



*Shareholder Update / Q3 : 2023*

# *Forward Looking Statements*

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This Shareholder Update contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this presentation, the words “project,” “believe,” “plan,” “anticipate,” “expect” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve numerous risks and uncertainties which may cause the actual results of the Company to be materially different from future results expressed or implied by such forward-looking statements. There are a number of factors that will influence our future operations, including: uncertainties in today’s global economy, including political risks and adverse changes in legal and regulatory environments; the ability to implement our corporate strategies; the state of the aerospace and defense industries; the introduction of new technologies and the impact of competitive products; the ability to sustain, manage or forecast our growth and product acceptance to accurately align capacity with demand; risks related to constraints and disruptions in the global supply chain and labor markets; the demand for and market acceptance of new or existing aircraft which contain our products; risks related to our concentration of revenue among a relatively small number of customers; the availability of financing and changes in interest rates; the outcome of pending and potential litigation; our ability to attract and retain key executives and employees; and the additional risks discussed elsewhere in this Shareholder Update and in the Company’s filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management’s analysis only as of the date hereof. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.



# Year of Transformation – Q3 Update

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## Respecting the Past and Accelerating into the Future

Since our last shareholder update, we have made considerable progress in the transformation of Servotronics (SVT). We have taken numerous strategic actions to benefit all stakeholders in the Company including:

- *Divesting the CPG segment to focus on the higher-margin core servo valve business*
- *Enhancing our leadership team in hiring a new Chief Financial Officer and Director of Sales and Marketing to lead our efforts*
- *Leveraging our exceptional team members and manufacturing expertise to drive growth*
- *Rebranding and upgrading our website to effectively communicate our value proposition to customers ,employees, and investors*

We are already seeing financial results with a return to profitability in the third quarter, but there is more to come. Our entire team is focused on growth, and as we drive forward with new products and new target markets, we expect to generate **sales growth at or above the industry growth rate in 2024**. As we execute, we believe our efforts will generate improved valuations to drive shareholder value over time. We remain energized for the future of our Company and what our successful efforts can bring to our customers, employees, and shareholders.

Thank you for your continued support.



Bill Farrell, Jr. | CEO



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# Servotronics at a Glance



**\$50M/yr**

Revenue run rate and continued  
Growth Momentum into New  
Markets: Energy, Industrials

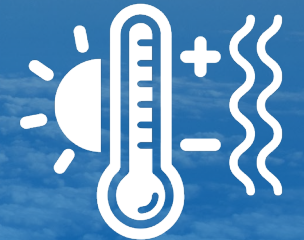


Market Segments:  
Aerospace, Defense,  
Medical Devices

Every second of everyday,  
an aircraft with SVT  
products takes flight



Servo valves for Safety-Critical  
High-Temperature & High Vibration  
Applications



**60+**

Years of innovation  
since 1959



Headquarters  
in Elma, NY



**>250**  
Employees





# A Compelling Investment Opportunity

## A Strong Foundation for Performance

*Servotronics represents a dynamic growth company:*

- Returned to profitability in the third quarter of 2023 and outlook for continued growth and profitability in 2024 and beyond
- A renewed credit agreement provides ample liquidity for operations and future growth
- Based on our current outlook for 2024, Servotronics' shares are an attractive investment

**Clear strategic path** to drive superior returns for our shareholders as the market recognizes our performance with an improved valuation.



# Executing on Our Strategic Vision

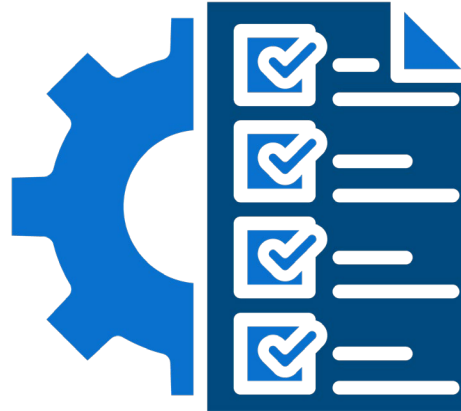
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## Four Objectives for a New Servotronics

### 1. PROFITABLE GROWTH

#### *Sustainable Success*

- Capitalizing on market growth
- Realigning business portfolio
- Diversifying into new applications and markets



### 3. OPERATIONAL EXCELLENCE

#### *Process Commitment*

- Meeting customer delivery plans
- Innovating, and collaborative product development
- Implementing Continuous Improvement Culture

### 2. PEOPLE-CENTRIC CULTURE

#### *Leading Change*

- Establishing a New Leadership Team
- Creating engagement with a new set of Mission, Vision and Values
- Attracting, retaining, and growing talent

### 4. ZERO DEFECTS

#### *Quality Assurance*

- Implementing world-class quality methodology
- Focusing on detection, prevention & zero waste
- Complying with Aerospace standards

# People-Centric Culture

## *Building a culture of integrity and accountability*

- A new set of shared Mission, Vision, and Values
- New leadership team engaged, accessible, and accountable

## *Attracting, retaining, and growing talent*

- Stable employment drives strategic initiatives
- A welcoming & productive workplace that contributes to a thriving community

## *Investing in Employees*

- Ensure a positive employee experience across all stages of the employee life cycle
- Opportunities for career growth, professional and personal development





# *Commitment to Operational Excellence*

## *Meeting Customer Delivery Plans*

- Enhancing manufacturing throughput and reducing rework
- Enabling teams with a lean methodology to improve efficiencies and eliminate waste

## *Innovating & Collaborative Product Development*

- Leveraging strengths in engineering and product development
- Empowering teams with innovation tools

## *Implementing Continuous Improvement Culture*

- Driving the highest quality products while ensuring safety
- Enabling teams with continuous improvement tools
- Embracing Lean initiatives and value streams across operations



# *Zero Defect Manufacturing*

## *Implementing world-class quality methodology*

- Relentless focus on the quality of products for our global client base

## *Focusing on detection, prevention & zero waste*

- Lean methodology implemented consistently throughout the organization

## *Complying with Aerospace Standards*

- Committed to Aerospace Engine Manufacturers Zero Defect Initiatives







# ***AEROSPACE MARKET***

***Recovering  
and Growing***



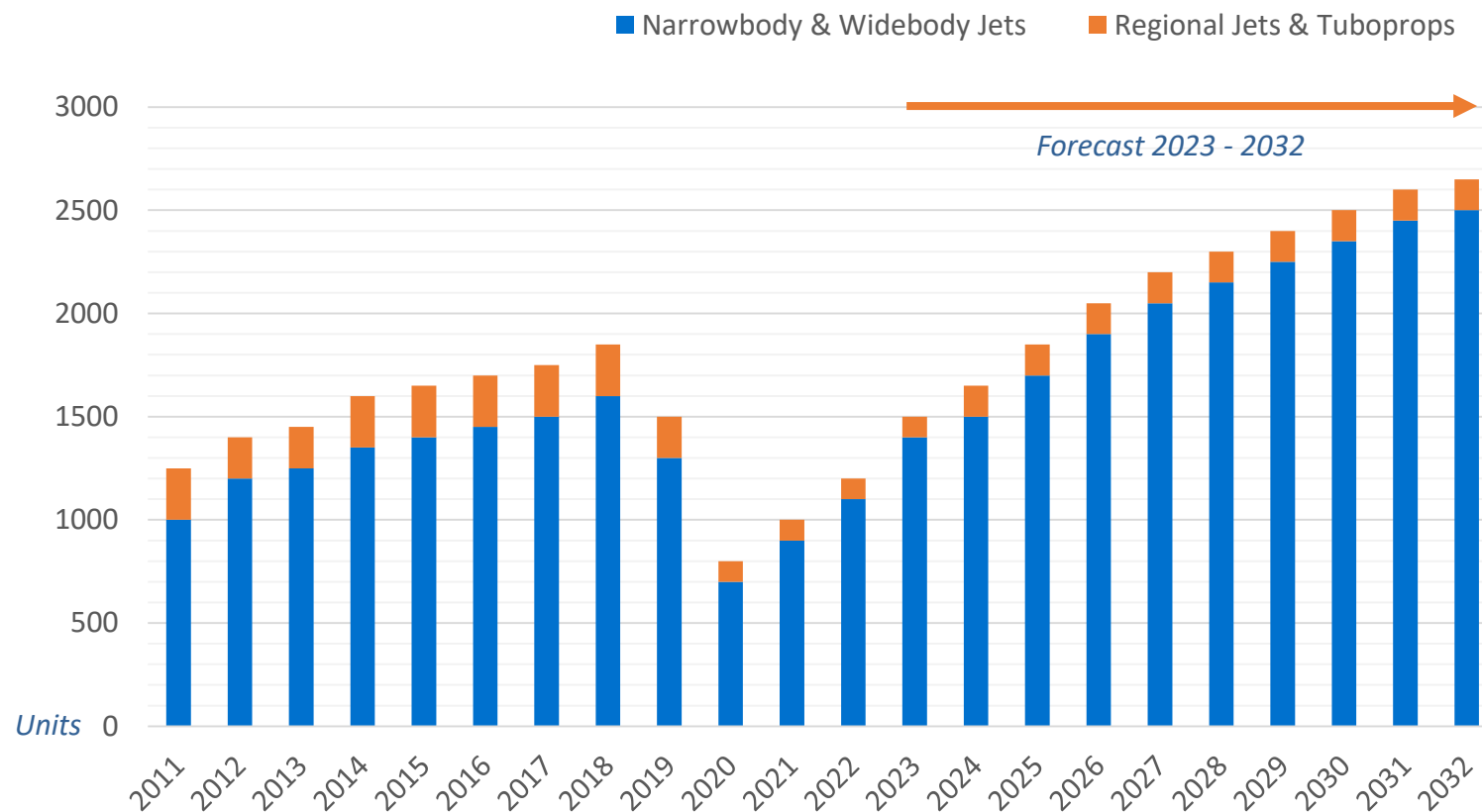
# Civil Aviation Growth Forecast

## Favorable Forecast Fuels Servotronics Growth Trajectory

### Recovery Ready

- Market recovery of Airframers, Servotronics is well positioned on programs including the two largest (737 Max, A320neo)
- Industry primed for solid growth trajectory and Servotronics products supplied to commercial airplanes, (Narrowbody and Widebody), and business jets
- Civil Aviation Industry forecast projects 10.5% CAGR from pandemic lows through 2032

### Air Transport Quantity of Deliveries



Source: Naveo Limited



# Servo Valve Leadership for Commercial Aircraft

Our products are targeted at safety-critical applications used in harsh environments

## Strategic Customers

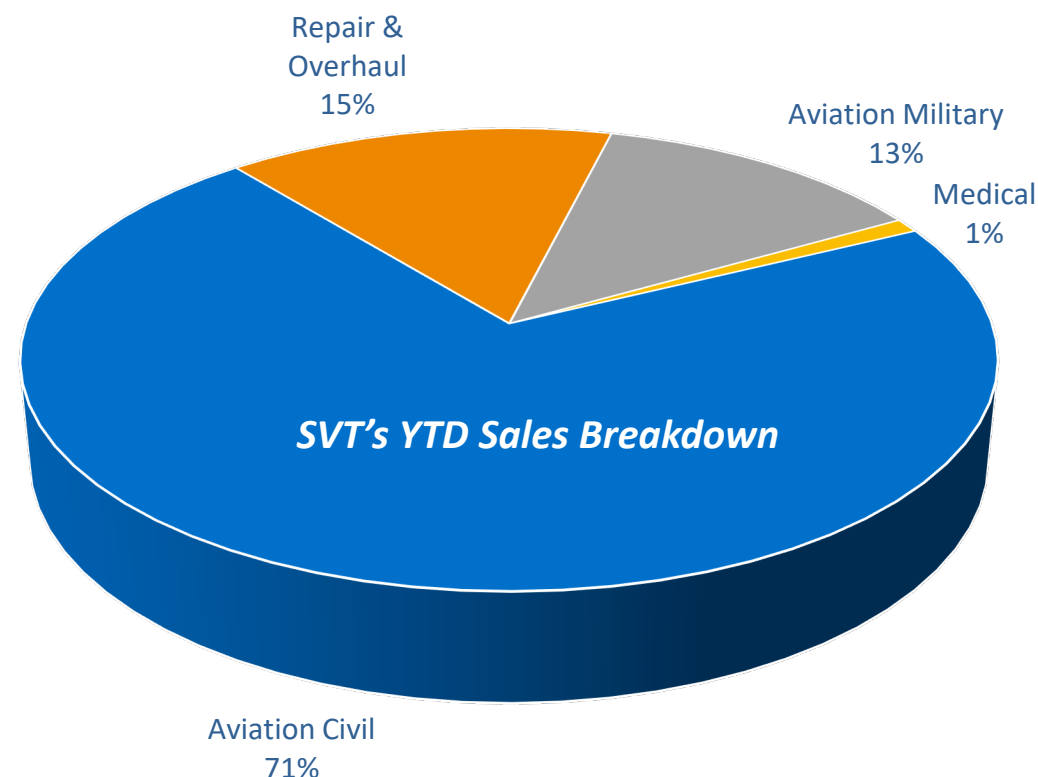
- Preferred servo valve supplier for civil and military aviation with long-term customer contracts

## Capabilities

- Technology, aerospace infrastructure, and a stable workforce to meet stringent quality and performance requirements

## Products

- Single and two-stage servo valves for hydraulic and pneumatic systems
- Ideal for safety-critical, high-temperature, and high-vibration environments



# *Excelling on Safety-Critical Applications*

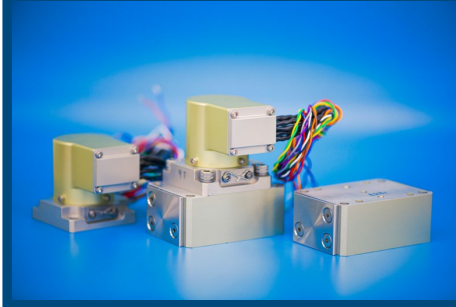
Optimizing technology for Tier 1 OEMs & MRO's



**Auxiliary Power  
Units (APU)**



**Anti-Ice Systems**



**Hydromechanical  
Systems on Engines**



**Environmental  
Controls**





# Market Trends

## Growth Benefits for Servotronics

### *Market Trends*

Major airframe program ramp-up

Flying hours increasing and lower aircraft retirement

Constraints in the aircraft supply chain driving the customer to alternatives

Industry-wide drive for greater technical knowledge

### *Benefits for Servotronics*

Long term contracts with the two largest programs set us up for growth

Increase in repair and overhaul business

New business opportunities with existing and new customers

Attracting & retaining talent to manage growth

A blue-tinted photograph of an industrial facility, likely a refinery or chemical plant. The image shows a complex network of large, horizontal and vertical pipes, some insulated with white material. In the center, there are various mechanical components, including valves, gauges, and a large cylindrical tank. The background shows more industrial structures and scaffolding. The overall scene is industrial and technical.

***NEW MARKETS***

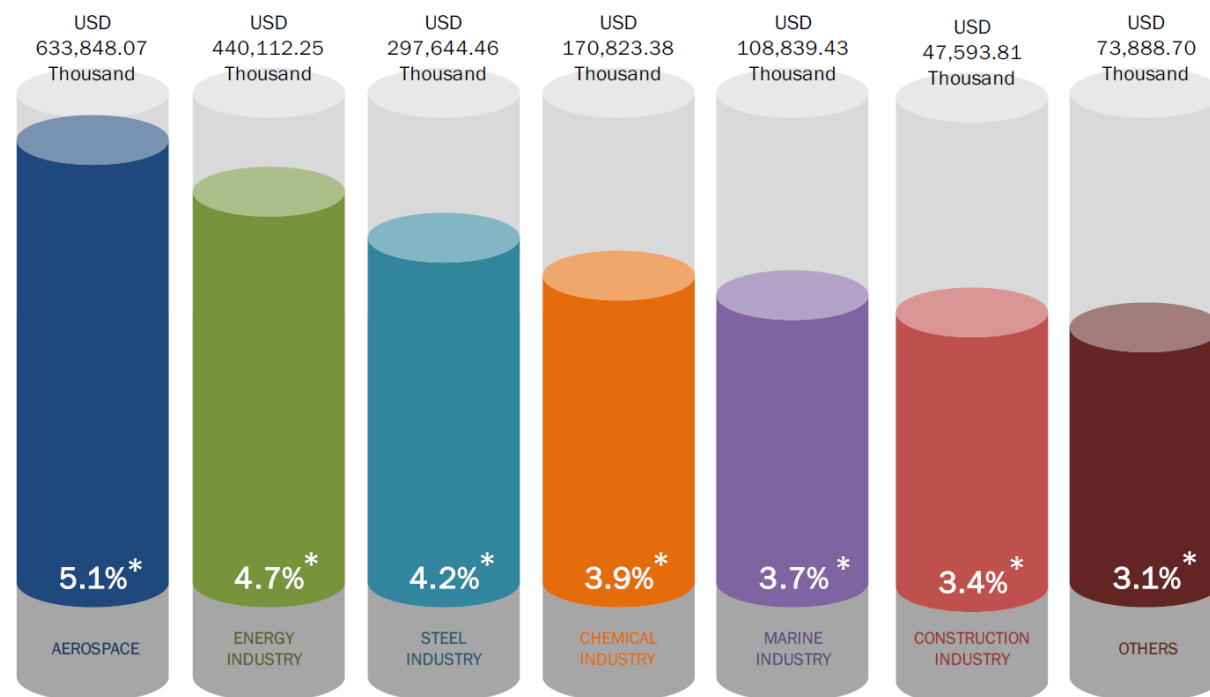
***Growth Initiatives  
Underway***



# Addressable Markets and Growth Potential

## Global Servo Valve Market by Application

- Positive outlook for the global servo valve market growing at 4.5% CAGR and expected to reach USD \$2.5 Billion by 2029
- Potential for share gains for Servotronics' servo valves in safety-critical, high vibration and high-temperature applications
- We aim to continue increasing market share in Aerospace and developing solutions to expand into new markets with the largest size and highest growth rates (Energy, Industrials, Marine, etc.)



\*% Growth Rates by Market

Source: Data Bridge Market Research





# Reimagining Our Growth Strategy



**Expanding market share within existing servo valve customers** in commercial, military aviation, business aviation, helicopters and aftermarket business to include retrofits and life extensions



**Pursuing adjacent markets** to identify opportunities in energy, power generation, oil & gas, marine, industrial and alternative aerospace applications





A blue-tinted background image featuring a helicopter in flight over a rugged, snow-capped mountain range. The helicopter is positioned in the upper center of the frame, facing right. The mountains are steep and jagged, with patches of snow and forested slopes visible in the lower left.

# ***A DYNAMIC GROWTH COMPANY***

***Seizing Opportunities in  
Existing and New Markets***

# Market Expansion and Financial Results

## Organic Growth and New Opportunities Fuel Future Outlook

### Organic Growth

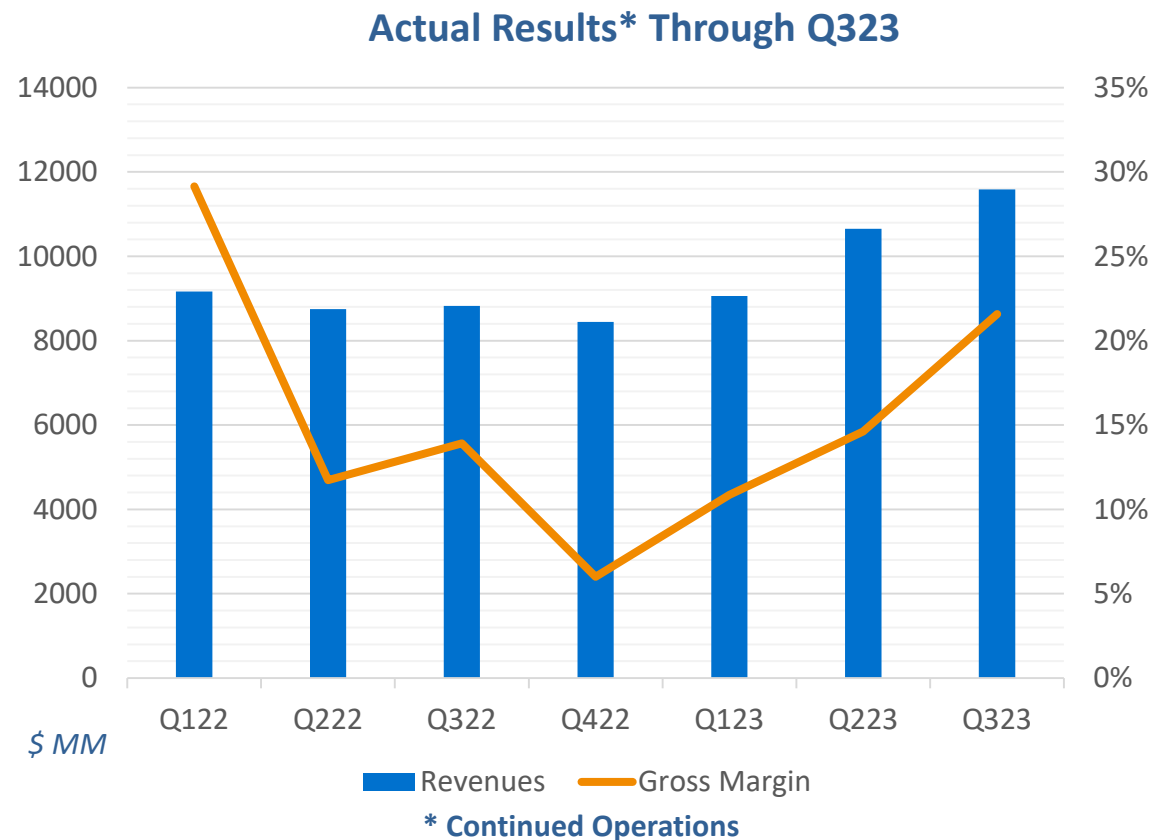
- Experiencing double-digit near-term growth trajectory fueled by recovery of civil aviation customers post-COVID pandemic

### New Opportunities

- Business development investment, growth initiatives, and rebrand attracting new opportunities in core markets and new markets

### Gross Margins Trends

- 2022 Gross margins impacted by additional costs in preparation for future revenue growth
- Anticipate margins to continue improving in 2023 and 2024





# A Clear Strategic Path

## Attaining our 5-Year Goals

*Driving superior returns for our shareholders.*

**2022**

- William F. Farrell Jr. appointed CEO
- Start of Board of Directors refresh
- Developed Long-term Strategic Plan

**2023**

- Strong, double digit commercial aircraft recovery
- Implement strategy and enhanced leadership with new CFO and Sales & Marketing Director
- Divestiture of OKC to focus on core aerospace markets
- Higher revenues and resulting operating leverage drive a return to profitability

**2024 - 2027**

- Continue organic growth in our existing markets
- Implement product development initiatives to penetrate adjacent markets
- Data driven approach to identifying the most attractive new market opportunities



# Outlook for 2024

*Based on our efforts we see a clear path to improved results in the coming year:*

- Balancing production with demand to drive growth
- Operating leverage and efficiency lead to improved margins
- Focus on operations extends to growth initiatives in existing and new markets

*Achieving our 2024 targets implies very attractive valuation multiples at our current share price*

***SALES:***

***Growing at or above Industry Growth Rate***

***GROSS MARGIN:***

***Approaching Pre-pandemic Levels***

***OPERATIONAL EXCELLENCE:***

***Driving Production Output and On-Time Delivery***



# Summary

Respecting the Past and  
Accelerating into the Future



*Growing Engineering & Manufacturing Company*



*Renewed Strategic Vision*



*Refreshed Leadership*



*Driving strong sales and  
profitability to enhance  
valuation*







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