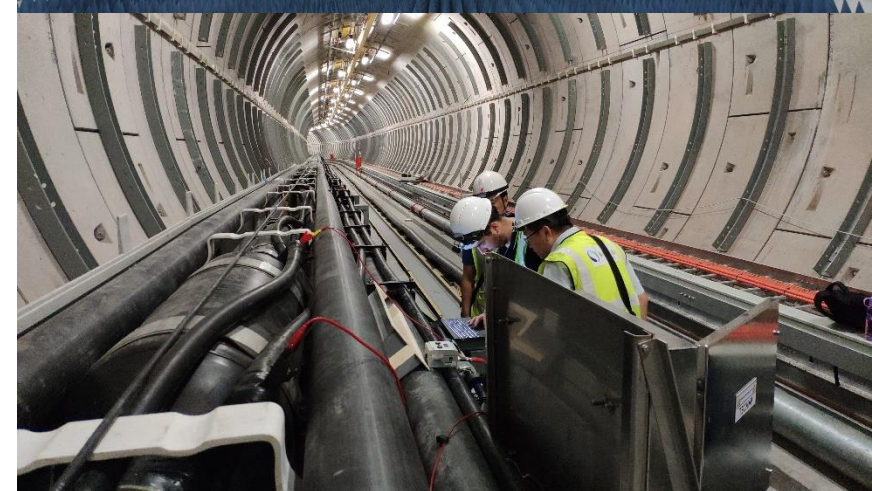
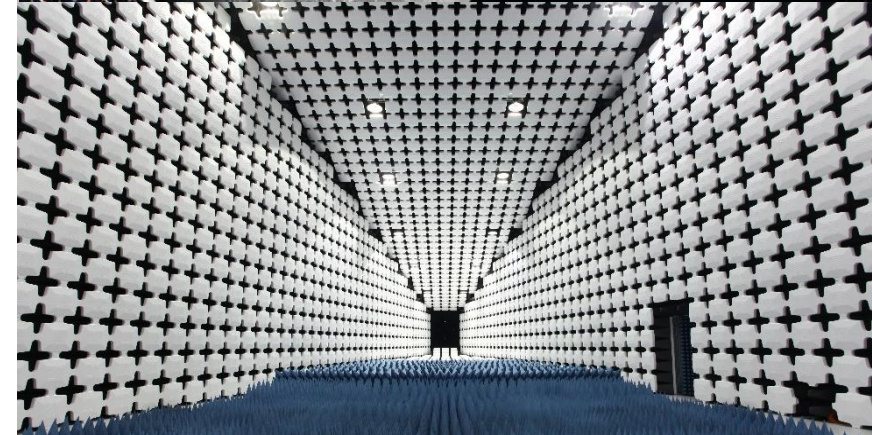
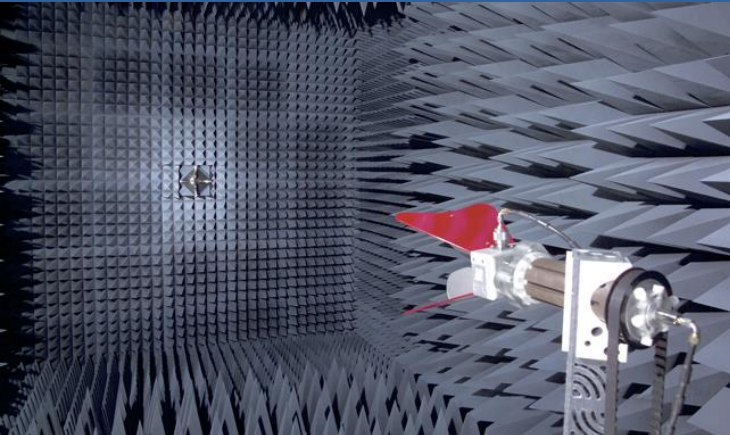




# ESCO Technologies

## First Quarter FY 2023 Earnings Call



**Bryan Sayler**  
President & CEO

**Chris Tucker**  
Sr. Vice President & CFO

February 8, 2023

# Forward Looking Statement

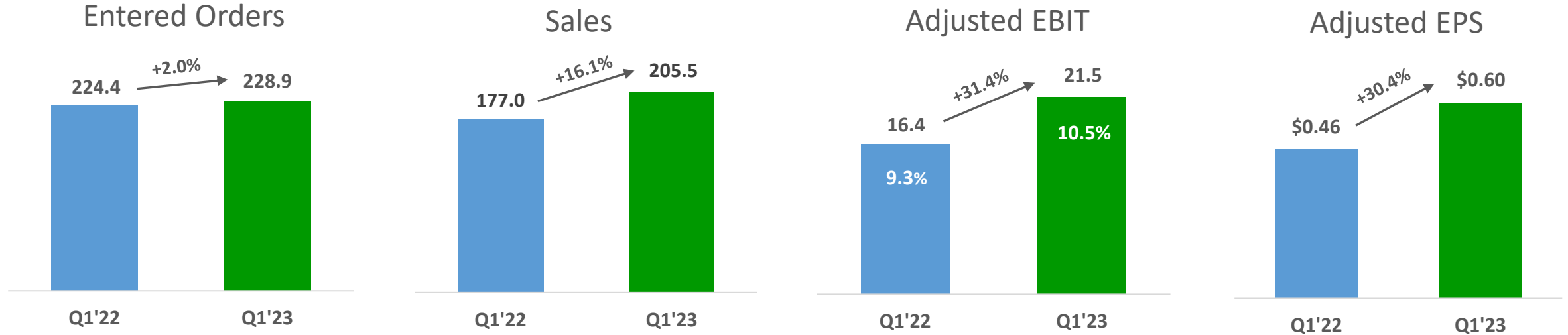
Statements in this presentation and made during today's conference call regarding Management's expectations for fiscal 2023, the effects of continuing inflationary pressures, higher interest rates, pressures related to supply chain performance and labor shortages, our guidance for 2023 including revenues, revenue growth, Adjusted EPS, Adjusted EBIT and Adjusted EBITDA margin; the effects of acquisitions, and any other statements which are not strictly historical, are "forward-looking statements within the meaning of the safe harbor provisions of the U.S. securities laws.

Investors are cautioned that such statements are only predictions and speak only as of the date of this presentation, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including but not limited to those described in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022; the availability and acceptance of viable COVID-19 vaccines by enough of the U.S. and world's population to curtail the pandemic; the continuing impact of the COVID-19 pandemic and the effects of known or unknown COVID-19 variants including labor shortages, facility closures, shelter in place policies or quarantines, material shortages, transportation delays, termination or delays of Company contracts, and the inability of our suppliers or customers to perform; the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; the timing and content of future contract awards or customer orders; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts or orders; weakening of economic conditions in served markets; the success of the Company's competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the success of the Company's acquisition efforts; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; changes in the costs and availability of certain raw materials; labor disputes; changes in U.S. tax laws and regulations; other changes in laws and regulations including but not limited to changes in accounting standards and foreign taxation; changes in interest rates; costs relating to environmental matters arising from current or former facilities; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the integration of recently acquired businesses.

During this call, the Company may discuss some non-GAAP financial measures in describing the Company's operating results. A reconciliation of these measures to their most comparable GAAP measures can be found in the press release issued today and found on the Company's website at [www.escotechnologies.com](http://www.escotechnologies.com) under the link: Investor Relations.

In addition, the financial results presented in this presentation include certain non-GAAP financial measures such as EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS. These non-GAAP financial measures are reconciled to their respective GAAP equivalents in the "Reconciliation of Non-GAAP Measures" presented below.

# Q1 Results (\$ in Millions, except per share amounts)



## Entered Orders

- Orders up 2% with strength for A&D and USG offsetting a decline at Test
- Book-to-Bill of 1.11 & Record ending backlog of \$718M

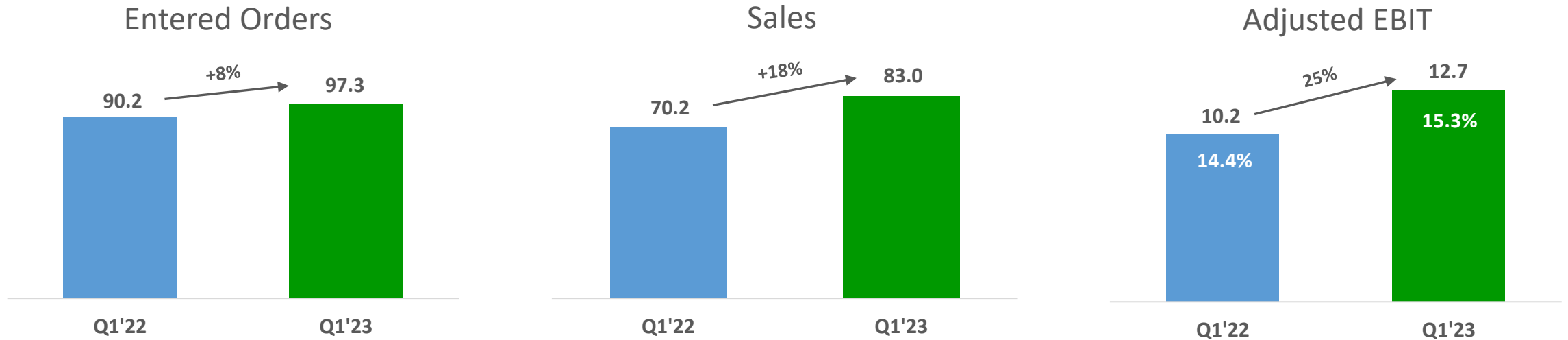
## Sales

- Sales increased 16.1% – double digit organic growth across all 3 segments
- Solid execution as parts of the business continue to manage supply chain disruptions

## Adjusted EBIT

- Higher margins in all 3 segments

	Q1'22	Q1'23	Delta \$	Delta %
Entered Orders	\$224.4	228.9	4.5	2.0%
Sales	177.0	205.5	28.5	16.1%
Adjusted EBIT	16.4	21.5	5.1	31.4%
<i>Adj EBIT Margin</i>	9.3%	10.5%	+1.2 pts	
Adjusted EBITDA	28.6	33.9	5.3	18.7%
<i>Adj EBITDA Margin</i>	16.1%	16.5%	+0.4 pts	
EPS GAAP	\$0.44	\$0.57	\$0.13	29.5%
EPS Adjusted	\$0.46	\$0.60	\$0.14	30.4%



## Entered Orders

- Navy - Columbia/ VA Class Funding & Spares Orders
- Aerospace – Crissair & Mayday orders higher, PTI lower due to timing of large orders and impact of NEco acquired backlog booked in Q1'22
- Record ending backlog of \$423M, +\$14M from 9/30/22

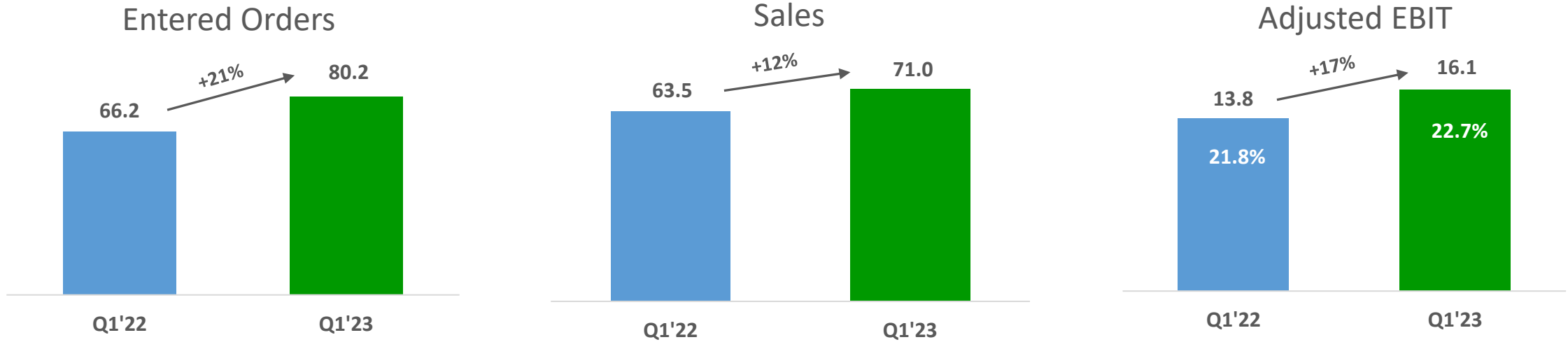
## Sales

- Aerospace - Commercial +\$7M (+30%) & Defense Aerospace +\$2M (+15%)
- Navy +\$2M (+10%) & Space +\$2M (+13%)

## Adjusted EBIT

- Driven by leverage on higher volume, price increases, partially offset by wage and material cost inflation

	Q1'22	Q1'23	Delta \$	Delta %
Entered Orders	\$90.2	97.3	7.1	7.8%
Sales	70.2	83.0	12.8	18.1%
Adjusted EBIT	10.2	12.7	2.5	25.5%
<i>Adj EBIT Margin</i>	14.4%	15.3%	+0.9 pts	
	Prior YE	Q1'23	Delta \$	Delta %
Backlog	\$408.3	422.6	14.3	3.5%



**Entered Orders**

- Utility +10.1M (+18%) – strong end of calendar year utility spending
  - Strong quarter for Doble protection testing (hardware & software), condition monitoring & services
  - Altanova driving condition monitoring and service orders in EMEA
  - Partially offset by lower offline testing hardware sales
- Renewables +\$3.9M (+35%) – Wind & Solar strength
- Ending backlog of \$137M, +\$9M (+7%) from 9/30/22

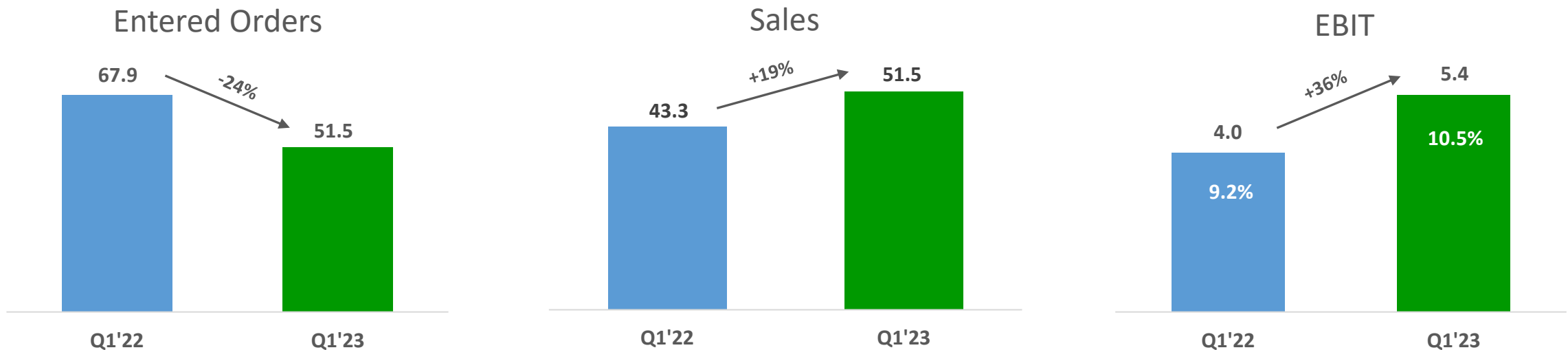
**Sales**

- Utility +3.0M (+6%) – protection testing instruments & software
- Renewables +\$4.5M (+45%) – strength across all product lines

**Adjusted EBIT**

- Driven by leverage on higher revenue and price increases, partially offset by wage and material cost inflation, and in-person events/travel

	Q1'22	Q1'23	Delta \$	Delta %
Entered Orders	\$66.2	80.2	14.0	21.0%
Sales	63.5	71.0	7.5	11.9%
Adjusted EBIT	13.8	16.1	2.3	16.5%
<i>Adj EBIT Margin</i>	<i>21.8%</i>	<i>22.7%</i>	<i>+0.9 pts</i>	
	Prior YE	Q1'23	Delta \$	Delta %
Backlog	\$128.2	137.3	9.1	7.1%



## Entered Orders

- Q1'22 had a strong orders quarter
  - Power Filters (\$7M)
  - Test & Measurement projects in the U.S. & China (\$14M)
- Ending backlog of \$159M – Flat to 9/30/22

## Sales

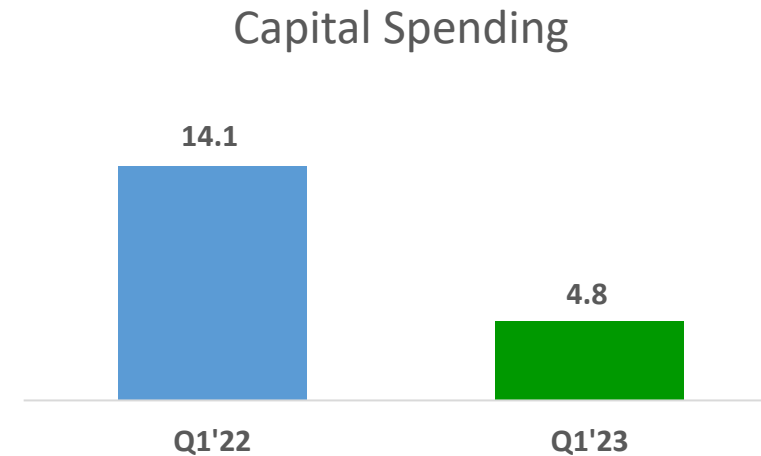
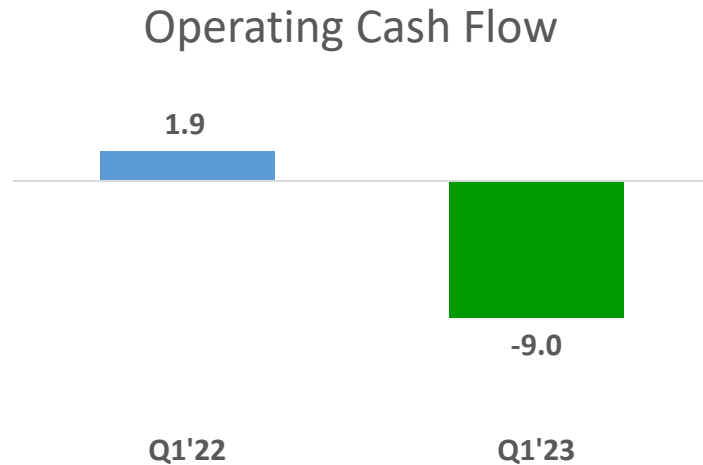
- Driven by test and measurement projects and medical shielding
- Strong quarter for U.S. (+\$5.8M) and Europe (+\$3.4M)

## Adjusted EBIT

- Driven by leverage on volume and price increases, partially offset by material cost and wage inflation

	Q1'22	Q1'23	Delta \$	Delta %
Entered Orders	\$67.9	51.5	(16.4)	-24.3%
Sales	43.3	51.5	8.2	18.9%
EBIT	4.0	5.4	1.4	36.5%
<i>Adj EBIT Margin</i>	9.2%	10.5%	+1.3 pts	
	Prior YE	Q1'23	Delta \$	Delta %
Backlog	\$158.6	158.6	-	0.0%

# Q1 Cash Flow & Capital Expenditures (\$ in Millions)



## Operating Cash Flow

- Higher inventory related to increased backlog and management of supply chain issues to support expected delivery schedules
- Unfavorable impact from accounts payable
- Favorable deferred tax impact in PY, does not repeat in 2023

## Capital Expenditure

- Q1'22 included purchase of NRG building

## Acquisitions

- NEco (A&D) in Q1'22

## Share Repurchase

- Q1'23 repurchased ~47K shares for \$4.1M
- Q1'22 repurchased ~116K shares for \$10.0M

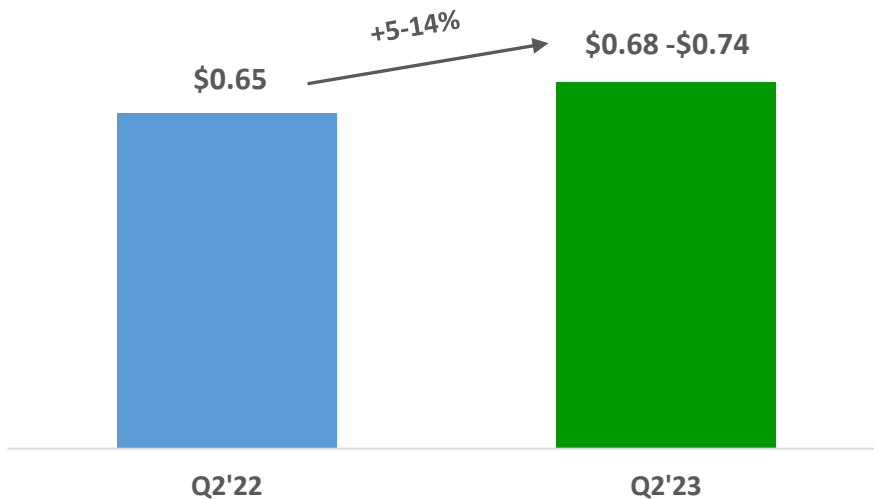
Cash Flow	YTD Q1'22	YTD Q1'23	Delta
Operating Cash Flow	\$1.9	(9.0)	(10.9)
Capital Expenditures	(14.1)	(4.8)	9.3
Acquisitions	(15.6)	-	15.6
Share Repurchase	(10.0)	(4.1)	5.9

# FY'23 Guidance

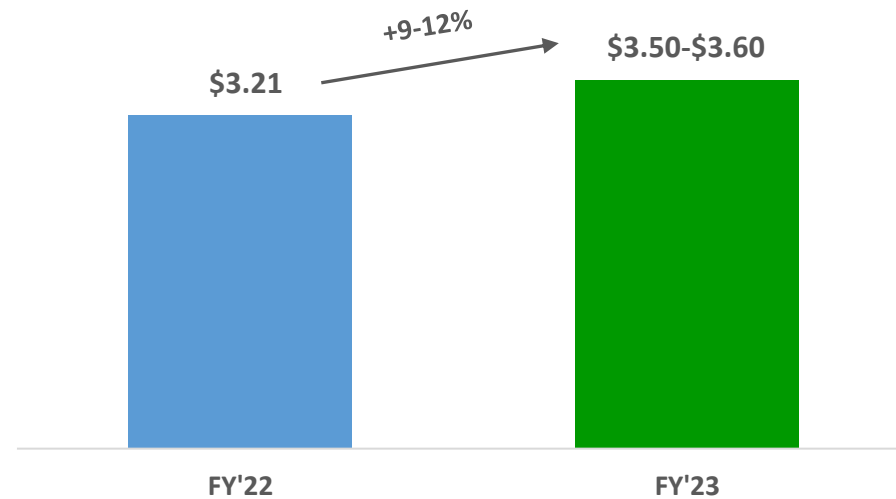
## Adjusted EPS

- Q2 - Expectation is for Q2 Adjusted EPS in the range of \$0.68 to \$0.74 per share, representing growth of 5% – 14% over the prior year
- Full Year – Consistent with our November guidance, but narrows Adjusted EPS to be in the range of \$3.50 to \$3.60 per share

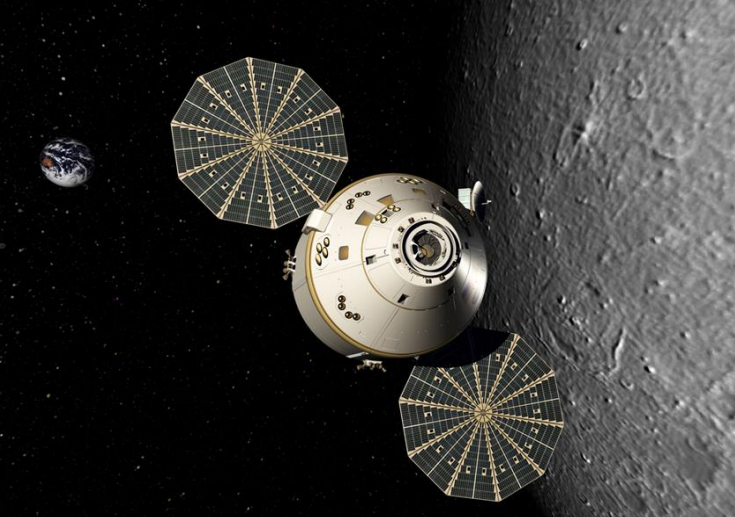
Expected Q2 Adjusted EPS



Expected FY 2023 Adjusted EPS







# ESCO Technologies

## First Quarter FY 2023 Earnings Call

### Q&A



# Reconciliation of Non-GAAP Measures

	GAAP		Adjustments		As Adjusted	
	Q1'22	Q1'23	Q1'22	Q1'23	Q1'22	Q1'23
EBIT						
A&D	\$ 9,955	\$ 12,536	195	199	10,150	12,735
USG	13,391	16,131	450	-	13,841	16,131
Test	3,965	5,411	-	-	3,965	5,411
Corporate	(11,741)	(13,521)	180	793	(11,561)	(12,728)
Consolidated EBIT	15,570	20,557	825	992	16,395	21,549
Less: Interest Expense	(733)	(1,658)			(733)	(1,658)
Less: Income Tax	(3,313)	(4,172)	(190)	(228)	(3,503)	(4,400)
Net Earnings	11,524	14,727	635	764	12,159	15,491
Consolidated EBITDA	27,742	32,924	825	992	28,567	33,916
Less: Depreciation & Amortization	(12,172)	(12,367)	-	-	(12,172)	(12,367)
Consolidated EBIT	\$ 15,570	\$ 20,557	825	992	16,395	21,549

EPS - As Adjusted	Q1'22	Q1'23	
Purchase Accounting/Acq Related Exp	\$ 0.02	\$ -	NEco/Altanova
Restructuring - A&D	\$ -	\$ 0.01	
Executive Management Transition	\$ -	\$ 0.02	
EPS - Adjustments	\$ 0.02	\$ 0.03	