



Motion Solutions that Change the Game

Fourth Quarter and Full Year 2021 Financial Results Call

March 10, 2022

Dick Warzala
Chairman, President & CEO

Mike Leach
Chief Financial Officer

Safe Harbor Statement

The statements in these slides that relate to future plans, events or performance are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Examples of forward-looking statements include, among others, statements the Company makes regarding expected operating results, anticipated levels of capital expenditures, the Company's belief that it has sufficient liquidity to fund its business operations, and expectations with respect to the conversion of backlog to sales. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of the Company's business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. The Company's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company's customers and suppliers, competitor responses to the Company's products and services, the overall market acceptance of such products and services, the pace of bookings relative to shipments, the ability to expand into new markets and geographic regions, the success in acquiring new business, the impact of changes in income tax rates or policies, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains; our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, the prices of our securities and the achievement of our strategic objectives and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.

This presentation will discuss some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Fourth Quarter 2021 Highlights

| | | |
|--|--|---|
| <p>Revenue</p> <p>\$96.8M +4%</p> | <p>Gross Margin</p> <p>28.7% +80 bps</p> | <p>Adjusted EBITDA Margin¹</p> <p>11.5% +80 bps</p> |
| <p>GAAP Diluted EPS</p> <p>\$0.11</p> | <p>Non-GAAP Diluted EPS¹</p> <p>\$0.20</p> | <p>Book-to-bill 1.2x</p> <p>DSO 45</p> |

Sales to Industrial markets were up 29% in the quarter and reflected new solutions offerings and the continued economic recovery in a number of verticals

Continued to combat overall inefficiencies created by the global supply chain challenges and rising material and labor costs

Completed three acquisitions in the quarter that further enhance technology and capabilities

⁽¹⁾See supplemental slides for Adjusted Diluted EPS and Adjusted EBITDA reconciliations and other important disclaimers.

Full Year 2021 Highlights

| | | |
|--|--|---|
| <p>Revenue</p> <p>\$403.5M +10%</p> | <p>Gross Margin</p> <p>30.0% +40 bps</p> | <p>Adjusted EBITDA Margin¹</p> <p>12.4% +60 bps</p> |
| <p>GAAP Diluted EPS</p> <p>\$1.66</p> | <p>Non-GAAP Diluted EPS¹</p> <p>\$1.26</p> | <p>Record Backlog</p> <p>\$249.9M</p> |

Results continued to demonstrate the successful execution of our strategic growth initiatives

Strong growth in Industrial markets of 19% and Vehicle markets of 18%

Generated \$25.4 million of cash from operations in 2021

⁽¹⁾See supplemental slides for Adjusted Diluted EPS and Adjusted EBITDA reconciliations and other important disclaimers.

Strategic Acquisitions – Advance our Growth Strategy

Complementary Businesses with Attractive Financial Profiles



Mission critical electro-mechanical automation solutions and motion control products including multi-axis controls, electronic drives, actuators, and servo motors for the automation and aerospace industries.

Acquired November 2, 2021



Hexapod robotic systems, air bearing systems, linear and rotary nano-precision systems (with both mechanical and air bearing guides), and systems bespoke for atmospheric, clean room, and ultra-high vacuum environments. All ALIO's motion control products with TRUE NANO Positioning®

Acquired November 4, 2021



Ruggedized and highly sophisticated I/O and Safety I/O modules that meet industrial safety requirements, marquee displays, and a "one box" Universal Industrial Gateway that simultaneously supports multiple communication protocols for industrial control applications through partnerships with PLC manufacturers and distributors.

Acquired December 30, 2021

Strategic Rationale:

- ✓ Excellent strategic fit to enhance our position as a value-added solutions supplier
- ✓ Further penetrates Industrial Automation and Aerospace markets
- ✓ Expands core technologies and provides additional engineering resources
- ✓ Leverages joint channels to market to scale businesses
- ✓ Will be accretive to earnings per share and gross margin profile

**Collectively, expect
incremental revenue of
~\$60 million in 2022**

Revenue

(\$ in millions)

Quarters

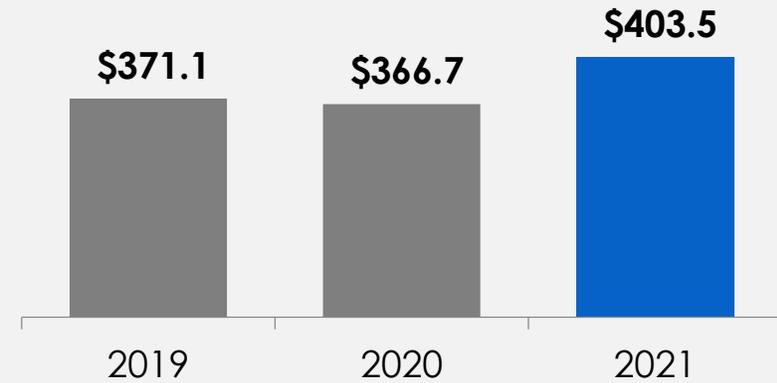


Up \$3.8 million or 4%

Strong growth in Industrial markets; Medical and Distribution also increased – offset lower sales to Vehicle and A&D

FX was unfavorable \$0.9 million

Years



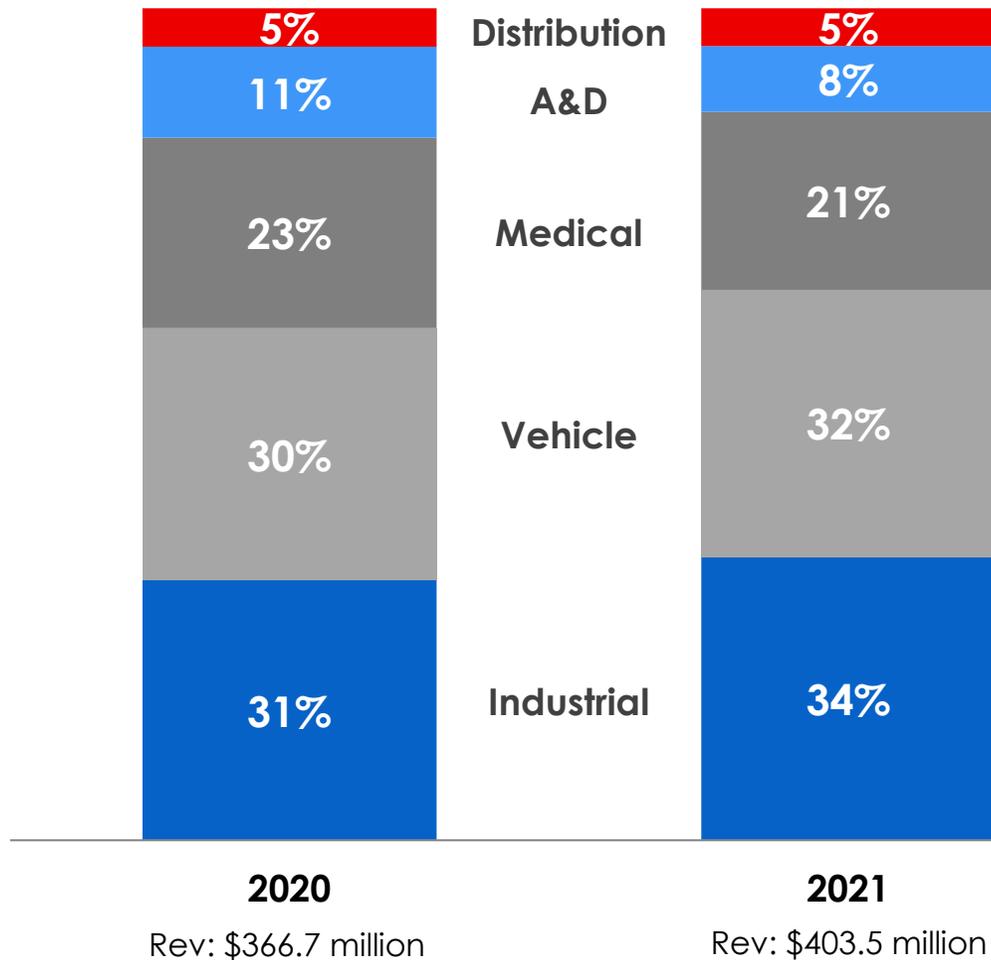
Up \$36.8 million or 10%

Double-digit growth in Industrial and Vehicle markets

FX was favorable \$8.3 million

Sales to U.S. customers at 54% compared with 53%

Revenue by Market (TTM)



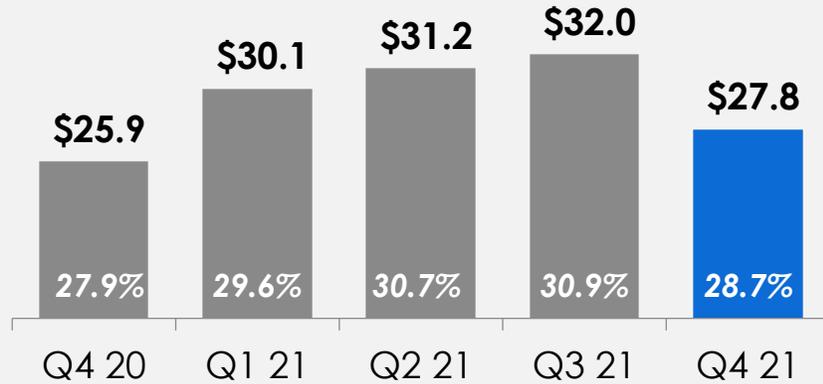
2021 Revenue Change and Market Drivers

| | |
|------|--|
| -20% | Timing of specific defense programs |
| +4% | Return of elective surgeries, partially offset by reduced pandemic related demand |
| +18% | Vehicle construction, powersports |
| +19% | Vehicle handling, industrial automation, pumps, Oil & Gas, and electronics solutions for motor control and instrumentation |

Gross Profit and Margin

(\$ in millions)

Quarters



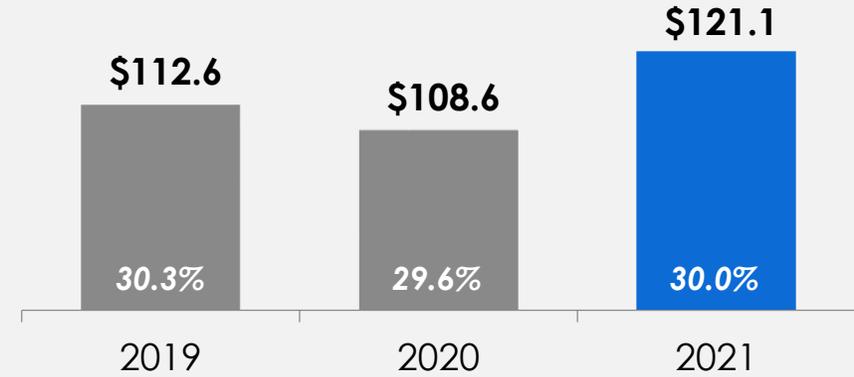
Up \$1.8 million or 7%

80 bps margin expansion

Margin impacts:

- + Strategic pricing
- + Improved mix
- Supply chain challenges
- Higher labor and material costs

Years



Up \$12.5 million or 11%

40 bps margin expansion

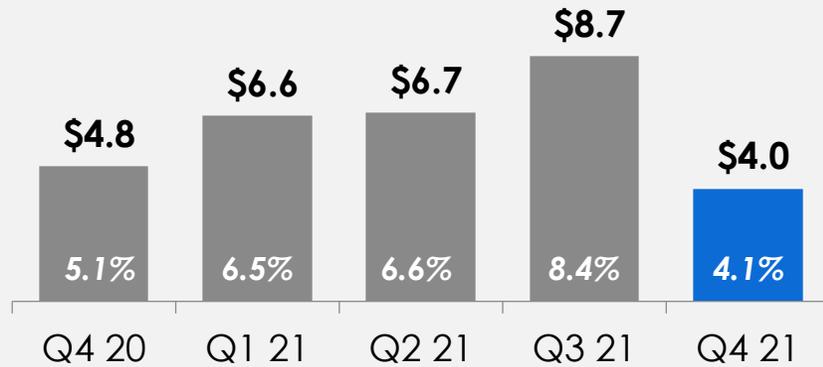
Margin impacts:

- + Volume
- + Strategic pricing
- + Improved mix
- Supply chain challenges and inflation

Operating Income and Margin

(\$ in millions)

Quarters

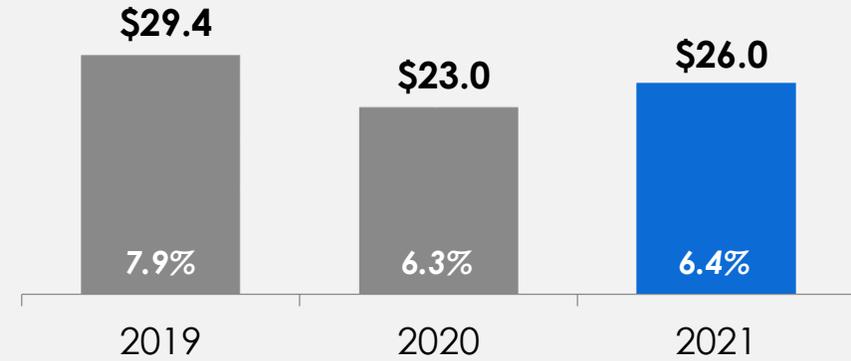


Operating costs and expenses as a percent of revenue were 24.5%, up 170 bps

100 bps attributable to higher business development costs given the three completed acquisitions and optimization of global manufacturing footprint

Expense increase also reflects higher commissions and incentive compensation as well as trade show costs resuming

Years



Up \$3.0 million or 13%

10 bps margin expansion

Operating costs and expenses as a percent of revenue were 23.6%, up 30 bps largely due to an increase in business development costs

Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

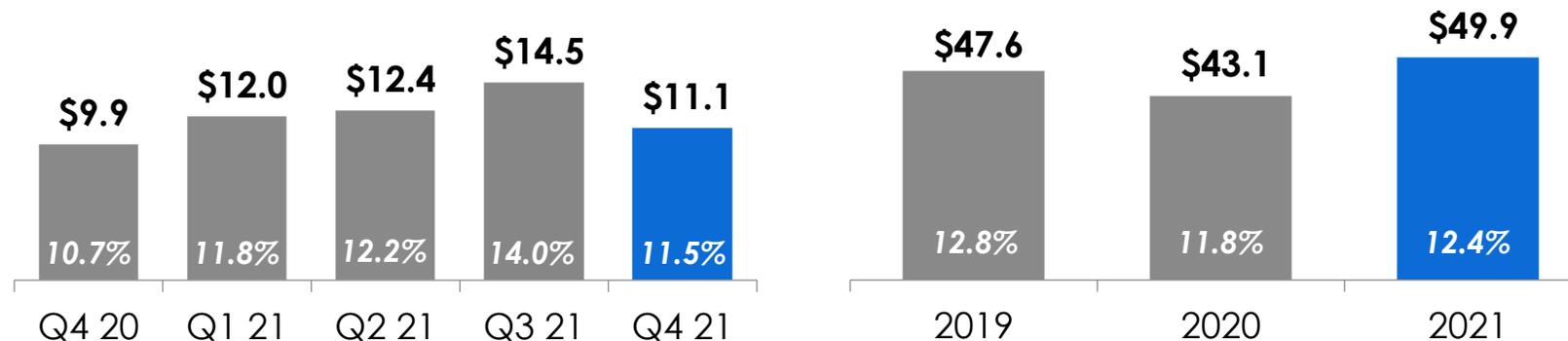
GAAP and Adjusted Net Income and EPS⁽¹⁾



Adjusted net income excludes business development costs and other non-recurring items

2021 GAAP net income reflects a net discrete tax benefit of \$7.4 million recorded in Q1 relating to new legislation enacted in New Zealand

Adjusted EBITDA⁽¹⁾ and Margin



⁽¹⁾See supplemental slides for Adjusted Net Income and Adjusted EBITDA reconciliations and other important disclaimers.

Balance Sheet

(\$ in millions)

| CAPITALIZATION | | |
|-----------------------------------|------------------|------------------|
| | Dec. 31, 2021 | Dec. 31, 2020 |
| Cash and cash equivalents | \$ 22.5 | \$ 23.1 |
| Total debt | 159.0 | 120.1 |
| Total net debt | 136.5 | 96.9 |
| Shareholders' equity | 187.8 | 143.1 |
| Total capitalization | \$ 346.7 | \$ 263.1 |
| Debt/total capitalization | 45.8% | 45.6% |
| Net debt/net total capitalization | 42.1% | 40.4% |

Year-end debt increase reflects borrowings for the acquisition activity during the 2021 fourth quarter

- Paid down \$12.2 million of debt in 2021

Bank leverage ratio⁽¹⁾ of 3.0x

⁽¹⁾Bank leverage ratio calculated in accordance with the Company's credit agreement
NOTE: Components may not add up to totals due to rounding

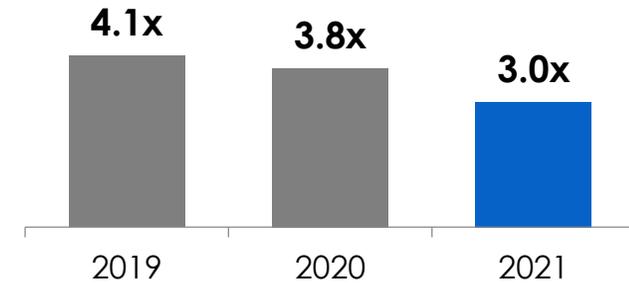
Cash Flow

(\$ in millions)

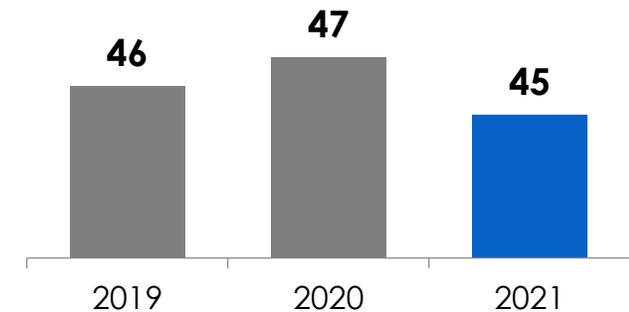
| Note: Components may not add to totals due to rounding | Three Months Ended | | Full Year |
|--|--------------------|---------------|----------------|
| | 12/31/21 | 12/31/20 | 12/31/21 |
| Net cash provided by operating activities | \$ 5.5 | \$ 9.8 | \$ 25.4 |
| Capital expenditures (CapEx) | (4.0) | (2.8) | (13.7) |
| Operating free cash flow (FCF)⁽¹⁾ | \$ 1.5 | \$ 7.0 | \$ 11.7 |

FY22 CapEx: **\$15 - \$20 million⁽²⁾**

Inventory Turnover



Days Sales Outstanding



⁽¹⁾ Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures

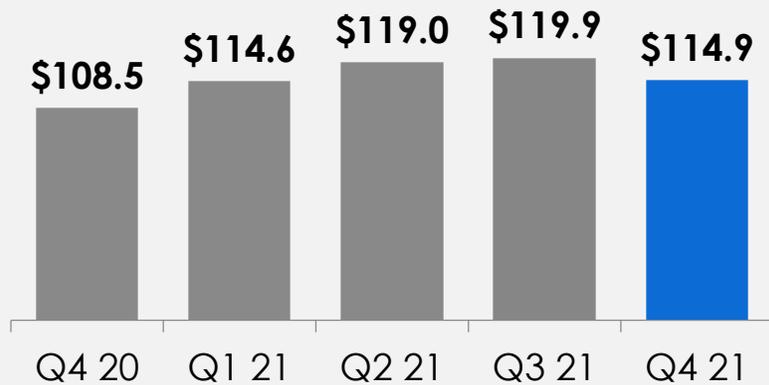
⁽²⁾ 2022 CapEx expectation provided on March 9, 2022

NOTE: Components may not add up to totals due to rounding

Orders and Backlog

(\$ in millions)

Orders



Up 6% YoY

Book:Bill 1.2x

Unfavorable \$1.2 million foreign currency translation

Backlog



Record backlog up 35% sequentially and 77% YoY

Included \$47.9 million of incremental backlog from Q4 2021 acquisitions

Majority to ship in three to nine months

Outlook*

- ✓ Continue to prudently invest to drive our organic growth engine and further supplement efforts with selective strategic acquisitions
- ✓ Collectively, the three acquisitions at the end of 2021 are expected to provide incremental revenue of approximately \$60 million in 2022 and be accretive to gross margins and earnings
- ✓ Continue to contend with material and labor inflation challenges
- ✓ Expect 2022 tax rate to be approximately 24% to 26%
- ✓ Expect to invest \$15 million to \$20 million in capital expenditures during FY22

Long-term goal: Increase gross margin by 1% per year

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13725929*
- Telephone replay available through Thursday, March 17, 2022
- Webcast / Presentation / Replay available at www.alliedmotion.com/investor-relations/
- Transcript, when available, at www.alliedmotion.com/investor-relations/



Motion Solutions that Change the Game

Supplemental Information

Adjusted Net Income Reconciliation (Unaudited)

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

| | For the three months ended | | | | |
|-------------------------------------|----------------------------|-----------------|------------------|------------------|-----------------|
| | Dec 31, 2020 | Mar 31, 2021 | June 30, 2021 | Sept 30, 2021 | Dec 31, 2021 |
| Net income | \$ 2,699 | \$ 11,927 | \$ 4,634 | \$ 5,972 | \$ 1,561 |
| Discrete income tax benefit | - | (7,373) | - | - | - |
| Non-income based tax assessment | (424) | - | - | - | - |
| Income tax valuation allowance | - | - | - | - | 506 |
| Foreign currency loss (gain) | 400 | (9) | 30 | (50) | 48 |
| Business development costs | 30 | 15 | 121 | 72 | 790 |
| Adjusted Net Income | \$ 2,705 | \$ 4,560 | \$ 4,785 | \$ 5,994 | \$ 2,905 |
| Average Diluted Shares Outstanding | 14,403 | 14,438 | 14,494 | 14,502 | 14,632 |
| Diluted earnings per share | \$ 0.19 | \$ 0.83 | \$ 0.32 | \$ 0.41 | \$ 0.11 |
| Adjusted diluted earnings per share | \$ 0.19 | \$ 0.32 | \$ 0.33 | \$ 0.41 | \$ 0.20 |

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measure as used by other companies. Nevertheless, the Company believes that providing non-GAAP information, such as adjusted net income and diluted EPS are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS.

NOTE: Components may not add up to totals due to rounding

Adjusted Net Income Reconciliation *(Unaudited)*

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

| | For twelve months ended | |
|-------------------------------------|--------------------------------|-------------------------|
| | Dec 31, 2020 | Dec 31, 2021 |
| | <hr/> | <hr/> |
| Net income | \$ 13,643 | \$ 24,094 |
| Discrete income tax benefit | - | (7,373) |
| Non-income based tax assessment | (424) | - |
| Income tax valuation allowance | - | 506 |
| Foreign currency loss | 752 | 16 |
| Business development costs | 344 | 995 |
| | <hr/> | <hr/> |
| Non-GAAP Adjusted Net Income | \$ 14,315 | \$ 18,238 |
| | <hr/> | <hr/> |
| Average Diluted Shares Outstanding | 14,333 | 14,517 |
| Diluted earnings per share | \$0.95 | \$1.66 |
| Adjusted diluted earnings per share | \$1.00 | \$1.26 |

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measure as used by other companies. Nevertheless, the Company believes that providing non-GAAP information, such as adjusted net income and diluted EPS are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS.

NOTE: Components may not add up to totals due to rounding

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

| | For the three months ended | | | | |
|--------------------------------------|----------------------------|------------------|------------------|------------------|------------------|
| | Dec 31, 2020 | Mar 31, 2021 | June 30, 2021 | Sept 30, 2021 | Dec 31, 2021 |
| Net income | \$ 2,699 | \$ 11,927 | \$ 4,634 | \$ 5,972 | \$ 1,561 |
| Interest expense | 917 | 861 | 807 | 777 | 791 |
| Provision (benefit) for income taxes | 960 | (6,057) | 1,303 | 1,950 | 1,823 |
| Depreciation and amortization | 4,303 | 4,431 | 4,459 | 4,427 | 4,790 |
| EBITDA | \$ 8,879 | \$ 11,162 | \$ 11,203 | \$ 13,126 | \$ 8,965 |
| Stock compensation expense | 910 | 797 | 1,000 | 1,303 | 1,061 |
| Foreign currency loss (gain) | 542 | (12) | 39 | (69) | 63 |
| Business development costs | 42 | 19 | 155 | 94 | 1,031 |
| Non-income based tax assessment | (424) | - | - | - | - |
| Adjusted EBITDA | \$ 9,948 | \$ 11,966 | \$ 12,397 | \$ 14,454 | \$ 11,120 |

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, foreign currency gains/losses, business development costs and non income based tax assessment), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs, foreign currency gains/losses on short-term assets and liabilities, and other items that are not indicative of the Company's core operating performance. Adjusted EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

| | For twelve months ended | | |
|--------------------------------------|-------------------------|------------------|------------------|
| | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2021 |
| Net income | \$ 17,022 | \$ 13,643 | \$ 24,094 |
| Interest expense | 5,134 | 3,716 | 3,236 |
| Provision (benefit) for income taxes | 6,819 | 5,133 | (981) |
| Depreciation and amortization | 14,857 | 15,985 | 18,107 |
| EBITDA | \$ 43,832 | \$ 38,477 | \$ 44,456 |
| Stock compensation expense | 3,203 | 3,550 | 4,161 |
| Foreign currency loss | 111 | 1,035 | 21 |
| Business development costs | 113 | 473 | 1,299 |
| Non-income based tax assessment | 384 | (424) | - |
| Adjusted EBITDA | \$ 47,643 | \$ 43,111 | \$ 49,937 |

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, foreign currency gains/losses, business development costs and non income based tax assessment), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs, foreign currency gains/losses on short-term assets and liabilities, and other items that are not indicative of the Company's core operating performance. Adjusted EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.