Nasdaq: ALNT

August 8, 2024

Second Quarter 2024 Financial Results Call

Dick Warzala
Chairman, President & CEO

Jim Michaud
Chief Financial Officer

SAFE HARBOR STATEMENT

The statements in this presentation 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 savings from restructuring and simplifying actions, the cost of implementing such actions, operating results, preliminary financial results, expectations for the level of sales for the next several quarters, 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, commercial activity and demand across our and our customers' businesses, global supply chains, the prices of our securities and the achievement of our strategic objectives, the ability to attract and retain qualified personnel, the ability to successfully integrate an acquired business into our business model without substantial costs, delays, or problems, 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.

Q2 2024 REVIEW

Compared with prior-year unless otherwise noted

Revenue **$136.0M**	Diluted EPS **GAAP: $0.07** **Adjusted[1]: $0.29**
Gross Margin **29.9%**	Operating Margin **3.6%**
Orders **$137.4M**	Backlog **$259.0M**

Significant demand shift in June; broad end-market impacts

Margin dilution reflects volume and expected impact of recent acquisition

Restructuring and related charges of $1.5 million were recognized in Q2 24

Generated $17.4 million of cash from operations YTD

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

SIMPLIFY TO ACCELERATE NOW

Cost reduction and profit enhancing initiatives to help offset top-line pressure

Key Strategic Actions

- Realign and right-size our footprint to better align with our markets and customers.
- Simplify customer interactions – make it easier for customers to do business with Allient.
- Reinforce lean manufacturing disciplines throughout the Company to accelerate margin expansion.
- Elevate our product development pace and reduce time to market.

Initial Efforts

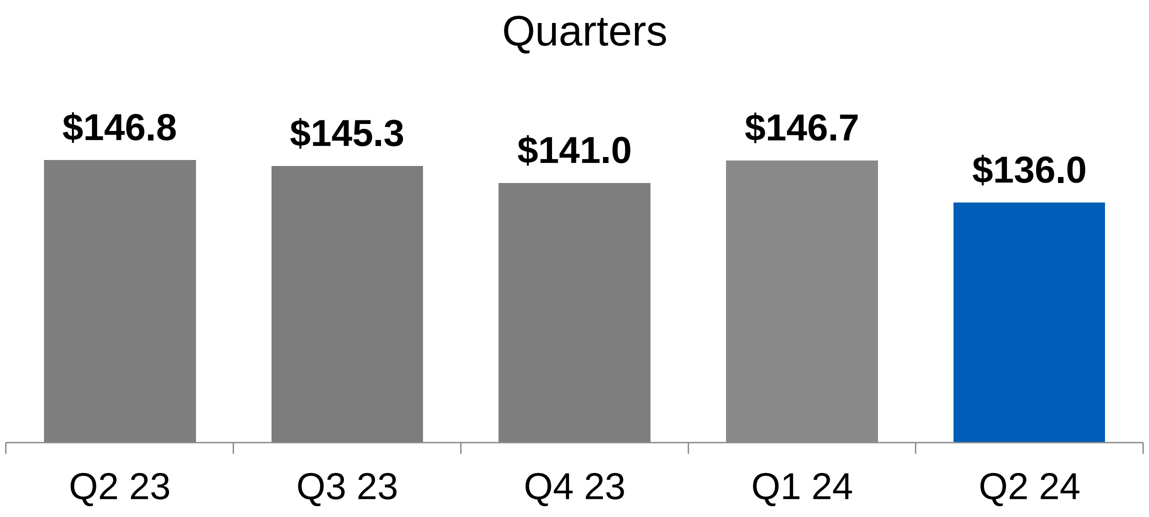
Identified $5 million in cost reductions that were implemented in Q2 24

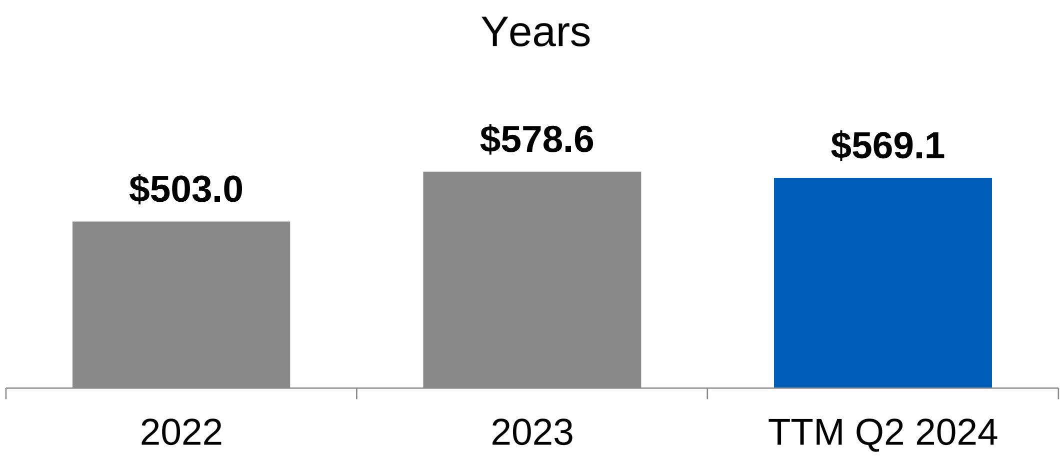
Additional cost reductions expected to be implemented in the 2H 2024

Expect to achieve initial $10 million target of annualized savings

REVENUE

($ in millions; narrative compared with prior-year period unless otherwise noted)





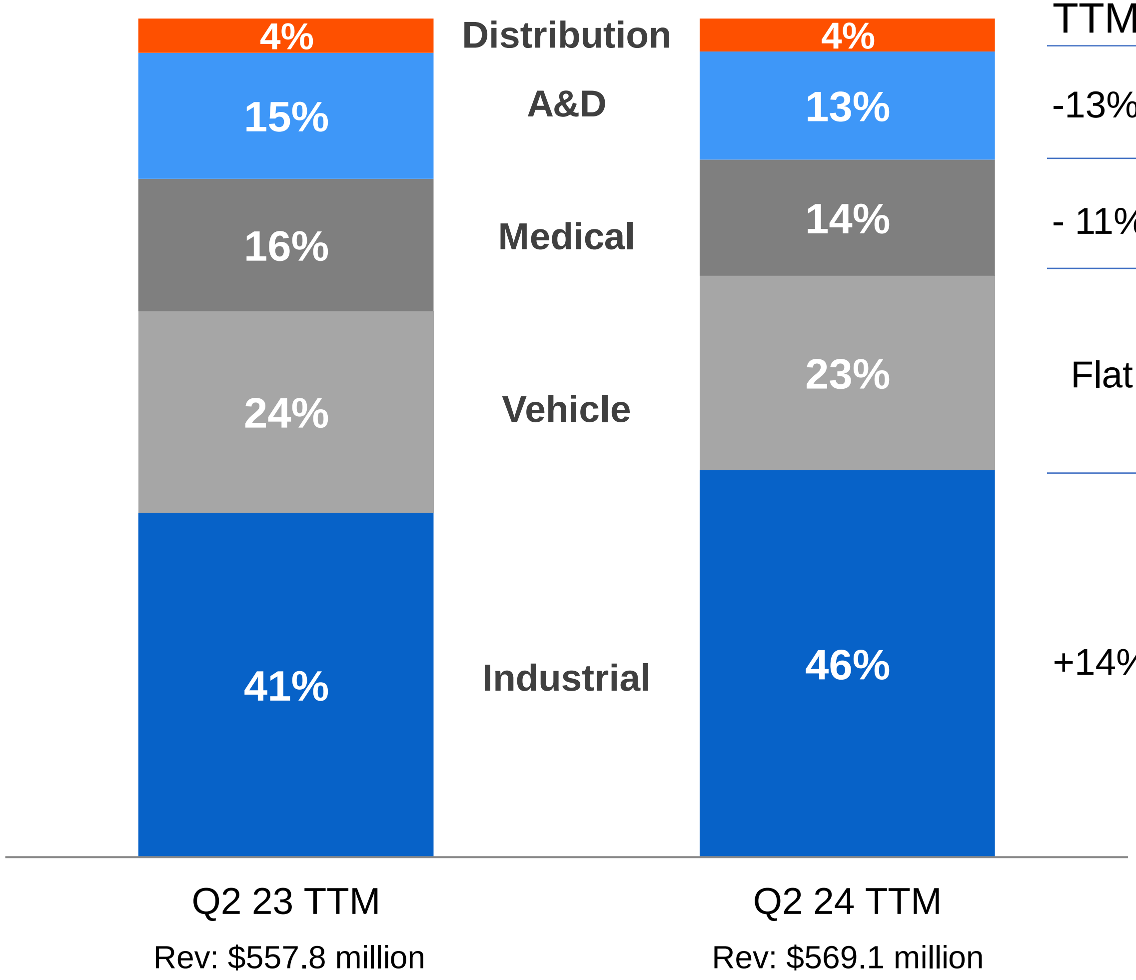
Q2 24 market results:

- **- 17% Vehicle** (powersports & ag)
- **- 8% Medical** (broad end-market)
- **- 3% A&D** (program timing)
- **- 3% Industrial** (lower industrial automation offset by power quality and acquisition)

Sales to U.S. customers at 52% for Q2 24 versus 58% for Q2 23

DIVERSIFIED REVENUE MIX

Revenue by Market



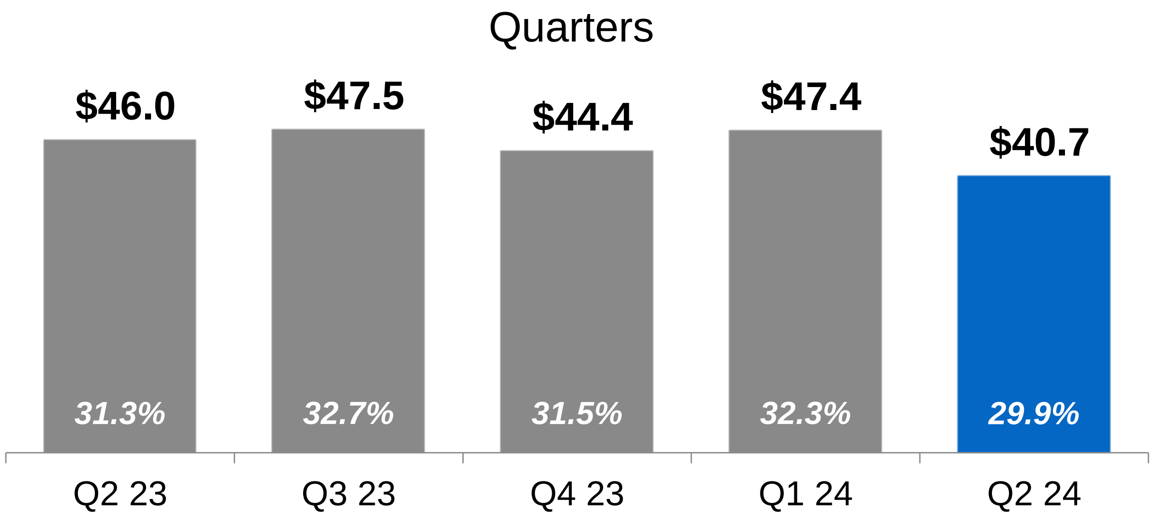
NOTE: Components may not add up to totals due to rounding

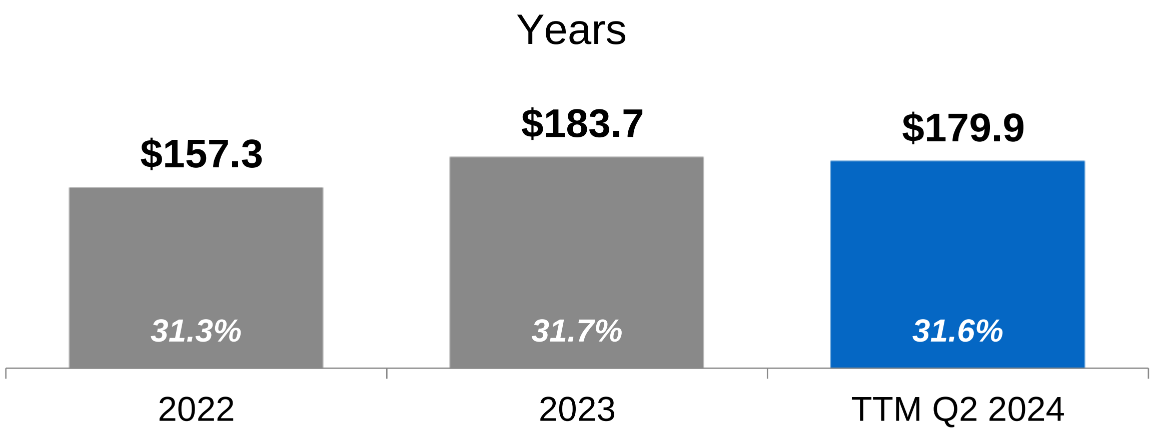
TTM Revenue Change and Market Drivers

-13%	Program timing within the space industry
- 11%	Demand largely down within mobility
Flat	Ramp of commercial automotive programs offset by lower demand in powersports and agriculture
+14%	Strong demand within industrial automation and power quality (HVAC/datacenter)

GROSS PROFIT AND MARGIN

($ in millions; narrative compared with prior-year period unless otherwise noted)





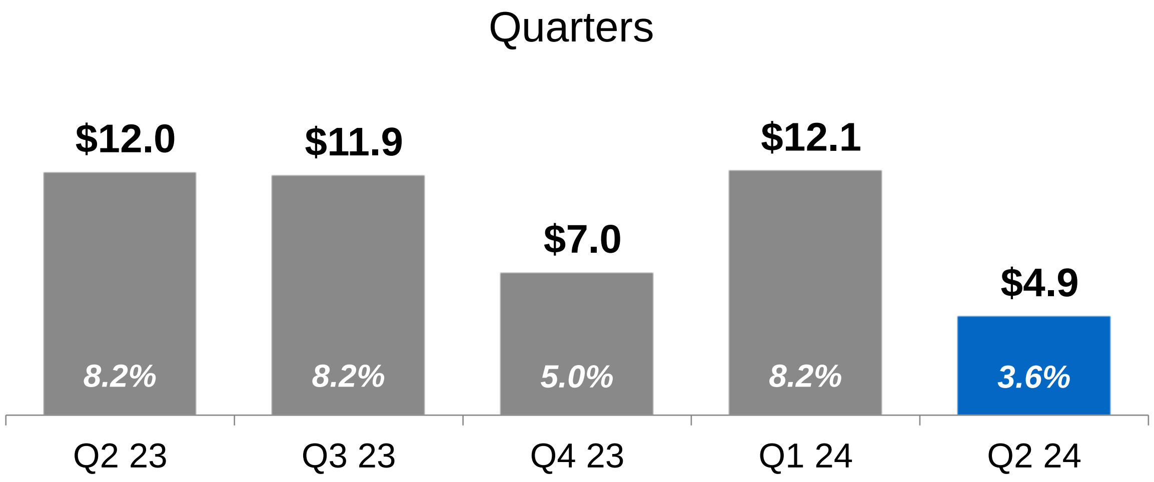
Q2 24 down $5.3 million or 12%; 140 bps margin decrease

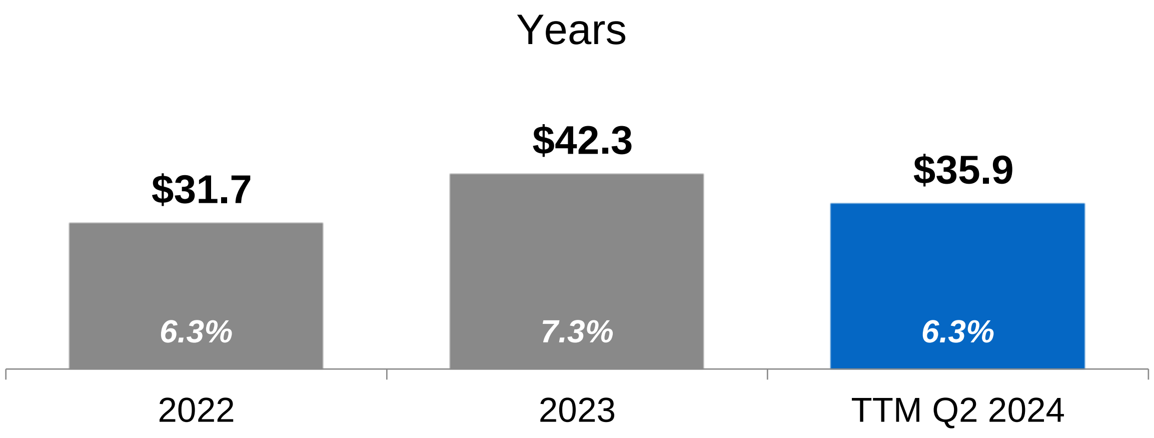
Gross margin impacts

- Lower volume
- Margin dilution from SNC acquisition
- Unfavorable mix
- $1.2 million in non-cash inventory reserves

OPERATING INCOME AND MARGIN

($ in millions; narrative compared with prior-year period unless otherwise noted)





Q2 24 down $7.1 million or 60%; 460 bps margin decrease

Q2 24 reflects $1.5 million restructuring and business realignment costs and higher engineering expenses due to M&A activity

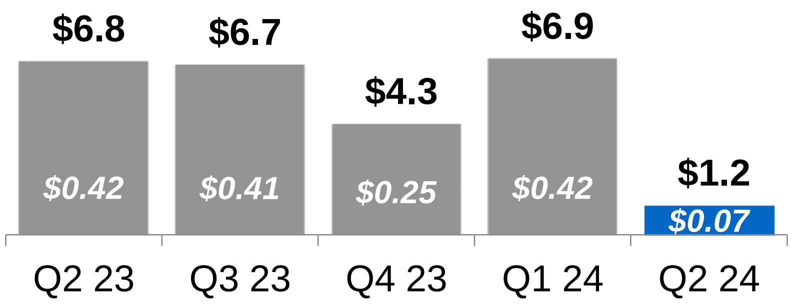
General & Administrative 10.4%
of Q2 24 sales

Engineering & Development 7.6%
of Q2 24 sales

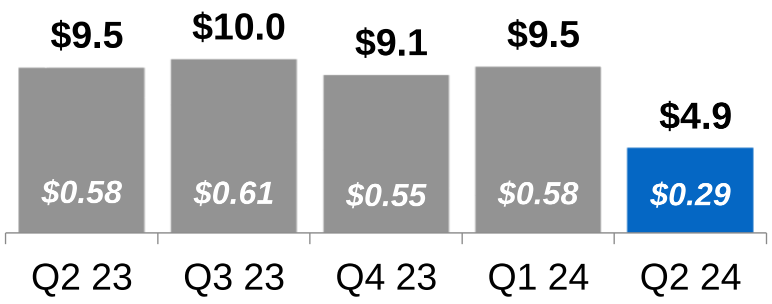
NET INCOME AND ADJUSTED EBITDA

($ in millions, except per share data)

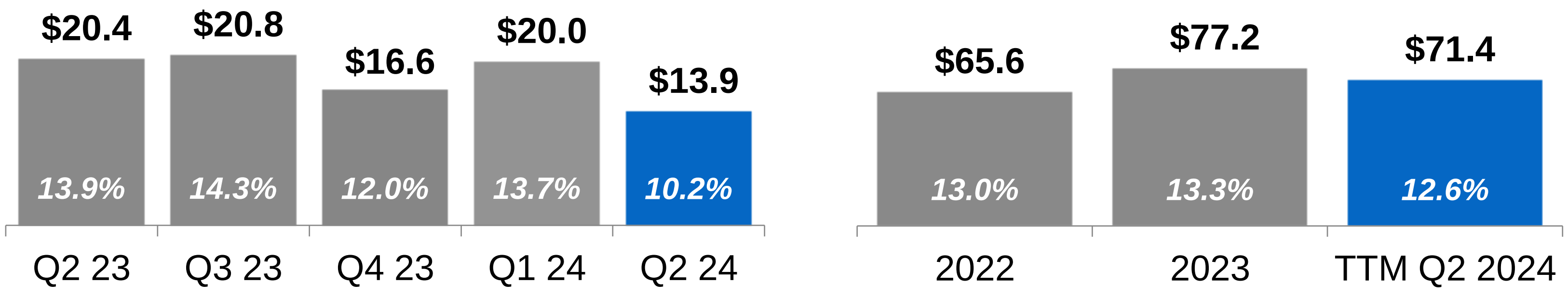
GAAP Net Income & EPS



Adjusted Net Income & Adjusted EPS[1]



Adjusted EBITDA[1] and Margin



Adjusted net income excludes amortization of intangible assets related to acquisitions, business development costs and other non-recurring items

Expect income tax rate for full year 2024 to be ~21% to 23%[2]

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

(2)2024 tax rate expectation provided on August 8, 2024

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

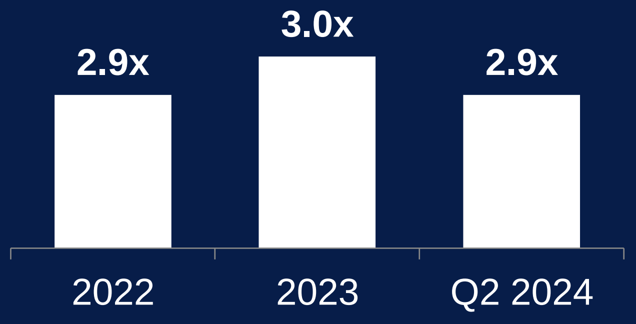
CASH FLOW

($ in millions)

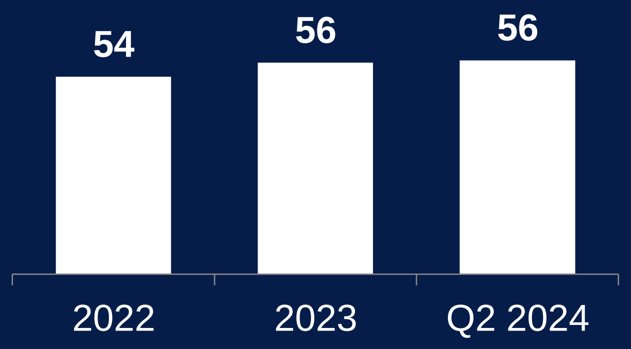
	Three Months Ended		YTD	
	6/30/24	6/30/23	6/30/24	6/30/2023
Net cash provided by operating activities	$ 8.2	$ 13.7	$ 17.4	$ 17.3
Capital expenditures (CapEx)	(2.4)	(2.6)	(5.3)	(6.1)
Operating free cash flow (FCF)[1]	**$ 5.8**	**$ 11.1**	**$ 12.0**	**$ 11.2**

FY24 CapEx Expectation: $11 million – $13 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] 2024 CapEx expectation provided on August 8, 2024
NOTE: Components may not add up to totals due to rounding

BALANCE SHEET

($ in millions)

Capitalization		
	June 30, 2024	Dec 31, 2023
Cash and cash equivalents	$ 31.3	$ 31.9
Total debt	236.9	218.4
Total net debt	**205.6**	**186.5**
Shareholders' equity	265.7	251.6
Total capitalization	**$ 502.6**	**$ 470.0**
Debt/total capitalization	47.1%	46.5%
Net debt/net total capitalization	43.6%	42.6%

Q2 24 debt was down $3.3 million from sequential quarter

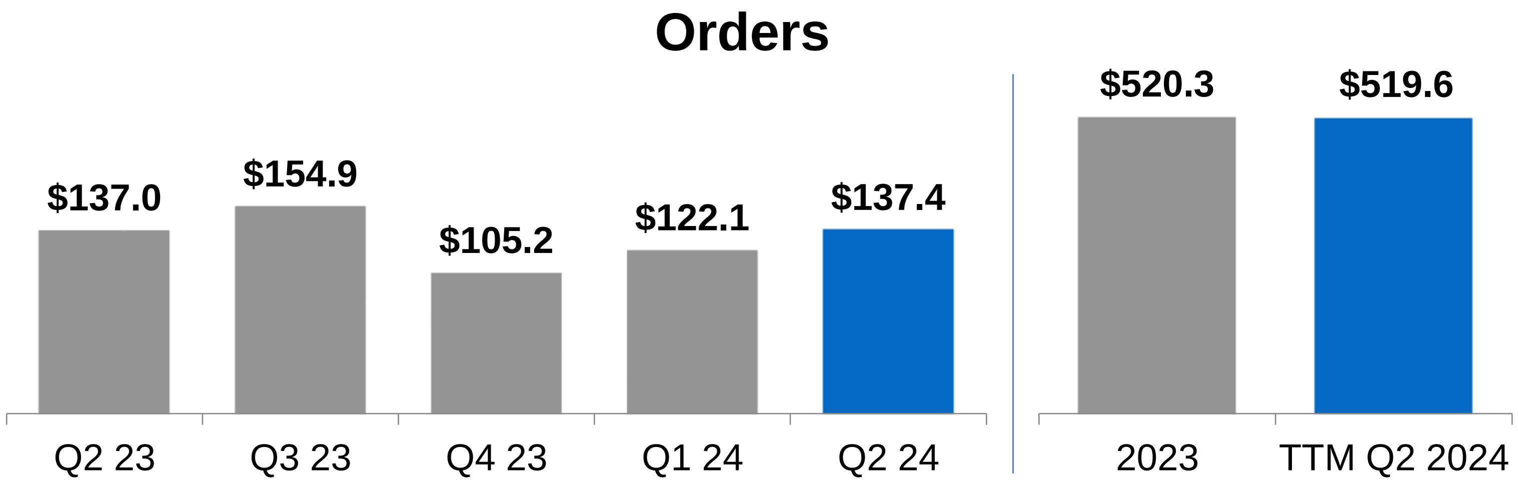
Debt increase from year-end 2023 reflects SNC acquisition

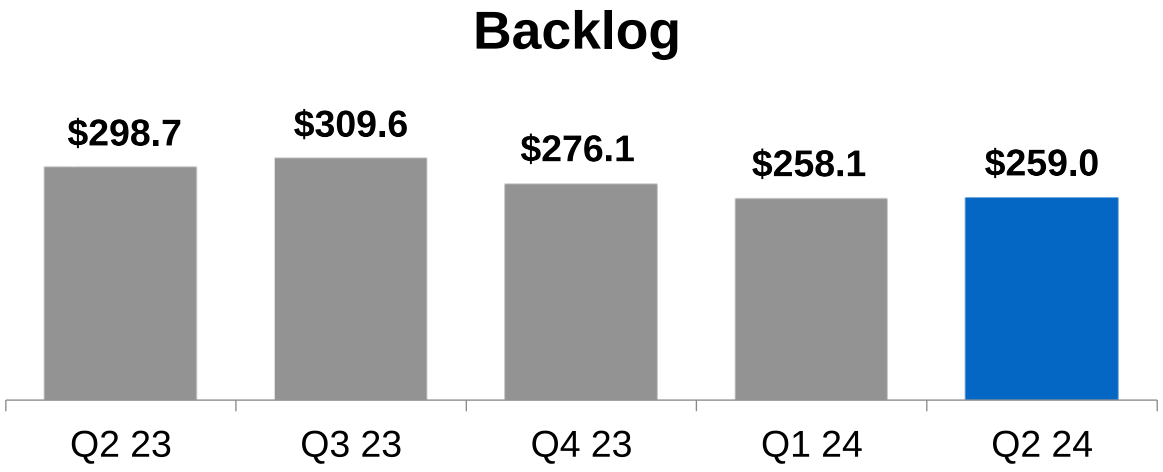
Bank leverage ratio[1] of 3.29x

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

INVENTORY REBALANCING IMPACTING ORDER RATES

($ in millions)





Q2 24 orders up 12% sequentially; Book:Bill 1.0x

- **Reflects power quality projects, SNC acquisition, and ramp of new commercial automotive projects**

Backlog change reflects the continued improvements within the supply chain

- **Enabled the reduction of long lead times for industrial market projects**

Majority of backlog to ship in three to nine months

OUTLOOK[1]

Simplify to Accelerate NOW:

- ✓ Taking out ~$10 million in costs in 2024
- ✓ Identifying more opportunities to execute in 2025

Challenged market expected to persist through 2H 2024

Expect annualized revenue run rate level below $500 million over the next few quarters

Reflects significant inventory rebalancing at some larger customers as the supply chain has returned to more normal conditions

Expect customer inventory adjustments will be substantially complete in early 2025, uncertainty to diminish and to return to normalized run rates ~mid-2025

Prioritize cash conversion and debt reduction

(1) *Outlook provided* on August 8, 2024

CONFERENCE CALL AND WEBCAST PLAYBACK

Replay Number: **412-317-6671** *passcode:* ***13746994***

Telephone replay available through Thursday, August 15, 2024

Webcast / Presentation / Replay available at
www.allient.com/investors

Transcript, when available, at
www.allient.com/investors

Nasdaq: ALNT

Supplemental Information

ADJUSTED NET INCOME RECONCILIATION

($ in thousands, except per share data)

	For the three months ended				
	June 30, 2023	**Sept 30, 2023**	**Dec 31, 2023**	**Mar 31, 2024**	**June 30, 2024**
Net income	$ 6,769	$ 6,666	$ 4,347	$ 6,902	$ 1,150
Non-GAAP adjustments, net of tax (1)					
Amortization of intangible assets - net	2,407	2,355	2,685	2,463	2,475
Foreign currency (gain) loss – net	(11)	44	26	(92)	30
Acquisition and integration-related costs - net	124	298	1,853	273	77
Restructuring and business realignment costs - net	182	617	161	-	1,125
Adjusted Net Income	**$ 9,471**	**$ 9,980**	**$ 9,072**	**$ 9,546**	**$ 4,857**
Average Diluted Shares Outstanding	16,219	16,237	16,505	16,497	16,540
Diluted earnings per share	$ 0.42	$ 0.41	$ 0.26	$ 0.42	$ 0.07
Adjusted diluted earnings per share	$ 0.58	$ 0.61	$ 0.55	$ 0.58	$ 0.29

(1) Applies a blended federal, state, and foreign tax rate of 21% for Q4 2023 and 23% for the other periods applicable to the non-GAAP adjustments.

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for certain items, including amortization of intangible assets and unusual non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with GAAP in the United States, 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

($ in thousands, except per share data)

	For twelve months ended		
	Dec 31, 2022	Dec 31, 2023	June 30, 2024
Net income	$ 17,389	$ 24,097	$ 19,065
Non-GAAP adjustments, net of tax (1)			
Amortization of intangible assets - net	9,812	9,752	9,978
Foreign currency loss – net	228	223	8
Acquisition and integration-related costs - net	645	2,344	2,501
Restructuring and business realignment costs - net	1,897	1,042	1,903
Non-GAAP Adjusted Net Income	**$ 29,971**	**$ 37,458**	**$ 33,455**
Average Diluted Shares Outstanding	15,951	16,272	16,452
Diluted earnings per share	$1.09	$1.48	$1.16
Adjusted diluted earnings per share	$1.88	$2.30	$2.04

(1) Applies a blended federal, state, and foreign tax rate of 21% for 2023 and 23% for 2022 and Q2 2024 TTM applicable to the non-GAAP adjustments.

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

ADJUSTED EBITDA RECONCILIATION

($ in thousands)

	For the three months ended				
	June 30, 2023	Sept 30, 2023	Dec 31, 2023	Mar 31, 2024	June 30, 2024
Net income	$ 6,769	$ 6,666	$ 4,347	$ 6,902	$ 1,150
Interest expense	3,162	3,164	3,074	3,388	3,384
Provision for income taxes	2,131	1,992	(424)	1,919	299
Depreciation and amortization	6,390	6,421	6,112	6,385	6,416
EBITDA	**$ 18,452**	**$ 18,243**	**$ 13,109**	**$ 18,594**	**11,249**
Stock compensation expense	1,544	1,354	1,312	1,211	1,073
Foreign currency (gain) loss	(15)	58	24	(120)	40
Acquisition and integration-related costs	163	389	2,273	357	100
Restructuring and business realignment costs	237	805	211	-	1,469
Adjusted EBITDA	**$ 20,381**	**$ 20,849**	**$ 16,929**	**$ 20,042**	**$ 13,931**
Revenue	**$ 146,769**	**$ 145,319**	**$ 140,997**	**$ 146,713**	**$ 136,032**
Adjusted EBITDA Margin	**13.9%**	**14.3%**	**12.0%**	**13.7%**	**10.2%**

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, and business development costs), 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

($ in thousands, except per share data)

	For twelve months ended		
	Dec 31, 2022	**Dec 31, 2023**	**June 30, 2024**
Net income	$ 17,389	$ 24,097	$ 19,065
Interest expense	7,692	12,383	13,010
Provision for income taxes	6,292	5,603	3,786
Depreciation and amortization	25,486	25,068	25,334
EBITDA	**$ 56,859**	**$ 67,151**	**$ 61,195**
Stock-based compensation expense	5,073	5,477	4,950
Foreign currency loss	298	281	2
Acquisition and integration-related costs	842	2,959	3,120
Restructuring and business realignment costs	2,477	1,316	2,484
Adjusted EBITDA	**$ 65,549**	**$ 77,184**	**$ 71,751**
Revenue	**$ 502,988**	**$ 578,634**	**$ 569,061**
Adjusted EBITDA Margin	**13.0%**	**13.3%**	**10.2%**

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, and business development costs), 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.

REVENUE EXCLUDING FOREIGN CURRENCY EXCHANGE AND CALCULATION OF ORGANIC REVENUE

($ in thousands)

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
Revenue as reported	$	136,032	$	282,745
Foreign currency impact		723		485
Revenue excluding foreign currency exchange impacts	$	136,755	$	283,230

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Revenue decrease year over year	(7.3%)	(3.3%)
Less: Impact of acquisitions and foreign currency	6.9%	6.8%
Organic revenue	(14.2%)	(10.1%)

In addition to reporting revenue and net income, which are U.S. generally accepted accounting principle ("GAAP") measures, the Company presents Revenue excluding foreign currency exchange rate impacts and organic revenue, which are non-GAAP measures.

The Company believes that Revenue excluding foreign currency exchange rate impacts is a useful measure in analyzing organic sales results. The Company excludes the effect of currency translation from revenue for this measure because currency translation is not fully under management's control, is subject to volatility and can obscure underlying business trends. The portion of revenue attributable to currency translation is calculated as the difference between the current period revenue and the current period revenue after applying foreign exchange rates from the prior period. Organic revenue is reported revenues adjusted for the impact of foreign currency and the revenue contribution from acquisitions.