

Q4 2023 Earnings Call Presentation

January 24th, 2024

The data in this package should be read in conjunction with the Textron earnings release and accompanying tables.

Forward-looking Information

Certain statements in this package and other oral and written statements made by Textron from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the risks and uncertainties set forth under "Forward-Looking Information" in our fourth quarter 2023 earnings release. Additional information on risks and uncertainties that may impact forward-looking statements is discussed under "Risk Factors" in our most recent Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q.

Key Data – Q4 2023

	Q4 2023	Q4 2022
Revenues	\$ 3.9B	\$ 3.6B
Segment Profit ⁽¹⁾	\$ 384M	\$ 306M
EPS	\$ 1.01	\$ 1.07
Adjusted EPS ⁽¹⁾	\$ 1.60	\$ 1.23
Manufacturing Cash Flow Before Pension Contributions ⁽¹⁾	\$ 380M	\$ 368M
Pension Contributions	\$ 11M	\$ 13M

(1) Segment Profit, Adjusted EPS and Manufacturing cash flow before pension contributions are non-GAAP measures that are defined and reconciled to GAAP in our earnings release.

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Key Data – Full Year 2023

	<u>Full-Year 2023</u>	<u>Full-Year 2022</u>
Revenues	\$ 13.7B	\$ 12.9B
Segment Profit ⁽¹⁾	\$ 1,327M	\$ 1,136M
EPS	\$ 4.57	\$ 4.01
Adjusted EPS ⁽¹⁾	\$ 5.59	\$ 4.45
Manufacturing Cash Flow Before Pension Contributions ⁽¹⁾	\$ 931M	\$ 1,178M
Pension Contributions	\$ 45M	\$ 49M

(1) Segment Profit, Adjusted EPS and Manufacturing cash flow before pension contributions are non-GAAP measures that are defined and reconciled to GAAP in our earnings release.

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Q4 2023 Revenue Growth

	Revenue Growth	Acquisition Impact	Organic Growth	FX Impact Un(Fav)	Organic Growth Before FX
Textron Aviation	(3.7%)	-	(3.7%)	-	(3.7%)
Bell	31.3%	-	31.3%	-	31.3%
Textron Systems	-	-	-	-	-
Industrial	6.0%	-	6.0%	(0.9%)	5.1%
Textron eAviation	66.7%	-	66.7%	-	66.7%
Manufacturing Segments	7.0%	-	7.0%	(0.2%)	6.8%

Organic Growth includes revenue changes resulting from volume, price, and foreign exchange as compared to the corresponding period in the prior year. For our segments that contract with the U.S. Government, volume represents changes in revenue related to these contracts.

Textron Consolidated Net Debt

<i>(\$ amounts in millions)</i>	Year-End 2023	Year-End 2022
Cash	\$ 2,181	\$ 2,035
Finance Group Debt	\$ 348	\$ 375
TXT Mfg. Group Debt	3,526	3,182
Total Debt	\$ 3,874	\$ 3,557
Net Debt	\$ 1,693	\$ 1,522

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Outlook – Full Year 2024

2024 Outlook

Adjusted Earnings Per Share ⁽¹⁾

\$ 6.20 - \$ 6.40

Manufacturing Cash Flow
Before Pension Contributions ⁽¹⁾

\$ 0.9B - \$ 1.0B

(1) Adjusted Earnings Per share and Manufacturing cash flow before pension contributions are non-GAAP measures that are defined and reconciled to GAAP in our earnings release. Adjusted earnings per share is defined on slide 13.

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Segment Outlook – Full Year 2024

Segment	2024E		2023 Actuals	
	Revenue	Segment Profitability	Revenue	Segment Profitability
Textron Aviation	~\$ 6.0B	~12.0% - 13.0%	\$ 5.4B	12.1%
Bell	~\$ 3.5B	~9.5% - 10.5%	\$ 3.1B	10.2%
Textron Systems	~\$ 1.25B	~11.0% - 12.0%	\$ 1.2B	11.9%
Industrial	~\$ 3.8B	~6.0% - 7.0%	\$ 3.8B	5.9%
eAviation	~\$ 50M	~\$ (75M)	\$ 32M	\$ (63M)
Finance	~\$ 45M	~\$ 30M	\$ 55M	\$ 46M

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Outlook – Full Year 2024

<i>(\$ amounts in millions)</i>	<u>2024E</u>	<u>2023</u>
Corporate Expenses & Other, net	~\$ 160	\$ 143
Interest Expense, net for Manufacturing Group	~\$ 90	\$ 62
LIFO Inventory Provision	~\$ 110	\$ 107
Intangible Asset Amortization	~\$ 35	\$ 39
Non-service Pension Income	~\$ 265	\$ 237
Income Tax Rate (from continuing operations)	~17.5%	15.2%

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Outlook – Full Year 2024

<i>(\$ amounts in millions)</i>	<u>2024E</u>	<u>2023</u>
Research & Development <i>% of Mfg Revenues</i>	~\$ 550 3.8%	\$ 570 4.2%
CapEx	~\$ 425	\$ 402
Depreciation	~\$ 350	\$ 353

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Pension Outlook – Full Year 2024

	<u>2024E</u>	<u>2023</u>
Discount Rates – U.S. Plans	5.25%	5.55%
Assumed Long-Term Rate of Return	7.25%	7.25%
Service Pension Cost/(Income) ⁽¹⁾	~\$ 80M	\$ 80M
Non-Service Pension Cost/(Income)	~ (265M)	(237M)
Total Pension Cost/(Income)	~\$ (185M)	\$ (157M)
Pension Contributions	~\$ 50M	\$ 45M

(1) Includes the cost associated with the defined contribution component included in certain of Textron's U.S.-based defined benefit pension plans.

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Adjusted EBITDA

(\$ amounts in millions)

	Full-Year 2024	Full-Year 2023
Income Before Income Taxes	~ \$ 1,315	\$ 1,087
Add: Interest Expense, net for Manufacturing group	90	62
Depreciation Expense	350	353
Intangible Asset Amortization	35	39
LIFO Inventory Provision	110	107
Special Charges	-	126
Adjusted EBITDA ⁽¹⁾	~ \$ 1,900	\$ 1,774

(1) Adjusted EBITDA is a non-GAAP measure that is defined on slide 13.

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Non-GAAP Financial Measures

We supplement the reporting of our financial information determined under U.S. generally accepted accounting principles (GAAP) with certain non-GAAP financial measures. These non-GAAP financial measures exclude certain significant items that may not be indicative of, or are unrelated to, results from our ongoing business operations. We believe that these non-GAAP measures may be useful for period-over-period comparisons of underlying business trends and our ongoing business performance, however, they should be used in conjunction with GAAP measures. Our non-GAAP measures should not be considered in isolation or as a substitute for the related GAAP measures, and other companies may define similarly named measures differently. We encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. We utilize the following definitions for the non-GAAP financial measures included in this release and have provided a reconciliation of the GAAP to non-GAAP amounts for each measure:

Adjusted Earnings Per Share

Adjusted earnings per share excludes the following, net of tax: LIFO inventory provision, intangible asset amortization, special charges and gains/losses on major business dispositions. LIFO inventory provision is excluded to improve comparability with other companies in our industry who have not elected to use the LIFO inventory costing method. Intangible asset amortization is excluded to improve comparability as the impact of such amortization can vary substantially from company to company depending upon the nature and extent of acquisitions and exclusion of this expense is consistent with the presentation of non-GAAP measures provided by other companies within our industry. Management believes that it is important for investors to understand that these intangible assets were recorded as part of purchase accounting and contribute to revenue generation. We consider items recorded in special charges, such as enterprise-wide restructuring, certain asset impairment charges, and acquisition-related restructuring, integration and transaction costs, to be of a non-recurring nature that is not indicative of ongoing operations.

Adjusted EBITDA

Adjusted EBITDA represents income before income taxes adjusted to exclude the following: interest expense, net for Manufacturing group; depreciation expense; intangible asset amortization; LIFO inventory provision; and special charges. Interest expense, net for Manufacturing group is excluded as it is dependent on the company's capital structure and can vary substantially between companies. Depreciation expense is a non-cash item that is also excluded as it can vary substantially between companies depending on the assumptions used regarding useful economic life, salvage value and depreciation method. Intangible asset amortization is excluded to improve comparability as the impact of such amortization can vary substantially from company to company depending upon the nature and extent of acquisitions and exclusion of this expense is consistent with the presentation of non-GAAP measures provided by other companies within our industry. LIFO inventory provision is excluded to improve comparability with other companies in our industry who have not elected to use the LIFO inventory costing method. We consider items recorded in special charges, such as enterprise-wide restructuring, certain asset impairment charges, and acquisition-related restructuring, integration and transaction costs, to be of a non-recurring nature that is not indicative of ongoing operations.



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