



Q4 2022 Earnings Call Presentation

January 25th, 2023

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 2022 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 2022

	Q4 2022	Q4 2021
Revenues	\$ 3.6B	\$ 3.3B
Segment Profit	\$ 317M	\$ 310M
EPS	\$ 1.07	\$ 0.93
Adjusted EPS ⁽¹⁾	N/A	\$ 0.94
Manufacturing Cash Flow Before Pension Contributions ⁽¹⁾	\$ 368M	\$ 298M
Pension Contributions	\$ 13M	\$ 12M

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

Key Data – Full Year 2022

	Full-Year 2022	Full-Year 2021
Revenues	\$ 12.9B	\$ 12.4B
Segment Profit	\$ 1,223M	\$ 1,134M
EPS	\$ 4.01	\$ 3.30
Manufacturing Cash Flow Before Pension Contributions ⁽¹⁾	\$ 1,178M	\$ 1,149M
Pension Contributions	\$ 49M	\$ 52M

(1) Manufacturing cash flow before pension contributions is a non-GAAP measure that is defined and reconciled to GAAP in our earnings release.

Q4 2022 Revenue Growth

	Revenue Growth	Acquisition Impact	Organic Growth	FX Impact Un(Fav)	Organic Growth Before FX
Textron Aviation	16.4%	-	16.4%	-	16.4%
Bell	(4.9%)	-	(4.9%)	-	(4.9%)
Textron Systems	0.3%	-	0.3%	-	0.3%
Industrial	16.1%	-	16.1%	3.6%	19.7%
Textron eAviation ⁽¹⁾	0.2%	(100%)	-	-	-
Manufacturing	9.5%	(0.2%)	9.3%	0.8%	10.1%
Finance	-	-	-	-	-
Total Segments	9.5%	(0.2%)	9.3%	0.8%	10.1%

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.

(1) The eAviation revenue growth % reflects its revenue increase as a percentage of total manufacturing revenues, as the segment was formed in Q2 2022 and does not have corresponding Q4 2021 revenues

Textron Consolidated Net Debt

<i>(\$ amounts in millions)</i>	Year-End 2022	Year-End 2021
Cash	\$ 2,035	\$ 2,117
Finance Group Debt	\$ 375	\$ 582
TXT Mfg. Group Debt	3,182	3,185
Total Debt	\$ 3,557	\$ 3,767
Net Debt	\$ 1,522	\$ 1,650

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Finance Segment Key Statistics

	<u>Q4 2022</u>	<u>Q4 2021</u>
60+ Delinquency	\$ 1M	\$ 1M
Non-accrual	\$ 46M	\$ 94M
Finance Receivables	\$ 587M	\$ 630M
Shareholders' Equity	\$ 208M	\$ 175M

2023 Financial Reporting Change

Beginning in 2023, we will report earnings per share on an adjusted basis to exclude the following non-cash items:

- LIFO Inventory Provision
- Intangible Asset Amortization

Also starting in 2023, we will change how we measure our segment operating results to exclude the following items that will be reported below segment profit:

- LIFO Inventory Provision
- Intangible Asset Amortization
- Non-service Component of Pension and Post-retirement Income or Expense (non-service pension income)

We believe these changes will provide a more consistent method of measuring and evaluating business performance across our segments, while also aligning our reporting results more consistently with other companies within our industry.

Outlook – Full Year 2023

2023 Outlook

Adjusted Earnings Per Share (Non-GAAP) ⁽¹⁾	\$ 5.00 - \$ 5.20
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Manufacturing Cash Flow Before Pension Contributions ⁽¹⁾	\$ 0.9B - \$ 1.0B
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(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 also reconciled and defined on slides 10 and 18.

EPS GAAP to Non-GAAP Reconciliation

	2023 Outlook	2022 Actual
Earnings Per Share - GAAP	\$ 4.40 - \$ 4.60	\$ 4.01
LIFO Inventory Provision	0.47	0.25
Intangible Asset Amortization	0.13	0.19
Adjusted Earnings Per Share - Non-GAAP	\$ 5.00 - \$ 5.20	\$ 4.45

Note: Adjusted earnings per share is a non-GAAP financial measure as defined on slide 18. Adjusted earnings per share – Non-GAAP for 2022 has been recast to conform with Textron's 2023 financial reporting format.

Segment Outlook – Full Year 2023

Segment	2023E		2022 Recast	
	Revenue	Segment Profitability	Revenue	Segment Profitability ⁽¹⁾
Textron Aviation	~\$ 5.7B	~12.0% - 13.0%	\$ 5.1B	11.0%
Bell	~\$ 3.3B	~8.25% - 9.25%	\$ 3.1B	9.1%
Textron Systems	~\$ 1.25B	~10.75% - 11.75%	\$ 1.2B	11.3%
Industrial	~\$ 3.6B	~5.0% - 6.0%	\$ 3.5B	4.5%
eAviation	~\$ 45M	~\$ (65M)	\$ 16M	\$ (24M)
Finance	~\$ 45M	~\$ 15M	\$ 52M	\$ 31M

(1) 2022 segment profitability has been recast to conform with the 2023 presentation. See slide 15 for the 2022 reconciliation to historic segment profit.

Outlook – Full Year 2023

<i>(\$ amounts in millions)</i>	<u>2023E</u>	<u>Recast 2022</u>
Corporate Expenses & Other	~\$ 150	\$ 143 ⁽¹⁾
Interest Expense, net for Manufacturing Group	~\$ 90	\$ 94
LIFO Inventory Provision	~\$ 130	\$ 71
Intangible Asset Amortization	~\$ 35	\$ 52
Non-service Pension Income	~\$ 235	\$ 240 ⁽¹⁾
Income Tax Rate (from continuing operations)	~17.5%	15.2%

(1) 2022 Corporate Expenses & Other has been recast to reflect the 2023 presentation and, accordingly, \$30 million of corporate-related pension income has been reclassified to non-service pension income on this schedule.

Outlook – Full Year 2023

<i>(\$ amounts in millions)</i>	<u>2023E</u>	<u>2022</u>
Research & Development	~\$ 585	\$ 601
<i>% of Mfg Revenues</i>	<i>4.2%</i>	<i>4.7%</i>
CapEx	~\$ 425	\$ 354
Depreciation	~\$ 375	\$ 340

Pension Outlook – Full Year 2023

	2023E	2022
Discount Rates – U.S. Plans	5.55%	3.05%
Assumed Long-Term Rate of Return	7.25%	7.25%
Service Pension Cost/(Income) ⁽¹⁾	~\$ 80M	\$ 121M
Non-Service Pension Cost/(Income)	~ (235M)	(240M)
Total Pension Cost/(Income)	~\$ (155M)	\$ (119M)
Pension Contributions	~\$ 50M	\$ 49M

(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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Full Year 2022 Recast to New Reporting Format

FY 2022 (\$ amounts in millions)	Historical Segment Profit	LIFO Inventory Provision	Intangible Asset Amortization	Non Service Pension Income	Recast Segment Profit	Segment Profit Margin
Textron Aviation	\$ 584	\$ 41	\$ 30	\$ (95)	\$ 560	11.0%
Bell	317	18	-	(53)	282	9.1%
Textron Systems	152	-	14	(34)	132	11.3%
Industrial	165	12	6	(28)	155	4.5%
Textron eAviation	(26)	-	2	-	(24)	NM
Manufacturing	1,192	71	52	(210)	1,105	8.6%
Finance	31	-	-	-	31	-
Segment Profit	\$ 1,223	\$ 71	\$ 52	\$ (210)	\$ 1,136	8.8%

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Full Year 2022 Recast to New Reporting Format (continued)

(\$ amounts in millions)	Historical 2022	Recast 2022
Segment Profit	\$ 1,223	\$ 1,136
Corporate Expense	(113)	(143)
Interest Expense	(94)	(94)
LIFO Inventory Provision	-	(71)
Intangible Asset Amortization	-	(52)
Non-Service Pension Income	-	240
Income from Continuing Ops before tax	1,016	1,016
Income Tax Expense	(154)	(154)
Net Income from Continuing Ops	\$ 862	\$ 862
Earnings per share – GAAP	\$ 4.01	\$ 4.01
Adjusted Earnings per share – Non-GAAP ⁽¹⁾	N/A	\$ 4.45

(1) See slide 10 for the 2022 reconciliation of EPS (GAAP) to Adjusted EPS (Non-GAAP).

Adjusted EBITDA - Full Year 2022

<i>(\$ amounts in millions)</i>	Full Year 2022
Income from Continuing Operations Before Tax	\$ 1,016
Add: Interest Expense, net	94
Depreciation Expense	340
LIFO Inventory Provision	71
Intangible Asset Amortization	52
Adjusted EBITDA ⁽¹⁾	<u>\$ 1,573</u>

(1) Adjusted EBITDA is a non-GAAP measure that is defined on slide 18.

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 gain on business disposition. 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 acquired 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 from continuing operations before income taxes, interest expense, depreciation expense, LIFO inventory provision and intangible asset amortization. Interest expense is excluded as this expense 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. 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.

Appendix

Segment Profit Recast – Q1 2022

Q1 2022 (\$ amounts in millions)	Historical Segment Profit	LIFO Inventory Provision	Intangible Asset Amortization	Non Service Pension Income	Recast Segment Profit	Segment Profit Margin
Textron Aviation	\$ 121	\$ 5	\$ 8	\$ (24)	\$ 110	10.6%
Bell	98	6	-	(13)	91	10.9%
Textron Systems	33	-	4	(9)	28	10.3%
Industrial	43	1	1	(6)	39	4.7%
Textron eAviation	-	-	-	-	-	NM
Manufacturing	295	12	13	(52)	268	9.0%
Finance	9	-	-	-	9	-
Total Segments	\$ 304	\$ 12	\$ 13	\$ (52)	\$ 277	9.2%

Segment Profit Recast – Q2 2022

Q2 2022 (\$ amounts in millions)	Historical Segment Profit	LIFO Inventory Provision	Intangible Asset Amortization	Non Service Pension Income	Recast Segment Profit	Segment Profit Margin
Textron Aviation	\$ 155	\$ 11	\$ 7	\$ (24)	\$ 149	11.6%
Bell	63	4	-	(13)	54	7.9%
Textron Systems	42	-	4	(8)	38	13.0%
Industrial	41	2	1	(7)	37	4.2%
Textron eAviation	(8)	-	1	-	(7)	NM
Manufacturing	293	17	13	(52)	271	8.6%
Finance	10	-	-	-	10	-
Total Segments	\$ 303	\$ 17	\$ 13	\$ (52)	\$ 281	8.9%

Segment Profit Recast – Q3 2022

Q3 2022 (\$ amounts in millions)	Historical Segment Profit	LIFO Inventory Provision	Intangible Asset Amortization	Non Service Pension Income	Recast Segment Profit	Segment Profit Margin
Textron Aviation	\$ 139	\$ 8	\$ 8	\$ (24)	\$ 131	11.2%
Bell	85	2	-	(13)	74	9.8%
Textron Systems	37	-	3	(9)	31	10.6%
Industrial	39	3	1	(7)	36	4.2%
Textron eAviation	(8)	-	1	-	(7)	NM
Manufacturing	292	13	13	(53)	265	8.6%
Finance	7	-	-	-	7	-
Total Segments	\$ 299	\$ 13	\$ 13	\$ (53)	\$ 272	8.8%

Segment Profit Recast – Q4 2022

Q4 2022 (\$ amounts in millions)	Historical Segment Profit	LIFO Inventory Provision	Intangible Asset Amortization	Non Service Pension Income	Recast Segment Profit	Segment Profit Margin
Textron Aviation	\$ 169	\$ 17	\$ 7	\$ (23)	\$ 170	10.7%
Bell	71	6	-	(14)	63	7.7%
Textron Systems	40	-	3	(8)	35	11.1%
Industrial	42	6	3	(8)	43	4.7%
Textron eAviation	(10)	-	-	-	(10)	NM
Manufacturing	312	29	13	(53)	301	8.3%
Finance	5	-	-	-	5	-
Total Segments	\$ 317	\$ 29	\$ 13	\$ (53)	\$ 306	8.4%

2022 Corporate Expense Recast

<i>(\$ amounts in millions)</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Historical Corporate Expense & Other	\$ (44)	\$ (12)	\$ (14)	\$ (43)	\$ (113)
Non-service Pension Income	(8)	(8)	(7)	(7)	(30)
Recast Corporate Expense & Other ⁽¹⁾	\$ (52)	\$ (20)	\$ (21)	\$ (50)	\$ (143)

(1) Recast 2022 Corporate Expenses & Other reflects the reclassification of corporate-related pension income out of corporate expense to conform with the 2023 financial reporting format.



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