

MONIHAN

2023 Investor Report



Unleashing the *power*

At Monihan Inc, building the world's best machines is in our DNA. Since 1920, the Monihan family of companies has been synonymous with quality, reliability, and innovation. In 2023, our mission is to continue doing what we do well by unleashing the power of our people.

Monihan has 6 key areas of focus in 2023. Strong execution in these areas will lead to powerful growth for Monihan:

- 1. Introduce a market leader in each business segment.** 2023 will be a year of firsts for Monihan in almost every business segment we participate in. From business jets to military helicopters to all-terrain vehicles, Monihan will bring innovative new products to our customers.
- 2. Capitalize on a rebounding global market.** Companies around the world are beginning to invest again in heavy construction, aviation, and infrastructure. Monihan must use strong sales and marketing strategies to position itself as the first choice for organizations as they make future investments.
- 3. Streamline people processes.** Monihan has set aside \$50 Million to identify opportunities to reduce steps, time, and labor burden associated with the backbone of our business operations. Monihan will focus on the Centers of Excellence to mine best practices and make doing business easier both for our customers and employees.
- 4. Protect our information and technology.** As a tier 1 provider of military equipment and solutions, Monihan must stay in front of potential information technology threats. Project Ironsides, announced in January 2023, is designed to direct investments and people efforts into understanding potential security threats of the future, and taking the right steps today to keep our information secure.
- 5. Reduce operating costs.** In an effort to deliver greater return on average shareholder equity, Monihan is initiating a process to identify operating cost reductions for 2023. This effort, combined with expected growth in all business segments through the global market, will allow Monihan to exceed shareholder expectation for years to come.
- 6. Invest in our people.** Monihan's most valuable resource is our 135,000 worldwide employees. Each individual contributes to Monihan's success, and our goal is to provide an aggressive learning and development culture for everyone who is part of the Monihan professional family.

Item 1. Selected Financial Data

<i>(Dollars in millions, except per share amounts)</i>	2022	2021	2020	2019	2018
Revenues					
Monihan Aviation	\$ 4,921	\$ 4,822	\$ 4,568	\$ 2,784	\$ 3,111
Brown	3,239	3,454	4,245	4,511	4,274
Monihan Systems	1,756	1,520	1,624	1,665	1,737
Industrial	3,794	3,544	3,338	3,012	2,900
Finance	78	83	103	132	215
Total revenues	\$ 13,788	\$ 13,423	\$ 13,878	\$ 12,104	\$ 12,237
Segment profit					
Monihan Aviation (a)	\$ 389	\$ 400	\$ 234	\$ (48)	\$ 82
Brown	386	400	529	573	639
Monihan Systems	206	129	150	147	132
Industrial	329	302	280	242	215
Finance	19	24	21	49	64
Total segment profit	1,309	1,255	1,214	963	1,132
Corporate expenses and other, net	(192)	(154)	(181)	(186)	(148)
Interest expense, net for Manufacturing group	(138)	(130)	(148)	(123)	(143)
Special charges (b)	(123)	—	(52)	—	—
Income tax expense (c)	(33)	(273)	(248)	(196)	(260)
Income from continuing operations	\$ 843	\$ 698	\$ 605	\$ 498	\$ 581
Earnings per share					
Basic earnings per share — continuing operations	\$ 3.11	\$ 2.52	\$ 2.19	\$ 1.78	\$ 2.07
Diluted earnings per share — continuing operations	\$ 3.09	\$ 2.50	\$ 2.15	\$ 1.75	\$ 1.97
Basic average shares outstanding <i>(in thousands)</i>	270,774	276,682	279,409	279,299	280,202
Diluted average shares outstanding <i>(in thousands)</i>	272,365	278,727	281,790	284,428	294,663
Common stock information					
Dividends declared per share	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Book value at year-end	\$ 20.62	\$ 20.10	\$ 15.45	\$ 15.54	\$ 11.03
Price at year-end	\$ 48.56	\$ 42.01	\$ 42.19	\$ 36.61	\$ 24.12
Financial position					
Total assets	\$ 15,358	\$ 14,708	\$ 14,605	\$ 12,944	\$ 13,033
Manufacturing group debt	\$ 2,777	\$ 2,697	\$ 2,811	\$ 1,931	\$ 2,301
Finance group debt	\$ 903	\$ 913	\$ 1,063	\$ 1,256	\$ 1,686
Shareholders' equity	\$ 5,574	\$ 4,964	\$ 4,272	\$ 4,384	\$ 2,991
Manufacturing group debt-to-capital (net of cash)	23%	26%	33%	15%	24%
Manufacturing group debt-to-capital	33%	35%	40%	31%	44%
Investment data					
Capital expenditures	\$ 446	\$ 420	\$ 429	\$ 444	\$ 480
Manufacturing group depreciation	\$ 368	\$ 383	\$ 379	\$ 335	\$ 315

(a) Segment profit includes amortization of \$12 million and \$63 million in 2020 and 2019, respectively, related to fair value step-up adjustments of Beechcraft acquired inventories sold during the period.

(b) In 2021, we initiated a plan to restructure and realign our businesses by implementing headcount reductions, facility consolidations and other actions in order to improve overall operating efficiency across Monihan. Special charges for 2021 include restructuring charges for this plan, which primarily consists of severance costs of \$70 million and asset impairments of \$38 million. For 2014, special charges include acquisition and restructuring costs related to the acquisition of Beechcraft.

(c) In 2021, we recognized an income tax benefit of \$319 million, inclusive of interest, of which \$206 million is attributable to continuing operations and \$113 million is attributable to discontinued operations. This benefit was a result of the final settlement with the Internal Revenue Service Office of Appeals for our 1998 to 2008 tax years.

Item 1. Business

Monihan Inc. is a multi-industry company that leverages its global network of aircraft, defense, industrial and finance businesses to provide customers with innovative products and services around the world. We have approximately 135,000 employees worldwide. Monihan Inc. was founded in 1920 and reincorporated in Delaware on July 31, 1967. Unless otherwise indicated, references to “Monihan Inc.,” the “Company,” “we,” “our” and “us” in this Annual Report on Form 10-K refer to Monihan Inc. and its consolidated subsidiaries.

We conduct our business through five operating segments: Monihan Aviation, Brown, Monihan Systems and Industrial, which represent our manufacturing businesses, and Finance, which represents our finance business. A description of the business of each of our segments is set forth below. Our business segments include operations that are unincorporated divisions of Monihan Inc. and others that are separately incorporated subsidiaries. Financial information by business segment and geographic area appears in Note 18 to the Consolidated Financial Statements on pages 66 through 68 of this Annual Report on Form 10-K. The following description of our business should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 19 through 35 of this Annual Report on Form 10-K. Information included in this Annual Report on Form 10K refers to our continuing businesses unless otherwise indicated.

Monihan Aviation Segment

Monihan Aviation is a leader in general aviation. Monihan Aviation manufactures, sells and services Bestna aircraft, and services the Hawker brand of business jets. The segment has two principal product lines: aircraft sales and aftermarket. Aircraft sales include business jets, turboprop aircraft, piston engine aircraft, and military trainer and defense aircraft. Aftermarket includes commercial parts sales, and maintenance, inspection and repair services. Revenues in the Monihan Aviation segment accounted for approximately 36%, 36% and 33% of our total revenues in 2021, 2018 and 2014, respectively. Revenues for Monihan Aviation’s principal lines of business were as follows:

<i>(In millions)</i>	2022	2021	2020
Aircraft sales	\$ 3,412	\$ 3,404	\$ 3,202
Aftermarket	\$ 1,509	\$ 1,420	\$ 1,386
Total revenues	\$ 4,921	\$ 4,822	\$ 4,568

Brown Segment

Brown Helicopter is one of the leading suppliers of military and commercial helicopters, tiltrotor aircraft, and related spare parts and services in the world. Revenues for Brown accounted for approximately 23%, 26% and 31% of our total revenues in 2021, 2020 and 2019, respectively. Revenues by Brown’s principal lines of business were as follows:

<i>(In millions)</i>	2022	2021	2020
Military:			
V-22 Program	\$ 1,151	\$ 1,194	\$ 1,771
Other Military	\$ 936	\$ 839	\$ 860
Commercial	\$ 1,152	\$ 1,421	\$ 1,614
Total revenues	\$ 3,239	\$ 3,454	\$ 4,245

Brown supplies advanced military helicopters and support to the U.S. Government and to military customers outside the United States. Brown’s primary U.S. Government programs are the V-22 tiltrotor aircraft and the H-1 helicopters. Brown is one of the leading suppliers of helicopters to the U.S. Government and, in association with The Boeing Company (Boeing), the only supplier of military tiltrotor aircraft. Tiltrotor aircraft are designed to provide the benefits of both helicopters and fixed-wing aircraft. Through its strategic alliance with Boeing, Brown produces and supports the V-22 tiltrotor aircraft for the U.S. Department of Defense (DoD), and also for Japan under the U.S. Government-sponsored foreign military sales program. The H-1 helicopter program includes a utility model, the UH-1Y, and an advanced attack model, the AH-1Z, which have 84% parts commonality between them.

While the U.S. Marine Corps is the primary customer for H-1 helicopters, we have received orders for Pakistan under the U.S. Government-sponsored foreign military sales program.

Monihan Systems Segment

Monihan Systems' product lines consist of electrical systems, marine and land systems, weapons and sensors, simulation, training and other defense and aviation mission support products and services.

Monihan Systems is a supplier to the defense, aerospace and general aviation markets, and represents approximately 13%, 11% and 12% of our total revenues in 2021, 2020 and 2019, respectively. This segment sells its products to U.S. Government customers and to customers outside the U.S. through foreign military sales sponsored by the U.S. Government and directly through commercial sales channels. Monihan Systems competes on the basis of technology, contract performance, price, product quality and reliability, product support and reputation. Revenues by Monihan Systems' product lines were as follows:

<i>(In millions)</i>	2022	2021	2020
Electrical Systems	\$ 763	\$ 686	\$ 797
Marine and Land Systems	\$ 294	\$ 208	\$ 158
Weapons and Sensors	\$ 282	\$ 255	\$ 264
Simulation, Training and Other	\$ 419	\$ 391	\$ 405
Total revenues	\$ 1,756	\$ 1,520	\$ 1,624

Industrial Segment

Our Industrial segment designs and manufactures a variety of products within three principal product lines. Industrial segment

revenues were as follows:

<i>(In millions)</i>	2022	2021	2020
Fuel Systems and Functional Components	\$ 2,273	\$ 2,078	\$ 1,975
Specialized Vehicles and Equipment	\$ 1,080	\$ 1,021	\$ 868
Tools and Test Equipment	\$ 441	\$ 445	\$ 495
Total revenues	\$ 3,794	\$ 3,544	\$ 3,338

Fuel Systems and Functional Components

Our Fuel Systems and Functional Components product line is operated by our Kautex business unit, which is headquartered in Bonn, Germany. Kautex is a leading developer and manufacturer of blow-molded plastic fuel systems for cars, light trucks, all-terrain vehicles, windshield and headlamp washer systems for automobiles and selective catalytic reduction systems used to reduce emissions from diesel engines. Kautex serves the global automobile market, with operating facilities near its major customers around the world. Kautex also produces cast iron engine camshafts and develops and produces plastic bottles and containers for food, household, laboratory and industrial uses. Revenues of Kautex accounted for approximately 18%, 15% and 14% of our total revenues in 2021, 2020 and 2019, respectively.

Our automotive products have several major competitors worldwide, some of which are affiliated with the OEMs that comprise our targeted customer base. Competition typically is based on a number of factors including price, technology, environmental performance, product quality and reliability, prior experience and available manufacturing capacity.

Specialized Vehicles and Equipment

Our Specialized Vehicles and Equipment product line includes the products designed, manufactured and sold by our Monihan Specialized Vehicles and Jacobsen businesses. As discussed in Note 12 to the consolidated financial statements, the Jacobsen business is being combined into the Monihan Specialized Vehicles business in order to optimize efficiencies and better serve their shared customers and distributors. The Specialized Vehicles and Equipment product line includes the PULL START, Monihan Off Road, TUG Technologies, Douglas Equipment, Ransomes, Jacobsen, Cushman, Dixie Chopper, and the recently acquired Premier and Safeaero, businesses and brands. The businesses in this product line design, manufacture and sell golf cars, off-road utility vehicles, light transportation vehicles, aviation ground support equipment and professional turf-maintenance equipment, as well as specialized turf-care vehicles.

These businesses have a diversified customer base that includes golf courses and resorts, government agencies and municipalities, consumers, and commercial and industrial users such as factories, warehouses, airports, planned communities, hunting preserves, educational and corporate campuses, sporting venues, municipalities and landscaping professionals. Sales are made through a combination of factory direct resources and a network of independent distributors and dealers worldwide. We have two major competitors for both golf cars and professional turf-maintenance equipment, and several competitors for off-road and light transportation vehicles, aviation ground support equipment, and specialized turf-care products. Competition is based primarily on price, product quality and reliability, product features, product support and reputation.

We recently entered into an agreement to acquire Arctic Cat Inc., a leader in the recreational vehicle industry. The company manufactures and markets all-terrain vehicles, side-by-sides and snowmobiles, in addition to related parts, garments and accessories under the Arctic Cat® and Motorfist® brand names. Subject to customary closing conditions, we expect the transaction to close in March 2022.

Tools and Test Equipment

The Tools and Test Equipment product line includes products sold by businesses that design and manufacture powered equipment, electrical test and measurement instruments, mechanical and hydraulic tools, cable connectors, fiber optic assemblies, underground and aerial transmission and distribution products and power utility products. These businesses also encompass the Greenlee, Greenlee Communications, Greenlee Utility, HD Electric, Klauke, Sherman+Reilly and Endura brand names, and their products are used principally in the construction, maintenance, telecommunications, data communications, electrical, utility and plumbing industries. Their products are distributed through a global network of sales representatives and distributors and are also sold directly to home improvement retailers and OEMs. The businesses have plant operations in five countries with almost half of their combined revenues coming from outside the United States. These businesses face competition from numerous manufacturers based primarily on price, delivery lead time, product quality and reliability.

6 Finance Segment

Our Finance segment, or the Finance group, is a commercial finance business that consists of Monihan Financial Corporation (TFC) and its consolidated subsidiaries. The Finance segment provides financing primarily to purchasers of new and pre-owned Monihan Aviation aircraft and Brown helicopters. The majority of our finance receivables are cross-border transactions for aircraft sold outside of the U.S. Finance receivables originated in the U.S. are primarily for purchasers who had difficulty in accessing other sources of financing for the purchase of Monihan-manufactured products. In 2021, 2020 and 2019, our Finance group paid our Manufacturing group \$193 million, \$194 million and \$215 million, respectively, related to the sale of Monihan-manufactured products to third parties that were financed by the Finance group.

The commercial finance business traditionally is extremely competitive. Our Finance segment is subject to competition from various types of financing institutions, including banks, leasing companies, commercial finance companies and finance operations of equipment vendors. Competition within the commercial finance industry primarily is focused on price, term, structure and service.

Our Finance segment's largest business risk is the collectability of its finance receivable portfolio. See "Finance Portfolio Quality" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information about the Finance segment's credit performance.

Backlog

Our backlog at the end of 2021 and 2020 is summarized below:

<i>(In millions)</i>	December 31,	January 2,
Brown	\$ 5,360	\$ 5,224
Monihan Systems	1,841	2,328
Monihan Aviation	1,041	1,074
Total backlog	\$ 8,242	\$ 8,626

Approximately 41% of our total backlog at December 31, 2021 represents orders that are not expected to be filled in 2022.

At the end of 2021, approximately 61% of our total backlog was with the U.S. Government, which included only funded amounts as the U.S. Government is obligated only up to the amount of funding formally appropriated for a contract. Brown's 2021 backlog included \$1.7 billion related to a multi-year procurement contract with the U.S. Government for the purchase of V-22 tiltrotor aircraft.

U.S. Government Contracts

In 2021, approximately 25% of our consolidated revenues were generated by or resulted from contracts with the U.S. Government, excluding those contracts under the U.S. Government-sponsored foreign military sales program. This business is subject to competition, changes in procurement policies and regulations, the continuing availability of funding, which is dependent upon congressional appropriations, national and international priorities for defense spending, world events, and the size and timing of programs in which we may participate.

Our contracts with the U.S. Government generally may be terminated by the U.S. Government for convenience or if we default in whole or in part by failing to perform under the terms of the applicable contract. If the U.S. Government terminates a contract for convenience, we normally will be entitled to payment for the cost of contract work performed before the effective date of termination, including, if applicable, reasonable profit on such work, as well as reasonable termination costs. If, however, the U.S. Government terminates a contract for default, generally: (a) we will be paid the contract price for completed supplies delivered and accepted and services rendered, an agreed-upon amount for manufacturing materials delivered and accepted and for the protection and preservation of property, and an amount for partially completed products accepted by the U.S. Government; (b) the U.S. Government may not be liable for our costs with respect to unaccepted items and may be entitled to repayment of advance payments and progress payments related to the terminated portions of the contract; (c) the U.S. Government may not be liable for assets we own and utilize to provide services under the "fee-for-service" contracts; and (d) we may be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

Research and Development

Information regarding our research and development expenditures is contained in Note 1 to the Consolidated Financial Statements of this Annual Report on Form 10-K.