

WOODWARD, INC.

FORM 10-Q (Quarterly Report)

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Address	1081 WOODWARD WAY FORT COLLINS, CO, 80524
Telephone	970-482-5811
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Symbol	WWD
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Industry	Aerospace & Defense
Sector	Industrials
Fiscal Year	09/30

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2025

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)

36-1984010

(I.R.S. Employer Identification No.)

1081 Woodward Way, Fort Collins, Colorado

(Address of principal executive offices)

80524

(Zip Code)

(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 each exchange on which registered

Common Stock, par value \$0.001455 per share

WWD

NASDAQ Global Select Market

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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2025, 59,966,221 shares of the registrant's common stock with a par value of \$0.001455 per share were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net sales	\$ 915,446	\$ 847,688	\$ 2,571,800	\$ 2,469,761
Costs and expenses:				
Cost of goods sold	666,287	617,702	1,892,908	1,801,037
Selling, general and administrative expenses	88,703	73,812	242,241	229,770
Research and development costs	41,088	38,728	108,525	105,987
Interest expense	11,234	11,516	35,464	34,482
Interest income	(838)	(1,728)	(3,236)	(4,494)
Other (income) expense, net	(17,864)	(14,438)	(65,755)	(49,461)
Total costs and expenses	788,610	725,592	2,210,147	2,117,321
Earnings before income taxes	126,836	122,096	361,653	352,440
Income tax expense	18,388	20,021	57,165	62,765
Net earnings	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Earnings per share:				
Basic earnings per share	\$ 1.82	\$ 1.69	\$ 5.12	\$ 4.80
Diluted earnings per share	\$ 1.76	\$ 1.63	\$ 4.96	\$ 4.65
Weighted Average Common Shares Outstanding:				
Basic	59,680	60,425	59,442	60,290
Diluted	61,488	62,522	61,374	62,295

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net earnings	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Other comprehensive earnings:				
Foreign currency translation adjustments	38,857	(6,570)	21,535	5,512
Net (loss) gain on foreign currency transactions designated as hedges of net investments in foreign subsidiaries	(3,555)	329	(2,204)	(559)
Taxes on changes in foreign currency translation adjustments	(1,645)	18	(1,197)	(161)
Foreign currency translation and hedge transactions adjustments, net of tax	33,657	(6,223)	18,134	4,792
Unrealized (loss) gain on fair value adjustment of derivative instruments	(35,582)	5,989	(26,616)	(5,172)
Reclassification of net realized losses (gain) on derivatives to earnings	33,144	(2,997)	22,021	6,027
Taxes on changes in derivative transactions	—	(62)	—	352
Derivative adjustments, net of tax	(2,438)	2,930	(4,595)	1,207
Amortization of pension and other postretirement plan:				
Net prior service cost	197	180	589	540
Net (gain)	(173)	(250)	(507)	(754)
Foreign currency exchange rate changes on pension and other postretirement benefit plan liabilities	411	(127)	287	(48)
Taxes on changes in pension and other postretirement benefit plan liability adjustments, net of foreign currency exchange rate changes	(36)	63	(70)	106
Pension and other postretirement benefit plan adjustments, net of tax	399	(134)	299	(156)
Total comprehensive earnings	\$ 140,066	\$ 98,648	\$ 318,326	\$ 295,518

See accompanying Notes to Condensed Consolidated Financial Statements

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

	<u>June 30,</u> <u>2025</u>	<u>September 30,</u> <u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 473,159	\$ 282,270
Accounts receivable, less allowance for uncollectible amounts of \$8,976 and \$7,738, respectively	829,581	770,066
Inventories	657,121	609,092
Income taxes receivable	35,883	22,016
Other current assets	65,413	60,167
Total current assets	2,061,157	1,743,611
Property, plant and equipment, net	942,103	940,715
Goodwill	813,779	806,643
Intangible assets, net	435,057	440,419
Deferred income tax assets	85,714	84,392
Other assets	374,040	353,135
Total assets	\$ 4,711,850	\$ 4,368,915
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 353,000	\$ 217,000
Current portion of long-term debt	76,020	85,719
Accounts payable	284,029	287,457
Income taxes payable	35,768	40,692
Accrued liabilities	261,381	292,642
Total current liabilities	1,010,198	923,510
Long-term debt, less current portion	503,851	569,751
Deferred income tax liabilities	127,744	121,858
Other liabilities	601,491	577,380
Total liabilities	2,243,284	2,192,499
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	473,306	396,554
Accumulated other comprehensive losses	(18,860)	(32,698)
Deferred compensation	1,755	2,662
Retained earnings	3,479,552	3,223,259
	3,935,859	3,589,883
Treasury stock at cost, 12,985 shares and 13,787 shares, respectively	(1,465,538)	(1,410,805)
Treasury stock held for deferred compensation, at cost, 29 shares and, 45 shares, respectively	(1,755)	(2,662)
Total stockholders' equity	2,468,566	2,176,416
Total liabilities and stockholders' equity	\$ 4,711,850	\$ 4,368,915

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net earnings	\$ 304,488	\$ 289,675
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	84,096	86,842
Net (gain) on sales of assets and businesses	(19,470)	(565)
Stock-based compensation	25,490	27,926
Deferred income taxes	(1,504)	44
Changes in operating assets and liabilities:		
Trade accounts receivable	(15,296)	45,454
Unbilled receivables (contract assets)	(39,361)	(54,274)
Costs to fulfill a contract	(11,384)	(898)
Inventories	(63,130)	(95,275)
Accounts payable and accrued liabilities	12,379	19,508
Contract liabilities	(1,416)	21,337
Income taxes	(25,994)	(38,520)
Retirement benefit obligations	(2,654)	(1,486)
Other	(8,268)	(2,439)
Net cash provided by operating activities	237,976	297,329
Cash flows from investing activities:		
Payments for purchase of property, plant, and equipment	(78,537)	(72,193)
Proceeds from sale of assets	41	84
Proceeds from business divestitures	48,043	900
Payments for short-term investments	—	(6,767)
Proceeds from sales of short-term investments	2,935	9,737
Net cash (used in) investing activities	(27,518)	(68,239)
Cash flows from financing activities:		
Cash dividends paid	(48,195)	(43,457)
Proceeds from sales of treasury stock	96,064	90,142
Payments for repurchases of common stock	(124,276)	(304,811)
Borrowings on revolving lines of credit and short-term borrowings	1,957,900	2,258,600
Payments on revolving lines of credit and short-term borrowings	(1,821,900)	(1,983,800)
Payments of long-term debt and finance lease obligations	(85,719)	(75,644)
Net cash (used in) financing activities	(26,126)	(58,970)
Effect of exchange rate changes on cash and cash equivalents	6,557	765
Net change in cash and cash equivalents	190,889	170,885
Cash and cash equivalents at beginning of year	282,270	137,447
Cash and cash equivalents at end of period	\$ 473,159	\$ 308,332

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Stockholders' equity										
	Accumulated other comprehensive (loss) earnings										
	Common stock	Additional paid-in capital	Foreign currency translation adjustment \$	Unrealized derivative gains (losses)	Minimum retirement benefit liability adjustment \$	Total accumulated other comprehensive (loss) earnings	Deferred compensation	Retained earnings	Treasury stock at cost	Treasury stock held for deferred compensation	Total stockholders' equity
Balances as of April 1, 2024	\$ 106	\$ 374,278	\$ (56,378)	\$ (11,442)	\$ 6,419	\$ (61,401)	\$ 3,032	\$ 3,067,847	\$(1,051,417)	\$ (3,032)	\$ 2,329,413
Net earnings	—	—	—	—	—	—	—	102,075	—	—	102,075
Other comprehensive earnings (loss), net of tax	—	—	(6,223)	2,930	(134)	(3,427)	—	—	—	—	(3,427)
Cash dividends paid (\$0.25 per share)	—	—	—	—	—	—	—	(15,130)	—	—	(15,130)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(304,811)	—	(304,811)
Sales of treasury stock	—	11,923	—	—	—	—	—	—	30,095	—	42,018
Common shares issued for benefit plans	—	—	—	—	—	—	—	—	1,050	—	1,050
Stock-based compensation	—	8,023	—	—	—	—	—	—	—	—	8,023
Purchases of stock by deferred compensation	—	—	—	—	—	—	48	—	—	(48)	—
Distribution of stock from deferred compensation	—	—	—	—	—	—	(51)	—	—	51	—
Balances as of June 30, 2024	<u>\$ 106</u>	<u>\$ 394,224</u>	<u>\$ (62,601)</u>	<u>\$ (8,512)</u>	<u>\$ 6,285</u>	<u>\$ (64,828)</u>	<u>\$ 3,029</u>	<u>\$ 3,154,792</u>	<u>\$(1,325,083)</u>	<u>\$ (3,029)</u>	<u>\$ 2,159,211</u>
Balances as of April 1, 2025	106	449,152	(54,652)	(7,334)	11,508	(50,478)	1,763	3,387,846	\$(1,449,119)	(1,763)	2,337,507
Net earnings	—	—	—	—	—	—	—	108,448	—	—	108,448
Other comprehensive earnings (loss), net of tax	—	—	33,657	(2,438)	399	31,618	—	—	—	—	31,618
Cash dividends paid (\$0.28 per share)	—	—	—	—	—	—	—	(16,742)	—	—	(16,742)
Purchases of treasury stock	—	—	—	—	—	—	—	—	(44,783)	—	(44,783)
Sales of treasury stock	—	18,040	—	—	—	—	—	—	28,364	—	46,404
Common shares issued for benefit plans	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	6,114	—	—	—	—	—	—	—	—	6,114
Purchases of stock by deferred compensation	—	—	—	—	—	—	34	—	—	(34)	—
Distribution of stock from deferred compensation	—	—	—	—	—	—	(42)	—	—	42	—
Balances as of June 30, 2025	<u>\$ 106</u>	<u>\$ 473,306</u>	<u>\$ (20,995)</u>	<u>\$ (9,772)</u>	<u>\$ 11,907</u>	<u>\$ (18,860)</u>	<u>\$ 1,755</u>	<u>\$ 3,479,552</u>	<u>\$(1,465,538)</u>	<u>\$ (1,755)</u>	<u>\$ 2,468,566</u>

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Stockholders' equity									
	Common stock	Additional paid-in capital	Accumulated other comprehensive (loss) earnings			Deferred compensation	Retained earnings	Treasury stock at cost	Treasury stock held for deferred compensation	Total stockholders' equity
			Foreign currency translation adjustments	Unrealized derivative gains (losses)	Minimum retirement benefit liability adjustments					
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)	\$ 2,070,989
Net earnings	—	—	—	—	—	—	289,675	—	—	289,675
Other comprehensive earnings (loss), net of tax	—	—	4,792	1,207	(156)	5,843	—	—	—	5,843
Cash dividends paid (\$0.72 per share)	—	—	—	—	—	—	(43,457)	—	—	(43,457)
Purchase of treasury stock	—	—	—	—	—	—	—	(304,811)	—	(304,811)
Sales of treasury stock	—	24,391	—	—	—	—	—	65,718	—	90,109
Common shares issued for benefit plans	—	13,966	—	—	—	—	—	8,971	—	22,937
Stock-based compensation	—	27,926	—	—	—	—	—	—	—	27,926
Purchases of stock by deferred compensation	—	—	—	—	—	127	—	—	(127)	—
Distribution of stock from deferred compensation	—	—	—	—	—	126	—	—	(126)	—
Balances as of June 30, 2024	<u>\$ 106</u>	<u>\$ 394,224</u>	<u>\$ (62,601)</u>	<u>\$ (8,512)</u>	<u>\$ 6,285</u>	<u>\$ (64,828)</u>	<u>\$ 3,029</u>	<u>\$ 3,154,792</u>	<u>(1,325,083)</u>	<u>\$ 2,159,211</u>
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)	2,176,416
Net earnings	—	—	—	—	—	—	304,488	—	—	304,488
Other comprehensive earnings (loss), net of tax	—	—	18,134	(4,595)	299	13,838	—	—	—	13,838
Cash dividends paid (\$0.81 per share)	—	—	—	—	—	—	(48,195)	—	—	(48,195)
Purchases of treasury stock	—	—	—	—	—	—	—	(124,276)	—	(124,276)
Sales of treasury stock	—	32,884	—	—	—	—	—	63,009	—	95,893
Common shares issued for benefit plans	—	18,378	—	—	—	—	—	6,534	—	24,912
Stock-based compensation	—	25,490	—	—	—	—	—	—	—	25,490
Purchases of stock by deferred compensation	—	—	—	—	—	116	—	—	(116)	—
Distribution of stock from deferred compensation	—	—	—	—	—	(1,023)	—	—	1,023	—
Balances as of June 30, 2025	<u>\$ 106</u>	<u>\$ 473,306</u>	<u>\$ (20,995)</u>	<u>\$ (9,772)</u>	<u>\$ 11,907</u>	<u>\$ (18,860)</u>	<u>\$ 1,755</u>	<u>\$ 3,479,552</u>	<u>(1,465,538)</u>	<u>\$ 2,468,566</u>

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

Note 1. Basis of presentation

The Condensed Consolidated Financial Statements of Woodward, Inc. ("Woodward" or the "Company") as of June 30, 2025 and for the three and nine months ended June 30, 2025 and 2024, included herein, have not been audited by an independent registered public accounting firm. These unaudited Condensed Consolidated Financial Statements reflect all normal recurring adjustments that, in the opinion of management, are necessary to present fairly Woodward's financial position as of June 30, 2025, and the statements of earnings, comprehensive earnings, cash flows, and changes in stockholders' equity for the periods presented herein. The results of operations for the three and nine months ended June 30, 2025 and 2024 are not necessarily indicative of the operating results to be expected for other interim periods or for the full fiscal year. Dollar and share amounts contained in these unaudited Condensed Consolidated Financial Statements are in thousands, except per share amounts, unless otherwise noted.

The unaudited Condensed Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in Woodward's most recent Annual Report on Form 10-K filed with the SEC and other financial information filed with the SEC.

Management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures, in the preparation of the unaudited Condensed Consolidated Financial Statements included herein. Significant estimates in these unaudited Condensed Consolidated Financial Statements include allowances for credit losses; net realizable value of inventories; variable consideration including customer rebates earned and payable and early payment discounts; warranty reserves; useful lives of property and identifiable intangible assets; the evaluation of impairments of property, intangible assets, and goodwill; the provision for income tax and related valuation reserves; the valuation of derivative instruments; 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, board members and any other eligible recipients; estimates of incremental borrowing rates used when estimating the present value of future lease payments; assumptions used when including renewal options or non-exercise of termination options in lease terms; estimates of total lifetime sales used in the recognition of revenue associated with material rights and balance sheet classification of the related contract liability; estimates of total sales contract costs when recognizing revenue under the cost-to-cost method; and contingencies. Actual results could vary from Woodward's estimates.

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

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

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated
Point in time	\$ 235,566	\$ 182,698	\$ 418,264	\$ 219,318	\$ 206,746	\$ 426,064
Over time	360,424	136,758	497,182	298,242	123,382	421,624
Total net sales	<u>\$ 595,990</u>	<u>\$ 319,456</u>	<u>\$ 915,446</u>	<u>\$ 517,560</u>	<u>\$ 330,128</u>	<u>\$ 847,688</u>

	Nine Months Ended June 30, 2025			Nine Months Ended June 30, 2024		
	Aerospace	Industrial	Consolidated	Aerospace	Industrial	Consolidated
Point in time	\$ 650,576	\$ 516,567	\$ 1,167,143	\$ 636,992	\$ 596,608	\$ 1,233,600
Over time	1,001,025	403,632	1,404,657	838,836	397,325	1,236,161
Total net sales	<u>\$ 1,651,601</u>	<u>\$ 920,199</u>	<u>\$ 2,571,800</u>	<u>\$ 1,475,828</u>	<u>\$ 993,933</u>	<u>\$ 2,469,761</u>

Accounts Receivable

Accounts receivable consisted of the following:

	June 30, 2025	September 30, 2024
Billed receivables		
Trade accounts receivable	\$ 475,152	\$ 455,831
Other (Chinese financial institutions)	163	1,403
Total billed receivables	475,315	457,234
Current unbilled receivables (contract assets)	<u>363,242</u>	<u>320,570</u>
Total accounts receivable	838,557	777,804
Less: Allowance for uncollectible amounts	(8,976)	(7,738)
Total accounts receivable, net	<u>\$ 829,581</u>	<u>\$ 770,066</u>

As of June 30, 2025, "Other assets" on the Condensed Consolidated Balance Sheets includes \$9,862 of unbilled receivables not expected to be invoiced and collected within a period of twelve months, compared to \$11,237 as of September 30, 2024.

Accounts receivable in Woodward's Condensed Consolidated Financial Statements represent the net amount expected to be collected, and an allowance for uncollectible amounts related to credit losses is established based on expected losses. Expected losses are estimated by reviewing specific customer accounts, taking into consideration accounts receivable aging, credit risk of the customers, and historical payment history, as well as current and forecasted economic conditions and other relevant factors.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Balance, beginning	\$ 8,558	\$ 7,126	\$ 7,738	\$ 5,847
Changes in estimates	519	835	1,325	2,531
Write-offs	—	(13)	(120)	(488)
Other ¹	(101)	(987)	33	(929)
Balance, ending	<u>\$ 8,976</u>	<u>\$ 6,961</u>	<u>\$ 8,976</u>	<u>\$ 6,961</u>

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

Contract liabilities

Contract liabilities consisted of the following:

	June 30, 2025		September 30, 2024	
	Current	Noncurrent	Current	Noncurrent
Deferred revenue from material rights from JV formation	\$ 7,119	\$ 232,173	\$ 6,580	\$ 232,164
Deferred revenue from advanced invoicing and/or prepayments from customers	15,016	4,678	23,706	6,437
Liability related to customer supplied inventory	17,247	—	20,563	—
Deferred revenue from material rights related to engineering and development funding	8,908	194,384	5,942	186,008
Net contract liabilities	<u>\$ 48,290</u>	<u>\$ 431,235</u>	<u>\$ 56,791</u>	<u>\$ 424,609</u>

Woodward recognized revenue of \$5,157 in the three months and \$26,275 in the nine months ended June 30, 2025 from contract liabilities balances recorded as of October 1, 2024, compared to \$16,396 in the three months and \$37,661 in the nine months ended June 30, 2024 from contract liabilities balances recorded as of October 1, 2023.

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 June 30, 2025 were \$3,146,145, compared to \$2,932,793 as of September 30, 2024, the majority of which relates to Woodward's Aerospace segment in both periods. Woodward expects to recognize almost all remaining performance obligations within two years after June 30, 2025.

Remaining performance obligations related to material rights that have not yet been recognized in revenue as of June 30, 2025 were \$512,444, of which \$4,957 is expected to be recognized in the remainder of fiscal year 2025, \$15,656 is expected to be recognized in fiscal year 2026, and the remaining 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 reportable segments, Aerospace and Industrial, and further disaggregates its revenue from contracts with customers by primary market 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 were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Commercial OEM	\$ 175,226	\$ 189,697	\$ 496,763	\$ 544,568
Commercial aftermarket	215,451	165,718	581,162	467,148
Defense OEM	150,358	96,557	401,068	280,999
Defense aftermarket	54,955	65,588	172,608	183,113
Total Aerospace segment net sales	<u>\$ 595,990</u>	<u>\$ 517,560</u>	<u>\$ 1,651,601</u>	<u>\$ 1,475,828</u>

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Power generation	\$ 109,341	\$ 109,583	\$ 325,607	\$ 314,500
Transportation	143,652	163,310	401,992	511,565
Oil and gas	66,463	57,235	192,600	167,868
Total Industrial segment net sales	<u>\$ 319,456</u>	<u>\$ 330,128</u>	<u>\$ 920,199</u>	<u>\$ 993,933</u>

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

Three Months Ended June 30, 2025		Three Months Ended June 30, 2024	
Aerospace	RTX Corporation, GE Aerospace, The Boeing Company	RTX Corporation, GE Aerospace, The Boeing Company	
Industrial	Rolls-Royce PLC, Caterpillar, Inc., Wärtsilä	Weichai Power, Rolls-Royce PLC, GE Vernova, Inc.	
Nine Months Ended June 30, 2025		Nine Months Ended June 30, 2024	
Aerospace	RTX Corporation, GE Aerospace, The Boeing Company	RTX Corporation, The Boeing Company, GE	
Industrial	Rolls-Royce PLC, Caterpillar, Inc.	Weichai Power, Rolls-Royce PLC	

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 are listed as GE Aerospace and GE Vernova as applicable.

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, and performance stock units.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net earnings	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Denominator:				
Basic shares outstanding	59,680	60,425	59,442	60,290
Dilutive effect of stock options; restricted and performance stock	1,808	2,097	1,932	2,005
Diluted shares outstanding	61,488	62,522	61,374	62,295
Income per common share:				
Basic earnings per share	\$ 1.82	\$ 1.69	\$ 5.12	\$ 4.80
Diluted earnings per share	\$ 1.76	\$ 1.63	\$ 4.96	\$ 4.65

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Restricted stock and option awards	38	80	20	53
Weighted-average price	\$ 193.09	\$ 137.76	\$ 185.74	\$ 134.79

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:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Weighted-average treasury stock shares held for deferred compensation obligations	30	53	34	54

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.

Lease-related assets and liabilities were as follows:

	Classification on the Condensed Consolidated Balance Sheets	June 30, 2025	September 30, 2024
Assets:			
Operating lease	Other assets	\$ 25,584	\$ 27,135
Finance lease	Property, plant, and equipment, net	2,960	2,516
Total lease assets		<u>28,544</u>	<u>29,651</u>
Current liabilities:			
Operating lease	Accrued liabilities	6,030	5,029
Finance lease	Current portion of long-term debt	1,020	719
Noncurrent liabilities:			
Operating lease	Other liabilities	20,177	22,670
Finance lease	Long-term debt, less current portion	2,167	2,017
Total lease liabilities		<u>\$ 29,394</u>	<u>\$ 30,435</u>

Lease-related expenses were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Operating lease expense	\$ 1,913	\$ 1,690	\$ 5,608	\$ 4,978
Amortization of finance lease assets	242	174	725	644
Interest on finance lease liabilities	39	33	125	106
Variable lease expense	219	429	787	958
Short-term lease expense	51	42	159	125
Total lease expense	<u>\$ 2,464</u>	<u>\$ 2,368</u>	<u>\$ 7,404</u>	<u>\$ 6,811</u>

Lease-related supplemental cash flow information was as follows:

	Nine Months Ended June 30,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 4,456	\$ 3,963
Operating cash flows for finance leases	125	106
Financing cash flows for finance leases	720	644
Right-of-use assets obtained in exchange for recorded lease obligations:		
Operating leases	4,902	5,803
Finance leases	1,171	—

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 are substantially (more than 90%) dedicated to the manufacturing of the product(s) for a single customer. Woodward has dedicated manufacturing lines with three 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 June 30, 2025. 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.

Revenue from contracts with customers that included embedded operating leases, which is included in “Net sales” in the Condensed Consolidated Statements of Earnings, were \$989 for the three months and \$2,926 for the nine months ended June 30, 2025, compared to \$1,370 for the three months and \$4,099 for the nine months ended June 30, 2024.

The carrying amount of property, plant, and equipment leased to others through embedded leasing arrangements, included in “Property, plant, and equipment, net” on the Condensed Consolidated Balance Sheets, follows:

	June 30, 2025	September 30, 2024
Property, plant, and equipment	\$ 40,866	\$ 48,495
Less accumulated depreciation	(28,136)	(32,994)
Property, plant, and equipment, net	<u>\$ 12,730</u>	<u>\$ 15,501</u>

Note 6. Joint venture

In fiscal year 2016, Woodward and GE, consummated the formation of a strategic joint venture (the “JV”). For purposes of the JV, GE has been acting through GE Aerospace since April 2024. The JV was formed to develop, manufacture, and support fuel systems for specified existing and all future GE commercial aircraft engines that produce thrust in excess of fifty thousand pounds. 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 and transactions between Woodward and the JV are included in our Aerospace segment.

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

	June 30, 2025	September 30, 2024
Accrued liabilities	\$ 7,119	\$ 6,580
Other liabilities	232,173	232,164

Amortization of the deferred revenue (material right) recognized as an increase to sales were \$1,717 for the three months and \$4,347 for the nine months ended June 30, 2025, and \$1,570 for the three months and \$4,407 for the nine months ended June 30, 2024.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Other income	\$ 11,221	\$ 10,788	\$ 32,763	\$ 29,644

As part of the JV formation, GE pays contingent consideration to Woodward consisting of fifteen annual payments of \$4,894 per year, which began in the second quarter of fiscal year 2017, subject to certain claw-back conditions. Woodward received its annual payments of \$4,894 during the three months ended March 31, 2025 and 2024, which were recorded as deferred income and included in “Net cash provided by operating activities” on the Condensed Consolidated Statements of Cash Flows.

Cash distributions to Woodward from the JV, recognized in “Other, net” in “Net cash provided by operating activities” on the Condensed Consolidated Statements of Cash Flows, were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Cash distributions	\$ 9,000	\$ 8,000	\$ 30,000	\$ 26,500

Net sales to the JV were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net sales	\$ 22,551	\$ 19,465	\$ 67,517	\$ 61,817

Woodward net sales includes a reduction of \$18,723 for the three months and \$53,892 for the nine months ended June 30, 2025, compared to \$14,606 for the three months and \$44,137 for the nine months ended June 30, 2024 related to royalties owed to the JV by Woodward on sales by Woodward directly to third party aftermarket customers.

The Condensed 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:

	June 30, 2025	September 30, 2024
Accounts receivable	\$ 4,630	\$ 5,205
Accounts payable	5,781	11,378
Other assets	21,982	19,219

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.

	At June 30, 2025				At September 30, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Investments in banks and financial institutions	\$ 34,197	\$ —	\$ —	\$ 34,197	\$ 23,128	\$ —	\$ —	\$ 23,128
Equity securities	36,666	—	—	36,666	30,782	—	—	30,782
Total financial assets	<u>\$ 70,863</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 70,863</u>	<u>\$ 53,910</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 53,910</u>
Financial liabilities:								
Cross-currency interest rate swaps	\$ —	\$ 30,892	\$ —	\$ 30,892	\$ —	\$ 12,004	\$ —	\$ 12,004
Total financial liabilities	<u>\$ —</u>	<u>\$ 30,892</u>	<u>\$ —</u>	<u>\$ 30,892</u>	<u>\$ —</u>	<u>\$ 12,004</u>	<u>\$ —</u>	<u>\$ 12,004</u>

Investments in banks and financial institutions: Woodward 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 term deposits with foreign banks 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 Condensed Consolidated Statements of Earnings. The trading securities are included in “Other assets” in the Condensed 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 Condensed Consolidated Balance Sheets were as follows:

	Fair Value Hierarchy Level	At June 30, 2025		At September 30, 2024	
		Estimated Fair Value	Carrying Cost	Estimated Fair Value	Carrying Cost
Assets:					
Notes receivable from municipalities	2	\$ 6,372	\$ 6,290	\$ 6,961	\$ 6,514
Investments in short-term time deposits	2	75	75	3,064	3,064
Liabilities:					
Long-term debt	2	562,731	580,571	634,071	656,360

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 were estimated based on a model that discounted future principal and interest payments received at an interest rate available to Woodward 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 3.4% at June 30, 2025 and 2.7% at September 30, 2024.

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 were 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 were 5.3% at June 30, 2025 and 6.8% at September 30, 2024.

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 4.3% at June 30, 2025 and 4.5% at September 30, 2024.

Woodward does not have expected credit losses related to any financial assets that are not required to be remeasured at fair value.

Note 8. Derivative instruments and hedging activities

Derivative instruments not designated or qualifying as hedging instruments

In May 2020, Woodward entered into 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-rate debt under the 2018 Notes (as defined in Note 15, *Credit Facilities, short-term borrowings and long-term debt*, in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of Woodward's most recently filed Form 10-K) 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 Condensed Consolidated Statements of Earnings. The total notional value of the 2020 Fixed-Rate Cross-Currency Swaps was \$315,000 at June 30, 2025. See Note 7, *Financial Instruments and fair value measurements* for the related fair value of the derivative instruments as of June 30, 2025.

Derivative instruments in cash flow hedging relationships

In May 2020, Woodward entered into five U.S. 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 U.S. 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 expenses” in Woodward’s Condensed 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 U.S. dollar denominated intercompany loans, including associated interest. During the three months ended June 30, 2025, the first of the five 2020 Fixed-Rate Cross-Currency Swaps expired and, as such, is no longer recorded on the Condensed Consolidated Balance Sheets. During the nine months ended June 30, 2025, \$2,858 was reclassified from accumulated OCI to interest expense on the Condensed Consolidated Statement of Earnings. 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 were net foreign exchange loss of \$3,555 for the three months and a foreign exchange loss of \$2,204 for the nine months ended June 30, 2025, compared to net foreign exchange gain of \$329 for the three months and a foreign exchange loss of \$559 for the nine months ended June 30, 2024.

Impact of derivative instruments designated as qualifying hedging instruments

The following table discloses the amounts recognized in relation to the cash flow hedges designated as qualifying hedging instruments:

Derivatives in:	Location	Three months ended June 30,		Nine months ended June 30,	
		2025	2024	2025	2024
Expense (income) recognized and loss (gain) reclassified from accumulated OCI into earnings	Selling, general and administrative expenses	\$ 33,144	\$ (2,997)	\$ 22,021	\$ 6,027
Loss (gain) recognized in accumulated OCI	Selling, general and administrative expenses	35,582	(5,989)	26,616	5,172

The remaining unrecognized gains and losses in Woodward’s Condensed Consolidated Balance Sheets associated with derivative instruments that were previously entered into by Woodward, which are classified in accumulated OCI, were net losses of \$9,755 as of June 30, 2025 and \$5,160 as of September 30, 2024.

Note 9. Supplemental statement of cash flows information

	Nine Months Ended June 30,	
	2025	2024
Interest paid	\$ 30,484	\$ 30,021
Income taxes paid	90,144	105,554
Income tax refunds received	4,118	6,171
Non-cash activities:		
Purchases of property, plant and equipment on account	5,672	4,208
Common shares issued from treasury to settle benefit obligations	24,912	22,937
Receivables related to business divestitures	4,011	—

Note 10. Acquisitions and Divestitures

Acquisitions

On December 19, 2024, Woodward entered into a share and asset purchase agreement to acquire the Safran Electronics & Defense electromechanical actuation business based in the United States, Mexico, and Canada ("Safran Acquisition"). As part of the transaction, Woodward acquired all of the outstanding equity interests of Safran Electronics and Defense Canada, Inc. and certain net assets related to the electromechanical actuation business in the United States and Mexico. Woodward also acquired intellectual property, operations assets, talent, and long-term customer agreements for Horizontal Stabilizer Trim Actuation (HSTA) systems for aircraft stabilization to support safe and efficient flight, notably used for the Airbus A350. The Safran Acquisition closed on July 21, 2025 (the "Closing") and we paid aggregate cash consideration of \$45,809, subject to post-Closing adjustments. The cash consideration was financed through the use of cash on hand.

As the Closing was completed subsequent to June 30, 2025, we have not yet completed the accounting for the business combination, including the opening balance sheet. Accordingly, the Company is unable to provide amounts recognized as of the acquisition dates for major classes of assets and liabilities. This information, at least on a provisional basis, will be available in the Form 10-K to be filed for the year ended September 30, 2025.

Divestitures

The Company periodically reviews its business and from time to time may sell businesses, assets, or product lines as part of business rationalization. Any gain or loss recognized due to divestitures is recorded within the line item "Other (income) expense, net" in the Condensed Consolidated Statements of Earnings.

In connection with certain product rationalization activities, during the nine months ended June 30, 2025, the Company sold certain product lines and its heavy-duty gas turbine combustion parts product line, included in the Industrial segment, to third parties. The Company received cash proceeds of \$48,043 and receivables of \$4,011 included in "Other current assets" and "Other assets" in the Condensed Consolidated Balance Sheets and recognized a pretax gain of \$20,524.

The sale of the heavy-duty gas turbine combustion parts product line was completed on March 3, 2025. The carrying value of the assets and liabilities sold were as follows:

	March 31, 2025
Assets:	
Inventories	\$ 20,110
Property, plant, and equipment	2,904
Goodwill	5,772
Intangible assets	2,269
Other assets	2,608
Total assets	<u>\$ 33,663</u>
Liabilities:	
Accrued liabilities	\$ 1,566
Accounts payable	459
Other noncurrent liabilities	2,474
Total liabilities	<u>\$ 4,499</u>

Note 11. Inventories

	June 30, 2025	September 30, 2024
Raw materials	\$ 190,557	\$ 161,734
Work in progress	160,040	147,676
Component parts ⁽¹⁾	397,585	376,456
Finished goods	99,554	91,787
Customer supplied inventory	17,247	20,563
On-hand inventory for which control has transferred to the customer	(207,862)	(189,124)
	<u>\$ 657,121</u>	<u>\$ 609,092</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

	June 30, 2025	September 30, 2024
Land and land improvements	\$ 91,876	\$ 91,105
Buildings and building improvements	617,341	599,897
Leasehold improvements	20,511	22,022
Machinery and production equipment	863,497	849,595
Computer equipment and software	114,743	120,185
Office furniture and equipment	43,935	42,873
Other	33,508	33,392
Construction in progress	80,955	71,890
	<u>1,866,366</u>	<u>1,830,959</u>
Less accumulated depreciation	(924,263)	(890,244)
Property, plant, and equipment, net	<u>\$ 942,103</u>	<u>\$ 940,715</u>

Woodward had depreciation expense as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Depreciation expense	<u>\$ 21,482</u>	<u>\$ 20,661</u>	<u>\$ 63,238</u>	<u>\$ 61,494</u>

Note 13. Goodwill

	September 30, 2024	Reduction from Divestiture	Effects of Foreign Currency Translation	June 30, 2025
Aerospace	\$ 455,423	\$ —	\$ —	\$ 455,423
Industrial	351,220	(5,772)	12,908	358,356
Consolidated	<u>\$ 806,643</u>	<u>\$ (5,772)</u>	<u>\$ 12,908</u>	<u>\$ 813,779</u>

On March 3, 2025, the agreement to sell the Industrial heavy-duty gas turbine combustion parts product line located in Greenville, South Carolina was finalized (see Note 10 *Acquisitions and Divestitures*), which resulted in the removal of \$5,772 of goodwill in the Company's Industrial segment.

Note 14. Intangible assets, net

	June 30, 2025			September 30, 2024		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:						
Customer relationships and contracts:						
Aerospace	\$ 281,683	\$ (249,870)	\$ 31,813	\$ 281,683	\$ (246,152)	\$ 35,531
Industrial	401,404	(120,662)	280,742	399,030	(114,391)	284,639
Total	<u>\$ 683,087</u>	<u>\$ (370,532)</u>	<u>\$ 312,555</u>	<u>\$ 680,713</u>	<u>\$ (360,543)</u>	<u>\$ 320,170</u>
Intellectual property:						
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>
Process technology:						
Aerospace	\$ 44,570	\$ (40,816)	\$ 3,754	\$ 44,570	\$ (40,346)	\$ 4,224
Industrial	87,549	(36,728)	50,821	87,257	(35,983)	51,274
Total	<u>\$ 132,119</u>	<u>\$ (77,544)</u>	<u>\$ 54,575</u>	<u>\$ 131,827</u>	<u>\$ (76,329)</u>	<u>\$ 55,498</u>
Other intangibles:						
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Industrial	594	(594)	—	592	(592)	—
Total	<u>\$ 594</u>	<u>\$ (594)</u>	<u>\$ —</u>	<u>\$ 592</u>	<u>\$ (592)</u>	<u>\$ —</u>
Intangible asset with indefinite life:						
Trade name:						
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Industrial	67,927	—	67,927	64,751	—	64,751
Total	<u>\$ 67,927</u>	<u>\$ —</u>	<u>\$ 67,927</u>	<u>\$ 64,751</u>	<u>\$ —</u>	<u>\$ 64,751</u>
Total intangibles:						
Aerospace	\$ 326,253	\$ (290,686)	\$ 35,567	\$ 326,253	\$ (286,498)	\$ 39,755
Industrial	560,613	(161,123)	399,490	554,769	(154,105)	400,664
Consolidated Total	<u>\$ 886,866</u>	<u>\$ (451,809)</u>	<u>\$ 435,057</u>	<u>\$ 881,022</u>	<u>\$ (440,603)</u>	<u>\$ 440,419</u>

Woodward recorded amortization expense associated with intangibles of the following:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Amortization expense	<u>\$ 7,172</u>	<u>\$ 8,131</u>	<u>\$ 20,858</u>	<u>\$ 25,348</u>

Future amortization expense associated with intangibles is expected to be:

Year Ending September 30:	
2025 (remaining)	\$ 7,761
2026	27,699
2027	27,638
2028	27,263
2029	26,357
Thereafter	250,412
	<u>\$ 367,130</u>

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

As of June 30, 2025, Woodward's short-term borrowings and availability under its various short-term credit facilities were as follows:

	Total availability	Outstanding letters of credit and guarantees	Banker acceptance notes issued	Outstanding borrowings	Remaining availability
Revolving credit facility	\$ 1,000,000	\$ (7,862)	\$ —	\$ (353,000)	\$ 639,138
Foreign lines of credit and overdraft facilities	25,600	(140)	(4,107)	—	21,353
Foreign performance guarantee facilities	96	(59)	—	—	37
	<u>\$ 1,025,696</u>	<u>\$ (8,061)</u>	<u>\$ (4,107)</u>	<u>\$ (353,000)</u>	<u>\$ 660,528</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 \$353,000 in principal amount of borrowings outstanding as of June 30, 2025 at an effective interest rate of 5.43% as compared to \$217,000 in principal borrowings outstanding as of September 30, 2024 at an effective interest rate of 5.82%. All of the borrowings outstanding were classified as short-term borrowings based on Woodward's intent and ability to pay this amount in the next twelve months.

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. There were no borrowings outstanding on Woodward's foreign lines of credit and foreign overdraft facilities as of June 30, 2025 and September 30, 2024.

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 and 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.

The Notes

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 May 30, 2025, Woodward paid the entire principal balance of \$85,000 on the Series P Notes using proceeds from borrowings under its existing revolving credit facility.

Note 16. Accrued liabilities

	June 30, 2025	September 30, 2024
Salaries and other member benefits	\$ 130,400	\$ 151,921
Product warranties and related liabilities	27,283	18,844
Interest payable	3,654	12,163
Accrued retirement benefits	2,891	2,888
Net current contract liabilities	48,290	56,791
Taxes, other than income	12,953	15,884
Other	35,910	34,151
	<u>\$ 261,381</u>	<u>\$ 292,642</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 for which 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:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Beginning of period	\$ 20,946	\$ 19,800	\$ 18,844	\$ 18,162
Additions, net of recoveries	9,091	3,808	18,437	13,767
Reductions for settlement	(3,048)	(2,333)	(10,092)	(10,739)
Foreign currency exchange rate changes	294	(54)	94	31
End of period	<u>\$ 27,283</u>	<u>\$ 21,221</u>	<u>\$ 27,283</u>	<u>\$ 21,221</u>

Note 17. Other liabilities

	June 30, 2025	September 30, 2024
Net accrued retirement benefits, less amounts recognized within accrued liabilities	\$ 90,821	\$ 83,094
Total unrecognized tax benefits	13,465	10,104
Noncurrent income taxes payable	—	5,894
Deferred economic incentives ⁽¹⁾	6,435	7,062
Noncurrent operating lease liabilities	20,177	22,670
Net noncurrent contract liabilities	431,235	424,609
Cross-currency swap derivative liability	30,892	10,562
Other	8,466	13,385
	<u>\$ 601,491</u>	<u>\$ 577,380</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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Equity interest in the earnings of the JV	\$ (11,221)	\$ (10,788)	\$ (32,763)	\$ (29,644)
Rent income	(89)	(88)	(261)	(258)
Net loss (gain) on sales of assets and businesses	579	307	(19,470)	(565)
Net gain on investments in deferred compensation program	(3,243)	(511)	(2,110)	(4,905)
Gain on non-recurring matter related to a previous acquisition	—	—	—	(4,803)
Other components of net periodic pension and other postretirement benefit, excluding service cost and interest expense	(3,365)	(2,939)	(10,004)	(8,805)
Other	(525)	(419)	(1,147)	(481)
	<u>\$ (17,864)</u>	<u>\$ (14,438)</u>	<u>\$ (65,755)</u>	<u>\$ (49,461)</u>

Note 19. Income taxes

The determination of the estimated annual effective tax rate is based upon a number of significant estimates and judgments. In addition, as a global commercial enterprise, Woodward's tax expense can be impacted by changes in tax rates, tax laws, the finalization of tax audits and reviews, changes in the estimate of the amount of undistributed foreign earnings that Woodward considers indefinitely reinvested, issuance of future guidance, interpretation, and rule-making, and other factors that cannot be predicted with certainty. As such, there can be significant volatility in interim tax provisions.

The following table sets forth the tax expense and the effective tax rate for Woodward's earnings before income taxes:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Earnings before income taxes	\$ 126,836	\$ 122,096	\$ 361,653	\$ 352,440
Income tax expense	18,388	20,021	57,165	62,765
Effective tax rate	14.5%	16.4%	15.8%	17.8%

The decrease in the effective tax rate for the three months ended June 30, 2025 compared to the three months ended June 30, 2024 were primarily attributable to a decrease to the projected future withholding taxes on unremitted foreign earnings, increased earnings in lower taxed foreign jurisdictions, an increase to the Poland research and development credit in the current fiscal year, and higher state income tax credits. This decrease was partially offset by a lower U.S. research and development credit and an increased apportionment to higher taxed states.

The decrease in the effective tax rate for first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year was primarily attributable to a larger stock-based compensation tax benefit, a decrease to projected future withholding taxes on unremitted foreign earnings, an increase to the Poland research and development credit in the current fiscal year, and higher state income tax credits. This decrease was partially offset by a lower U.S. research and development credit and an increased apportionment to higher taxed states.

Gross unrecognized tax benefits were \$18,459 as of June 30, 2025, and \$14,273 as of September 30, 2024. At June 30, 2025, the amount of the liability for unrecognized tax benefits that, if recognized, would impact Woodward's effective tax rate was \$9,782. At this time, Woodward believes 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's tax expense includes accruals for potential interest and penalties related to unrecognized tax benefits and all other interest and penalties related to tax payments.

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. Generally, 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.

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 Saving Plan accounts. Woodward fulfilled its annual Woodward stock

contribution obligation using shares held in treasury stock by issuing a total of 126 shares of common stock for a value of \$24,058 in the nine months ended June 30, 2025, compared to a total of 180 shares of common stock for a value of \$22,937 in the nine months ended June 30, 2024.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Company costs	\$ 14,032	\$ 14,020	\$ 40,002	\$ 38,097

Defined benefit plans

Woodward has defined benefit plans that provide pension benefits for certain retired members in the United States, the United Kingdom, Japan, and Germany. Woodward also provides other postretirement benefits to its members including postretirement medical benefits and life insurance benefits. Postretirement medical benefits are provided to certain current and retired members, their covered dependents, and beneficiaries in the United States. 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.

U.S. GAAP requires that, for obligations outstanding as of September 30, 2024, the funded status reported in interim periods shall be the same asset or liability recognized in the previous year end statement of financial position adjusted for (a) subsequent accruals of net periodic benefit cost that exclude the amortization of amounts previously recognized in other comprehensive income (for example, subsequent accruals of service cost, interest cost, and return on plan assets) and (b) contributions to a funded plan or benefit payments.

The components of the net periodic retirement pension costs recognized were as follows:

	Three Months Ended June 30,					
	United States		Other Countries		Total	
	2025	2024	2025	2024	2025	2024
Service cost	\$ 229	\$ 193	\$ 367	\$ 307	\$ 596	\$ 500
Interest cost	1,719	1,899	765	799	2,484	2,698
Expected return on plan assets	(2,748)	(2,271)	(639)	(596)	(3,387)	(2,867)
Amortization of:						
Net actuarial loss (gain)	43	57	(106)	(168)	(63)	(111)
Prior service cost	191	174	6	6	197	180
Net periodic retirement pension (benefit) cost	<u>\$ (566)</u>	<u>\$ 52</u>	<u>\$ 393</u>	<u>\$ 348</u>	<u>\$ (173)</u>	<u>\$ 400</u>
Contributions paid	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 281</u>	<u>\$ 315</u>	<u>\$ 281</u>	<u>\$ 315</u>

	Nine Months Ended June 30,					
	United States		Other Countries		Total	
	2025	2024	2025	2024	2025	2024
Service cost	\$ 688	\$ 581	\$ 1,058	\$ 928	\$ 1,746	\$ 1,509
Interest cost	5,156	5,698	2,210	2,395	7,366	8,093
Expected return on plan assets	(8,244)	(6,813)	(1,857)	(1,790)	(10,101)	(8,603)
Amortization of:						
Net actuarial loss (gain)	128	170	(304)	(507)	(176)	(337)
Prior service cost	572	523	17	17	589	540
Net periodic retirement pension (benefit) cost	<u>\$ (1,700)</u>	<u>\$ 159</u>	<u>\$ 1,124</u>	<u>\$ 1,043</u>	<u>\$ (576)</u>	<u>\$ 1,202</u>
Contributions paid	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,155</u>	<u>\$ 1,654</u>	<u>\$ 1,155</u>	<u>\$ 1,654</u>

The components of net periodic retirement pension costs other than the service cost and interest cost components are included in the line item "Other (income) expense, net", and the interest component is included in the line item "Interest expense" in the Condensed Consolidated Statements of Earnings.

The components of the net periodic other postretirement benefit costs recognized were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Interest cost	\$ 179	\$ 226	\$ 538	\$ 677
Amortization of:				
Net actuarial gain	(110)	(139)	(331)	(417)
Net periodic other postretirement cost	\$ 69	\$ 87	\$ 207	\$ 260
Contributions paid	\$ 398	\$ 409	\$ 1,192	\$ 1,234

The components of net periodic other postretirement benefit costs other than the service cost and interest cost components are included in the line item “Other (income) expense, net”, and the interest cost component is included in the line item “Interest expense” in the Condensed Consolidated Statements of Earnings.

The amount of cash contributions made to these plans in any year is dependent upon a number of factors, including minimum funding requirements in the jurisdictions in which Woodward operates and arrangements made with trustees of certain foreign plans. As a result, the actual funding in fiscal year 2025 may differ from the current estimate. Woodward estimates its remaining cash contributions in fiscal year 2025 will be as follows:

Retirement pension benefits:	
United States	\$ —
United Kingdom	75
Japan	—
Germany	374
Other postretirement benefits	1,327

Note 21. Stockholders’ equity

Common stock and treasury stock

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

	Common Stock	Treasury Stock	Treasury stock held for deferred compensation
Balances as of April 1, 2024	72,960	(12,185)	(53)
Purchase of treasury stock	—	(1,692)	—
Sales of treasury stock	—	606	—
Common shares issued for benefit plans	—	21	—
Distribution of stock from deferred compensation	—	—	1
Balances as of June 30, 2024	72,960	(13,250)	(52)
Balances as of April 1, 2025	72,960	(13,380)	(30)
Purchase of treasury stock	—	(231)	—
Sales of treasury stock	—	626	—
Common shares issued for benefit plans	—	—	—
Distribution of stock from deferred compensation	—	—	1
Balances as of June 30, 2025	72,960	(12,985)	(29)

	Common Stock	Treasury Stock	Treasury stock held for deferred compensation
Balances as of September 30, 2023	72,960	(13,070)	(55)
Purchase of treasury stock	—	(1,692)	—
Sales of treasury stock	—	1,332	—
Common shares issued for benefit plans	—	180	—
Purchases of stock by deferred compensation	—	—	(1)
Distribution of stock from deferred compensation	—	—	4
Balances as of June 30, 2024	<u>72,960</u>	<u>(13,250)</u>	<u>(52)</u>
Balances as of September 30, 2024	72,960	(13,787)	(45)
Purchase of treasury stock	—	(680)	—
Sales of treasury stock	—	1,351	—
Common shares issued for benefit plans	—	131	—
Purchases of stock by deferred compensation	—	—	(1)
Distribution of stock from deferred compensation	—	—	17
Balances as of June 30, 2025	<u>72,960</u>	<u>(12,985)</u>	<u>(29)</u>

Stock repurchase program

In January 2024, the Woodward, Inc. Board of Directors (the "Board") authorized a 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 the nine months ended June 30, 2025 Woodward repurchased 680 shares of its common stock for \$124,276 under the 2024 Authorization all held for reissuance. During the nine months ended June 30, 2024, Woodward repurchased 1,692 shares of its common stock for \$304,811 under the 2024 Authorization, all held for reissuance.

Stock-based compensation

Provisions governing non-qualified stock option awards ("stock options" or "options"), 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 first approved by Woodward's stockholders in January 2017 and is the successor plan to the 2006 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. 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.

The following is a summary of the activity for stock option awards:

	Three Months Ended June 30, 2025		Nine Months Ended June 30, 2025	
	Number of options	Weighted-Average Exercise Price per Share	Number of options	Weighted-Average Exercise Price per Share
Beginning balance	2,956	\$ 89.20	3,578	\$ 86.03
Granted	—	—	41	191.45
Exercised	(598)	82.93	(1,257)	80.46
Forfeited	(2)	92.88	(6)	102.20
Ending balance	<u>2,356</u>	<u>\$ 90.78</u>	<u>2,356</u>	<u>\$ 90.78</u>

Changes in non-vested stock options were as follows:

	Three Months Ended June 30, 2025		Nine Months Ended June 30, 2025	
	Number of options	Weighted-Average Grant Date Fair Value per Share	Number of options	Weighted-Average Grant Date Fair Value per Share
Beginning balance	501	\$ 43.35	898	\$ 37.30
Granted	—	—	41	83.65
Vested	(19)	39.51	(453)	34.82
Forfeited	(2)	35.64	(6)	40.88
Ending balance	<u>480</u>	<u>\$ 43.53</u>	<u>480</u>	<u>\$ 43.53</u>

Information about stock options that have vested, or are expected to vest, and are exercisable at June 30, 2025 were as follows:

	Number of options	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Aggregate Intrinsic Value
Options outstanding	2,356	\$ 90.78	5.2	\$ 363,525
Options vested and exercisable	1,876	86.27	4.6	297,983
Options vested and expected to vest	2,342	90.53	5.2	361,901

Restricted stock units

The Company generally grants RSUs to eligible employees under its Form RSU Agreement for Employees and Consultants (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 generally 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 is 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:

	Three Months Ended June 30, 2025		Nine Months Ended June 30, 2025	
	Number of units	Weighted-Average Grant Date Fair Value	Number of units	Weighted-Average Grant Date Fair Value
Beginning balance	350	\$ 140.11	318	\$ 118.19
Granted	4	201.47	117	191.45
Released	(43)	100.50	(120)	116.41
Forfeited	(4)	162.28	(8)	145.26
Ending balance	<u>307</u>	<u>\$ 146.22</u>	<u>307</u>	<u>\$ 146.22</u>

Performance restricted stock units

The Company grants PSUs to certain eligible employees under its 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 at the grant date 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:

	June 30, 2025	June 30, 2024
Expected volatility	30.9%	30.2%
Risk free interest rate	4.1%	4.5%
Expected life	3 years	3 years
Grant date fair value	\$ 196.63	\$ 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:

	Three Months Ended June 30, 2025		Nine Months Ended June 30, 2025	
	Number of units	Weighted-Average Grant Date Fair Value	Number of units	Weighted-Average Grant Date Fair Value
Beginning balance	105	\$ 167.25	62	\$ 146.47
Granted	—	—	44	196.63
Forfeited	(1)	174.04	(2)	172.64
Ending balance	<u>104</u>	<u>\$ 167.20</u>	<u>104</u>	<u>\$ 167.20</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 stated 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 the stated vesting period, including immediate recognition of stock-based compensation expense on the date of grant.

At June 30, 2025, there was approximately \$34,173 of total unrecognized compensation expense related to non-vested stock-based compensation arrangements, including stock options, RSUs, and PSUs. The pre-vesting forfeiture rates for purposes of determining stock-based compensation expense recognized were estimated to be 0% for members of the Board and 7.4% for all others. The remaining unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately 2 years.

Note 22. Commitments and contingencies

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 Condensed 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.

Under the Company's severance and change in control agreements with its current corporate officers, Woodward would be required to pay termination benefits to any such officer if such officer's employment is terminated without Cause or for Good Reason (as each term is defined therein). The amount of such benefits would vary depending on whether such termination occurs during a specified period within a 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:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Segment external net sales:				
Aerospace	\$ 595,990	\$ 517,560	\$ 1,651,601	\$ 1,475,828
Industrial	319,456	330,128	920,199	993,933
Total consolidated net sales	<u>\$ 915,446</u>	<u>\$ 847,688</u>	<u>\$ 2,571,800</u>	<u>\$ 2,469,761</u>
Segment earnings:				
Aerospace	\$ 125,740	\$ 101,842	\$ 345,081	\$ 279,295
Industrial	47,622	59,717	133,786	191,842
Nonsegment expenses	(36,130)	(29,675)	(84,986)	(88,709)
Interest expense, net	(10,396)	(9,788)	(32,228)	(29,988)
Consolidated earnings before income taxes	<u>\$ 126,836</u>	<u>\$ 122,096</u>	<u>\$ 361,653</u>	<u>\$ 352,440</u>

Segment assets consist of accounts receivable, inventories, property, plant, and equipment, net, goodwill, and other intangibles, net. A summary of consolidated total assets by segment follows:

	June 30, 2025	September 30, 2024
Segment assets:		
Aerospace	\$ 2,043,800	\$ 1,936,507
Industrial	1,515,674	1,509,495
Unallocated corporate property, plant, and equipment, net	118,247	120,946
Other unallocated assets	1,034,129	801,967
Consolidated total assets	<u>\$ 4,711,850</u>	<u>\$ 4,368,915</u>

Note 24. Subsequent events

On July 23, 2025, the Board declared a cash dividend of \$0.28 per share for the quarter, payable on September 4, 2025, for stockholders of record as of August 21, 2025.

On July 21, 2025, Woodward closed on the Safran Acquisition, see Note 10, *Acquisitions and Divestitures* for additional information on the acquisition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q, 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, including the impacts of tariffs on our markets in which we operate as well as our supply chain;
- 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 GE Aerospace;
- 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 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;
- 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 light of evolving market conditions;
- our ability to mitigate the ongoing impacts of inflation;
- 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.

These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements include, but are not limited to, risk factors described in Woodward's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended September 30, 2024, which was filed on November 26, 2024, and other risks described in Woodward's filings with the Securities and Exchange Commission.

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-Q 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-Q are in thousands, except per share amounts.

OVERVIEW

Global Business Conditions

As global trade dynamics continue to evolve, the impact of increased trade tensions and related tariffs with U.S. trading partners remains a key factor in shaping global economic activity, supply chains, and market stability. Future tariff adjustments may emerge as countries negotiate trade agreements, respond to geopolitical shifts, and address the challenges of inflation and global competition. We expect increased cost pressure resulting from the already announced tariffs and there are uncertainties surrounding future tariff policy changes and enforcement. However, the Company's production and supply bases are largely in the same regions where our products are sold, which we believe will mitigate our exposure. Woodward is closely tracking costs from our supply base and customer forecasts regarding the potential impact of currently announced tariff levels, changes to such levels, and actual and potential retaliatory trade actions. We have experienced and are expecting, minimal levels of cost pressure as a result of recently implemented tariffs. We are proactively working to mitigate this cost pressure, potential sales risks, and potential supply chain disruptions.

On July 4, 2025 "One Big Beautiful Bill Act" was signed into law. This new law made changes to various U.S. federal income tax items that have effective dates in fiscal years 2025, 2026, and 2027. Woodward is still assessing the impacts of this Act on our consolidated financial statements.

Operational Highlights

Quarter and Year to Date Highlights

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net sales:				
Aerospace segment	\$ 595,990	\$ 517,560	\$ 1,651,601	\$ 1,475,828
Industrial segment	319,456	330,128	920,199	993,933
Consolidated net sales	<u>\$ 915,446</u>	<u>\$ 847,688</u>	<u>\$ 2,571,800</u>	<u>\$ 2,469,761</u>
Earnings:				
Aerospace segment	\$ 125,740	\$ 101,842	\$ 345,081	\$ 279,295
<i>Segment earnings as a percent of segment net sales</i>	21.1%	19.7%	20.9%	18.9%
Industrial segment	\$ 47,622	\$ 59,717	\$ 133,786	\$ 191,842
<i>Segment earnings as a percent of segment net sales</i>	14.9%	18.1%	14.5%	19.3%
Consolidated net earnings	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Adjusted net earnings	\$ 108,448	\$ 102,075	\$ 294,404	\$ 292,711
Effective tax rate	14.5%	16.4%	15.8%	17.8%
Adjusted effective tax rate	14.5%	16.4%	15.5%	17.8%
Consolidated diluted earnings per share	\$ 1.76	\$ 1.63	\$ 4.96	\$ 4.65
Consolidated adjusted diluted earnings per share	\$ 1.76	\$ 1.63	\$ 4.80	\$ 4.70
Earnings before interest and taxes ("EBIT")	\$ 137,232	\$ 131,884	\$ 393,881	\$ 382,428
Adjusted EBIT	\$ 137,232	\$ 131,884	\$ 380,667	\$ 386,193
Earnings before interest, taxes, depreciation, and amortization ("EBITDA")	\$ 165,886	\$ 160,676	\$ 477,977	\$ 469,270
Adjusted EBITDA	\$ 165,886	\$ 160,676	\$ 464,763	\$ 473,035

Adjusted net earnings, adjusted effective tax rate, adjusted earnings per share, EBIT, adjusted EBIT, EBITDA, and adjusted EBITDA 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 most directly comparable U.S. GAAP financial measures can be found under the caption "Non-U.S. GAAP Financial Measures" in this Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity Highlights

Net cash provided by operating activities for the first nine months of fiscal year 2025 was \$237,976, compared to \$297,329 for the first nine months of fiscal year 2024. The decrease in cash provided by operating activities for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year was primarily attributable to an increase in working capital.

For the first nine months of fiscal year 2025, free cash flow was \$159,439, compared to \$225,136 for the first nine months of fiscal year 2024. We define free cash flow as net cash flow provided by operating activities less payments for property, plant, and equipment. The decrease in free cash flow for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year was primarily attributable to an increase in working capital and higher capital expenditures. Free cash flow is a non-U.S. GAAP financial measure. A description of this measure as well as a reconciliation of this non-U.S. GAAP financial measure to the most directly comparable U.S. GAAP financial measure can be found under the caption "Non-U.S. GAAP Financial Measures" in this Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

At June 30, 2025, we held \$473,159 in cash and cash equivalents and had total outstanding debt of \$932,871. We have additional borrowing availability of \$639,138, net of outstanding letters of credit, under our revolving credit agreement. At June 30, 2025, we also had additional borrowing capacity of \$21,353 under various foreign lines of credit and foreign overdraft facilities.

RESULTS OF OPERATIONS

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

	Three Months Ended				Nine Months Ended			
	June 30, 2025	% of Net Sales	June 30, 2024	% of Net Sales	June 30, 2025	% of Net Sales	June 30, 2024	% of Net Sales
Net sales	\$ 915,446	100%	\$ 847,688	100%	\$ 2,571,800	100%	\$ 2,469,761	100%
Costs and expenses:								
Cost of goods sold	666,287	72.8%	617,702	72.9%	1,892,908	73.6%	1,801,037	72.9%
Selling, general, and administrative expenses	88,703	9.7%	73,812	8.7%	242,241	9.4%	229,770	9.3%
Research and development costs	41,088	4.5%	38,728	4.6%	108,525	4.2%	105,987	4.3%
Interest expense	11,234	1.2%	11,516	1.4%	35,464	1.4%	34,482	1.4%
Interest income	(838)	(0.1)%	(1,728)	(0.2)%	(3,236)	(0.1)%	(4,494)	(0.2)%
Other (income) expense, net	(17,864)	(2.0)%	(14,438)	(1.7)%	(65,755)	(2.6)%	(49,461)	(2.0)%
Total costs and expenses	788,610	86.1%	725,592	85.6%	2,210,147	85.9%	2,117,321	85.7%
Earnings before income taxes	126,836	13.9%	122,096	14.4%	361,653	14.1%	352,440	14.3%
Income tax expense	18,388	2.0%	20,021	2.4%	57,165	2.2%	62,765	2.5%
Net earnings	<u>\$ 108,448</u>	11.8%	<u>\$ 102,075</u>	12.0%	<u>\$ 304,488</u>	11.8%	<u>\$ 289,675</u>	11.7%

Other select financial data:

	June 30, 2025	September 30, 2024
Net working capital	\$ 1,050,959	\$ 820,101
Total debt	932,871	872,470
Total stockholders' equity	2,468,566	2,176,416

Net Sales

Consolidated net sales for the third quarter of fiscal year 2025 increased by \$67,758, or 8.0%, compared to the same period of fiscal year 2024. Consolidated net sales for the first nine months of fiscal year 2025 increased by \$102,039, or 4.1%, compared to the same period of fiscal year 2024.

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

	Three-Month Period	Nine-Month Period
Consolidated net sales for the period ended June 30, 2024	\$ 847,688	\$ 2,469,761
Aerospace volume	32,955	47,836
Industrial volume	(36,819)	(118,441)
Effects of changes in price	62,308	171,243
Effects of changes in foreign currency rates	9,314	1,401
Consolidated net sales for the period ended June 30, 2025	\$ 915,446	\$ 2,571,800

The increase in Aerospace segment net sales in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year was primarily attributable to price realization and increased volume supported by operational improvements including increased output and other efficiency gains.

In the Industrial segment, the decrease in net sales for the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year was primarily a result of lower China on-highway volume, partially offset by price realization.

We have experienced, and expect to continue to experience, significant sales and earnings decreases in our China on-highway natural gas truck business in fiscal year 2025 as compared to fiscal year 2024. Future demand remains uncertain due to the volatility of this business. We also continue to monitor the evolving trade policy between the U.S. and China.

Costs and Expenses

Cost of goods sold increased by \$48,585 to \$666,287 for the third quarter of fiscal year 2025, from \$617,702, for the third quarter of fiscal year 2024. Cost of goods sold decreased to 72.8% of net sales, for the third quarter of fiscal year 2025, compared to 72.9% of net sales for the third quarter of fiscal year 2024.

Cost of goods sold increased by \$91,871 to \$1,892,908, for the first nine months of fiscal year 2025, from \$1,801,037, for the first nine months of fiscal year 2024. Cost of goods sold increased to 73.6% of net sales, for the first nine months of fiscal year 2025, compared to 72.9% of net sales for the first nine months of fiscal year 2024.

The increase in cost of goods sold on an absolute basis in the third quarter and first nine months of fiscal year 2025 compared to the same periods of the prior fiscal year is primarily due to higher sales 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 27.2% for the third quarter of fiscal year 2025, compared to 27.1% for the third quarter of fiscal year 2024, or essentially flat. Gross margin was 26.4% for the first nine months of fiscal year 2025, compared to 27.1% for the first nine months of fiscal year 2024. The decrease in gross margin for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily attributable to unfavorable mix, partially offset by price realization.

Selling, general, and administrative expenses increased by \$14,891, or 20.2%, to \$88,703 for the third quarter of fiscal year 2025, compared to \$73,812 for the third quarter of fiscal year 2024. Selling, general, and administrative expenses as a percentage of net sales increased to 9.7% for the third quarter of fiscal year 2025, compared to 8.7% for the third quarter of fiscal year 2024. The increase in selling, general, and administrative expenses for the third quarter of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily due to higher project-related costs and payroll expenses.

Selling, general, and administrative expenses increased by \$12,471, or 5.4%, to \$242,241 for the first nine months of fiscal year 2025, compared to \$229,770 for the first nine months of fiscal year 2024. Selling, general, and administrative expenses as a percentage of net sales increased to 9.4% for the first nine months of fiscal year 2025, compared to 9.3% for the first nine months of fiscal year 2024. The increase in selling, general, and administrative expenses for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily due to increased expenses relating to business development activities and higher project-related costs.

Research and development costs were \$41,088, or 4.5% of net sales, for the third quarter of fiscal year 2025 and \$108,525, or 4.2% of net sales, for the first nine months of fiscal year 2025, as compared to \$38,728, or 4.6% of net sales, for the third quarter of fiscal year 2024 and \$105,987, or 4.3% of net sales, for the first nine months of fiscal year 2024. Our

research and development activities extend across 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 decreased by \$282, or 2.4%, to \$11,234 for the third quarter of fiscal year 2025, compared to \$11,516 for the third quarter of fiscal year 2024. Interest expense as a percentage of net sales was 1.2% for the third quarter of fiscal year 2025, compared to 1.4% for the third quarter of fiscal year 2024. The decrease in interest expense for the third quarter of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily attributable to a lower long-term debt balance as we paid the entire balance of a series of private placement notes.

Interest expense increased by \$982, or 2.8%, to \$35,464 for the first nine months of fiscal year 2025, compared to \$34,482 for the first nine months of fiscal year 2024. Interest expense as a percentage of net sales was 1.4% for both the first nine months of fiscal year 2025 and for the first nine months of fiscal year 2024. The increase in interest expense on an absolute basis for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily attributable to increased average daily borrowings on the revolving credit facility during the first nine months of fiscal year 2025.

Other income increased by \$3,426 to \$17,864 for the third quarter of fiscal year 2025, compared to \$14,438 for the third quarter of fiscal year 2024. The increase in other income for the third quarter of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily attributable to decreased expenses relating to our deferred compensation program.

Other income increased \$16,294 to \$65,755 for the first nine months of fiscal year 2025, compared to \$49,461 for the first nine months of fiscal year 2024. The increase in other income for the first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year is primarily attributable to a one-time gain related to product rationalization activities that was recognized in the current fiscal year that did not occur in the prior fiscal year.

Income taxes were provided at an effective rate on earnings before income taxes of 14.5% for the third quarter of fiscal year 2025, compared to 16.4% for the third quarter of fiscal year 2024. The decrease in the effective tax rate for the three months ended June 30, 2025 compared to the three months ended June 30, 2024 were primarily attributable to a decrease to the projected future withholding taxes on unremitted foreign earnings, increased earnings in lower taxed foreign jurisdictions, an increase to the Poland research and development credit in the current fiscal year, and higher state income tax credits. This decrease was partially offset by a lower U.S. research and development credit and an increased apportionment to higher taxed states.

Income taxes were provided at an effective rate on earnings before income taxes of 15.8% for the first nine months of fiscal year 2025, as compared to 17.8% for the first nine months of fiscal year 2024. The decrease in the effective tax rate for first nine months of fiscal year 2025 as compared to the same period of the prior fiscal year was primarily attributable to a larger stock-based compensation tax benefit, a decrease to projected future withholding taxes on unremitted foreign earnings, an increase to the Poland research and development credit in the current fiscal year, and higher state income tax credits. This decrease was partially offset by a lower U.S. research and development credit and an increased apportionment to higher taxed states.

Segment Results

The following table presents sales by segment:

	Three Months Ended June 30,				Nine Months Ended June 30,				
	2025		2024		2025		2024		
Net sales:									
Aerospace	\$	595,990	65.1%	\$ 517,560	61.1%	\$ 1,651,601	64.2%	\$ 1,475,828	59.8%
Industrial		319,456	34.9%	330,128	38.9%	920,199	35.8%	993,933	40.2%
Consolidated net sales	\$	915,446	100%	\$ 847,688	100%	\$ 2,571,800	100%	\$ 2,469,761	100%

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Aerospace	\$ 125,740	\$ 101,842	\$ 345,081	\$ 279,295
Industrial	47,622	59,717	133,786	191,842
Nonsegment expenses	(36,130)	(29,675)	(84,986)	(88,709)
Interest expense, net	(10,396)	(9,788)	(32,228)	(29,988)
Consolidated earnings before income taxes	126,836	122,096	361,653	352,440
Income tax expense	(18,388)	(20,021)	(57,165)	(62,765)
Consolidated net earnings	<u>\$ 108,448</u>	<u>\$ 102,075</u>	<u>\$ 304,488</u>	<u>\$ 289,675</u>

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Aerospace	21.1%	19.7%	20.9%	18.9%
Industrial	14.9%	18.1%	14.5%	19.3%

Aerospace

Aerospace segment net sales increased by \$78,430, or 15.2%, to \$595,990 for the third quarter of fiscal year 2025, compared to \$517,560 for the third quarter of fiscal year 2024. Aerospace segment net sales increased by \$175,773, or 11.9%, to \$1,651,601 for the first nine months of fiscal year 2025, compared to \$1,475,828 for the first nine months of fiscal year 2024.

The increase in Aerospace segment net sales in the third quarter of fiscal year 2025 and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year were primarily attributable to price realization and increased volume supported by operational improvements including increased output and other efficiency gains.

Commercial OEM sales decreased in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year, primarily due to supply chain disruptions and inventory management by our customers. As production ramps, we expect Commercial OEM sales to grow sequentially in the last three months of fiscal year 2025 as compared to the third quarter of fiscal year 2025. Commercial aftermarket sales increased in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year, primarily due to high aircraft utilization rates.

Defense OEM sales increased in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year, primarily driven by increased demand for our smart defense products. Defense aftermarket sales were down in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year due to timing of sales.

Aerospace segment earnings increased by \$23,898, or 23.5%, to \$125,740 for the third quarter of fiscal year 2025, compared to \$101,842 for the third quarter of fiscal year 2024. Aerospace segment earnings increased by \$65,786, or 23.6%, to \$345,081 for the first nine months of fiscal year 2025, compared to \$279,295 for the first nine months of fiscal year 2024.

The increase in Aerospace segment earnings was due to the following:

	Three-Month Period	Nine-Month Period
Earnings for the period ended June 30, 2024	\$ 101,842	\$ 279,295
Sales volume and mix	8,261	405
Price, inflation, and productivity	28,227	79,667
Manufacturing expenses	(10,047)	(26,577)
Other, net	(2,543)	12,291
Earnings for the period ended June 30, 2025	<u>\$ 125,740</u>	<u>\$ 345,081</u>

Aerospace segment earnings as a percentage of segment net sales were 21.1% for the third quarter and 20.9% for the first nine months of fiscal year 2025, compared to 19.7% for the third quarter and 18.9% for the first nine months of fiscal year 2024.

Industrial

Industrial segment net sales decreased by \$10,672, or 3.2%, to \$319,456 for the third quarter of fiscal year 2025, compared to \$330,128 for the third quarter of fiscal year 2024. Industrial segment net sales decreased by \$73,734, or 7.4%, to \$920,199 for the first nine months of fiscal year 2025, compared to \$993,933 for the first nine months of fiscal year 2024.

The decrease in Industrial segment net sales in the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year was primarily attributable to lower China on-highway volume partially offset by price realization, volume increases in oil and gas, as well as operational improvements, including increased output and other efficiency gains.

In the third quarter and first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year, we saw a substantial sales decline in our on-highway natural gas truck business in China. Future demand remains uncertain due to the volatility of this business. We also continue to monitor the evolving trade policy between the U.S. and China.

Industrial segment earnings decreased by \$12,095, or 20.3%, to \$47,622 for the third quarter of fiscal year 2025, compared to \$59,717 for the third quarter of fiscal year 2024. Industrial segment earnings decreased by \$58,056, or 30.3%, to \$133,786 for the first nine months of fiscal year 2025, compared to \$191,842 for the first nine months of fiscal year 2024.

The decrease in Industrial segment earnings was due to the following:

	Three-Month Period	Nine-Month Period
Earnings for the period ended June 30, 2024	\$ 59,717	\$ 191,842
Sales volume and mix	(16,754)	(82,962)
Price, inflation, and productivity	12,813	40,155
Effects of changes in foreign currency rates	1,832	3,451
Other, net	(9,986)	(18,700)
Earnings for the period ended June 30, 2025	<u>\$ 47,622</u>	<u>\$ 133,786</u>

Industrial segment earnings as a percentage of segment net sales were 14.9% for the third quarter and 14.5% for the first nine months of fiscal year 2025, compared to 18.1% for the third quarter and 19.3% for the first nine months of fiscal year 2024. Industrial earnings were significantly impacted by the sales decline in our on-highway natural gas truck business in China and unfavorable mix, partially offset by price realization, volume increases in oil and gas, as well as operational improvements, including increased output and other efficiency gains.

Future demand in our on-highway natural gas truck business in China remains uncertain due to the volatility of this business. We also continue to monitor the evolving trade policy between the U.S. and China.

Nonsegment

Nonsegment expenses increased by \$6,455 to \$36,130 for the third quarter of fiscal year 2025, compared to \$29,675 for the third quarter of fiscal year 2024. Nonsegment expenses decreased by \$3,723 to \$84,986 for the first nine months of fiscal year 2025 compared to \$88,709 for the first nine months of fiscal year 2024.

The significant items that impacted nonsegment expenses in the current fiscal year as compared to the prior fiscal year were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Nonsegment expenses	\$ (36,130)	\$ (29,675)	\$ (84,986)	\$ (88,709)
Product rationalization	—	—	(20,524)	—
Business development activities	—	—	7,310	5,902
Non-recurring gain related to a previous acquisition	—	—	—	(4,803)
Certain non-recurring separation costs	—	—	—	2,666
Nonsegment expenses excluding infrequent significant items	<u>\$ (36,130)</u>	<u>\$ (29,675)</u>	<u>\$ (98,200)</u>	<u>\$ (84,944)</u>

Excluding these items, nonsegment expenses increased \$6,455 in the third quarter and increased \$13,256 in the first nine months of fiscal year 2025 as compared to the same periods of the prior fiscal year. These increases were primarily attributable to increased headcount and higher project-related 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. From time to time, we have also issued debt to supplement our cash needs, repay our other indebtedness, or finance our acquisitions. We continue to 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 foreseeable future.

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 Condensed Consolidated Financial Statements included in Part I, Item I of this Form 10-Q.

At June 30, 2025, we had total outstanding debt of \$932,871 consisting of outstanding balances on our revolving credit facility, various series of unsecured notes due between 2025 and 2033, and obligations under our finance leases.

At June 30, 2025, we had \$353,000 outstanding on our revolving credit facility, all of which is classified as short-term borrowings based on our intent and ability to repay this amount in the next twelve months. Revolving credit facility and short-term borrowing activity during the nine months ended June 30, 2025 were as follows:

Maximum daily balance during the period	\$	359,100
Average daily balance during the period	\$	286,838
Weighted average interest rate on average daily balance		5.4%

At June 30, 2025, we had additional borrowing availability of \$639,138 under our revolving credit facility, net of outstanding letters of credit, and additional borrowing availability of \$21,353 under various foreign credit facilities.

To our knowledge, we were compliant with all our debt covenants as of June 30, 2025. See Note 15, *Credit facilities, short-term borrowings and long-term debt* in the Notes to the Consolidated Financial Statements included in Part II, Item 8 in our Annual Report on Form 10-K for fiscal year 2024, for more information about our covenants.

In addition to utilizing our cash resources to fund the working capital needs of our business, we evaluate, and from time to time, use cash for additional strategic uses, including the repurchase of our common stock under our authorized stock repurchase program, payment of dividends, significant capital expenditures, strategic acquisitions, and other potential uses of cash.

Our ability to service our long-term debt, to remain compliant 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 and do not currently foresee adverse impacts to financial institutions supporting our capital requirements.

Cash Flows

	Nine Months Ended June 30,	
	2025	2024
Net cash provided by operating activities	\$ 237,976	\$ 297,329
Net cash (used in) investing activities	(27,518)	(68,239)
Net cash (used in) financing activities	(26,126)	(58,970)
Effect of exchange rate changes on cash and cash equivalents	6,557	765
Net change in cash and cash equivalents	190,889	170,885
Cash and cash equivalents at beginning of year	282,270	137,447
Cash and cash equivalents at end of period	\$ 473,159	\$ 308,332

Net cash flows provided by operating activities for the first nine months of fiscal year 2025 were \$237,976, compared to \$297,329 for the same period of fiscal year 2024. The decrease in net cash flows provided by operating activities in the first nine months of fiscal year 2025 as compared to the first nine months of the prior fiscal year was primarily attributable to an increase in working capital.

Net cash flows used in investing activities for the first nine months of fiscal year 2025 were \$27,518, compared to \$68,239 for the same period of fiscal year 2024. The decrease in net cash flows used in investing activities in the first nine months of fiscal year 2025 as compared to the first nine months of the prior fiscal year was primarily due to proceeds received from certain business divestitures as part of our product rationalization efforts.

Net cash flows used in financing activities for the first nine months of fiscal year 2025 were \$26,126, compared to net cash flows used in financing activities of \$58,970 for the same period of fiscal year 2024. The decrease in net cash flows used in financing activities for the first nine months of fiscal year 2025 as compared to the first nine months of the prior fiscal year was primarily attributable to decreased repurchases of common stock as well as a decrease in net debt borrowings. During the first nine months of fiscal year 2025, we repurchased \$124,276 of our common stock, whereas in the first nine months of fiscal year 2024, we repurchased \$304,811. During the first nine months of fiscal year 2025, we had net debt borrowings in the amount of \$50,281, compared to net debt borrowings of \$199,156 in the first nine months of fiscal year 2024.

Non-U.S. GAAP Financial Measures

Adjusted net earnings, adjusted earnings per share, adjusted income tax expense, 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) product rationalization, (ii) a non-recurring gain related to a previous acquisition, (iii) costs related to business development activities, and (iv) certain non-restructuring separation costs. The product rationalization adjustment pertains to the elimination of certain product lines. The Company believes that these excluded items are short-term in nature, not directly related to the ongoing operations of the business, and therefore, their exclusion 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. Adjusted income tax expense is defined by the Company as income tax expense excluding, as applicable, (i) product rationalization, (ii) a non-recurring gain related to a previous acquisition, (iii) costs related to business development activities, and (iv) certain non-restructuring separation costs. The product rationalization adjustment pertains to the elimination of certain product lines.

Management uses adjusted net earnings, adjusted earnings per share, adjusted effective tax rate, and adjusted income tax expense when comparing operating performance to other periods.

There were no adjustments to net earnings, earnings per share, adjusted effective tax rate, and adjusted income tax expense in the three months ended June 30, 2025 or the three months ended June 30, 2024.

The reconciliation of net earnings and earnings per share to adjusted net earnings and adjusted earnings per share, respectively, is shown in the tables below:

	Nine Months Ended June 30,			
	2025		2024	
	Net Earnings	Earnings Per Share	Net Earnings	Earnings Per Share
Earnings per share (U.S. GAAP)	\$ 304,488	\$ 4.96	\$ 289,675	\$ 4.65
Non-U.S. GAAP adjustments, net of tax:				
Product rationalization ¹	(20,524)	(0.33)	—	—
Non-recurring gain related to a previous acquisition ¹	—	—	(4,803)	(0.08)
Business development activities ²	7,310	0.12	5,902	0.09
Certain non-restructuring separation costs ²	—	—	2,666	0.05
Tax effect of Non-U.S. GAAP net earnings adjustments	3,130	0.05	(729)	(0.01)
Total non-U.S. GAAP adjustments	(10,084)	(0.16)	3,036	0.05
Adjusted earnings per share (Non-U.S. GAAP)	\$ 294,404	\$ 4.80	\$ 292,711	\$ 4.70

(1) Presented in the line item "Other (income) expense, net" in Woodward's Condensed Consolidated Statement of Earnings.

(2) Presented in the line item "Selling, general and administrative expenses" in Woodward's Condensed Consolidated Statement of Earnings.

The reconciliation of income tax expense to adjusted income tax expense and the adjusted effective tax rate, is shown in the tables below:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Income tax expense (U.S. GAAP)	\$ 18,388	\$ 20,021	\$ 57,165	\$ 62,765
Tax effect of Non-U.S. GAAP net income adjustments	—	—	(3,130)	729
Adjusted income tax expense (Non-U.S. GAAP)	\$ 18,388	\$ 20,021	\$ 54,035	\$ 63,494
Adjusted effective tax rate (Non-U.S. GAAP)	14.5%	16.4%	15.5%	17.8%

Management uses EBIT to evaluate Woodward's performance without financing and tax related considerations, as these elements do not fluctuate with operating results. Management uses EBITDA in evaluating Woodward's 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 the Company's 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) product rationalization, (ii) a non-recurring gain related to a previous acquisition, (iii) costs related to business development activities, and (iv) certain non-restructuring separation costs. The product rationalization adjustment pertains to the elimination of certain product lines. 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 removing these gains and costs from EBIT and EBITDA 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:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net earnings (U.S. GAAP)	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Income tax expense	18,388	20,021	57,165	62,765
Interest expense	11,234	11,516	35,464	34,482
Interest income	(838)	(1,728)	(3,236)	(4,494)
EBIT (Non-U.S. GAAP)	137,232	131,884	393,881	382,428
Non-U.S. GAAP adjustments:				
Product rationalization ¹	—	—	(20,524)	—
Non-recurring gain related to a previous acquisition ¹	—	—	—	(4,803)
Business development activities ²	—	—	7,310	5,902
Certain non-recurring separation costs ²	—	—	—	2,666
Total non-U.S. GAAP adjustments	—	—	(13,214)	3,765
Adjusted EBIT (Non-U.S. GAAP)	\$ 137,232	\$ 131,884	\$ 380,667	\$ 386,193

(1) Presented in the line item "Other (income) expense, net" in Woodward's Condensed Consolidated Statement of Earnings.

(2) Presented in the line item "Selling, general and administrative expenses" in Woodward's Condensed Consolidated Statement of Earnings.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net earnings (U.S. GAAP)	\$ 108,448	\$ 102,075	\$ 304,488	\$ 289,675
Income tax expense	18,388	20,021	57,165	62,765
Interest expense	11,234	11,516	35,464	34,482
Interest income	(838)	(1,728)	(3,236)	(4,494)
Amortization of intangible assets	7,172	8,131	20,858	25,348
Depreciation expense	21,482	20,661	63,238	61,494
EBITDA (Non-U.S. GAAP)	165,886	160,676	477,977	469,270
Non-U.S. GAAP adjustments:				
Product rationalization ¹	—	—	(20,524)	—
Non-recurring gain related to a previous acquisition ¹	—	—	—	(4,803)
Business development activities ²	—	—	7,310	5,902
Certain non-recurring separation costs ²	—	—	—	2,666
Total non-U.S. GAAP adjustments	—	—	(13,214)	3,765
Adjusted EBITDA (Non-U.S. GAAP)	\$ 165,886	\$ 160,676	\$ 464,763	\$ 473,035

(1) Presented in the line item "Other (income) expense, net" in Woodward's Condensed Consolidated Statement of Earnings.

(2) Presented in the line item "Selling, general and administrative expenses" in Woodward's Condensed Consolidated Statement of Earnings.

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 income tax expense, adjusted effective tax rate, EBIT, adjusted EBIT, EBITDA, and adjusted EBITDA exclude certain financial information compared with net earnings, the most directly 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, adjusted income tax expense, adjusted effective tax rate, 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, repurchasing our common stock, paying dividends, and investing in additional research and development. 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 measure 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 is 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 comparative measures.

Free cash flow reconciled to net cash provided by operating activities were as follows:

	Nine Months Ended June 30,	
	2025	2024
Net cash provided by operating activities (U.S. GAAP)	\$ 237,976	\$ 297,329
Payments for property, plant and equipment	(78,537)	(72,193)
Free cash flow (Non-U.S. GAAP)	\$ 159,439	\$ 225,136

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 Condensed Consolidated Financial Statements and accompanying notes. Note 1, *Operations and summary of significant accounting policies* in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of our most recently filed Form 10-K, describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Our critical accounting estimates, identified in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our most recently filed Form 10-K, include the discussion of estimates used for revenue recognition, inventory valuation, reviews for impairment of goodwill and other indefinitely lived intangible assets, and our provision for income taxes. Such accounting estimates require significant judgments and assumptions to be used in the preparation of the Condensed Consolidated Financial Statements included in this Form 10-Q, and actual results could differ materially from the amounts reported.

New Accounting Standards

From time to time, the FASB or other standards-setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update.

To understand the impact of recently issued standards, whether adopted or to be adopted, please review the information provided in Note 2, *New accounting standards* in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q. Unless otherwise discussed, we believe that the impact of recently issued standards, whether adopted or to be adopted in the future, is not expected to have a material impact on our Condensed Consolidated Financial Statements upon adoption.

Item 3. 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. We are also exposed to various market risks that arise from transactions entered into in the normal course of business related to items such as the cost of raw materials and changes in inflation. Certain contractual relationships with customers and vendors mitigate risks from changes in raw material costs and foreign currency exchange rate changes that arise from normal purchasing and normal sales activities.

These market risks are discussed more fully in "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our most recent Form 10-K. These market risks have not materially changed since the date our most recent Form 10-K was filed with the SEC.

Item 4. 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 ("Chip") P. Blankenship, Jr., Chairman of the Board and Chief Executive Officer) and Principal Financial and Accounting Officer (William F. Lacey, Chief Financial Officer), as appropriate, to allow timely decisions regarding required disclosures.

Chip P. Blankenship, Jr. and William F. Lacey evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15 under the Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluations, they concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2025.

There have not been any changes in our internal controls over financial reporting during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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.

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.

Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized under the caption "Risk Factors" in Part I, Item 1A of our most recent Form 10-K when making investment decisions regarding our securities. The risk factors that were disclosed in our most recent Form 10-K have not materially changed since the date our most recent Form 10-K was filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities <i>(In thousands, except for shares and per share amounts)</i>	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs at Period End (1)
April 1, 2025 through April 30, 2025 (2)	108,208	\$ 173.95	108,071	\$ 110,892
May 1, 2025 through May 31, 2025 (2)	61,438	192.90	61,400	99,049
June 1, 2025 through June 30, 2025 (2)	61,400	230.35	61,400	84,905

- (1) In January 2024, the Board authorized a 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.
- (2) Under a trust established for the purposes of administering the Woodward Executive Benefit Plan, 137 shares of common stock were acquired in April 2025 on the open market related to the deferral of compensation by certain eligible members of Woodward's management who irrevocably elected to invest some or all of their deferred compensation in Woodward common stock. In addition, 38 shares of common stock were acquired in May 2025 on the open market related to the reinvestment of dividends for shares of treasury stock held for deferred compensation. Shares owned by the trust, which is a separate legal entity, are included in "Treasury stock held for deferred compensation" in the Condensed Consolidated Balance Sheets.

Item 5. Other Information

During the three months ended June 30, 2025, 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 6. Exhibits

Exhibits filed as part of this Report are listed in the Exhibit Index.

WOODWARD, INC.**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Number</u>	<u>Description</u>
*	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
*	101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Earnings, (iii) Condensed Consolidated Statements of Comprehensive Earnings, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.
*	104	Cover page Interactive Data File (embedded within the Inline XBRL document and are contained in Exhibit 101)

* Filed as an exhibit to this Report

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.

WOODWARD, INC.

Date: August 1, 2025

/s/ Charles P. Blankenship, Jr.

Charles P. Blankenship, Jr.

Chairman of the Board and Chief Executive Officer

(on behalf of the registrant and as the registrant's Principal Executive Officer)

Date: August 1, 2025

/s/ William F. Lacey

William F. Lacey

Chief Financial Officer

(on behalf of the registrant and as the registrant's Principal Financial and Accounting Officer)

Woodward, Inc.
Rule 13a-14(a)/15d-14(a) certifications

CERTIFICATION

I, Charles P. Blankenship, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2025, 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: August 1, 2025

/s/ Charles P. Blankenship, Jr.

Charles P. Blankenship, Jr.
*Chairman of the Board and
 Chief Executive Officer
 (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.

Woodward, Inc.
Rule 13a-14(a)/15d-14(a) certifications

CERTIFICATION

I, William F. Lacey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2025, 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: August 1, 2025

 /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.

Woodward, Inc.
Section 1350 certifications

We hereby certify, pursuant to 18 U.S.C. Section 1350, that the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2025 (the "Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Woodward, Inc.

Date: August 1, 2025

/s/ Charles P. Blankenship, Jr.

Charles P. Blankenship, Jr.
*Chairman of the Board and
Chief Executive Officer*

Date: August 1, 2025

/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.
