



Loar Holdings Inc.

Q2 2024 Earnings Presentation



Agenda

- Our Value Drivers, Our Portfolio, and Our Products
- Q2 Earnings Highlights
- Revised Full Year 2024 Outlook

Today's Speakers:

- Dirkson Charles – CEO and Executive Co-Chairman of the Board of Directors
- Brett Milgrim – Executive Co-Chairman of the Board of Directors
- Glenn D'Alessandro – CFO and Treasurer
- Ian McKillop – Director of Investor Relations

Forward Looking Statements & Special Notice Regarding Pro Forma and Non-GAAP Information

Forward-Looking Statements

This presentation includes express or implied forward-looking statements. Forward-looking statements include all statements that are not historical facts including those that reflect our current views with respect to, among other things, our operations and financial performance. The words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “will,” “seek,” “foreseeable,” the negative version of these words or similar terms and phrases may identify forward-looking statements in this presentation, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this presentation, including, but not limited to, the statements under the heading “Full Year 2024 Outlook - Revised” and “Full Year 2024 Outlook – Assumptions” are based on management’s current expectations and are not guarantees of future performance. Our expectations and beliefs are expressed in management’s good faith, and we believe there is a reasonable basis for them, however, the forward-looking statements are subject to various known and unknown risks, uncertainties, assumptions, or changes in circumstances that are difficult to predict or quantify. Actual results may differ materially from these expectations due to changes in global, regional, or local economic, business, competitive, market, regulatory, and other factors, many of which are beyond our control. We believe that these factors include but are not limited to the following: the almost exclusive focus of our business on the aerospace and defense industry; our heavy reliance on certain customers for a significant portion of our sales; the fact that we have in the past consummated acquisitions and our intention to continue to pursue acquisitions, and that our business may be adversely affected if we cannot consummate acquisitions on satisfactory terms, or if we cannot effectively integrate acquired operations; and the other risks and uncertainties described under “Risk Factors” of the Company’s of the Company’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (“SEC”) on May 14, 2024, as well as the Company’s Quarterly Report on Form 10-Q that will be filed following the earnings release, and other periodic reports filed by the Company from time to time with the SEC.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in the forward-looking statements. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation and is expressly qualified in its entirety by the cautionary statements included in this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments, or other strategic transactions we may make. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable law.

Special Notice Regarding Pro Forma Information

This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present our actual results of operations or financial condition had the transactions reflected in such pro forma financial information occurred at the beginning of the relevant period, in the case of income statement information, or at the end of such period, in the case of balance sheet information, nor is it necessarily indicative of the results of operations that may be achieved in the future.

Special Notice Regarding Non-GAAP Information

We present in this presentation certain financial information based on our EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Earnings Per Share. References to “EBITDA” mean earnings before interest, taxes, depreciation and amortization, references to “Adjusted EBITDA” mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net loss to EBITDA and Adjusted EBITDA, and references to “Adjusted EBITDA Margin” refer to Adjusted EBITDA divided by net sales. References to “Adjusted Earnings Per Share” means net income plus certain adjustments as set forth in the reconciliations below to derive Adjusted EBITDA from EBITDA, less the tax effect of these adjustments. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Earnings Per Share are not measurements of financial performance under U.S. GAAP. We present EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Earnings Per Share because we believe they are useful indicators for evaluating operating performance. In addition, our management uses Adjusted EBITDA to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses Adjusted EBITDA of target companies to evaluate acquisitions.

Although we use EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Earnings Per Share as measures to assess the performance of our business and for the other purposes set forth above, the use of non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations or cash flow from operations as reported in accordance with U.S. GAAP. Our calculations of EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Earnings Per Share may not be comparable to the calculations of similarly titled measures reported by other companies.

A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix, other than with respect to the non-GAAP information under the heading “Full Year 2024 Outlook - Revised,” for which no reconciliation is provided because to do so would be potentially misleading and not practical given the difficulty of projecting event-driven transactional and other non-core operating items in any future period, which may be significant.

Simple Approach to Driving Value...

Value Drivers

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Launching New Products

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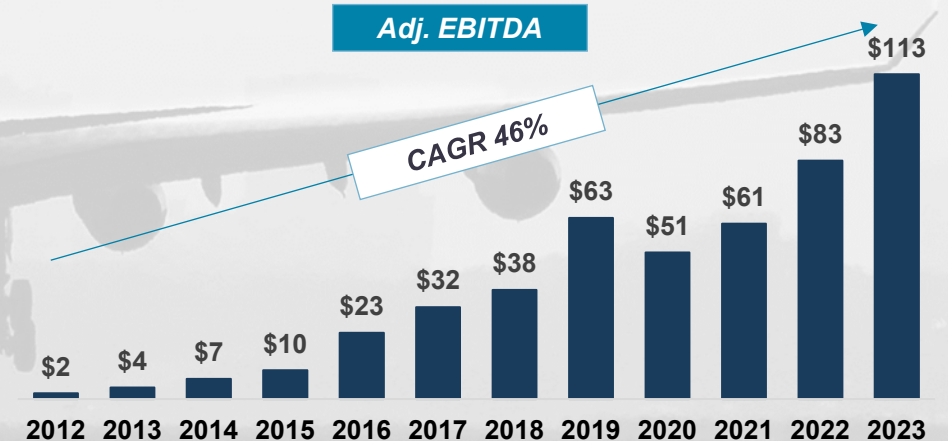
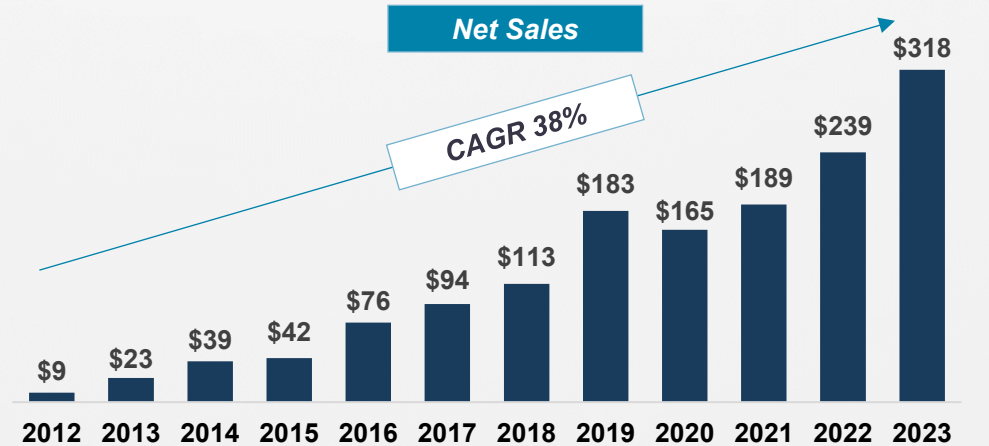
Optimizing Productivity

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Achieving Price Above Inflation

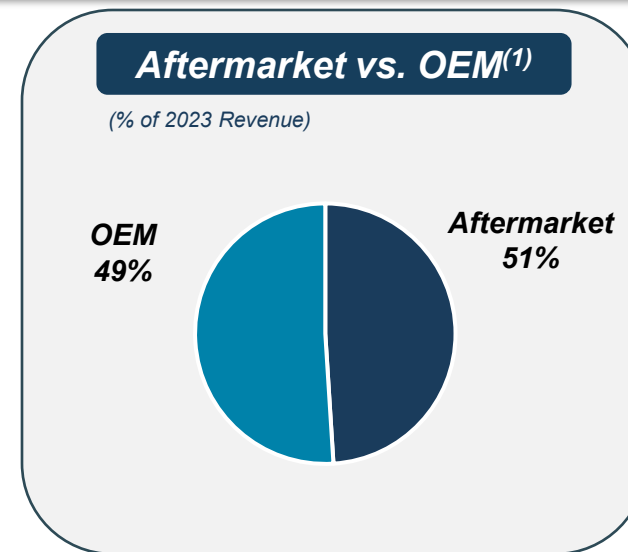
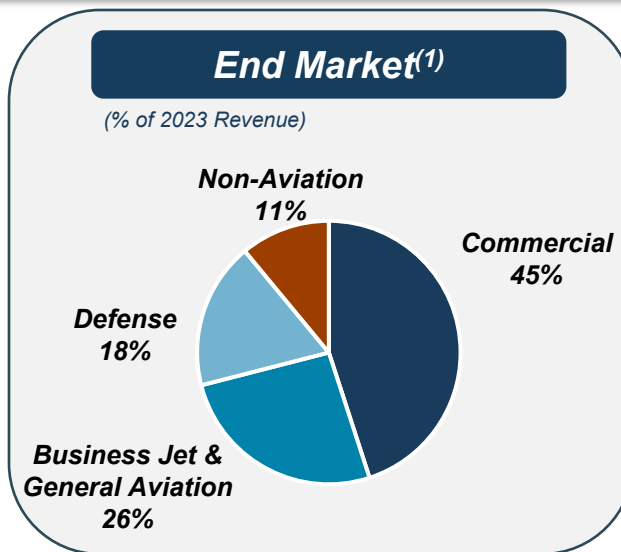
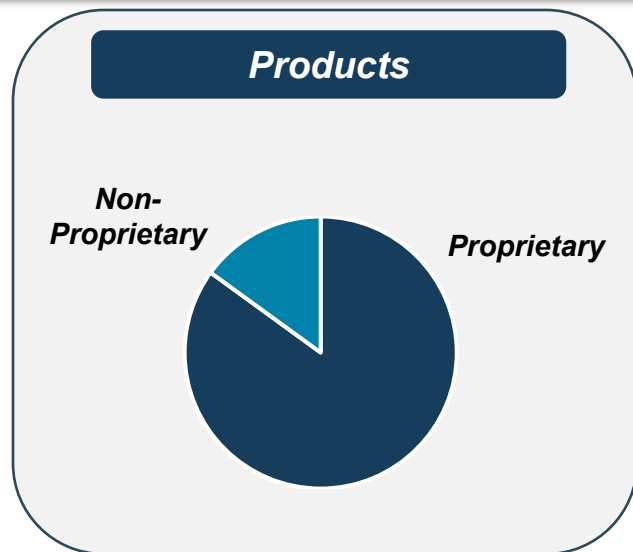
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Readying Talent



Our Portfolio

Loar Group specializes in the design, manufacture, and sale of niche aerospace and defense components that are ***essential for today's aircraft and aerospace and defense systems***, across ***250+ total aircraft platforms***. Our business focuses on ***mission-critical, highly engineered solutions with high-intellectual property content***. Our products cover a diverse range of applications supporting nearly every major aircraft platform in use today for a diverse customer base within the commercial, business jet and general aviation, and defense end markets



(1) Pro forma sales for full year 2023. Includes full year impact of DAC and CAV, both acquisitions completed in Q3 2023. Please see additional special notice on pro forma sales and non-GAAP information on page 3.

Disciplined Acquisition Approach

Aerospace & Defense Focus

Niche Markets and/or Strong Market Positions

Proprietary Content and/or Processes

Significant Aftermarket Exposure

Cross-Sell Opportunity

Long-Standing Customer Relationships

Our Products

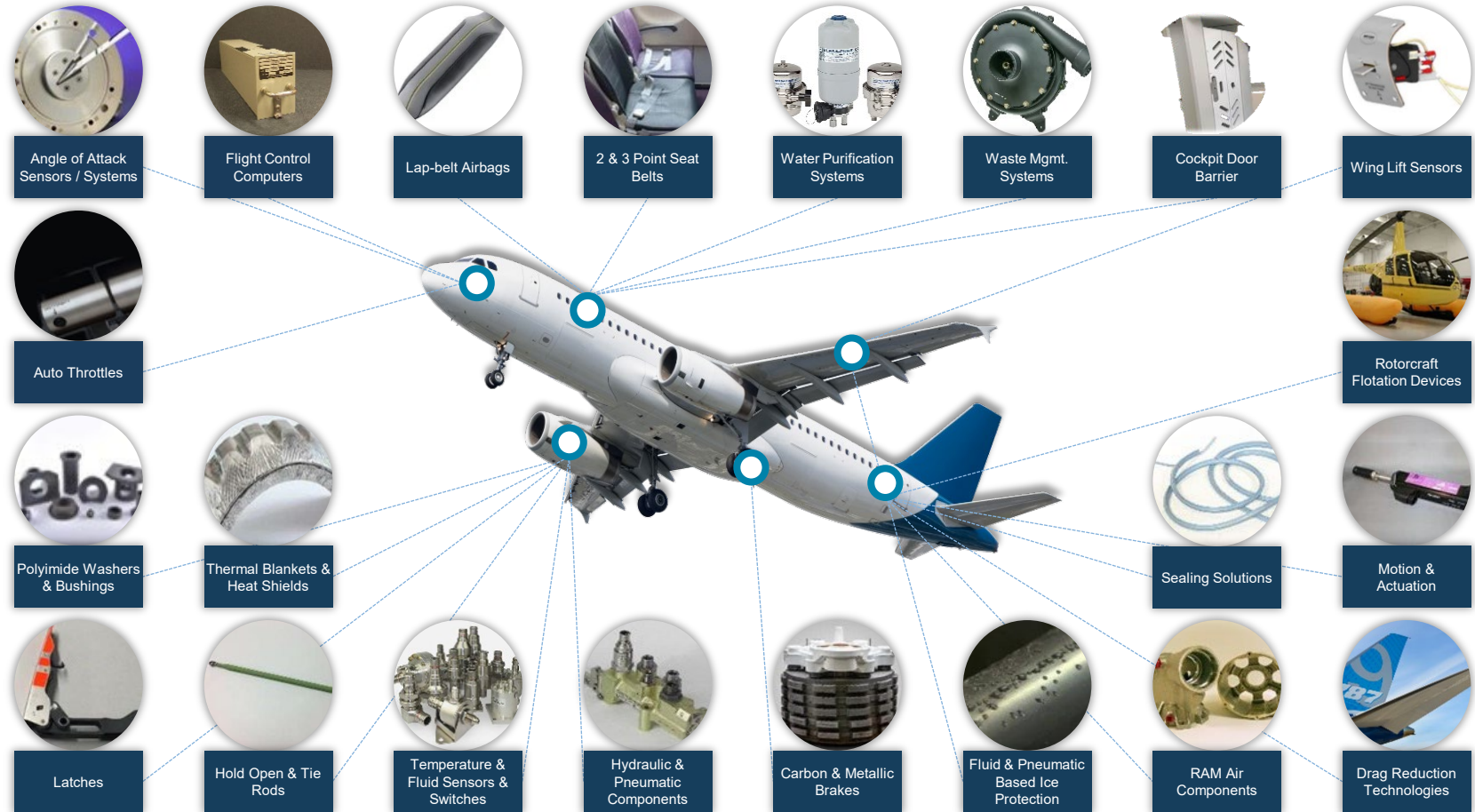
Diverse Portfolio Offering With Over 15,000+ Products Offered

Mission critical nature of products with high monetary and reputational cost of failure to customers

Revenue from IP-heavy, proprietary products, which require a depth of operational expertise

Time and cost intensive specification process ensures once Loar products are spec'd on to platform they are "locked in" for long term

Strong ability to provide aftermarket services for Loar components ensures high-margin revenue streams for lifetime of platforms Loar serves



No One Part Makes Up More Than 3% of the Company's 2023 Net Sales



Q2 2024 Results by End Market – Pro Forma⁽¹⁾

Q2 2024 End Market Drivers

Total Commercial OEM:

- Increase demand for GA, business jets, and commercial aircraft 

Total Commercial Aftermarket:

- Passenger traffic continues to recover 
- De-stocking behind us. 

Defense:

- Strong aftermarket demand across platforms and market share gains 

Pro Forma⁽¹⁾ Net Sales

End Market	Q2 2024 vs Q2 2023	YTD Q2 2024 vs. YTD Q2 2023
Total Commercial OEM	+11%	+19%
Total Commercial Aftermarket	+19%	+12%
Defense	+57%	+31%

(1) Pro forma sales for full year 2023. Includes full year impact of DAC and CAV, both acquisitions completed in Q3 2023. Please see additional special notice on pro forma sales and non-GAAP information on page 3

Q2 2024 Financial Results

<i>\$thousands</i>	Q2 2024	Q2 2023	Δ
Net Sales	97,015	73,979	31.1%
Gross Profit Margin	47,526 49.0%	37,472 50.6%	26.8%
Net Income	7,641	623	
Adjusted EBITDA Adj EBITDA Margin	35,031 36.1%	27,736 37.5%	26.3%

- Net sales up 17% organically 

- Impact of higher defense sales and continued dilutive impact of an acquisition completed in the second half of 2023 

- Increase in operating income 
- Lower interest expense 

- Lower gross profit margin and public company infrastructure costs 

Full Year 2024 Market Assumptions - Revised

Previous Market Assumptions

Issued 5/14/24

- Commercial OEM – Up Low Double-Digits
- Commercial Aftermarket – Up Low Double-Digits
- Defense – Up Low Double-Digits

Revised Market Assumptions

Issued 8/13/24

- Commercial OEM – Up Mid Double-Digits
- Commercial Aftermarket – Up Mid Double-Digits
- Defense – Up Mid Double-Digits

Full Year 2024 Outlook - Revised

Previous 2024 Outlook

Issued 5/14/24

\$millions except for share count & Earnings Per Share	Low	High
Net Sales	\$370	\$374
Adjusted EBITDA	\$132	\$134
Adjusted EBITDA Margin	~36%	
Net Income	\$25.7	\$27.1
Adjusted Earnings Per Share	\$0.41	\$0.43

Revised 2024 Outlook

Issued 8/13/24

\$millions except for share count & Earnings Per Share	Low	High
Net Sales	\$374	\$378
Adjusted EBITDA	\$134	\$136
Adjusted EBITDA Margin	~36%	
Net Income	\$28.4	\$29.6
Adjusted Earnings Per Share	\$0.44	\$0.46

Full Year 2024 Outlook - Assumptions

	Full Year 2024 Outlook
Capital Expenditures	~ \$11 million
Full Year Interest Expense	~ \$42 million
Full Year Effective Tax Rate	~ 30%
Depreciation and Amortization	~ \$40 million
Non-Cash Stock-Based Compensation	~ \$10 million – up from ~\$9 million
Fully Diluted Share Count	~ 91 million shares

Appendix – Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

(in thousands unless otherwise indicated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 7,641	\$ 623	\$ 9,890	\$ (6,896)
Adjustments:				
Interest expense, net	10,636	16,568	28,370	31,970
Refinancing costs	1,645	—	1,645	—
Income tax provision	2,266	437	3,640	9,609
Operating income	22,188	17,628	43,545	34,683
Depreciation	2,730	2,537	5,408	4,983
Amortization	7,039	6,888	14,304	13,768
EBITDA	31,957	27,053	63,257	53,434
Adjustments:				
Other income ⁽¹⁾	(2,867)	(79)	(2,867)	(127)
Transaction expenses ⁽²⁾	929	421	1,105	604
Stock-based compensation ⁽³⁾	4,387	93	4,474	186
Acquisition and facility integration costs ⁽⁴⁾	625	248	2,093	485
Adjusted EBITDA	\$ 35,031	\$ 27,736	\$ 68,062	\$ 54,582
Net sales	\$ 97,015	\$ 73,989	\$ 188,859	\$ 148,235
Net income (loss) margin	7.9%	0.8%	5.2%	(4.7)%
Adjusted EBITDA Margin	36.1%	37.5%	36.0%	36.8%

- (1) Represents the reduction in the estimated contingent purchase price for the CAV Systems Group Limited acquisition in 2024 and a grant from the U.S. Department of Transportation under the Aviation Manufacturing Jobs Protection Program in 2023.
- (2) Represents third party transaction-related costs for acquisitions comprising deal fees, legal, financial and tax due diligence expenses, and valuation costs that are required to be expensed as incurred.
- (3) Represents the non-cash compensation expense recognized by the Company for equity awards.
- (4) Represents costs incurred to integrate acquired businesses and product lines into our operations, facility relocation costs and other acquisition-related costs.

Appendix – Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA

(in thousands unless otherwise indicated)

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	2017 ⁽¹⁾			Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
							12 Months Ended December 31, 2017	October 2, 2017 through December 31, 2017	January 1, 2017 through October 1, 2017					
Net (loss) income	\$ (4,615)	\$ (2,469)	\$ (5,354)	\$ (17,052)	\$ (4,152)	\$ (5,721)	\$ (7,063)	\$ (3,409)	\$ (3,654)	\$ (122)	\$ 1,278	\$ 6,075	\$ (1,058)	\$ (2,404)
Adjustments:														
Income tax provision (benefit)	7,052	(142)	(2,599)	(2,147)	774	(1,101)	(13,228)	(12,414)	(814)	499	685	(2,382)	105	160
Interest expense, net	67,054	42,071	31,637	32,864	29,304	16,846	10,610	3,817	6,793	8,933	981	15	10	14
Loss on extinguishment of debt (a)	–	–	–	–	–	–	5,233	–	5,233	–	–	–	–	–
Foreign exchange adjustment (b)	–	–	–	–	–	–	–	–	–	(72)	–	–	–	–
Gain on insurance recoveries (c)	–	–	–	–	–	–	–	–	–	–	–	(150)	–	–
Operating income (loss)	69,491	39,460	23,684	13,665	25,926	10,024	(4,448)	(12,006)	7,558	9,238	2,944	3,558	(943)	(2,230)
Depreciation	9,938	8,882	9,143	8,622	7,879	7,256	5,390	1,937	3,453	5,073	2,163	2,028	1,416	399
Amortization	28,086	25,074	23,550	22,429	21,919	16,405	8,399	4,613	3,786	4,795	1,246	906	1,385	817
EBITDA	107,515	73,416	56,377	44,716	55,724	33,685	9,341	(5,456)	14,797	19,106	6,353	6,492	1,858	(1,014)
Adjustments:														
Amortization of inventory step-up (d)	603	704	740	3,241	2,001	1,162	6,929	6,441	488	1,385	414	160	666	1,341
Other (income) loss (e)	(762)	(861)	396	(1,663)	–	(3,521)	2,313	–	2,313	(500)	–	–	–	–
Transaction expenses (f)	3,394	6,365	804	2,001	2,811	2,135	10,074	7,482	2,592	1,416	1,840	–	688	664
Stock-based compensation (g)	372	1,526	1,686	1,686	1,686	1,665	934	381	553	247	189	189	166	101
Acquisition integration costs (h)	1,621	1,913	642	405	931	2,406	1,101	288	813	197	451	21	21	–
COVID-19 related expenses (i)	–	210	147	399	–	–	–	–	–	–	–	–	–	–
Management service agreement fees and expenses (j)	–	–	–	–	–	–	843	–	843	1,157	616	567	454	554
Adjusted EBITDA	\$ 112,743	\$ 83,273	\$ 60,792	\$ 50,785	\$ 63,153	\$ 37,532	\$ 31,535	\$ 9,136	\$ 22,399	\$ 23,008	\$ 9,863	\$ 7,429	\$ 3,853	\$ 1,646
Net sales	\$ 317,477	\$ 239,434	\$ 188,897	\$ 164,564	\$ 182,623	\$ 112,572	\$ 94,346	\$ 26,179	\$ 68,167	\$ 75,780	\$ 42,371	\$ 39,240	\$ 22,983	\$ 8,923
Net (loss) income margin	-1.4%	-1.0%	-2.8%	-10.4%	-2.3%	-5.1%	-7.5%	-13.0%	-5.4%	-0.2%	3.0%	15.5%	-4.6%	-26.9%
Adjusted EBITDA Margin	35.5%	34.8%	32.2%	30.9%	34.6%	33.3%	33.4%	34.9%	32.9%	30.4%	23.3%	18.9%	16.8%	18.4%

Appendix – Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA

(1) For the period January 1, 2017 through October 1, 2017 (“Predecessor Period”), the Company is referred to as the “Predecessor.” For the period October 2, 2017 through December 31, 2017 (“Successor Period”), the Company is referred to as “Successor.” The Company applied pushdown accounting to the transaction. Due to the application of push-down accounting, different bases of accounting have been used to prepare the consolidated financial statements in the Predecessor Period and Successor Period. A black line separates the Predecessor Period and Successor Period to highlight the lack of comparability between these two bases of accounting. The Successor Period includes the accounts of Loar Holdings, LLC and its subsidiaries. The Predecessor Period includes the accounts of Loar Group Inc. Intercompany accounts and transactions between consolidated entities have been eliminated.

(a) Represents the write-off of unamortized debt issuance costs associated with the extinguishment of debt.

(b) Represents foreign exchange gains related to an overseas distribution center.

(c) Represents insurance proceeds on property losses.

(d) Represents accounting adjustments to inventory associated with acquisitions of businesses that were charged to cost of sales when inventory was sold.

(e) Amounts represent income or losses not related to operations. The impact for the years ended December 31, 2023 and 2022 represents a grant from the U.S. Department of Transportation under the Aviation Manufacturing Jobs Protection Program. The impact for the year ended December 31, 2021 represented certain long-lived asset write-offs of \$1.4 million, partially offset by a government grant of \$1.0 million. The impact for the year ended December 31, 2020 represented a government grant and a gain on sale of assets of \$1.0 million and \$0.7 million, respectively. The impact for the year ended December 31, 2018 is primarily attributable to contingent consideration payments for performance targets achieved post-acquisition. The impact for the 10 months ended October 1, 2017 represented an impairment of certain long-lived assets. The impact for the year ended December 31, 2016 represented a reversal of accrued contingency consideration related to unmet performance targets post-acquisition.

(f) Represents third-party transaction-related costs for acquisitions comprising deal fees, legal, financial and tax due diligence expenses, and valuation costs that are required to be expensed as incurred.

(g) Represents the non-cash compensation expense recognized by the Company for restricted equity unit awards.

(h) Represents costs incurred to integrate acquired businesses and product lines into Loar’s operations, facility relocation costs and other acquisition-related costs.

(i) Represents incremental costs related to the pandemic that are not expected to recur once the pandemic dissipates and are clearly separable from normal operations (for example, additional cleaning and disinfecting of facilities by contractors above and beyond normal requirements and COVID sick pay).