



FISCAL YEAR 2022 SECOND QUARTER RESULTS

May 2, 2022

Q2 FY22 AGENDA

HIGHLIGHTS

Dan Provaznik

MARKET REVIEW

Tom Gendron

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, statements regarding our business and financial outlook for fiscal year 2022, including assumptions regarding our outlook, trends in our business, statements about the continued and expected or potential effects of the COVID-19 pandemic and related supply chain constraints and labor shortages as well as inflationary pressures on our business and the management of our business, the continued market volatility and expected further recovery across our markets, the ongoing challenges in the China natural gas truck market, expected improvement through the remainder of the fiscal year with respect to COVID-19 related disruptions, particularly with respect to COVID-19 related supply chain disruptions, our ability to improve our operational execution and to deliver on our backlog, and expectations related to the performance of our segments and specific markets within those segments, and our future sales and the anticipated future sales growth, earnings, earnings per share and adjusted earnings per share, segment earnings as a percent of segment net sales, cash flows, free cash flows and adjusted free cash flows, our anticipated growth during the second half of this fiscal year 2022. 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, including inflationary pressures; 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 fiscal year ended September 30, 2021, 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, 2022, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

SUMMARY

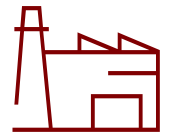
CONTINUING TO SEE STRONG SIGNS
OF RECOVERY ACROSS THE BUSINESS



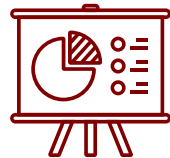
SALES NEGATIVELY IMPACTED BY
\$100M OF INDUSTRY-WIDE COVID
RELATED DISRUPTIONS

EARNINGS WEIGHED DOWN BY

- COVID-19 RELATED SUPPLY CHAIN
AND LABOR SHORTAGES
- NET INFLATIONARY PRESSURES
- HIRING AND TRAINING
INEFFICIENCIES



YTD ADJUSTED FREE CASH FLOW¹
OF \$27M



1.8 TIMES LEVERAGE

RETURNED APPROXIMATELY \$400M TO
SHAREHOLDERS YTD THROUGH APRIL 2022

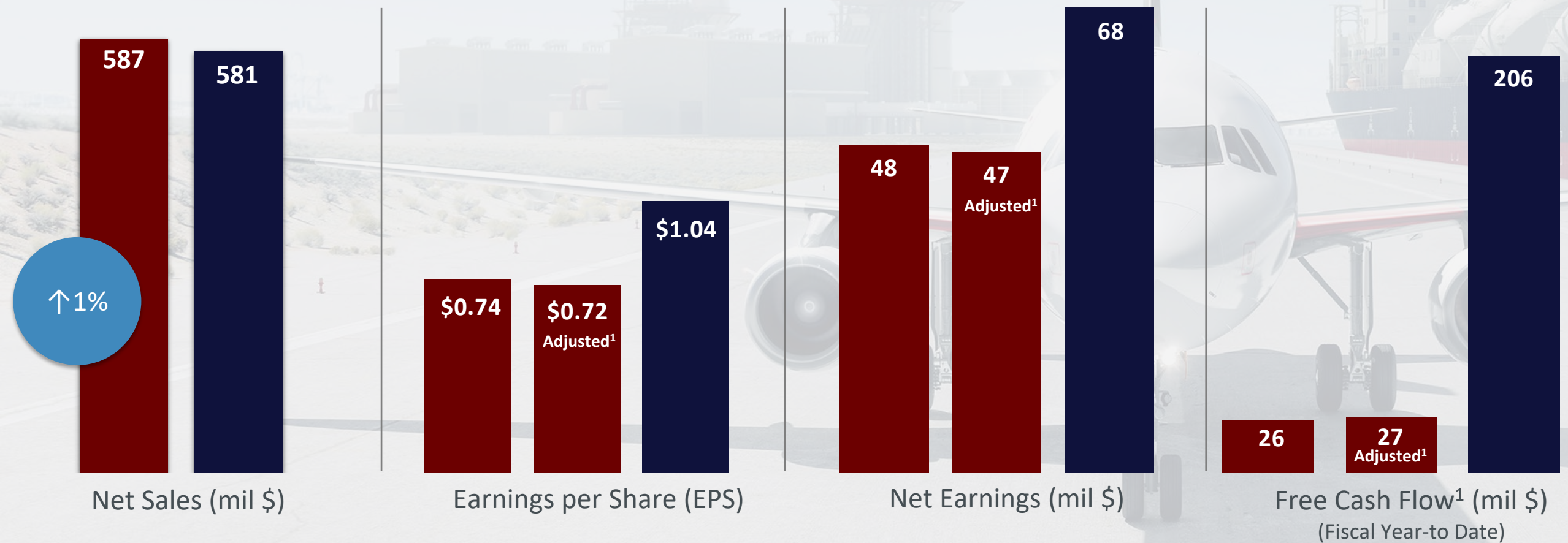
- \$377M IN SHARE REPURCHASES
- \$22M IN DIVIDENDS



Q2 FISCAL YEAR 2022 CONSOLIDATED RESULTS

FY22

FY21





AEROSPACE OVERVIEW

AEROSPACE MARKETS



COMMERCIAL OEM

- 21% sales increase over the prior year quarter
- U.S. and Europe domestic passenger traffic nearing pre-COVID levels
- China domestic traffic collapsed as a result of COVID-related government mandated lockdowns
- International travel improving, but still lagging

COMMERCIAL AFTERMARKET

- 40% sales increase over the prior year quarter
- Increased passenger traffic and utilization of a commercial fleet that includes significantly higher Woodward content

AEROSPACE MARKETS



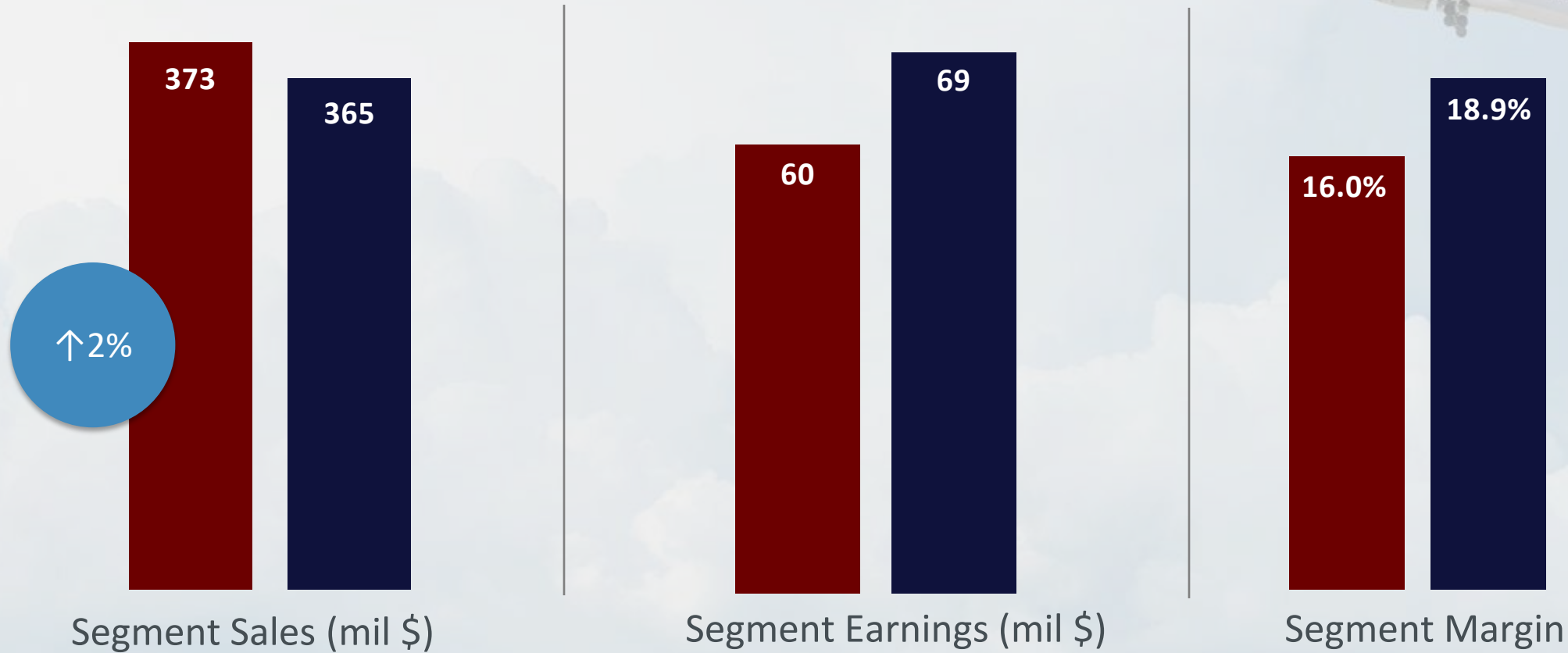
DEFENSE

- Markets were stable
- Guided weapons declined as anticipated
- Defense aftermarket impacted by COVID-related supply chain disruptions

AEROSPACE Q2 FISCAL YEAR 2022

FY22

FY21





INDUSTRIAL OVERVIEW

INDUSTRIAL MARKETS



POWER GENERATION

- Solid demand for gas turbines, primarily in Asia
- Aftermarket activity increasing
- Data center back-up power demand is strong

TRANSPORTATION

- Marine markets improving on increased utilization of the in-service fleet
- China natural gas truck market challenged due to high natural gas prices

OIL AND GAS

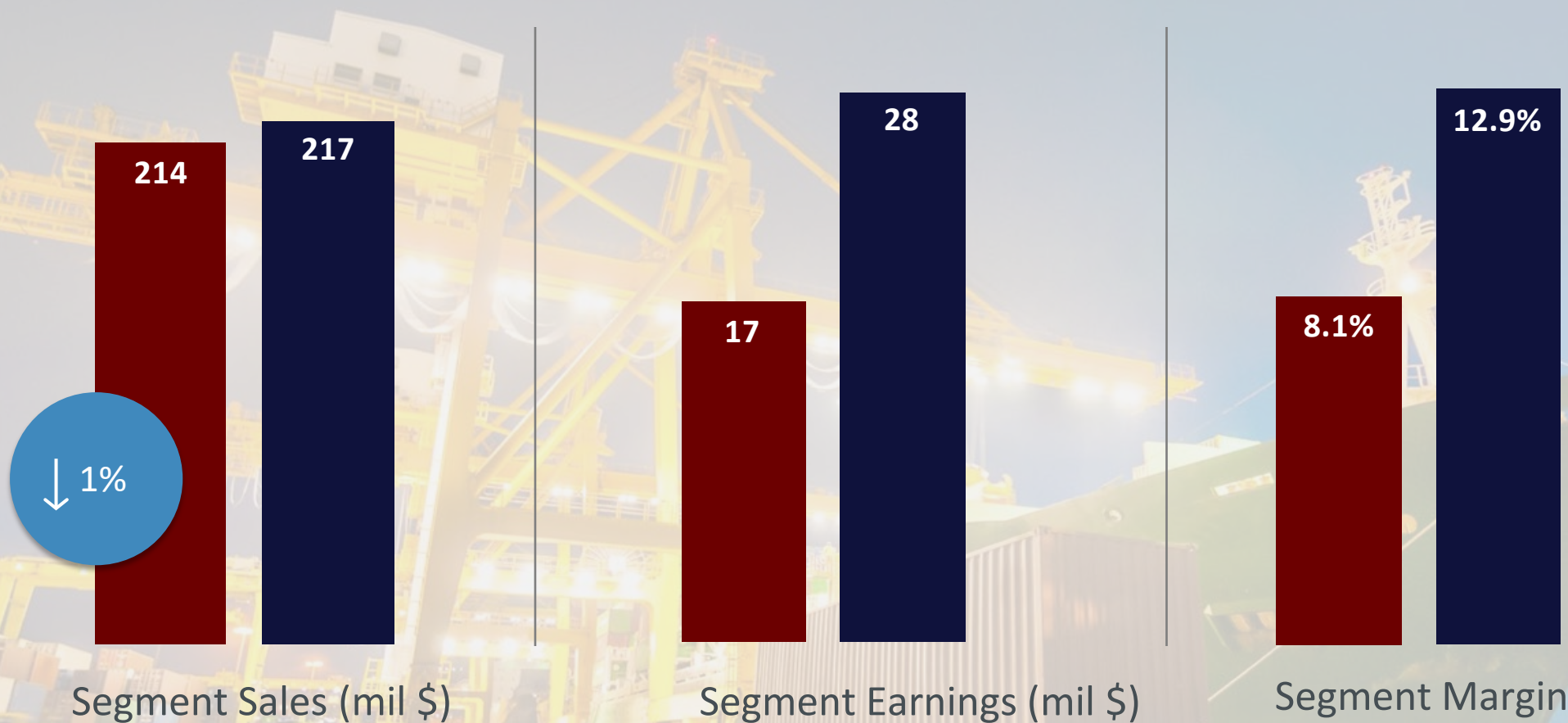
- Market favorable on elevated oil & gas prices



INDUSTRIAL Q2 FISCAL YEAR 2022

FY22

FY21

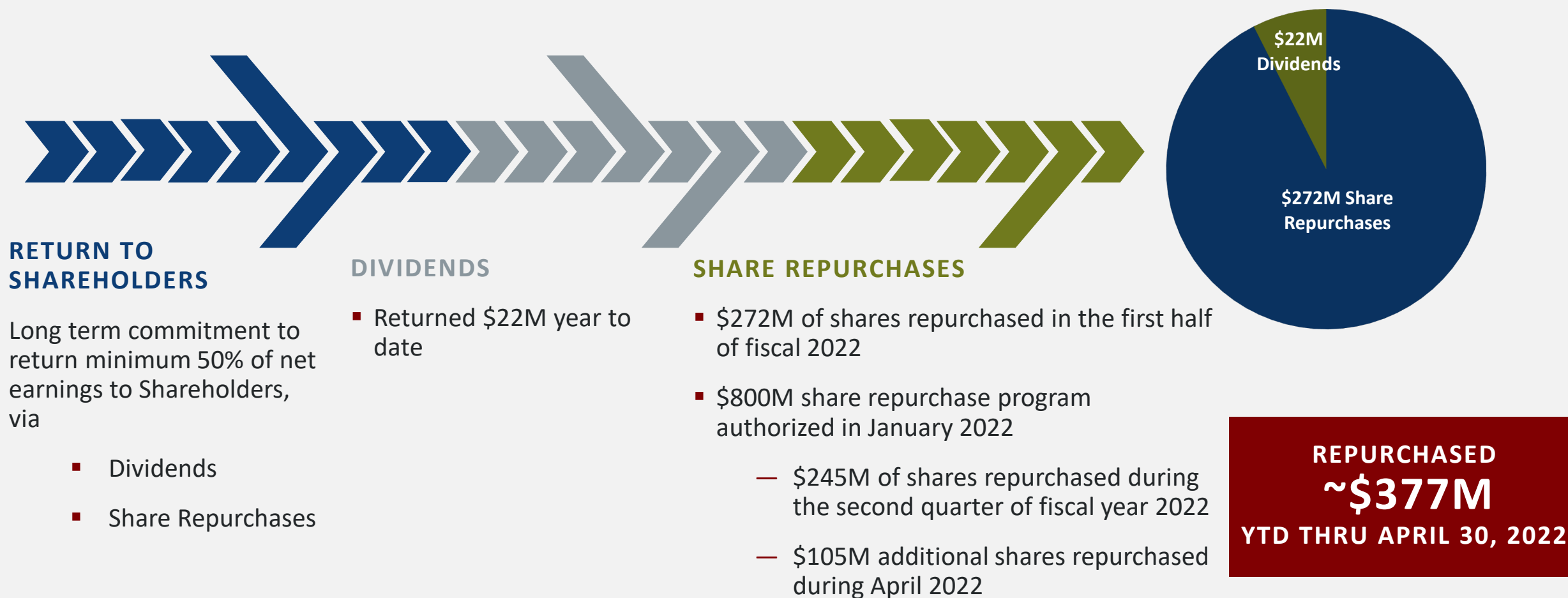


SELECTED FINANCIAL RESULTS

| Quarter and Year-to-Date Comparatives | | | | |
|---|----------|----------|-----------|-----------|
| | Q2 FY 22 | Q2 FY 21 | YTD FY 22 | YTD FY 21 |
| Gross Margin * | 22.7% | 25.3% | 22.7% | 25.3% |
| SG&A Expenses - % of Sales | 7.5% | 7.6% | 9.4% | 9.0% |
| R&D Expenses - % of Sales | 5.5% | 4.8% | 5.1% | 5.3% |
| Effective Tax Rate | 11.4% | 13.0% | 14.8% | 12.8% |
| EBITDA ¹ (mils) | \$ 92 | \$ 119 | \$ 169 | \$ 208 |
| Adjusted EBITDA ¹ (mils) | \$ 91 | \$ 119 | \$ 175 | \$ 208 |
| Cash from Operations (mils) | | | \$ 50 | \$ 219 |
| Capital Expenditures (mils) | | | \$ 24 | \$ 13 |
| Free Cash Flow ¹ (mils) | | | \$ 26 | \$ 206 |
| Adjusted Free Cash Flow ¹ (mils) | | | \$ 27 | \$ 206 |

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

CAPITAL DEPLOYMENT TO STOCKHOLDERS



REVISED FISCAL YEAR OUTLOOK – 2022

WOODWARD –



- Revenue between \$2.40 and \$2.55 billion
- Adjusted effective tax rate¹ ~20%
- Adjusted EPS between \$3.20 and \$3.60 based on ~64 million shares
 - Previous outlook assumed ~66 million shares which would equate to an adjusted EPS between \$3.10 and \$3.50
- Adjusted free cash flow between \$200M and \$230M
 - Adjusted free cash flow conversion greater than 100%
 - Capital expenditures ~\$60M

AEROSPACE –



- Revenue up low double digits to mid-teens
- Margin of ~18%

INDUSTRIAL –

- Revenue increase between 5% and 10%
- Margin between 10% and 11%



GREATER THAN ANTICIPATED COVID-19 DISRUPTIONS AND NET INFLATIONARY IMPACTS IN Q2; OPERATIONAL IMPROVEMENT EXPECTED THROUGH THE REMAINDER OF FISCAL YEAR 2022



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>March 31, 2022</i> | | | <i>Three-Months Ended</i> <i>March 31, 2021</i> | | |
|--|--|------------------------------------|---|--|------------------------------------|---|
| | <i>Before Income</i> <i>Tax</i> | <i>Net of Income</i> <i>Tax</i> | <i>Per Share, Net</i> <i>of Income Tax</i> | <i>Before Income</i> <i>Tax</i> | <i>Net of Income</i> <i>Tax</i> | <i>Per Share, Net</i> <i>of Income Tax</i> |
| Earnings (U.S. GAAP) | \$ 54,096 | \$ 47,906 | \$ 0.74 | \$ 78,487 | \$ 68,313 | \$ 1.04 |
| Non-U.S. GAAP adjustments: | | | | | | |
| Non-recurring matter unrelated to the ongoing operations of the business | (1,728) | (1,296) | (0.02) | - | - | - |
| Total non-U.S. GAAP adjustments | (1,728) | (1,296) | (0.02) | - | - | - |
| Adjusted earnings (Non-U.S. GAAP) | \$ 52,368 | \$ 46,610 | \$ 0.72 | \$ 78,487 | \$ 68,313 | \$ 1.04 |

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

| | <i>Six-Months Ended</i> <i>March 31, 2022</i> | | | <i>Six-Months Ended</i> <i>March 31, 2021</i> | | |
|--|--|------------------------------------|---|--|------------------------------------|---|
| | <i>Before Income</i> <i>Tax</i> | <i>Net of Income</i> <i>Tax</i> | <i>Per Share, Net</i> <i>of Income Tax</i> | <i>Before Income</i> <i>Tax</i> | <i>Net of Income</i> <i>Tax</i> | <i>Per Share, Net</i> <i>of Income Tax</i> |
| Earnings (U.S. GAAP) | \$ 91,842 | \$ 78,211 | \$ 1.21 | \$ 126,071 | \$ 109,883 | \$ 1.68 |
| 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 | 0.03 | - | - | - |
| Total non-U.S. GAAP adjustments | 6,254 | 4,690 | 0.07 | - | - | - |
| Adjusted earnings (Non-U.S. GAAP) | \$ 98,096 | \$ 82,901 | \$ 1.28 | \$ 126,071 | \$ 109,883 | \$ 1.68 |

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 March 31,</i> | | <i>Six-Months Ended March 31,</i> | |
|--------------------------------------|-------------------------------------|------------------|-----------------------------------|-------------------|
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Net earnings (U.S. GAAP) | \$ 47,906 | \$ 68,313 | \$ 78,211 | \$ 109,883 |
| Income taxes | 6,190 | 10,174 | 13,631 | 16,188 |
| Interest expense | 8,197 | 8,249 | 16,503 | 17,155 |
| Interest income | (500) | (283) | (1,141) | (778) |
| EBIT (Non-U.S. GAAP) | 61,793 | 86,453 | 107,204 | 142,448 |
| Non-U.S. GAAP adjustments* | (1,728) | - | 6,254 | - |
| Adjusted EBIT (Non-U.S. GAAP) | <u>\$ 60,065</u> | <u>\$ 86,453</u> | <u>\$ 113,458</u> | <u>\$ 142,448</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 March 31,</i> | | <i>Six-Months Ended March 31,</i> | |
|--|-------------------------------------|-------------------|-----------------------------------|-------------------|
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Net earnings (U.S. GAAP) | \$ 47,906 | \$ 68,313 | \$ 78,211 | \$ 109,883 |
| Income taxes | 6,190 | 10,174 | 13,631 | 16,188 |
| Interest expense | 8,197 | 8,249 | 16,503 | 17,155 |
| Interest income | (500) | (283) | (1,141) | (778) |
| Amortization of intangible assets | 9,587 | 10,560 | 19,275 | 21,029 |
| Depreciation expense | 21,023 | 21,919 | 42,056 | 44,527 |
| EBITDA (Non-U.S. GAAP) | 92,403 | 118,932 | 168,535 | 208,004 |
| Non-U.S. GAAP adjustments* | (1,728) | - | 6,254 | - |
| Adjusted EBITDA (Non-U.S. GAAP) | <u>\$ 90,675</u> | <u>\$ 118,932</u> | <u>\$ 174,789</u> | <u>\$ 208,004</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 CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW¹ AND ADJUSTED FREE CASH FLOW¹
(Unaudited - in thousands, except per share amounts)

| | <i>Six-Months Ended March 31,</i> | |
|---|-----------------------------------|-------------------|
| | <i>2022</i> | <i>2021</i> |
| Net cash provided by operating activities (U.S. GAAP) | \$ 50,108 | \$ 218,997 |
| Payments for property, plant, and equipment | (24,150) | (13,313) |
| Free cash flow (Non-U.S. GAAP) | 25,958 | 205,684 |
| Cash paid for business development activities | 770 | - |
| Cash paid for restructuring charges | 505 | - |
| Adjusted free cash flow (Non-U.S. GAAP) | \$ 27,233 | \$ 205,684 |

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

