

# Creating Tomorrow's **KAMAN** Today



**Q2 2020 Earnings Call Supplement**  
**August 11, 2020**

## **FORWARD-LOOKING STATEMENTS**

This presentation includes "forward looking statements" relating to the announced transactions and future operations of the Company, which can be identified by the use of words such as "will," "expect," "poise," "believe," "plans," "strategy," "prospects," "estimate," "project," "seek," "target," "anticipate," "intend," "future," "likely," "may," "should," "would," "could," and other words of similar meaning in connection with a discussion of future operating or financial performance or events. Forward-looking statements also may be included in other publicly available documents issued by the Company and in oral statements made by our officers and representatives from time to time. These statements are based on assumptions currently believed to be valid but involve significant risks and uncertainties, many of which are beyond our control, which could cause our actual results to differ from those expressed in the forward looking statements. Such risks and uncertainties include, among others, the ability to implement the anticipated business plans following closing and achieve anticipated benefits and savings; and future and estimated revenues, earnings, cash flow, charges, cost savings and expenditures. Additional risks and uncertainties that could cause our actual results to differ from those expressed in the forward looking statements are identified in our reports filed with the SEC, including our Quarterly Reports on Form 10-Q, our Annual Reports on Form 10-K, and our Current Reports on Form 8-K. The forward looking statements included in this presentation are made only as of the date of this presentation, and the Company does not undertake any obligation to update the forward looking statements to reflect subsequent events or circumstances.

## **Non-GAAP Figures**

Management believes that the Non-GAAP financial measures (i.e. financial measures that are not computed in accordance with Generally Accepted Accounting Principles) identified by an asterisk (\*) used in this presentation or in other disclosures provide important perspectives into the Company's ongoing business performance. The Company does not intend for the information to be considered in isolation or as a substitute for the related GAAP measures. Other companies may define the measures differently. Reconciliations from GAAP measures to the Non-GAAP measures are presented herein.

## Financial Performance

(from continuing operations)

- Net Sales up 1.8%; Organic sales\* down 8.5%
- Gross margins in excess of 30% and SG&A controls improve profitability
- Adjusted EBITDA\* of 13.4%, a 370 bps increase over prior year period
- Adjusted diluted earnings per share\* more than doubled to \$0.36
- Available cash on hand of \$236 million

## Key Messages

- High level of execution despite continued challenges from COVID-19
- Delivering on cost savings initiatives with approximately \$34 million in annualized savings; Identified opportunities to deliver \$16 million in additional savings
- Maintained discipline in application of our COVID-19 policies and procedures to protect employees and maintain operations
- Strong balance sheet and significant capacity under our revolving credit facility
- No debt maturities until 2024

Year-To-Date Sales up 12.9% to \$385.2 million; Organic Sales\* up 1.0%

## Actual YTD Q2 2020 Sales By End Market



54% Defense



29% Commercial, Business & General Aviation  
(formerly Commercial Aerospace)



9% Medical



8% Industrial and Other

## Commercial, Business & General Aviation Sales 29% of Total

Boeing & Airbus

(Commercial Aviation)(direct and indirect)

43%



All Other

(Business & General Aviation)

57%



OEM <sup>(1)</sup>

80%



Aftermarket <sup>(1)</sup>

20%



<sup>(1)</sup> % totals are an approximation based on the mid-point of our initial 2020 Sales Outlook which was withdrawn with the release of our First Quarter Results on May 11, 2020.

# Meaningful Long Term Growth

## Diverse End Market Exposure with Meaningful Long Term Growth

Platform / End Markets	Near Term Expectations	Long Term Growth Drivers
 <p>Defense</p>	<p><b>+</b> Performance on pace with initial expectations for 2020; Increase in sales expected in second half of year</p>	<ul style="list-style-type: none"> <li>✓ Defense exposures provide stability and growth opportunities</li> <li>✓ Gaining market share on key defense programs, such as the F-18, the Joint Strike Fighter, the BLACKHAWK Helicopter</li> </ul>
 <p>Commercial, Business &amp; General Aviation</p>	<p><b>-</b> Headwinds from Commercial Aviation offset by growth in Business &amp; General Aviation</p>	<ul style="list-style-type: none"> <li>✓ Breadth of content on a wide range of fixed wing and rotary</li> <li>✓ Continued investment in R&amp;D through the downturn</li> <li>✓ Positioned to capture share from COVID-19 headwinds</li> </ul>
 <p>Medical</p>	<p><b>+ / -</b> COVID-19 resurgence in US resulting in continued deferral of elective procedures</p>	<ul style="list-style-type: none"> <li>✓ Aging population</li> <li>✓ Increasing biopharma capital budgets</li> <li>✓ Strong technical advances and product development pipelines</li> </ul>
 <p>Industrials</p>	<p><b>+ / -</b> Opportunity for growth in industrial market in second half of the year</p>	<ul style="list-style-type: none"> <li>✓ Increasing number of robotics applications</li> <li>✓ Maintenance and replacement of industrial equipment</li> </ul>

## Significant Cost Savings Achieved; Additional Actions Identified

### Instituted Cost Savings

**Actions:**

- Execution on G&A Transformation Initiative
- Workforce reductions
- Employee furloughs
- Salary reductions across senior management
- Reduced discretionary spending

**Result:** \$22 Million of Savings in 2020; \$34 Million Annualized Savings

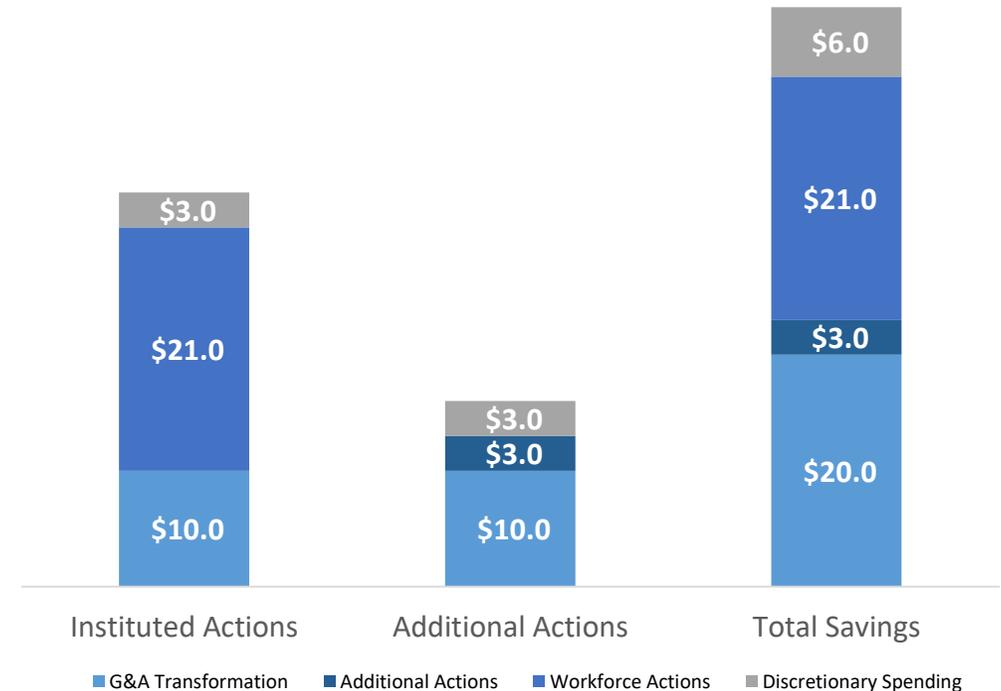
### Additional Actions

**Actions:**

- Adjust production capacity to meet future demand
- Completion of our G&A Transformation Initiatives

**Result:** \$16 million of Annualized Savings

~\$50 million of Annualized Savings



Diverse Mix of Products and End Markets	Strong Balance Sheet and Ample Liquidity	Disciplined Operating Approach	Focus on Health and Safety
<p>Expanded portfolio of high margin products with diverse end market exposure</p>	<p>Financial strength positions us to manage through the downturn and invest in R&amp;D and growth initiatives</p>	<p>Greater impact to our commercial aerospace business; productivity and efficiency headwinds across organization</p>	<p>Policies and procedures to protect the health &amp; safety of employees and maintain operations</p>
<ul style="list-style-type: none"> <li>▪ ~50% Defense</li> <li>▪ ~30% Commercial, Business &amp; General Aviation</li> <li>▪ ~10% Medical</li> <li>▪ ~10% Industrial and Other</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$236M of cash available on hand</li> <li>▪ Significant capacity under our \$800M credit facility</li> <li>▪ No debt maturities until 2024</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adjusting production needs to meet demand</li> <li>▪ Reduced discretionary spending</li> <li>▪ Salary reductions across our senior management</li> <li>▪ Board reduced retainers 20%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Appropriate PPE</li> <li>▪ Temperature checks</li> <li>▪ Shift flexibility</li> <li>▪ Social distancing</li> <li>▪ Segregated workspaces</li> <li>▪ Remote work</li> </ul>

# Non-GAAP Reconciliations

# Non-GAAP Reconciliation

## Organic Sales

Organic Sales is defined as "Net Sales" less sales derived from acquisitions completed during the preceding twelve months. We believe that this measure provides management and investors with a more complete understanding of underlying operating results and trends of established, ongoing operations by excluding the effect of acquisitions, which can obscure underlying trends. We also believe that presenting Organic Sales enables a more direct comparison to other businesses and companies in similar industries. Management recognizes that the term "Organic Sales" may be interpreted differently by other companies and under different circumstances. No other adjustments were made during the three-month and six-month fiscal periods ended July 3, 2020 and June 28, 2019, respectively. The following table illustrates the calculation of Organic Sales using the GAAP measure, "Net Sales".

<i>(in thousands)</i>	For the Three Months Ended		For the Six Months Ended	
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019
Net Sales From Continuing Operations	\$ 177,890	\$ 174,712	\$ 385,212	\$ 341,146
Acquisition Sales	18,056	-	41,417	-
Organic Sales	\$ 159,834	\$ 174,412	\$ 343,795	\$ 341,146
\$ Change	\$ (14,878)		\$ 2,649	
% Change	(8.5)%		0.8%	

# Non-GAAP Reconciliation

# KAMAN

## Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations is defined as earnings from continuing operations before interest, taxes, other expense (income), net, depreciation and amortization and certain items that are not indicative of the operating performance of the Company's for the period presented. Adjusted EBITDA from continuing operations differs from earnings from continuing operations, as calculated in accordance with GAAP, in that it excludes interest expense, net, income tax expense, depreciation and amortization, other expense (income), net, non-service pension and post retirement benefit expense (income), and certain items that are not indicative of the operating performance of the Company for the period presented. We have made numerous investments in our business, such as acquisitions and capital expenditures, including facility improvements, new machinery and equipment, improvements to our information technology infrastructure and ERP systems, which we have adjusted for in Adjusted EBITDA from continuing operations. Adjusted EBITDA from continuing operations also does not give effect to cash used for debt service requirements and thus does not reflect funds available for distributions, reinvestments or other discretionary uses. Management believes Adjusted EBITDA from continuing operations provides an additional perspective on the operating results of the organization and its earnings capacity and helps improve the comparability of our results between periods because it provides a view of our operations that excludes items that management believes are not reflective of operating performance, such as items traditionally removed from net earnings in the calculation of EBITDA as well as Other expense (income), net and certain items that are not indicative of the operating performance of the Company for the period presented. Adjusted EBITDA from continuing operations is not presented as an alternative measure of operating performance, as determined in accordance with GAAP. No other adjustments were made during the three-month and six-month fiscal periods ended July 3, 2020 and June 28, 2019. The following table illustrates the calculation of Adjusted EBITDA from continuing operations using GAAP measures, "Earnings from Continuing Operations, net of tax".

	For the Three Months Ended		For the Six Months Ended	
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019
<i>(in thousands)</i>				
Net Sales From Continuing Operations	\$ 177,890	\$ 174,712	\$ 385,212	\$ 341,146
(Loss) earnings from continuing operations, net of tax	\$ (100)	\$ 6,389	\$ (507)	\$ 12,211
Interest Expense, net	5,808	5,236	9,055	10,537
Income Tax Expense	(1,258)	(487)	(1,701)	947
Non-service pension and Post-Retirement Expense	(4,062)	(100)	(8,125)	(199)
Other expense (income), net	(108)	(463)	110	(552)
Depreciation and Amortization	10,305	6,243	19,814	12,365
Other Adjustments				
Restructuring and severance costs	4,484	206	6,279	472
Cost associated with corporate development activities	679	-	2,466	-
Bal Seal acquisition costs	(36)	-	8,447	-
Expenses associated with Bal Seal purchase accounting	6,882	-	13,762	-
Transition service agreement cost, net of transition service agreement income	1,323	-	2,489	-
Reversal of prior year accruals in current period	-	-	(1,475)	-
Gain on sales of U.K Tooling business	-	-	(493)	-
Adjusted EBITDA from Continuing Operations	\$ 23,917	\$ 17,024	\$ 50,121	\$ 35,781
Adjusted EBITDA Margin	13.4%	9.7%	13.0%	10.5%

# Non-GAAP Reconciliation

## Adjusted Earnings from Continuing Operations and Adjusted Diluted Earnings Per Share from Continuing Operations

Adjusted Earnings from Continuing Operations and Adjusted Diluted Earnings per Share from Continuing Operations are defined as GAAP "Earnings from Continuing Operations" and "Diluted earnings per share from continuing operations", less items that are not indicative of the operating performance of the business for the periods presented. These items are included in the reconciliation below. Management uses Adjusted Earnings from Continuing Operations and Adjusted Diluted Earnings per Share from Continuing Operations to evaluate performance period over period, to analyze the underlying trends in our business and to assess its performance relative to its competitors. We believe that this information is useful for investors and financial institutions seeking to analyze and compare companies on the basis of operating performance. The following table illustrates the calculation of Adjusted Earnings from Continuing Operations and Adjusted Diluted Earnings per Share from Continuing Operations using "Earnings from Continuing Operations" and "Diluted earnings per share from continuing operations" from the "Consolidated Statements of Operations" included in the Company's Form 10-Q filed with the Securities and Exchange Commission on August 10, 2020.

	For the three months ended July 3, 2020			Calculation of Adjusted Diluted Earnings Per Share
	Adjustments to Net Earnings, Pre Tax	Tax Effect of Adjustments to Net Earnings	Adjustments to Net Earnings, Net of Tax	
<i>(in thousands, expect per share amounts)</i>				
Net loss from continuing operations			\$(100)	\$(0.00)
<b>Adjustments</b>				
Restructuring and severance costs	\$4,484	\$1,143	\$3,341	\$0.12
Cost associated with corporate development activities	679	173	506	0.02
Bal Seal acquisition costs	(36)	(9)	(27)	0.00
Expenses associated with Bal Seal purchase accounting	6,882	1,755	5,127	0.18
Transition service agreement cost, net of transition service agreement income	1,323	337	986	0.04
<b>Adjusted earnings from continuing operations</b>			<b>\$9,833</b>	<b>\$0.36</b>
<b>Weighted Average Shares Outstanding – Diluted</b>			<b>27,659</b>	