



Motion Solutions that Change the Game

Fourth Quarter & Full Year 2020 Financial Results Call

March 11, 2021

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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.

Effective Execution

Fourth Quarter

Revenue up 6% to \$93.0 million supported by increased demand in Medical and Vehicle markets

Gross margin of 27.9% reflects heightened tariffs and supply chain constraints

Strong cash generation: \$9.8 million from operations

Paid down \$4.6 million of debt

Full Year

Revenue of \$366.7 million, down 1%

Gross margin of 29.6% driven by diverse market strategy and cost containment efforts

Strong cash generation: \$24.8 million from operations

Paid down \$16.9 million of debt

Diversified Strategy

Medical up 69% in Q4 and 61% for full year; includes incremental revenue from Dynamic Controls

Medical now represents 23% vs. 14% of total revenue in 2019

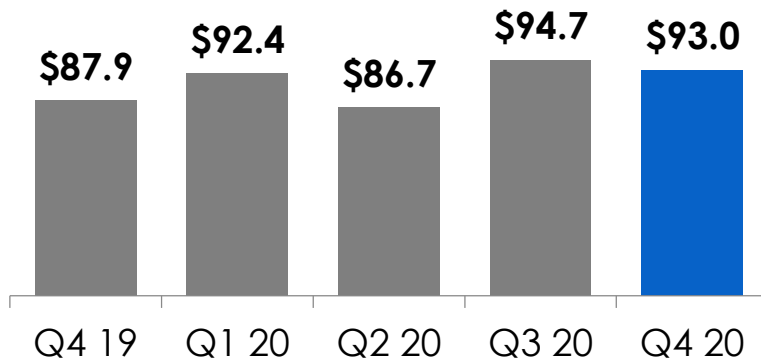
Continued significant Vehicle rebound in the fourth quarter

Positioned well to perform across varied market trends

Revenue

(\$ in millions)

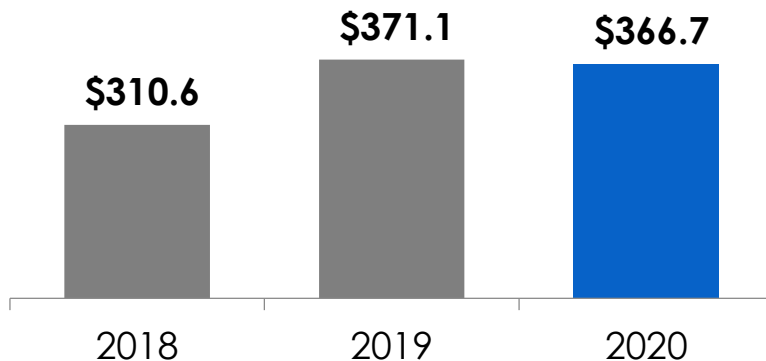
Quarters



Fourth quarter:

- Up \$ 5.1 million or 6%
- \$2.8 million favorable FX
- Strong demand in Medical and Vehicle markets

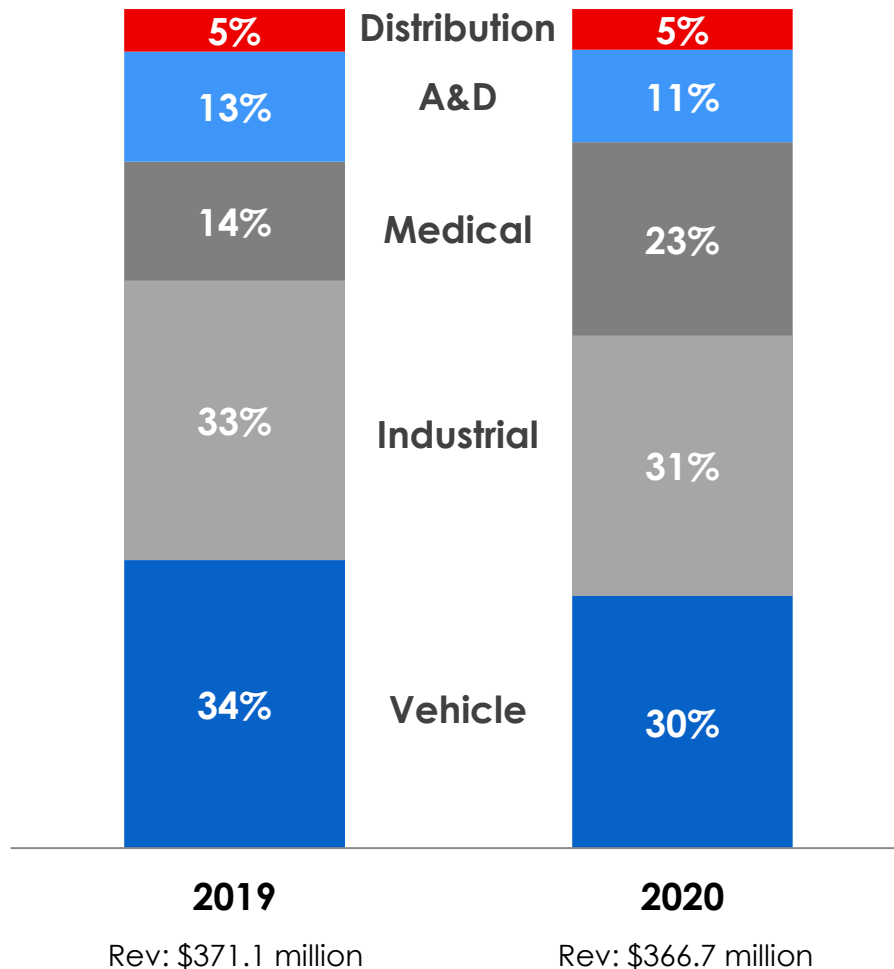
Years



Full year:

- Down \$4.4 million or 1%, reflecting COVID-19 impact
- Benefit of Dynamic Controls
- \$1.8 million favorable FX
- Sales to U.S. customers 53% vs 57%

Revenue by Market



Annual revenue down 1%

Medical	+	61%
Distribution	-	7%
Industrial	-	8%
Vehicle	-	13%
A&D	-	17%

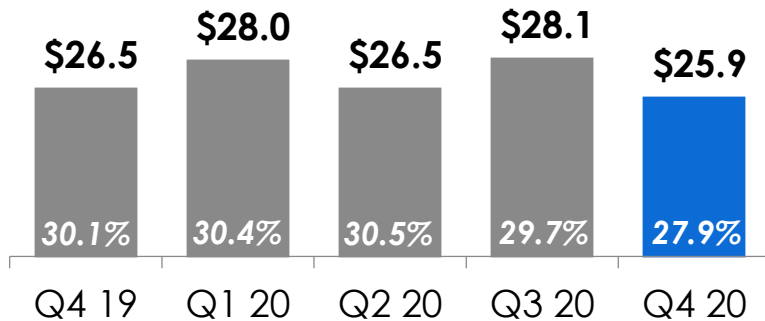
Dynamic Controls business incorporated into Medical

Percent totals may not equal 100% due to rounding

Gross Profit and Margin

(\$ in millions)

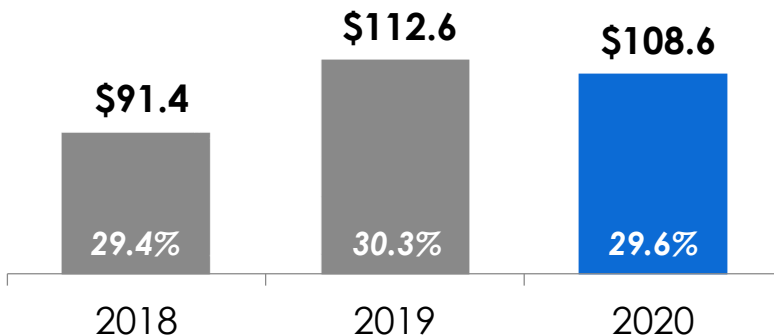
Quarters



Fourth quarter:

- Down \$0.6 million or 2%
- Margin impacts:
 - + Lean tool kit (AST)
 - Unfavorable mix
 - Under absorption of fixed costs
 - \$0.8 million of increased tariffs and other headwinds

Years



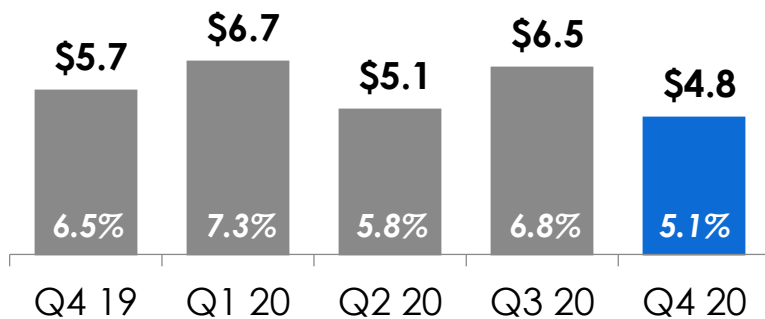
Full year:

- Down \$4.0 million or 4%
- Margin impacts:
 - + Diverse market channel strategy
 - + Cost containment efforts
 - Lower volume
 - Increased tariffs

Operating Income and Margin

(\$ in millions)

Quarters



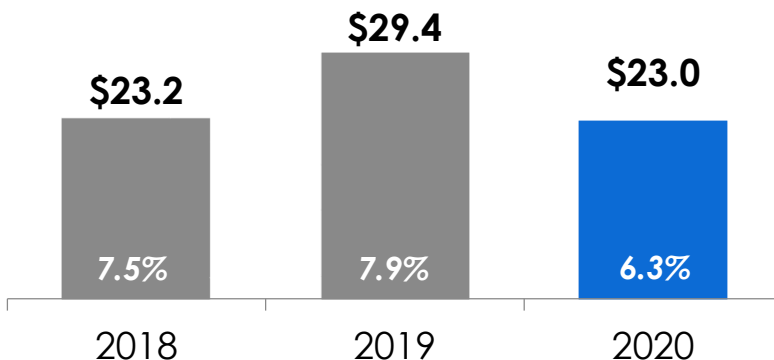
Fourth quarter:

- Down \$0.9 million or 16%
- Operating costs as a percent of revenue down 90 bps to 22.8%

Full year:

- Down \$6.4 million or 22%
- Operating costs as a percent of revenue up 90 bps to 23.3%
 - Maintaining key engineering capabilities
 - Incremental expenses related to Dynamic Controls
 - Business development costs
 - COVID-19 related costs ensuring employee health and safety

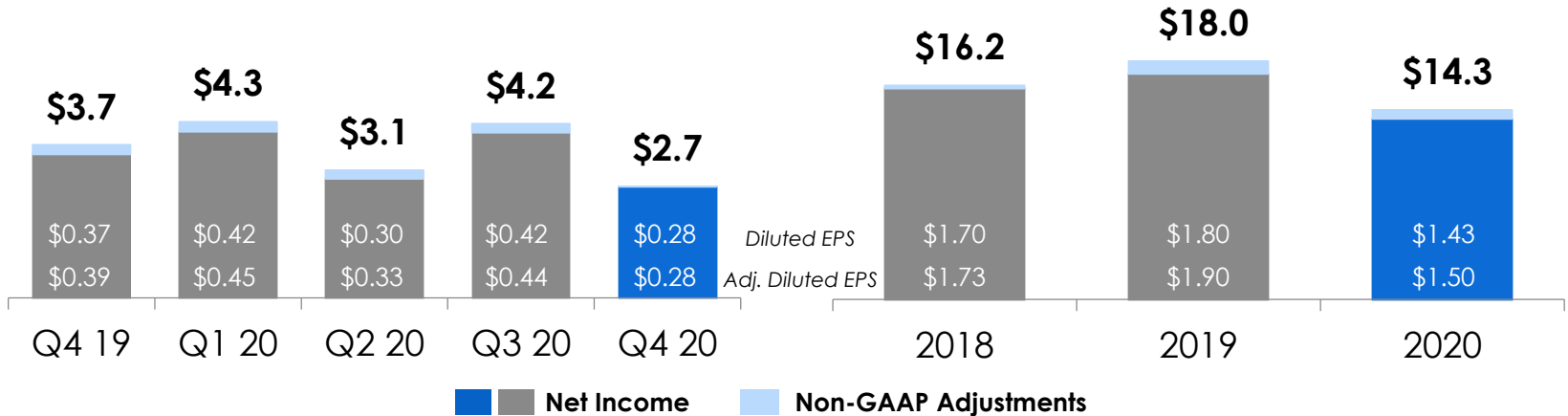
Years



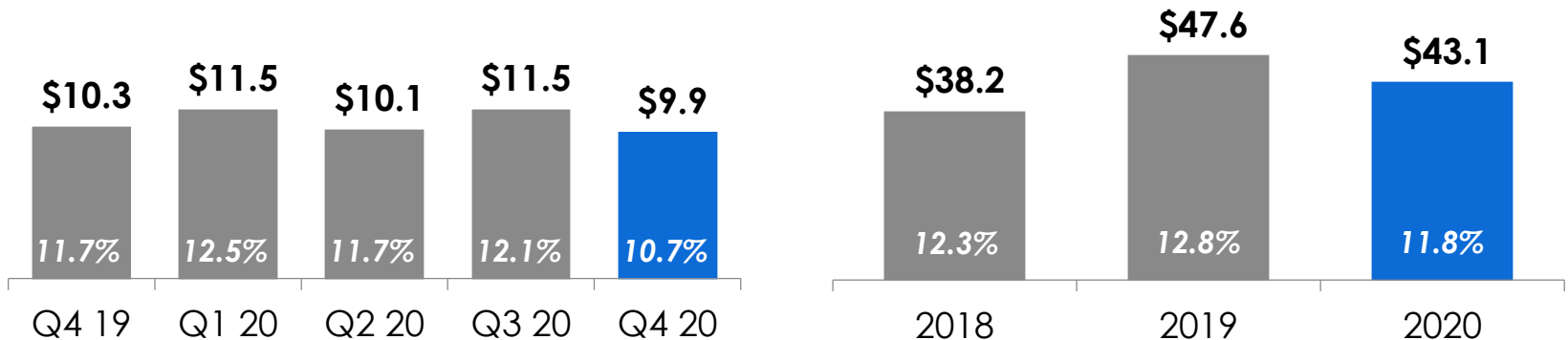
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

Adjusted Net Income and EPS⁽¹⁾



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, 2020	Dec. 31, 2019
Cash and cash equivalents	\$ 23.1	\$ 13.4
Total debt	120.1	109.8
Total net debt	96.9	96.3
Shareholders' equity	143.1	119.2
Total capitalization	\$ 263.1	\$ 229.0
Debt/total capitalization	45.6%	47.9%
Net debt/net total capitalization	40.4%	44.7%

Strong capital structure

Paid down total debt

Q4: \$4.6 million

2020: \$16.9 million

Refinanced lending agreement
February 2020

Acquired Dynamic Controls in March
2020 for \$15 million plus cash on hand

Bank leverage ratio⁽¹⁾ of 2.78x

⁽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		YTD
	12/31/20	12/31/19	12/31/20
Net cash provided by operating activities	\$ 9.8	\$ 17.5	\$ 24.8
Capital expenditures (CapEx)	(2.8)	(5.6)	(9.4)
Operating free cash flow (FCF)⁽¹⁾	\$ 7.0	\$ 11.9	\$ 15.5

Generated \$15.5 million in operating FCF in FY20

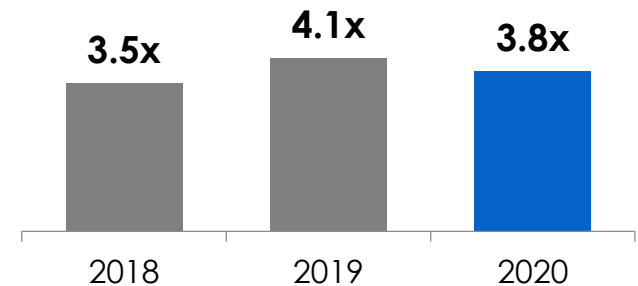
FY21 CapEx: **\$12 - \$15 million⁽²⁾**

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

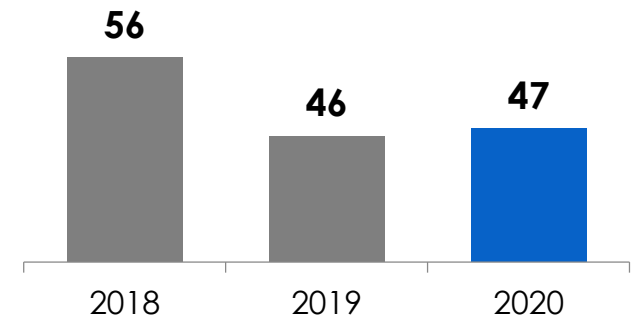
⁽²⁾ 2021 CapEx expectation provided on March 10, 2021

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

Inventory Turnover



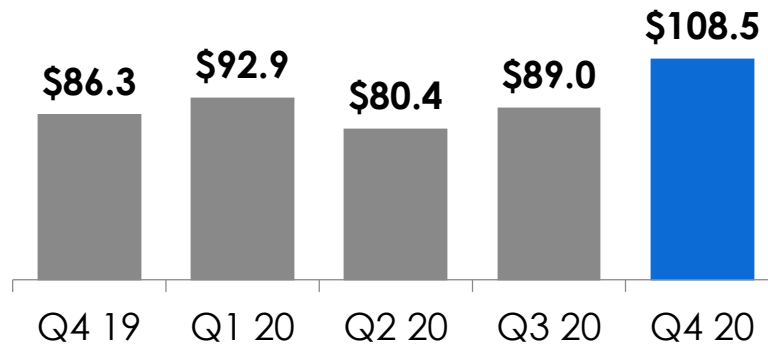
Days Sales Outstanding



Orders and Backlog

(\$ in millions)

Orders



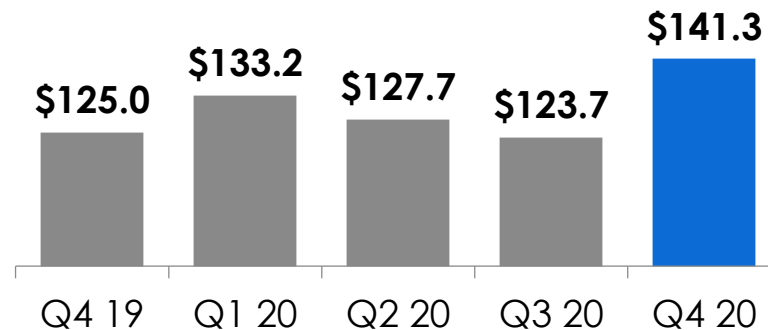
Record order level

Q4: \$108.5 million up 26%
2020: \$370.7 million up 1%

Foreign currency translation

Q4: Favorable \$3.1 million
2020: Favorable \$1.7 million

Backlog



Record backlog up 13% YoY

Majority to ship in three to six months

~\$8 million of the \$325 million of previously announced Vehicle market awards is included in backlog

Outlook

Continue to successfully execute our strategy despite near-term uncertainty

- Allied Systematic Tools (AST) to drive continuous improvement in all areas
- Maintaining key engineering capabilities
- Ensuring effective launch of several new growth-oriented product platforms

Well positioned to drive further efficiency and profitable growth

- Record backlog levels
- Diverse market channel strategy
- Proven cash generation capabilities

Expect to invest \$12 million to \$15 million in capital expenditures during FY21

Expect tax rate to range between 27% and 29% for FY21

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

** Outlook as of March 10, 2021*

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** passcode: **13714999**
- Telephone replay available through Thursday, March 18, 2021
- 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)

For the three months ended

	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sept 30, 2020	Dec 31, 2020
Net income	\$ 3,489	\$ 4,035	\$ 2,896	\$ 4,013	\$ 2,699
Non-income based tax assessment	-	-	-	-	(424)
Foreign currency loss	191	66	83	211	400
Business development costs	35	178	124	6	30
Adjusted Net Income	\$ 3,715	\$ 4,279	\$ 3,103	\$ 4,230	\$ 2,705
Average Diluted Shares Outstanding	9,495	9,516	9,536	9,579	9,602
Diluted earnings per share	\$0.37	\$0.42	\$0.30	\$0.42	\$0.28
Adjusted diluted earnings per share	\$0.39	\$0.45	\$0.33	\$0.44	\$0.28

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for unusual 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)

	For twelve months ended		
	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
Net income	\$ 15,925	\$ 17,022	\$ 13,643
Non-income based tax assessment	-	384	(424)
Income tax provision charge	-	433	-
Tax Cuts and Jobs Act impact	(235)	-	-
Foreign currency (gain) loss	(120)	79	752
Business development costs	586	81	344
Non-GAAP Adjusted Net Income	\$ 16,156	\$ 17,999	\$ 14,315
Average Diluted Shares Outstanding	9,370	9,461	9,555
Diluted earnings per share	\$1.70	\$1.80	\$1.43
Adjusted diluted earnings per share	\$1.73	\$1.90	\$1.50

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

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

	For the three months ended				
	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sept 30, 2020	Dec 31, 2020
Net income	\$ 3,489	\$ 4,035	\$ 2,896	\$ 4,013	\$ 2,699
Interest expense	1,160	1,054	901	844	917
Provision for income taxes	700	1,567	1,237	1,369	960
Depreciation and amortization	3,786	3,750	3,877	4,055	4,303
EBITDA	\$ 9,135	\$10,406	\$8,911	\$10,281	\$8,879
Stock compensation expense	830	789	931	920	910
Foreign currency loss	267	92	118	283	542
Business development costs	49	247	177	8	41
Non-income based tax assessment	-	-	-	-	(424)
Adjusted EBITDA	\$ 10,281	\$ 11,534	\$ 10,137	\$ 11,492	\$ 9,948

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 related to acquisitions, 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, 2018	Dec 31, 2019	Dec 31, 2020
Net income	\$ 15,925	\$ 17,022	\$ 13,643
Interest expense	2,701	5,134	3,716
Provision for income taxes	4,756	6,819	5,133
Depreciation and amortization	11,576	14,857	15,985
EBITDA	\$ 34,958	\$ 43,832	\$ 38,477
Stock compensation expense	2,643	3,203	3,550
Foreign currency (gain) loss	(169)	111	1,035
Business development costs	762	113	473
Non income based tax assessment	-	384	(424)
Adjusted EBITDA	\$ 38,194	\$ 47,643	\$ 43,111

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