(INTRODUCTION FOR CONFERENCE CALL)

Good morning and thank you for joining Moog's second quarter 2024 earnings release conference call. I am Aaron Astrachan, Director of Investor Relations. With me today is Pat Roche, our Chief Executive Officer; and, Jennifer Walter, our Chief Financial Officer.

Earlier this morning, we released our results and our supplemental slides, both of which are available on our website. Our earnings press release, our supplemental slides and remarks made during our call today contain adjusted non-GAAP results. Reconciliations for these adjusted results to GAAP results are contained within the provided materials.

Lastly, our comments today may include statements related to the expected future results and other forward-looking statements which are not guarantees. Our actual results may differ materially from those described in our forward-looking statements and are subject to a variety of risks and uncertainties that are described in our earnings press release and in our other SEC filings.

Now, I am happy to turn the call over to Pat.

Good morning and welcome to the call.

Today, we report on an exceptionally strong second quarter of fiscal 2024 and our progress in driving performance improvements across our businesses. Sales were at a record level in the quarter, well ahead of expectations and delivering a double-digit growth relative to the prior year. In addition, our backlog hit record levels. Commercial Aircraft recovery and defense demand are fueling this growth.

Adjusted operating margin for the quarter came in very strong relative to the prior year due to our margin enhancement plans and an Employee Retention Credit. Earnings per share grew due to the profit associated with our sales growth and the Employee Retention Credit. It was well above our guidance range. Our strong business growth contributed to the use of cash in the quarter.

With two very solid quarters behind us, we remain confident that we will deliver adjusted operating margin enhancement for the full year that is in line with our Investor Day plan, and we are increasing revenue, adjusted operating margin and earnings per share guidance.

Operational Performance

Now I will provide some highlights on our operational performance.

Starting with **Customer Focus**

- I am happy to announce that our construction business recently received an Innovation Gold Medal at the INTERMAT, Construction Exhibition in Paris, France. Our TerraTech Electric Ecosystem received the top award in the decarbonization and energy transition category.
- I am also pleased to share that our first four Meteorite space vehicles were launched from Cape Canaveral on February 14 and are now on orbit. The satellite flew as a part of US Space Force Mission-124. This is a very significant milestone for our business as we move from being a space components supplier, with 50 years of heritage, to a flight-proven space vehicle provider.
- Now, back on Earth, we received a Best in Class Performance award from Applied Materials. They are a leader in materials engineering solutions used to produce semiconductor chips and advanced displays. Our recognition is a part of their Supplier Excellence Awards that acknowledge outstanding technical and operational performance in areas including quality, service, lead time, delivery, cost and responsiveness.

Moving to **People, Community and Planet**

- We focus on being a great place to work at our locations throughout the world. I recently had the opportunity to visit and see firsthand our operations in India. In a highly competitive labor market, our culture helps us attract and retain a very stable and highly engaged workforce. Whether delivering engineering solutions for Commercial Aircraft programs or developing and producing world-class electric motors, our teams relentlessly pursue a continuous improvement.
- This has been recognized by numerous national awards from the Confederation of Indian Industry, including several platinum awards.
- Our focus on supporting the communities in which we operate continued with the donation of a kidney dialysis machine to a local hospital for the underserved in Bengaluru, India. This donation is immensely important in this community, and it adds to our prior-year donations of both dialysis machines and anesthesia machines.
- On the environment, we are making progress towards our greenhouse gas emission reduction targets. We use baseline emission data from all our manufacturing facilities to prioritize detailed energy audits. These have been completed at six of our top sites. Renewables formed a part of the solution, and we have completed the installation of solar panels at three facilities, namely Tewkesbury and Wolverhampton in the United Kingdom and Tai Shan in China. We are in the final stage of planning for Baguio in the Philippines. These actions are important initial steps in reducing our greenhouse gas emissions.

And finally, **Financial Strength**

We continue to drive margin enhancement through both pricing and simplification, which each contributing equally to our operational improvements this quarter. We are excited to see a growing traction around 80/20, which is central to enabling us to systematically reduce unnecessary complexity and to make better business decisions.

- Our business leaders continue to work through the remaining book of business in pursuit of pricing that reflects the value we create. To this end, 80/20 is helping as they drill down through the organization, highlighting specific customer and product lines in need of attention.
- We expanded our 80/20 implementation by adding two more sites, bringing the total to 14 sites. Collectively, these sites account for approximately 40% of our revenue. We expect the coverage to increase to about 50% in the next quarter.
- Additionally, we have continued to invest in our leaders, training more than 80 leaders this quarter, which brings our total to over 550 leaders. Also, in further support of this deployment, we moved staff into full time 80/20 champion roles.
- We are proactively addressing customers and products that are no longer commercially effective. Our Military Aircraft group sold our C-5 Transport Aircraft Aftermarket Product line. It is notable that Lockheed ended production of this aircraft over 25 years ago. We anticipate that this

simplification will have a positive impact on our operations allowing us to focus resources on more impactful lines of business.

- Our work on portfolio rationalization, footprint and focus factories continues at pace.
- We have launched a sales process for our motor manufacturing facility in Brno, the Czech Republic. We are aiming to complete this and the previously announced sale of our hydraulic manifold business in Luxembourg within the coming quarter.
- We will close our motor manufacturing facility in Radford, Virginia within the next nine months and transfer the product to other existing locations. Also, we have started to notify staff and customers of our intent to wind down the production of a legacy hydraulic pump product line and close our pump manufacturing facility in Nuremberg, Germany during 2026. These consolidations and divestitures, when concluded, are on target with the footprint rationalization plan outlined at Investor Day.

Now, turning to macroeconomic and end market conditions, the geopolitical environment has become even more tense over the past months. The war in Ukraine appears to be without end in sight and the conflict in the Middle East risks expanding to a wider regional war. Investing in our defense is a clear and pressing priority for the US and its global-allied nations. Consequently, we are seeing a broad-based increase in demand across our defense applications, notably missile components, space components and space vehicles.

And this demand is not just US-based, our European defense business is growing strongly, with positions on new and established artillery and turret systems, such as Krauss-Maffei Wegmann and Nexter Defense Systems' remote-controlled howitzer 155 that the German government is sending to the Ukraine.

In addition, the shift in defense posture is pushing the development of new capabilities in our core business. Although the Department of Defense 2025 budget increased by just 1%, it does protect strategic investment in next-generation air defense, collaborative combat aircraft and hypersonics.

In addition, the recently approved foreign aid package funds additional near-term production. The cancellation of future attack and reconnaissance aircraft enables a redeployment of resources to programs such as the Future Long-Range Assault Aircraft, or FLRAA, and a potentially greater aftermarket on existing platforms.

Commercial aviation continues to recover strongly. Increased fleet utilization and limited availability of new aircraft is driving higher aftermarket activity, which we expect to continue at elevated levels for some time. In addition, wide-body production plans from Boeing and Airbus continue to drive a significant growth in our OEM business.

Industrial output in Europe continues to soften. The purchaser – Purchasing Managers Index for both the Euro area, and especially in Germany has indicated a contraction since as far back as June 2022. Our industrial automation orders have slowed, although later than anticipated. We are now beginning to see revenues

slow following a period of a high demand in which our revenue was a $1 billion over the last four quarters.

We have adjusted our business in response to these demand changes and we continue to monitor the situation. Other Industrial sub-segments, such as flight simulation and energy, are stronger. Now, turning to guidance for 2024 and considering our second quarter performance and the current end market conditions, we are increasing our full year guidance for revenue, adjusted operating margin and earnings per share.

Now, let me hand over to Jennifer for a more detailed breakdown of the quarter and our guidance.

Thanks Pat.

I will begin with our second quarter financial performance. I will then provide an update on our guidance for all of our FY 2024. It was an exceptional quarter from a sales and earnings perspective. Sales of $930 million were at a record high. Adjusted operating margin of 13.6% was well above plan and adjusted earnings per share of $2.19 significantly exceeded the high end of our guidance range. We recognized a $14 million benefit from government incentives associated with the CARES Act.

The Employee Retention Credit contributed 150 basis points to our adjusted operating margin and $0.33 to our adjusted earnings per share this quarter. Excluding this benefit, our adjusted operating margin was still above plan, despite 50 basis points of pressure from disruptions to our operations at our headquarter site during a winter storm early in the second quarter.

Our adjusted earnings per share without this credit was above the high end of our guidance and reflects earnings associated with our very strong sales this quarter. Sales in the second quarter of $930 million were 11% higher than last year's second quarter with each of our segments contributing to that growth. The largest increase in segment sales was in Commercial Aircraft. Sales of $208 million increased 26% over the same quarter a year ago. Growth in widebody platforms, for both the OE production ramp and the growing aftermarket demand, drove the sales increase.

Sales in Space and Defense of $267 million increased 9% over the second quarter last year. There is strong defense demand across our portfolio, with new defense work ramping up, including on-ground vehicles serving the European defense needs as well as emerging defense priorities in the US.

Military Aircraft sales of $203 million were up 11% over the second quarter of last year. Activity on the FLRAA program continued to ramp-up over the past four quarters driving the OE sales higher. The aftermarket sales included the sale of a mature product line as a part of our simplification efforts.

Industrial sales of $253 million increased 4% over last year's second quarter. Demand for flight simulation systems continues to be strong and is associated with recovery in Commercial Aircraft flight hours and the related demand for pilot training. Energy sales also grew over the same quarter a year ago. Industrial automation sales declined from the record high of the same quarter a year ago, reflecting the slowdown in orders we have seen in recent quarters.

Now, shifting over to operating margins, adjusted operating margin of 13.6% in the second quarter increased 320 basis points from the second quarter last year. Adjustments this quarter were $14 million of asset impairment and restructuring charges, largely in our Military Aircraft segment. We took charges associated with our decision to discontinue a product development effort, the write-off of a minority interest investment and the cancellation of the FLRAA program. Adjustments for last year's second quarter were $3 million of restructuring and other charges.

Adjusted operating margins increased over the second quarter of last year in each of our segments. In Space and Defense, operating margin increased 420 basis points to 15.9%. This increase is associated with the improved performance on space vehicle programs and the benefit associated with the Employee Retention Credit. The operating margin for Military Aircraft was 13.4%, up 400 basis points. The increase was driven by the sale of a mature product line that we exited as a part of our simplification efforts and to a lesser extent, the Employee Retention Credit.

Commercial Aircraft operating margin was 12.0%, up 250 basis points over the second quarter last year. We saw benefits from pricing, as well as a higher volume across our entire book of business. Industrial operating margin was 12.5% in the second quarter, up 210 basis points. This increase was attributable to the Employee Retention Credit and to a lesser extent, benefits from pricing initiatives.

Non-operating expenses are also impacting our financial results this quarter. Interest expense and corporate expenses were up a combined $6 million over the same period last year. Interest expense increased due to higher average borrowings and to a lesser extent higher interest rates. Corporate expenses increased due to the timing of certain expenses.

Putting it all together, adjusted earnings per share came in at $2.19 per share, considerably above the high end of the range we provided a quarter ago. Removing the benefit of the Employee Retention Credit, earnings per share was up 31% over the same quarter a year ago. Operating profit associated with the increased sales,

partially offset by increased interest and corporate expenses, drove the increase in earnings per share.

Let us now shift over to cash flow. Free cash flow for the second quarter was an $84 million use of cash. Our use of cash this past quarter was driven by a growth in net working capital. Billed receivables increased due to timing as we had accelerated collections late in the first quarter and experienced delayed collections late in the second quarter. Customer advances also used cash with a work-down of advances across several defense programs.

Growth in physical inventories, which is associated with our very strong level of sales, also contributed to the increase in working capital. Capital expenditures were $40 million in the second quarter and include investments in our facilities to support our growth. Our leverage ratio, calculated on a net debt basis as of the end of the second quarter was 2.3 times, which is within our target range. Our capital deployment priorities, both long term and near term are unchanged. Our current priority continues to be investing in organic growth.

I will now shift over to our updated guidance for this year. We are raising our sales, adjusted operating margin and adjusted earnings per share guidance for FY 2024 based on the strong sales level we achieved in the second quarter and the incorporation of the Employee Retention Credit into our operating margin and the earnings per share results. Fiscal Year 2024 is shaping up to be another great year of financial performance, and we're on track to achieve our long-term financial

targets. This year, our sales will grow by 7%, adjusted operating margin will expand by 150 basis points and adjusted earnings per share will increase by 18%.

We are projecting sales of $3.55 billion in FY 2024, with a sales growth in three of our four segments. Commercial Aircraft sales will grow related to the production ramp on widebody and other programs. Military Aircraft sales will increase due to having a full year's worth of FLRAA sales. Space and Defense sales will increase due to a strong defense demand. Sales in Industrial will decrease, associated with the softening industrial automation market.

We are increasing our guidance for FY 2024 sales by $50 million from 90 days ago. We are increasing our sales guidance for Military Aircraft by $30 million to reflect the current run rate of sales for the segment. For Industrial, we are increasing our sales guidance by $25 million to reflect the strong level of sales in the second quarter, while still allowing for the expected softness in industrial automation in the back half of the year. For Commercial Aircraft, we are increasing our sales guidance by $10 million to reflect the strength of our aftermarket business. We are reducing our sales guidance for Space and Defense by $15 million due to program, timing and supply chain constraints.

Let us shift over to operating margins. We are projecting our operating margin in FY 2024 to be 12.4%. We are increasing our guidance by 40 basis points to reflect the benefit associated from the Employee Retention Credit. We are also adjusting our guidance between segments with a lift in Commercial Aircraft due to a more favorable sales mix, offset by a decrease in Space and Defense to reflect current

financial performance. This results in operating margins of 13.4% in Space and Defense, 12.0% in Military Aircraft, 11.1% in Commercial Aircraft and 12.6% in Industrial.

For FY 2024, we are projecting an adjusted earnings per share of $7.25 per share, plus or minus $0.20 per share. We have increased our guidance from 90 days ago by $0.35 per share, of which $0.33 per share relates to the Employee Retention Credit. Our earnings per share guidance also reflects the earnings associated with the now higher forecasted sales, partially offset by increases in non-operating expenses.

For the remaining quarters this year, on average, earnings per share will be roughly in line with that of the second quarter after adjusting for the benefits associated with the Employee Retention Credit and the sale associated with a mature Military Aircraft platform, as well as pressures from the winter storm. We are projecting third quarter earnings per share to be $1.70 per share, plus or minus $0.10 per share.

Compared to our FY 2023, earnings per share will be up 18%. This reflects a growth in the business, strong operational performance and the Employee Retention Credit partially offset by higher non-operating expenses and a higher effective tax rate.

Finally, turning to cash. We are projecting free cash flow for FY 2024 to be modest as previously guided though the situation is more pressured than it was 90 days

ago. In the back half of the year, we will see relief in physical inventories with increased billing opportunities, in particular within Commercial Aircraft. This will put pressure on billed receivables.

We will continue to work down customer advances, and we are not anticipating significant advances from customers in the remainder of this year. For all of FY 2024, we are projecting capital expenditures of $165 million, down somewhat from our previous guidance. Overall, our second quarter financial performance was strong, and we are confident in our outlook for the year.

And now I will turn it over to Pat.

Thank you, Jennifer. I am really very pleased with our exceptional performance this quarter and I look forward to a continued strength through the year. We continue to deliver improved financial performance. Now, let us take your questions.