

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-08408

**WOODWARD, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1081 Woodward Way, Fort Collins, Colorado

(Address of principal executive offices)

(970) 482-5811

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of exchange on which registered

Common Stock, par value \$0.001455 per share

WWD

NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on March 31, 2024 as reported on The NASDAQ Global Select Market on that date: \$6,154,360. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock, (ii) officers and directors of the registrant, and (iii) the Woodward Governor Company Profit Sharing Trust, Woodward Governor Company Deferred Shares Trust, or the Woodward Charitable Trust, as of March 31, 2024, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

As of November 25, 2024, 59,130,924 shares of the registrant's common stock with a par value of \$0.001455 per share were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our proxy statement for the Annual Meeting of Stockholders to be held virtually on January 29, 2025, are incorporated by reference into Parts II and III of this Form 10-K, to the extent indicated.

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## **Forward Looking Statements**

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are statements that are deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of management. Words such as "anticipate," "believe," "estimate," "seek," "goal," "expect," "forecast," "intend," "continue," "outlook," "plan," "project," "target," "strive," "can," "could," "may," "should," "will," "would," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- future sales, earnings, cash flow, uses of cash, and other measures of financial performance, including our assumptions underlying our expectations;
- trends in our business and the markets in which we operate, including expectations for those markets, our customers and their business and products;
- our ability to manage risks from operating internationally;
- expectations regarding demand for our products, in particular our expectations with respect to natural gas trucks in China;
- our expected expenses in future periods and trends in such expenses over time;
- our expectations regarding margins and the impact of specific products, product mix, and our strategic actions on margins;
- descriptions of our plans and expectations for future operations, including our strategic initiatives and impact of such initiatives;
- plans and expectations relating to the performance of our joint venture with General Electric Company ("GE"), now GE Aerospace, as successor;
- the expected levels of activity in particular industries or markets and the effects of changes in those levels;
- the scope, nature, or impact of acquisition activity and integration of such acquisition into our business;
- the research, development, production, and support of new products and existing services;
- our plans, objectives, expectations, and intentions with respect to business opportunities that may be available to us;
- our liquidity, including our ability to meet capital spending requirements and operations;
- future dividends and repurchases of common stock;
- future levels of indebtedness and capital spending;
- the stability of financial institutions, including those lending to us;
- pension and other postretirement plan assumptions and future contributions; and
- our tax rate and other effects of the changes in U.S. federal tax law.
- availability of raw materials and components used in our products;
- expectations relating to environmental and emissions regulations;
- effects of data privacy, data protection, and cybersecurity regulations;
- our ability to develop competitive technologies;
- our consolidated customer base and ability to enhance customer experience;
- our ability to manage risks related to U.S. Government contracting, including defense activity and spending patterns;
- our ability to attract, retain, and develop qualified personnel and maintain favorable labor relations;
- our ability to structure our operations in the light of evolving market conditions;
- our ability to mitigate the ongoing impacts of inflation;
- expectations regarding production and delivery levels;
- the impact of our ability to protect our intellectual property on our business, financial condition, results of operations, and cash flows; and
- impact of any potential physical or cybersecurity attacks on our operations, business, including our financial condition, operating results, and reputation.

All these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements include the factors described in Item 1A, Risk Factors. We undertake no obligation to revise or update any forward-looking statements for any reason, except as required by applicable law.

Unless we have indicated otherwise or the context otherwise requires, references in this Form 10-K to "Woodward," "the Company," "we," "us," and "our" refer to Woodward, Inc. and its consolidated subsidiaries. Except where we have otherwise indicated or the context otherwise requires, amounts presented in this Form 10-K are in thousands, except per share amounts.

## **Item 1. Business**

### **General**

We are an independent designer, manufacturer, and service provider of control solutions for the aerospace and industrial markets. Our innovative fluid energy, combustion control, electrical energy, and motion control systems help customers offer cleaner, more reliable, and more efficient equipment. Our customers include leading original equipment manufacturers and end users of their products. We have production and assembly facilities primarily in the United States, Europe, and Asia, and promote our products and services through our worldwide locations.

Our strategic focus is providing energy control and optimization solutions for the aerospace and industrial markets. The precise and efficient control of energy, including motion, fluid, combustion, and electrical energy, is a growing requirement in the markets we serve. Our customers look to us to optimize the efficiency, emissions, and operation of power equipment in both commercial and defense operations. Our core technologies leverage well across our markets and customer applications, enabling us to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation, and electronic systems. We focus primarily on serving original equipment manufacturers ("OEMs") and equipment packagers, partnering with them to bring superior component and system solutions to their demanding applications. We also provide aftermarket repair, maintenance, replacement, and other service support for our installed products.

Woodward was established in 1870, incorporated in 1902, and is headquartered in Fort Collins, Colorado. The mailing address of our world headquarters is 1081 Woodward Way, Fort Collins, Colorado 80524. Our telephone number at that location is (970) 482-5811, and our website is [www.woodward.com](http://www.woodward.com). None of the information contained on our website is incorporated into this document by reference.

### **Markets and Principal Lines of Business**

We serve the aerospace and industrial markets through our two reportable segments – **Aerospace** and **Industrial**. Our customers require technological solutions to meet their needs for performance, efficiency, and reliability, and to reduce cost of operation of their products.

Within the aerospace market, we provide systems, components, and solutions for both commercial and defense applications. Our aerospace systems and components optimize the performance of fixed wing and rotorcraft platforms in commercial, business and military aircraft, missiles, weapons and space, ground vehicles, and other equipment. Our key focus areas within this market are propulsion and combustion control solutions for turbine powered aircraft; and fluid and motion control solutions for critical aerospace and defense applications.

Within the industrial market, our key focus areas are applications and control solutions for machines that produce electricity utilizing conventional or alternative energy sources; and fluid, motion, and combustion control solutions for complex oil and gas, industrial, power generation, and transportation applications.

### **Products, Services, and Applications**

#### ***Aerospace***

Our Aerospace segment designs, manufactures, and services systems and products for the management of fuel, air, combustion, and motion control. These products include fuel pumps, metering units, actuators, air valves, specialty valves, fuel nozzles, and thrust reverser actuation systems for turbine engines and nacelles, as well as flight deck controls, actuators, servocontrols, motors, and sensors for aircraft. These products are used on commercial and private aircraft and rotorcraft, as well as on military fixed-wing aircraft and rotorcraft, guided weapons, and other defense systems.

We have significant content on a wide variety of commercial aircraft, rotorcraft, and business jet platforms, such as the Airbus A320neo, Boeing 737 MAX, Boeing 787, Bell 429, and Bombardier Global 7500. We also have significant content on defense applications such as Blackhawk and Apache helicopters, F-35 and F-15 fighter jets, and smart defense weapons.

Revenues from the Aerospace segment are generated by sales to OEMs, tier-one suppliers, and prime contractors, and through aftermarket sales of components, such as provisioning spares or replacements. We also provide aftermarket maintenance, repair and overhaul, as well as other services to commercial airlines, repair facilities, military depots, third party repair shops, and other end users.

## Industrial

Our Industrial segment designs, produces, and services systems and products for the management of energy in the form of fuel, air, fluids, gases, motion, combustion, and electricity. These products include actuators, valves, pumps, fuel injection systems, solenoids, ignition systems, control systems, electronics and software, and sensors. Our products are used on industrial gas turbines (including heavy frame, aeroderivative, and small industrial gas turbines), steam turbines, compressors, and reciprocating engines (including low speed, medium speed, and high-speed engines, that operate on various fuels, including natural gas, diesel, heavy fuel oil, and new lower carbon alternative fuels in both single and dual-fuel applications). The equipment on which our products are found is used to generate power; to extract, distribute, and refine energy sources; to mine other commodities; and to convert fuel to work in transportation and freight (both marine and locomotives), mobile, and industrial equipment applications.

Revenues from our Industrial segment are generated primarily by sales to OEMs and by providing aftermarket products and other related services to our OEM customers. Our Industrial segment also sells products through an independent network of distributors and authorized system integrators, repairs and overhaul facilities, and directly to end users around the globe.

## Customers

Our customers include leading original equipment manufacturers and end users of their products that require technological solutions to meet their needs for performance, efficiency, reliability, and reduced cost of operations.

Sales to our five largest customers represented approximately 35% of our consolidated net sales for the fiscal year ended September 30, 2024 and 40% in fiscal year ended September 30, 2023.

We had no customers who accounted for approximately 10% or more of our consolidated net sales for the fiscal year ended September 30, 2024. RTX Corporation was our largest customer during the fiscal year ended September 30, 2024 and accounted for approximately 9% of our consolidated net sales and 10% in the fiscal year ended September 30, 2023. Accounts receivable from RTX Corporation represented approximately 6% of accounts receivable at September 30, 2024 and 4% at September 30, 2023. We believe RTX Corporation, and our other significant customers are creditworthy and will be able to satisfy their credit obligations to us.

The customers who account for approximately 10% or more of net sales of each of Woodward's reportable segments are as follows:

For the Year Ended September 30,		
	2024	2023
Aerospace	RTX Corporation, The Boeing Company	RTX Corporation, GE, The Boeing Company
Industrial	Weichai Power, Rolls-Royce PLC	Rolls-Royce PLC, Caterpillar Inc., Weichai Power

On April 2, 2024, The General Electric Company ("GE") split into two separate companies, GE Aerospace and GE Vernova. During fiscal year 2024, we engaged in transactions with GE prior to its split, and subsequently engaged in transactions with both GE Aerospace and GE Vernova. Sales listed with "GE" represent the legacy General Electric Company, and any sales following the split will be listed as GE Aerospace and GE Vernova as applicable.

## Competitive Environment

Our products and product support services are sold worldwide into a variety of markets. In all markets, we compete on the basis of differentiated technology and design, product performance, and conformity with customer specifications. Additional factors are customer service and support, including on-time delivery and customer partnering, product quality, price, reputation, and local presence. Both of our segments operate in uniquely competitive environments.

We believe that new competitors face significant barriers to entry into many of our markets, including various government mandated certification requirements to compete in the aerospace and industrial markets in which we participate.

## Aerospace

Aerospace has significant product certification requirements to meet safety regulations, which form a basis for competition as well as a barrier to entry. Technological innovation and design, product performance including increased efficiency and thrust, conformity with customer specifications, and product quality and reliability are of utmost importance

in the aerospace and defense industry. In addition, on-time delivery, pricing, and joint development capabilities with customers are points of competition within this market.

We compete with numerous companies around the world that specialize in fuel and air management, combustion, electronic control, aircraft motion control, flight deck control, and thrust reverser products. Our competitors in aerospace include divisions of Eaton, Honeywell, Moog, Parker Hannifin, and RTX Corporation. In addition, some of our OEM customers are capable of developing and manufacturing similar products internally. Several competitors are also customers for our products, such as Honeywell, Parker Hannifin, and RTX Corporation.

Some of our customers are affiliated with our competitors through ownership or joint venture agreements. For example, Pratt & Whitney, one of our customers, is affiliated with RTX Corporation, one of our competitors. Similarly, GE Aerospace has a joint venture with Parker Hannifin for the supply of fuel nozzles. We also have partnered with our customers in the past, such as our strategic joint venture with one of our largest customers, GE which, following the split of GE is acting now through GE Aerospace.

We believe our products offer high levels of field reliability, which provides end users with an advantage in life-cycle cost. We address competition in aftermarket service through responsiveness to our customers' needs, providing short turnaround times, greater performance such as longer time between repairs, and maintaining a global presence. We also compete in part by establishing relationships with our customers' engineering organizations, and by offering innovative technical and commercial solutions to meet their market requirements. Our ability to design, develop, and test an integrated system with a customer is a competitive differentiator, offering the customer savings in both resources and time.

### **Industrial**

Industrial operates in the global markets for industrial turbines and reciprocating engines, which are used in power generation systems, transportation, and oil and gas markets. Many of these markets are subject to regulatory product and performance certifications to meet emissions and safety requirements, which form a basis for competition as well as a barrier to entry.

We compete with numerous companies that specialize in various engine, turbine, and power management products, and our OEM customers are often capable of developing and manufacturing similar products internally. Many of our customers are large global OEMs that require suppliers to support them around the world and to meet increasingly higher requirements in terms of safety, quality, delivery, reliability, and cost. Competitors include Emerson, EControls, Heinzmann GmbH & Co., Hoerbiger, Meggitt, Robert Bosch AG, and Triconix. OEM customers with internal capabilities for similar products include Caterpillar, Cummins, GE Vernova, Rolls-Royce Power Systems, Wärtsilä, and Weichai Power.

We believe we are a market leader in providing our customers advanced technology and superior product performance at a competitive price. We focus on developing and maintaining close relationships with our OEM customers' engineering teams. Competitive success is based on the development of innovative components and systems that are aligned with the OEMs' technology roadmaps to achieve future reliability, emission, efficiency, and fuel flexibility targets.

For additional information about our markets and trends in our markets, please see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Government Contracts and Regulation**

Portions of our business, particularly in our Aerospace segment, are heavily regulated. We contract with numerous U.S. Government agencies and entities, including all of the branches of the U.S. military, the National Aeronautics and Space Administration ("NASA"), and the Departments of Defense, Homeland Security, and Transportation. We also contract with similar government authorities outside the United States, subject in all cases to applicable law.

We must comply with, and are affected by, laws and regulations relating to the formation, administration, and performance of U.S. Government contracts. These laws and regulations, among other things:

- require accurate, complete, and current disclosure and certification of cost and pricing data in connection with certain contracts;
- impose specific and unique cost accounting practices that may differ from accounting principles generally accepted in the United States ("U.S. GAAP"), and therefore require robust systems to reconcile;
- impose regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts;

- impose manufacturing specifications and other quality standards that may be more restrictive than for non-government business activities; and
- restrict the use and dissemination of information classified for national security purposes due to the regulations of the U.S. Government and foreign governments pertaining to the export of certain products and technical data.

Sales made directly to U.S. Government agencies and entities, or indirectly through third party manufacturers utilizing our parts and subassemblies, collectively represented 17% of our sales for both fiscal year 2024 and fiscal year 2023.

### Seasonality

We believe our sales, in total or in either reportable segment, are not subject to significant seasonal variation. However, our sales have generally been lower in the first quarter of our fiscal year as compared to the immediately preceding quarter due to fewer working days resulting from the observance of various holidays and scheduled plant shutdowns for annual maintenance.

### Sales Order Backlog

For each of our reportable segments, we have elected to quantify backlog in a manner consistent with the definition of remaining performance obligations. Our remaining performance obligations by segment, excluding material rights, is shown in the table below:

	October 31, 2024	Percent Expected to be satisfied by September 30, 2025	October 31, 2023	Percent Expected to be satisfied by September 30, 2024
Aerospace	\$ 2,240,597	55%	\$ 1,716,613	63%
Industrial	662,750	85%	773,240	93%
	<u>\$ 2,903,347</u>	62%	<u>\$ 2,489,853</u>	73%

Our remaining performance obligations relate to the aggregate amount of the total contract transaction price of firm orders for which the performance obligation has not yet been recognized in revenue.

### Manufacturing

We operate manufacturing and assembly plants primarily in the United States, Europe, and Asia. Our products consist of mechanical, electronic, and electromechanical systems and components.

Aluminum, iron, and steel are primary raw materials used to produce our mechanical components. Other commodities, such as gold, copper, and nickel, are also used in the manufacture of our products, although in much smaller quantities. We purchase various goods, including component parts and services used in production, logistics, and product development processes from third parties. Generally, there are numerous sources for the raw materials and components used in our products, which we believe are sufficiently available to meet current requirements.

We maintain global strategic sourcing models to meet our global facilities' production needs while building long-term supplier relationships and efficiently managing our overall supply costs. We expect our suppliers to maintain adequate levels of quality raw materials and component parts, and to deliver such parts on a timely basis to support production of our various products. We use a variety of agreements with suppliers intended to protect our intellectual property and processes and to monitor and mitigate risks of disruption in our supply base that could cause a business disruption to our production schedules or to our customers. The risks monitored include supplier financial viability, business continuity, quality, delivery, and protection of our intellectual property and processes.

Our customers expect us to maintain adequate levels of certain finished goods and certain component parts to support our warranty commitments and sales to our aftermarket customers, and to deliver such parts on a timely basis to support our customers' standard and customary needs. We carry certain finished goods and component parts in inventory to meet these rapid delivery requirements of our customers.

### Research and Development

We finance our research and development activities primarily with our own funds. Our research and development costs include basic research, applied research, component and systems development, and concept formulation studies.

We collaborate closely with our customers as they develop their technology plans, which leads to new product concepts. We believe this collaboration allows us to develop technology, new systems, and products that are aligned with our customers' needs and future performance, which increases the likelihood that our systems and components will be selected for inclusion in the platforms developed by our customers. Further, we believe our close collaboration with our customers during preliminary design stages allows us to provide products that deliver the component and system performance necessary to bring greater value to our customers. This preliminary work may include opportunities to test new products in order to validate concepts and demonstrate performance in challenging environments. We strive to stay ahead of the competition through our modeling, prototyping, and state of the art test capabilities.

Aerospace is focused on developing systems and components that we believe will be instrumental in helping our customers achieve their objectives of lower fuel consumption, lighter weight, more efficient performance, reduced emissions, and improved operating economics. We support our engine and airframe customers as they develop next generation designs across the commercial aviation, general aviation, civil private, and military markets. Our development efforts support technology for a wide range of:

- aerospace turbine engine applications, which include commercial, business, and military turbofan engines of various thrust classes, turboshaft engines, and turboprop engines;
- electromechanical and hydraulic actuation systems for flight deck-to-flight surface control of fixed-wing aircraft and rotorcraft, and turbine engine nacelles, as well as guidance for weapon systems; and
- motion control components for integration into comprehensive actuation systems.

Most technology development programs begin years before an expected entry to service, such as those for the next generation of commercial aircraft. Other development programs result in nearer-term product launches associated with new OEM offerings, product upgrades, or product replacements on existing programs.

We developed the fuel system, air management system, and actuation hardware for CFM International's LEAP engine program. We also developed actuation system, combustion system, and oil system components for Pratt & Whitney's Geared Turbo Fan ("GTF" or "PurePower") engine program. We continue to support GE Aerospace and CFM for improvements to the LEAP fuel system, and Collins Aerospace and Pratt & Whitney for improvements to the PurePower engine programs.

Industrial is focused on developing innovative technologies, including integrated control systems and system components, that enable our customers to cost-effectively meet mandated emissions regulations and fuel efficiency demands, allow for usage of a wider range of fuel sources, increase reliability (particularly in harsh environments), and reduce total cost of ownership. Our development efforts support technology for a wide range of:

- products that improve the quality of combustion processes and provide more precise flow of various fuels and gases in our customers' gas turbines industrial reciprocating engines fueled by bio-diesel and dual-fuel;
- electronic devices and software solutions that provide improved control and protection of reciprocating engines, gas turbines, steam turbines, and engine- and turbine-powered equipment; and
- advanced predictive intelligence that is integrated into many of our complex products and systems.

## **Human Capital**

Our employees (whom we call "members") are Woodward's most valuable resource for current and future success. We promote an environment that ensures safety, encourages diversity and inclusion, fosters growth and self-development, and provides meaningful work. All members participate in our success through attractive and aligned total rewards programs. Notable programs we offer to our full-time members include:

- employer sponsored health insurance;
- employer 401(k) matching contributions;
- annual Woodward stock contributions for U.S. members;
- a tuition assistance program;
- training and professional development courses through our Woodward University curriculum; and
- other values-based and technical development training



Tenure of all employees averages ten years, reflective of our positive workplace culture. Our recruiting team uses internal and external resources to recruit highly skilled and talented workers, and we encourage and reward employee referrals for open positions.

In addition to our comprehensive investment in our members' success, we strive to maintain an inclusive environment that values and leverages the uniqueness of each member to the benefit of all our stakeholders. We view the combination of diverse perspectives and backgrounds as a powerful force for innovation. To promote diversity and our core principles, we emphasize dignity, value, and equality of all members, regardless of race, color, religion, age, gender or sexual orientation, through our actions and the workplace training programs we provide. We continually strive to harness the diversity of our global workforce by cultivating a climate that permits all our members to bring their authentic selves to work every day.

The health and safety of our members is also a top priority. We have implemented appropriate procedures and precautions to ensure the continued safety and well-being of members. We strive to comply with all federal and local workplace laws and regulations where we do business. We are always looking for ways to exceed compliance standards by utilizing continuous improvement discipline to proactively eliminate risks in the workplace.

As of October 31, 2024, we employed approximately 9,300 full-time members of which approximately 2,880 were located outside of the United States, with the majority of such members located in Germany, Poland, and China.

In the United States, approximately 13% of our total full-time workforce were union members as of October 31, 2024. All union members in the United States work for our Aerospace segment. The collective bargaining agreements with our union members are generally renewed through contract renegotiation near the contract expiration dates. The MPC Employees Representative Union contract, which covered approximately 800 members as of October 31, 2024, expires September 30, 2025. The Local Lodge 727-N International Association of Machinists and Aerospace Workers agreement, which covers approximately 400 members as of October 31, 2024, expires April 23, 2027.

In Germany, approximately 13% of our total full-time workforce were union members as of October 31, 2024, all of whom work for our Industrial segment. Our Woodward L'Orange members are part of the IG Metall union in Germany. IG Metall covered approximately 1,200 members as of October 31, 2024.

We believe we have good, collaborative relationships with our union members and the representative unions.

Almost all of our other members in the United States were at-will members as of October 31, 2024, and therefore, not subject to any type of employment contract or agreement. Our executive officers each have severance and change-in-control agreements which have been filed with the SEC.

Outside of the United States, we enter into employment contracts and agreements in those countries in which such relationships are mandatory or customary, including coordination through local works' councils. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction.

#### **Patents, Intellectual Property, and Licensing**

We own numerous patents and other intellectual property, and have licenses for the use of patents and other intellectual property owned by others, which relate to our products and their manufacture. In addition to owning a large portfolio of intellectual property, we also license intellectual property to and from third parties. For example, the U.S. Government has certain rights in our patents and other intellectual property developed in performance of certain government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes as allowed by law.

Intellectual property not covered by patents (or patent applications) includes trade secrets and other technological know-how that is not patentable or for which we have elected not to seek patent protection, including intellectual property relating to our manufacturing processes and engineering designs. Such unpatented technology, including research, development and engineering technical skills and know-how, as well as unpatented software, is important to our overall business and to the operations of each of our segments.

While our intellectual property assets taken together are important, we do not believe our business or either of our segments would be materially affected by the expiration of any particular intellectual property right or termination of any particular intellectual property patent license agreement.

As of September 30, 2024, our Consolidated Balance Sheets includes \$440,419 of net intangible assets. This value represents the carrying values, net of amortization, of certain assets acquired in various business acquisitions and does not purport to represent the fair value of our acquired intellectual property as of September 30, 2024.

### **Environmental Matters and Climate Change**

The Company is regulated by federal, state, and international environmental laws governing our use, transport and disposal of substances and control of emissions. Compliance with these existing laws has not had a material impact on our capital expenditures, earnings or global competitive position.

We use hazardous materials and/or regulated materials in our manufacturing operations. We also own, operate, have acquired, and may in the future acquire facilities that were formerly owned and operated by others that used such materials. We believe the risk that a significant release of regulated materials has occurred in the past or will occur in the future cannot be completely eliminated or prevented. From time to time, we engage in environmental remediation activities, generally in coordination with other companies, pursuant to federal and state laws. In addition, we may be exposed to other environmental costs including participation in superfund sites or other similar jurisdictional initiatives. When it is reasonably probable that we will incur remediation costs at a site, and those costs can be reasonably estimated, we accrue a liability for such future costs with a related charge against our earnings. In formulating that estimate and recognizing those costs, we do not consider amounts expected to be recovered from insurance companies, or others, until such recovery is assured. Currently, we have no sites undergoing remediation.

Our manufacturing facilities generally do not produce volumes or quantities of byproducts, including greenhouse gases, that would be considered hazardous waste or otherwise harmful to the environment. We do not expect legislation currently pending or expected in the next several years to have a significant negative impact on our operations in any of our segments.

Domestic and foreign legislative initiatives on emissions control, renewable energy, and climate change tend to favorably impact the sale of our energy control products. For example, our Industrial segment produces energy control products that help our customers maximize engine efficiency and minimize wasteful emissions, including greenhouse gases.

In 2023, we released our fourth sustainability report, where we continue to build upon our commitments to sustainability in areas of environmental stewardship, social responsibility, and corporate governance. We apply a systematic approach to identifying, evaluating, and managing risks across our operations, with the goal to be a supplier, community partner, and employer of choice.

The full report can be found on the Sustainability at Woodward section of our website.

### **Available Information**

Through a link on the Investor Information section of our website, [www.woodward.com](http://www.woodward.com), we make available, free of charge, the following filings as soon as reasonably practicable after they are electronically filed or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as Section 16 reports of our officers and directors. The Securities and Exchange Commission (the "SEC") also maintains a website that contains our SEC filings. The address of the site is [www.sec.gov](http://www.sec.gov). We provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases as part of our investor relations website. We have used, and intend to continue to use, our investor relations website, as well as the following as of the date of this filing, as means of disclosing material non-public information and for complying with the disclosure obligations under Regulation FD:

- X: [X.com/@woodward\\_inc](https://twitter.com/woodward_inc)
- Facebook: [Facebook.com/woodwardinc](https://www.facebook.com/woodwardinc)
- Instagram: [Instagram.com/@woodward\\_inc](https://www.instagram.com/woodward_inc)
- LinkedIn: [LinkedIn.com/company/woodwardinc](https://www.linkedin.com/company/woodwardinc)
- YouTube: [YouTube.com/user/woodwardinc](https://www.youtube.com/user/woodwardinc)

All links to websites are intended to be inactive. None of the information contained on our website, or the above-mentioned social media sites, is incorporated into this document by reference.

## **Item 1A. Risk Factors**

The following summarizes important factors that could individually, or together with one or more other factors, affect our business, financial condition, results of operations, and/or cash flows:

### **Industry Risks**

**We operate in highly competitive industries and, if we are unable to compete effectively in one or more of our markets, our business, financial condition, and results of operations will be adversely affected.**

We face intense competition from a number of established competitors in the United States and abroad, some of which are larger in size or are divisions of large, diversified companies with substantially greater financial resources. In addition, global competition continues to increase. Changes in competitive conditions, including the availability of new technologies, products and services, the introduction of new channels of distribution, changes in OEM and aftermarket pricing, and further consolidation of companies in our industries, could impact our relationships with our customers and may adversely affect future sales and margins, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Further, the markets in which we operate experience rapidly changing technologies and frequent introductions of new products and services. Our technologies and the technological expertise we have developed and maintained could become less valuable if a competitor were to develop a new technology that would allow it to match or exceed the performance of existing technologies at a lower cost. If we are unable to develop competitive technologies, future sales or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**A significant portion of our revenue is concentrated among a relatively small number of customers, which makes our business more vulnerable to fluctuations in sales to these customers and changes in their financial condition.**

A significant portion of our revenue is concentrated among a relatively small number of customers. We have fewer customers than many companies with similar sales volumes. For the fiscal year ended September 30, 2024, sales to our largest 5 customers represented approximately 35% of our consolidated net sales and approximately 31% of our accounts receivable. If any of our significant customers were to change suppliers, in-source production, institute significant restructuring or cost-cutting measures, or experience financial distress, these significant customers may substantially reduce, or otherwise be unable to pay for, purchases from us. Accordingly, our consolidated net sales could decrease significantly, or we may experience difficulty collecting, or be unable to collect, amounts due and payable, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**The long sales cycle, customer evaluation process, and implementation period of our products and services may increase the costs of obtaining orders and reduce the predictability of sales cycles and our inventory requirements.**

Our products and services are technologically complex and require significant capital commitments. Prospective customers generally must commit significant resources to test and evaluate our products and to install and integrate them into larger systems. Accordingly, customers often require a significant number of product presentations and demonstrations before reaching a sufficient level of confidence in the product's performance and compatibility to commit to an order. In addition, orders expected in one quarter may shift to another quarter or be cancelled with little advance notice as a result of customers' budgetary constraints, internal acceptance reviews, and other factors affecting the timing of customers' purchase decisions. The difficulty in forecasting demand increases the challenge in anticipating sales cycles and our inventory requirements, which may cause us to over-produce finished goods and could result in inventory write-offs, or could cause us to under-produce finished goods. Any such over-production or under-production could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Our strategic joint venture with GE Aerospace may make it more difficult to secure long-term sales in certain aerospace markets.**

In January 2016, Woodward and GE, consummated the formation of a strategic joint venture (the "JV") and since April 2024, GE has been acting through GE Aerospace. The JV agreement does not restrict Woodward from entering into any market; however, consolidation in the aircraft engine market is increasingly prevalent, resulting in fewer engine manufacturers, and thus it may become more difficult for Woodward to secure new business with GE Aerospace competitors on similar product applications both within and outside the specific markets the JV operates. Additionally, if GE

Aerospace fails to win new content in the market space covered by the JV, Woodward may be prevented from expanding content on future commercial aircraft engines in those markets.

#### **Commercial, Financial, and Regulatory Risks**

**Suppliers may be unable to provide us with materials of sufficient quality or quantity to meet our production needs at favorable prices or at all which may adversely affect our revenue and margins.**

We are dependent upon suppliers for parts and raw materials used in the manufacture of products that we sell to our customers, and our raw material costs are subject to commodity market fluctuations and have been impacted by the current inflationary environment. We have experienced shortages of certain parts and raw materials due to challenges in our supply chain, although we have made strategic investments to simplify and strengthen our supply chain. We may continue to experience shortages of parts or raw materials for the same or other reasons, such as the loss of a significant supplier, high overall demand creating shortages in parts and supplies we use, financial distress, work stoppages, natural disasters, fluctuations in commodity prices, the imposition of tariffs or other duties, or production or distribution difficulties that may affect one or more of our suppliers. In some instances, we depend upon a single source of supply, manufacturing, or logistics support or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Some of our suppliers have experienced, and others may similarly experience, financial difficulties, delivery delays or other performance problems, and, as a result, we have from time to time been, and may in the future be, unable to meet commitments to our customers and/or incur additional costs. Our customers rely on us to provide on-time delivery and have certain rights if our delivery standards are not maintained. A significant increase in our supply costs, including for raw materials that are subject to commodity price fluctuations, inflationary pressures, and/or the imposition of tariffs, or a protracted interruption of supplies for any reason, could result in the delay of one or more of our customer contracts, increase our costs, result in lost revenue or could damage our reputation and relationships with customers. In addition, quality and sourcing issues that our suppliers may experience can also adversely affect the quality and effectiveness of our products and services and may result in liability or reputational harm to us. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Our profitability may suffer if we are unable to manage our expenses in connection with sales increases, sales decreases, or if we experience change in product mix.**

Some of our expenses are relatively fixed in relation to changes in sales volume and are difficult to adjust in the short term. Expenses driven by business activity other than sales level and other long-term expenditures, such as fixed manufacturing costs, capital expenditures, and research and development expenses may be difficult to reduce in a timely manner in response to a reduction in sales. In periods of rapid sales increases it may be difficult to quickly increase our production of finished goods because of our long manufacturing lead times. If a sudden, unanticipated need for raw materials, components and labor arises, we could experience difficulties in sourcing these items at a favorable cost, in sufficient quantities or at all. These factors could result in delays in fulfilling customer sales contracts, lost revenue, damage to our reputation and relationships with our customers, and an inability to meet market demand, which in turn could prevent us from taking advantage of business opportunities or responding to competitive pressures and could result in an increase in costs leading to a decrease in net earnings or even net losses. In addition, we sell products that have varying profit margins, and fluctuations in the mix of sales of our various products may affect our overall profitability.

**Reductions, delays or changes in U.S. Government spending could adversely affect our business.**

Sales made directly to U.S. Government agencies and entities, or indirectly through third party manufacturers, such as tier-one prime contractors, utilizing our parts and subassemblies, accounted for approximately 17% of total sales in both fiscal year 2024 and fiscal year 2023.

The U.S. Government participates in a wide variety of operations, including homeland defense, counterinsurgency, counterterrorism, and other defense-related operations that employ our products and services. U.S. defense spending has historically been cyclical in nature and is subject to periodic congressional authorization and appropriation actions. The level of U.S. defense spending is hard to predict and may be impacted by numerous factors outside of our control such as changes in the perceived threat environment, prevailing U.S. foreign policy, changes in security, defense, and intelligence strategies and priorities, shifts in domestic and international spending, the macroeconomic environment, tax policy, budget deficits and competing budget priorities, and the political environment and future potential government shutdowns.

Defense budgets tend to rise when perceived threats to national security increase the level of concern over the country's safety, but we can provide no assurance that an increase in defense spending will be allocated to programs that

would benefit our business. Decreases in U.S. Government defense spending, changes in the spending allocation, phase-outs or terminations of certain aerospace and defense programs on which we have content could have a material adverse effect on our sales unless they are offset by other aerospace and defense programs and opportunities. If the priorities of the U.S. Government change and/or defense spending is reduced or delayed for any of the reasons discussed above, our business, financial condition, results of operations, and cash flows may be adversely affected.

**Our business may be adversely affected by risks unique to government contracting.**

As a result of our contracts with the U.S. Government, we are subject to certain unique risks, including the risks set forth below:

- Our U.S. Government contracts and the U.S. Government contracts of our customers are subject to modification, curtailment or termination by the government, either for the convenience of the government or for default as a result of a failure by us or our customers to perform under the applicable contract. If any of our contracts are terminated by the U.S. Government, our backlog would be reduced, in accordance with contract terms, by the expected value of the remaining work under such contracts. In addition, we are not the prime contractor on most of our contracts for supply to the U.S. Government, and the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our products and services as a subcontractor.
- We must comply with procurement laws and regulations relating to the formation, administration, and performance of our U.S. Government contracts and the U.S. Government contracts of our customers. The U.S. Government may change procurement laws and regulations from time to time. A violation of U.S. Government procurement laws or regulations, a change in U.S. Government procurement laws and regulations, or a termination arising out of our default could expose us to liability, debarment, or suspension and could have an adverse effect on our ability to compete for future contracts and orders.
- We are subject to government inquiries, audits, and investigations due to our business relationships with the U.S. Government and the heavily regulated industries in which we do business. In addition, our contract costs are subject to audits by the U.S. Government. U.S. Government agencies, including the Defense Contract Audit Agency and the Defense Contract Management Agency, routinely audit government contractors and subcontractors. These agencies review our performance under contracts, cost structure, and compliance with applicable laws, regulations, and standards, as well as the adequacy of and our compliance with our internal control systems and policies. Any costs found to be misclassified or inaccurately allocated to a specific contract would be deemed non-reimbursable, and to the extent already reimbursed, would be refunded. Any inadequacies in our systems and policies could result in withholdings on billed receivables, penalties, and reduced future business. Any inquiries or investigations, including those related to our contract pricing, could potentially result in civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, suspension, and/or debarment from participating in future business opportunities with the U.S. Government. Such actions could harm our reputation, even if such allegations are later determined to be unfounded, and could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

The occurrence of one or more of these risks, some of which are out of our control, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Our debt obligations and the restrictive covenants in the agreements governing our debt could limit our ability to operate our business or pursue our business strategies, could adversely affect our business, financial condition, results of operations, and cash flows, and could significantly reduce stockholder benefits from a change of control event.**

As of September 30, 2024, our total debt was \$872,470, including \$475,000 in unsecured notes denominated in U.S. dollars issued in private placements and \$178,624 of unsecured notes denominated in Euros issued in private placements. We are obligated to make interest and scheduled principal payments under the agreements governing our long-term debt, which requires us to dedicate a portion of our cash flow from operations to payments on our indebtedness, and which may reduce the availability of our cash flow for other purposes, including business development efforts and mergers and acquisitions. These debt obligations could make us more vulnerable to general adverse economic and industry conditions and could limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, thereby placing us at a disadvantage to our competitors that have less indebtedness. Further, we may require additional capital to repay our debt obligations when they mature, and such capital may not be available on terms acceptable to us or at all.

Our existing revolving credit facility and note purchase agreements impose financial covenants on us and our subsidiaries that require us to maintain certain leverage ratios and minimum levels of consolidated net worth. Certain of these agreements require us to repay outstanding borrowings with portions of the proceeds we receive from certain sales of property or assets and specified future debt offerings.

These financial covenants place certain restrictions on our business that may affect our ability to execute our business strategy successfully or take other actions that we believe would be in the best interests of our Company. These covenants include limitations or restrictions, among other things, on our ability and the ability of our subsidiaries to:

- incur additional indebtedness;
- pay dividends or make distributions on our capital stock or certain other restricted payments or investments;
- purchase or redeem stock;
- issue stock of our subsidiaries;
- make domestic and foreign investments and extend credit;
- engage in transactions with affiliates;
- transfer and sell assets;
- effect a consolidation or merger or sell, transfer, lease, or otherwise dispose of all or substantially all of our assets; and
- create liens on our assets to secure debt.

These agreements contain certain customary events of default, including certain cross-default provisions related to other outstanding debt arrangements. Any breach of the covenants under these agreements or other event of default could cause a default under these agreements and/or a cross-default under our other debt arrangements, which could restrict our ability to borrow under our revolving credit facility. If there were an event of default under certain provisions of our debt arrangements that was not cured or waived, the holders of the defaulted debt may be able to cause all amounts outstanding with respect to the debt instrument, plus any required settlement costs, to be due and payable immediately. Our assets and available cash balances may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. If we are unable to repay, refinance, or restructure our indebtedness as required, or amend the covenants contained in these agreements, the lenders or note holders may be entitled to obtain a lien or institute foreclosure proceedings against our assets. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Additional tax expense or additional tax exposures could impact our future profitability.**

We are subject to income taxes in both the United States and jurisdictions outside of the United States. Our tax liabilities are dependent upon the distribution mix of operating income among these different jurisdictions. Our tax expense includes estimates of additional tax that may be incurred and reflects various estimates, projections, and assumptions that could impact the valuation of our deferred tax assets and liabilities. Our future operating results could be adversely affected by changes in the effective tax rate, which could be caused by, among other things:

- changes in the mix of earnings in countries with differing statutory tax rates;
- changes in our overall profitability;
- changes in rules or interpretations of existing tax laws;
- changes in U.S. federal tax legislation and tax rates;
- changes in state or non-U.S. government tax legislation and tax rates;
- changes in tax incentives;
- changes in U.S. GAAP;
- changes in the projected realization of deferred tax assets and liabilities;
- changes in management's assessment of the amount of earnings indefinitely reinvested offshore;
- changes in management's intentions regarding the amount of earnings reinvested offshore; and
- the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

**We derive a significant amount of revenue and obtain components from outside of the United States; accordingly, we are subject to the risks of doing business in other countries.**

In fiscal year 2024, approximately 49% of our total sales were made to customers in jurisdictions outside of the United States (including products manufactured in the United States and sold outside the United States as well as products manufactured in international locations). We also purchase raw materials and components from suppliers outside the United States. Accordingly, our business and results of operations are subject to risks associated with doing business internationally, including:

- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- natural disasters or pandemics;
- terrorism, war, and international tensions and conflicts;
- the imposition of taxes, import and export controls, duties and tariffs, embargoes, sanctions and other trade restrictions;
- fluctuations in currency exchange rates;
- different and changing regulatory environments;
- cost of compliance with increasingly complex and often conflicting regulations governing various matters worldwide;
- cost of labor, labor shortages, and other changes in labor conditions;
- the potential for nationalization of enterprises;
- potential limitations on the Company's ability to enforce legal rights and remedies, including protection of intellectual property;
- difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- potentially adverse tax consequences, including limitations on repatriations of earnings; and
- difficulties in implementing restructuring actions on a timely basis.

The implementation of tariffs could increase the cost of certain commodities and/or limit their supply. Over the longer term, tariffs could significantly increase our costs and our ability to pass such increased costs along to our customers may be limited, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We are subject to and must comply with U.S. laws restricting or otherwise prohibiting companies from doing business in certain countries and with certain parties, including those on exports imposed under the U.S. Export Control Laws and Sanctions Programs. These laws and regulations change from time to time and may restrict sales to other countries or parties.

We are subject to the U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery and anti-corruption laws and regulations in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business or securing an improper business advantage. We operate in many parts of the world and sell to industries that have experienced corruption to some degree. If we are found to be liable for FCPA or other similar anti-bribery law or regulatory violations, we could be subject to civil and criminal penalties or other sanctions that could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

Also, a material disruption to the financial institutions with whom we transact business could have a material adverse effect on our international operations or on our business, financial condition, results of operations, and cash flows.

**Changes in the estimates of fair value of reporting units or of long-lived assets, particularly goodwill, may result in future impairment charges, which could have a material adverse effect on our business, financial condition, and results of operation.**

At September 30, 2024, we had \$806,643 of goodwill, representing approximately 18% of our total assets. We test goodwill for impairment at the reporting unit level on at least an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Future goodwill impairment charges may occur if estimates of fair values decrease, which would reduce future earnings. In addition, we may incur asset impairment charges if asset utilization declines, if customer demand decreases, or for a number of other reasons, which would reduce future earnings. Any such impairment charges could have a material adverse effect on our business, financial condition, and results of operations.

There can be no assurance that our estimates and assumptions of the fair value of our reporting units, the current economic environment, or the other inputs used in forecasting the present value of forecasted cash flows used to estimate the fair value of our reporting units will prove to be accurate projections of future performance, and any material error in our estimates and assumptions, could result in us needing to take a material impairment charge, which would have the effects discussed above.

**Our inability to retain key personnel or attract and retain new qualified personnel could adversely affect our business and limit our ability to operate successfully.**

Due to the specialized nature of our business, competition for technical personnel is intense and our future performance is highly dependent on our ability to hire, train, assimilate, and retain a qualified workforce. Additionally, it is important we hire and retain personnel with relevant experience in local laws, regulations, customs, traditions, and business practices to support our international operations. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, management changes, increasing local and global competition for talent, the availability of qualified employees, challenges associated with retaining qualified employees, restructuring and alignment activities, and the attractiveness of our compensation and benefit programs.

**Our financial and operating performance depends on continued access to a stable workforce and on favorable labor relations with our employees.**

We rely on a highly trained workforce due to the specialized nature of our business. Further, approximately 13% of our workforce in the United States is unionized, and certain of our operations in the United States and internationally involve different employee/employer relationships and the existence of works' councils. We periodically need to renegotiate our collective bargaining agreements, and any failure to negotiate new agreements or extensions in a timely manner could result in work stoppages or slowdowns. Any significant increases in labor costs, deterioration of employee relations, including any conflicts with works' councils or unions, or slowdowns or work stoppages at any of our locations, whether due to employee turnover, changes in availability of qualified technical personnel, failure to have a collaborative and effective relationship with our employees, including our union employees, or an effective collective bargaining agreement in place with our union employees, or otherwise, could impair our ability to supply products or fulfill orders, and could otherwise have a material adverse effect on our business, our relationships with customers, and our financial condition, results of operations, and cash flows. Further increases in labor costs could significantly reduce our profit margins if we are unable to flow such costs through to our customers.

**Our operations and suppliers may be subject to physical and other risks that could disrupt our operations.**

Our operations and sources of supply could be disrupted by unforeseen events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods, and other forms of severe weather in countries in which we operate or in which our suppliers are located, any of which could adversely affect our operations and financial performance. Natural disasters, public health concerns and pandemics, war, political unrest, terrorist activity, equipment failures, power outages, threats to physical security of our facilities, assets or people, or the security of our information technology ("IT") infrastructure and systems or other unforeseen events could result in physical damage to or other disruption of, and complete or partial closure of, one or more of our manufacturing facilities, or could cause temporary or long-term disruption in the supply of component products from some local and international suppliers, disruption in the transport of our products and significant delays in the shipment of products and the provision of services, which could in turn cause the loss of sales and customers. Existing insurance arrangements may not provide protection for all the costs that may arise from such events. Accordingly, disruption of our operations or the operations of a significant supplier could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Failure to develop, obtain, enforce, and protect intellectual property rights or third parties claims that we are infringing their intellectual property could harm our business.**

Our success depends in part on our ability to develop technologies and inventions and other intellectual property, and obtain intellectual property rights and enforce such intellectual property rights worldwide. In this regard, we rely on patent, trademark, copyright, and trade secret laws in the United States and in other jurisdictions where we do business, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions.

However, we cannot be certain we will be able to obtain patents or other intellectual property rights in our new technologies and inventions or, if we do, the scope of such rights may not be sufficiently broad to afford us any significant commercial advantage over our competitors. Further, our existing and future intellectual property rights may not provide us with competitive advantages or distinguish our products and services from those of our competitors. The technologies



and inventions developed by us in the future may not be considered valuable by customers or provide us with a competitive advantage, or competitors may develop similar or identical technologies and inventions independently of us and before we do.

Effective protection of intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights. Competitors and other third parties may also challenge the ownership, validity, and/or enforceability of our patents or other intellectual property rights. Moreover, the laws of certain foreign jurisdictions do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. To the extent we do assert our intellectual property rights against third parties, we may not be successful and adequate remedies may not be available in the event of infringement or unauthorized use of our intellectual property rights, or disclosure of our trade secrets.

Third parties may in the future assert, that we have infringed, misappropriated, or otherwise violated their intellectual property rights. We cannot assure you that our current or future technologies are not, infringing or violating intellectual property rights of third parties, or will not do so in the future. In the event we face claims of infringement or misappropriation, we may face expensive litigation or indemnification obligations, be required to enter into licenses, and may be prevented from selling existing products and pursuing product development or commercialization. Even if such claims are without merit, we may be required to expend significant time and resources on the defense of such claims. If we are unable to sufficiently protect our patent and other proprietary rights or if we infringe on or misappropriate proprietary rights of others, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

**We are subject to legal proceedings, investigations, claims and/or regulatory proceedings which could have a significant impact on our business and operations.**

We are currently involved or may become involved in legal, regulatory, and other proceedings. These proceedings may include, without limitation, product liability matters, intellectual property matters, contract disputes or claims, pending or threatened litigation, governmental investigations, as well as employment, tax, environmental, or other matters. These proceedings could lead to enforcement actions, adverse changes to our business practices, fines and penalties, business remedies, or the assertion of private litigation claims and/or damages that could be material, and of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Even if the legal proceedings we face are decided in our favor, or are unfounded, we may incur material expenses and such matters may require significant management attention, and may harm our reputation with customers, employees or investors. We accrue for known individual matters if we believe it is probable that the matter will result in a loss when ultimately resolved using estimates of the most likely amount of loss. However, estimating possible losses involves significant judgment and outcomes are unpredictable, therefore, actual losses may exceed our estimates.

**Our business and operations may be adversely affected by cybersecurity breaches or other information technology system or network interruptions or intrusions.**

We depend heavily on the confidentiality, integrity, and availability of our IT and computerized systems to communicate and operate effectively. We store sensitive data, including proprietary business information, intellectual property, classified information, customer information, supplier information, and confidential employee or other personal data on our servers and databases. Also, due to political uncertainty and hostile military actions, we may be subject to heightened risks of cybersecurity incidents and security breaches initiated by nation-state or affiliated actors.

From time to time, we have experienced cyberattacks on our IT infrastructure and systems. We may become the target of cyber-attacks by third parties, either directly or indirectly via our supply chain or third-party vendors, seeking unauthorized access to our data or our customers' data or to disrupt our operations or our ability to provide services. There is also a danger of loss, misuse, theft, unavailability, or unauthorized disclosure or other processing of information or assets (including source code), or damage to or other compromise of systems, components, and other IT assets, including the introduction of malicious code or other vulnerabilities by people who obtain unauthorized access to our facilities, systems, or information. There are many different techniques used to obtain unauthorized access to systems and data, and such techniques continue to evolve and become more sophisticated, and the adversaries are becoming more advanced, including nation states and actors sponsored by or affiliated with nation states, which target us and other defense contractors because we protect national security information, and other actors with substantial financial and technological resources. These techniques include, but are not limited to, the use of malicious software, destructive malware, ransomware, denial of service attacks, phishing and other means of social engineering, and other means of causing system or network disruptions, obtaining unauthorized access to data or systems, or causing other cybersecurity breaches and

incidents. Additionally, system and service disruptions, and cybersecurity breaches or incidents, may result from employee or contractor error, negligence, or malfeasance. Further, there have been and may continue to be cyberattacks on, and other attempts to compromise the security of, the supply chain. We may experience security breaches or incidents resulting from tools, services, or other third-party components and security vulnerabilities within, or introduced by, such tools, services, or components. Due to the rapidly evolving threat environment and other factors, we may not be successful in defending against all such attacks. Further, due to the evolving nature of these security threats and the national security aspects of much of the data we protect, the full impact of any future security breach or incident cannot be predicted.

We have implemented various measures, including technical security controls, employee training, comprehensive monitoring of our networks and systems, independent third party security assessments, maintenance of backup systems, and the use of disaster recovery sites. In addition, we have, among other things, endeavored to align our practices and procedures with recognized IT security frameworks and select recommended practices, and through corroboration of our policies and procedures with local and federal agencies. Nonetheless, our IT infrastructure, systems, networks, products, solutions, and services remain potentially vulnerable to numerous additional known or unknown threats. Although we have implemented measures to prevent, detect, and respond to malicious activity, we cannot guarantee that such measures will be effective or sufficient to prevent a cyberattack or other means of effecting cybersecurity breaches or incidents.

If any of our IT infrastructure or systems are damaged, disrupted, or are otherwise impacted by security breaches or incidents, whether from cybersecurity attacks or other causes, or if we suffer any security breach or incident involving unauthorized access to, misuse, acquisition, disclosure, loss, alteration, or destruction of our data or other data we maintain or otherwise process, we could experience significant operational stoppages, disruptions, delays, and/or other detrimental impacts on our operations or investment in research, and may face increased costs, including increased costs of implementing new data protection and security measures, policies, and procedures, and costs associated with remediating and otherwise responding to the security breach or incident. Any such security breach or incident or the perception that it has occurred, also may result reputational damage and increased operational costs, regulatory investigations, proceedings, and orders, litigation or other demands, indemnity obligations, damages for contract breach, fines or penalties relating to actual or alleged violation of applicable laws, regulations, or contractual obligations, incentives offered to customers or other business partners in an effort to maintain business relationships, and other costs and liabilities. Such impacts could result in diminished competitive advantages and could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, any unauthorized disclosure or use or acquisition of our intellectual property and/or confidential business information could harm our competitive position, result in a loss of intellectual property protection, and otherwise reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business.

Our insurance coverage may not be sufficient to compensate for all liability relating to any actual or potential disruption or other security breach or incident. We cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

**Data privacy, data protection, and cybersecurity may require significant resources and present certain risks.**

We collect, store, and otherwise process certain confidential or sensitive data, including personal data and other information that is subject to laws, regulations, customer-imposed controls, or other actual or asserted obligations. The laws, regulations, standards, and other actual and asserted obligations relating to privacy, data protection, and cybersecurity to which we may be subject, in the U.S. and globally, are evolving. For example, in the European Union, the General Data Protection Regulation imposes stringent requirements applicable to processing personal data and provides for substantial penalties for noncompliance, and in the U.S., California and numerous other states have adopted comprehensive privacy laws, with other states considering such laws. Many jurisdictions around the world have passed or are considering laws and regulations relating to privacy, data protection, and cybersecurity, including laws that impose cross-border data transfer restrictions and require certain personal data to be maintained on local servers.

Any actual or perceived failure to comply with laws, regulations, or contractual or other actual or asserted obligations to which we are or are alleged to be subject relating to privacy, data protection, or cybersecurity could result in claims, litigation, and regulatory investigations and other proceedings, as well as damage to our reputation. These could result in substantial costs, diversion of resources, fines, penalties, and other damages and liabilities, and harm to our customer

relationships, our market position, and our ability to attract new customer engagements. Any of these could harm our business, financial condition, results of operations, and cash flows, potentially in a material manner.

**Increasing emission standards that drive certain product sales may be eased or delayed, which could reduce our competitive advantage.**

We sell components and systems that have been designed to meet strict emission standards, including standards that have not yet been implemented but are expected to be implemented soon. If these emission standards are eased, developed products may become unnecessary and/or our future sales could be lower as potential customers select alternative products or delay adoption of our products, which would have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Prices for fossil fuels may increase significantly and disproportionately to other sources of fuels used for power generation, which could reduce our sales and adversely affect our business, financial condition, results of operations, and cash flows.**

Commercial producers of electricity use many of our components and systems, most predominately in their power plants that use natural gas as their fuel source. Commercial producers of electricity are often in a position to manage the use of different power plant facilities and make decisions based on operating costs. Compared to other sources of fuels used for power generation, natural gas prices have increased slower than fuel oil, but about the same as coal. This increase in natural gas prices and any future increases, whether in absolute dollars or relative to other fuel costs such as oil, could impact the sales mix of our components and systems, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Long-term reduced commodity prices for oil, natural gas, and other minerals may depress the markets for certain of our products and services, particularly those from our Industrial segment.**

Many of our Industrial segment OEM and aftermarket customers and our Aerospace segment rotorcraft product lines' customers provide goods and services that support various industrial extraction activities, including mining, oil and gas exploration and extraction, and transportation of raw materials from extraction sites to refineries and/or processing facilities. Long-term lower prices for commodities such as oil, natural gas, gold, tin, and various other minerals could reduce exploration activities and place downward pressure on demand for our goods and services that support exploration and extraction activities.

### **Business Risks**

**Our product development activities may not be successful, may be more costly than anticipated, or we may not be able to produce newly developed products at a cost that meets the anticipated product cost structure.**

Our business involves a significant level of product development activities, generally in connection with our customers' development activities. Industry standards, customer expectations, or other products may emerge that could render one or more of our products or services less desirable or obsolete. Additionally, our competitors may develop new technology, or more efficient ways to produce their existing products that could cause our existing products or services to become less desirable or obsolete. Maintaining our market position requires continued investment in research and development. During an economic downturn or a subsequent recovery, we may need to maintain our investment in research and development, which may limit our ability to reduce these expenses in proportion to a sales shortfall.

In addition, increased investments in research and development may divert resources from other potential investments in our business, such as acquisitions or investments in our facilities, processes, and operations. If these activities are not as successful as currently anticipated, are not completed on a timely basis, or are more costly than currently anticipated, or if we are not able to produce newly developed products at a cost that meets the anticipated product cost structure, then our future sales, margins and/or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Product liability claims, product recalls or other liabilities associated with the products and services we provide may force us to pay substantial damage awards and other expenses.**

The manufacture and sale of our products and the services we provide expose us to risks of product and other tort claims, and any resulting liability. We currently have and have had in the past product liability claims relating to our products, and we will likely be subject to additional product liability claims in the future for past, current, and future products. Some of these claims may have a material adverse effect on our business, financial condition, results of

operations, and cash flows. We also provide certain services to our customers and are subject to claims with respect to the services provided. In providing such services, we may rely on subcontractors to perform all or a portion of the contracted services. It is possible that we could be liable to our customers for work performed by a subcontractor.

Regardless of the outcome, product liability claims can be expensive to defend, can divert the attention of management and other personnel for significant periods of time, and can cause reputational damage. While we believe that we have appropriate insurance coverage available to us related to any such claims, our insurance may not cover all liabilities or be available in the future at a cost acceptable to us. An unsuccessful result in connection with a product liability claim, where the liabilities are not covered by insurance or for which indemnification or other recovery is not available, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Acquisitions, joint ventures, divestitures, and other transactions we enter into could fail to achieve strategic objectives, disrupt our ongoing operations, result in operating difficulties, harm our business, and negatively impact our results of operations.**

As part of our business strategy, we have pursued, and expect to pursue acquisitions of other companies and assets. The identification, evaluation, and negotiation of potential acquisitions and other strategic transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. If we are able to complete a transaction. The success of these transactions depends on, among other things, our ability to integrate these businesses into our operations and realize the planned synergies. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated. The integration of these acquisitions may require significant attention from our management, and the diversion of management's attention and resources could have a material adverse effect on our ability to manage our business. We may also incur costs and divert management attention to acquisitions that are never consummated.

Difficulties in the integration of the acquired business may include consolidating the operations, processes, and systems of the acquired business, retaining and motivating key management and employees, and integrating existing business relationships with suppliers and customers. Even if integration is successful, the financial and operational results may differ materially from our assumptions and forecasts due to unforeseen expenses, delays, conditions, and liabilities. Evolving regulations such as changes in tax, trade, environmental, labor, safety, payroll, or pension policies could increase the expected costs of acquisitions, and fluctuations in foreign currency exchange rates may impact the agreed upon purchase price. In addition, we may incur unanticipated costs or expenses following an acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, and other liabilities.

Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and diversion of management's time and attention. Failure to successfully implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We also may make strategic divestitures from time to time. We may experience difficulty separating out portions of, or entire, businesses, incur loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. In addition, these types of transactions may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction, or we may remain liable for certain matters. We are not likely to have the same level of control over the divested business, and the performance of those divested businesses could affect our future financial results through additional payment obligations, higher costs or asset write-downs, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Our restructuring activities may reduce our profitability, and may not have the intended effects.**

From time to time, we have implemented restructuring and other actions designed to reduce structural costs, improve operational efficiency, and position the Company for long-term profitable growth. Historically, our restructuring activities have included workforce management and other restructuring charges related to acquired businesses. Further, we may decide to implement restructuring or alignment activities in the future, which may involve, among other things, closing plants, moving production lines, or making additions, reductions, or other changes to our management or workforce. These restructuring and/or alignment activities generally result in charges and expenditures that may adversely affect our financial results for one or more periods.

Restructuring and/or alignment activities can also create unanticipated consequences, such as instability or distraction among our workforce, and we cannot be sure that any restructuring or alignment efforts that we undertake will be successful. A variety of risks could cause us not to realize expected cost savings, including, among others, higher than expected severance costs related to staff reductions, higher than expected costs of closing plants, higher costs to hire new employees or delays or difficulty hiring the employees needed, higher than expected operating costs associated with moving production lines, delays in the anticipated timing of activities related to our cost-saving plan, and other unexpected costs associated with operating the business.

If we are unable to structure our operations in the light of evolving market conditions, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Our manufacturing activities may result in future environmental costs or liabilities.**

We use hazardous materials and/or regulated materials in our manufacturing operations. We also own, operate, have acquired, and may in the future acquire facilities that were formerly owned and operated by others that used such materials. We are subject to a substantial number of costly regulations and we must conform our operations to applicable regulatory requirements in all countries in which we operate. The risk that a significant release of regulated materials has occurred in the past or will occur in the future cannot be completely eliminated or prevented. Accordingly, we cannot be certain that we will not incur additional material costs or liabilities as a result of complying with these requirements.

In addition, we may be subject to other environmental remediation costs such as participation in superfund sites or other similar jurisdictional initiatives. As a result, we may incur material costs or liabilities or be required to undertake future environmental remediation activities that could damage our reputation and have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Failure of our production lines, or those of our subcontractors, to meet required certification standards could disrupt production.**

Our existing production lines, as well as the production lines of our subcontractors, are sometimes required to pass varying levels of qualification with certain of our customers. Some of our customers require that our production lines pass their specific qualification standards and that we, and any subcontractors that we may use, be registered under or certified to certain U.S. or international quality standards. We may be unable to obtain, maintain, or we may experience delays in obtaining, a certification or registration to a required quality standard. A delay in obtaining, or the failure to obtain a necessary quality certification or registration could result in significant out-of-sequence work and increased production costs, as well as delayed deliveries to customers, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

**Cybersecurity Risk Management and Strategy**

We maintain a cybersecurity risk management program based upon the National Institute of Standards and Technology Cybersecurity framework to assess, identify, and manage cybersecurity risks. This program is designed to protect business continuity and preserve the confidentiality, integrity, and continued availability of our IT systems and infrastructure used in our business as well as the information that we own or is in our care, and is integrated into our overall enterprise risk management program.

We have established processes to evaluate and address cybersecurity risks on an ongoing basis. As part of our risk management program, we engage with external third parties to measure the effectiveness of our cybersecurity program through penetration tests, control assessments, tabletop exercises, and other related activities. Further, we have implemented a defense-in-depth strategy in which we utilize real-time 24/7 monitoring to identify anomalies, potential threats, and alerts. This cybersecurity strategy incorporates frameworks, policies, and practices designed to protect the privacy and security of our sensitive information, backed by a suite of security technologies and tools to implement and automate select security protections. We maintain cyber risk and related insurance policies as a measure of added protection.

We educate our members to raise awareness of cybersecurity threats. As part of our program, we maintain annual training for all members on cybersecurity standards and provide training on how to recognize and properly respond to

phishing, social engineering schemes, and certain other cyber threats. We equip our members with a mechanism to easily report suspicious emails which are analyzed by our security systems and dedicated incident response team. "Test" phishing assessments are periodically sent to our members. Any failures trigger a retraining exercise if not properly reported. Also, we have specific and regular training for our IT and finance members, as well as our system administrators.

In addition, we maintain processes governing interconnections with third-party systems and we perform due diligence procedures before onboarding service providers with access to our systems or processing sensitive data on our behalf. This process includes a review of System and Organization Controls ("SOC") 1 and SOC 2 reports (as each such report is defined by the American Institute of Certified Public Accountants), ISO 27001 certifications, and Cybersecurity Maturity Model Certifications ("CMMC"), as well as reviewing penetration tests, conducting vulnerability tests, and administering security questionnaires and assessments.

We are not aware of having experienced risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. However, risks from cybersecurity threats, including but not limited to exploitation of vulnerabilities, ransomware, denial of service, supply chain attacks, or other similar threats may materially affect us, including our execution of business strategy, reputation, results of operations and/or financial condition. Nonetheless, our IT infrastructure, systems, networks, products, solutions, and services remain potentially vulnerable to numerous additional known or unknown threats. For more information about the cybersecurity risks we face, please refer to Item 1A, "Risk Factors," in this annual report on Form 10-K, including the risk factor entitled "Our business and operations may be adversely affected by cybersecurity breaches or other information technology system or network interruptions or intrusions."

### **Cybersecurity Governance**

Our cybersecurity program is ultimately overseen by the Board of Directors. The Audit Committee has responsibility for the oversight of risk management activities related to cybersecurity and other information security and technology risks. Our cybersecurity program is implemented and administered by a dedicated team of internal and external cybersecurity professionals that conduct periodic control gap assessments, maturity assessments, and benchmarking against peers in the industry. The team has decades of experience with varied certifications and is led by our Chief Information Officer ("CISO"), who has over 17 years of experience as an IT professional and in cybersecurity and reports to our Vice President of IT. The CISO makes regular reports to senior management regarding the cybersecurity program. We also have a notification process for appropriate escalation of cyber incidents by members of our internal cybersecurity team to senior management as appropriate, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and/or General Counsel, as well as to the Audit Committee. Management provides quarterly data protection and cybersecurity reports to the Audit Committee, as well as periodic reports to the full Board of Directors, which include information about cyber risk management, the cybersecurity risk environment, and the status of ongoing efforts to strengthen cybersecurity effectiveness.

**Item 2 Properties**

The following is a summary of our principal facilities as of September 30, 2024:

Country	Location	Plants	Owned/Leased	Segment	Purpose
United States	Fort Collins, CO	2	Owned	Aerospace & Industrial	Corporate Headquarters; Manufacturing and engineering
United States	Greenville, SC	1	Leased	Industrial	Manufacturing and engineering
United States	Loveland, CO	1	Leased	Aerospace & Industrial	Manufacturing and engineering
United States	Niles, IL	1	Owned	Aerospace	Manufacturing and engineering
United States	Rockford, IL	2	Owned	Aerospace	Manufacturing and engineering
United States	Santa Clarita, CA	1	Owned	Aerospace	Manufacturing and engineering
United States	Windsor, CO	1	Owned	Aerospace & Industrial	Manufacturing and engineering
United States	Zeeland, MI	1	Owned	Aerospace	Manufacturing and engineering
Germany	Aken	1	Leased	Industrial	Manufacturing and engineering
Germany	Glatten	1	Owned	Industrial	Manufacturing
Germany	Stuttgart	2	Owned/Leased	Industrial	Engineering
Germany	Wolfratshausen	1	Owned/Leased	Industrial	Manufacturing
Poland	Krakow	1	Owned	Aerospace & Industrial	Manufacturing and engineering
China	Suzhou	1	Leased	Industrial	Manufacturing
China	Tianjin	1	Leased	Industrial	Assembly
United Kingdom	Prestwick	1	Owned	Aerospace	Assembly
Bulgaria	Sofia	1	Leased	Aerospace	Manufacturing

In addition to the principal plants listed above, we own or lease other facilities used primarily for sales, service activities, assembly, and/or engineering activities in Australia, Brazil, China, India, Japan, the Netherlands, the Republic of Korea, Saudi Arabia, Singapore, Germany, and the United States.

Our principal plants are suitable and adequate for the manufacturing and other activities performed at those plants, and we believe our utilization levels are generally high.

**Item 3. Legal Proceedings**

We are currently involved in pending or threatened litigation or other legal proceedings, investigations, claims and/or regulatory proceedings arising in the normal course of business, including, among others, those relating to product liability claims, employment matters, worker's compensation claims, contractual disputes, product warranty claims, and alleged violations of various laws and regulations. We accrue for known individual matters using estimates of the most likely amount of loss where it believes that it is probable the matter will result in a loss when ultimately resolved and such loss is reasonably estimable.

While the outcome of pending claims, legal and regulatory proceedings, and investigations cannot be predicted with certainty, management believes that any liabilities that may result from these claims, proceedings and investigations will not have a material effect on our liquidity, financial condition, or results of operations.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

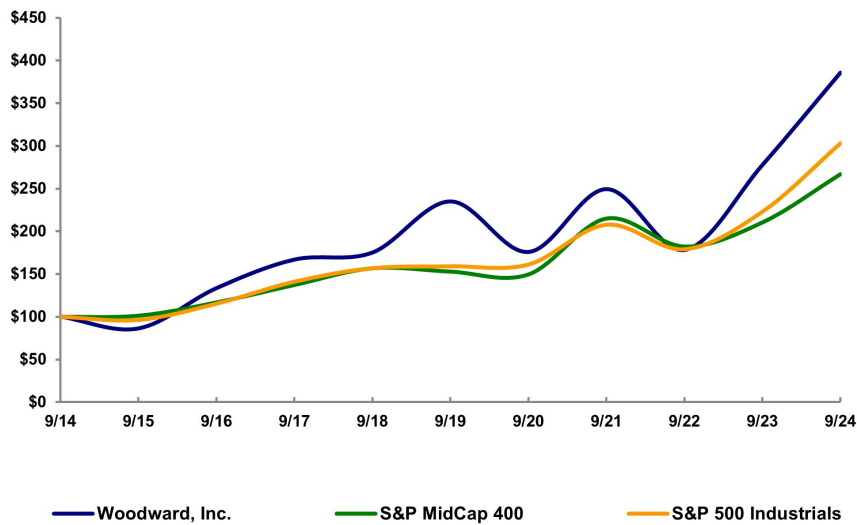
Our common stock is listed on The NASDAQ Global Select Market and is traded under the symbol "WWD." At November 25, 2024, there were approximately 600 holders of record.

#### Performance Graph

The following graph compares the cumulative 10-year total return to stockholders on our common stock relative to the cumulative total returns of the S&P Midcap 400 index and the S&P Industrials index. The graph shows total stockholder return assuming an investment of \$100 (with reinvestment of all dividends) was made on September 30, 2014 in our common stock and in each of the two indexes and tracks relative performance through September 30, 2024. We have used a period of 10 years as we believe that our stock performance should be reviewed over a period that is reflective of our long-term business cycle.

#### COMPARISON OF 10 YEAR CUMULATIVE TOTAL RETURN\*

Among Woodward, Inc., the S&P MidCap 400 Index  
and the S&P 500 Industrials Index



\*\$100 invested on 9/30/14 in stock or index, including reinvestment of dividends.  
Fiscal year ending September 30.

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	9/14	9/15	9/16	9/17	9/18	9/19	9/20	9/21	9/22	9/23	9/24
Woodward, Inc.	\$ 100.00	\$ 86.13	\$ 133.33	\$ 166.82	\$ 175.06	\$ 234.96	\$ 175.77	\$ 249.43	\$ 178.04	\$ 277.81	\$ 385.92
S&P Midcap 400	100.00	101.40	116.94	137.42	156.95	153.04	149.73	215.13	182.33	210.62	267.03
S&P Industrials	100.00	96.35	115.37	141.16	156.94	159.12	161.23	207.92	179.08	223.11	303.18

*The stock price performance included in this graph is not necessarily indicative of future stock price performance*



**Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities***(In thousands, except share amounts)*

	<b>Total Number of Shares Purchased</b>	<b>Weighted Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs at Period End (1)</b>
July 1, 2024 - July 31, 2024 (2)	177	\$ 155.99	—	\$ 295,189
August 1, 2024 - August 31, 2024 (2)	383,734	154.48	383,639	235,927
September 1, 2024 - September 30, 2024 (2)	161,157	165.98	161,139	209,181

(1) In January 2024, the Board of Directors terminated the prior share repurchase authorization, which was nearing expiration, and concurrently authorized a new program for the repurchase of up to \$600,000 of Woodward's outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period ending in January 2027 (the "2024 Authorization").

(2) Under a trust established for the purposes of administering the Woodward Executive Benefit Plan (the "Executive Benefit Plan Trust"), 177 shares of common stock were acquired in July 2024, and 18 shares of common stock were acquired in August and September 2024, on the open market related to the deferral of compensation by certain eligible members of management who irrevocably elected to invest some or all of their deferred compensation in Woodward common stock. In addition, 76 shares of common stock were acquired in August 2024 on the open market related to the reinvestment of dividends for shares of treasury stock held for deferred compensation. Shares owned by the Executive Benefit Plan Trust, which is a separate legal entity, are included in "Treasury stock held for deferred compensation" in the Consolidated Balance Sheets.

**Item 6. Reserved**

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This Management's Discussion and Analysis should be read together with the Consolidated Financial Statements and Notes included in this report. Dollar and number of share amounts contained in this discussion and elsewhere in this Annual Report on Form 10-K are in thousands, except per share amounts. For a discussion of the 2023 Results of Operations, including a discussion of the financial results for the fiscal year ended September 30, 2023 compared to the fiscal year ended September 30, 2022, refer to Part I, Item 7 of our Form 10-K filed with the SEC on November 17, 2023.*

### **OVERVIEW**

We enhance the global quality of life and sustainability by optimizing energy use through improved efficiency and lower emissions. We are an independent designer, manufacturer, and service provider of control solutions for the aerospace and industrial markets. We design, produce, and service reliable, efficient, low-emission, and high-performance energy control products for diverse applications in challenging environments. We have production and assembly facilities primarily in the United States, Europe, and Asia, and promote our products and services through our worldwide locations.

Our strategic focus is providing energy control and optimization solutions for the aerospace and industrial markets. The precise and efficient control of energy, including motion, fluid, combustion, and electrical energy, is a growing requirement in the markets we serve, and we have developed and are executing on strategies to leverage the macro trends of reducing greenhouse gases, commercializing space, and accelerating the digital age. To facilitate a cleaner world, we are partnering with our customers to enable their equipment to be more efficient, capable of utilizing clean burning fuels, advancing fuel cells, and the integration of renewable power in both commercial and defense operations. Our core technologies can be leveraged across our markets and customer applications, enabling us to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation, and electronic systems. We focus primarily on serving OEMs and equipment packagers, partnering with them to bring superior component and system solutions to their demanding applications. We also provide aftermarket repair, maintenance, replacement, and other service support for our installed products.

Our components and integrated systems optimize performance of commercial aircraft, defense aircraft, military ground vehicles and other equipment, gas and steam turbines, industrial diesel, gas, bio-diesel and dual-fuel reciprocating engines, and electrical power systems. Our innovative motion, fluid, combustion, and electrical energy control systems help our customers offer more cost-effective, cleaner, and more reliable equipment.

### **Global Business Conditions**

During fiscal year 2024, we saw significant sales growth and margin expansion. The compounding impacts of our focused efforts on operational excellence enabled us to increase output and capitalize on continued strong end market demand for our products and services across the aerospace and industrial markets. We continue to better align price to the value of our products which helps to mitigate the ongoing impacts of inflation.

We continue to monitor the macroeconomic environment as inflation, economic uncertainty, and supply chain challenges continue to impact certain aspects of our business. We remain committed to growth, operational excellence, and innovation to deliver long-term success and enhanced shareholder value. We are unable to predict the full extent to which macroeconomic factors will continue to adversely impact our business, including our operational performance, results of operations, cash flows, financial position, and the achievement of our strategic objectives. Such uncertainty may affect our ability to accurately predict our future performance and forecast our financial results.

### **BUSINESS ENVIRONMENT AND TRENDS**

We serve the aerospace and industrial markets.

#### **Aerospace Markets**

Our aerospace products and systems are primarily used to provide propulsion, actuation, and motion control in both commercial and defense fixed-wing aircraft, rotorcraft, smart defense, and other defense systems.

*Commercial and Civil Aircraft* – The commercial aerospace markets experienced robust demand in fiscal year 2024 as a result of continued global air traffic growth. In response, aircraft operators are taking delivery of the newest generation aircraft models to meet the growing demand, replace aging aircraft, achieve greater fuel efficiency, and lower emissions. The delivery of the newest generation of aircraft is expected to favor our product offerings because we have more content on those aircraft. We expect production levels to continue to grow due to strong OEM order backlogs for the new aircraft models and continued demand supply imbalance. Demand in the widebody aviation market improved in fiscal year 2024

compared to recent years due to increasing production rates on the A350, A330neo, Boeing 787, and 777. We expect narrowbody deliveries to improve due to backlog associated with single aisle programs and planned production ramps in fiscal year 2025 as compared to fiscal year 2024.

We have content on the Airbus A220, A320neo, A330neo, Bell 429, Boeing 737 MAX, 777, 787, and Comac C919. We have been awarded content on the 777-9 and a variety of business jet platforms, among others.

We continue to explore opportunities on new engine and aircraft programs that are under consideration or have been recently announced and have been selected to provide rotary actuation solutions for the NASA and Boeing Transonic Truss-braced Wing (TTBW) X-66A aircraft demonstrator, which is testing a concept to reduce fuel burn for the next single aisle aircraft designs.

With the full return to service of the 737 MAX aircraft and increasing deliveries, initial provisioning sales related to the aircraft and the CFM LEAP engine accelerated during the first half of fiscal year 2024.

In February 2024, the Federal Aviation Administration ("FAA") required a quality production plan from Boeing in response to several aircraft issues. As part of this quality production plan, the FAA is exercising enhanced oversight of Boeing, including a requirement that the FAA have approval authority for build rate increases on the 737 MAX. During fiscal year 2024, overall 737 MAX orders and demand have not changed significantly. In fiscal year 2024, the enhanced FAA oversight had a slightly negative impact on commercial OEM sales, but this was offset by price realization. In the event the FAA approves increases to Boeing's build rates, we anticipate initial provisioning sales would continue to increase in subsequent periods. In November 2024, Boeing's U.S. West Coast factory workers accepted a new contract offer, ending a seven-week strike that halted production of the 737 MAX as well as the 777. As a result of the work stoppage, our direct sales in fiscal year 2025 to Boeing have been negatively impacted. However, now that the strike has ended we expect that deliveries of the 737 MAX program will continue to increase in future periods and that the long-term demand for the aircraft has not changed. However, a prolonged depression of build rates of the Boeing 737 MAX could decrease our OEM and initial provisioning sales for the 737 MAX and CFM LEAP engines in the near term, which could have an adverse effect on our business results.

*Defense* – In recent years, the defense industry has been strong as budgetary allocations have generally increased since 2016. Ongoing global conflicts and preparation for near-peer threats are leading to higher global defense budgets. The U.S. National Defense Authorization Act ("NDAA") for fiscal year 2024 resulted in higher levels of funding for procurement, research and development, and maintenance, which supported our growth for fiscal year 2024. We expect defense research and development, procurement, and maintenance to increase in future years, which would be beneficial for us for future opportunities in defense markets. Our involvement with a wide variety of defense programs in fixed-wing aircraft, rotorcraft, and weapons systems has provided relative stability for our defense market sales, as some newer programs increase (e.g., F-35 Lightning II and T-7A Trainer), and some legacy programs decrease (e.g., F/A-18 E/F Super Hornet and V-22 Osprey). Other programs are relatively steady (e.g., KC-46A Tanker, UH-60 Black Hawk, and A-64 Apache helicopter programs) and some legacy programs, such as the F-15, should maintain or potentially increase production. Smart defense programs for which we have sales include the Joint Direct Attack Munition ("JDAM"), Small Diameter Bomb ("SDB"), and AIM-9X smart defense systems. During fiscal year 2024, we experienced significant growth in smart defense programs following multiple years of decline. We expect overall demand to increase in the near term for these weapons programs.

*Aftermarket* – Our commercial aftermarket business increased significantly in fiscal year 2024, as global air traffic continued to grow and initial provisioning sales have increased. In addition, our products have been selected for new aerospace platforms and our content has increased across existing platforms, which drives increased aftermarket sales. With the entry into service of single aisle aircraft (Boeing 737 MAX and Airbus A320neo), we have seen a significant increase in initial provisioning sales to the operators of these new aircraft. As aircraft production levels increase to accommodate rising passenger demand and to mitigate higher operating costs driven largely by higher fuel costs on older and less fuel-efficient aircraft, we expect airlines will retire older generation aircraft as they reach certain age thresholds (typically between twenty and twenty-five years). However, in the past few years, aircraft retirements have lagged historical levels because passenger demand has outpaced deliveries of the newest generation aircraft, forcing airlines to keep older generation legacy aircraft in service longer than anticipated. This has led to increased demand for repairs and spare parts for older engine programs remaining in service, consistent with air traffic growth. This dynamic applies to commercial aftermarket related to repairs and spare parts for mature legacy programs with large in-service fleets, such as the Airbus A320 and the Boeing 777.

Our defense aftermarket sales also increased significantly during fiscal year 2024 due to increased defense budgets resulting in operations and maintenance upgrades. Global conflicts and growing international demand for various other

military programs continue to drive demand for operations of defense aircraft, including fighter jets, transports and both utility and attack rotorcraft, which are all supported by our products and systems. Although we expect variability, which is generally attributable to the cycling of various maintenance and upgrade programs, as well as actual usage, our outlook for the defense aftermarket is strong. This is due primarily to growing fleets, the service lives of existing military programs being extended, and increased demand for repairs and spare parts for older military aircraft programs remaining in service.

### **Industrial Markets**

Our industrial products are used worldwide in various types of turbine and reciprocating engine-powered equipment, including electric power generation and distribution systems, ships, locomotives, compressors, pumps, and other mobile and industrial machines.

*Power Generation* – The demand for power generation, which consists mainly of heavy frame, aero derivative, and small industrial gas turbines, increased in fiscal year 2024 due to increased demand from power generation and process industries, particularly in North America, the Middle East, Asia, and more broadly in support of fixed generation capacity to backstop the growing renewable energy installed base. Start reliability, fuel flexibility, safety, and part-load efficiency are all key drivers of the power generation market as the conversion from coal to natural gas usage continues, and we believe we continue to be well positioned to meet these market needs on the existing and next generation turbines. We project continued growth as demand for electricity is expected to increase through global electrification and growing power consumption for data center applications. This overall global demand will primarily be met through a balance of renewable power sources and newer industrial gas turbines for which we have been awarded increased content.

*Transportation* – Our key markets for transportation include compressed natural gas and liquefied natural gas trucks in Asia, mining, and commercial and defense marine markets. While full year sales in our on-highway natural gas truck business in China increased significantly as compared to fiscal year 2023, we saw a material decline in this business from the first half of fiscal year 2024 to the second half due to the deteriorating Chinese economy, a narrower natural gas to diesel spread, and elevated customer inventory levels. In fiscal year 2025, we expect a decline in demand in our on-highway natural gas trucks business in China as compared to fiscal year 2024, and future demand remains uncertain due to the volatility of this business. In global marine markets, demand in fiscal year 2024 increased due to increased ship build rates and higher ship utilization, driving current and future aftermarket activity. Both commercial and defense marine customers continue to launch additional projects to support new programs or modernize fleets, including incorporating alternative fuels capability, which should drive expanded OEM and service opportunities, as multi-fuel engines contain more of our content.

*Oil and Gas* – During fiscal year 2024, we experienced decreased demand due to decreased domestic rig counts and the decrease in global oil and gas prices. We expect market share gains by our customers and increased scope on the next generation reciprocating engines as energy policies in some countries encourage the use of compressed natural gas, liquefied natural gas, and other alternative fuels over carbon-rich petroleum fuels, which we expect will drive increased demand for our alternative fuel clean engine control technologies. Additionally, due to increased demand for fuel flexibility as well as natural gas price variability and global supply chain disruptions, power plant operations have transitioned to higher dual fuel use, thereby increasing the demand for our liquid fuel system and related products.

## RESULTS OF OPERATIONS

### Financial Highlights

	Year Ended September 30,	
	2024	2023
Net sales:		
Aerospace segment	\$ 2,028,618	\$ 1,768,103
Industrial segment	1,295,631	1,146,463
Consolidated net sales	<u>\$ 3,324,249</u>	<u>\$ 2,914,566</u>
Earnings:		
Aerospace segment	\$ 385,360	\$ 290,104
Segment earnings as a percent of segment net sales	19.0%	16.4%
Industrial segment	\$ 229,857	\$ 161,622
Segment earnings as a percent of segment net sales	17.7%	14.1%
Consolidated net earnings	\$ 372,971	\$ 232,368
Adjusted net earnings	\$ 379,136	\$ 258,576
Effective tax rate	17.8%	15.7%
Adjusted effective tax rate	18.0%	16.8%
Consolidated diluted earnings per share	\$ 6.01	\$ 3.78
Consolidated adjusted diluted earnings per share	\$ 6.11	\$ 4.21
Earnings before interest and taxes ("EBIT")	\$ 495,472	\$ 320,915
Adjusted EBIT	\$ 503,615	\$ 355,791
Earnings before interest, taxes, depreciation, and amortization ("EBITDA")	\$ 611,642	\$ 440,658
Adjusted EBITDA	\$ 619,785	\$ 475,534

Adjusted net earnings, adjusted earnings per share, adjusted effective tax rate, EBIT, adjusted EBIT, EBITDA, adjusted EBITDA, and free cash flow, are non-U.S. GAAP financial measures. A description of these measures as well as a reconciliation of these non-U.S. GAAP financial measures to the closest U.S. GAAP financial measures can be found under the caption "Non-U.S. GAAP Measures" in this Item 7 – Management's Discussion and Analysis of Financial Conditions and Results of Operations.

### Liquidity Highlights

Net cash provided by operating activities for fiscal year 2024 was \$439,089, compared to \$308,543 for fiscal year 2023. The increase in net cash provided by operating activities in fiscal year 2024 compared to fiscal year 2023 is primarily attributable to increased earnings and improved working capital.

For fiscal year 2024, free cash flow was \$342,809, compared to \$232,043 for fiscal year 2023. We define free cash flow as net cash flows from operating activities less payments for property, plant, and equipment. The increase in free cash flow for fiscal year 2024 as compared to the prior fiscal year was primarily due to increased earnings and improved working capital, partially offset by higher capital expenditures.

At September 30, 2024, we held \$282,270 in cash and cash equivalents and had total outstanding debt of \$872,470 with additional borrowing availability of \$775,136, net of outstanding letters of credit, under our revolving credit agreement. At September 30, 2024, we also had additional borrowing capacity of \$19,771 under various foreign lines of credit and foreign overdraft facilities.

**Consolidated Statements of Earnings and Other Selected Financial Data**

The following table sets forth consolidated statements of earnings data as a percentage of net sales for each period indicated:

	Year Ended September 30,		Year Ended September 30,	
	2024	% of Net Sales	2023	% of Net Sales
Net sales	\$ 3,324,249	100 %	\$ 2,914,566	100 %
Costs and expenses:				
Cost of goods sold	2,447,770	73.6	2,236,983	76.8
Selling, general, and administrative expenses	307,499	9.3	269,692	9.3
Research and development costs	140,676	4.2	132,095	4.5
Restructuring charges	—	—	5,172	0.2
Interest expense	47,959	1.4	47,898	1.6
Interest income	(6,458)	(0.2)	(2,751)	(0.1)
Other (income) expense, net	(67,168)	(2.0)	(50,291)	(1.7)
Total costs and expenses	2,870,278	86.3	2,638,798	90.5
Earnings before income taxes	453,971	13.7	275,768	9.5
Income tax expense	81,000	2.4	43,400	1.5
Net earnings	\$ 372,971	11.2	\$ 232,368	8.0

Other select financial data:

	September 30, 2024	September 30, 2023
Working capital	\$ 820,101	\$ 852,256
Total debt	872,470	721,526
Total stockholders' equity	2,176,416	2,070,989

**2024 RESULTS OF OPERATIONS****2024 Net Sales Compared to 2023**

Consolidated net sales for fiscal year 2024 increased by \$409,683, or 14.1%, compared to fiscal year 2023.

Details of the changes in consolidated net sales are as follows:

Consolidated net sales for the year ended September 30, 2023	\$ 2,914,566
Aerospace volume	126,480
Industrial volume	71,521
Effects of changes in price	214,682
Effects of changes in foreign currency rates	(3,000)
Consolidated net sales for the year ended September 30, 2024	\$ 3,324,249

In the Aerospace segment, the increase in net sales for fiscal year 2024 as compared to fiscal year 2023 was primarily attributable to price realization, as well as increases in both commercial and defense aftermarket due to higher aircraft utilization.

In the Industrial segment, the increase in net sales for fiscal year 2024 as compared to fiscal year 2023 was primarily attributable to growth in transportation, particularly in the on-highway natural gas truck business in China, price realization, and strong sales in power generation, partially offset by a decrease in oil and gas sales.

**2024 Costs and Expenses Compared to 2023**

**Cost of goods sold** increased by \$210,787 to \$2,447,770 for fiscal year 2024, from \$2,236,983 for fiscal year 2023. The increase in cost of goods sold on an absolute basis in fiscal year 2024 compared to the prior fiscal year was primarily due to higher sales volume and net inflationary impacts on material and labor costs.

Gross margin (as measured by net sales less cost of goods sold, divided by net sales) was 26.4% for fiscal year 2024, compared to 23.2% for fiscal year 2023. The increase in gross margin for fiscal year 2024 is primarily attributable to price realization and higher sales volume, partially offset by net inflationary impacts on material and labor.

**Selling, general and administrative expenses** increased by \$37,807, or 14.0%, to \$307,499 for fiscal year 2024, compared to \$269,692 for fiscal year 2023. Selling, general, and administrative expenses as a percentage of net sales were flat at 9.3% for fiscal year 2024 and fiscal year 2023. The increase in selling, general, and administrative expenses on an

absolute basis for fiscal year 2024 as compared to prior fiscal year is primarily due to increased members, increased annual variable incentive compensation costs, and increased expenses relating to business development activities.

**Research and development costs** increased by \$8,581, or 6.5%, to \$140,676 for fiscal year 2024, as compared to \$132,095 for fiscal year 2023. The increase in research and development costs on an absolute basis for fiscal year 2024 as compared to the prior fiscal year is primarily due to variability in the timing of projects and expenses. Research and development costs as a percentage of net sales decreased to 4.2% for fiscal year 2024, as compared to 4.5% for fiscal year 2023. The decrease in research and development costs as a percentage of net sales for fiscal year 2024 as compared to the prior fiscal year is primarily due to net sales increases in fiscal year 2024 compared to fiscal year 2023. Our research and development activities extend across both our operating segments and almost all of our customer base, and we anticipate ongoing variability in research and development costs due to the timing of customer business needs on current and future programs.

**Interest expense** remained flat at \$47,959, or 1.4% of net sales for fiscal year 2024, compared to \$47,898 or 1.6% of net sales for fiscal year 2023. Interest expense remained flat for fiscal year 2024 primarily due to consistent borrowings and interest rates on our revolving credit agreement as compared to the prior fiscal year.

**Other income, net** was \$67,168 for fiscal year 2024, compared to \$50,291 for fiscal year 2023. The increase in other income in fiscal year 2024 compared to fiscal year 2023 was primarily attributable to increased earnings of the JV and a non-recurring gain related to a previous acquisition that was recognized during the current fiscal year.

**Income taxes** were provided at an effective rate on earnings before income taxes of 17.8% for fiscal year 2024, compared to 15.7% for fiscal year 2023. The increase in the effective tax rate for fiscal year 2024 compared to fiscal year 2023 is primarily attributable to a smaller research and development credit, smaller net excess income tax benefit from stock-based compensation as a percent of current year earnings, fewer resolutions of tax items with taxing authorities, and increased return to provision items, partially offset by smaller current fiscal year projected future withholding taxes on unremitted earnings.

## Segment Results

The following table presents sales by segment:

	Year Ended September 30,			
	2024		2023	
<b>Net sales:</b>				
Aerospace	\$	2,028,618	61.0%	\$ 1,768,103 60.7%
Industrial		1,295,631	39.0%	1,146,463 39.3%
Consolidated net sales	\$	<u>3,324,249</u>	<u>100%</u>	<u>\$ 2,914,566 100%</u>

The following table presents earnings by segment and reconciles segment earnings to consolidated net earnings:

	Year Ended September 30,			
	2024		2023	
Aerospace	\$	385,360	\$	290,104
Industrial		229,857		161,622
Nonsegment expenses		(119,745)		(130,811)
Interest expense, net		(41,501)		(45,147)
Consolidated earnings before income taxes		453,971		275,768
Income tax expense		81,000		43,400
Consolidated net earnings	\$	<u>372,971</u>	\$	<u>232,368</u>

The following table presents segment earnings as a percent of segment net sales:

	Year Ended September 30,			
	2024		2023	
Aerospace		19.0%		16.4%
Industrial		17.7%		14.1%

## 2024 Segment Results Compared to 2023

### Aerospace

**Aerospace segment net sales** increased by \$260,515, or 14.7% to \$2,028,618 for fiscal year 2024, compared to \$1,768,103 for fiscal year 2023. Segment net sales increased for fiscal year 2024 as compared to fiscal year 2023 primarily due to price realization and increases in both commercial and defense aftermarket volumes due to higher aircraft utilization.

Defense OEM sales increased in fiscal year 2024 compared to prior fiscal year, primarily driven by the increased demand for smart defense. Our defense aftermarket sales increased in fiscal year 2024 compared to the prior fiscal year, primarily driven by increased output and supply chain stabilization.

**Aerospace segment earnings** increased by \$95,256, or 32.8%, to \$385,360 for fiscal year 2024, compared to \$290,104 for fiscal year 2023.

The net increase in Aerospace segment earnings for fiscal year 2024 was due to the following:

Earnings for the period ended September 30, 2023	\$	290,104
Sales volume		49,469
Price, sales mix, inflation, and productivity		62,989
Other, net		(17,202)
Earnings for the period ended September 30, 2024	\$	<u>385,360</u>

Aerospace segment earnings as a percentage of segment net sales were 19.0% for fiscal year 2024 and 16.4% for fiscal year 2023.

### Industrial

**Industrial segment net sales** increased by \$149,168, or 13.0%, to \$1,295,631 for fiscal year 2024, compared to \$1,146,463 for fiscal year 2023. The increase in Industrial segment net sales in fiscal year 2024 as compared to the prior fiscal year was primarily attributable to growth in transportation, particularly in the on-highway natural gas truck business in China, price realization, and strong sales in power generation, partially offset by a decrease in oil and gas sales.

**Industrial segment earnings** increased by \$68,235, or 42.2%, to \$229,857 for fiscal year 2024, compared to \$161,622 for fiscal year 2023.

The net increase in Industrial segment earnings for fiscal year 2024 was due to the following:

Earnings for the period ended September 30, 2023	\$	161,622
Sales volume		17,281
Price, sales mix, inflation, and productivity		72,197
Other, net		(21,243)
Earnings for the period ended September 30, 2024	\$	<u>229,857</u>

Industrial segment earnings as a percentage of segment net sales were 17.7% for fiscal year 2024, compared to 14.1% for fiscal year 2023. Industrial earnings in fiscal year 2024 benefited significantly from increases in transportation due to increased demand for on-highway natural gas trucks in China, as well as operational improvements including increased output and other efficiency gains.

We expect significant sales and earnings decreases in our China on-highway natural gas truck business in fiscal year 2025 as compared to fiscal year 2024 due to the deteriorating local Chinese economy, a narrower natural gas to diesel spread, and elevated customer inventory levels. Future demand remains uncertain due to the volatility of this business.

### Nonsegment

**Nonsegment expenses** decreased by \$11,066 to \$119,745 for fiscal year 2024, compared to \$130,811 for fiscal year 2023. The decrease in nonsegment expenses is primarily due to significant costs that occurred in fiscal year 2023 that did not reoccur in fiscal year 2024.



The significant costs that impacted nonsegment expense are as follows:

	Year Ended September 30,	
	2024	2023
Nonsegment expenses	\$ (119,745)	\$ (130,811)
Non-recurring gain related to a previous acquisition	(4,803)	—
Business development activities	5,902	—
Non-recurring charge related to a previous acquisition	4,378	—
Certain non-restructuring separation costs	2,666	2,208
Specific charge for excess and obsolete inventory	—	11,995
Product rationalization	—	10,504
Restructuring charges	—	5,172
Non-recurring charge related to customer collections	—	4,997
Nonsegment expenses excluding infrequent significant charges	\$ (111,602)	\$ (95,935)

Excluding these charges in the above table, nonsegment expenses increased \$15,667 in fiscal year 2024 as compared to the prior fiscal year, primarily due to increased annual variable incentive compensation costs.

## LIQUIDITY AND CAPITAL RESOURCES

Historically, we have satisfied our working capital needs, as well as capital expenditures, product development and other liquidity requirements associated with our operations, with cash flow provided by operating activities and borrowings under our credit facilities. We have also issued debt to supplement our cash needs, repay our other indebtedness, or finance our acquisitions. We expect that cash generated from our operating activities, together with borrowings under our revolving credit facility and other borrowing capacity, will be sufficient to fund our continuing operating needs for the next 12 months and the foreseeable future.

Our total cash and cash equivalents were \$282,270 at September 30, 2024 and \$137,447 at September 30, 2023, and our working capital was \$820,101 at September 30, 2024 and \$852,256 at September 30, 2023. Of the cash and cash equivalents held at September 30, 2024, \$279,070 was held by our foreign locations. We are not presently aware of any significant restrictions on the repatriation of these funds, although a portion is considered indefinitely reinvested in certain foreign subsidiaries. If these funds were needed to fund our operations or satisfy obligations in the United States, then they could be repatriated and their repatriation into the United States may cause us to incur additional U.S. income taxes or foreign withholding taxes. Any additional U.S. taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time these amounts are repatriated. Based on these variables, it is impractical to determine the income tax liability that might be incurred if these funds were to be repatriated.

Our revolving credit facility, as amended, provides a borrowing capacity of up to \$1,000,000 with the option to increase total available borrowings to up to \$1,500,000, subject to lenders' participation. We can borrow against our revolving credit facility as long as we are in compliance with all of our debt covenants. We believe we were in compliance with all our debt covenants as of September 30, 2024. Borrowings under the revolving credit facility can be made in U.S. dollars or in foreign currencies other than the U.S. dollar provided that the U.S. dollar equivalent of any foreign currency borrowings and U.S. dollar borrowings does not, in total, exceed the borrowing capacity of the revolving credit facility. Historically, we have used borrowings under our revolving credit facilities to meet certain short-term working capital needs, as well as for strategic uses, including repurchases of our common stock, payments of dividends, acquisitions, and facility expansions.

In addition to our revolving credit facility, we have various foreign credit facilities, some of which are tied to net amounts on deposit at certain foreign financial institutions. These foreign credit facilities are reviewed annually for renewal. We use borrowings under these foreign credit facilities to finance certain local operations on a periodic basis. For further discussion of our revolving credit facility and our other credit facilities, see Note 15, *Credit facilities, short-term borrowings, and long-term debt* in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

At September 30, 2024, we had total outstanding debt of \$872,470 consisting of various series of unsecured notes due between 2025 and 2033, and amounts borrowed under our revolving credit facility, and our finance leases.

At September 30, 2024, we had additional borrowing availability of \$775,136 under our revolving credit facility, net of outstanding letters of credit, and additional borrowing availability of \$19,771 under various foreign credit facilities.

At September 30, 2024, we had \$217,000 outstanding amount borrowed under our revolving credit facility. Revolving credit facility and short-term borrowing activity during the fiscal year ended September 30, 2024 were as follows:

Maximum daily balance during the period	\$	387,100
Average daily balance during the period	\$	225,025
Weighted average interest rate on average daily balance		5.96%

We believe we were in compliance with all our debt covenants as of September 30, 2024. See Note 15, *Credit facilities, short-term borrowings, and long-term debt* in the Notes to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplemental Data," for more information about our covenants.

Our ability to service our long-term debt, to remain in compliance with the various restrictions and covenants contained in our debt agreements, and to fund working capital, capital expenditures, and product development efforts will depend on our ability to generate cash from operating activities, which in turn is subject to, among other things, future operating performance as well as general economic, financial, competitive, legislative, regulatory, and other conditions, some of which may be beyond our control.

We believe that cash flows from operations, along with our contractually committed borrowings and other borrowing capability, will continue to be sufficient to fund anticipated capital spending requirements and our operations for the foreseeable future. However, we could be adversely affected if the financial institutions providing our capital requirements refuse to honor their contractual commitments, cease lending, or declare bankruptcy. We believe the lending institutions participating in our credit arrangements are financially stable.

## Cash Flows

	Year Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 439,089	\$ 308,543
Net cash used in investing activities	(89,217)	(73,551)
Net cash used in financing activities	(218,047)	(196,473)
Effect of exchange rate changes on cash and cash equivalents	12,998	(8,916)
Net change in cash and cash equivalents	144,823	29,603
Cash and cash equivalents at beginning of year	137,447	107,844
Cash and cash equivalents at end of year	<u>\$ 282,270</u>	<u>\$ 137,447</u>

## 2024 Cash Flows Compared to 2023

**Net cash flows provided by operating activities** for fiscal year 2024 was \$439,089, compared to \$308,543 for fiscal year 2023. The increase in net cash provided by operating activities in fiscal year 2024 compared to fiscal year 2023 is primarily attributable to increased earnings and improved working capital.

**Net cash flows used in investing activities** for fiscal year 2024 was \$89,217, compared to \$73,551 in fiscal year 2023. The increase in cash used in investing activities in fiscal year 2024 compared to fiscal year 2023 is primarily due to increased payments for property, plant, and equipment.

**Net cash flows used in financing activities** for fiscal year 2024 was \$218,047, compared to \$196,473 in fiscal year 2023. The increase in net cash flows used in financing activities in fiscal year 2024 compared to fiscal year 2023 was attributable to the increase in repurchases of common stock partially offset by a change in net debt borrowings as compared to payments. During fiscal year 2024, we made \$390,819 of cash repurchases of common stock, compared to \$126,380 of cash repurchases of common stock during fiscal year 2023. During fiscal year 2024, we had net debt borrowings in the amount of \$141,183, compared to net debt payments in the amount of \$67,579 in fiscal year 2023.

## Non-U.S. GAAP Financial Measures

Adjusted net earnings, adjusted earnings per share, adjusted effective tax rate, EBIT, adjusted EBIT, EBITDA, adjusted EBITDA, and free cash flow, are financial measures not prepared and presented in accordance with U.S. GAAP. However, we believe these non-U.S. GAAP financial measures provide additional information that enables readers to evaluate our business from the perspective of management.

### Earnings based non-U.S. GAAP financial measures

Adjusted net earnings is defined by the Company as net earnings excluding, as applicable, (i) a non-recurring gain related to a previous acquisition, (ii) costs related to business development activities, (iii) a non-recurring charge related to

a previous acquisition, (iv) certain non-restructuring separation costs, (v) a specific charge for excess and obsolete inventory, (vi) product rationalization, (vii) a non-recurring charge related to customer collections, and (viii) restructuring charges. The product rationalization adjustment pertains to a non-recurring write-off of inventory and assets related to the elimination of certain product lines. The specific charge for excess and obsolete inventory pertains to a non-recurring process change that resulted in the identification and write down of certain excess inventory unrelated to product rationalization. The non-recurring charge related to customer collections pertains to a discrete process issue that was identified and corrected. The Company believes that these excluded items are short-term in nature, not directly related to the ongoing operations of the business and therefore, the exclusion of them illustrates more clearly how the underlying business of Woodward is performing. Management uses adjusted net earnings to evaluate the Company's performance excluding these infrequent or unusual period expenses that are not necessarily indicative of the Company's operating performance for the period. Management defines adjusted earnings per share as adjusted net earnings, as defined above, divided by the weighted-average number of diluted shares of common stock outstanding for the period. Management uses both adjusted net earnings and adjusted earnings per share when comparing operating performance to other periods which may not have similar infrequent or unusual charges.

The reconciliation of net earnings and earnings per share to adjusted net earnings and adjusted earnings per share, respectively, for the fiscal years ended and are shown in the table below:

	Year Ended September 30,			
	2024		2023	
	Net Earnings	Earnings Per Share	Net Earnings	Earnings Per Share
Net earnings (U.S. GAAP)	\$ 372,971	\$ 6.01	\$ 232,368	\$ 3.78
Non-U.S. GAAP adjustments, net of tax:				
Non-recurring gain related to a previous acquisition	(3,433)	(0.06)	—	—
Business development activities	4,456	0.07	—	—
Non-recurring charge related to a previous acquisition	3,129	0.05	—	—
Certain non-restructuring separation costs	2,013	0.04	1,661	0.03
Specific charge for excess and obsolete inventory	—	—	9,016	0.15
Product rationalization	—	—	7,896	0.13
Non-recurring charge related to customer collections	—	—	3,761	0.06
Restructuring charges	—	—	3,874	0.06
Total non-U.S. GAAP adjustments	6,165	0.10	26,208	0.43
Adjusted net earnings (Non-U.S. GAAP)	\$ 379,136	\$ 6.11	\$ 258,576	\$ 4.21

Management uses EBIT to evaluate our performance without financing and tax related considerations, as these elements may not fluctuate with operating results. Management uses EBITDA in evaluating our operating performance, making business decisions, including developing budgets, managing expenditures, forecasting future periods, and evaluating capital structure impacts of various strategic scenarios. Securities analysts, investors and others frequently use EBIT and EBITDA in their evaluation of companies, particularly those with significant property, plant, and equipment, and intangible assets subject to amortization. The Company believes that EBIT and EBITDA are useful measures to the investor when measuring operating performance as they eliminate the impact of financing and tax expenses, which are non-operating expenses and may be driven by factors outside of our operations, such as changes in tax laws or regulations, and, in the case of EBITDA, the noncash charges associated with depreciation and amortization. Further, as interest from financing, income taxes, depreciation, and amortization can vary dramatically between companies and between periods, management believes that the removal of these items can improve comparability.

Adjusted EBIT and adjusted EBITDA represent further non-U.S. GAAP adjustments to EBIT and EBITDA, in each case adjusted to exclude, as applicable, (i) a non-recurring gain related to a previous acquisition, (ii) costs related to business development activities, (iii) a non-recurring charge related to a previous acquisition, (iv) certain non-restructuring separation costs, (v) a specific charge for excess and obsolete inventory, (vi) product rationalization, (vii) a non-recurring charge related to customer collections, and (viii) restructuring charges. The product rationalization adjustment pertains to a non-recurring write-off of inventory and assets related to the elimination of certain product lines. The specific charge for excess and obsolete inventory pertains to a non-recurring process change that resulted in the identification and write down of certain excess inventory unrelated to product rationalization. The non-recurring charge related to customer collections pertains to a discrete process issue that was identified and corrected. As these charges are infrequent or unusual items that can be variable from period to period and do not fluctuate with operating results, management believes that by removing

these gains and charges from EBIT and EBITDA it improves comparability of past, present, and future operating results and provides consistency when comparing EBIT and EBITDA between periods.

EBIT and adjusted EBIT reconciled to net earnings were as follows:

	Year Ended September 30,	
	2024	2023
Net earnings (U.S. GAAP)	\$ 372,971	\$ 232,368
Income tax expense	81,000	43,400
Interest expense	47,959	47,898
Interest income	(6,458)	(2,751)
EBIT (Non-U.S. GAAP)	495,472	320,915
Non-U.S. GAAP adjustments:		
Non-recurring gain related to a previous acquisition	(4,803)	—
Business development activities	5,902	—
Non-recurring charge related to a previous acquisition	4,378	—
Certain non-restructuring separation costs	2,666	2,208
Specific charge for excess and obsolete inventory	—	11,995
Product rationalization	—	10,504
Non-recurring charge related to customer collections	—	4,997
Restructuring charges	—	5,172
Total non-U.S. GAAP adjustments	8,143	34,876
Adjusted EBIT (Non-U.S. GAAP)	\$ 503,615	\$ 355,791

EBITDA and adjusted EBITDA reconciled to net earnings were as follows:

	Year Ended September 30,	
	2024	2023
Net earnings (U.S. GAAP)	\$ 372,971	\$ 232,368
Income tax expense	81,000	43,400
Interest expense	47,959	47,898
Interest income	(6,458)	(2,751)
Amortization of intangible assets	33,592	37,589
Depreciation expense	82,578	82,154
EBITDA (Non-U.S. GAAP)	611,642	440,658
Non-U.S. GAAP adjustments:		
Non-recurring gain related to a previous acquisition	(4,803)	—
Business development activities	5,902	—
Non-recurring charge related to a previous acquisition	4,378	—
Certain non-restructuring separation costs	2,666	2,208
Specific charge for excess and obsolete inventory	—	11,995
Product rationalization	—	10,504
Non-recurring charge related to customer collections	—	4,997
Restructuring charges	—	5,172
Total non-U.S. GAAP adjustments	8,143	34,876
Adjusted EBITDA (Non-U.S. GAAP)	\$ 619,785	\$ 475,534

The use 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. As adjusted net earnings, adjusted net earnings per share, adjusted effective tax rate, EBIT, adjusted EBIT, EBITDA, 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. Our calculations of adjusted net earnings, adjusted net earnings per share, EBIT, adjusted EBIT, EBITDA, and adjusted EBITDA may differ from similarly titled measures used by other companies, limiting their usefulness as comparative measures.

#### Cash flow-based non-U.S. GAAP financial measures

Management uses free cash flow, which is defined by the Company as net cash flows provided by operating activities less payments for property, plant, and equipment, in reviewing the financial performance of and cash generation by Woodward's various business groups and evaluating cash levels. We believe free cash flow is a useful measure for investors because it portrays our ability to grow organically and generate cash from our businesses for purposes such as paying interest on our indebtedness, repaying maturing debt, funding business acquisitions, investing in research and

development, purchasing our common stock, and paying dividends. In addition, securities analysts, investors, and others frequently use free cash flow in their evaluation of companies.

The use of this non-U.S. GAAP financial measures is not intended to be considered in isolation of, or as substitutes for, the financial information prepared and presented in accordance with U.S. GAAP. Free cash flow does not necessarily represent funds available for discretionary use and are not necessarily a measure of our ability to fund our cash needs. Our calculation of free cash flow may differ from similarly titled measures used by other companies, limiting their usefulness as a comparative measure.

Free cash flow was as follows:

	Year Ended September 30,	
	2024	2023
Net cash provided by operating activities (U.S. GAAP)	\$ 439,089	\$ 308,543
Payments for property, plant and equipment	(96,280 )	(76,500 )
Free cash flow (Non-U.S. GAAP)	<u>\$ 342,809</u>	<u>\$ 232,043</u>

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1, *Operations and summary of significant accounting policies*, to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The estimates and assumptions described below are those that we consider to be most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. All of these estimates reflect our best judgment about current, and for some estimates, future economic and market conditions, and their effects based on information available as of the date of these financial statements. As estimates are updated or actual amounts are known, our critical accounting estimates are revised, and operating results may be affected by the revised estimates. Actual results may differ from these estimates under different assumptions or conditions.

Our management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our disclosures in this Management's Discussion and Analysis.

### Revenue recognition

Revenue is recognized on contracts with customers for arrangements in which quantities and pricing are fixed and/or determinable and are generally based on customer purchase orders, often within the framework of a long-term supply arrangement with the customer. We recognize revenue for performance obligations within a customer contract when control of the associated product or service is transferred to the customer. Some of our contracts with customers contain a single performance obligation, while other contracts contain multiple performance obligations. Each product within a contract generally represents a separate performance obligation as we do not provide significant installation and integration services, the products do not customize each other, and the products can function independently of each other.

A contract's transaction price is allocated to each performance obligation and recognized as revenue when, or as, the customer obtains control of the associated product or service. When there are multiple performance obligations within a contract, we generally use the observable standalone sales price for each distinct product or service within the contract to allocate the transaction price to the distinct products or services. In instances when a standalone sales price for each product or service is not observable within the contract, we allocate the transaction price to each performance obligation using an estimate of the standalone selling price for each product or service, which is generally based on incurred costs plus a reasonable margin, for each distinct product or service in the contract.

When determining the transaction price of each contract, we consider contractual consideration payable by the customer and variable consideration that may affect the total transaction price. Variable consideration, consisting of early payment discounts, rebates, and other sources of price variability, are included in the estimated transaction price based on both customer-specific information as well as historical experience. We regularly review our estimates of variable consideration on the transaction price and recognize changes in estimates on a cumulative catch-up basis as if the most current estimate of the transaction price adjusted for variable consideration had been known as of the inception of the contract.

### **Point in time and over time revenue recognition**

Control of the products generally transfers to the customer at a point in time, if the customer does not control the products as they are produced. We exercise judgment and consider the timing of right of payment, transfer of the risk and rewards, transfers of title, transfer of physical possession, and customer acceptance when determining when control of the product transfers to the customer, generally upon shipment of products. Performance obligations are satisfied and revenue is recognized over time if: (i) the customer receives the benefits as we perform work, if the customer controls the asset as it is being enhanced, or if the product being produced for the customer has no alternative use to us; and (ii) we have an enforceable right to payment with a profit. When services are provided, revenue from those services is recognized over time because control is transferred continuously to customers as we perform the work.

For services that are not short-term in nature, manufacturing, repair, and overhaul ("MRO"), and sales of products that have no alternative use to us and an enforceable right to payment with a profit, we use an actual cost input measure to determine the extent of progress towards completion of the performance obligation. For these revenue streams, revenue is recognized over time as work is performed based on the relationship between actual costs incurred to-date for each contract and the total estimated costs for such contract at completion of the performance obligation (the cost-to-cost method). We have concluded that this measure of progress best depicts the transfer of assets to the customer, because incurred costs are integral to our completion of the performance obligation under the specific customer contract and correlate directly to the transfer of control to the customer. Contract costs include labor, material, and overhead. Contract cost estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity, and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

### **Inventories**

Inventories are valued at the lower of cost or net realizable value. Inventory cost is determined using methods that approximate the first-in, first-out basis. We include product costs, labor, and related fixed and variable overhead in the cost of inventories. Inventory net realizable values are determined by giving substantial consideration to the expected product selling price. We estimate expected selling prices based on our historical recovery rates, general economic, and market conditions, the expected channel of disposition, and current customer contracts and preferences. Actual results may differ from our estimates due to changes in resale or market value and the mix of these factors.

We monitor inventory for events or circumstances, such as negative margins, recent sales history suggesting lower sales value, or changes in customer preferences, which would indicate the net realizable value of inventory is less than the carrying value of inventory, and management records adjustments as necessary. When inventory is written down below cost, such reduced amount is considered the cost for subsequent accounting purposes. Our recording of inventory at the lower of cost or net realizable value has not historically required material adjustments once initially established.

The carrying value of inventory was \$609,092 at September 30, 2024 and \$517,843 at September 30, 2023. If economic conditions, customer product requirements, or other factors significantly reduce future customer demand for our products from forecast levels, then future adjustments to the carrying value of inventory may become necessary. We attempt to maintain inventory quantities at levels considered necessary to fill firm and expected orders in a reasonable time frame, which we believe mitigates our exposure to future inventory carrying cost adjustments.

### **Reviews for impairment of goodwill and other indefinitely lived intangible assets**

#### **Goodwill**

At September 30, 2024, we had \$806,643 of goodwill representing approximately 18% of our total assets. Goodwill is tested for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that indicate the fair value of a reporting unit may be below its carrying amount.

The identification of reporting units and consideration of the aggregation of components into a single reporting unit under U.S. GAAP requires management judgment. The impairment test consists of comparing the fair value of reporting units, determined using discounted cash flows, with their carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, we compare the implied fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized to reduce the carrying amount to its implied fair value.

During the fourth quarter, we completed our annual goodwill impairment test as of July 31, 2024 for the fiscal year ended September 30, 2024. The results of our annual goodwill impairment test performed as of July 31, 2024, indicated the estimated fair value of each reporting unit was in excess of its carrying value, and accordingly, no impairment existed.

#### ***Indefinitely lived intangible asset***

We have one indefinitely lived intangible asset consisting of the Woodward L'Orange trade name. At September 30, 2024, the carrying value of the Woodward L'Orange trade name intangible asset was \$64,751, representing approximately 1% of our total assets. The Woodward L'Orange trade name intangible asset is tested for impairment on an annual basis and more often if an event occurs or circumstances change that indicate the fair value of the Woodward L'Orange intangible asset may be below its carrying amount. The impairment test consists of comparing the fair value of the Woodward L'Orange trade name intangible asset, determined using discounted cash flows based on the relief from royalty method under the income approach, with its carrying amount. If the carrying amount of the Woodward L'Orange trade name intangible asset exceeds its fair value, an impairment loss would be recognized to reduce the carrying amount to its fair value. We have not recorded any impairment charges associated with the indefinitely lived intangible asset.

During the fourth quarter, we completed the annual impairment test, for the fiscal year ended September 30, 2024, of the Woodward L'Orange trade name intangible asset as of July 31, 2024. The results of the annual impairment test performed as of July 31, 2024 indicated the estimated fair value of the Woodward L'Orange trade name intangible asset was in excess of its carrying value, and accordingly, no impairment existed.

As part of our ongoing monitoring efforts to assess goodwill and the Woodward L'Orange trade name indefinite lived asset for possible indications of impairment, we will continue to consider a wide variety of factors, including but not limited to the global economic environment and its potential impact on our business. There can be no assurance that our estimates and assumptions regarding forecasted cash flows of certain reporting units or the Woodward L'Orange business, the current economic environment, or the other inputs used in forecasting the present value of forecasted cash flows will prove to be accurate projections of future performance.

#### **Income taxes**

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The reserves are established when we believe that certain positions are likely to be challenged and may not be fully sustained on review by tax authorities. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or refinement of an estimate. Although we believe our reserves are reasonable, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our historical income tax provisions and accruals. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact the current provision for income taxes.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding the timing and amount of the reversal of taxable temporary differences, expected future taxable income, and the impact of tax planning strategies. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available evidence including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. Changes in the relevant facts can significantly impact the judgment or need for valuation allowances. In the event we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Our provision for income taxes is subject to volatility and could be affected by earnings that are different than those anticipated in countries which have lower or higher tax rates; by transfer pricing adjustments; and/or changes in tax laws, regulations, and accounting principles, including accounting for uncertain tax positions, or interpretations thereof. There can be no assurance that these items will remain stable over time. Additionally, we record through income tax expense all future excess tax benefits and tax deficiencies from stock options exercised. This creates unpredictable volatility in the effective tax rate because the additional expense or benefit recognized each quarter is based on the timing of the employee's election to exercise any vested stock options outstanding, which is outside our control, and the market price of our shares at the time of exercise, which is subject to market volatility.

Our effective tax rates differ from the U.S. statutory rate primarily due to the tax impact of foreign operations, adjustments of valuation allowances, research tax credits, state taxes, and tax audit settlements. In addition to potential local country tax law and policy changes that could impact the provision for income taxes, management's judgment about and intentions concerning the repatriation of foreign earnings could also significantly impact the provision for income taxes. Management reassesses its judgment regularly, taking into consideration the potential tax impacts of these judgments, and intentions.

The Organization for Economic Cooperation and Development ("OECD") introduced Base Erosion and Profit Shifting Pillar Two rules that impose a global minimum tax rate of 15%. Numerous countries have enacted or are expected to enact legislation to be effective for Woodward as early as October 1, 2024, with general implementation of a global minimum tax for Woodward by October 1, 2025. There remains uncertainty as to the final Pillar Two model rules. We do not expect a material impact to our effective tax rate or cash flows based on currently enacted legislation and will continue to closely monitor evolving legislation and guidance that could change our current assessment.



#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we have exposures to interest rate risk from our long-term and short-term debt and our postretirement benefit plans, and foreign currency exchange rate risk related to our foreign operations and foreign currency transactions.

##### Foreign Currency Exchange Rate Risk, Interest Rate Risk, and Related Hedging Activities

We are impacted by changes in foreign currency exchange rates when we sell product in currencies different from the currency in which product and manufacturing costs were incurred. The functional currencies and our purchasing and sales activities primarily include USD, EUR, RMB, JPY, and GBP. We may also be impacted by changes in the relative buying power of our customers, which may impact sales volumes either positively or negatively. As these currencies fluctuate against each other, and other currencies, we are exposed to foreign currency exchange rate risk on sales, purchasing transactions, and labor. Foreign currency exchange rate risk is reduced through the maintenance of local production facilities in the markets we serve, which we believe creates a natural hedge to our foreign currency exchange rate exposure.

The percentages of our net sales denominated in a currency other than the USD were as follows:

	For the Year Ended September 30,	
	2024	2023
Functional currency:		
EUR	14.1 %	14.8 %
RMB	8.7 %	6.3 %
JPY	2.3 %	2.4 %
GBP	2.0 %	2.1 %
All other foreign currencies	2.7 %	2.9 %
	29.8 %	28.5 %

Currency exchange rates vary daily and often one currency strengthens against the USD while another currency weakens. Because of the complex interrelationship of our worldwide supply chains and distribution channels, it is difficult to quantify the impact of a particular change in exchange rates.

We use derivative instruments as risk management tools that involve complexity and are not used for trading or speculative purposes. From time to time, we will enter into a foreign currency exchange rate contract to hedge against changes in foreign currency exchange rates on liabilities expected to be settled at a future date. Market risk arises from the potential adverse effects on the value of derivative instruments that result from a change in foreign currency exchange rates. We minimize this market risk by establishing and monitoring parameters that limit the types of, and degree to which we enter into, derivative instruments. We enter into derivative instruments for risk management purposes only. We do not enter into or issue derivatives for trading or speculative purposes. As of September 30, 2024 and 2023, we had no open foreign currency exchange rate contracts and all previous exchange rate derivative instruments were settled or terminated.

For more information on derivative instruments, see Note 8, *Derivative instruments and hedging activities*, in the Notes to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data."

Our reported financial results of operations, including the reported value of our assets and liabilities, are also impacted by changes in foreign currency exchange rates. The assets and liabilities of substantially all of our subsidiaries outside the United States are translated at period end rates of exchange for each reporting period. Earnings and cash flow statements are translated at weighted-average rates of exchange. Although these translation changes have no immediate cash impact, the translation changes may impact future borrowing capacity, debt covenants, and the overall value of our net assets. In addition, we also have assets and liabilities, specifically accounts receivable, accounts payable, and current inter-company receivables and payables, whose carrying amounts approximate their fair value, which are denominated in currencies other than their relevant functional currencies. Foreign currency exchange rate risk is mitigated through several means, including the invoicing of customers in the same currency as the source of the products, and the prompt settlement of inter-company balances utilizing a global netting system.

## **Item 8. Financial Statements and Supplementary Data**

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of Woodward, Inc.

#### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Woodward, Inc. and subsidiaries (the "Company") as of September 30, 2024 and 2023, the related consolidated statements of earnings, comprehensive earnings, cash flows, and stockholders' equity for each of the three years in the period ended September 30, 2024, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2024, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

#### **Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded

as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Intangible Assets, net – Trade name — Refer to Notes 1 and 14 to the financial statements***

##### ***Critical Audit Matter Description***

The Company has one indefinite-lived intangible asset consisting of the Woodward L'Orange trade name ("trade name"). As of September 30, 2024, the carrying value of the trade name is \$64.8 million. The trade name is tested for impairment on an annual basis and more often if an event occurs or circumstances change that indicate the fair value of the trade name may be below its carrying amount. The Company completed its annual impairment test of the trade name as of July 31, 2024. The results of the impairment test indicated the estimated fair value of the trade name was in excess of its carrying value and, accordingly, no impairment existed.

The fair value of the trade name was determined using discounted cash flows based on the relief from royalty method under the income approach. This method incorporates various estimates and assumptions, the most significant being projected revenue growth rates, royalty rates and the present value of the forecasted cash flows based on the discount rate and terminal growth rate. The Company projects revenue growth rates and cash flows based on Woodward L'Orange's current operational results, expected performance and operational strategies over a five-year period. The terminal growth rate of the expected cash flow is applied after five years. These projections are adjusted to reflect current economic conditions and demand for certain products and require considerable management judgment. Changes in these estimates and assumptions can have a significant impact on the fair value.

We identified the fair value of the trade name as a critical audit matter because of the significant judgments and assumptions management makes related to the projection of revenue growth rates and the selection of the discount rate, terminal growth rate, and royalty rate. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's projection of revenue growth rates and selection of the discount rate, terminal growth rate and royalty rate.

##### ***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the projection of revenue growth rates and selection of the discount rate, terminal growth rate, and royalty rate used in determining the fair value of the trade name included the following, among others:

- We tested the effectiveness of controls over the fair value of the trade name, including those over the projection of revenue growth rates and the selection of the discount rate, terminal growth rate, and royalty rate.

- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate, terminal growth rate, and royalty rate by:
  - oTesting the source information underlying the determination of the discount rate, terminal growth rate, and royalty rate and recalculating the mathematical accuracy of management's calculation of the discount rate
  - oDeveloping a range of independent estimates of the discount rate and terminal growth rate based on market inputs and comparing those to the discount and terminal growth rates selected by management
  - oComparing the royalty rate from comparable licensing agreements to the rate selected by management
- Searching for any events which could adversely impact the fair value of the brand.
- We evaluated the reasonableness of management's projected revenue growth rates by:
  - oComparing management's projections to:
    - Historical revenue results for Woodward L'Orange
    - Internal communications to management and the board of directors
    - Analyst and industry reports
    - Peer company forecasts
  - oConsidering the impact of changes in management's projections from the July 31, 2024 annual assessment date to September 30, 2024 by comparing actual results for the period to management projections within the original valuation model.
- We evaluated whether a triggering event existed subsequent to management's impairment testing date through the balance sheet date.

/s/ DELOITTE & TOUCHE LLP  
Denver, Colorado  
November 26, 2024

We have served as the Company's auditor since 2008.

**WOODWARD, INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
*(In thousands, except per share amounts)*

	Year Ended September 30,		
	2024	2023	2022
Net sales	\$ 3,324,249	\$ 2,914,566	\$ 2,382,790
Costs and expenses:			
Cost of goods sold	2,447,770	2,236,983	1,857,485
Selling, general and administrative expenses	307,499	269,692	203,005
Research and development costs	140,676	132,095	119,782
Restructuring activities	—	5,172	(3,420)
Interest expense	47,959	47,898	34,545
Interest income	(6,458)	(2,751)	(1,814)
Other (income) expense, net	(67,168)	(50,291)	(26,691)
Total costs and expenses	2,870,278	2,638,798	2,182,892
Earnings before income taxes	453,971	275,768	199,898
Income tax expense	81,000	43,400	28,200
<b>Net earnings</b>	<b>\$ 372,971</b>	<b>\$ 232,368</b>	<b>\$ 171,698</b>
<b>Earnings per share:</b>			
Basic earnings per share	\$ 6.21	\$ 3.88	\$ 2.79
Diluted earnings per share	\$ 6.01	\$ 3.78	\$ 2.71
<b>Weighted Average Common Shares Outstanding:</b>			
Basic	60,076	59,908	61,517
Diluted	62,084	61,482	63,254

*See accompanying Notes to Consolidated Financial Statements*

**WOODWARD, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
*(In thousands)*

	Year Ended September 30,		
	2024	2023	2022
Net earnings	\$ 372,971	\$ 232,368	\$ 171,698
Other comprehensive earnings:			
Foreign currency translation adjustments	30,311	21,180	(63,026)
Net (loss) gain on foreign currency transactions designated as hedges of net investments	(2,381)	(3,090)	7,206
Taxes on changes on foreign currency translation adjustments	334	1,011	2,230
Foreign currency translation and transactions adjustments, net of tax	28,264	19,101	(53,590)
Unrealized (loss) gain on fair value adjustment of derivative instruments	(18,551)	(36,587)	89,048
Reclassification of net realized losses (gains) on derivatives to earnings	23,093	33,224	(68,880)
Taxes on changes on derivative transactions	—	(141)	(786)
Derivative adjustments, net of tax	4,542	(3,504)	19,382
Minimum retirement benefit liability adjustments:			
Net gain arising during the period	7,826	9,401	6,318
Prior service cost arising during the period	(1,121)	—	—
Amortization of:			
Prior service cost	721	720	1,004
Net (gain) loss	(1,049)	(823)	720
Foreign currency exchange rate changes on minimum retirement benefit liabilities	110	247	1,158
Taxes on changes on minimum retirement benefit liability adjustments	(1,320)	(3,250)	(1,936)
	5,167	6,295	7,264
Total comprehensive earnings	<u>\$ 410,944</u>	<u>\$ 254,260</u>	<u>\$ 144,754</u>

See accompanying Notes to Consolidated Financial Statements

**WOODWARD, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amounts)

	September 30, 2024	September 30, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 282,270	\$ 137,447
Accounts receivable, less allowance for uncollectible amounts of \$7,738 and \$5,847, respectively	770,066	749,859
Inventories	609,092	517,843
Income taxes receivable	22,016	14,120
Other current assets	60,167	50,183
Total current assets	1,743,611	1,469,452
Property, plant and equipment, net	940,715	913,094
Goodwill	806,643	791,468
Intangible assets, net	440,419	452,363
Deferred income tax assets	84,392	58,550
Other assets	353,135	325,276
<b>Total assets</b>	<b>\$ 4,368,915</b>	<b>\$ 4,010,203</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 217,000	\$ —
Current portion of long-term debt	85,719	75,817
Accounts payable	287,457	234,328
Income taxes payable	40,692	44,435
Accrued liabilities	292,642	262,616
Total current liabilities	923,510	617,196
Long-term debt, less current portion	569,751	645,709
Deferred income tax liabilities	121,858	132,819
Other liabilities	577,380	543,490
<b>Total liabilities</b>	<b>2,192,499</b>	<b>1,939,214</b>
Commitments and contingencies (Note 22)		
Stockholders' equity:		
Preferred stock, par value \$0.003 per share, 10,000 shares authorized, no shares issued	—	—
Common stock, par value \$0.001455 per share, 150,000 shares authorized, 72,960 shares issued	106	106
Additional paid-in capital	396,554	327,941
Accumulated other comprehensive losses	(32,698)	(70,671)
Deferred compensation	2,662	2,776
Retained earnings	3,223,259	2,908,574
Treasury stock at cost, 13,787 shares and 13,070 shares, respectively	(1,410,805)	(1,094,961)
Treasury stock held for deferred compensation, at cost, 45 shares and 55 shares, respectively	(2,662)	(2,776)
<b>Total stockholders' equity</b>	<b>2,176,416</b>	<b>2,070,989</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,368,915</b>	<b>\$ 4,010,203</b>

See accompanying Notes to Consolidated Financial Statements

**WOODWARD, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended September 30,		
	2024	2023	2022
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 372,971	\$ 232,368	\$ 171,698
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	116,170	119,743	120,628
Net (gain) loss on sales of assets and businesses	(457)	1,491	(1,775)
Stock-based compensation	33,052	23,383	20,109
Deferred income taxes	(44,606)	(40,155)	(23,226)
Changes in operating assets and liabilities:			
Trade accounts receivable	35,799	(113,119)	(54,380)
Unbilled receivables (contract assets)	(51,168)	(23,879)	(44,451)
Costs to fulfill a contract	(3,718)	(11,544)	(17,118)
Inventories	(84,944)	3,234	(110,196)
Accounts payable and accrued liabilities	63,655	67,447	122,963
Contract liabilities	31,538	20,115	12,466
Income taxes	(18,069)	(3,652)	29,644
Retirement benefit obligations	(1,837)	(909)	(4,424)
Other	(9,297)	34,020	(28,300)
<b>Net cash provided by operating activities</b>	<b>439,089</b>	<b>308,543</b>	<b>193,638</b>
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant, and equipment	(96,280)	(76,500)	(52,868)
Proceeds from sale of assets	2,292	488	43
Proceeds from business divestiture	1,800	—	6,000
Payments for business acquisition, net of cash acquired	—	878	(21,549)
Proceeds from sales of short-term investments	9,738	7,692	12,557
Payments for purchases of short-term investments	(6,767)	(6,109)	(9,632)
<b>Net cash used in investing activities</b>	<b>(89,217)</b>	<b>(73,551)</b>	<b>(65,449)</b>
<b>Cash flows from financing activities:</b>			
Cash dividends paid	(58,286)	(51,027)	(44,978)
Proceeds from sales of treasury stock	89,875	50,749	21,897
Payments for repurchases of common stock	(390,819)	(126,380)	(485,300)
Borrowings on revolving lines of credit and short-term borrowings	2,962,800	2,323,500	952,000
Payments on revolving lines of credit and short-term borrowings	(2,745,800)	(2,390,300)	(885,200)
Payments of debt financing costs	—	(2,236)	—
Payments of long-term debt and finance lease obligations	(75,817)	(779)	(797)
<b>Net cash used in financing activities</b>	<b>(218,047)</b>	<b>(196,473)</b>	<b>(442,378)</b>
Effect of exchange rate changes on cash and cash equivalents	12,998	(8,916)	(26,429)
<b>Net change in cash and cash equivalents</b>	<b>144,823</b>	<b>29,603</b>	<b>(340,618)</b>
Cash and cash equivalents at beginning of year	137,447	107,844	448,462
Cash and cash equivalents at end of year	<u>\$ 282,270</u>	<u>\$ 137,447</u>	<u>\$ 107,844</u>

See accompanying Notes to Consolidated Financial Statements



**WOODWARD, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(In thousands, except per share amounts)*

	Stockholders' equity										Total stockholders' equity
	Common stock	Addition al paid-in capital	Foreign currency translation adjustment s	Unrealize d derivative gains (losses)	Minimum retiremen t benefit liability adjustme nts	Total accumulated other comprehensi ve (loss) earnings	Deferred compensati on	Retained earnings	Treasury stock at cost	Treasury stock held for deferred compensati on	
Balances as of September 30, 2021	\$ 106	\$ 261,735	\$ (32,904)	\$ (25,597)	\$ (7,118)	\$ (65,619)	\$ 7,949	2,600,513	\$ (581,954)	\$ (7,949)	\$ 2,214,781
Net earnings	—	—	—	—	—	—	—	171,698	—	—	171,698
Other comprehensive income (loss), net of tax	—	—	(53,590)	19,382	7,264	(26,944)	—	—	—	—	(26,944)
Cash dividends paid (\$0.7325 per share)	—	—	—	—	—	—	—	(44,978)	—	—	(44,978)
Purchases of treasury stock	—	—	—	—	—	—	—	—	(472,784)	—	(472,784)
Sales of treasury stock	—	1,131	—	—	—	—	—	—	20,977	—	22,108
Common shares issued for benefit plans	—	10,565	—	—	—	—	—	—	6,567	—	17,132
Stock-based compensation	—	20,109	—	—	—	—	—	—	—	—	20,109
Purchases of stock by deferred compensation	—	—	—	—	—	—	252	—	—	(252)	—
Distribution of stock from deferred compensation	—	—	—	—	—	—	(1,420)	—	—	1,420	—
Balances as of September 30, 2022	\$ 106	\$ 293,540	\$ (86,494)	\$ (6,215)	\$ 146	\$ (92,563)	\$ 6,781	2,727,233	\$ (1,027,194)	\$ (6,781)	\$ 1,901,122
Balances as of September 30, 2022	\$ 106	\$ 293,540	\$ (86,494)	\$ (6,215)	\$ 146	\$ (92,563)	\$ 6,781	2,727,233	\$ (1,027,194)	\$ (6,781)	\$ 1,901,122
Net earnings	—	—	—	—	—	—	—	232,368	—	—	232,368
Other comprehensive earnings (loss), net of tax	—	—	19,101	(3,504)	6,295	21,892	—	—	—	—	21,892
Cash dividends paid (\$0.8500 per share)	—	—	—	—	—	—	—	(51,027)	—	—	(51,027)
Purchases of treasury stock	—	(302)	—	—	—	—	—	—	(126,380)	—	(126,682)
Sales of treasury stock	—	377	—	—	—	—	—	—	50,090	—	50,467
Common shares issued for benefit plans	—	10,943	—	—	—	—	—	—	8,523	—	19,466
Stock-based compensation	—	23,383	—	—	—	—	—	—	—	—	23,383
Purchases of stock by deferred compensation	—	—	—	—	—	—	178	—	—	(178)	—
Distribution of stock from deferred compensation	—	—	—	—	—	—	(4,183)	—	—	4,183	—
Balances as of September 30, 2023	\$ 106	\$ 327,941	\$ (67,393)	\$ (9,719)	\$ 6,441	\$ (70,671)	\$ 2,776	2,908,574	\$ (1,094,961)	\$ (2,776)	\$ 2,070,989
Balances as of September 30, 2023	\$ 106	\$ 327,941	\$ (67,393)	\$ (9,719)	\$ 6,441	\$ (70,671)	\$ 2,776	2,908,574	\$ (1,094,961)	\$ (2,776)	\$ 2,070,989
Net earnings	—	—	—	—	—	—	—	372,971	—	—	372,971
Other comprehensive earnings (loss), net of tax	—	—	28,264	4,542	5,167	37,973	—	—	—	—	37,973
Cash dividends paid (\$0.9700 per share)	—	—	—	—	—	—	—	(58,286)	—	—	(58,286)
Purchases of treasury stock	—	(2,774)	—	—	—	—	—	—	(390,819)	—	(393,593)
Sales of treasury stock	—	24,368	—	—	—	—	—	—	67,053	—	91,421
Common shares issued for benefit plans	—	13,967	—	—	—	—	—	—	7,922	—	21,889
Stock-based compensation	—	33,052	—	—	—	—	—	—	—	—	33,052
Purchases of stock by deferred compensation	—	—	—	—	—	—	173	—	—	(173)	—
Distribution of stock from deferred compensation	—	—	—	—	—	—	(287)	—	—	287	—
Balances as of September 30, 2024	\$ 106	\$ 396,554	\$ (39,129)	\$ (5,177)	\$ 11,608	\$ (32,698)	\$ 2,662	3,223,259	\$ (1,410,805)	\$ (2,662)	\$ 2,176,416

See accompanying Notes to Consolidated Financial Statements

**WOODWARD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(In thousands, except per share amounts)*

**Note 1. Operations and summary of significant accounting policies**

**Basis of presentation**

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Woodward, Inc. and its subsidiaries (collectively "Woodward" or "the Company").

**Nature of operations**

Woodward is an independent designer, manufacturer, and service provider of energy control and optimization solutions. Woodward designs, produces, and services reliable, efficient, low-emission, and high-performance energy control products for diverse applications in challenging environments. Woodward has significant production and assembly facilities primarily in the United States, Europe, and Asia, and promotes its products and services through its worldwide locations.

Woodward's strategic focus is providing energy control and optimization solutions for the aerospace and industrial markets. The precise and efficient control of energy, including motion, fluid, combustion, and electrical energy, is a growing requirement in the markets Woodward serves. Woodward's customers look to it to optimize the efficiency, emissions, and operation of power equipment in both commercial and defense operations. Woodward's core technologies leverage well across its markets and customer applications, enabling it to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation, and electronic systems. Woodward focuses its solutions and services primarily on serving original equipment manufacturers ("OEMs") and equipment packagers, partnering with them to bring superior component and system solutions to their demanding applications. Woodward also provides aftermarket repair, maintenance, replacement, and other service support for its installed products.

Woodward's components and integrated systems optimize performance of commercial aircraft, defense aircraft, military ground vehicles and other equipment, gas and steam turbines, industrial diesel, gas, biodiesel and dual-fuel reciprocating engines, and electrical power systems. Woodward's innovative motion, fluid, combustion, and electrical energy control systems help its customers offer more cost-effective, cleaner, and more reliable equipment.

**Summary of significant accounting policies**

**Principles of consolidation:** These Consolidated Financial Statements are prepared in accordance with U.S. GAAP and include the accounts of Woodward and its wholly and majority-owned subsidiaries. Transactions within and between these companies are eliminated.

**Use of estimates:** The preparation of the Consolidated Financial Statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, at the date of the financial statements and the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures. Significant estimates include allowances for uncollectible amounts, net realizable value of inventories, customer rebates earned, useful lives of property and identifiable intangible assets, the evaluation of impairments of property, identifiable intangible assets and goodwill, the provision for income tax and related valuation reserves, the valuation of assets and liabilities acquired in business combinations, assumptions used in the determination of the funded status and annual expense of pension and postretirement employee benefit plans, the valuation of stock compensation instruments granted to employees, and contingencies. Actual results could differ from those estimates.

**Foreign currency exchange rates:** The assets and liabilities of substantially all subsidiaries outside the United States are translated at fiscal year-end rates of exchange, and earnings and cash flow statements are translated at weighted-average rates of exchange. The exchange rate in effect at the time of the cash flow is used for significant or infrequent cash flows, such as payments for a business acquisition, for which the use of weighted-average rates of exchange would result in a substantially different cash flow. Translation adjustments are accumulated with other comprehensive (losses) earnings as a separate component of stockholders' equity and are presented net of tax effects in the Consolidated Statements of Stockholders' Equity. The effects of changes in foreign currency exchange rates on loans between consolidated subsidiaries that are considered permanent in nature are also accumulated with other comprehensive earnings, net of tax.

The Company is exposed to market risks related to fluctuations in foreign currency exchange rates because some sales transactions, and certain assets and liabilities of its domestic and foreign subsidiaries, are denominated in foreign currencies. Selling, general, and administrative expenses include a net foreign currency loss of \$8,369 in fiscal year 2024, a net foreign currency loss of \$1,020 in fiscal year 2023, and a net foreign currency gain of \$1,450 in fiscal year 2022.

**Revenue recognition:** Revenue is recognized on contracts with customers for arrangements in which quantities and pricing are fixed and/or determinable and are generally based on customer purchase orders, often within the framework of a long-term supply arrangement with the customer. Woodward has determined that it is the principal in its sales transactions, as Woodward is primarily responsible for fulfilling the promised performance obligations, has discretion to establish the selling price, and generally assumes the inventory risk. Woodward recognizes revenue for performance obligations within a customer contract when control of the associated product or service is transferred to the customer. Some of Woodward's contracts with customers contain a single performance obligation, while other contracts contain multiple performance obligations. Each product within a contract generally represents a separate performance obligation as Woodward does not provide significant installation and integration services, the products do not customize each other, and the products can function independently of each other.

A contract's transaction price is allocated to each performance obligation and recognized as revenue when, or as, the customer obtains control of the associated product or service. When there are multiple performance obligations within a contract, Woodward generally uses the observable standalone sales price for each distinct product or service within the contract to allocate the transaction price to the distinct products or services. In instances when a standalone sales price for each product or service is not observable within the contract, Woodward allocates the transaction price to each performance obligation using an estimate of the standalone selling price for each product or service, which is generally based on incurred costs plus a reasonable margin, for each distinct product or service in the contract.

When determining the transaction price of each contract, Woodward considers contractual consideration payable by the customer and variable consideration that may affect the total transaction price. Variable consideration, consisting of early payment discounts, rebates, and other sources of price variability, are included in the estimated transaction price based on both customer-specific information as well as historical experience.

Customers sometimes trade in used products in exchange for new or refurbished products. In addition, Woodward's customers sometimes provide inventory to Woodward which will be integrated into final products sold to those customers. Woodward obtains control of these exchanged products and customer provided inventory, and therefore, both are forms of noncash consideration. Noncash consideration paid by customers on overall sales transactions is additive to the transaction price. Woodward's net sales and cost of goods sold include the value of such noncash consideration for the same amount, with no resulting impact to earnings before income taxes. Upon receipt of such inventory, Woodward recognizes an inventory asset and a contract liability.

**Point in time and over time revenue recognition:** Control of the products generally transfers to the customer at a point in time, if the customer does not control the products as they are produced. Performance obligations are satisfied and revenue is recognized over time if: (i) the customer receives the benefits as Woodward performs work, if the customer controls the asset as it is being enhanced, or if the product being produced for the customer has no alternative use to Woodward; and (ii) Woodward has an enforceable right to payment with a profit. For products being produced for the customer that have no alternative use to Woodward and Woodward has an enforceable right to payment with a profit, and where the products are substantially the same and have the same pattern of transfer to the customer, revenue is recognized as a series of distinct products. As Woodward satisfies MRO performance obligations, revenue is recognized over time, as the customer, rather than Woodward, controls the asset being enhanced. When services are provided, revenue from those services is recognized over time because control is transferred continuously to customers as Woodward performs the work.

For services that are not short-term in nature, MRO, and sales of products that have no alternative use to Woodward and an enforceable right to payment with a profit, Woodward uses an actual cost input measure to determine the extent of progress towards completion of the performance obligation. For these revenue streams, revenue is recognized over time as work is performed based on the relationship between actual costs incurred to date for each contract and the total estimated costs for such contract at completion of the performance obligation (the cost-to-cost method). Woodward has concluded that this measure of progress best depicts the transfer of assets to the customer because incurred costs are integral to Woodward's completion of the performance obligation under the specific customer contract and correlate directly to the transfer of control to the customer. Contract costs include labor, material, and overhead. Contract cost estimates are based on various assumptions to project the outcome of future events. These assumptions include labor

productivity, and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

If at any time the estimate of contract profitability indicates an anticipated loss on the contract, Woodward recognizes provisions for estimated losses on uncompleted contracts in the period in which such losses are determined. In situations where the creditworthiness of a customer becomes in doubt, Woodward ceases to recognize the over-time revenue on the associated customer contract.

Occasionally, Woodward sells maintenance or service arrangements, extended warranties, or other stand ready services. Woodward recognizes revenue from such arrangements as a series of performance obligations over the time period in which the services are available to the customer.

**Material rights and costs to fulfill a contract:** Customers sometimes pay consideration to Woodward for product engineering and development activities that do not result in the immediate transfer of distinct products or services to the customer. There is an implicit assumption that without the customer making such advance payments to Woodward, Woodward's future sales of products or services to the customer would be at a higher selling price; therefore, such payments create a "material right" to the customer that effectively gives the customer an option to acquire future products or services, at a discount, that are dependent upon the product engineering and development. Material rights are recorded as contract liabilities and will be recognized when control of the related products or services are transferred to the customer.

Woodward capitalizes costs of product engineering and development identified as material rights up to the amount of customer funding as costs to fulfill a contract are incurred because the costs incurred up to the amount of the customer funding commitment are recoverable. Due to the uncertainty of the product success and/or demand, fulfillment costs in excess of the customer funding are expensed as incurred. Woodward recognizes the deferred material rights as revenue based on a percentage of actual sales to total estimated lifetime sales of the related developed products as the customers exercise their option to acquire additional products or services at a discount. Woodward amortizes the capitalized costs to fulfill a contract as cost of goods sold proportionally to the recognition of the associated deferred material rights. Estimated total lifetime sales are reviewed at least annually and more frequently when circumstances warrant a modification to the previous estimate.

Woodward does not capitalize incremental costs of obtaining a contract, as Woodward does not pay sales commissions or incur other incremental costs related to contracts with Woodward's customers for arrangements in which quantities and pricing are fixed and/or determinable.

**Contract liabilities:** Advance payments and billings in excess of revenue recognized represent contract liabilities and are recorded as deferred revenues when customers remit contractual cash payments in advance of Woodward satisfying performance obligations under contractual arrangements, including those with performance obligations satisfied over time. Woodward generally receives advance payments from customers related to maintenance or service arrangements, extended warranties, or other stand ready services, which it recognizes over the performance period. Contract liabilities are satisfied when revenue is recognized and the performance obligation is satisfied. Advance payments and billings in excess of revenue recognized are included in deferred revenue, which is classified as current or noncurrent based on the timing of when Woodward expects to recognize revenue.

**Customer payments:** Woodward occasionally agrees to make payments to certain customers in order to participate in anticipated sales activity. Payments made to customers are accounted for as a reduction of revenue unless they are made in exchange for identifiable goods or services with fair values that can be reasonably estimated. Reductions in revenue associated with these customer payments are recognized immediately to the extent that the payments cannot be attributed to anticipated future sales, and are recognized in future periods to the extent that the payments relate to anticipated future sales. Such determinations are based on the facts and circumstances underlying each payment.

**Purchase accounting:** Business combinations are accounted for using the purchase method of accounting. Under this method, assets and liabilities, including intangible assets, are recorded at their fair values as of the acquisition date. Acquisition costs in excess of amounts assigned to assets acquired and liabilities assumed are recorded as goodwill. Transaction-related costs associated with business combinations are expensed as incurred.

**Stock-based compensation:** Compensation cost relating to stock-based payment awards made to employees and directors is recognized in the financial statements using a fair value method. Non-qualified stock option awards, restricted

stock units, and performance restricted stock units are issued under Woodward's stock-based compensation plans. The cost of such awards, measured at the grant date, is based on the estimated fair value of the award.

Forfeitures are estimated at the time of each grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on Woodward's historical rates of forfeitures and is updated periodically. The portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods, which is generally the vesting period of the awards.

**Research and development costs:** Company funded expenditures related to new product development and significant product enhancement and/or upgrade activities are expensed as incurred and are separately reported in the Consolidated Statements of Earnings.

**Income taxes:** Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of Woodward's assets, liabilities, and certain unrecognized gains and losses recorded in accumulated other comprehensive (losses) earnings. Woodward provides for taxes that may be payable if undistributed earnings of overseas subsidiaries were to be remitted to the United States, except for those earnings that it considers to be indefinitely invested.

**Cash equivalents:** Highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

**Accounts receivable:** Almost all of Woodward's sales are made on credit and result in accounts receivable, which are recorded at the amount invoiced and are generally not collateralized. In the normal course of business, not all accounts receivable are collected and, therefore, an allowance for uncollectible amounts is provided equal to the amount that Woodward believes ultimately will not be collected, either from credit risk or other adjustments to the original selling price or anticipated cash discounts. In establishing the amount of the allowance related to the credit risk of accounts receivable, customer-specific information is considered related to delinquent accounts, past loss experience, bankruptcy filings, deterioration in the customer's operating results or financial position, current and forecasted economic conditions, and other relevant factors. Bad debt losses are deducted from the allowance, and the related accounts receivable balances are written off when the receivables are deemed uncollectible. Recoveries of accounts receivable previously written off are recognized when received. The allowance associated with anticipated other adjustments to the selling price or cash discounts is also established and is included in the allowance for uncollectible amounts. In establishing this amount, both customer-specific information as well as historical experience is considered.

In coordination with its customers and when terms are considered favorable to Woodward, Woodward from time-to-time transfers ownership to collect amounts due to Woodward for outstanding accounts receivable to third parties in exchange for cash. When the transfer of accounts receivable meets the criteria of Financial Accounting Standards Board ("FASB") ASC Topic 860-10, "Transfers and Servicing," and are without recourse, it is recognized as a sale and the accounts receivable is derecognized, resulting in an increase of approximately \$1,398 in cash provided by operating activities during fiscal year 2024, compared to an increase in cash provided by operating activities of approximately \$26,273 during fiscal year 2023.

Unbilled receivables (contract assets) arise when the timing of billing differs from the timing of revenue recognized, such as when contract provisions require revenue to be recognized over time rather than at a point in time. Unbilled receivables primarily relate to performance obligations satisfied over time when the cost-to-cost method is utilized and the revenue recognized exceeds the amount billed to the customer as there is not yet a right to payment in accordance with contractual terms. Unbilled receivables are recorded as a contract asset when the revenue associated with the contract is recognized prior to billing and derecognized when billed in accordance with the terms of the contract.

For composition of accounts receivable, see Note 3, *Revenue*.

**Inventories:** Inventories are valued at the lower of cost or net realizable value, with cost being determined using methods that approximate a first-in, first-out basis.

**Short-term investments:** From time to time, certain of Woodward's foreign subsidiaries will invest excess cash in short-term time deposits with a fixed maturity date of longer than three months but less than one year from the date of the deposit. Woodward believes that the investments are with creditworthy financial institutions. Amounts with maturities of less than 365 days are classified as "Other current assets."

**Property, plant, and equipment:** Property, plant, and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets. Assets are generally depreciated using the straight-line method. Assets are tested for recoverability whenever events or circumstances indicate the carrying value may not be recoverable.

Estimated lives over which fixed assets are generally depreciated at September 30, 2024 were as follows:

Land improvements	10	–	20 years
Buildings and improvements	10	–	40 years
Leasehold improvements	1	–	10 years
Machinery and production equipment	3	–	25 years
Computer equipment and software	3	–	10 years
Office furniture and equipment	3	–	15 years
Other	3	–	5 years

Included in computer equipment and software are Woodward's enterprise resource planning ("ERP") systems, which have an estimated useful life of 15 years. All other computer equipment and software is generally depreciated over three years to five years.

**Leases:** Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the remaining fixed lease payments over the lease term. In determining the estimated present value of lease payments, Woodward discounts the fixed lease payments using the rate implicit in the agreement or, if the implicit rate is not known, using the incremental borrowing rate. Woodward's incremental borrowing rate is based on the information available at the lease commencement date, with consideration given to Woodward's recent debt issuances as well as publicly available data for instruments with similar characteristics.

For operating leases, lease expense is recognized over the expected lease term and classified as a cost of goods sold or selling, general, and administrative expense based on the nature of the underlying leased asset. For finance leases, the ROU asset is recognized over the shorter of the useful life of the asset, consistent with Woodward's normal depreciation policy, or the lease term, and is classified as a cost of goods sold, selling, general, and administrative expense, or research and development expense, based on the nature and use of the underlying leased asset.

Certain of Woodward's operating lease agreements include variable payments that are passed through by the landlord, such as insurance, taxes, and common area maintenance, payments based on the usage of the asset, and rental payments adjusted periodically for inflation. Pass-through charges, payments due to changes in usage of the asset, and payments due to changes in indexation are included within variable rent expense and are recognized in the period in which the variable obligation for the payments was incurred.

**Goodwill:** Woodward tests goodwill for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that indicates the fair value of a reporting unit may be below its carrying amount. Based on the relevant U.S. GAAP authoritative guidance, Woodward aggregates components of a single operating segment into a reporting unit, if appropriate. The impairment test consists of comparing the implied fair value of each reporting unit with its carrying amount that includes goodwill. If the carrying amount of the reporting unit exceeds its implied fair value, Woodward compares the implied fair value of goodwill with the recorded carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized to reduce the carrying amount to its implied fair value.

Based on the results of Woodward's annual goodwill impairment testing, no impairment charges were recorded in the year ended September 30, 2024, 2023, or 2022 or since the goodwill was originally recorded.

**Other intangibles:** Other intangibles are recognized apart from goodwill whenever an acquired intangible asset arises from contractual or other legal rights, or whenever it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. Woodward amortizes the cost of other intangibles over their useful lives unless such lives are deemed indefinite. The cost of finite-lived other intangibles are amortized over their respective useful life using patterns that reflect the periods over which the economic benefits of the assets are expected to be realized. Amortization expense is allocated to cost of goods sold and selling, general, and administrative expenses based on the nature of the intangible asset. Finite-lived other intangible assets are reviewed for impairment whenever an event occurs or circumstances change indicating that the related carrying amount of the other intangible asset may not be recoverable. Impairment losses are recognized if the carrying amount of an intangible is both not recoverable and exceeds its fair value.

Woodward has recorded no impairment charges related to its other intangibles in the year ended September 30, 2024, 2023, or 2022.

Estimated lives over which intangible assets are amortized at September 30, 2024 were as follows:

Customer relationships and contracts	11	–	30	years
Intellectual property			17	years
Process technology	10	–	30	years
Other			1	year

Woodward has one indefinitely lived intangible asset consisting of the Woodward L'Orange trade name. The Woodward L'Orange trade name intangible asset is tested for impairment on an annual basis and more often if an event occurs or circumstances change that indicate the fair value of the Woodward L'Orange intangible asset may be below its carrying amount. The impairment test consists of comparing the fair value of the Woodward L'Orange trade name intangible asset, determined using discounted cash flows, with its carrying amount. If the carrying amount of the Woodward L'Orange intangible asset exceeds its fair value, an impairment loss would be recognized to reduce the carrying amount to its fair value. Woodward has not recorded any impairment charges against the L'Orange trade name intangible asset since it was acquired.

**Impairment of long-lived assets:** Woodward reviews the carrying amount of its long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others.

If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying amount of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying amount of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

**Investment in marketable equity securities:** Woodward holds marketable equity securities related to its deferred compensation program. Based on Woodward's intentions regarding these instruments, marketable equity securities are classified as trading securities. The trading securities are reported at fair value, with realized gains and losses recognized in "Other (income) expense, net." The trading securities are included in "Other assets." The associated obligation to provide benefits under the deferred compensation program is included in "Other liabilities."

**Investments in unconsolidated subsidiaries:** Investments in, and operating results of, entities in which Woodward does not have a controlling financial interest or the ability to exercise significant influence over the operations are included in the financial statements using the cost method of accounting. Investments and operating results of entities in which Woodward does not have a controlling interest but does have the ability to exercise significant influence over operations are included in the financial statements using the equity method of accounting.

**Deferred compensation:** The Company maintains a deferred compensation plan, or "rabbi trust," as part of its overall compensation package for certain employees.

Deferred compensation obligations will be settled either by delivery of a fixed number of shares of Woodward's common stock (in accordance with certain eligible members' irrevocable elections) or in cash. Woodward has contributed shares of its common stock into a trust established for the future settlement of deferred compensation obligations that are payable in shares of Woodward's common stock. Common stock held by the trust is reflected in the Consolidated Balance

Sheets as "Treasury stock held for deferred compensation" and the related deferred compensation obligation is reflected as a separate component of equity in amounts equal to the fair value of the common stock at the dates of contribution. These accounts are not adjusted for subsequent changes in the fair value of the common stock. Deferred compensation obligations that will be settled in cash are accounted for on an accrual basis in accordance with the terms of the underlying contract and are reflected in the Consolidated Balance Sheet as "Other liabilities."

**Financial instruments:** The Company's financial instruments include cash and cash equivalents, short-term investments, investments in the deferred compensation program, notes receivable from municipalities, investments in term deposits, cross-currency interest rate swaps, and debt. Because of their short-term maturity, the carrying amount of cash and cash equivalents and short-term debt approximate fair value. Financial assets and liabilities recorded at fair value in the Consolidated Balance Sheets are categorized based upon a fair value hierarchy established by U.S. GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level 1: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable and can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

Further information on the fair value of financial instruments can be found at Note 7, *Financial instruments and fair value measurements*.

**Derivatives:** The Company is exposed to various global market risks, including the effect of changes in interest rates, foreign currency exchange rates, changes in certain commodity prices, and fluctuations in various producer indices. From time to time, Woodward enters into derivative instruments for risk management purposes only, including derivatives designated as accounting hedges and/or those utilized as economic hedges. Woodward uses interest rate related derivative instruments to manage its exposure to fluctuations of interest rates. Woodward does not enter into or issue derivatives for trading or speculative purposes.

By using derivative and/or hedging instruments to manage its risk exposure, Woodward is subject, from time to time, to credit risk and market risk on those derivative instruments. Credit risk arises from the potential failure of the counterparty to perform under the terms of the derivative and/or hedging instrument. When the fair value of a derivative contract is positive, the counterparty owes Woodward, which creates credit risk for Woodward. Woodward mitigates this credit risk by entering into transactions only with counterparties that are believed to be creditworthy. Market risk arises from the potential adverse effects on the value of derivative and/or hedging instruments that result from a change in interest rates, commodity prices, or foreign currency exchange rates. Woodward minimizes this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

From time to time, in order to hedge against foreign currency exposure, Woodward designates certain non-derivative financial instrument loans as net investment hedges. Foreign exchange gains or losses on these loans are recognized in foreign currency translation adjustments within total comprehensive (losses) earnings. Also, to hedge against the foreign currency exposure attributable to non-functional currency denominated intercompany loans, Woodward has entered into derivative instruments in fair value hedging relationships and cash flow hedging relationships.

Further information on net investment hedges and derivative instruments in fair value and cash flow hedging relationships, including the Company's policy in accounting for these derivatives, can be found at Note 8, *Derivative instruments and hedging activities*.

**Postretirement benefits:** The Company provides various benefits to certain current and former employees through defined benefit pension and postretirement plans. For financial reporting purposes, net periodic benefits expense and related obligations are calculated using a number of significant actuarial assumptions. Changes in net periodic expense and funding status may occur in the future due to changes in these assumptions. The funded status of defined pension and postretirement plans recognized in the statement of financial position is measured as the difference between the fair market value of the plan assets and the benefit obligation. For a defined benefit pension plan, the benefit obligation is the projected benefit obligation; for any other defined benefit postretirement plan, such as a retiree health care plan, the



benefit obligation is the accumulated benefit obligation. Any over-funded status is recognized as an asset and any underfunded status is recognized as a liability.

Projected benefit obligation is the actuarial present value as of the measurement date of all benefits attributed by the plan benefit formula to employee service rendered before the measurement date using assumptions as to future compensation levels if the plan benefit formula is based on those future compensation levels. The accumulated benefit obligation is the actuarial present value of benefits (whether vested or unvested) attributed by the plan benefit formula to employee service rendered before the measurement date and based on employee service and compensation, if applicable, prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels.

## Note 2. New accounting standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an Accounting Standards Update ("ASU").

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures." The purpose of ASU 2023-07 is to provide enhanced disclosures about significant segment expenses. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023 (fiscal year 2025 for Woodward), and interim periods within fiscal years beginning after December 15, 2024 (fiscal year 2026 for Woodward), with early adoption permitted, and are to be applied on a retrospective basis to all periods presented. Woodward is currently assessing the impact on its segment reporting disclosures.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures." The purpose of ASU 2023-09 is to provide enhanced disclosures surrounding income taxes by requiring consistent categories and greater disaggregation of information in the rate reconciliation, the disaggregation of income taxes paid by jurisdiction, as well as several other changes to the income tax disclosure. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024 (fiscal year 2026 for Woodward), with early adoption permitted, and is required to be applied prospectively with the option of retrospective application. Woodward is currently assessing the impact on its income tax disclosures.

In November 2024, the FASB issued ASU 2024-03, "Disaggregation of Income Statement Expenses" the purpose of ASU 2024-03 is to provide enhanced disclosures about significant expenses on the Consolidated Statement of Earnings. The amendments in ASU 2024-03 are effective for fiscal years beginning after December 15, 2026 (fiscal year 2028 for Woodward), and interim periods within fiscal years beginning after December 15, 2027 (fiscal year 2029 for Woodward), with early adoption permitted, and are to be applied either on a prospective basis to financial statements issued for reporting periods after the effective date or on a retrospective basis to all periods presented. Woodward is currently assessing the impact on its Consolidated Statement of Earnings disclosures.

## Note 3. Revenue

### Sales of products

Woodward primarily generates revenue through the manufacture and sale of engineered aerospace and industrial products, including revenue derived from MRO performance obligations performed on products originally manufactured by Woodward and subsequently returned by OEM or other end-user customers. The majority of Woodward's costs incurred to satisfy MRO performance obligations are related to replacing and/or refurbishing component parts of the returned products to restore the units back to a condition generally comparable to that of the unit upon its initial sale to an OEM customer. Therefore, Woodward considers almost all of its revenue to be derived from product sales, including those related to MRO.

	2024	Year Ended September 30,		2022
		2023		
Manufactured products	83%		84%	84%
MRO	15%		14%	14%
Services	2%		2%	2%

### Point in time and over time revenue recognition

The amount of revenue recognized as point in time or over time follows:

	For the Year Ended September 30,								
	2024			2023			2022		
	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated
Point in time	\$ 853,728	\$ 780,794	\$ 1,634,522	\$ 748,278	\$ 708,458	\$ 1,456,736	\$ 593,233	\$ 509,737	\$ 1,102,970
Over time	1,174,890	514,837	1,689,727	1,019,825	438,005	1,457,830	926,089	353,731	1,279,820
Total net sales	<u>\$ 2,028,618</u>	<u>\$ 1,295,631</u>	<u>\$ 3,324,249</u>	<u>\$ 1,768,103</u>	<u>\$ 1,146,463</u>	<u>\$ 2,914,566</u>	<u>\$ 1,519,322</u>	<u>\$ 863,468</u>	<u>\$ 2,382,790</u>

### Material rights and costs to fulfill a contract

Amounts recognized related to changes in estimated total lifetime sales for material rights and costs to fulfill contracts with customers follows:

	Year Ended September 30,		
	2024	2023	2022
Revenue	\$ 17,154	\$ 1,460	\$ 1,514
Cost of goods sold	15,486	1,736	667

Amounts recognized related to amortization of costs to fulfill contracts and contract liabilities, which were not related to changes in estimate, follows:

	Year Ended September 30,		
	2024	2023	2022
Revenue	\$ 7,230	\$ 6,741	\$ 4,107
Cost of goods sold	3,112	5,559	3,077

As of September 30, 2024, "Other assets" on the Consolidated Balance Sheets included \$185,102 of capitalized costs to fulfill contracts with customers, compared to \$180,228 as of September 30, 2023.

### Accounts receivable and contract assets

Customer receivables include amounts billed and currently due from customers as well as unbilled amounts (contract assets) and are included in "Accounts receivable" in Woodward's Consolidated Balance Sheets. Amounts are billed in accordance with contractual terms, which are generally tied to shipment of the products to the customer, or as work progresses in accordance with contractual terms. Billed accounts receivable are typically due within 60 days. Woodward's contracts with customers generally have no financing components.

Accounts receivable consisted of the following:

	September 30, 2024	September 30, 2023
<b>Billed receivables</b>		
Trade accounts receivable	\$ 455,831	\$ 434,287
Other (Chinese financial institutions)	1,403	50,940
Total billed receivables	457,234	485,227
<b>Current unbilled receivables (contract assets)</b>	320,570	270,479
Total accounts receivable	777,804	755,706
<b>Less: Allowance for uncollectible amounts</b>	(7,738)	(5,847)
Total accounts receivable, net	<u>\$ 770,066</u>	<u>\$ 749,859</u>

As of September 30, 2024, "Other assets" on the Consolidated Balance Sheets includes \$11,237 of unbilled receivables not expected to be invoiced and collected within a period of twelve months, compared to \$7,332 as of September 30, 2023. Unbilled receivables not expected to be invoiced and collected within a period of twelve months are primarily attributable to the timing of revenue recognized in excess of billings in the Aerospace segment.

Billed and unbilled accounts receivable from the U.S. Government were less than 10% of total billed and unbilled accounts receivable at September 30, 2024 and September 30, 2023.

The allowance for uncollectible amounts and change in expected credit losses for trade accounts receivable and unbilled receivables (contract assets) consisted of the following:

	Year Ended September 30,		
	2024	2023	2022
Balance, beginning	\$ 5,847	\$ 3,922	\$ 3,664
Changes in estimates	3,219	7,211	447
Write-offs	(586)	(5,305)	(46)
Other <sup>1</sup>	(742)	19	(143)
Balance, ending	<u>\$ 7,738</u>	<u>\$ 5,847</u>	<u>\$ 3,922</u>

(1) Includes effects of foreign exchange rate changes during the period.

#### Contract liabilities

Contract liabilities consisted of the following:

	September 30, 2024		September 30, 2023	
	Current	Noncurrent	Current	Noncurrent
Deferred revenue from material rights from JV formation	\$ 6,580	\$ 232,164	\$ 6,147	\$ 233,997
Deferred revenue from advanced invoicing and/or prepayments from customers	23,706	6,437	6,868	2,196
Liability related to customer supplied inventory	20,563	—	14,543	—
Deferred revenue from material rights related to engineering and development funding	5,942	186,008	6,190	178,464
Net contract liabilities	<u>\$ 56,791</u>	<u>\$ 424,609</u>	<u>\$ 33,748</u>	<u>\$ 414,657</u>

The current portion of contract liabilities is included in "Accrued liabilities" and the noncurrent portion is included in "Other liabilities" of Woodward's Consolidated Balance Sheets. Woodward recognized revenue of \$44,398 in the year ended September 30, 2024 from contract liabilities balances recorded as of September 30, 2023, compared to \$25,190 in the year ended September 30, 2023 from contract liabilities balances recorded as of September 30, 2022.

The amount of revenue recognized related to noncash consideration received from customers follows:

	For the Year Ended September 30,		
	2024	2023	2022
Aerospace	\$ 61,323	\$ 50,329	\$ 63,358
Industrial	4,974	1,939	2,343
Consolidated	<u>\$ 66,297</u>	<u>\$ 52,268</u>	<u>\$ 65,701</u>

#### Remaining performance obligations

Remaining performance obligations related to the aggregate amount of the total contract transaction price of firm orders for which the performance obligation has not yet been recognized in revenue as of September 30, 2024 was \$2,932,793, compared to \$2,325,533 as of September 30, 2023, the majority of which in both periods relate to Woodward's Aerospace segment. Woodward expects to recognize almost all of these remaining performance obligations within two years after September 30, 2024.

Remaining performance obligations related to material rights that have not yet been recognized in revenue as of September 30, 2024 was \$509,366, of which \$14,788 is expected to be recognized in fiscal year 2025, and the balance is expected to be recognized thereafter. Woodward expects to recognize revenue from performance obligations related to material rights over the life of the underlying programs, which may be as long as forty years.

#### Disaggregation of revenue

Woodward designs, produces, and services reliable, efficient, low-emission, and high-performance energy control products for diverse applications in markets throughout the world. Woodward reports financial results for each of its Aerospace and Industrial reportable segments. Woodward further disaggregates its revenue from contracts with customers by primary market and by geographical area as Woodward believes this best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors.

Revenue by primary market for the Aerospace reportable segment was as follows:

	Year Ended September 30,		
	2024	2023	2022
Commercial OEM	\$ 738,394	\$ 651,275	\$ 499,438
Commercial aftermarket	640,823	547,625	420,881
Defense OEM	406,810	368,653	422,016
Defense aftermarket	242,591	200,550	176,987
Total Aerospace segment net sales	<u>\$ 2,028,618</u>	<u>\$ 1,768,103</u>	<u>\$ 1,519,322</u>

Revenue by primary market for the Industrial reportable segment was as follows:

	Year Ended September 30,		
	2024	2023	2022
Power generation	\$ 423,872	\$ 382,536	\$ 317,026
Transportation	642,174	527,498	354,682
Oil and gas	229,585	236,429	191,760
Total Industrial segment net sales	<u>\$ 1,295,631</u>	<u>\$ 1,146,463</u>	<u>\$ 863,468</u>

During fiscal year 2023, for purposes of how we assess performance, we determined that certain revenue was better aligned with our markets consisting of power generation, transportation, and oil and gas, rather than the reciprocating engines and industrial turbines, how it was previously reported. For comparability, we have reclassified revenue for the year ended September 30, 2022 to conform to the new presentation. This reclassification of revenue had no impact on our consolidated financial results.

The customers who account for approximately 10% or more of net sales of each of Woodward's reportable segments are as follows:

	For the Year Ended September 30,	
	2024	2023
Aerospace	RTX Corporation, The Boeing Company	RTX Corporation, GE, The Boeing Company
Industrial	Weichai Power, Rolls-Royce PLC	Rolls-Royce PLC, Caterpillar Inc., Weichai Power

Net sales by geographic area, as determined based on the location of the customer, were as follows:

	Year Ended September 30,								
	2024			2023			2022		
	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated
United States	\$ 1,404,223	\$ 294,033	\$ 1,698,256	\$ 1,254,954	\$ 283,121	\$ 1,538,075	\$ 1,105,860	\$ 205,740	\$ 1,311,600
Germany	72,583	196,775	269,358	80,450	193,392	273,842	57,840	174,216	232,056
Europe, excluding Germany	202,421	297,517	499,938	163,222	273,757	436,979	128,719	234,795	363,514
China	96,136	293,908	390,044	56,773	186,713	243,486	49,407	86,972	136,379
Asia, excluding China	59,103	163,603	222,706	37,107	162,922	200,029	23,334	128,855	152,189
Other countries	194,152	49,795	243,947	175,597	46,558	222,155	154,162	32,890	187,052
Total net sales	<u>\$ 2,028,618</u>	<u>\$ 1,295,631</u>	<u>\$ 3,324,249</u>	<u>\$ 1,768,103</u>	<u>\$ 1,146,463</u>	<u>\$ 2,914,566</u>	<u>\$ 1,519,322</u>	<u>\$ 863,468</u>	<u>\$ 2,382,790</u>

#### Note 4. Earnings per share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted-average number of shares of common stock outstanding for the period.

Diluted earnings per share reflects the weighted-average number of shares outstanding after consideration of the dilutive effect of stock options, restricted stock units, and performance stock units.

The following is a reconciliation of net earnings to basic earnings per share and diluted earnings per share:

	Year Ended September 30,		
	2024	2023	2022
<b>Numerator:</b>			
Net earnings	\$ 372,971	\$ 232,368	\$ 171,698
<b>Denominator:</b>			
Basic shares outstanding	60,076	59,908	61,517
Dilutive effect of stock options; restricted and performance stock units	2,008	1,574	1,737
Diluted shares outstanding	62,084	61,482	63,254
<b>Income per common share:</b>			
Basic earnings per share	\$ 6.21	\$ 3.88	\$ 2.79
Diluted earnings per share	\$ 6.01	\$ 3.78	\$ 2.71

The following stock option grants were outstanding but were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive:

	Year Ended September 30,		
	2024	2023	2022
Options	63	561	1,019
Weighted-average option price	\$ 135.26	\$ 114.88	\$ 110.71

The weighted-average shares of common stock outstanding for basic and diluted earnings per share included the weighted-average treasury stock shares held for deferred compensation obligations of the following:

	Year Ended September 30,		
	2024	2023	2022
Weighted-average treasury stock shares held for deferred compensation obligations	51	88	151

## Note 5. Leases

### Lessee arrangements

Woodward has entered into operating leases for certain facilities and equipment with terms in excess of one year under agreements that expire at various dates. Some leases require the payment of property taxes, insurance, maintenance costs, or other similar costs in addition to rental payments. Woodward has also entered into finance leases for equipment with terms in excess of one year under agreements that expire at various dates.

None of Woodward's lease agreements contain significant residual value guarantees, restrictions, or covenants. As of September 30, 2024, Woodward has not entered into any lease arrangements that have not yet commenced but would create significant rights and obligations. Woodward does not have any lease transactions between related parties.

Lease-related assets and liabilities follows:

	Classification on the Consolidated Balance Sheets	September 30, 2024	September 30, 2023
<b>Assets:</b>			
Operating lease assets	Other assets	\$ 27,135	\$ 24,680
Finance lease assets	Property, plant, and equipment, net	2,516	3,337
Total lease assets		29,651	28,017
<b>Current liabilities:</b>			
Operating lease liabilities	Accrued liabilities	5,029	4,594
Finance lease liabilities	Current portion of long-term debt	719	817
<b>Noncurrent liabilities:</b>			
Operating lease liabilities	Other liabilities	22,670	20,685
Finance lease liabilities	Long-term debt, less current portion	2,017	2,733
Total lease liabilities		\$ 30,435	\$ 28,829

Supplemental lease-related information follows:

	September 30, 2024	September 30, 2023
<b>Weighted average remaining lease term</b>		
Operating leases	8.1 years	8.6 years
Finance leases	3.8 years	4.6 years
<b>Weighted average discount rate</b>		
Operating leases	4.4 %	4.0 %
Finance leases	4.6 %	4.6 %

Lease-related expenses were as follows:

	Year Ended September 30,		
	2024	2023	2022
Operating lease expense	\$ 6,804	\$ 6,213	\$ 6,335
Amortization of financing lease assets	820	914	454
Interest on financing lease liabilities	138	157	51
Variable lease expense	1,299	917	929
Short-term lease expense	164	196	190
Sublease income <sup>1</sup>	—	—	(192)
Total lease expense	<u>\$ 9,225</u>	<u>\$ 8,397</u>	<u>\$ 7,767</u>

(1)Relates to two separate subleases Woodward has entered into for a leased manufacturing building in Niles, Illinois, each of which expired during fiscal year 2022.

Lease-related supplemental cash flow information was as follows:

	Year Ended September 30,		
	2024	2023	2022
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows for operating leases	\$ 5,375	\$ 5,151	\$ 5,303
Operating cash flows for finance leases	138	157	51
Financing cash flows for finance leases	818	779	796
<b>Right-of-use assets obtained in exchange for recorded lease obligations:</b>			
Operating leases	6,117	2,230	14,678
Finance leases	—	48	4,046

Maturities of lease liabilities were as follows:

Year Ending September 30:	Operating Leases	Finance Leases
2025	\$ 5,997	\$ 823
2026	5,255	824
2027	4,338	822
2028	3,962	234
2029	3,219	182
Thereafter	10,241	75
Total lease payments	33,012	2,960
Less: imputed interest	(5,313)	(224)
Total lease obligations	<u>\$ 27,699</u>	<u>\$ 2,736</u>

#### Lessor arrangements

Woodward has assessed its manufacturing contracts and concluded that certain of the contracts for the manufacture of customer products met the criteria to be considered a leasing arrangement ("embedded leases") with Woodward as the lessor. The specific manufacturing contracts that met the criteria were those that utilized Woodward property, plant, and equipment and which is substantially (more than 90%) dedicated to the manufacturing of the product(s) for a single customer. Woodward has dedicated manufacturing lines with four of its customers representing embedded leases, all of which qualified as operating leases with undefined quantities of future customer purchase commitments.

Although Woodward expects to allocate some portion of future net sales to these customers to embedded lessor arrangements, it cannot provide expected future undiscounted lease payments from property, plant, and equipment leased to customers as of September 30, 2024. If, in the future, customers reduce purchases of related products from Woodward, the Company believes it will derive additional value from the underlying equipment by repurposing its use to support other customer arrangements.

Woodward recognizes revenue from the embedded lessor arrangements based on the value of the underlying dedicated property, plant, and equipment. There are no fixed payments that the customers under the embedded lessor arrangements are obligated to pay. Therefore, all the customer payments under the embedded lessor arrangements are considered variable with the associated leasing revenue recognized when the revenue from underlying product sale related to variable lease payment is recognized. Revenue from contracts with customers that included embedded operating leases, which is included in "Net sales" at the Consolidated Statements of Earnings, was \$5,486 for the fiscal year ended September 30, 2024, compared to \$5,030 for the fiscal year ended September 30, 2023 and \$5,528 for the fiscal year ended September 30, 2022.

The carrying amount of property, plant, and equipment leased to others through embedded leasing arrangements, included in "Property, plant, and equipment, net" at the Consolidated Balance Sheets, was as follows:

	September 30, 2024	September 30, 2023
Property, plant, and equipment	\$ 48,495	\$ 45,766
Less accumulated depreciation	(32,994)	(28,128)
Property, plant, and equipment, net	<u>\$ 15,501</u>	<u>\$ 17,638</u>

#### Note 6. Joint venture

In fiscal year 2016, Woodward and GE consummated the formation of the strategic JV to develop, manufacture, and support fuel systems for specified existing and all future GE Aerospace commercial aircraft engines that produce thrust in excess of fifty thousand pounds. Since the split at GE, GE has been acting through GE Aerospace.

Unamortized deferred revenue from material rights in connection with the JV formation included:

	September 30, 2024	September 30, 2023
Accrued liabilities	\$ 6,580	\$ 6,147
Other liabilities	232,164	233,997

Amortization of the deferred revenue (material right) recognized as an increase to sales was \$6,294 for the fiscal year ended September 30, 2024, \$5,020 for the fiscal year ended September 30, 2023, and \$3,633 for the fiscal year ended September 30, 2022.

Woodward and GE Aerospace jointly manage the JV and any significant decisions and/or actions of the JV require the mutual consent of both parties. Neither Woodward nor GE Aerospace has a controlling financial interest in the JV, but both Woodward and GE Aerospace do have the ability to significantly influence the operating and financial decisions of the JV. Therefore, Woodward is accounting for its 50% ownership interest in the JV using the equity method of accounting. The JV is a related party to Woodward. In addition, GE Aerospace will continue to pay contingent consideration to Woodward consisting of fifteen annual payments of \$4,894 each, which began on January 4, 2017, subject to certain claw-back conditions. Woodward received its seventh and eighth annual payments of \$4,894 during the three-months ended March 31, 2023 and March 31, 2024, respectively, which were recorded as deferred income and included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. Neither Woodward nor GE at the time contributed any tangible assets to the JV.

Other income related to Woodward's equity interest in the earnings of the JV was as follows:

	2024	2023	2022
Other income	\$ 41,191	\$ 36,846	\$ 18,193

Cash distributions to Woodward from the JV, recognized in net cash provided by operating activities on the Consolidated Statements of Cash Flows, include:

	2024	2023	2022
Cash distributions	\$ 38,000	\$ 29,000	\$ 17,000

Net sales to the JV were as follows:

		For the Year Ended September 30,		
		2024	2023	2022
Net sales <sup>1</sup>	\$	80,708	\$ 47,607	\$ 28,100

(1) Net sales include a reduction of \$63,794 for the fiscal year ended September 30, 2024, \$49,624 for the fiscal year ended September 30, 2023, and \$28,054 for the fiscal year ended September 30, 2022 related to royalties owed to the JV by Woodward on sales by Woodward directly to third party aftermarket customers.

The Consolidated Balance Sheets include "Accounts receivable" related to amounts the JV owed Woodward, "Accounts payable" related to amounts Woodward owed the JV, and "Other assets" related to Woodward's net investment in the JV, as follows:

		September 30, 2024	September 30, 2023
Accounts receivable	\$	5,205	\$ 3,666
Accounts payable		11,378	6,276
Other assets		19,219	16,028

Woodward records in "Other liabilities" amounts invoiced to the JV for support of the JV's engineering and development projects as an increase to contract liabilities and records in "Other assets" related incurred expenditures as costs to fulfill a contract. Contract liabilities and costs to fulfill a contract was as follows:

		September 30, 2024	September 30, 2023
Contract liabilities	\$	78,226	\$ 84,059
Costs to fulfill a contract		78,226	84,059

Woodward recognized revenue of \$812 in the fiscal year ended September 30, 2024, from contract liabilities, recorded as of September 30, 2023, compared to \$870 in the fiscal year ended September 30, 2023, from contract liabilities recorded as of September 30, 2022. Comparatively, Woodward recognized cost of goods sold of \$1,236 in the fiscal year ended September 30, 2024, from contract assets, recorded as of September 30, 2023, compared to \$870 in the fiscal year ended September 30, 2023, from contract assets recorded as of September 30, 2022.

In the fiscal year ended September 30, 2024, Woodward recognized a \$9,680 reduction in the contract liability and a \$9,680 reduction in costs to fulfill a contract related to the termination of a JV engineering and development project previously recognized as a material right. No reductions in costs to fulfill a contract or contract liabilities were recorded during the fiscal year ended September 30, 2023 as a result of the termination of joint venture engineering and development projects.

#### Note 7. Financial instruments and fair value measurements

The table below presents information about Woodward's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques Woodward utilized to determine such fair value.

	Level 1	At September 30, 2024			Total	Level 1	At September 30, 2023			Total
		Level 2	Level 3				Level 2	Level 3		
<b>Financial assets:</b>										
Investments in banks and financial institutions	\$ 23,128	\$ —	\$ —	\$ 23,128	\$ 28,560	\$ —	\$ —	\$ 28,560		
Equity securities	30,782	—	—	30,782	24,913	—	—	24,913		
Cross-currency interest rate swaps	—	—	—	—	—	5,389	—	5,389		
<b>Total financial assets</b>	<b>\$ 53,910</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 53,910</b>	<b>\$ 53,473</b>	<b>\$ 5,389</b>	<b>\$ —</b>	<b>\$ 58,862</b>		
<b>Financial liabilities:</b>										
Cross-currency interest rate swaps	\$ —	\$ 12,004	\$ —	\$ 12,004	\$ —	\$ —	\$ —	\$ —		
<b>Total financial liabilities</b>	<b>\$ —</b>	<b>\$ 12,004</b>	<b>\$ —</b>	<b>\$ 12,004</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>		

*Investments in banks and financial institutions:* Woodward's and its subsidiaries sometimes invest excess cash in various highly liquid financial instruments that Woodward believes are with creditworthy financial institutions. Such investments are reported in "Cash and cash equivalents" at fair value, with realized gains from interest income recognized



in earnings. The carrying value of Woodward's investments in banks and financial institutions are considered equal to the fair value given the highly liquid nature of the investments.

**Equity securities:** Woodward holds marketable equity securities, through investments in various mutual funds, related to its deferred compensation program. Based on Woodward's intentions regarding these instruments, marketable equity securities are classified as trading securities. The trading securities are reported at fair value, with realized gains and losses recognized in "Other (income) expense, net" on the Consolidated Statements of Earnings. The trading securities are included in "Other assets" in the Consolidated Balance Sheets. The fair values of Woodward's trading securities are based on the quoted market prices for the net asset value of the various mutual funds.

**Cross-currency interest rate swaps:** Woodward holds cross-currency interest rate swaps, which are accounted for at fair value. The swaps in an asset position are included in "Other current assets" and "Other assets," and swaps in a liability position are included in "Accrued liabilities" and "Other liabilities" in the Condensed Consolidated Balance Sheets. The fair values of Woodward's cross-currency interest rate swaps are determined using a market approach that is based on observable inputs other than quoted market prices, including contract terms, interest rates, currency rates, and other market factors.

Cash, trade accounts receivable, accounts payable, and short-term borrowings are not remeasured to fair value, as the carrying cost of each approximates its respective fair value.

The estimated fair values and carrying costs of other financial instruments that are not required to be remeasured at fair value in the Consolidated Balance Sheets were as follows:

		At September 30, 2024		At September 30, 2023	
	Fair Value Hierarchy Level	Estimated Fair Value	Carrying Cost	Estimated Fair Value	Carrying Cost
Assets:					
Notes receivable from municipalities	2	\$ 6,961	\$ 6,514	\$ 7,794	\$ 7,688
Investments in short-term time deposits	2	3,064	3,064	6,095	6,107
Liabilities:					
Long-term debt	2	\$ 634,071	\$ 656,360	\$ 661,507	\$ 722,671

In connection with certain economic incentives related to Woodward's development of a second campus in the greater-Rockford, Illinois area for its Aerospace segment and Woodward's development of its corporate headquarters in Fort Collins, Colorado, Woodward received long-term notes from municipalities within the states of Illinois and Colorado. The fair value of the long-term notes was estimated based on a model that discounted future principal and interest payments received at an interest rate available to the Company at the end of the period for similarly rated municipal notes of similar maturity, which is a level 2 input as defined by the U.S. GAAP fair value hierarchy. The interest rates used to estimate the fair value of the long-term notes were 2.7% at September 30, 2024 and 3.6% at September 30, 2023.

From time to time, certain of Woodward's foreign subsidiaries will invest excess cash in short-term time deposits with a fixed maturity date of longer than three months but less than one year from the date of the deposit. Woodward believes that the investments are with creditworthy financial institutions. The fair value of the investments in short-term time deposits was estimated based on a model that discounted future principal and interest payments to be received at an interest rate available to the foreign subsidiary entering into the investment for similar short-term time deposits of similar maturity. This was determined to be a level 2 input as defined by the U.S. GAAP fair value hierarchy. The interest rates used to estimate the fair value of the short-term time deposits was 6.8% at September 30, 2024 and at September 30, 2023.

The fair value of long-term debt was estimated based on a model that discounted future principal and interest payments at interest rates available to the Company at the end of the period for similar debt of the same maturity, which is a level 2 input as defined by the U.S. GAAP fair value hierarchy. The weighted-average interest rates used to estimate the fair value of long-term debt were 4.5% at September 30, 2024 and 5.9% at September 30, 2023.

#### Note 8. Derivative instruments and hedging activities

##### Derivative instruments not designated or qualifying as hedging instruments

In May 2020, Woodward entered into a floating-rate cross-currency interest rate swap (the "2020 Floating-Rate Cross-Currency Swap"), with a notional value of \$45,000, and five fixed-rate cross-currency interest rate swap agreements (the "2020 Fixed-Rate Cross-Currency Swaps"), with an aggregate notional value of \$400,000, which effectively reduced the

interest rates on the underlying fixed and floating-rate debt, respectively, under the 2018 Notes (as defined in Note 15, Credit facilities, *short-term borrowings and long-term debt*) and Woodward's then existing revolving credit agreement.

The net interest income of the cross-currency interest rate swaps is recorded as a reduction to "Interest expense" in Woodward's Consolidated Statements of Earnings. The 2020 Floating-Rate Cross-Currency Swap expired on May 31, 2023 and, as such, is no longer recorded on the Consolidated Balance Sheets. As of September 30, 2024, the total notional value of the 2020 Fixed-Rate Cross-Currency Swaps was \$400,000. See Note 7, *Financial instruments and fair value measurements*, for the related fair value of the derivative instruments as of September 30, 2024.

#### **Derivatives instruments in fair value hedging relationships**

In May 2020, Woodward entered into a US dollar denominated intercompany loan payable with identical terms and notional value as the 2020 Floating-Rate Cross-Currency Swap, together with a reciprocal intercompany floating-rate cross-currency interest rate swap. The agreements were entered into by Woodward Barbados Euro Financing SRL ("Euro Barbados"), a wholly owned subsidiary of Woodward. The US dollar denominated intercompany loan and reciprocal intercompany floating-rate cross-currency interest rate swap are designated as a fair value hedge under the criteria prescribed in ASC 815. The objective of the derivative instrument is to hedge against the foreign currency exchange risk attributable to the spot remeasurement of the US dollar denominated intercompany loan, as Euro Barbados maintains a Euro functional currency.

For each floating-rate intercompany cross-currency interest rate swap, only the change in the fair value related to the cross-currency basis spread, or excluded component, of the derivative instrument is recognized in accumulated other comprehensive income ("OCI"). The remaining change in the fair value of the derivative instrument is recognized in foreign currency transaction gain or loss included in "Selling, general, and administrative costs" in Woodward's Consolidated Statements of Earnings. The change in the fair value of the derivative instrument in foreign currency transaction gain or loss offsets the change in the spot remeasurement of the intercompany Euro and US dollar denominated loans. Hedge effectiveness is assessed based on the fair value changes of the derivative instrument, after excluding any fair value changes related to the cross-currency basis spread. The initial cost of the cross-currency basis spread is recorded in earnings each period through the swap accrual process. There are no credit-risk-related contingent features associated with the intercompany floating-rate cross-currency interest rate swap.

#### **Derivative instruments in cash flow hedging relationships**

In May 2020, Woodward entered into five US dollar intercompany loans payable, with identical terms and notional values of each tranche of the 2020 Fixed-Rate Cross-Currency Swaps, together with reciprocal fixed-rate intercompany cross-currency interest rate swaps. The agreements were entered into by Euro Barbados and are designated as cash flow hedges under the criteria prescribed in ASC 815. The objective of these derivative instruments is to hedge the risk of variability in cash flows attributable to the foreign currency exchange risk of cash flows for future principal and interest payments associated with the US dollar denominated intercompany loans over a thirteen-year period, as Euro Barbados maintains a Euro functional currency.

For each of the fixed-rate intercompany cross-currency interest rate swaps, changes in the fair values of the derivative instruments are recognized in accumulated OCI and reclassified to foreign currency transaction gain or loss included in "Selling, general, and administrative costs" in Woodward's Consolidated Statements of Earnings. Reclassifications out of accumulated OCI of the change in fair value occur each reporting period based upon changes in the spot rate remeasurement of the Euro and US dollar denominated intercompany loans, including associated interest. Hedge effectiveness is assessed based on the fair value changes of the derivative instruments and such hedges are deemed to be highly effective in offsetting exposure to variability in foreign exchange rates. There are no credit-risk-related contingent features associated with these fixed-rate cross-currency interest rate swaps.

#### **Derivatives instruments in net investment hedging relationships**

On September 23, 2016, Woodward and Woodward International Holding B.V., a wholly owned subsidiary of Woodward organized under the laws of The Netherlands (the "BV Subsidiary"), each entered into a note purchase agreement (the "2016 Note Purchase Agreement") relating to the sale by Woodward and the BV Subsidiary of an aggregate principal amount of €160,000 of senior unsecured notes in a series of private placement transactions. Woodward issued €40,000 aggregate principal amount of Woodward's Series M Senior Notes due September 23, 2026 (the "Series M Notes"). Woodward designated the Series M Notes as a hedge of a foreign currency exposure of Woodward's net investment in its Euro denominated functional currency subsidiaries. Related to the Series M Notes, included in foreign currency translation adjustments within total comprehensive (losses) earnings are net foreign exchange losses of \$2,381 for the fiscal year

ended September 30, 2024, compared to net foreign exchange losses of \$3,090 for the fiscal year ended September 30, 2023, and net foreign exchange gains of \$7,206 for the fiscal year ended September 30, 2022.

**Impact of derivative instruments designated as qualifying hedging instruments**

The following table discloses the amount of (income) expense recognized in earnings on derivative instruments designated as qualifying hedging instruments:

Derivatives in:	Location	Year Ended September 30,		
		2024	2023	2022
Cross-currency interest rate swap agreement designated as fair value hedges	Selling, general and administrative expenses	\$ —	\$ 939	\$ (2,844)
Cross-currency interest rate swap agreements designated as cash flow hedges	Selling, general and administrative expenses	23,093	32,285	(66,036)
		<u>\$ 23,093</u>	<u>\$ 33,224</u>	<u>\$ (68,880)</u>

The following table discloses the amount of (gain) loss recognized in accumulated OCI on derivative instruments designated as qualifying hedging instruments:

Derivatives in:	Location	Year Ended September 30,		
		2024	2023	2022
Cross-currency interest rate swap agreement designated as fair value hedges	Selling, general and administrative expenses	\$ —	\$ 875	\$ (2,854)
Cross-currency interest rate swap agreements designated as cash flow hedges	Selling, general and administrative expenses	18,551	35,712	(86,194)
		<u>\$ 18,551</u>	<u>\$ 36,587</u>	<u>\$ (89,048)</u>

The following table discloses the amount of (gain) loss reclassified from accumulated OCI on derivative instruments designated as qualifying hedging instruments:

Derivatives in:	Location	Year Ended September 30,		
		2024	2023	2022
Cross-currency interest rate swap agreement designated as fair value hedges	Selling, general and administrative expenses	\$ —	\$ 939	\$ (2,844)
Cross-currency interest rate swap agreements designated as cash flow hedges	Selling, general and administrative expenses	23,093	32,285	(66,036)
		<u>\$ 23,093</u>	<u>\$ 33,224</u>	<u>\$ (68,880)</u>

The remaining unrecognized gains and losses in Woodward's Consolidated Balance Sheets associated with derivative instruments that were previously entered into by Woodward, which are classified in accumulated OCI were net losses of \$5,160 as of September 30, 2024 and \$9,701 as of September 30, 2023.

**Note 9. Supplemental statement of cash flows information**

	Year Ended September 30,		
	2024	2023	2022
Interest paid	\$ 36,700	\$ 35,306	\$ 27,435
Income taxes paid	152,049	92,509	29,560
Income tax refunds received	6,521	3,661	7,481
<b>Non-cash activities:</b>			
Purchases of property, plant and equipment on account	22,056	11,276	6,452
Common shares issued from treasury to settle benefit obligations	21,889	19,466	17,132

**Note 10. Acquisitions**

On August 2, 2022, we entered into a series of Purchase Agreements with one of our Asia pacific channel partners, PM Control PLC (the "PM Agreements"). Pursuant to the PM Agreements, we agreed to acquire business assets and shares of stock of PM Control PLC and its affiliates (collectively, "PM Control"), for a total consideration (net of a working capital adjustment, excluding cash acquired from the acquisition, and including the settlement of pre-existing relationships) of \$21,421 (the "PM Acquisition"). The PM Acquisition closed on August 31, 2022 (the "PM Closing") and PM Control PLC became a wholly owned subsidiary of the Company.

ASC Topic 805, "Business Combinations" ("ASC 805"), provides a framework to account for acquisition transactions under U.S. GAAP. The purchase price of PM Control, prepared consistent with the required ASC 805 framework, is allocated as follows:

Cash paid to Sellers	\$	22,890
Working capital adjustment		(878)
Less acquired cash and restricted cash		(1,341)
Plus settlement of pre-existing relationships		750
Total purchase price	\$	<u>21,421</u>

The allocation of the purchase price to the assets acquired and liabilities assumed was finalized as of June 30, 2023 using the purchase method of accounting in accordance with ASC 805. Assets acquired and liabilities assumed in the transaction were recorded at their acquisition date fair values, while transaction costs associated with the acquisition were expensed as incurred. Woodward's allocation was based on an evaluation of the appropriate fair values and represents management's best estimate.

#### Note 11. Inventories

	September 30, 2024	September 30, 2023
Raw materials	\$ 161,734	\$ 133,699
Work in progress	147,676	127,438
Component parts <sup>(1)</sup>	376,456	327,522
Finished goods	91,787	74,594
Customer supplied inventory	20,563	14,543
On-hand inventory for which control has transferred to the customer	(189,124)	(159,953)
	<u>\$ 609,092</u>	<u>\$ 517,843</u>

(1)Component parts include items that can be sold separately as finished goods or included in the manufacture of other products.

#### Note 12. Property, plant, and equipment

	September 30, 2024	September 30, 2023
Land and land improvements	\$ 91,105	\$ 89,352
Buildings and building improvements	599,897	589,735
Leasehold improvements	22,022	21,079
Machinery and production equipment	849,595	807,244
Computer equipment and software	120,185	120,290
Office furniture and equipment	42,873	41,943
Other	33,392	20,073
Construction in progress	71,890	55,487
	<u>1,830,959</u>	<u>1,745,203</u>
Less accumulated depreciation	(890,244)	(832,109)
Property, plant, and equipment, net	<u>\$ 940,715</u>	<u>\$ 913,094</u>

Woodward had depreciation expense as follows:

	Year Ended September 30,		
	2024	2023	2022
Depreciation expense	<u>\$ 82,578</u>	<u>\$ 82,154</u>	<u>\$ 83,019</u>

#### Note 13. Goodwill

	September 30, 2023	Effects of Foreign Currency Translation	September 30, 2024
Aerospace	\$ 455,423	\$ —	\$ 455,423
Industrial	336,045	15,175	351,220
Consolidated	<u>\$ 791,468</u>	<u>\$ 15,175</u>	<u>\$ 806,643</u>

	September 30, 2022	Effects of Foreign Currency Translation	September 30, 2023
Aerospace	\$ 455,423	\$ —	\$ 455,423
Industrial	317,136	18,909	336,045
Consolidated	<u>\$ 772,559</u>	<u>\$ 18,909</u>	<u>\$ 791,468</u>

Woodward tests goodwill for impairment at the reporting unit level on an annual basis or at any time there is an indication goodwill may be impaired, commonly referred to as triggering events. Woodward completed its annual goodwill impairment test as of July 31, 2024 during the quarter ended September 30, 2024. The fair value of each of Woodward's reporting units was determined using a discounted cash flow method. This method represents a Level 3 input and incorporates various estimates and assumptions, the most significant being projected revenue growth rates, earnings margins, future tax rates, and the present value, based on an estimated weighted-average cost of capital (or the discount rate) and terminal growth rate, of forecasted cash flows. Management projects revenue growth rates, earnings margins, and cash flows based on each reporting unit's current operational results, expected performance, and operational strategies over a five-year period. These projections are adjusted to reflect current economic conditions and demand for certain products and require considerable management judgment.

Forecasted cash flows used in the July 31, 2024 impairment test were discounted using weighted-average cost of capital assumptions ranging from 10.31% to 10.33%. The terminal values of the forecasted cash flows were calculated using the Gordon Growth Model and assumed an annual compound growth rate after five years of 5.07%. These inputs, which are unobservable in the market and are Level 3 inputs, represent management's best estimate of what market participants would use in determining the present value of the Company's forecasted cash flows. Changes in these estimates and assumptions can have a significant impact on the fair value of forecasted cash flows. Woodward evaluated the reasonableness of the reporting units' resulting fair values utilizing a market multiple method. The results of Woodward's goodwill impairment test performed as of July 31, 2024 did not indicate impairment of any of Woodward's reporting units.

**Note 14. Intangible assets, net**

	September 30, 2024			September 30, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
<b>Intangible assets with finite lives:</b>						
<b>Customer relationships and contracts:</b>						
Aerospace	\$ 281,683	\$ (246,152)	\$ 35,531	\$ 281,683	\$ (236,143)	\$ 45,540
Industrial	399,030	(114,391)	284,639	378,804	(90,084)	288,720
Total	<u>\$ 680,713</u>	<u>\$ (360,543)</u>	<u>\$ 320,170</u>	<u>\$ 660,487</u>	<u>\$ (326,227)</u>	<u>\$ 334,260</u>
<b>Intellectual property:</b>						
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Industrial	3,139	(3,139)	—	3,139	(3,139)	—
Total	<u>\$ 3,139</u>	<u>\$ (3,139)</u>	<u>\$ —</u>	<u>\$ 3,139</u>	<u>\$ (3,139)</u>	<u>\$ —</u>
<b>Process technology:</b>						
Aerospace	\$ 44,570	\$ (40,346)	\$ 4,224	\$ 44,570	\$ (39,551)	\$ 5,019
Industrial	87,257	(35,983)	51,274	83,456	(31,709)	51,747
Total	<u>\$ 131,827</u>	<u>\$ (76,329)</u>	<u>\$ 55,498</u>	<u>\$ 128,026</u>	<u>\$ (71,260)</u>	<u>\$ 56,766</u>
<b>Other intangibles:</b>						
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Industrial	592	(592)	—	554	(524)	30
Total	<u>\$ 592</u>	<u>\$ (592)</u>	<u>\$ —</u>	<u>\$ 554</u>	<u>\$ (524)</u>	<u>\$ 30</u>
<b>Intangible asset with indefinite life:</b>						
<b>Trade name:</b>						
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Industrial	64,751	—	64,751	61,307	—	61,307
Total	<u>\$ 64,751</u>	<u>\$ —</u>	<u>\$ 64,751</u>	<u>\$ 61,307</u>	<u>\$ —</u>	<u>\$ 61,307</u>
<b>Total intangibles:</b>						
Aerospace	\$ 326,253	\$ (286,498)	\$ 39,755	\$ 326,253	\$ (275,694)	\$ 50,559
Industrial	554,769	(154,105)	400,664	527,260	(125,456)	401,804
Consolidated Total	<u>\$ 881,022</u>	<u>\$ (440,603)</u>	<u>\$ 440,419</u>	<u>\$ 853,513</u>	<u>\$ (401,150)</u>	<u>\$ 452,363</u>

**Indefinite lived intangible assets**

The Woodward L'Orange trade name intangible asset is tested for impairment on an annual basis and more often if an event occurs or circumstances change that indicate the fair value of the Woodward L'Orange intangible asset may be below its carrying amount. The impairment test consists of comparing the fair value of the Woodward L'Orange trade name intangible asset, determined using discounted cash flows based on the relief from royalty method under the income approach, with its carrying amount. If the carrying amount of the Woodward L'Orange trade name intangible asset exceeds its fair value, an impairment loss would be recognized to reduce the carrying amount to its fair value. Woodward has not recognized any impairment charges for this asset.

During the fourth quarter, Woodward completed its annual impairment test of the Woodward L'Orange trade name intangible asset as of July 31, 2024 for the fiscal year ended September 30, 2024. The fair value of the Woodward L'Orange trade name intangible assets was determined using discounted cash flows based on the relief from royalty method under the income approach. This method represents a Level 3 input and incorporates various estimates and assumptions, the most significant being projected revenue growth rates, royalty rates, future tax rates, and the present value, based on an estimated weighted-average cost of capital (or the discount rate) and terminal growth rate, of the forecasted cash flow. Management projects revenue growth rates and cash flows based on Woodward L'Orange's current operational results, expected performance, and operational strategies over a five year period. These projections are adjusted to reflect current economic conditions and demand for certain products and require considerable management judgment.

The forecasted cash flow used in the July 31, 2024 impairment test was discounted using weighted-average cost of capital assumption of 10.20%. The terminal value of the forecasted cash flow was calculated using the Gordon Growth Model and assumed an annual compound growth rate after five years of 5.07%. These inputs, which are unobservable in the market and are Level 3 inputs, represent management's best estimate of what market participants would use in determining the present value of the Company's forecasted cash flows. Changes in these estimates and assumptions can have a significant impact on the fair value of the forecasted cash flow. The results of impairment test performed as of July 31, 2024 indicated the estimated fair value of the Woodward L'Orange trade name intangible asset was in excess of its carrying value, and accordingly, no impairment existed.

#### **Finite-lived intangible assets**

Woodward recorded amortization expense associated with intangibles of the following:

	Year Ended September 30,		
	2024	2023	2022
Amortization expense	\$ 33,592	\$ 37,589	\$ 37,609

Future amortization expense associated with intangibles is expected to be:

#### **Year Ending September 30:**

2025	\$ 28,360
2026	28,350
2027	28,297
2028	27,704
2029	26,375
Thereafter	236,582
	<u>\$ 375,668</u>

#### **Note 15. Credit facilities, short-term borrowings, and long-term debt**

As of September 30, 2024, Woodward's short-term borrowings and availability under its various short-term credit facilities follows:

	Total availability	Outstanding letters of credit and guarantees	Banker acceptance notes issued	Outstanding borrowings	Remaining availability
Revolving credit facility	\$ 1,000,000	\$ (7,864)	\$ —	\$ (217,000)	\$ 775,136
Foreign lines of credit and overdraft facilities	25,604	(244)	(5,589)	—	19,771
Foreign performance guarantee facilities	97	(59)	—	—	38
	<u>\$ 1,025,701</u>	<u>\$ (8,167)</u>	<u>\$ (5,589)</u>	<u>\$ (217,000)</u>	<u>\$ 794,945</u>

#### **Revolving credit facility**

Woodward maintains a \$1,000,000 revolving credit facility established under a revolving credit agreement among Woodward, a syndicate of lenders and Wells Fargo Bank, National Association, as administrative agent, which provides for the option to increase available borrowings up to \$1,500,000, subject to lenders' participation (as amended in October 2022, the "Second Amended and Restated Revolving Credit Agreement"). Borrowings under the Second Amended and Restated Revolving Credit Agreement can be made by Woodward and certain of its foreign subsidiaries in U.S. dollars or in foreign currencies other than the U.S. dollar and generally bear interest at the Euro Interbank Offered Rate ("Euribor"), Sterling Overnight Index Average ("SONIA"), Tokyo Interbank Offered Rate ("TIBOR"), and Secured Overnight Financing Rate ("SOFR") base rates plus 0.875% to 1.75%. The Second Amended and Restated Revolving Credit Agreement matures on October 21, 2027. Under the Second Amended and Restated Revolving Credit Agreement, there were \$217,000 in principal borrowings outstanding as of September 30, 2024, at an effective interest rate of 5.82%, compared to no borrowings outstanding as of September 30, 2023.

The Second Amended and Restated Revolving Credit Agreement contains certain covenants customary with such agreements, which are generally consistent with the covenants applicable to Woodward's long-term debt agreements, and contains customary events of default, including certain cross default provisions related to Woodward's other outstanding material debt arrangements, the occurrence of which would permit the lenders to accelerate the amounts due thereunder. In addition, the Second Amended and Restated Revolving Credit Agreement includes the following financial covenants: (i) a maximum permitted leverage ratio of consolidated net debt to consolidated earnings before interest, taxes, depreciation,

stock-based compensation, and amortization, plus any unusual non-cash charges to the extent deducted in computing net income and transaction costs associated with permitted acquisitions (incurred within six-months of the permitted acquisition), minus any unusual non-cash gains to the extent added in computing net income ("Leverage Ratio") for Woodward and its consolidated subsidiaries of 3.5 to 1.0, which ratio, subject to certain restrictions, may increase to 4.0 to 1.0 for each period of four consecutive quarters during which a permitted acquisition occurs, and (ii) a minimum consolidated net worth of \$1,156,000 plus (a) 50% of Woodward's positive net income for the prior fiscal year and (b) 50% of Woodward's net cash proceeds resulting from certain issuances of stock, subject to certain adjustments.

The obligations of Woodward and from time-to-time certain of Woodward's foreign subsidiaries, under the Second Amended and Restated Revolving Credit Agreement are guaranteed by Woodward MPC, Inc., Woodward HRT, Inc., or in case of obligations with any foreign subsidiaries of Woodward that are borrowers thereunder, Woodward L'Orange GmbH, each of which is a wholly owned subsidiary of Woodward.

#### **Short-term borrowings**

Woodward has other foreign lines of credit and foreign overdraft facilities at various financial institutions, which are generally reviewed annually for renewal and are subject to the usual terms and conditions applied by the financial institutions. Pursuant to the terms of the related facility agreements, Woodward's foreign performance guarantee facilities are limited in use to providing performance guarantees to third parties.

Consistent with common business practice in China, Woodward's Chinese subsidiaries have issued bankers' acceptance notes ("Bank drafts") to Chinese suppliers in settlement of certain customer accounts payable. Bank drafts are financial instruments issued by Chinese financial institutions as part of financing arrangements between the financial institution and a customer of the financial institution. Bank drafts represent a commitment by the issuing financial institution to pay a certain amount of money at a specified future maturity date to the legal owner of the bankers' acceptance note as of the maturity date. Woodward has elected to adopt the practical expedient to not adjust the promised amounts of consideration at contract inception as the financing component associated with issuing bank drafts has a duration of less than one year. There were no borrowings outstanding on Woodward's foreign lines of credit and foreign overdraft facilities as of both September 30, 2024 and September 30, 2023.

#### **Long-term debt**

	September 30, 2024	September 30, 2023
Series H notes – 4.03%, due November 15, 2023; unsecured	\$ —	\$ 25,000
Series I notes – 4.18%, due November 15, 2025; unsecured	25,000	25,000
Series K notes – 4.03%, due November 15, 2023; unsecured	—	50,000
Series L notes – 4.18%, due November 15, 2025; unsecured	50,000	50,000
Series M notes – 1.12% due September 23, 2026; unsecured	44,656	42,280
Series N notes – 1.31% due September 23, 2028; unsecured	85,963	81,390
Series O notes – 1.57% due September 23, 2031; unsecured	48,005	45,451
Series P notes – 4.27% due May 30, 2025; unsecured	85,000	85,000
Series Q notes – 4.35% due May 30, 2027; unsecured	85,000	85,000
Series R notes – 4.41% due May 30, 2029; unsecured	75,000	75,000
Series S notes – 4.46% due May 30, 2030; unsecured	75,000	75,000
Series T notes – 4.61% due May 30, 2033; unsecured	80,000	80,000
Finance leases (Note 5)	2,736	3,550
Unamortized debt issuance costs	(890)	(1,145)
Total long-term debt	655,470	721,526
Less: Current portion of long-term debt	85,719	75,817
Long-term debt, less current portion	<u>\$ 569,751</u>	<u>\$ 645,709</u>

#### **The Notes**

On October 1, 2013, Woodward entered into a note purchase agreement relating to the sale by Woodward of an aggregate principal amount of \$250,000 of its senior unsecured notes in a series of private placement transactions. Woodward issued the Series H and I Notes (the "First Closing Notes") on October 1, 2013. Woodward issued the Series K and L Notes (the "Second Closing Notes" and with the First Closing Notes, collectively the "USD Notes") on November 15, 2013. On November 15, 2023, Woodward paid the entire principal balance of \$75,000 on the Series H and K Notes using proceeds from borrowings under its existing revolving credit facility.

On September 23, 2016, Woodward and the BV Subsidiary each entered into note purchase agreements (the "2016 Note Purchase Agreements") relating to the sale by Woodward and the BV Subsidiary of an aggregate principal amount of



€160,000 of senior unsecured notes in a series of private placement transactions. Woodward issued €40,000 Series M Notes. The BV Subsidiary issued (a) €77,000 aggregate principal amount of the BV Subsidiary's Series N Senior Notes (the "Series N Notes") and (b) €43,000 aggregate principal amount of the BV Subsidiary's Series O Senior Notes (the "Series O Notes" and together with the Series M Notes and the Series N Notes, the "2016 Notes").

On May 31, 2018, Woodward entered into a note purchase agreement (the "2018 Note Purchase Agreement") relating to the sale by Woodward of an aggregate principal amount of \$400,000 of senior unsecured notes comprised of (a) \$85,000 aggregate principal amount of its Series P Senior Notes (the "Series P Notes"), (b) \$85,000 aggregate principal amount of its Series Q Senior Notes (the "Series Q Notes"), (c) \$75,000 aggregate principal amount of its Series R Senior Notes (the "Series R Notes"), (d) \$75,000 aggregate principal amount of its Series S Senior Notes (the "Series S Notes"), and (e) \$80,000 aggregate principal amount of its Series T Senior Notes (the "Series T Notes", and together with the Series P Notes, the Series Q Notes, the Series R Notes, and the Series S Notes, the "2018 Notes," and, together with the USD Notes and 2016 Notes, the "Notes"), in a series of private placement transactions.

In connection with the issuance of the 2018 Notes, the Company entered into cross-currency swap transactions in respect of each tranche of the 2018 Notes, which effectively reduced the interest rates on the Series P Notes to 1.82% per annum, the Series Q Notes to 2.15% per annum, the Series R Notes to 2.42% per annum, the Series S Notes to 2.55% per annum and the Series T Notes to 2.90% per annum. The Company entered into the 2020 Floating-Rate Cross-Currency Swap and 2020 Fixed-Rate Cross-Currency Swaps, which effectively resulted in the interest rates on the Series P Notes being 3.44% per annum, the Series Q Notes to 3.44% per annum, the Series R Notes to 3.45% per annum, the Series S Notes to 3.50% per annum and the Series T Notes to 3.62% per annum (see Note 8, *Derivative instruments and hedging activities*).

Interest on the USD Notes are payable semi-annually on April 1 and October 1 of each year until all principal is paid. Interest on the 2016 Notes is payable semi-annually on March 23 and September 23 of each year, until all principal is paid.

None of the Notes were registered under the Securities Act of 1933 and they may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Holders of the Notes do not have any registration rights. All of the issued Notes are held by multiple institutions.

Woodward's payment and performance obligations under the Notes, including without limitation the obligations for payment of all principal, interest, and any applicable prepayment compensation amount, are guaranteed by (i) Woodward FST, Inc., Woodward MPC, Inc., and Woodward HRT, Inc., each of which is a wholly owned subsidiary of Woodward, and (ii) in the case of the BV Subsidiary's Series N and O Notes, by Woodward. Woodward's obligations under the Notes rank equal in right of payment with all of Woodward's other unsecured unsubordinated debt, including its outstanding debt under its revolving credit facility.

The Notes contain restrictive covenants customary for such financings, including, among other things, covenants that place limits on Woodward's ability to incur liens on assets, incur additional debt (including a leverage or coverage-based maintenance test), transfer or sell Woodward's assets, merge or consolidate with other persons and enter into material transactions with affiliates. Under the financial covenants contained in the note purchase agreement governing each series of the Notes, Woodward's priority debt may not exceed, at any time, 15% of its consolidated net worth. Woodward's Leverage Ratio cannot exceed 4.0 to 1.0 during any material acquisition period, or 3.5 to 1.0 at any other time on a rolling four quarter basis. In the event that Woodward's Leverage Ratio exceeds 3.5 to 1.0 during any material acquisition period, the interest rate on each series of Notes will increase. The minimum consolidated net worth, prior year positive net income, and net cash proceeds resulting from certain issuances of stock for satisfaction of Woodward's leverage ratio are consistent between the Notes and Revolving Credit Agreement.

Required future principal payments of the Notes and financing leases as of September 30, 2024 are as follows:

**Year Ending September 30:**

2025	\$	85,719
2026		119,658
2027		85,021
2028		87,209
2029		75,000
Thereafter		203,753
	<u>\$</u>	<u>656,360</u>

Certain financial and other covenants under Woodward's debt agreements contain customary restrictions on the operation of its business. Management believes that Woodward was in compliance with the covenants under the long-term debt agreements at September 30, 2024.

#### **Debt Issuance Costs**

In connection with the Second Amended and Restated Revolving Credit Agreement, Woodward incurred \$2,236 in debt issuance costs, which are deferred and are being amortized using the straight-line method over the life of the agreement. Amounts recognized as interest expense from the amortization of debt issuance costs were \$929 in fiscal year 2024, \$963 in fiscal year 2023, and \$917 in fiscal year 2022. Unamortized debt issuance costs associated with the Notes of \$890 as of September 30, 2024 and \$1,145 as of September 30, 2023 were recorded as a reduction in "Long-term debt, less current portion" in the Consolidated Balance Sheets. Unamortized debt issuance costs associated with Woodward's Revolving Credit Agreements of \$1,977 as of September 30, 2024 and \$2,636 as of September 30, 2023 were recorded as "Other assets" in the Consolidated Balance Sheets. Amortization of debt issuance costs is included in operating activities in the Consolidated Statements of Cash Flows.

#### **Note 16. Accrued liabilities**

	September 30, 2024	September 30, 2023
Salaries and other member benefits	\$ 151,921	\$ 146,713
Product warranties and related liabilities	18,844	18,162
Interest payable	12,163	13,611
Accrued retirement benefits	2,888	2,822
Net current contract liabilities	56,791	33,748
Taxes, other than income	15,884	13,436
Other	34,151	34,124
	<u>\$ 292,642</u>	<u>\$ 262,616</u>

#### **Product warranties and related liabilities**

Provisions of Woodward's sales agreements include product warranties customary to these types of agreements. Accruals are established for specifically identified warranty issues and related liabilities that are probable to result in future costs. Warranty costs are accrued as revenue is recognized on a non-specific basis whenever past experience indicates a normal and predictable pattern exists. Changes in accrued product warranties and related liabilities were as follows:

	2024	2023	2022
Beginning of period	\$ 18,162	\$ 40,042	\$ 17,481
Additions, net of recoveries	13,797	25,984	29,827
Reductions for settlement	(13,368)	(47,949)	(6,937)
Foreign currency exchange rate changes	253	85	(329)
End of period	<u>\$ 18,844</u>	<u>\$ 18,162</u>	<u>\$ 40,042</u>

#### **Restructuring charges**

During fiscal year 2023, the Company committed to a cost reduction plan ("Cost Reduction Plan") to better align the cost structure and recorded \$5,172 of restructuring charges. The charges recognized under the Cost Reduction Plan consist of workforce management costs primarily related to aligning the cost structure of the Company's Industrial segment with the current market conditions. All of the restructuring charges were recorded as nonsegment expenses and were paid as of September 30, 2023.

In fiscal year 2022, the Company determined to implement a streamlined Aerospace and Industrial organizational and leadership structure designed to enhance the sales experience for customers, simplify operations, and increase profitability through improved execution. In connection with leadership changes arising from such reorganization, we recorded \$1,083 of restructuring charges as nonsegment expenses and were paid as of September 30, 2023.

In fiscal year 2021, the Company recorded aggregate restructuring charges totaling \$5,008 as nonsegment expenses for two separate workforce management actions, one in our hydraulics systems business and one in our engine systems business. In fiscal year 2022, we experienced a challenging operating environment that included the ongoing impact of global supply chain and labor disruptions, along with high inflation, which resulted in changed business conditions as compared to when we initially recorded the restructuring charges in fiscal year 2021. We adapted to the changed business conditions by, among other initiatives, (i) developing and implementing plans to insource select machined components, (ii)

redeploying talent and adding indirect resources to our factories to stabilize the production environment, and (iii) determining to retain employees that otherwise would have been impacted by the planned restructuring activities to support a stable workforce and effectively manage through attrition. As such, the remaining unpaid accrued restructuring charges, which amounted to \$4,503, were no longer needed and were reversed.

The summary of activity in accrued restructuring charges is as follows:

	September 30, 2022		Period Activity		Non-cash activity	September 30, 2023
		Charges	Payments			
Workforce management costs associated with:						
Cost reduction plan	\$ —	\$ 5,172	\$ (5,207)	\$ 35	\$ —	
Aerospace	139	—	(139)	—	—	
Industrial	944	—	(944)	—	—	
Total	<u>\$ 1,083</u>	<u>\$ 5,172</u>	<u>\$ (6,290)</u>	<u>\$ 35</u>	<u>\$ —</u>	

There were no restructuring charges during the year ended September 30, 2024.

#### Note 17. Other liabilities

	September 30, 2024	September 30, 2023
Net accrued retirement benefits, less amounts recognized within accrued liabilities	\$ 83,094	\$ 72,570
Total unrecognized tax benefits	10,104	8,020
Noncurrent income taxes payable	5,894	10,714
Deferred economic incentives <sup>(1)</sup>	7,062	5,797
Noncurrent operating lease liabilities	22,670	20,685
Cross-currency swap derivative liability	10,562	—
Net noncurrent contract liabilities	424,609	414,657
Other	13,385	11,047
	<u>\$ 577,380</u>	<u>\$ 543,490</u>

(1) Woodward receives certain economic incentives from various state and local authorities related to capital expansion projects. Such amounts are initially recorded as deferred credits and are being recognized as a reduction to pre-tax expense over the economic lives of the related capital expansion projects.

#### Note 18. Other (income) expense, net

	Year Ended September 30,		
	2024	2023	2022
Equity interest in the earnings of the JV	\$ (41,191)	\$ (36,846)	\$ (18,193)
Net (gain) loss on sales of assets and businesses	(457)	1,491	(1,775)
Gain on non-recurring matter related to a previous acquisition	(4,803)	—	—
Rent income	(347)	(360)	(672)
Net (gain) loss on investments in deferred compensation program	(6,571)	(3,265)	6,295
Other components of net periodic pension and other postretirement benefit, excluding service cost and interest expense	(11,764)	(10,547)	(11,572)
Other	(2,035)	(764)	(774)
	<u>\$ (67,168)</u>	<u>\$ (50,291)</u>	<u>\$ (26,691)</u>

#### Note 19. Income taxes

Income taxes consisted of the following:

	Year Ended September 30,		
	2024	2023	2022
Current:			
Federal	\$ 46,102	\$ 41,195	\$ 21,869
State	4,841	2,641	2,310
Foreign	74,663	39,719	27,577
Deferred:			
Federal	(18,888)	(38,136)	(13,216)
State	(7,341)	(10,006)	(8,623)
Foreign	(18,377)	7,987	(1,717)
	<u>\$ 81,000</u>	<u>\$ 43,400</u>	<u>\$ 28,200</u>

Earnings before income taxes by geographical area consisted of the following:

	Year Ended September 30,		
	2024	2023	2022
United States	\$ 244,320	\$ 122,389	\$ 99,427
Other countries	209,651	153,379	100,471
	<u>\$ 453,971</u>	<u>\$ 275,768</u>	<u>\$ 199,898</u>

Significant components of deferred income taxes presented in the Consolidated Balance Sheets are related to the following:

	September 30, 2024	September 30, 2023
<b>Deferred tax assets:</b>		
Defined benefit plans, other postretirement	\$ 3,695	\$ 3,769
Foreign net operating loss carryforwards	6,547	3,748
Inventory	77,013	68,034
Stock-based and other compensation	48,360	51,099
Deferred revenue net of unbilled receivables	43,400	46,283
Other reserves	7,850	8,244
Tax credits and incentives	30,886	28,319
Lease obligations	6,851	6,103
Other	4,622	4,476
Capitalized research and development costs	63,080	37,328
Valuation allowance	(5,983)	(3,827)
Total deferred tax assets, net of valuation allowance	286,321	253,576
<b>Deferred tax liabilities:</b>		
Goodwill and intangibles - net	(198,012)	(194,891)
Property, plant and equipment	(97,340)	(99,547)
Right of use assets	(6,691)	(5,948)
Defined benefit plans, pension	(13,133)	(9,892)
Other	(8,612)	(17,568)
Total deferred tax liabilities	(323,788)	(327,846)
<b>Net deferred tax liabilities</b>	<u>\$ (37,467)</u>	<u>\$ (74,270)</u>

Woodward has recorded a net operating loss ("NOL") deferred tax asset of \$6,547 as of September 30, 2024 and \$3,748 as of September 30, 2023. The majority of the NOL carryforwards as of September 30, 2024 expire at various times beginning in fiscal years 2027 through 2029.

Woodward has recorded tax credits and incentives deferred tax assets of \$30,886 as of September 30, 2024 and \$28,319 as of September 30, 2023. The majority of the tax credit and incentive carryforwards as of September 30, 2024 expire at various times beginning in fiscal year 2025 through 2035.

Deferred tax assets are reduced by a valuation allowance when the realization of the deferred tax asset is less than 50 percent likely. Both positive and negative evidence are considered in forming Woodward's judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. Valuation allowances are reassessed whenever there are changes in circumstances that may cause a change in judgment.

The change in the valuation allowance was primarily the result of adjusting an existing valuation allowance for a current year foreign net operating loss that we assess is not realizable.

At September 30, 2024, Woodward has not provided for taxes on undistributed foreign earnings of \$361,600 that it considered indefinitely reinvested. This balance has been reduced for foreign earnings that are now considered distributable and resulted in the booking of an associated net deferred tax liability of approximately \$6,100 in the quarter. These earnings could become subject to income taxes if they are remitted as dividends, are loaned to Woodward or any of Woodward's subsidiaries located in the United States, or if Woodward sells its stock in the foreign subsidiaries. Any additional U.S. taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time these amounts are repatriated. Based on these variables, it is impractical to determine the income tax liability that might be incurred if these funds were to be repatriated.

The following is a reconciliation of the U.S. federal statutory tax 21% in the fiscal years ended September 30, 2024, September 30, 2023, and September 30, 2022 to Woodward's effective income tax rate:

	Year Ending September 30,		
	2024	2023	2022
<b>Percent of pretax earnings</b>			
Statutory tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal tax benefit	(0.4)	(1.6)	(2.5)
Taxes on international activities	(0.8)	(0.6)	0.8
Research credit	(2.1)	(3.9)	(4.5)
Net excess income tax benefit from stock-based compensation	(3.0)	(3.7)	(2.5)
Adjustments of prior period tax items	0.9	(1.3)	—
Compensation and benefits	0.8	0.6	0.3
Distributable foreign earnings	1.4	4.6	—
Other items, net	—	0.6	1.5
Effective tax rate	17.8%	15.7%	14.1%

In determining the tax amounts in Woodward's financial statements, estimates are sometimes used that are subsequently adjusted in the actual filing of tax returns or by updated calculations. In addition, Woodward occasionally has resolutions of tax items with tax authorities related to prior years due to the conclusion of audits and the lapse of applicable statutes of limitations. Such adjustments are included in the "Adjustments of prior period tax items" line in the above table.

The increase in the effective tax rate for fiscal year 2024 compared to fiscal year 2023 is primarily attributable to a smaller research and development credit, smaller net excess income tax benefit from stock-based compensation as percent of current year earnings, fewer resolutions of tax items with taxing authorities in the current fiscal year, and increased return to provision items in the current fiscal year. This increase is partially offset by smaller current fiscal year projected future withholding taxes on unremitted earnings.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

	Year Ending September 30,		
	2024	2023	2022
Beginning balance	\$ 11,112	\$ 11,938	\$ 15,199
Additions to current year tax positions	5,673	3,933	1,783
Reductions to prior year tax positions	(99)	(141)	(963)
Additions to prior year tax positions	180	—	112
Lapse of applicable statute of limitations	(2,592)	(4,618)	(4,193)
Ending balance	<u>\$ 14,274</u>	<u>\$ 11,112</u>	<u>\$ 11,938</u>

Included in the balance of unrecognized tax benefits were \$8,003 as of September 30, 2024 and \$6,963 as of September 30, 2023 of tax benefits that, if recognized, would affect the effective tax rate. At this time, Woodward estimates that it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as \$1,909 in the next twelve months due to the completion of review by tax authorities, lapses of statutes, and the settlement of tax positions. Woodward accrues for potential interest and penalties related to unrecognized tax benefits and all other interest and penalties related to tax payments in tax expense.

Woodward's tax returns are subject to audits by U.S. federal, state, and foreign tax authorities, and these audits are at various stages of completion at any given time. Reviews of tax matters by authorities and lapses of the applicable statutes of limitation may result in changes to tax expense. Woodward's fiscal years remaining open to examination for U.S. federal income taxes include fiscal years 2021 and thereafter. Woodward's fiscal years remaining open to examination for significant U.S. state income tax jurisdictions include fiscal years 2018 and thereafter. Woodward's, fiscal years remaining open to examination in significant foreign jurisdictions include 2018 and thereafter.

#### Note 20. Retirement benefits

Woodward provides various retirement benefits to eligible members of the Company, including contributions to various defined contribution plans, pension benefits associated with defined benefit plans, postretirement medical benefits, and postretirement life insurance benefits. Eligibility requirements and benefit levels vary depending on employee location.

### Defined contribution plans

Most of the Company's U.S. employees are eligible to participate in the U.S. defined contribution plan. The U.S. defined contribution plan allows employees to defer part of their annual income for income tax purposes into their personal 401(k) accounts. The Company makes matching contributions to eligible employee accounts, which are also deferred for employee personal income tax purposes. Certain non-U.S. employees are also eligible to participate in similar non-U.S. plans.

Most of Woodward's U.S. employees receive an annual contribution of Woodward stock, equal to 5% of their eligible prior year wages, to their personal Woodward Retirement Savings Plan accounts. In the second quarters of fiscal years 2024, 2023, and 2022, Woodward fulfilled its annual Woodward stock contribution obligation using shares held in treasury stock by issuing a total of 159 shares of common stock for a value of \$21,889 in fiscal year 2024, 188 total shares of common stock for a value of \$19,466 in fiscal year 2023, and 150 shares of common stock for a value of \$17,132 in fiscal year 2022. The Woodward Retirement Savings Plan (the "WRS Plan") held 2,222 shares of Woodward stock as of September 30, 2024 and 2,441 shares as of September 30, 2023. The shares held in the WRS Plan participate in dividends and are considered issued and outstanding for purposes of calculating basic and diluted earnings per share. Accrued liabilities included obligations to contribute shares of Woodward common stock to the WRS Plan in the amount of \$19,532 as of September 30, 2024 and \$16,634 as of September 30, 2023.

The amount of expense associated with defined contribution plans was as follows:

	Year Ended September 30,		
	2024	2023	2022
Company costs	\$ 51,148	\$ 44,202	\$ 40,898

### Defined benefit plans

Woodward has defined benefit plans that provide pension benefits for certain retired employees in the United States, the United Kingdom, Japan, and Germany. Woodward also provides other postretirement benefits to its employees including postretirement medical benefits and life insurance benefits. Postretirement medical benefits are provided to certain current and retired employees and their covered dependents and beneficiaries in the United States and the United Kingdom. Life insurance benefits are provided to certain retirees in the United States under frozen plans, which are no longer available to current employees. A September 30 measurement date is utilized to value plan assets and obligations for all of Woodward's defined benefit pension and other postretirement benefit plans.

Excluding the Woodward HRT Plan, which is only partially frozen to salaried participants, the defined benefit plans in the United States were frozen in fiscal year 2007; no additional employees may participate in the U.S. plans, and no additional service costs will be incurred.

### Pension Plans

The actuarial assumptions used in measuring the net periodic benefit cost and plan obligations of retirement pension benefits were as follows:

	2024	At September 30, 2023	2022
<b>United States:</b>			
Weighted-average assumptions to determine benefit obligation:			
Discount rate	5.05 %	6.20 %	5.70 %
Weighted-average assumptions to determine periodic benefit costs:			
Discount rate	6.20	5.70	3.05
Long-term rate of return on plan assets	6.03	5.53	5.00

The discount rate assumption is intended to reflect the rate at which the retirement benefits could be effectively settled based upon the assumed timing of the benefit payments.

In the United States, Woodward uses a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least \$50 million outstanding to determine the benefit obligations at year end.

	2024	At September 30, 2023	2022
<b>United Kingdom:</b>			
Weighted-average assumptions to determine benefit obligation:			
Discount rate	5.28 %	5.85 %	5.35 %
Rate of compensation increase	3.40	3.60	4.00
Weighted-average assumptions to determine periodic benefit costs:			
Discount rate - service cost	5.91	4.99	2.15
Discount rate - interest cost	5.84	5.71	1.83
Rate of compensation increase	3.60	4.00	4.00
Long-term rate of return on plan assets	4.90	4.80	3.80

	2024	At September 30, 2023	2022
<b>Japan:</b>			
Weighted-average assumptions to determine benefit obligation:			
Discount rate	1.92 %	2.01 %	1.60 %
Rate of compensation increase	3.00	2.00	2.00
Weighted-average assumptions to determine periodic benefit costs:			
Discount rate - service cost	2.20	1.78	1.13
Discount rate - interest cost	1.58	1.17	0.65
Rate of compensation increase	2.00	2.00	2.25
Long-term rate of return on plan assets	3.25	2.75	2.00

	2024	At September 30, 2023	2022
<b>Germany:</b>			
Weighted-average assumptions to determine benefit obligation:			
Discount rate	3.58 %	4.27 %	3.97 %
Rate of compensation increase	2.50	2.50	2.50
Weighted-average assumptions to determine periodic benefit costs:			
Discount rate - service cost	4.23	3.95	1.54
Discount rate - interest cost	4.29	3.91	1.06
Rate of compensation increase	2.50	2.50	2.50

In the United Kingdom, Germany, and Japan, Woodward uses a high-quality corporate bond yield curve matched with separate cash flows to develop a single rate to determine the single rate equivalent to settle the entire benefit obligations in each jurisdiction. For the fiscal years ended September 30, 2024 and 2023, the discount rate used to determine periodic service cost and interest cost components of the overall benefit costs was based on spot rates derived from the same high-quality corporate bond yield curve used to determine the September 30, 2023 and 2022 benefit obligation, respectively, matched with separate cash flows for each future year.

Compensation increase assumptions, where applicable, are based upon historical experience and anticipated future management actions.

In determining the long-term rate of return on plan assets, Woodward assumes that the historical long-term compound growth rates of equity and fixed-income securities will predict the future returns of similar investments in the plan portfolio. Investment management and other fees paid out of the plan assets are factored into the determination of asset return assumptions.

Mortality assumptions are based on published mortality studies developed primarily based on past experience of the broad population and modified for projected longevity trends. The projected benefit obligations in the United States as of September 30, 2024 and September 30, 2023 were based on the Society of Actuaries ("SOA") Pri-2012 Mortality Tables Report using the SOA's Mortality Improvement Scale MP-2019 ("MP-2019") and projected forward using a custom projection scale based on MP-2019 with a 5-year convergence period and a long-term rate of 0.75%.

As of September 30, 2024 and September 30, 2023, mortality assumptions in Japan were based on the Standard rates 2020, and mortality assumptions for the United Kingdom pension scheme were based on the self-administered pension

scheme ("SAPS") S3 "all" tables with a projected 1.5% annual improvement rate. As of September 30, 2024 and September 30, 2023, mortality assumptions in Germany were based on the Heubeck 2018 G mortality tables.

Net periodic benefit costs consist of the following components reflected as expense in Woodward's Consolidated Statement of Earnings:

	United States			Year Ended September 30, Other Countries			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Service cost	\$ 775	\$ 893	\$ 1,554	\$ 1,244	\$ 1,333	\$ 2,339	\$ 2,019	\$ 2,226	\$ 3,893
Interest cost	7,598	7,297	5,281	3,213	3,137	1,612	10,811	10,434	6,893
Expected return on plan assets	(9,084)	(8,297)	(10,853)	(2,406)	(2,300)	(2,434)	(11,490)	(10,597)	(13,287)
Amortization of:									
Net loss (gain)	226	292	259	(679)	(620)	555	(453)	(328)	814
Net prior service cost	698	698	981	23	22	23	721	720	1,004
Net periodic cost (benefit)	<u>\$ 213</u>	<u>\$ 883</u>	<u>\$ (2,778)</u>	<u>\$ 1,395</u>	<u>\$ 1,572</u>	<u>\$ 2,095</u>	<u>\$ 1,608</u>	<u>\$ 2,455</u>	<u>\$ (683)</u>

The following tables provide a reconciliation of the changes in the projected benefit obligation and fair value of assets for the defined benefit pension plans:

	United States		At or for the Year Ended September 30, Other Countries		Total	
	2024	2023	2024	2023	2024	2023
<b>Changes in projected benefit obligation:</b>						
Projected benefit obligation at beginning of year	\$ 127,222	\$ 132,444	\$ 67,263	\$ 65,477	\$ 194,485	\$ 197,921
Plan amendment	1,121	—	—	—	1,121	—
Service cost	775	893	1,244	1,333	2,019	2,226
Interest cost	7,598	7,297	3,213	3,137	10,811	10,434
Net actuarial losses (gains)	13,249	(4,946)	4,128	(4,442)	17,377	(9,388)
Contribution by participants	—	—	12	11	12	11
Benefits paid	(9,010)	(8,466)	(3,647)	(3,365)	(12,657)	(11,831)
Foreign currency exchange rate changes	—	—	5,134	5,112	5,134	5,112
Projected benefit obligation at end of year	<u>\$ 140,955</u>	<u>\$ 127,222</u>	<u>\$ 77,347</u>	<u>\$ 67,263</u>	<u>\$ 218,302</u>	<u>\$ 194,485</u>
<b>Changes in fair value of plan assets:</b>						
Fair value of plan assets at beginning of year	\$ 155,370	\$ 154,481	\$ 50,775	\$ 47,579	\$ 206,145	\$ 202,060
Actual return on plan assets	33,382	9,355	3,866	573	37,248	9,928
Contributions by the Company	175	—	1,863	2,322	2,038	2,322
Contributions by plan participants	—	—	12	11	12	11
Benefits paid	(9,010)	(8,466)	(3,647)	(3,365)	(12,657)	(11,831)
Foreign currency exchange rate changes	—	—	4,607	3,655	4,607	3,655
Fair value of plan assets at end of year	<u>\$ 179,917</u>	<u>\$ 155,370</u>	<u>\$ 57,476</u>	<u>\$ 50,775</u>	<u>\$ 237,393</u>	<u>\$ 206,145</u>
Net over/(under) funded status at end of year	<u>\$ 38,962</u>	<u>\$ 28,148</u>	<u>\$ (19,871)</u>	<u>\$ (16,488)</u>	<u>\$ 19,091</u>	<u>\$ 11,660</u>

At September 30, 2024, the Company's defined benefit pension plans in the United Kingdom, Japan, and Germany represented \$34,220, \$6,747, and \$36,380 of the total projected benefit obligation, respectively. At September 30, 2024, the United Kingdom and Japan pension plan assets represented \$48,098 and \$9,378 of the total fair value of all plan assets, respectively. The German pension plans are unfunded and have no plan assets.

The largest contributor to the net actuarial losses affecting the funded status for the defined benefit pension plans in the United States, United Kingdom, Japan, and Germany is due to a decrease in the discount rates.

The accumulated benefit obligations of the Company's defined benefit pension plans at September 30, 2024 was \$140,955 in the United States, \$33,766 in the United Kingdom, \$5,958 in Japan, and \$36,380 in Germany, and at September 30, 2023 was \$127,222 in the United States, \$30,067 in the United Kingdom, \$5,790 in Japan, and \$30,547 in Germany.



	Plans with accumulated benefit obligation in excess of plan assets At September 30,		Plans with accumulated benefit obligation less than plan assets At September 30,	
	2024	2023	2024	2023
Projected benefit obligation	\$ (56,783)	\$ (49,726)	\$ (161,519)	\$ (144,759)
Accumulated benefit obligation	(56,757)	(49,711)	(160,302)	(143,914)
Fair value of plan assets	20,053	18,047	217,340	188,098

The following tables provide the amounts recognized in the Consolidated Balance Sheets and accumulated other comprehensive (earnings) losses for the defined benefit pension plans:

	United States		Year Ended September 30, Other Countries		Total	
	2024	2023	2024	2023	2024	2023
<b>Amounts recognized in the Consolidated Balance Sheets consist of:</b>						
Other non-current assets	\$ 39,148	\$ 29,172	\$ 16,673	\$ 14,167	\$ 55,821	\$ 43,339
Accrued liabilities	—	—	(1,166)	(1,084)	(1,166)	(1,084)
Other non-current liabilities	(186)	(1,024)	(35,378)	(29,571)	(35,564)	(30,595)
Net over/(under) funded status at end of year	\$ 38,962	\$ 28,148	\$ (19,871)	\$ (16,488)	\$ 19,091	\$ 11,660
<b>Amounts recognized in accumulated other comprehensive (earnings) losses consist of:</b>						
Unrecognized net prior service cost	\$ 3,200	\$ 2,777	\$ 509	\$ 487	\$ 3,709	\$ 3,264
Unrecognized net losses (gains)	(2,749)	8,527	(4,655)	(7,847)	(7,404)	680
Total amounts recognized	451	11,304	(4,146)	(7,360)	(3,695)	3,944
Deferred taxes	(3,499)	(6,101)	(191)	808	(3,690)	(5,293)
Amounts recognized in accumulated other comprehensive (earnings) losses	\$ (3,048)	\$ 5,203	\$ (4,337)	\$ (6,552)	\$ (7,385)	\$ (1,349)

The following table reconciles the changes in accumulated other comprehensive (earnings) losses for the defined benefit pension plans:

	United States		Year Ended September 30, Other Countries		Total	
	2024	2023	2024	2023	2024	2023
Beginning of year	\$ 11,304	\$ 18,297	\$ (7,360)	\$ (4,997)	\$ 3,944	\$ 13,300
Net (gain) loss	(11,050)	(6,003)	2,668	(2,716)	(8,382)	(8,719)
Prior service cost	1,121	—	—	—	1,121	—
Amortization of:						
Net (loss) gain	(226)	(292)	679	620	453	328
Prior service cost	(698)	(698)	(23)	(22)	(721)	(720)
Foreign currency exchange rate changes	—	—	(110)	(245)	(110)	(245)
End of year	\$ 451	\$ 11,304	\$ (4,146)	\$ (7,360)	\$ (3,695)	\$ 3,944

Pension benefit payments are made from the assets of the pension plans. The German pension plans are unfunded; therefore, benefit payments are made from Company contributions into these plans as required to meet the payment obligations. Using foreign exchange rates as of September 30, 2024 and expected future service assumptions, it is anticipated that the future benefit payments will be as follows:

Year Ending September 30,	United States	Other Countries	Total
2025	\$ 9,637	\$ 3,553	\$ 13,190
2026	9,997	3,656	13,653
2027	10,253	3,768	14,021
2028	10,481	4,047	14,528
2029	10,655	4,097	14,752
2030-2034	53,308	24,350	77,658

Woodward expects its pension plan contributions in fiscal year 2025 will be \$277 in the United Kingdom, \$147 in Japan, and \$1,185 in Germany. Woodward expects to have no pension plan contributions in fiscal year 2025 in the United States.

#### Pension plan assets

The overall investment objective of the pension plan assets is to earn a rate of return over time which, when combined with Company contributions, satisfies the benefit obligations of the pension plans and maintains sufficient liquidity to pay benefits.

As the timing and nature of the plan obligations varies for each Company sponsored pension plan, investment strategies have been individually designed for each pension plan with a common focus on maintaining diversified investment portfolios that provide for long-term growth while minimizing the risk to principal associated with short-term market behavior. The strategy for each of the plans balances the requirements to generate returns, using investments expected to produce higher returns, such as equity securities, with the need to control risk within the pension plans using less volatile investment assets, such as debt securities. A strategy of more equity-oriented allocation is adopted for those plans which have a longer-term investment plan based on the timing of the associated benefit obligations.

Risks associated with the plan assets include interest rate fluctuation risk, market fluctuation risk, risk of default by debt issuers, and liquidity risk. To manage these risks, the assets are managed by established, professional investment firms and performance is evaluated regularly by the Company's investment committee against specific benchmarks and each plan's investment objectives. Liability management and asset class diversification are central to the Company's risk management approach and overall investment strategy.

The assets of the U.S. plans are invested in actively managed mutual funds. The assets of the plans in the United Kingdom and Japan are invested in actively managed pooled investment funds. Each individual mutual fund or pooled investment fund has been selected based on the investment strategy of the related plan, which mirrors a specific asset class within the associated target allocation. The plans in Germany are unfunded and have no plan assets. Pension plan assets at September 30, 2024 and 2023 do not include any direct investment in Woodward's common stock.

The asset allocations are monitored and rebalanced regularly by investment managers assigned to the individual pension plans. The actual allocations of pension plan assets and target allocation ranges by asset class, are as follows:

		At September 30,						
		2024			2023			
	Percentage of Plan Assets	Target Allocation Ranges			Percentage of Plan Assets	Target Allocation Ranges		
United States:								
Asset Class								
Equity Securities	30.5%	2.3%	—	51.1%	31.9%	2.3%	—	51.2%
Debt Securities	67.6%	58.9%	—	96.7%	66.6%	58.8%	—	96.5%
Other	1.9%	0.0%			1.5%	0.0%		
	100.0%				100.0%			
United Kingdom:								
Asset Class								
Equity Securities	0.0%	0.0%			20.7%	10.0%	—	30.0%
Debt Securities	95.8%	90.0%	—	100.0%	79.2%	70.0%	—	90.0%
Other	4.2%	0.0%	—	10.0%	0.1%	0.0%		
	100.0%				100.0%			
Japan:								
Asset Class								
Equity Securities	39.7%	36.0%	—	44.0%	40.0%	36.0%	—	44.0%
Debt Securities	59.4%	55.0%	—	63.0%	60.0%	55.0%	—	63.0%
Other	0.9%	0.0%	—	2.0%	0.0%	0.0%	—	2.0%
	100.0%				100.0%			

Actual allocations to each asset class can vary from target allocations due to periodic market value fluctuations, investment strategy changes, and the timing of benefit payments and contributions.

The following tables present Woodward's pension plan assets using the fair value hierarchy established by U.S. GAAP:

Asset Category:	At September 30, 2024							Total
	Level 1		Level 2		Level 3			
	United States	Other Countries	United States	Other Countries	United States	Other Countries		
Cash and cash equivalents	\$ 3,370	\$ 2,130	\$ —	\$ —	\$ —	\$ —	\$ 5,500	
Mutual funds:								
U.S. corporate bond fund	121,581	—	—	—	—	—	121,581	
U.S. equity large cap fund	33,454	—	—	—	—	—	33,454	
International equity large cap growth fund	21,512	—	—	—	—	—	21,512	
Pooled funds:								
Japanese equity securities	—	—	—	1,939	—	—	1,939	
International equity securities	—	—	—	1,786	—	—	1,786	
Japanese fixed income securities	—	—	—	4,157	—	—	4,157	
International fixed income securities	—	—	—	1,409	—	—	1,409	
Index linked U.K. corporate bonds fund	—	—	—	17,085	—	—	17,085	
Index linked U.K. government securities fund	—	—	—	12,049	—	—	12,049	
Index linked U.K. long-term government securities fund	—	—	—	14,924	—	—	14,924	
Index U.K long-term government securities fund	—	—	—	1,997	—	—	1,997	
Total assets	\$ 179,917	\$ 2,130	\$ —	\$ 55,346	\$ —	\$ —	\$ 237,393	

Asset Category:	At September 30, 2023							
	Level 1		Level 2		Level 3		Total	
	United States	Other Countries	United States	Other Countries	United States	Other Countries		
Cash and cash equivalents	\$ 2,385	\$ 149	\$ —	\$ —	\$ —	\$ —	\$ 2,534	
Mutual funds:								
U.S. corporate bond fund	103,401	—	—	—	—	—	103,401	
U.S. equity large cap fund	31,136	—	—	—	—	—	31,136	
International equity large cap growth fund	18,448	—	—	—	—	—	18,448	
Pooled funds:								
Japanese equity securities	—	—	—	1,830	—	—	1,830	
International equity securities	—	—	—	1,600	—	—	1,600	
Japanese fixed income securities	—	—	—	3,785	—	—	3,785	
International fixed income securities	—	—	—	1,287	—	—	1,287	
Global target return equity/bond fund	—	—	—	8,719	—	—	8,719	
Index linked U.K. corporate bonds fund	—	—	—	14,319	—	—	14,319	
Index linked U.K. government securities fund	—	—	—	14,601	—	—	14,601	
Index linked U.K. long-term government securities fund	—	—	—	4,485	—	—	4,485	
Total assets	\$ 155,370	\$ 149	\$ —	\$ 50,626	\$ —	\$ —	\$ 206,145	

*Cash and cash equivalents:* Cash and cash equivalents held by the Company's pension plans are held on deposit with creditworthy financial institutions. The fair value of the cash and cash equivalents are based on the quoted market price of the respective currency in which the cash is maintained.

*Pension assets invested in mutual funds:* The assets of the Company's U.S. pension plans are invested in various mutual funds which invest in both equity and debt securities. The fair value of the mutual funds is determined based on the quoted market price of each fund.

*Pension assets invested in pooled funds:* The assets of the Company's Japan and United Kingdom pension plans are invested in pooled investment funds, which include both equity and debt securities. The assets of the United Kingdom pension plan are invested in index-linked pooled funds which aim to replicate the movements of an underlying market index to which the fund is linked. Fair value of the pooled funds is based on the net asset value of shares held by the plan as reported by the fund sponsors. All pooled funds held by plans outside of the United States are considered to be invested in international equity and debt securities. Although the underlying securities may be largely domestic to the plan holding the investment assets, the underlying assets are considered international from the perspective of the Company.

There were no transfers into or out of Level 3 assets in fiscal years 2024 or 2023.

#### **Other postretirement benefit plans**

Woodward provides other postretirement benefits to its employees including postretirement medical benefits and life insurance benefits. Postretirement medical benefits are provided to certain current and retired employees and their covered dependents and beneficiaries in the United States. Benefits include the option to elect company provided medical insurance coverage to age 65 and a Medicare supplemental plan after age 65. Life insurance benefits are also provided to certain retirees in the United States under frozen plans which are no longer available to current employees. A September 30 measurement date is utilized to value plan assets and obligations for Woodward's other postretirement benefit plans.

The postretirement medical benefit plans, other than the plan assumed in an acquisition in fiscal year 2009, were frozen in fiscal year 2006, and no additional employees may participate in the plans. Generally, employees who had attained age 55 and had rendered 10 or more years of service before the plans were frozen were eligible for these postretirement medical benefits.

Certain participating retirees are required to contribute to the plans in order to maintain coverage. The plans provide postretirement medical benefits for approximately 3 retired employees and their covered dependents and beneficiaries and may provide future benefits to 347 active employees and their covered dependents and beneficiaries, upon retirement, if the employees elect to participate. All the postretirement medical plans are fully insured for retirees who have attained age 65.

The actuarial assumptions used in measuring the net periodic benefit cost and plan obligations of postretirement benefits were as follows:

	2024	At September 30,		2022
		2023		
Weighted-average discount rate used to determine benefit obligation	5.00 %	6.25 %	5.70 %	5.70 %
Weighted-average discount rate used to determine net periodic benefit cost	6.25	5.70		2.80

The discount rate assumption is intended to reflect the rate at which the postretirement benefits could be effectively settled based upon the assumed timing of the benefit payments.

Woodward used a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least \$50 million outstanding to determine the benefit obligations at year end.

Mortality assumptions are based on published mortality studies developed primarily based on past experience of the broad population and modified for projected longevity trends. The projected benefit obligations in the United States as of September 30, 2024 and September 30, 2023 were based on the SOA Pri-2012 Mortality Tables Report using the SOA's MP-2019 and projected forward using a custom projection scale based on MP-2019 with a 5-year convergence period and a long-term rate of 0.75%.

Assumed healthcare cost trend rates at September 30, were as follows:

	2024		2023	
Health care cost trend rate assumed for next year		6.00 %		6.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)		5.00 %		5.00 %
Year that the rate reaches the ultimate trend rate		2030		2030

Net periodic benefit costs consist of the following components reflected as expense in Woodward's Consolidated Statements of Earnings:

	2024	Year Ended September 30, 2023	2022
Service cost	\$ —	\$ 1	\$ 1
Interest cost	902	904	577
Amortization of:			
Net gain	(555)	(495)	(94)
Net periodic cost	<u>\$ 347</u>	<u>\$ 410</u>	<u>\$ 484</u>

The following table provides a reconciliation of the changes in the accumulated postretirement benefit obligation and fair value of assets for the postretirement benefits:

	2024	Year Ended September 30, 2023
<b>Changes in accumulated postretirement benefit obligation:</b>		
Accumulated postretirement benefit obligation at beginning of year	\$ 15,336	\$ 16,797
Service cost	—	1
Interest cost	902	904
Premiums paid by plan participants	834	873
Net actuarial loss (gain)	597	(682)
Benefits paid	(2,466)	(2,557)
Accumulated postretirement benefit obligation at end of year	<u>\$ 15,203</u>	<u>\$ 15,336</u>
<b>Changes in fair value of plan assets:</b>		
Fair value of plan assets at beginning of year	\$ —	\$ —
Contributions by the company	1,632	1,684
Premiums paid by plan participants	834	873
Benefits paid	(2,466)	(2,557)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status at end of year	<u>\$ (15,203)</u>	<u>\$ (15,336)</u>

The following tables provide the amounts recognized in the Consolidated Balance Sheets and accumulated other comprehensive (earnings) losses for the postretirement plans:

	2024	Year Ended September 30, 2023
<b>Amounts recognized in Consolidated Balance Sheets consist of:</b>		
Accrued liabilities	\$ (1,668)	\$ (1,739)
Other non-current liabilities	(13,535)	(13,597)
Funded status at end of year	<u>\$ (15,203)</u>	<u>\$ (15,336)</u>
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>		
Unrecognized net prior service cost (benefit)	\$ —	\$ —
Unrecognized net gains	(5,260)	(6,412)
Total amounts recognized	(5,260)	(6,412)
Deferred taxes	1,009	1,292
Amounts recognized in accumulated other comprehensive (earnings)	<u>\$ (4,251)</u>	<u>\$ (5,120)</u>

Woodward pays plan benefits from its general funds; therefore, there are no segregated plan assets as of September 30, 2024 or September 30, 2023.

The accumulated benefit obligations of the Company's postretirement plans were \$15,203 at September 30, 2024 and \$15,336 at September 30, 2023. The largest contributor to the actuarial loss affecting the Company's postretirement plans accumulated benefit obligations was a decrease in the discount rate.

The following table reconciles the changes in accumulated other comprehensive (earnings) losses for the other postretirement benefit plans:

	Year Ended September 30,	
	2024	2023
Beginning of year	\$ (6,412)	\$ (6,225)
Net loss (gain)	597	(682)
Amortization of:		
Net gain	555	495
End of year	<u>\$ (5,260)</u>	<u>\$ (6,412)</u>

Using expected future service, it is anticipated that the future Company contributions to pay benefits for other postretirement benefit plans, excluding participate contributions, will be as follows:

Year Ending September 30,	
2025	\$ 2,519
2026	2,447
2027	2,357
2028	2,267
2029	2,171
2030-2034	9,101

## Note 21. Stockholders' equity

### Common stock and treasury stock

Activity in common stock and treasury stock shares are as follows:

	Common Stock	Treasury Stock	Treasury stock held for deferred compensation
Balances as of September 30, 2021	72,960	(9,702)	(167)
Purchase of treasury stock	—	(4,123)	—
Sales of treasury stock	—	468	—
Common shares issued for benefit plans	—	150	—
Purchases of stock by deferred compensation	—	—	(3)
Distribution of stock from deferred compensation	—	—	31
Balances as of September 30, 2022	<u>72,960</u>	<u>(13,207)</u>	<u>(139)</u>
Balances as of September 30, 2022	72,960	(13,207)	(139)
Purchase of treasury stock	—	(1,060)	—
Sales of treasury stock	—	1,009	—
Common shares issued for benefit plans	—	188	—
Purchases of stock by deferred compensation	—	—	(2)
Distribution of stock from deferred compensation	—	—	86
Balances as of September 30, 2023	<u>72,960</u>	<u>(13,070)</u>	<u>(55)</u>
Balances as of September 30, 2023	72,960	(13,070)	(55)
Purchase of treasury stock	—	(2,236)	—
Sales of treasury stock	—	1,360	—
Common shares issued for benefit plans	—	159	—
Purchases of stock by deferred compensation	—	—	(1)
Distribution of stock from deferred compensation	—	—	11
Balances as of September 30, 2024	<u>72,960</u>	<u>(13,787)</u>	<u>(45)</u>

### Stock repurchase program

In November 2019, the Board had authorized a program for the repurchase of up to \$500,000 of Woodward's outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period that was scheduled to expire in November 2022 (the "2019 Authorization"). During fiscal year 2022, we repurchased 233 shares of our common stock for \$26,742 under the 2019 Authorization.

In January 2022, the Board terminated the 2019 Authorization and concurrently authorized a program for the repurchase of up to \$800,000 of Woodward's outstanding shares of common stock on the open market or in privately negotiated transactions over a two-year period ending in January 2024 (the "2022 Authorization"). During fiscal year 2023, we repurchased 1,060 shares of our common stock for \$126,380 under the 2022 Authorization, as compared to 3,890 shares of our common stock for \$446,042 under the 2022 Authorization during fiscal year 2022.

In January 2024, the Board terminated the 2022 Authorization, which was nearing expiration, and concurrently authorized a new program for the repurchase of up to \$600,000 of Woodward's outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period ending in January 2027 (the "2024 Authorization"). During fiscal year 2024, we repurchased 2,236 shares of our common stock for \$390,819 under the 2024 Authorization.

#### Stock-based compensation

Provisions governing non-qualified stock option awards, restricted stock units ("RSUs"), and performance restricted stock units ("PSUs") are included in the 2017 Omnibus Incentive Plan, as amended from time to time (the "2017 Plan") and with respect to outstanding stock options awarded in or prior to fiscal year 2016, the 2006 Omnibus Incentive Plan (the "2006 Plan").

The 2017 Plan was approved by Woodward's stockholders in January 2017 and is a successor plan to the 2006 Plan. As of September 14, 2016, the effective date of the 2017 Plan, the Board delegated authority to administer the 2017 Plan to the Human Capital & Compensation Committee of the Board, including, but not limited to, the power to determine the recipients of awards and the terms of those awards.

#### Stock options

Stock option awards are granted with an exercise price equal to the market price of Woodward's stock at the date the grants are awarded, a ten-year term, and generally have a four-year vesting schedule at a rate of 25% per year.

The fair value of options granted is estimated as of the grant date using the Black-Scholes-Merton option-valuation model using the assumptions in the following table. Woodward calculates the expected term, which represents the average period of time that stock options granted are expected to be outstanding, based upon historical experience of plan participants. Expected volatility is based on historical volatility using daily stock price observations. The estimated dividend yield is based upon Woodward's historical dividend practice and the market value of its common stock. The risk-free rate is based on the U.S. treasury yield curve, for periods within the contractual life of the stock option, at the time of grant.

	Year Ended September 30,					
	2024		2023		2022	
Weighted-average exercise price per share	\$	137.36	\$	84.84	\$	115.3
Expected term (years)	6.6	-	8.7	6.6	-	8.7
Estimated volatility	35.0 %	-	37.6 %	34.7 %	-	33.8 %
Estimated dividend yield	0.7 %	-	0.7 %	0.7 %	-	0.6 %
Risk-free interest rate	4.2 %	-	4.4 %	3.4 %	-	1.1 %

The weighted average grant date fair value of options granted follows:

	Year Ended September 30,		
	2024	2023	2022
Weighted-average grant date fair value of options	\$ 58.34	\$ 34.19	\$ 41.78

The following is a summary of the activity for stock option awards during the fiscal year ended September 30, 2024:

	Number of options	Weighted-Average Exercise Price Per Share
Balance at September 30, 2023	4,842	\$ 80.48
Granted	87	137.36
Exercised	(1,340)	69.23
Forfeited	(11)	96.82
Balance at September 30, 2024	3,578	\$ 86.03

Changes in non-vested stock options during the fiscal year ended September 30, 2024 were as follows:

	Number of options	Weighted-Average Grant Date Fair Value Per Share
Balance at September 30, 2023	1,393	\$ 33.96
Granted	87	58.34
Vested	(572)	32.36
Forfeited	(10)	37.76
Balance at September 30, 2024	898	\$ 37.30

Information about stock options that have vested, or are expected to vest, and are exercisable at September 30, 2024 was as follows:

	Number of options	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Aggregate Intrinsic Value
Options outstanding	3,578	\$ 86.03	5.3	\$ 305,872
Options vested and exercisable	2,680	82.14	4.5	239,541
Options vested and expected to vest	3,557	85.91	5.2	304,515

Other information follows:

	Year Ended September 30,		
	2024	2023	2022
Total fair value of stock options vested	\$ 18,527	\$ 24,388	\$ 18,945
Total intrinsic value of options exercised	115,198	67,203	32,709
Cash received from exercises of stock options	89,875	50,749	21,897
Excess tax benefit realized from exercise of stock options	17,939	12,595	6,472

#### Restricted stock units

The Company generally grants RSUs to eligible employees under its form RSU agreement for employees (the "Standard Form RSU Agreement"). RSUs granted under the Standard Form RSU Agreement prior to November 14, 2023, generally have a four-year vesting schedule at a rate of 25% per year, and RSUs granted after November 14, 2023 have a three-year vesting schedule at a rate of 33.3% per year, in each case generally subject to continued employment. The fair value of RSUs granted are estimated using the closing price of the Company's stock on the grant date.

The Company has also granted RSUs to certain employees under its form attraction and retention RSU agreement (the "Form Attraction and Retention RSU Agreement"), which has from time to time been used for new hires and specific retention purposes. RSUs granted under the Form Attraction and Retention RSU Agreement are generally scheduled to fully vest on the third or fourth anniversary of the respective grant dates, and in each case, subject to continued employment.

A summary of the activity for RSUs:

	Number of units	Weighted-Average Grant Date Fair Value
Balance at September 30, 2023	177	\$ 93.46
Granted	178	139.04
Vested	(30)	88.97
Forfeited	(7)	149.02
Balance at September 30, 2024	318	\$ 118.19

#### Performance restricted stock units

In November 2023, the Company granted PSUs to certain eligible employees under the form PSU agreement that generally will vest subject to a market condition and a service condition through the performance period. The market condition associated with the awards is based on the Company's relative total shareholder return ("TSR") compared to the TSR generated by the other companies that comprise the S&P 400 Midcap Index over a three-year performance period. Performance at target will result in vesting and issuance of the number of PSUs granted, equal to 100% payout.



Performance below or above target can result in an issuance of between 0% - 150% of the target number of PSUs granted. Expense is recognized based on the weighted average grant date fair value on a straight line basis over the service period, irrespective as to whether the market condition is achieved.

The fair value of the PSUs for the November 2023 grant was determined based upon a Monte Carlo valuation method. The assumptions used in the Monte Carlo method to value the PSUs granted, which includes the grant date fair value outcome from the Monte Carlo method, were as follows:

	September 30, 2024
Expected volatility	30.2%
Risk free interest rate	4.5%
Expected life	3 years
Grant date fair value	\$ 146.47

The PSUs granted receive dividend equivalent units; therefore, no discount was applied for Woodward's dividends.

A summary of the activity for PSUs:

	Number of units	Weighted-Average Grant Date Fair Value
Beginning balance	—	\$ —
Granted	66	146.47
Forfeited	(4)	146.47
Ending balance	<u>62</u>	<u>\$ 146.47</u>

#### Stock-based compensation expense

Woodward recognizes stock-based compensation expense on a straight-line basis over the requisite service period. Pursuant to the form agreements used by the Company, with terms approved by the administrator of the applicable plan, the requisite service period can be less than the four-year vesting period based on grantee's retirement eligibility. As such, the recognition of stock-based compensation expense associated with some grants can be accelerated to a period of less than four years, including immediate recognition of stock-based compensation expense on the date of grant.

Stock-based compensation expense recognized was as follows:

	2024	Year Ended September 30, 2023	2022
Employee stock-based compensation expense	<u>\$ 33,052</u>	<u>\$ 23,958</u>	<u>\$ 20,109</u>

In connection with an executive separation and release agreement entered into by the Company, Woodward recognized an additional \$1,682 and \$1,265 of stock-based compensation expense, before tax, during fiscal year 2024 and fiscal year 2023, respectively.

At September 30, 2024, there was approximately \$26,694 of total unrecognized compensation expense related to non-vested stock-based compensation arrangements, including stock options, restricted stock, and performance stock awards. The pre-vesting forfeiture rates for purposes of determining stock-based compensation expense recognized were estimated to be 0.0% for members of Woodward's Board and 7.4% for all others. The remaining unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately 1.79 years.

#### Note 22. Commitments and contingencies

Woodward enters into unconditional purchase obligation arrangements (i.e., issuance of purchase orders, obligations to transfer funds in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, such as

"take-or-pay" contracts) in the normal course of business to ensure that adequate levels of sourced product are available to Woodward. Future minimum unconditional purchase obligations are as follows:

<b>Year Ending September 30:</b>		
2025	\$	676,009
2026		179,213
2027		70,212
2028		1,542
2029		5
Thereafter		88
Total	\$	<u>927,069</u>

The U.S. Government, and other governments, may terminate any of Woodward's government contracts (and, in general, subcontracts) at their convenience, as well as for default based on specified performance measurements. If any of Woodward's government contracts were to be terminated for convenience, the Company generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of Woodward's government contracts were to be terminated for Woodward's default, the U.S. Government generally would pay only for the work accepted and could require Woodward to pay the difference between the original contract price and the cost to re-procure the contract items, net of the work accepted from the original contract. The U.S. Government could also hold Woodward liable for damages resulting from the default.

Woodward is currently involved in claims, pending or threatened litigation or other legal proceedings, investigations, and/or regulatory proceedings arising in the normal course of business, including, among others, those relating to product liability claims, employment matters, worker's compensation claims, contractual disputes, product warranty claims, and alleged violations of various laws and regulations. Woodward accrues for known individual matters using estimates of the most likely amount of loss where it believes that it is probable the matter will result in a loss when ultimately resolved and such loss is reasonably estimable. Legal costs are expensed as incurred and are classified in "Selling, general, and administrative expenses" on the Consolidated Statements of Earnings.

Woodward is partially self-insured in the United States for healthcare and worker's compensation up to predetermined amounts, above which third party insurance applies. Management regularly reviews the probable outcome of related claims and proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for liabilities.

While the outcome of pending claims, legal and regulatory proceedings, and investigations cannot be predicted with certainty, management believes that any liabilities that may result from these claims, proceedings, and investigations will not have a material effect on Woodward's liquidity, financial condition, or results of operations.

In the event of a change in control of Woodward, as defined in change-in-control agreements with its current corporate officers, Woodward may be required to pay termination benefits to any such officer if such officer's employment is terminated within two years following the change of control.

### **Note 23. Segment information**

Woodward serves the aerospace and industrial markets through its two reportable segments - Aerospace and Industrial. When appropriate, Woodward's reportable segments are aggregations of Woodward's operating segments. Woodward uses operating segment information internally to manage its business, including the assessment of operating segment performance and decisions for the allocation of resources between operating segments.

The accounting policies of the reportable segments are the same as those of the Company. Woodward evaluates segment profit or loss based on internal performance measures for each segment in a given period. In connection with that assessment, Woodward generally excludes matters such as certain charges for restructuring, interest income and expense, certain gains and losses from asset dispositions, or other non-recurring and/or non-operationally related expenses.

A summary of consolidated net sales and earnings by segment follows:

	2024	Year Ended September 30, 2023	2022
<b>Segment external net sales:</b>			
Aerospace	\$ 2,028,618	\$ 1,768,103	\$ 1,519,322
Industrial	1,295,631	1,146,463	863,468
Total consolidated net sales	<u>\$ 3,324,249</u>	<u>\$ 2,914,566</u>	<u>\$ 2,382,790</u>
<b>Segment earnings:</b>			
Aerospace	\$ 385,360	\$ 290,104	\$ 230,933
Industrial	229,857	161,622	82,788
Nonsegment expenses	(119,745)	(130,811)	(81,092)
Interest Expense, net	(41,501)	(45,147)	(32,731)
Consolidated earnings before income taxes	<u>\$ 453,971</u>	<u>\$ 275,768</u>	<u>\$ 199,898</u>

Segment assets consist of accounts receivable, inventories, property, plant, and equipment, net, goodwill, and other intangibles, net. A summary of consolidated total assets, consolidated depreciation and amortization, and consolidated capital expenditures follows:

	2024	Year Ended September 30, 2023	2022
<b>Segment assets:</b>			
Aerospace	\$ 1,936,507	\$ 1,829,410	\$ 1,773,854
Industrial	1,509,495	1,490,341	1,380,446
Unallocated corporate property, plant and equipment, net	120,946	104,962	111,760
Other unallocated assets	801,967	585,490	540,386
Consolidated total assets	<u>\$ 4,368,915</u>	<u>\$ 4,010,203</u>	<u>\$ 3,806,446</u>
<b>Segment depreciation and amortization:</b>			
Aerospace	\$ 55,305	\$ 59,880	\$ 60,176
Industrial	49,779	51,167	50,584
Unallocated corporate amounts	11,086	8,696	9,868
Consolidated depreciation and amortization	<u>\$ 116,170</u>	<u>\$ 119,743</u>	<u>\$ 120,628</u>
<b>Segment capital expenditures:</b>			
Aerospace	\$ 55,989	\$ 56,913	\$ 23,253
Industrial	41,930	21,855	12,399
Unallocated corporate amounts	(1,639)	(2,268)	17,216
Consolidated capital expenditures	<u>\$ 96,280</u>	<u>\$ 76,500</u>	<u>\$ 52,868</u>

We had no customers who accounted for approximately 10% or more of our consolidated net sales for the fiscal year ended September 30, 2024. RTX Corporation was our largest customer during the fiscal year ended September 30, 2024. All sales were made by Woodward's Aerospace segment and totaled approximately 9% of net sales in fiscal year 2024, 10% of net sales in fiscal year 2023, and 11% of net sales in fiscal year 2022.

Accounts receivable from RTX Corporation totaled approximately 6% of accounts receivable at September 30, 2024 and 4% of accounts receivable at September 30, 2023.

U.S. Government related sales from Woodward's reportable segments were as follows:

	Direct U.S. Government Sales	Indirect U.S. Government Sales	Total U.S. Government Related Sales
<b>Fiscal year ended September 30, 2024</b>			
Aerospace	\$ 107,978	\$ 443,370	\$ 551,348
Industrial	9,039	10,273	19,312
Total net external sales	<u>\$ 117,017</u>	<u>\$ 453,643</u>	<u>\$ 570,660</u>
Percentage of total net sales	<u>3 %</u>	<u>14 %</u>	<u>17 %</u>
<b>Fiscal year ended September 30, 2023</b>			
Aerospace	\$ 99,848	\$ 363,835	\$ 463,683
Industrial	7,524	14,840	22,364
Total net external sales	<u>\$ 107,372</u>	<u>\$ 378,675</u>	<u>\$ 486,047</u>
Percentage of total net sales	<u>4 %</u>	<u>13 %</u>	<u>17 %</u>
<b>Fiscal year ended September 30, 2022</b>			
Aerospace	\$ 93,266	\$ 433,646	\$ 526,912
Industrial	4,759	6,052	10,811
Total net external sales	<u>\$ 98,025</u>	<u>\$ 439,698</u>	<u>\$ 537,723</u>
Percentage of total net sales	<u>4 %</u>	<u>19 %</u>	<u>23 %</u>

#### Note 24. Subsequent events

On November 15, 2024, Woodward entered into an agreement to sell the Industrial heavy duty gas turbine combustion parts product line located in Greenville, South Carolina to GE Vernova, subject to customary purchase price adjustments. The agreement for the sale of the product line is expected to result in a gain and close later in fiscal year 2025.

#### Item 9. Changes in and Disagreements with Accountants

There have been no disagreements or any reportable events requiring disclosure under Item 304(b) of Regulation S-K.

#### Item 9A. Controls and Procedures

We have established disclosure controls and procedures, which are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Act is accumulated and communicated to management, including our Principal Executive Officer (Charles P. Blankenship, Jr., Chairman of the Board, Chief Executive Officer, and President) and Principal Financial and Accounting Officer (William F. Lacey, Chief Financial Officer), as appropriate, to allow timely decisions regarding required disclosures.

Charles P. Blankenship, Jr. and William F. Lacey evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. Based on their evaluations, they concluded that our disclosure controls and procedures were effective as of September 30, 2024.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) for the Company. Our management has evaluated the effectiveness of internal control over financial reporting using the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and, based on that evaluation, concluded that the Company's internal control over financial reporting was effective as of September 30, 2024, the end of the Company's most recent fiscal year.

Deloitte & Touche LLP (PCAOB ID No. 34), an independent registered public accounting firm, conducted an audit of Woodward's internal control over financial reporting as of September 30, 2024 as stated in their report included in "Item 8 – Financial Statements and Supplementary Data."

Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

There have been no changes in our internal control over financial reporting during the fourth fiscal quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

During the quarter ended September 30, 2024, no directors or officers, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

### **PART III**

The information required by Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the annual meeting of stockholders to be held on January 29, 2025 which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

#### **Item 10. Directors, Executive Officers, and Corporate Governance**

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Securities Act of 1934, and regarding our Audit Committee is included under the captions "Proposal 1: Election of Directors," "Board Meetings and Committees – Audit Committee" (including information with respect to audit committee financial experts), "Executive Officers", "Stock Ownership of Directors and Executive Officers," and, "Delinquent Section 16(a) Reports" in our Proxy Statement related to the Annual Meeting of Stockholders to be held virtually on January 29, 2025 (the "Proxy Statement") and is incorporated herein by reference. There have been no material changes to the procedures by which security holders may recommend nominees to our Board.

Our Board has adopted a Code of Business Conduct and Ethics for directors, officers, and employees. We have also adopted a Code of Ethics for Senior Financial Officers and Other Finance Members. These codes are posted on our Website. The Internet address for our Website is [www.woodward.com](http://www.woodward.com), and the codes may be found from our main Web page by clicking first on "Investors" and then on "Governance," and then on "Governance Documents", and then on "Woodward Codes of Business Conduct and Ethics."

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K or the Nasdaq listing rules regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information to our Website, at the address and location specified above.

#### **Item 11. Executive Compensation**

Information regarding executive compensation is under the captions "Board Meetings and Committees – Non-Employee Director Compensation," "Board Meetings and Committees – Human Capital & Compensation Committee – Human Capital & Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Human Capital & Compensation Committee Report," "Executive Compensation" and "Board Meetings and Committees – Human Capital & Compensation Committee – Risk Assessment" in our Proxy Statement, and is incorporated herein by reference, except the section captioned "Compensation Committee Report on Compensation Discussion and Analysis" is hereby "furnished" and not "filed" with this Form 10-K.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is under the tables captioned "Stock Ownership of Directors & Executive Officers," "Persons Owning More Than 5% of Woodward Common Stock," and "Executive Compensation – Equity Compensation Plan Information" in our Proxy Statement, and is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information set forth under "Related Person Transaction Policies and Procedures," "Proposal 1: Election of Directors" and "Audit Committee Report to Stockholders" in our Proxy Statement and is incorporated herein by reference except the section captioned "Audit Committee Report to Stockholders" is hereby "furnished" and not "filed" with this Form 10-K.

#### **Item 14. Principal Accountant Fees and Services**

Information regarding principal accountant fees and services is under the captions "Audit Committee Report to Stockholders – Audit Committee's Pre-Approval Policy and Procedures and "Audit Committee Report to Stockholders – Fees Paid to Independent Registered Public Accounting Firm" in our Proxy Statement, and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

	Page Number in Form 10-K
(a) (1) Consolidated Financial Statements:	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	40
<a href="#">Consolidated Statements of Earnings for the fiscal years ended September 30, 2024, 2023, and 2022</a>	43
<a href="#">Consolidated Statements of Comprehensive Earnings for the fiscal years ended September 30, 2024, 2023, and 2022</a>	44
<a href="#">Consolidated Balance Sheets at September 30, 2024 and 2023</a>	45
<a href="#">Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2024, 2023, and 2022</a>	46
<a href="#">Consolidated Statements of Stockholders' Equity for the fiscal years ended September 30, 2024, 2023, and 2022</a>	47
<a href="#">Notes to Consolidated Financial Statements</a>	48

Financial statements and schedules other than those listed above are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the footnotes.

(a) (2)	<a href="#">Exhibits Filed as Part of This Report:</a>	
‡ 2.1	<a href="#">Share Purchase Agreement relating to the sale and purchase of all shares in L'Orange GmbH and Fluid Mechanics LLC dated April 8, 2018, filed as Exhibit 2.1 to Quarterly Report on Form 10-Q, filed on August 8, 2018</a>	
‡ 3.1	<a href="#">Restated Certificate of Incorporation, as amended October 3, 2007, filed as Exhibit 3(i)(a) to Annual Report on Form 10-K filed November 20, 2008</a>	
‡ 3.2	<a href="#">Bylaws of Woodward, Inc., as amended and restated on January 11, 2020, filed as Exhibit 3.1 to Annual Report on Form 10-K filed on November 18, 2022</a>	
‡ 3.3	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated January 23, 2008, filed as Exhibit 3(i)(b) to Annual Report on Form 10-K filed November 20, 2008</a>	
‡ 3.4	<a href="#">Certificate of Amendment of the Restated Certificate of Incorporation, dated January 26, 2011, filed as Exhibit 3.1 to Current Report on Form 8-K filed January 28, 2011</a>	
‡ 3.5	<a href="#">Certificate of Designation of Rights, Preferences and Privileges of Series B Preferred Stock</a>	
* 4.1	<a href="#">Form of Common Stock Certificate</a>	
* 4.2	<a href="#">Description of Capital Stock</a>	
†‡ 10.1	<a href="#">Long-Term Management Incentive Compensation Plan, filed as Exhibit 10(c) to Annual Report on Form 10-K filed December 22, 2000</a>	
†‡ 10.2	<a href="#">Summary Description of the Woodward Variable Incentive Plan, filed as Exhibit 10.2 to Annual Report on Form 10-K filed November 16, 2016</a>	

- †† 10.3 [2006 Omnibus Incentive Plan, effective January 25, 2006, filed as Exhibit 4.1 to Registration Statement on Form S-8 filed April 28, 2006](#)
- †† 10.4 [Amendment No. 1 to the Woodward, Inc. 2006 Omnibus Incentive Plan, effective as of January 26, 2011, filed as Exhibit 10.10 to Annual Report on Form 10-K filed November 16, 2011](#)
- †† 10.5 [2017 Omnibus Incentive Plan, as amended January 25, 2023, filed as Exhibit 99.1 to Current Report on Form 8-K filed January 31, 2023](#)
- †† 10.6 [Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to Quarterly Report on Form 10-Q filed January 25, 2017](#)
- ‡ 10.7 [Amendment No. 1 to 2008 Note Purchase Agreement, dated as of October 1, 2013, by and among the Company and the noteholders named therein, filed as Exhibit 10.2 to Current Report on Form 8-K filed October 4, 2013](#)
- ‡ 10.8 [Note Purchase Agreement, dated October 1, 2013, by and among the Company and the purchasers named therein, filed as Exhibit 10.1 to Current Report on Form 8-K filed October 4, 2013](#)
- ‡ 10.9 [Note Purchase Agreement, dated September 23, 2016, by and among the Company and the purchasers named therein, filed as Exhibit 10.20 to Annual Report on Form 10-K filed November 16, 2016](#)
- ‡ 10.10 [Note Purchase Agreement, dated September 23, 2016, by and among Woodward International Holding B.V. and the purchasers named therein, filed as Exhibit 10.21 to Annual Report on Form 10-K filed November 16, 2016](#)
- †† 10.11 [Form of Change in Control Agreement for the Company's principal executive officer and other executive officers, filed as Exhibit 10.25 to Annual Report on Form 10-K filed November 12, 2014](#)
- †† 10.12 [Executive Benefit Plan, as amended and restated as of September 18, 2013, filed as Exhibit 10.31 to Annual Report on Form 10-K filed November 14, 2013](#)
- †† 10.13 [Woodward Retirement Savings Plan, as amended and restated effective as of January 1, 2016, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed February 9, 2016](#)
- †† 10.14 [Thomas G. Cromwell employment offer letter, dated January 30, 2019, filed as exhibit 10.1 to Quarterly Report on Form 10-Q filed May 8, 2019](#)
- ‡ 10.15 [Purchase and Sale Agreement between Woodward, Inc. and General Electric Company dated January 4, 2016 filed as Exhibit 2.1 to Current Report on Form 8-K filed January 8, 2016](#)
- ‡ 10.16 [Amended and Restated Limited Liability Company Agreement of Convergence Fuel Systems, LLC, dated January 4, 2016 filed as Exhibit 10.1 to Current Report on Form 8-K filed January 8, 2016](#)
- ‡ 10.17 [Frame Development and Purchase Agreement between MTU Friedrichshafen GmbH and L'Orange GmbH, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q, filed August 8, 2018](#)
- ‡ 10.18 [Note Purchase Agreement, dated May 31, 2018, by and among Woodward, Inc. and the purchasers named therein, filed as Exhibit 10.1 to Current Report on Form 8-K, filed June 4, 2018](#)
- ‡ 10.19 [Amendment No. 1 to 2013 Note Purchase Agreement, dated as of May 31, 2018, by and among Woodward, Inc. and the noteholders names therein, filed as Exhibit 10.2 to Current Report on Form 8-K, filed June 4, 2018](#)
- ‡ 10.20 [Amendment No. 1 to 2016 Series M Note Purchase Agreement, dated as of May 31, 2018, by and among Woodward, Inc. and the noteholders names therein filed as Exhibit 10.3 to Current Report on Form 8-K, filed June 4, 2018](#)
- ‡ 10.21 [Amendment No. 1 to 2016 Series N and O Note Purchase Agreement, dated as of May 31, 2018, by and among Woodward International Holding B.V., Woodward, Inc. and the noteholders names therein, filed as Exhibit 10.4 to Current Report on Form 8-K, filed June 4, 2018](#)



‡	10.22	<a href="#"><u>Amended and Restated Credit Agreement dated November 24, 2019, by and among the Company, certain foreign subsidiaries borrowers of the Company from time to time parties thereto, the institutions from time to time party thereto, as lenders, Wells Fargo Bank, National Association, as administrative agent, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q, filed February 4, 2022</u></a>
‡‡	10.23	<a href="#"><u>Form of Non-Qualified Stock Option Agreement filed as Exhibit 10.40 to Annual Report on Form 10-K, filed November 13, 2018</u></a>
‡‡	10.24	<a href="#"><u>Amended and Restated Executive Severance and Change in Control Agreement filed as Exhibit 10.29 to Annual Report on Form 10-K, filed November 19, 2021</u></a>
‡	10.25	<a href="#"><u>Form of Restricted Stock Unit Agreement, filed as Exhibit 10.39 to Annual Report on Form 10-K, filed November 13, 2018</u></a>
‡‡	10.26	<a href="#"><u>Charles P. Blankenship Jr. employment offer letter, dated April 19th, 2022, filed as Exhibit 10.3 to Quarterly Report on Form 10-Q, filed on May 6, 2022</u></a>
‡	10.27	<a href="#"><u>Second Amended and Restated Credit Agreement dated October 21, 2022, by and among the Company, certain foreign subsidiaries borrowers of the Company from time to time parties thereto, the institutions from time-to-time party thereto, as lenders, Wells Fargo Bank, National Association, as administrative agent filed as Exhibit 10.31 to Annual Report on Form 10-K, filed on November 18, 2022</u></a>
‡‡	10.28	<a href="#"><u>Second Amended and Restated Executive Severance and Change in Control Agreement filed as Exhibit 10.32 to Annual Report on Form 10-K, filed on November 18, 2022</u></a>
‡	10.29	<a href="#"><u>Form Attraction and Retention RSU agreement, filed as Exhibit 10.2 to Quarterly Report on Form 10-Q filed May 6, 2022</u></a>
‡‡	10.30	<a href="#"><u>Separation Agreement dated April 5, 2023 by and between Woodward, Inc. and Mark D. Hartman, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q, filed August 4th, 2023</u></a>
‡‡	10.31	<a href="#"><u>William F. Lacey Offer Letter, dated March 30, 2023, filed as Exhibit 10.2 to Quarterly Report on Form 10-Q, filed August 4th, 2023</u></a>
‡‡	10.32	<a href="#"><u>Randall Hobbs Offer Letter, dated October 7, 2022, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q, filed February 2, 2024</u></a>
‡‡	10.33	<a href="#"><u>Separation Agreement dated March 14, 2024 by and between Woodward, Inc. and A. Christopher Fawzy, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q, filed May 3, 2024</u></a>
‡‡	10.34	<a href="#"><u>Outside Director Compensation Policy, dated October 1, 2023, filed as Exhibit 10.32 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>
‡	10.35	<a href="#"><u>Form of Non-Qualified Stock Option Agreement for Employees and Consultants, dated November 14, 2023, filed as Exhibit 10.33 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>
‡	10.36	<a href="#"><u>Form of Non-Qualified Stock Option Agreement for Non-Employee Directors dated November 14, 2023, filed as Exhibit 10.34 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>
‡	10.37	<a href="#"><u>Form RSU Agreement for Employees and Consultants dated November 14, 2023, filed as Exhibit 10.35 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>
‡	10.38	<a href="#"><u>Form RSU Agreement for Non-Employee Directors dated November 14, 2023, filed as Exhibit 10.36 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>
‡	10.39	<a href="#"><u>Form of Performance Restricted Stock Unit Agreement dated November 14, 2023, filed as Exhibit 10.37 to Annual Report on Form 10-K, filed on November 17, 2023</u></a>

- \* 10.40 [Form of Non-Qualified Stock Option Agreement for Non-Employee Directors, dated September 16, 2024](#)
- \* 10.41 [Form of Restricted Stock Unit Agreement for Non-Employee Directors, dated September 16, 2024](#)
- \* 19.1 [Trades of Woodward Stock \(Insider Trading Policy\)](#)
- \* 21.1 [Subsidiaries](#)
- \* 23.1 [Consent of Independent Registered Public Accounting Firm](#)
- \* 31.1 [Rule 13a-14\(a\)/15d-14\(a\) certification of Charles P. Blankenship, Jr.](#)
- \* 31.2 [Rule 13a-14\(a\)/15d-14\(a\) certification of William F. Lacey](#)
- \* 32.1 [Section 1350 certifications](#)
- \* 97.1 [Clawback Policy](#)
- \* 101.INS Inline XBRL Instance Document.
- \* 101.SCH Inline XBRL Taxonomy Extension Schema Document
- \* 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- \* 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- \* 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- \* 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- \* 104 Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

Attached as Exhibit 101 to this report are the following materials from Woodward, Inc.'s Annual Report on Form 10-K for the year ended September 30, 2024 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Earnings, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity, and (vi) the Notes to the Consolidated Financial Statements.

- † Management contract or compensatory plan or arrangement.
- ‡ Incorporated by reference as an exhibit to this Report (file number 000-08408, unless otherwise indicated).
- \* Filed as an exhibit to this Report.

**Item 16. Form 10-K Summary**

Not applicable.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 26, 2024

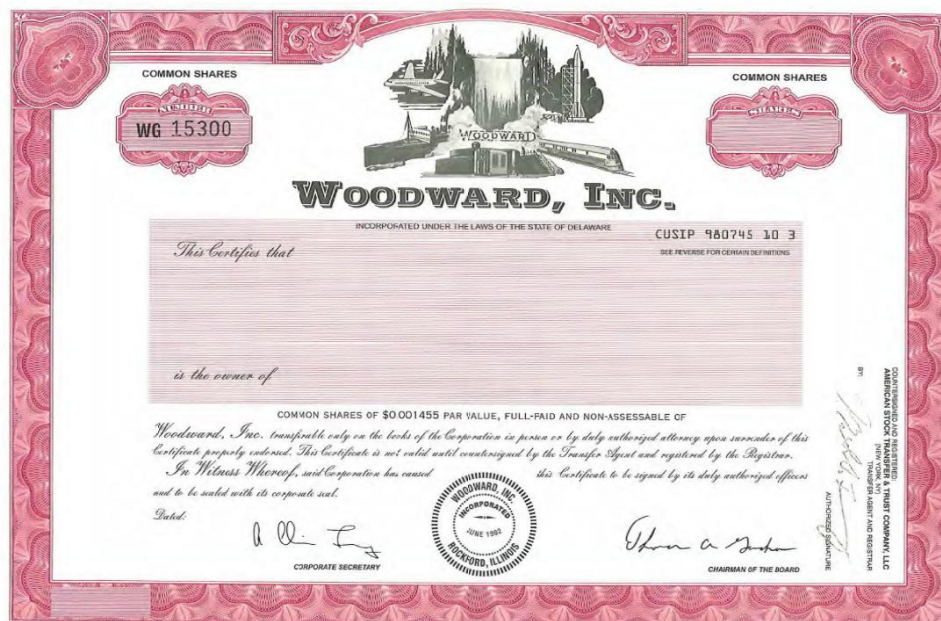
WOODWARD, INC.  
/s/ Charles P. Blankenship, Jr.  
Charles P. Blankenship, Jr.  
*Chairman of the Board, Chief Executive Officer, and President*  
*(Principal Executive Officer)*

Date: November 26, 2024

/s/ William F. Lacey  
William F. Lacey  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles P. Blankenship, Jr. Charles P. Blankenship, Jr.	Chairman of the Board and Director	November 26, 2024
/s/ Rajeev Bhalla Rajeev Bhalla	Director	November 26, 2024
/s/ John D. Cohn John D. Cohn	Director	November 26, 2024
/s/ David Hess David Hess	Director	November 26, 2024
/s/ Daniel G. Korte Daniel G. Korte	Director	November 26, 2024
/s/ Eileen P. Paterson Eileen P. Paterson	Director	November 26, 2024
/s/ Mary D. Petryszyn Mary D. Petryszyn	Director	November 26, 2024
/s/ Gregg C. Sengstack Gregg C. Sengstack	Director	November 26, 2024
/s/ Tana Utley Tana Utley	Director	November 26, 2024



## WOODWARD, INC.

The Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common	UNIF GIFT MIN ACT —	Custodian
TEN ENT — as tenants by the entireties		(Cust) (Minor)
JT TEN — as joint tenants with right of survivorship and not as tenants in common		under Uniform Gifts to Minors Act
		(State)

Additional abbreviations may also be used though not in the above list.

*For value received, \_\_\_\_\_ hereby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

*Shares represented by the within Certificate, and do hereby irrevocably constitute and appoint*

*Attorney to transfer the said shares on the books of the within-named Corporation with full power of substitution in the premises.*

*Dated, \_\_\_\_\_*

Signature(s) Guaranteed:

Signature(s)

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, AS DEFINED IN RULE 17A-15 UNDER THE SECURITIES AND EXCHANGE ACT OF 1933, AS AMENDED.

NOTED: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST COME FROM THE ASSIGNEE AS SET FORTH IN THE ACT OF THE CORPORATION IN THE REVERSE SIDE OF THIS CERTIFICATE.



## DESCRIPTION OF CAPITAL STOCK

The following description of Woodward, Inc.'s ("Woodward", "our", or the "corporation") common stock and certain provisions of our restated certificate of incorporation, as amended, or our certificate of incorporation, and our amended and restated bylaws, or our bylaws, is a summary of selected general terms thereof and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed with the SEC and are available for inspection.

Our authorized capital stock consists of 150,000,000 shares of common stock, par value \$0.001455 per share, and 10,000,000 shares of preferred stock, par value \$0.003 per share.

### Common Stock

#### Voting Rights

Holders of our common stock are entitled to one vote for each share held by such stockholder which has voting power on the matter in question. Holders of our common stock are entitled to cumulative voting for the election of directors, which means that in each election of directors each holder of our common stock is entitled to cast as many votes as the number of shares of common stock held by such holder multiplied by the number of directors to be elected and may cast all such votes for the election of one nominee or distribute such votes among two or more nominees.

In an election for directors that is not a contested election, as defined in our certificate of incorporation, directors will be elected by a majority of the voting power cast in the election of directors. Abstentions and broker non-votes will not be considered votes cast. In a contested election, directors will be elected by a plurality of the votes cast.

#### Dividend Rights

Holders of common stock may receive dividends, if any, as may be declared by our board of directors at any regular or special meeting. Holders of common stock have no preemptive or redemption rights. All outstanding shares of our common stock are fully paid and nonassessable.

### Preferred Stock

Our board of directors is authorized to establish one or more series of preferred stock and to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock. The number of authorized shares of preferred stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of two-thirds of the outstanding shares of common stock without a vote of the holders of the shares of preferred stock, or of any series thereof, unless a vote of any such holders is required pursuant to the resolution or resolutions of the board of directors providing for the issue of the series of preferred stock.

Delaware law provides that the holders of preferred stock have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation for preferred stock.

### Certain Provisions of Our Certificate of Incorporation and Bylaws

#### General

Our certificate of incorporation and bylaws contain provisions that could make more difficult the acquisition of control of Woodward by means of a tender offer, open market purchases, a proxy contest or otherwise. A description of these provisions is set forth below.

#### ***Classified Board of Directors; Removal Only for Cause***

Our certificate of incorporation and bylaws divide our board of directors into three classes of directors, with each class serving staggered, three-year terms. In addition, any director or the entire board of directors may be removed at any time, but only for cause and only by the affirmative vote of the holders of two-thirds of the outstanding shares of common stock. The classification of our board of directors means that, unless directors are removed for cause, it could require at least two annual meetings of stockholders for a majority of stockholders to make a change of control of the board of directors, because only a portion of the directors will be elected at each meeting. A significant effect of a classified board of directors may be to deter hostile takeover attempts, because an acquirer could experience delay in replacing a majority of the directors. A classified board of directors also makes it more difficult for stockholders to effect a change of control of the board of directors, even if such a change of control were to be sought due to dissatisfaction with the performance of our directors.

***Board Vacancies***

Our certificate of incorporation and bylaws authorizes our board of directors to fill vacant directorships or to increase the size of our board of directors, which may deter a stockholder from removing incumbent directors and simultaneously gaining control of our board of directors by filling the vacancies created by this removal with its own nominees.

***Advance Notice of Director Nominees and Other Matters to Come Before Stockholder Meetings***

Our bylaws require stockholders to notify us prior to the date which is not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of any nominations they will propose for directors or other matters they wish to propose at the annual meeting, subject to certain exceptions if the annual meeting is called for a date that is not within 30 days before or after such anniversary date or the size of the board of directors is increased. This provision may have the effect of precluding a nomination for the election of directors at a particular annual meeting if the proper procedures are not followed and may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of Woodward.

***No Stockholder Action by Written Consent***

Our certificate of incorporation provides that all action by stockholders must be taken at a meeting duly called and held. The stockholders may not act by written consent. This provision prevents our stockholders from initiating or effecting any action by written consent, thereby limiting the ability of our stockholders to take actions opposed by our board of directors.

***Special Meetings of Stockholders***

Our certificate of incorporation and bylaws provide that special meetings of stockholders may be called by the board of directors or the chairman of the board of directors, and when requested in writing and signed by the holders of two-thirds of the outstanding shares of our common stock. Such request must state the purpose of the proposed meeting and, in the case of a request by holders of outstanding common stock, must be delivered personally or sent by certified or registered mail, return receipt requested, to the secretary of the corporation. Business transacted at all special meetings of stockholders must be confined to the matters set forth in the notice. This provision could have the effect of inhibiting stockholder actions that require a special meeting of stockholders unless our board of directors or chairman calls such a meeting.

***Limitation of Director Liability***

Our certificate of incorporation provides that, unless otherwise prohibited under the Delaware General Corporation Law, no director will be liable to Woodward or to our stockholders for monetary damages for breach of fiduciary duty as a director. The effect of this provision may be to reduce the likelihood of derivative litigation against our directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited Woodward and our stockholders. This provision does not limit a stockholder's ability to seek or obtain relief under federal securities laws.

***Supermajority Voting***



Our certificate of incorporation and bylaws require the affirmative vote of two-thirds of the outstanding shares of our common stock:

- for the adoption of any amendment, alteration, change or repeal of any provision of the certificate of incorporation;
- for the adoption of any agreement for the merger or consolidation of Woodward with or into any other corporation;
- to authorize any sale, lease or exchange of all or substantially all of the assets of Woodward; and
- to authorize the dissolution of Woodward.

The supermajority voting provision described above regarding any amendment, alteration, change or repeal of any provision of the certificate of incorporation is primarily designed to prevent an acquirer from circumventing the takeover defense provisions contained in our governing documents. The other supermajority voting provisions described above discourage attempts to take over the company by significant stockholders and may enable a minority of the stockholders to prevent consummation of significant business combinations or other transactions.

Our certificate of incorporation also expressly authorizes each of our board of directors and our stockholders to independently adopt, amend or repeal our bylaws. However, our stockholders may only adopt, amend or repeal our bylaws upon the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock, and no bylaw may be adopted by the stockholders that impairs or impedes the power of the board of directors under the certificate of incorporation. This supermajority voting provision could enable holders of just over one-third of our common stock to prevent holders of a substantial majority of our common stock who do not approve of certain provisions of the bylaws from amending or repealing such provisions. This supermajority voting provision also promotes continuity with respect to the management of our day-to-day operations and may prevent a purchaser who acquires a majority of the shares of our common stock from adopting bylaws that are not in the best interests of the minority stockholders or from repealing bylaws that are in such minority stockholders' best interests.

#### ***Authorized but Unissued Shares***

Subject to the rules and regulations of The Nasdaq Global Select Market, our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. These shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

#### ***Section 203 of Delaware General Corporation Law***

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 prohibits publicly held Delaware corporations from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time of the transaction in which the person or entity became an interested stockholder, unless:

- prior to that time, either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the board of directors of the corporation;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation, excluding for this purpose shares owned by persons who are directors and also officers of the corporation and by specified employee benefit plans; or
- at or after such time the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

For the purposes of Section 203, a “business combination” is broadly defined to include mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns or within the immediately preceding three years owned 15% or more of the corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

**Transfer Agent and Registrar**

The transfer agent and registrar for our capital stock is Equiniti Trust Company, LLC (“EQ”), 55 Challenger Road, Floor 2, Ridgefield Park, NJ 07660.



**Non-Qualified Stock Option Agreement**  
*For Non-Employee Directors*

**THIS NON-QUALIFIED STOCK OPTION AGREEMENT** (the "*Agreement*"), entered into between you (the "*Participant*") and Woodward, Inc., a Delaware corporation (the "*Company*"), hereby grants an award of Non-Qualified Stock Options (or "options") to the Participant as of the grant date set forth in Section 1 below (the "*Grant Date*") with reference to the facts described in the recitals below. Capitalized terms used in this Agreement that are not otherwise defined herein shall have the meanings ascribed to them in the Woodward, Inc. 2017 Omnibus Incentive Plan (the "*Plan*").

A. Pursuant to the Plan, the Company is authorized to grant options for shares of its Common Stock to Service Providers of the Company or any subsidiary in order to attract and retain the best available individuals for positions of substantial responsibility, provide additional incentive to such individuals, and promote the success of the Company's business, as well as to encourage stock ownership by Plan participants, thereby aligning their interests with those of the Company's stockholders.

B. The Company desires to grant options to the Participant in accordance with the Plan and this Agreement.

**NOW, THEREFORE, IN CONSIDERATION OF** the foregoing facts, the Company hereby grants options to the Participant, as follows:

1. *Grant of Options.* Subject to the terms and conditions set forth in this Agreement and the Plan, and effective as of the Grant Date, the Company hereby grants to the Participant options to purchase shares of Common Stock of the Company at the closing price on the Nasdaq stock market on the Grant Date (such price, the "*Exercise Price*"), as set forth in the following table:

Participant	[NAME]
Grant Date	[DATE]
Number of Non-Qualified Stock Options	[NUMBER OF OPTIONS]
Exercise Price	[SHARE PRICE AT MARKET CLOSE ON GRANT DATE]

The number and kind of shares subject to these options and the purchase price per share are subject to adjustment as provided in the Plan.

Except as otherwise provided below, these options shall expire as of market close on the last trading day before the tenth (10th) anniversary of the grant date (the "*expiration of the options*").

2. *Exercise of Options.* Subject to the terms of the Plan, these options may be exercised only by the Participant at such time as the options become vested and remain exercisable pursuant to this Agreement.

Subject to the limited exceptions set forth in Sections 3 and 4, all of the options granted hereunder will vest in accordance with the following vesting schedule and will remain exercisable until the expiration of the options:

Date	Number of Non-Qualified Stock Options That Will Vest
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[ONE YEAR ANNIVERSARY OF GRANT DATE]

[#]

For the avoidance of doubt, and subject to the limited exceptions set forth in Sections 3 and 4, if the Participant ceases to be a Service Provider prior to the vesting date, the options granted hereunder will continue to vest on the schedule set forth herein and remain exercisable until the expiration of the options.

These options shall be exercised by delivery of written notice (or, if permitted by the Administrator, electronic notice) to the Company stating the number of shares with respect to which the options are being exercised, together with full payment of the purchase price therefor, and such other representations and/or agreements as may be required by the Administrator pursuant to the provisions of the Plan. Payment must be made in cash (including a bank cashier's check or certified check) unless the Administrator determines to accept any other form or combination of forms permitted by the Plan as the Administrator shall advise the Participant in writing. If the Administrator so determines, the payment may be made in whole or in part by delivery of shares of Common Stock previously owned and held at least six months by the Participant. Shares of Common Stock used for payment shall be valued at their fair market value on the date of exercise as determined by the Administrator.

### *3. Death and Disability .*

#### **Death of Participant.**

If the Participant dies before the options granted hereunder vest and become exercisable pursuant to Section 2, then (i) all options granted hereunder will become immediately vested and exercisable on the date of the Participant's death, and (ii) the options granted hereunder shall continue to be exercisable until the expiration of the options and, for the avoidance of doubt, shall not lapse earlier on account of such death.

#### **Disability of Participant.**

If the Participant suffers a Disability (as determined by the Administrator) before the options granted hereunder vest and become exercisable pursuant to Section 2, then (i) all options granted hereunder will become immediately vested and exercisable on the date the Administrator makes a determination that the Participant has suffered a Disability, and (ii) the options granted hereunder shall continue to be exercisable until the expiration of the options and, for the avoidance of doubt, shall not lapse earlier on account of such Disability.

Disability shall be determined by the Administrator with the advice of a physician acceptable to the Administrator with respect to the permanent and total disability of the Participant.

*4. Change in Control.* In the event of a Change in Control (which for the avoidance of doubt is defined in the Plan), all options not yet vested and exercisable pursuant to Section 2 will become immediately vested and exercisable on the date of such Change in Control.

*5. Assignment or Transfer.* These options are not transferable except by will or by the laws of descent and distribution and shall be exercisable only by the Participant during the Participant's lifetime, unless otherwise authorized by the Administrator as set forth in the Plan. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of these options, or any right or privilege conferred hereby, or upon any attempted sale under and execution, attachment or similar process, these options and any rights and privileges conferred hereby immediately will become null and void.

6. *Plan and Administrator.* Except as otherwise specified in this Agreement, the construction of the terms of the Agreement shall be controlled by the terms of the Plan, a summary of which accompanies the Agreement, and the rights of the Participant will be subject to modification and termination in certain events as provided in the Plan. The Administrator's interpretations of and determinations under any of the provisions of the Plan or this Agreement shall be conclusive and binding upon the Participant, and shall be given the maximum possible deference permitted by law. Except as otherwise provided in this Agreement, in the event of a conflict between one or more provisions of the Agreement and one or more provisions of the Plan, the Plan's provisions will govern.

7. *Compliance with Securities Laws.* These options may not be exercised and no shares shall be issued in respect hereof, unless in compliance with applicable federal and state tax and securities laws. If an exemption from registration is not available under applicable federal and state securities laws, the Company shall have no obligation to file a registration statement.

7.1. *Certificate Legends.* The certificates for shares purchased pursuant to these options shall bear any legends deemed necessary by the Administrator including, without limitation, legends with respect to federal and state securities laws.

7.2. *Representations of the Participant.* As a condition to the exercise of these options, the Company, in its discretion, may require the Participant to deliver to the Company such signed representations (if any) as the Company deems necessary or appropriate for compliance with applicable securities laws of the U.S. and any other applicable jurisdictions.

7.3. *Resale.* The Participant's ability to transfer shares purchased pursuant to these options or securities acquired in lieu thereof or in exchange therefore may be restricted under applicable federal or state securities laws. The Participant shall not resell or offer for resale such shares or securities unless they have been registered or qualified for resale under all applicable federal and state securities laws or an exemption from such registration or qualification is available in the opinion of counsel satisfactory to the Company.

8. *Notice.* Every notice or other communication relating to this Agreement shall be in writing and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided, however*, that unless and until some other address be so designated, all notices or communications by the Participant to the Company or the Administrator shall be mailed or delivered to the Company to the attention of its Corporate Secretary at 1081 Woodward Way, Fort Collins, Colorado 80524, and all notices or communications by the Company or the Administrator to the Participant may be given to the Participant personally or may be mailed to the Participant at the most recent address which the Participant has provided in writing to the Company.

9. *Tax Treatments.* These options are non-qualified stock options and shall not be treated as incentive stock options pursuant to Section 422 of the Internal Revenue Code of 1986, as amended. The Participant acknowledges that the tax treatment of these options, shares subject to these options or any events or transactions with respect thereto may be dependent upon various factors or events which are not determined by the Plan or this Agreement. Neither the Company nor the Administrator make any representations with respect to and hereby disclaims all responsibility as to such tax treatment.

10. *Tax Obligations.* The Participant shall be responsible for any and all Tax Obligations in connection with this Agreement. For the avoidance of doubt, the Company shall *not* deduct or withhold, or require the Participant to remit to the Company, any amounts to satisfy any Tax Obligations, nor shall the Company have any liability with respect thereto.

11. *Consent to Electronic Delivery* . The Company may choose to deliver certain statutory materials relating to the Plan, in addition to this Agreement, in electronic form. By accepting this option grant you agree that the Company may deliver these documents in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies free of charge. Please contact the Company's Stock Plan Administrator to request paper copies of these documents.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Woodward, Inc. 2017 Omnibus Incentive Plan.***





**Restricted Stock Unit Agreement**  
*For Non-Employee Directors*

**THIS RESTRICTED STOCK UNIT AGREEMENT** (the "*Agreement*"), entered into between you (the "*Participant*") and Woodward, Inc., a Delaware corporation (the "*Company*"), hereby grants an award of Restricted Stock Units (or "RSUs", as defined below) to the Participant as of the grant date set forth in Section 1 below (the "*Grant Date*") with reference to the facts described in the recitals below. Capitalized terms used in this Agreement that are not otherwise defined herein shall have the meanings ascribed to them in the Woodward, Inc. 2017 Omnibus Incentive Plan (the "*Plan*").

A. Pursuant to the Plan, the Company, by action of the Administrator of the Plan, is authorized to grant RSUs to Service Providers in order to attract and retain the best available individuals for positions of substantial responsibility, provide additional incentive to such individuals, and promote the success of the Company's business, as well as to encourage stock ownership by Plan participants, thereby aligning their interests with those of the Company's stockholders.

B. The Company desires to grant RSUs to the Participant in accordance with the terms of the Plan and this Agreement.

**NOW, THEREFORE, IN CONSIDERATION OF** the foregoing facts, the Company hereby grants RSUs to the Participant, as follows:

1. *Grant of RSUs.* Subject to the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to the Participant on the Grant Date the number of RSUs set forth in the following table:

Participant	[NAME]
Grant Date	[DATE]
Number of RSUs	[NUMBER OF RSUs]

The number and kind of shares subject to this grant of RSUs are subject to adjustment as provided by the Plan.

2. *Company's Obligation to Pay.* Each RSU represents the right to receive a Share on the date it vests. Unless and until the RSUs will have vested in the manner set forth in Sections 3, 4, 5, 6, or 7 of this Agreement, the Participant will have no right to payment of any such RSUs, nor any rights associated therewith, including dividend payments (subject to Sections 4 and 17 below) or voting rights. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. *Vesting of RSUs.* Subject to any acceleration provisions contained in the Plan and this Agreement, the RSUs will vest in accordance with the following vesting schedule:

Date	Number of RSUs That Will Vest
[ONE YEAR ANNIVERSARY OF GRANT DATE]	[#]

For the avoidance of doubt, and subject to the limited exceptions set forth in this Agreement, if the Participant ceases to be a Service Provider prior to the vesting date, the RSUs granted hereunder will continue to vest on the schedule set forth herein.

4. *Dividend Equivalent RSUs.* On or near each date that a cash dividend is paid to holders of Common Stock, the Participant will receive additional RSUs equal to: (i) the cash dividend the Participant would have received in connection with the aggregate of each unvested RSU if each such unvested RSU had been in the form of one Share actually held by the Participant (such aggregate cash dividend, "Dividend Equivalents"), divided by (ii) the Fair Market Value of a Share on the dividend payment date (the quotient of (i) and (ii), the "Dividend Equivalent RSUs"). The Dividend Equivalent RSUs shall be deemed to be reinvested in additional RSUs (which may thereafter accrue additional Dividend Equivalents). Each Dividend Equivalent RSU will vest on the same vesting date corresponding to the underlying RSU with respect to which it was awarded, and will otherwise be subject to the same conditions applicable to the underlying RSUs. Unless expressly provided otherwise, as used elsewhere in this Agreement "RSUs" shall include any Dividend Equivalent RSUs that have been credited to Participant.

5. *Death and Disability.*

(a) Death of Participant. If the Participant dies before the RSUs granted hereunder vest pursuant to Section 3, then all RSUs granted hereunder will become immediately vested on the date of the Participant's death.

(b) Disability of Participant. If the Participant suffers a Disability (as determined by the Administrator) before the RSUs granted hereunder vest pursuant to Section 3, then all RSUs granted hereunder will become immediately vested on the date the Administrator makes a determination that the Participant has suffered a Disability.

Disability shall be determined by the Administrator with the advice of a physician acceptable to the Administrator with respect to the permanent and total disability of the Participant.

6. *Change in Control.* In the event of a Change in Control (which for the avoidance of doubt is defined in the Plan), all RSUs not yet vested pursuant to Section 3 will become immediately vested on the date of such Change in Control.

7. *Payment after Vesting.*

(a) General Rule. Subject to Section 13, any RSUs (including Dividend Equivalent RSUs) that vest will be paid to the Participant (or in the event of the Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 7(b), such vested RSUs shall be paid in whole Shares as soon as practicable after vesting, but in each such case within sixty (60) days following the vesting date. In no event will the Participant be permitted, directly or indirectly, to specify the taxable year of payment of any RSUs payable under this Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested RSUs at any time, subject to the terms of the Plan. If so accelerated, such RSUs will be considered as having vested as of the date specified by the Administrator. If the Participant is a U.S. taxpayer, the payment of Shares vesting pursuant to this Section 7(b) shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section

409A. The prior sentence may be superseded in a future agreement or amendment to this Agreement only by direct and specific reference to such sentence.

(ii) "Specified Employees". Notwithstanding anything in the Plan or this Agreement or any other agreement (whether entered into before, on or after the Grant Date), if the vesting of the balance, or some lesser portion of the balance, of the RSUs is accelerated in connection with the Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to the Participant's death, and if (x) the Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated RSUs will result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six (6) month period following the Participant's termination as a Service Provider, then the payment of such accelerated RSUs will not be made until the date six (6) months and one (1) day following the date of the Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the RSUs will be paid in Shares to the Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the RSUs provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). However, in no event will the Company reimburse the Participant, or be otherwise responsible for, any taxes or costs that may be imposed on the Participant as a result of Section 409A. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

*8. Assignment or Transfer.* Except to the limited extent provided in Section 18, this grant as it pertains to unvested RSUs, and the rights and privileges conferred thereby, will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any unvested RSUs, or any right or privilege conferred thereby, or upon any attempted sale under any execution, attachment or similar process, any unvested RSUs, and the rights and privileges conferred thereby, immediately will become null and void.

*9. Plan and Administrator.* The construction of the terms of this Agreement shall be controlled by the Plan, a summary of which accompanies this Agreement and is hereby made a part hereof as though set forth herein verbatim, and the rights of the Participant are subject to modification and termination in certain events as provided in the Plan. The Administrator's interpretations of and determinations under any of the provisions of the Plan or this Agreement shall be conclusive and binding upon the Participant. Subject to Section 17.1 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall prevail. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

*10. Compliance with Securities Laws.* No RSUs shall be issued in respect hereof, unless in compliance with applicable federal and state tax and securities laws. If an exemption from registration is not available

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under applicable federal and state securities laws, the Company shall have no obligation to file a registration statement.

**11. Notice.** Every notice or other communication relating to this Agreement shall be in writing and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided, however*, that unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company to the attention of its Corporate Secretary at 1081 Woodward Way, Fort Collins, Colorado 80524, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the most recent address which the Participant has provided in writing to the Company.

**12. Consent to Electronic Delivery.** The Company may choose to deliver certain statutory materials relating to the Plan, including this Agreement, in electronic form. By accepting this RSU grant you agree that the Company may deliver these documents in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies free of charge. Please contact the Company's Stock Plan Administrator to request paper copies of these documents.

**13. Tax Obligations.** The Participant shall be responsible for any and all tax obligations in connection with this Agreement. For the avoidance of doubt, the Company shall *not* deduct or withhold, or require the Participant to remit to the Company, any amounts to satisfy any Tax Obligations, nor shall the Company have any liability with respect thereto.

**14. Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, the Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

**15. No Guarantee of Continued Service.** PARTICIPANT ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME.

**16. No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the Shares underlying the RSUs. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

**17. Adjustments.** In the event that any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock

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split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares covered by the RSUs subject to this Agreement, as determined in the discretion of the Administrator. For the avoidance of doubt, no adjustment will be made for regular periodic dividends.

**18. Beneficiary Designation.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of the Participant's death before the Participant receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant. Any such designation shall be in a form prescribed by the Company, and will be effective only if made during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

**19. Severability.** In the event any provision of this Agreement is held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, which shall nonetheless remain in full force and effect. Upon any determination that any provision is invalid, illegal or incapable of being enforced, such provision shall be modified to the extent necessary to render it valid, legal and enforceable while preserving its intent, or if such modification is not possible, by substituting therefor another provision that is legal and enforceable and that achieves the same objective.

**20. No Waiver.** Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

**21. Successors and Assigns.** The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of the Participant under this Agreement may only be assigned with the prior written consent of the Company.

**22. Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

**23. Amendment, Suspension or Termination of the Plan.** By accepting this Award, the Participant expressly warrants that he or she has received an award of RSUs under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Administrator at any time.

**24. Modifications to the Agreement.** This Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Participant, to comply with Section 409A or to

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otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this award of RSUs.

**25. Governing Law; Venue.** This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. For purposes of litigating any dispute that arises under these RSUs or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Colorado, and agree that such litigation will be conducted in the courts of Larimer County, Colorado, or the United States federal courts for the District of Colorado, and no other courts, where this Agreement is made and/or to be performed.

**26. Entire Agreement.** The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant. For the avoidance of doubt, nothing in this Agreement shall be a basis for providing or calculating severance or similar pay, unless required by Applicable Laws.

**By accepting this Agreement, you agree to all of the terms and conditions described above and in the Woodward, Inc. 2017 Omnibus Incentive Plan.**

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## Trades of Woodward Stock

### Purpose

This policy and the attached Rule 10b5-1 Trading Plan Requirements Addendum are designed to prevent insider trading or the appearance of improper insider trading by our directors, officers, employees and consultants with respect to the trading of Woodward's securities or the securities of other publicly traded companies, including but not limited to companies with which we have a business relationship. This policy summarizes certain of the key issues involving insider trading.

### Scope of Policy

*Persons Covered.* This policy applies to directors, officers, employees and consultants of Woodward ("Insiders"). This policy also applies to any family member who resides with an Insider or other person who resides with an Insider, partnerships in which an Insider is a general partner, trusts in which an Insider is a trustee, and estates in which an Insider is an executor ("Related Persons"). Distributors, sales agents and joint venture partners who receive or have access to Woodward Material Nonpublic Information are also covered by this policy. Woodward employees dealing with distributors, sales agents and joint venture partners are to give appropriate instruction regarding this policy.

*Transactions Covered.* This policy applies to purchases and sales of stock or other publicly traded securities, such as put and call options, debentures, bonds and notes.

This policy applies to a cashless exercise of a stock option through a broker, which involves both the purchase of stock and the sale of purchased stock. However, this policy's trading restrictions do not apply to (i) the cash exercise of a stock option when the purchased shares are not sold, but are held by the purchaser or (ii) the exercise of a tax withholding right pursuant to which a person has elected to have Woodward withhold shares upon the vesting of restricted stock or subject to an RSU or option to satisfy tax withholding requirements.

This policy's trading restrictions do not apply to (i) purchases and sales of securities made in accordance with a Personal Plan Under Rule 10b5-1 of the Securities Exchange Act of 1934, or (ii) with respect to any deferral and distribution election made during an open trading window by a participant in Woodward's Executive Benefit Program, the sale by the Company of a portion of shares distributed thereunder, to the extent such sales are made to satisfy tax withholding requirements.

This policy's trading restrictions do apply to reallocations from Woodward stock in the Woodward Stock Plan to other investment options in the Woodward Retirement Savings Plan. However, the trading restrictions do not apply to the reinvestment of dividends in the Woodward Stock Plan.

This policy applies to all covered transactions for a period of six months following your separation from Woodward.

### Policy

*No Trading on Inside Information.* You may not buy or sell securities of Woodward, directly or indirectly, if you are aware of Material Nonpublic Information related to Woodward. Similarly, you may not buy or

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sell securities of any other company, directly or indirectly, if you are aware of Material Nonpublic Information about the company.

*No Tipping.* You may not disclose Material Nonpublic Information to others. Also, you may not express opinions or make recommendations to others regarding the purchase or sale of any securities when you are aware of Material Nonpublic Information.

*Personal Plan Under Rule 10b5-1.* If you are interested in establishing a personal plan under Rule 10b5-1 of the Securities Exchange Act of 1934, you must contact the General Counsel. You are not allowed to establish such a plan when you are aware of Material Nonpublic Information.

*Restrictions During Blackout Periods.* Woodward's directors, executive officers and the Related Persons of such directors and officers and, upon specific notification, other employees and consultants of Woodward may not buy or sell securities of Woodward, directly or indirectly, during quarterly blackout periods or during event-specific blackout periods. If an individual (and any Related Person of such individual) is subject to a blackout restriction and the individual ceases to be an employee, director or consultant of the Company during such blackout period, such individual (and any such Related Person) shall remain subject to the blackout restriction until the blackout period then in effect is terminated. The quarterly blackout period begins as of market close on the fifth (5th) business day of the last month of a quarter (or earlier if deemed appropriate by the Chief Financial Officer or the General Counsel) and ends as of market open on the second full business day following the public release of Woodward's earnings for the quarter. Event-specific blackout periods begin and end upon specific notification.

*Pre-Clearance Requirements.* Woodward's directors and executive officers and the Related Persons of such directors and officers subject to Section 16 of the Securities Act of 1934 and, upon specific notification, other employees and consultants of Woodward, must obtain approval from the Chief Executive Officer, Chief Financial Officer or the General Counsel (each, a "Pre-Clearance Officer") prior to buying or selling a Woodward security. The pre-clearance approval is valid until the earlier of (i) rescission by a Pre-Clearance Officer of such pre-clearance, and (ii) the beginning of the quarterly blackout period immediately following such pre-clearance. In the event any Pre-Clearance Officer desires to trade a Woodward security, such individual must obtain the approval of a Pre-Clearance Officer other than himself or herself prior to such trade.

*Prohibited Transactions.* You are prohibited from engaging in the purchase of Woodward securities on margin, or from pledging Woodward securities for any purpose. You are further prohibited from engaging in any transaction related to Woodward securities involving short sales, buying or selling puts or calls, or any other transaction that is designed to hedge or offset any decrease in the market value of Woodward securities.

*Trading Notification and "Short-Swing Profits" Liability.* Woodward's directors and executive officers (and the Related Persons of such directors and officers) in accordance with Section 16 of the Securities Exchange Act of 1934 (i) must report each transaction involving Woodward securities to the General Counsel, orally or in writing, no later than one day after such transaction and must take measures to confirm that the information has been received, and (ii) are subject to a private right of action by Woodward (or shareholder's suing on behalf of Woodward) to recover any profit realized by such

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person from any purchase and sale (or sale and purchase) of any equity security of Woodward within any period of less than six months.

## **Definitions**

*Insiders.* The definition of “Insiders” was provided under the caption “Scope of Policy.”

*Material Information.* Information is “Material Information” if there is a reasonable likelihood that an investor would consider it important in deciding whether to buy or sell a security, or that it could reasonably be expected to affect the price of the security. Both positive and negative information can be material. Common examples of material information are:

- Actual earnings or losses
- Projections of future earnings or losses or other earnings guidance
- Pending or proposed merger, acquisition or tender offer or an acquisition or disposition of significant assets
- A change in management
- Major events regarding securities, including the declaration of a stock split or the offering of additional securities
- Severe financial liquidity problems
- Actual or threatened major litigation, or the resolution of such litigation
- New or lost major contracts, orders, suppliers, customers or finance sources

*Material Nonpublic Information.* Information is “Material Nonpublic Information” if it is both Material Information and Nonpublic Information as such terms are defined herein.

*Nonpublic Information.* Information is “Nonpublic Information” if it has not been released broadly to the marketplace (such as by a news release or an SEC filing), or if investors have not had time to fully absorb information that has been released broadly to the marketplace. Generally, information is considered nonpublic until the end of the first full trading day on NASDAQ after the information is disclosed publicly.

*Personal Plan Under Rule 10b5-1.* A personal plan under Rule 10b5-1 under the Securities Exchange Act of 1934 is a plan that stipulates the timing and amount of future sales or purchases of securities. Once established, the plan does not permit the person to exercise any subsequent influence over how, when, or whether to execute planned purchases or sales for the duration of the plan.

*Related Persons.* The definition of “Related Persons” was provided under the caption “Scope of Policy.”

## **Responsibilities**

Directors, officers, employees and consultants of Woodward are personally responsible for compliance with this policy. Failure to comply with this policy may subject covered persons to disciplinary action, including dismissal.

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Upon request, all directors, officers, employees and consultants of Woodward must certify their understanding of, and intent to comply with, this policy.

**Implementation Guidance**

You may contact the Company's General Counsel or the Chief Financial Officer about specific questions regarding this policy or the applicable laws to which it relates.

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**Rule 10b5-1 Trading Plan Requirements Addendum to  
Policy 2-16-Trades of Woodward Stock “Insider” Trades of Securities**

In order for transactions under a Personal Plan under Rule 10b5-1 under the Securities Exchange Act of 1934 (“Exchange Act”) to be exempt from (i) the prohibitions in this policy with respect to transactions made while aware of material nonpublic information and (ii) the pre-clearance procedures and blackout periods established under the insider trading policy, the trading plan must comply with the affirmative defense set forth in Exchange Act Rule 10b5-1 and must meet the following requirements:

**A. Requirements Imposed by Rule 10b5-1 and Company Policy:**

1. The trading plan must be in writing and signed by the person adopting the trading plan.
  2. The trading plan must be adopted at a time when:
    - a) the person adopting the trading plan is not aware of any material nonpublic information; and
    - b) there is no quarterly, special or other trading blackout in effect with respect to the person adopting the plan.
  3. The trading plan must be entered into in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, and the person adopting the trading plan must act in good faith with respect to the trading plan throughout its duration.
  4. The trading plan must include representations that, on the date of adoption of the trading plan, the person adopting the trading plan:
    - a) is not aware of material nonpublic information about the securities or the Company; and
    - b) is adopting the trading plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1.
  5. The person adopting the trading plan may not have entered into or altered a corresponding or hedging transaction or position with respect to the securities subject to the trading plan and must agree not to enter into any such transaction while the trading plan is in effect.
  6. If the person adopting the trading plan is not a member of the Board of Directors or an executive officer of the Company, the first trade under the trading plan may not occur until 30 calendar days after adoption of the trading plan (the “Non-D&O Cooling Off Period”).
  7. If the person adopting the trading plan is a member of the Board of Directors or an executive officer of the Company, the first trade under the trading plan may not occur until 90 calendar days after adoption of the trading plan or, if later, two business days after filing the Form 10-Q or 10-K covering the fiscal quarter (the fourth quarter in the case of the Form 10-K) in which the plan was adopted (the “D&O Cooling Off Period”). In any event, the D&O Cooling Off Period will not exceed 120 days.
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8. Subject to certain limited exceptions permitted under Rule 10b5-1(c):

- a person is not permitted to have more than one active 10b5-1 trading plan during the same period; or
- a person may not enter into more than one single-trade trading plan during any 12-month period.

9. Any modification or change to the amount, price or timing of transactions under the trading plan is deemed the termination of the trading plan, and the adoption of a new trading plan (a "Modification"). Therefore, a Modification is subject to the same conditions as a new trading plan as set forth in Sections A(1) through A(8) herein.

10. If a trading plan would grant discretion to a stockbroker or other person with respect to the execution of trades under the plan, the proposed plan would be subject to approval by the Audit Committee of the Board of Directors of the Company. In addition, if the plan is approved by the Audit Committee:

- trades made under the trading plan must be executed by someone other than the stockbroker or other person that executes trades in other securities for the person adopting the trading plan;
- the person adopting the trading plan may not confer with the person administering the trading plan regarding the Company or its securities; and
- the person administering the trading plan must provide prompt notice to the Section 16 Reporting Person of the Company of the execution of a transaction pursuant to the plan.

11. All transactions under the trading plan must be in accordance with applicable law.

12. The trading plan must be provided to the Company's General Counsel promptly upon its adoption. The General Counsel must be notified promptly of any modification or termination of the trading plan, including any suspension of trading under the plan.

B. Generally Required Guidelines (General Counsel May Exercise Discretion to Permit Exceptions):

1. The trading plan must have a minimum term of six months starting from when trades may first occur in accordance with these requirements. A modified trading plan must have a minimum duration of six months from the time when trades may first occur under the modified plan in accordance with these requirements.

2. All transactions in the Company's stock during the term of the trading plan must be conducted through the trading plan (other than permitted deferrals and distributions under the Executive Benefit Plan (the "EBP"), the sale by the Company of shares under the EBP or the Omnibus Incentive Plan to the extent made to satisfy tax withholding requirements, or permitted gifts).

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3. If the person who adopted the trading plan terminates the plan prior to its stated duration, he or she may not trade in the Company's securities during the 30 calendar days after termination, and then only in accordance with these guidelines.

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**Woodward, Inc.**  
**Subsidiaries of the Registrant**

<u>Entity Name</u>	<u>Jurisdiction of Organization</u>
Convergence Fuel Systems, LLC (Joint Venture)	Delaware, USA
Fluid Mechanics, LLC	Delaware, USA
Superturbo Technologies, Inc.	Delaware, USA
Techni-Core, Inc	Delaware, USA
MPC Products Corporation dba Woodward MPC, Inc.	Illinois, USA
Woodward FST, Inc.	Delaware, USA
Woodward Controls, LLC	Delaware, USA
Woodward International, Inc	Delaware, USA
Woodward Aken GmbH	Aken, Germany
Woodward Swiss Holding GmbH	Lucerne, Switzerland
Woodward India Private Limited	New Delhi, India
Woodward International Holding B.V.	Hoofddorp, The Netherlands
Woodward Nederland B.V.	Hoofddorp, The Netherlands
Woodward Nederland Holding B.V.	Hoofddorp, The Netherlands
Woodward (Japan) LLC	Chiba, Japan
Woodward Poland Sp. z o.o.	Krakow, Poland
Woodward Regulateur (Quebec), Inc.	Quebec, Canada
Woodward Comercio de Sistemas de Controle e Protecao Electrica Ltda.	Sao Paulo, Brazil
Woodward GmbH	Stuttgart, Germany
Woodward Hong Kong Limited	Hong Kong, China
Woodward (Tianjin) Controls Company Limited	Tianjin, China
Woodward Controls (Suzhou) Co., Ltd.	Suzhou, China
Woodward HRT, Inc.	Delaware, USA
Woodward Energy Controls Singapore Pte. Ltd.	Singapore
WWARD Asia Holdings Pte. Ltd.	Singapore
N1870G Leasing LLC	Delaware, USA
Woodward Switzerland GmbH	Zug, Switzerland
Woodward Bulgaria EOOD	Sofia, Bulgaria
Woodward Fuel Systems Holdings, LLC	Delaware, USA



Woodward (Barbados) Financing, SRL	Barbados
Woodward (Barbados) Euro Financing, SRL	Barbados
Woodward Financing, LLC	Delaware, USA
Woodward France S.A.S.	France
Woodward German Holding GmbH & Co KG	Stuttgart, Germany
Woodward German Holding Management GmbH	Stuttgart, Germany
L'Orange Fuel Injection Trading (Suzhou) Co., LTD	Suzhou, China
Woodward L'Orange GmbH	Stuttgart, Germany
Woodward L'Orange Unterstutzungskasse GmbH	Stuttgart, Germany
Woodward Technology Ventures, LLC	Delaware, USA
Woodward Inc. LLC – Saudi Arabia	Al-Khobar, Saudi Arabia
PM Control Systems Pte. Ltd.	Singapore
PM Control Systems (Aust) Pty. Ltd.	Australia

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-10409, 333-66422, 333-82302, 333-112521, 333-133640, 333-179248, 333-217435, 333-222697, 333-227584, 333-229655, 333-236525, 333-253044, 333-262818, 333-262827, 333-269800 and 333-280825 on Form S-8 of our report dated November 26, 2024, relating to the financial statements of Woodward, Inc. and the effectiveness of Woodward, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Woodward, Inc. for the year ended September 30, 2024.

/s/ DELOITTE & TOUCHE LLP  
Denver, Colorado  
November 26, 2024

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Woodward, Inc.  
Rule 13a-14(a)/15d-14(a) certifications

## CERTIFICATION

I, Charles P. Blankenship, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended September 30, 2024, of Woodward, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 26, 2024

/s/ Charles P. Blankenship, Jr.  
Charles P. Blankenship, Jr.  
*Chairman of the Board,  
Chief Executive Officer, and President  
(Principal Executive Officer)*

A signed original of this written statement required by Rule 13a-14(a)/15d-14(a), or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Rule 13a-14(a)/15d-14(a), has been provided to Woodward and will be retained by Woodward and furnished to the Securities and Exchange Commission or its staff upon request.

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Woodward, Inc.  
Rule 13a-14(a)/15d-14(a) certifications

## CERTIFICATION

I, William F. Lacey, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended September 30, 2024, of Woodward, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 26, 2024

/s/ William F. Lacey  
William F. Lacey  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Rule 13a-14(a)/15d-14(a), or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Rule 13a-14(a)/15d-14(a), has been provided to Woodward and will be retained by Woodward and furnished to the Securities and Exchange Commission or its staff upon request.

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**Woodward, Inc.**  
**Section 1350 certifications**

We hereby certify, pursuant to 18 U.S.C. Section 1350, that the accompanying Annual Report on Form 10-K for the period ended September 30, 2024 (the "Annual Report"), of Woodward, Inc., fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Woodward, Inc.

Date: November 26, 2024

/s/ Charles P. Blankenship, Jr.  
Charles P. Blankenship, Jr.  
*Chairman of the Board,*  
*Chief Executive Officer, and President*

Date: November 26, 2024

/s/ William F. Lacey  
William F. Lacey  
*Chief Financial Officer*

A signed original of this written statement required by Rule 13a-14(b)/15d-14(b) and 18 U.S.C. Section 1350, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, has been provided to Woodward and will be retained by Woodward and furnished to the Securities and Exchange Commission or its staff upon request.

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**WOODWARD, INC.****CLAWBACK POLICY**

As Amended and Restated effective October 2, 2023

Woodward, Inc. (the “**Company**”) is committed to strong corporate governance. As part of this commitment, the Compensation Committee (the “**Committee**”) of the Company’s Board of Directors (the “**Board**”), having previously adopted a Clawback Policy initially effective as of September 13, 2016 and as amended from time to time, hereby amends and restates the Clawback Policy (this amended and restated Clawback Policy, the “**Policy**”), effective as of October 2, 2023 (the “**Effective Date**”). This Policy is intended to further the Company’s pay-for-performance philosophy and to comply with applicable law by providing for the recovery of certain executive compensation in the event of an Accounting Restatement. The capitalized terms in this Policy are defined below.

The application of the Policy to Executive Officers is not discretionary and applies without regard to whether an Executive Officer was at fault, except to the limited extent provided below.

**Persons Covered by the Policy**

This Policy is binding and enforceable against all Executive Officers (as defined below).

The Committee may (in its discretion) require Executive Officers to sign an acknowledgement that each such Executive Officer agrees to comply with the Policy, but this Policy will be enforceable against each Executive Officer regardless of whether an acknowledgement was signed by the Executive Officer.

**Administration of the Policy**

The Board and the Committee each have full authority to administer this Policy. The Board and the Committee each are authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Board, in its discretion, may authorize another committee of independent members of the Board to administer the Policy, in which case all references herein to the Committee shall be deemed to include such other committee of independent directors, unless the context clearly requires otherwise. All determinations of the Board and/or Committee and any other administrator of the Policy will be final and binding on all interested persons and will be given the maximum deference permitted by law.

**Compensation Covered by the Policy**

This Policy applies to all Incentive-Based Compensation that is Received on or after October 2, 2023 by a person (a) after such individual became an Executive Officer, (b) who was an Executive Officer at any time during the applicable performance period for that Incentive-Based Compensation, and (c) during the Covered Period (“**Clawback Eligible Incentive-Based Compensation**”).

**Events Requiring Application of the Policy**

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error

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were corrected in the current period or left uncorrected in the current period (an “**Accounting Restatement**”); AND

any Executive Officer has Received Clawback Eligible Incentive-Based Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had such Incentive-Based Compensation been determined based on the restated amounts, computed without regard to any taxes paid by or on behalf of the Executive Officer (such compensation, the “**Excess Compensation**” (which the Nasdaq listing standards describe as erroneously awarded incentive-based compensation);

then, the Company will recover reasonably promptly the amount of such Excess Compensation in compliance with this Policy unless an exception applies under this Policy.

#### **Determining Excess Compensation for Certain Incentive-Based Compensation**

To determine the amount of Excess Compensation for Incentive-Based Compensation based on stock price or total shareholder return, where it is not subject to mathematical recalculation directly from the information in an Accounting Restatement:

- The amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received; and
- The Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

#### **Exceptions to the Policy**

The Company must recover the Excess Compensation in accordance with this Policy, except to the limited extent that the conditions set forth below are met and the Board and/or Committee has made a determination that recovery of the Excess Compensation would be impracticable:

A. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; provided, however, that prior to reaching this conclusion, the Company must make a reasonable attempt to recover such Excess Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange; or

B. Recovery would violate home country law where that law was adopted prior to November 28, 2022; provided, however, that prior to reaching this conclusion, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to the Exchange; or

C. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

#### **Defined Terms in this Policy**

The capitalized terms in this Policy have the following meaning, unless clearly required otherwise by the context.

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**"Accounting Restatement"** is defined in the "Events Requiring Application of the Policy" section of this Policy.

**"Accounting Restatement Determination Date"** means the earliest to occur of:

A. The date the Board, a committee of the Board, or one or more of the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and

B. The date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

**"Clawback Eligible Incentive-Based Compensation"** is defined in the "Compensation Covered by the Policy" section of this Policy.

**"Covered Period"** means the three completed fiscal years immediately preceding the Accounting Restatement Determination Date, as well as any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years in accordance with Rule 10D-1 under the Exchange Act. The Company's obligation to recover Excess Compensation (as defined below) is not dependent on if or when the restated financial statements are filed.

**"Excess Compensation"** is defined in the "Events Requiring Application of the Policy" section of this Policy.

**"Executive Officer"** means each individual who either (a) at the time of determination is designated as an "officer" of the Company in accordance with Exchange Act Rule 16a-1(f), (b) at any time prior to the time of determination was designated as an "officer" of the Company in accordance with Exchange Act Rule 16a-1(f).

**"Exchange"** is defined in the "Repayment of Excess Compensation" section of this Policy.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended and any valid regulation or applicable guidance of general applicability thereunder.

**"Financial Reporting Measure"** means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

**"Incentive-Based Compensation"** means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

The following items of compensation are not Incentive-Based Compensation under the Policy: salaries, bonuses paid solely at the discretion of the Committee or the Board that are not paid from a bonus pool that is determined by satisfying a Financial Reporting Measure, bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period,

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non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures, and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified period (e.g., time-based vesting equity awards) and/or attaining one or more non-Financial Reporting Measures.

**“Policy”** means this Clawback Policy, as it may be amended from time to time.

**“Received”** means that the Financial Reporting Measure specified for earning an Incentive-Based Compensation award is attained in the relevant Company fiscal period, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that fiscal period. As described above in “Compensation Covered by the Policy”, Incentive-Based Compensation that is Received before the Effective Date is not subject to this amended and restated Policy, although such Incentive-Based Compensation may be subject to recoupment as provided in the Company's Clawback Policy adopted effective as of September 13, 2016 and as amended from time to time (that is, the Policy as in effect prior to this amendment and restatement).

#### **Repayment of Excess Compensation**

The Company will seek recovery of any Excess Compensation reasonably promptly, and any affected Executive Officer is required to repay such Excess Compensation. Subject to applicable law, the Company may recover such Excess Compensation by requiring the Executive Officer to repay such amount to the Company by direct payment to the Company or such other means or combination of means as the Board and/or Committee determines to be appropriate (which determinations need not be identical as to each Executive Officer), including but not limited to (a) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards; (b) offsetting the amount to be recovered from any compensation otherwise owed by the Company to the Executive Officer, whether earned before or after the date of the foregoing determination and whether earned pursuant to employment or under a severance, consulting or other post-employment agreement or arrangement; (c) cancelling outstanding vested or unvested equity awards (which for the avoidance of doubt may also include any time-based vesting equity awards) or appropriating the proceeds associated with their vesting or disposition; (d) requiring reimbursement of previously-paid cash Incentive-Based Compensation; and/or (e) taking any other remedial and recovery action permitted by law, as determined by the Board and/or Committee, in each case, notwithstanding any Executive Officer's belief (whether legitimate or reasonably or not) that the Excess Compensation had been previously earned under applicable law and therefore not subject to recoupment. This Policy does not preclude the Company from taking any other action to enforce an Executive Officer's obligations to the Company or to discipline an Executive Officer, including (without limitation) termination of employment, institution of civil proceedings, reporting of misconduct to appropriate governmental authorities, reduction of future compensation opportunities or change in role.

This Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 that are applicable to the Company's Chief Executive Officer and Chief Financial Officer and any other applicable regulatory requirements.

Notwithstanding the terms of any of the Company's organizational documents (including, but not limited to, the Company's Bylaws), any corporate policy or any contract (including, but not limited to, any indemnification agreement), the Company will not indemnify any Executive Officer or former Executive Officer against any loss of Excess Compensation. The Company will not pay for or reimburse insurance

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premiums for an insurance policy that covers potential recovery obligations. In the event the Company is required to recover Excess Compensation from a former Executive Officer pursuant to this Policy, the Company will be entitled to seek such recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement the former Executive Officer may have signed.

This Policy is intended to comply with Section 10D of the Exchange Act, Rule 10D-1 under the Exchange Act, and with the listing standards of the Nasdaq stock exchange (the “**Exchange**”), the trading platform on which the securities of the Company primarily are listed. This Policy will be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1 under the Exchange Act and with the listing standards of the Exchange, including (but not limited to) any interpretive guidance provided by the Exchange.

**Other Important Information**

The Board and the Committee each may amend and/or terminate this Policy from time to time. Unless otherwise determined by the Board or the Committee, this Policy will terminate upon the Company ceasing to be a listed issuer within the meaning of Section 10D of the Exchange Act.

If any provision of this Policy or the application of any such provision to any Executive Officer shall be adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Policy, and the invalid, illegal or unenforceable provisions shall be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

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