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Moog, Inc. (MOG.A)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

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Michael F. Ciarmoli; Analyst, Truist Securities, Inc.

Gautam Khanna; Analyst, TD Securities LLC

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MANAGEMENT DISCUSSION SECTION

Good morning and thank you for joining Moog’s third quarter 2025 earnings release conference call. I’m Aaron Astrachan, Director of Investor Relations. With me today is Pat Roche, our Chief Executive Officer, and Jennifer Walter, our Chief Financial Officer.

Earlier this morning, we released our results and our supplemental slides, both of which are available on our website.

Our earnings press release, our supplemental slides and remarks made during our call today contain adjusted, non-GAAP results. Reconciliations for these adjusted results to GAAP results are contained within the provided materials.

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

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

Good morning and welcome to our earnings call.

We have just delivered another quarter of robust financial results. It is reflective of our unrelenting focus on driving improved business performance.

We delivered both record sales and adjusted earnings per share, built our 12-month backlog to a record level, delivered strong adjusted operating margins and generated solid free cash flow. We achieved these results despite the impact of tariffs .

We feel bullish about the outlook for our business growth. Market conditions are positive, and our value proposition is winning. A strong order intake boosted our 12-month backlog. We updated our guidance and are anticipating another quarter of solid revenue . Our growth has been notable in areas important to our future financial success: commercial aftermarket , satellite components, missiles , defense components and new military aircraft programs . This gives us confidence as we look toward FY26.

We see the impact of our relentless focus on margin enhancement coming through in our results. We delivered strong adjusted operating margin, despite tariff headwinds.

In addition, we are pleased to deliver a strong free cash flow result in the quarter and are guiding further improvement in the fourth quarter.

Now, let us look at the factors driving our robust growth, starting with the defense end-market.

We are experiencing a secular increase in defense spending within the US, NATO nations and Indo Pacific allies that will continue for the foreseeable future. In addition, there is a

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growing sense of urgency to increase industrial capacity in these regions. We are well positioned to respond to these demands.

The recent US budget reconciliation added \$150B to the total defense budget to fund critical national security priorities. Those priorities which are especially relevant to Moog include:

- Golden Dome that will depend on space-based and boost-phase intercept capabilities and hypersonic defense systems, emerging technologies including small cruise missile and hypersonic attack systems, air superiority based on collaborative combat aircraft and sixth generation designs, modernization of the nuclear triad and readiness and depot modernization.

We are actively addressing a multitude of opportunities across these specific applications with primes and new entrants.

The NATO summit delivered a commitment to raise core defense spending from 2% to 3.5% of GDP. The increased demand is beyond the capacity of the current industrial base and US companies will play a significant role in meeting that increased demand. We are leveraging our long-established European operations in support of this need.

The defense demand also comes with a growing sense of urgency, both in the US and in Europe. The recent UK Strategic Defense Review recommended moving to “war-fighting readiness” due to the perceived threat. In addition, current conflicts have significantly depleted missile stocks.

Taken together, the combination of urgent replenishment needs and strategic realignment is driving long-term secular demand for defense businesses which we are well positioned to capture.

Moving to commercial aerospace, our customers have strong backlog and are intent to drive increased production rates. We see greater stability and growing confidence that this can be achieved. We maintain a stable production plan that supports our customers’

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needs. On the aftermarket side , we continue to benefit from increased airline activity, increased wide-body fleet utilization and our ability to secure long-term support contracts that create a strong customer partnership in support of their fleet needs.

Now within industrial markets, we continue to have relative stability. Bookings exceed sales and the backlog has grown from the second to the third quarter. Industrial automation appears resilient and Medical continues to grow.

Overall, end-market conditions are very favorable for our business.

Before I finish on the macro environment, I want to share a brief update on tariffs.

As a reminder, the most relevant tariffs for our business arise from the import of steel and aluminum, and the import of goods from key facilities and suppliers in Costa Rica, the Philippines, Mexico, the European Union, Canada and the UK.

In this quarter, we faced a 25% tariff on Steel and Aluminum and a 10% country tariff during the so called “90-day pause”. The administration continues to evolve its trade policy and tariff regimes as it negotiates with trading partners. We expect that this leads to an increase in country tariffs during the fourth quarter.

We implemented specific actions to mitigate the impact of these tariffs in the quarter. These steps included use of the US-Mexico-Canada Agreement (USMCA), the effective administration of import and re-export of repair goods, and price adjustments to reflect our new cost base.

These mitigations have been effective in reducing tariff impact but were not in place for the full quarter due to the timing of implementation. We will continue to mature our approach to tariffs. Operationally, we expect that these actions will limit tariff impact to the range indicated 90-day ago. We are now incorporating the tariff impact into our guidance.

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Now let me turn to those initiatives that are driving our strong underlying performance as a business.

Firstly, customer focus. The Paris Air Show provided an ideal opportunity to connect with many customers, suppliers and investors over a few days in June. It reflected the positive market dynamic for both commercial and military aircraft. It appears that supply chain has become less volatile, although not without some persistent challenges.

At the show, we were happy to announce the renewal of a 10-year support contract with All Nippon Airways for 787. We continue to build out our long-term support and partnership with the key airlines operating 787 and A350. We are intent on maintaining our leading aftermarket position.

We signed a distribution contract with S3 AeroDefense to expand our aftermarket support on legacy military aircraft operated by foreign militaries.

We also recently secured two contract wins for our avionics package, namely the T-6A fleet retrofit for the US Air Force , adding to a prior US Navy award , and a C-130 Hercules fleet retrofit for Lynden Air Cargo.

We took an exciting step, post quarter close, with the acquisition of COTSWORKS, a defense components business with revenues of \$30M. They design and manufacture fiber optic transceivers and assemblies used in major aerospace and defense programs across both US and international markets with many common customers. These mission critical components are increasingly important as more sensor and control data is moved at ever higher rates across platforms used in space, air, land, and sea domains. The company is a leading player in this technology space and is actively collaborating with customers to define future platform architectures with its differentiated product portfolio. The acquisition further builds our opto-electronics capabilities, and we have a clear integration plan aligned with our simplification agenda.

These examples together highlight the continued strength in our core aerospace offering and how we are responding to the evolving customer needs with innovative avionics and opto-electronics offering.

Turning to people, community and planet, our on-going Environmental, Social and Governance work has been recognized in 2025 by EcoVadis with a Bronze medal for our achievements. Over the last year, we moved from fourth quartile to second quartile performance. EcoVadis assesses over 150,000 companies in over 185 countries and is an important independent resource for our customers.

Finally turning to financial strength, our focus on margin enhancement is well established and we are consistent in our application of pricing and simplification to drive better results. We made substantial progress within the quarter:

- Our 80/20 capability continues to mature. The 80/20 mindset drives prioritization of improvement activities across the operating groups. Our customer engagement is shaped by our desire to invest our precious time and energy in building more business with our most strategically important customers. Also, more granular views of profitability at product line or value stream level are enabling data driven business decisions.
- As part of 80/20, we divested assets and intellectual property of a non-core helicopter emergency floatation and evacuation slide product line as we continue to shape our portfolio.
- We also engaged a distributor to simplify the support of our military aircraft aftermarket.
- Our footprint rationalization is proceeding well. Our exit from Reading and Nurnberg facilities are on track to complete in FY26 and FY27, respectively. The impact of this work is most pronounced in our Industrial segment which has reduced its facility count by 40%, as per our Investor Day plan.
- We consolidated our space launch actuation and avionics business into a dedicated focused factory.

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- In a similar vein, we have transferred several commercial products from military to commercial's focus factories to structurally simplify manufacturing and supply chain.

While the impact of these activities on margin is evident in our financial results, it also shows up in our ability to deliver significant growth efficiently. We delivered record sales in the current quarter with fewer people than in the prior year. Our annualized revenue per head for the current quarter is 10% better than the prior year quarter.

We are confident in the growth of our business and in delivering improved operational performance. We have put in place actions to mitigate the tariff challenge to our business and have greater confidence in our ability to limit the impact on our business.

Our financial performance year to date puts us on path to deliver another outstanding year of solid growth and robust margin enhancement. We expect to deliver 8% CAGR growth over the last three years and 260 bps margin enhancement, which I think is remarkable.

And with that, let me hand over to Jennifer for a detailed breakdown on the quarter, and update on our guidance.

Thanks Pat.

Our financial performance in the third quarter was strong with record sales and adjusted earnings per share, solid adjusted operating margin and robust free cash flow.

We continued to simplify our business. As a result, we took \$20 million of charges in the third quarter. Charges included \$8 million associated with the termination of a product development effort, \$7 million associated with the closure of facilities and \$3 million associated with an investment impairment .

I'll now talk through our third quarter adjusted results, which exclude these charges.

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Sales in the third quarter of \$971 million were 7% above last year's third quarter. Commercial Aircraft, Space and Defense and Military Aircraft sales were up nicely, while Industrial sales were down as a result of business divestitures .

Commercial Aircraft sales of \$219 million increased 16% over the same quarter a year ago. Aftermarket sales reached a record level, driven largely by strong fleet utilization on the 787 and A350 programs. OE sales were relatively flat. We had lower sales on certain business jet and narrow body programs for which our customers have experienced disruption and delays in production . That was offset by the sale of intellectual property and inventory associated with a non-core product line that we're exiting as part of our simplification efforts .

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Space and Defense sales were \$288 million, up 11% over the third quarter last year. Our sales this quarter were at a record level, reflecting broad-based defense demand. We're seeing demand particularly strong for satellite components and missile controls.

In Military Aircraft, sales of \$225 million were up 8% over the third quarter of last year. Activity on the FLRAA program began to ramp mid-way through FY 23, and increased steadily through FY 24, driving the sales increase this quarter .

Industrial sales were \$240 million in the third quarter, down 4% from the same quarter a year ago. The decrease relates to the divestitures we completed at the beginning of this fiscal year.

We'll now shift to adjusted operating margins.

Adjusted operating margin was 13.6% in the third quarter, up 130 basis points from 12.3% in the prior year. There were two noteworthy matters that occurred this quarter that were not included in our previous guidance, and these items offset one another. The first is a benefit associated with the sale of the non-core product line we've decided to exit in Commercial Aircraft. The other is pressure associated with tariffs, most significantly within Commercial Aircraft and Industrial .

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Commercial Aircraft operating margin was 14.9%, up 180 basis points from the third quarter last year . The increase resulted from the sale of a non-core product line, which contributed 300 basis points this quarter. Record aftermarket sales also contributed to strong operating margin performance. The benefit of these factors was muted by pressure associated with tariffs. In addition, we were impacted by disruptions and delays our customers have experienced on certain business jet and narrow body programs.

Industrial operating margin was 13.5% in the third quarter, up 180 basis points from the third quarter last year. This increase is attributable to benefits from simplification initiatives, including the divestitures completed at the beginning of this fiscal year. We achieved these results despite pressure from tariffs.

In Space and Defense, operating margin was 14.1%, up 140 basis points from the same quarter a year ago. We had strong sales growth, and those sales were nicely profitable, driving the increase in operating margin. That was partially offset by investments we made for product development and business capture as we continue to see large opportunities across both land and space applications .

Military Aircraft operating margin was 11.6% in the third quarter, down 30 basis points from the third quarter last year. We're investing more in research and development, in particular related to Collaborative Combat Aircraft program opportunities . In addition, our operating margin was pressured by our sales mix.

Putting it all together, adjusted earnings per share came in at \$2.37, up 24% compared to last year's third quarter. The increase is attributable to operating margin expansion as well as a higher level of sales.

Let's shift over to cash flow.

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In the third quarter, we generated \$93 million of free cash flow, just over 120% free cash flow conversion. Earnings were strong, we generated cash from changes in working capital and capital expenditures were on the lighter side.

With respect to capital allocation, we continue to invest in capital expenditures to support our organic growth. In addition, just after quarter end, we acquired COTSWORKS, a defense components manufacturer for \$63 million, paid with a combination of cash and shares of our common stock. We'll report that business within our Space and Defense segment. Our dividend policy remains unchanged, with \$9 million of cash used in the quarter .

Our leverage ratio was 2.4x as of the end of the third quarter, nicely within our target range of 2 to 3 times.

We'll now shift over to our updated guidance for this year. We are increasing our sales guidance from 90 days ago based on the strength of the business. We are updating our operating margin guidance to reflect the expected pressures associated with tariffs and the underlying strength in our business. We're also moderating our free cash flow guidance based on working capital needs to support our elevated growth.

We're projecting sales to be \$3.8 billion, reflecting an \$80 million increase from our guidance 90 days ago. We're increasing sales guidance in each of our segments. We're increasing guidance for sales in Space and Defense by \$15 million, with further growth in missiles and additional sales from the acquisition, partially offset by lower growth in space. We're increasing Military Aircraft sales by \$20 million on major production and development programs . We're increasing Commercial Aircraft sales by \$20 million due to our aftermarket strength, moderated by lower growth on major platforms. We're increasing Industrial sales by \$25 million in our core industrial automation business.

We're projecting an operating margin of 12.8%, down 20 basis points from what we previously shared, as we're now including 50 basis points of pressure from tariffs. Our underlying business is stronger than reflected in our previous guidance, and we benefited from the third quarter product line sale.

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We are making some adjustments to segment operating margins based on our performance this quarter, with further expansion in Commercial Aircraft and Industrial, and moderations in Space and Defense and Military Aircraft.

Adjusted earnings per share is projected to be \$8.25, plus or minus \$0.10. That's \$0.05 higher than our guidance from 90 days ago. The increase reflects the strength of our business, and the benefit associated with the third quarter product line sale, offset by \$15 million to \$20 million of estimated pressure from tariffs that is now included in our guidance.

We're moderating our guidance for free cash flow conversion to a 30 – 50 % range. Our working capital needs are greater, most notably in physical inventories, due to the additional growth in our business . We expect cash flow generation in the fourth quarter to be even stronger than the robust level achieved in the third quarter . In the fourth quarter, we'll have continued strong earnings, and we'll secure significant customer advances.

We're on track to close out a record year for sales in FY 2025. Our business is strong, and we're continuing to expand our operating margin and generate an increasing level of free cash flow.

And now I'll turn it over to Pat.

Our third quarter delivered outstanding financial results and three quarters through the year; we are in very good shape. We are guiding that the business will continue to perform well based on our view of the markets and our success in driving business improvements.

And with that, let me open the floor to questions.

[Q&A session]

Operator: Thank you. We will now begin the question-and-answer session. Your first question comes from the line of Kristine Liwag with Morgan Stanley. Please go ahead. Kristine, There you go.

Kristine Tan Liwag **Q**

Analyst, Morgan Stanley & Co. LLC

Hi. Great. Hey. Good morning, everyone. Can you hear me?

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

Yes, we can. Good morning.

Kristine Tan Liwag **Q**

Analyst, Morgan Stanley & Co. LLC

Good. So, maybe starting off, just understanding the free cash flow guide a little bit more in the quarter. So, what changed to make you lower your free cash flow conversion to 30% to 50% versus 50%? And then, does that factor in the tax benefit for the year?

Jennifer Walter **A**

Executive Vice President & Chief Financial Officer, Moog, Inc.

Yes, I'll take that, Kristine. So, we increased our sales guidance. So, we had really strong sales this quarter, and they're going up next quarter compared to what we had previously guided to. And with that increased level of sales, we also had increased operating performance as well. And with that, increased level of growth in the business that required us to have more working capital. So, it's just putting all of those pieces together.

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So, the increase in the working capital, primarily in the form of physical inventories, to a lesser extent, those receivables, is what's driving that change; that moderation from the 50% conversion that we had projected a quarter ago to the 30% to 50% that we're now projecting.

When we look at the recently enacted legislation, for that purpose, that actually will affect us in FY 2026, not in FY 2025. So, that provides a meaningful cash benefit related to the acceleration of R&D deductions for us. And we will see that upside in our cash for FY 2026, not for 2025.

Kristine Tan Liwag **Q**

Analyst, Morgan Stanley & Co. LLC

That's super helpful. Thank you, Jennifer. And then, just the inventory physical build that you're talking about, what's driving that? Is that to support the higher rates for next year, is that just for banks to provide some buffer regarding tariffs or supply chain uncertainty? What's the core driver of that?

Kristine Tan Liwag **Q**

Analyst, Morgan Stanley & Co. LLC

Great. Thank you very much.

Jennifer Walter **A**

Executive Vice President & Chief Financial Officer, Moog, Inc.

Yeah.

Operator: Your next question comes from the line of Jon Tanwanteng with CJS. Jon, please go ahead.

Jon Tanwanteng Q

Analyst, CJS Securities, Inc.

Hi. Good morning. Can you hear me?

Patrick J. Roche A

President, Chief Executive Officer & Director, Moog, Inc.

Yes, Jon. Good morning to you.

Jon Tanwanteng Q

Analyst, CJS Securities, Inc.

Good morning to you. Great quarter, and nice to see the guidance up even with the tariff headwinds. I was wondering if you could first talk about the defense budget and the new NATO spending targets. I was wondering if you could talk about what share you expect to have of that higher spending? Do you think you'd maintain what you have now, or do you think you can gain share with all these new programs that are being launched, may have your content in it?

Jon Tanwanteng A

Analyst, CJS Securities, Inc.

Great. No, that's great to hear. I was wondering if you could talk about pricing in all of these new contracts you're signing. Is there something that you can do there to mitigate the tariff headwind that you're facing; or is it similar to how you priced in the past and it's just – what your philosophy is going forward?

Patrick J. Roche A

President, Chief Executive Officer & Director, Moog, Inc.

Yeah, I mean, our approach to pricing, changed over the last three, four years where we would now see it as an important part of our business development to actually continue to review pricing, to make sure we're getting the value that, we believe, we're delivering for our customers. That continues unrelenting across all of the businesses,

Jon. And so, whenever contracts are coming up for renegotiation, they are being looked at through that lens.

Now, your question related specifically to tariffs. And I called out in the last quarter that where we were unable to mitigate costs, we would work to pass through some of the pricing where we had to. And yeah, we're working that

as well. In some cases, in some product lines, we had notification periods with customers. We've notified our customers. Those price increases will begin to come through in Q4. So, it's an active process, Jon. We're working it and we are trying to make sure that our cost base isn't eroded by the tariffs.

Operator: Your next question comes from the line of Michael (00:39:52) Ciarmoli with Truist. Please go ahead.

Michael F. Ciarmoli **Q**

Analyst, Truist Securities, Inc.

Hey. Morning, guys. Thanks for taking the question. Jennifer, just, I guess, free cash flow, the conversion has been getting revised down. I mean, you guys need a pretty big uptick here in the fourth quarter to even get to the low end. I mean, what's the confidence level there? And I guess, just what really changed since April to drive that working capital? Is this more positioning for 2026 growth?

Jennifer Walter **A**

Executive Vice President & Chief Financial Officer, Moog, Inc.

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Yeah. So, the change that we had from last quarter's guidance of a 50% conversion to what we're now guiding at, the 30% to 50% range, is related to the elevated growth in our businesses: growth that we're seeing now and in the fourth quarter. So, both of those are contributing to higher sales that we're seeing now. And that does show up in inventories and in receivables in the near term.

We actually had some really nice collections in the third quarter, but not as strong as we had previously anticipated, because we had higher sales than we had anticipated as well as we guided through. So, that's really what's driving the change in our guidance.

When we look at confidence in order to hit that guidance, we are confident in it. There's something in particular that we're focused on, and that's our customer advances. There were some customer advances that we had planned originally to hit in our third quarter and have slipped out into the fourth quarter.

And in addition, there's new customer advances. These are all in the Aerospace and Defense businesses that are coming through that we're looking to secure in the fourth quarter. So, it's related strongly to those customer advances within the fourth quarter. So, we're feeling good about those things.

Michael F. Ciarmoli **Q**

Analyst, Truist Securities, Inc.

Okay. And then, if I think about 2026, you've, obviously, got the target model out there. I mean, confidence level in this conversion inflecting higher. And I mean, I'm assuming you're going to get a tailwind from tax reform, but...

Jennifer Walter **A**

Executive Vice President & Chief Financial Officer, Moog, Inc.

Yeah. So, we will provide detailed guidance in our fourth quarter earnings call, but we are still focused on our Investor Day target, which was at 75% to 100% conversion. And yes, the recently enacted legislation does provide a meaningful cash benefit for us related to the acceleration of R&D deduction. So, that will certainly help

us in FY 2026.

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

I'm focusing on the stuff we're on, Michael. I mean, the exposure we have on hypersonics is important to us. The exposure on space-based assets and components that, that is drawing through; the tick-up on missiles. Because I think the missile array, that's going to be utilized within something like Golden Dome will include S3, where we're now at a really strong position, includes I as well and a range of other defense-based components that are drawn into that.

So, I'm really positive about the opportunities that Golden Dawn provides to us across a whole range of those applications. So, I think, the broad exposure is really helpful to us. We will capture and win programs as a consequence of that and the technologies we're bringing to bear there, Michael.

Michael F. Ciarmoli **Q**

Analyst, Truist Securities, Inc.

Got it. Okay. Perfect. Thanks, guys.

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

Thank you.

Operator: Your next question comes from the line of Tony Bancroft with Gabelli Company. Please go ahead. Tony,. All right. We will move on to the next questioner. We have a follow-up from Jon Tanwanteng from CJS. Please go ahead.

Jon Tanwanteng **Q**

Analyst, CJS Securities, Inc.

Hi. Good morning. Thank you for the follow-up. I was wondering if you could talk about the strength in the Industrial business. We've seen pauses, and cancellations and pushouts in a number of other businesses. I was just wondering what's driving the strength there? I think, you mentioned automation, but maybe you could talk about the end markets or the products that are driving that? And if you're seeing that continue into the fourth quarter?

Jon Tanwanteng Q

Analyst, CJS Securities, Inc.

Okay. Great. And then, just on the Aerospace piece, the Commercial side. I was just, wondering how that's

tracking compared to what you thought earlier this year, especially on the OEM airframes versus the aftermarket?

And what's driving the trends in both of those?

Patrick J. Roche A

President, Chief Executive Officer & Director, Moog, Inc.

I would say, what is notable in this quarter has been the absolute strength of the aftermarket business. I think, as I said in the call, it's a record level of sales for aftermarket. Aftermarket, as a percent share of the total Commercial business in the quarter, was 39%. We've never had it at a level like that as a share. So, we see good strength in the commercial aftermarket side. That's driven by high utilization of the fleet that we're supporting. And we feel really positive about that. And we have – we're locking in that aftermarket business by continuing to secure long-term contracts directly with the airlines to support our primary flight control systems. And I called out the example for ANA. So, that business is doing really well.

If I look at the OE side, we had some slowing on some of the narrow-body and business jet programs. There were some disruptions or delays on that side of the business during the quarter. But wide-body business was

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consistent and it's in line with our plans, which are tied into our customers' plans for the major airframers, Boeing and Airbus. So, overall, good picture for the Commercial side of the business, real strength in aftermarket and stability, as I see it, on the wide-body side.

Jon Tanwanteng Q

Analyst, CJS Securities, Inc.

Got it. Thank you very much.

Patrick J. Roche A

President, Chief Executive Officer & Director, Moog, Inc.

Welcome.

Operator: Your next question comes from Tony Bancroft with Gabelli Company

Tony, please go ahead.

Gautam Khanna Q

Analyst, TD Securities (USA) LLC

All right. This is actually Gautam Khanna at TD Cowen. I'm not sure if you can hear me.

Gautam Khanna Q

Analyst, TD Securities (USA) LLC

But anyway. Okay. Great. You're replying to me. It's Tony. Thank you. Hey, I wanted to ask two questions. First, at the Paris Air Show, there was an announcement on this Airbus A350 actuation. So, the spoiler system, the contract turned over to a competitor. Just wanted to

get your assessment, how we should interpret that, when does it impact Moog and is it meaningful? And then, I have a follow-up.

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

I wouldn't describe it as meaningful. And actually, I think we're comfortable not having that piece of business. It wasn't a great piece of business for us. Didn't really generate value for us, so we were okay with taking that out of our portfolio effectively. Really, the competitor who's taking it on has to develop their own IP now to be able to manufacture the parts, but it's actually, two years, at least, of delay before anything happens on that transition.

Gautam Khanna **Q**

Analyst, TD Securities (USA) LLC

Terrific. Thank you. And I was wondering, I know, we briefly touched on medical, if you could just describe what's going on in that end market right now for you guys?

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

One of the remarkable features about that market, as far as I can see, is that we have an incredibly effective manufacturing and quality control systems. And we have consistently demonstrated that we are able to deliver for our customers. Some of our competitors, on the other hand, have had missteps and challenges, which have resulted in them being unable to meet customer demand.

And so, we have consistently, over the last couple of years, increased our market share on the medical side of the business. So, I put it down to good performance, good operational strength with products that are well-respected in the marketplace. Recently, we introduced a new product as well, the CURLIN 8000. And so, we're continuing to establish our leading position in those markets.

Gautam Khanna Q

Analyst, TD Securities (USA) LLC

And my last one was just on the Airbus A350, in particular. I know, there's some channel inventory. One of the

aerospace companies this morning mentioned that they expect to recouple with underlying production by Q4 of this year – calendar Q4. I wanted to get your assessment on when do you think that channel inventory clears out?

If you could speak to the Airbus A350 and also the Boeing 787? Thank you.

Gautam Khanna Q

Analyst, TD Securities (USA) LLC

Terrific. Thank you so much, guys.

Operator: Your next question is a follow up from Mike Ciarmoli from Truist. Mike, please go ahead.

Michael F. Ciarmoli Q

Analyst, Truist Securities, Inc.

Hey. Morning, guys. Hey, Pat, just to follow-up, you mentioned head count. Can you give us an update where you are in total head count maybe on a year-over-year basis or even since the broad kind of 80/20 simplification process was enacted? And then, just an update on where you are in sites deployed with 80/20 right now?

Patrick J. Roche A

President, Chief Executive Officer & Director, Moog, Inc.

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So, if I go back to our prior quarter's earnings call, I talked about a review – I think, it was in the review of the fourth quarter last year, where I said look, our business had grown 20%, but our head count was down 6%. So, I mean, that was one illustration of the improvements in productivity that we had.

And then, I tried to illustrate it again in this quarter, by saying, if I just take year-over-year, in the current quarter, and look at productivity, that was up better by 10%. So, we're going in the right direction. The way we're going in the right direction, Michael, is that, we are effectively really tightly managing our head count. And as the business is growing, we are not adding. And so, that's why I'm getting the higher levels of productivity. I'm more effective in the use of the staff that we have in accommodating that growth of the business.

Michael F. Ciarmoli **Q**

Analyst, Truist Securities, Inc.

Okay. Okay. And what about 80/20 sites deployed?

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

We continue to deploy across the organization. I would say, Industrial group has done training at all of their sites.

They are going back with further, more in-depth training for some of the sites in the current quarter. I think, we're covering about 85% of the business now at this stage. I might have mentioned 75% previously, so it continues to cover a greater share of the corporation's revenue as we go through those deployments.

Patrick J. Roche **A**

President, Chief Executive Officer & Director, Moog, Inc.

You're welcome.

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Operator: Your next question is a follow up from Jon Tanwanteng with CJS. Jon, please go ahead.

We will move on to a follow-up from Gautam Khanna. Please go ahead.

Gautam Khanna Q

Analyst, TD Securities (USA) LLC

I'm actually okay. I appreciate it, but my questions were asked and answered. Thank you.

All right. There are no further questions at this time. I will now turn the call back to Pat Roche for closing remarks.

Patrick J. Roche

President, Chief Executive Officer & Director, Moog, Inc.

So, that concludes our earnings call. I appreciate you taking the time to listen to our update on the business. And I look forward to giving you further update in 90 days' time. Thank you very much.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.
