	21,023	40,661	42,056
<b>EBITDA (Non-U.S. GAAP)</b>	<b>82,531</b>	<b>92,403</b>	<b>154,360</b>	<b>168,535</b>
Non-U.S. GAAP adjustments*	34,876	(1,728)	34,876	6,254
<b>Adjusted EBITDA (Non-U.S. GAAP)</b>	<b>\$ 117,407</b>	<b>\$ 90,675</b>	<b>\$ 189,236</b>	<b>\$ 174,789</b>

\*See Reconciliation of Earnings to Adjusted Earnings<sup>1</sup> 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 EXPENSES<sup>1</sup>

(Unaudited - in thousands)

	Three-Months Ended March 31,		Six-Months Ended March 31,	
	2023	2022	2023	2022
Nonsegment expenses (U.S. GAAP)	\$ 58,307	\$ 15,250	\$ 82,618	\$ 44,615
Specific charge for excess and obsolete inventory	(11,995)	-	(11,995)	-
Product rationalization	(10,504)	-	(10,504)	-
Restructuring charge	(5,172)	-	(5,172)	-
Non-recurring charge related to customer collections	(4,997)	-	(4,997)	-
Non-restructuring separation costs	(2,208)	-	(2,208)	-
Non-recurring matter unrelated to the ongoing operations of the business	-	1,728	-	(3,272)
Business development activities	-	-	-	(2,982)
<b>Adjusted nonsegment expenses (Non-U.S. GAAP)</b>	<b>\$ 23,431</b>	<b>\$ 16,978</b>	<b>\$ 47,742</b>	<b>\$ 38,361</b>

## Woodward, Inc. and Subsidiaries

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW<sup>1</sup> AND ADJUSTED FREE CASH FLOW<sup>1</sup>

(Unaudited - in thousands)

	Six-Months Ended March 31,	
	2023	2022
Net cash provided by operating activities (U.S. GAAP)	\$ 40,150	\$ 50,108
Payments for property, plant, and equipment	(44,046)	(24,150)
<b>Free cash flow (Non-U.S. GAAP)</b>	<b>(3,896)</b>	<b>25,958</b>
Cash paid for business development activities	-	770
Cash paid for restructuring charges	2,836	505
<b>Adjusted free cash flow (Non-U.S. GAAP)</b>	<b>\$ (1,060)</b>	<b>\$ 27,233</b>

# NON-U.S. GAAP MEASURES

<sup>1</sup>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) a specific charge for excess and obsolete inventory, (ii) product rationalization, (iii) a restructuring charge, (iv) a non-recurring charge related to customer collections, (v) certain non-restructuring separation costs, (vi) a charge and partial reversal in connection with a non-recurring matter unrelated to the ongoing operations of the business, and (vii) costs related to business development activities. The product rationalization adjustment pertains to a non-recurring write-off of inventory and assets related to the elimination of certain product lines. The specific charge for excess and obsolete inventory pertains to a non-recurring process change that resulted in the identification and write down of certain excess inventory unrelated to product rationalization. The non-recurring charge related to customer collections pertains to a discrete process issue that was identified and corrected. The Company believes that these excluded items are short-term in nature, not directly related to the ongoing operations of the business, and therefore, the exclusion of them illustrates 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.

<sup>2</sup>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

