



Motion Solutions that Change the Game

Fourth Quarter and Full Year 2022 Financial Results Call

March 8, 2023

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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 2022 Highlights

(Compared with prior-year period unless otherwise noted)

Revenue \$131.1M +35%	Gross Margin 31.1% +240 bps	Operating Margin 6.2% +210 bps
Organic Growth ¹ 18.3%	Adjusted EBITDA Margin ² 12.7% +100 bps	Diluted EPS GAAP - \$0.23 Adjusted² - \$0.43

Revenue growth reflected higher demand across each of our target markets, as well as incremental sales from acquisitions

Higher volume, accretive acquisitions and pricing drove gross margin performance

Fourth quarter orders of \$145.6 million drove a book-to-bill ratio of 1.1x

⁽¹⁾On a constant currency basis; See supplemental slides for the reconciliation of revenue excluding foreign currency exchange rate fluctuations and other important disclaimers.

⁽²⁾See supplemental slides for Adjusted Diluted EPS and Adjusted EBITDA reconciliations and other important disclaimers.

Full Year 2022 Highlights

(Compared with prior-year period unless otherwise noted)

Record Revenue \$503.0M +25%	Record Gross Margin 31.3% +130 bps	Diluted EPS GAAP - \$1.09 Adjusted² - \$1.88
Organic Growth ¹ 12.0%	Adjusted EBITDA Margin ² 13.0% +60 bps	Record Backlog \$330.1M

Results continued to demonstrate the successful execution of our strategic growth initiatives and ability to manage the business effectively despite challenging macro conditions

Strong growth in Industrial and Aerospace & Defense markets, including contribution from acquisitions

Completed three acquisitions in the second quarter: enhanced technology offerings, strengthened competitive position and improved overall margin profile

⁽¹⁾On a constant currency basis; See supplemental slides for the reconciliation of revenue excluding foreign currency exchange rate fluctuations and other important disclaimers.

⁽²⁾See supplemental slides for Adjusted Diluted EPS and Adjusted EBITDA reconciliations and other important disclaimers.

Revenue

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

Quarters

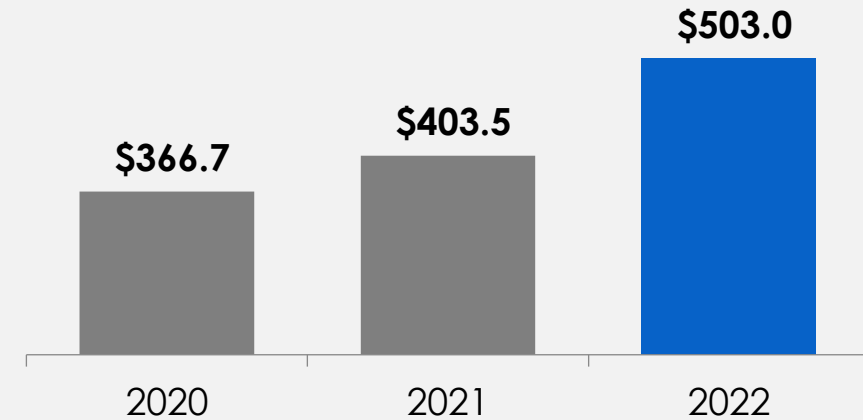


Up \$34.3 million or 35%;
 Excluding \$6.7 million unfavorable FX, revenue up 42%

Market growth: A&D +197%, Industrial +46%,
 Vehicle +8%, Medical +0.3%,
 Distribution +22%

Organic growth of 18.3%

Years



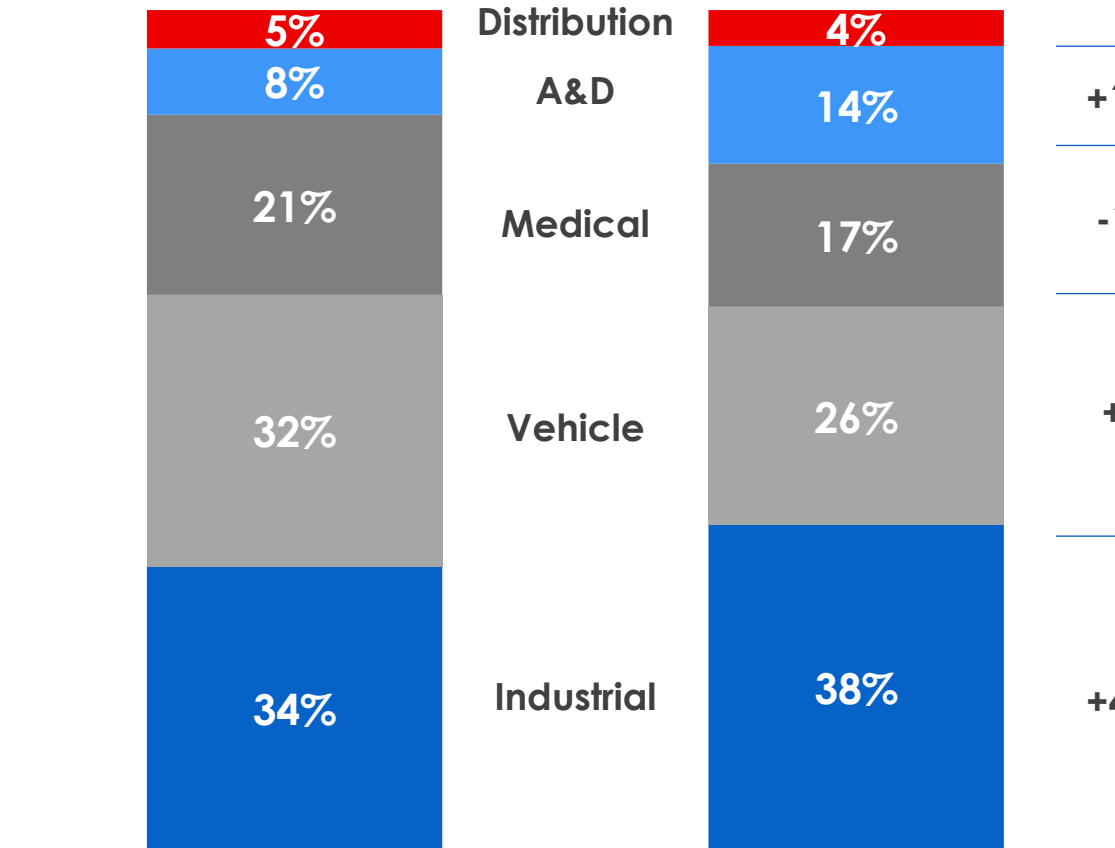
Up \$99.5 million or 25%

Double-digit growth in Aerospace & Defense and Industrial markets

FX was unfavorable \$22.3 million

Sales to U.S. customers at 58% compared with 54%

Revenue by Market



2021

Rev: \$403.5 million

2022

Rev: \$503.0 million

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

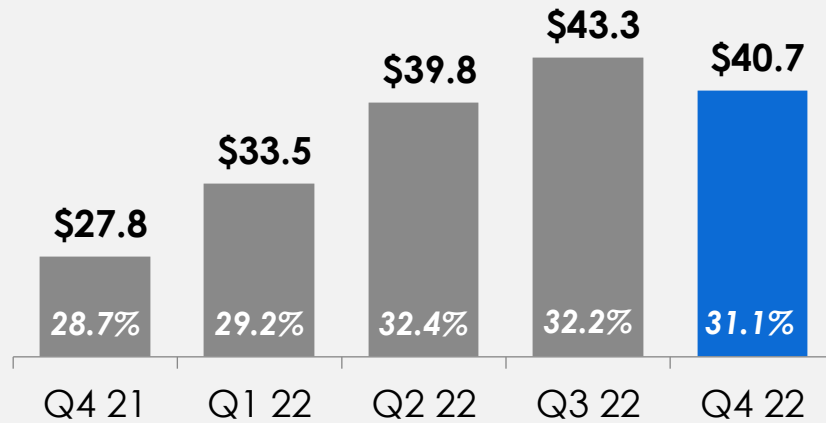
2022 Revenue Change and Market Drivers

+121%	Contributions from recent acquisitions, defense program timing and solid organic growth
-1%	Largely lapped strong prior-period pandemic-related sales; benefitting from return of elective surgeries and recent acquisitions
+1%	Strong truck and commercial vehicle demand more than offset lower powersports and construction sales
+43%	Acquisition contributions plus strong end market demand within industrial automation, Oil & Gas, material handling, pumps and electronics

Gross Profit and Margin

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

Quarters



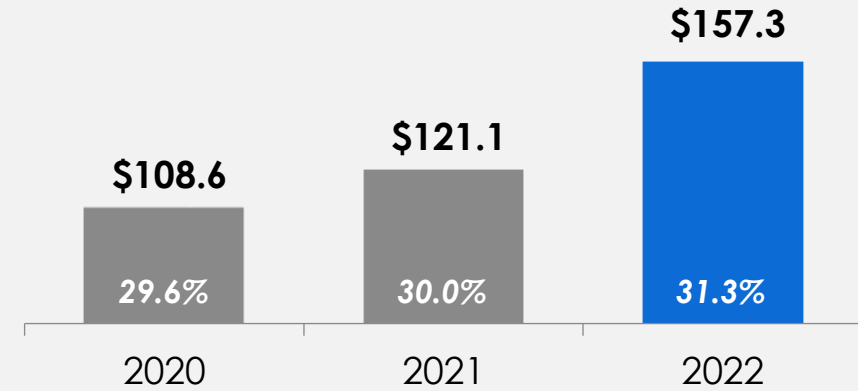
Up \$13.0 million or 47%

240 basis points margin expansion

Margin impacts:

- + Volume, accretive acquisitions, and pricing
- Supply chain challenges, rising material and labor costs

Years



Up \$36.2 million or 30%

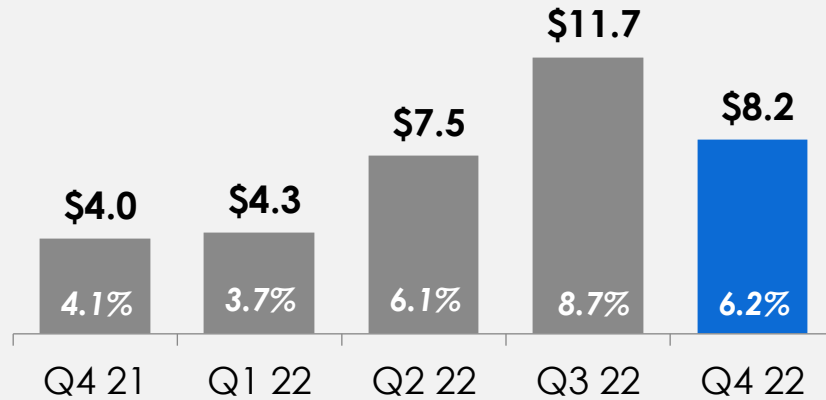
130 basis points margin expansion

Margin impacts similar to fourth quarter

Operating Income and Margin

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

Quarters

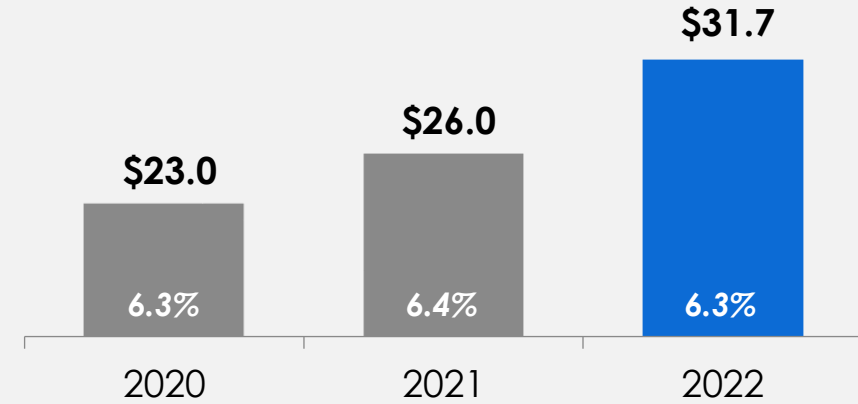


Up \$4.2 million or 104%

Operating costs and expenses as a percent of revenue were 24.8%, up 30 bps largely due to M&A activity in Q2 22

Partially offsetting was lower business development costs

Years



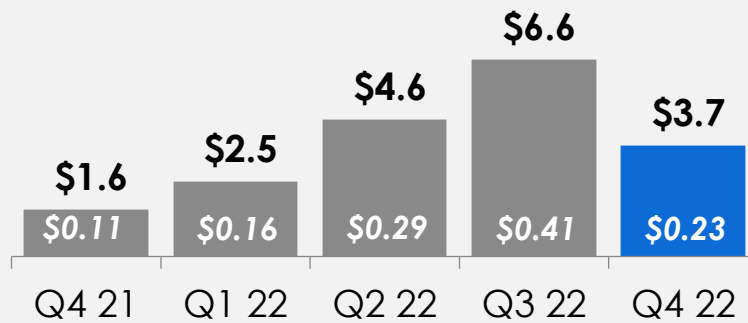
Up \$5.6 million or 22%

Operating costs and expenses as a percent of revenue were 25.0%, up 140 bps largely due to M&A activity in Q4 21 and Q2 22

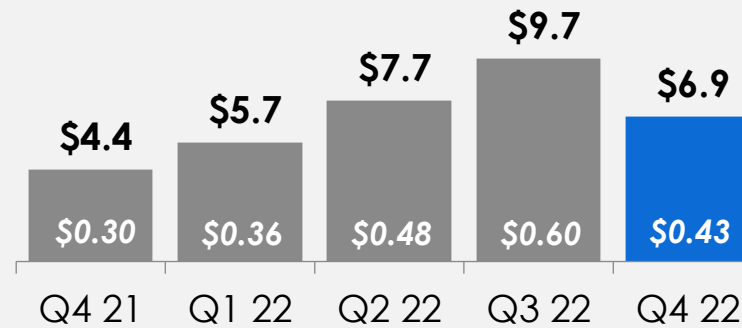
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

GAAP Net Income & EPS

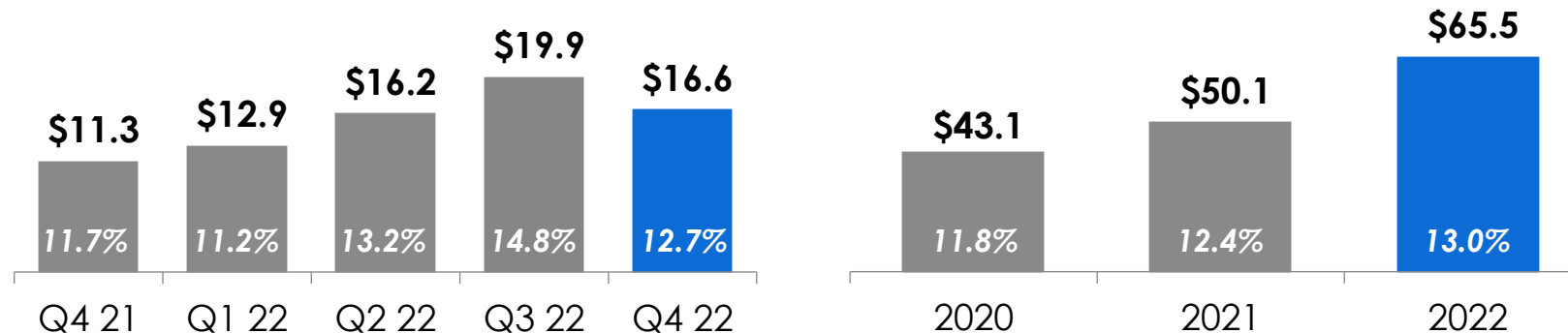


Adjusted Net Income & Adjusted EPS¹



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

Adjusted EBITDA¹ and Margin



⁽¹⁾See supplemental slides for Adjusted Net Income and Adjusted EBITDA reconciliations and other important disclaimers; NOTE: Components may not add up to totals due to rounding

Balance Sheet

(\$ in millions)

CAPITALIZATION		
	Dec 31, 2022	Dec 31, 2021
Cash and cash equivalents	\$ 30.6	\$ 22.5
Total debt	235.5	159.0
Total net debt	204.8	136.5
Shareholders' equity	215.5	187.8
Total capitalization	\$ 451.0	\$ 346.7
Debt/total capitalization	52.2%	45.8%
Net debt/net total capitalization	48.7%	42.1%

Cash usage to support higher levels of inventory to combat supply chain challenges

Q2 22 acquisitions: utilized \$44.3 million of cash, largely funded with debt

Debt increase also attributable to a new finance lease for a manufacturing facility expansion to support growth

Bank leverage ratio¹ of 3.42x

⁽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
	12/31/22	12/31/21	12/31/22
Net cash provided by operating activities	\$ 11.4	\$ 5.5	\$ 5.6
Capital expenditures (CapEx)	(4.9)	(4.0)	(15.9)
Operating free cash flow (FCF)¹	\$ 6.5	\$ 1.5	\$ (10.3)

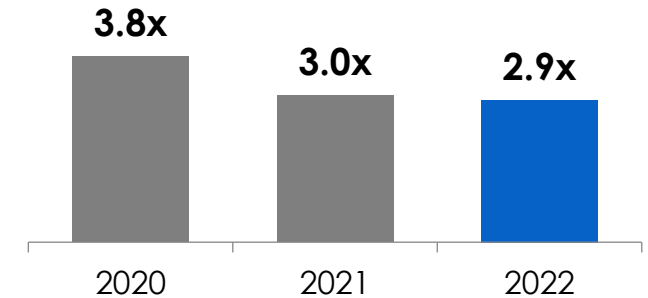
FY23 CapEx: **\$18 - \$23 million²**

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

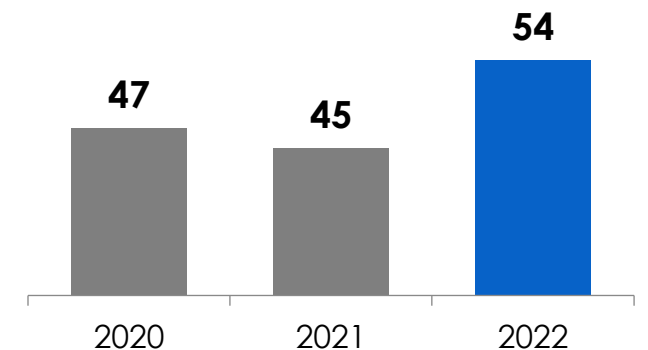
⁽²⁾ 2023 CapEx expectation provided on March 7, 2022

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

Inventory Turnover



Days Sales Outstanding



Orders and Backlog

(\$ in millions)

Orders

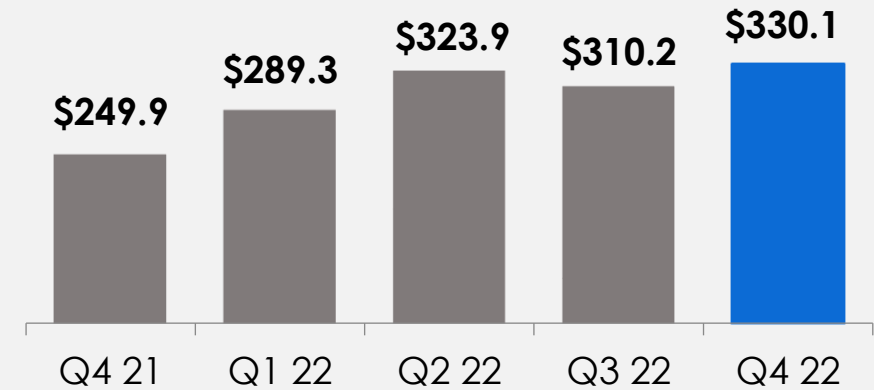


Broad-based demand; Up 27% year-over-year

Book:Bill 1.11x

Unfavorable \$12.5 million foreign currency translation

Backlog



Backlog up 6% sequentially and 32% year-over-year

Majority to ship in three to nine months

Outlook¹



- ✓ Entered 2023 with momentum, a record level of backlog, significantly broadened scope of expertise and solutions, and an enhanced value proposition for our customers
- ✓ Expect sales growth across all four targeted verticals and further enhancement to margin profile
- ✓ Focus on cash conversion and debt paydowns
- ✓ Expect 2023 tax rate to be approximately 25% to 27%
- ✓ Expect to invest \$18 million to \$23 million in capital expenditures during FY23

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

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13735006*
- Telephone replay available through Wednesday, March 15, 2023
- 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, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022
Net income	\$ 1,561	\$ 2,504	\$ 4,581	\$ 6,609	\$ 3,696
Amortization of intangible assets - net	1,470	2,460	2,233	2,725	2,395
Income tax valuation allowance	506	-	-	-	-
Foreign currency gain/loss - net	48	38	(194)	197	187
Business development costs - net	790	650	1,085	152	655
Adjusted Net Income	\$ 4,375	\$ 5,652	\$ 7,706	\$ 9,683	\$ 6,933
Average Diluted Shares Outstanding	14,632	15,599	15,932	16,169	16,145
Diluted earnings per share	\$ 0.11	\$ 0.16	\$ 0.29	\$ 0.41	\$ 0.23
Adjusted diluted earnings per share	\$ 0.30	\$ 0.36	\$ 0.48	\$ 0.60	\$ 0.43

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 *(Unaudited)*

(\$ in thousands, except per share data)

	For twelve months ended		
	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Net income	\$ 13,643	\$ 24,094	\$ 17,389
Discrete income tax benefit	-	(7,373)	-
Non-income based tax assessment	(424)	-	-
Amortization of intangible assets - net	4,541	4,938	9,812
Income tax valuation allowance	-	506	-
Foreign currency gain/loss - net	760	18	228
Business development costs - net	338	998	2,542
Non-GAAP Adjusted Net Income	\$ 18,858	\$ 23,181	\$ 29,971
Average Diluted Shares Outstanding	14,333	14,517	15,951
Diluted earnings per share	\$0.95	\$1.66	\$1.09
Adjusted diluted earnings per share	\$1.32	\$1.60	\$1.88

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 EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

	For the three months ended				
	Dec 31, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022
Net income	\$ 1,561	\$ 2,504	\$ 4,581	\$ 6,609	\$ 3,696
Interest expense	791	1,038	1,525	2,337	2,792
Provision for income taxes	1,823	679	1,691	2,508	1,414
Depreciation and amortization	4,990	6,435	6,096	6,692	6,264
EBITDA	\$ 9,165	\$ 10,656	\$ 13,892	\$ 18,146	\$ 14,166
Stock compensation expense	1,060	1,349	1,141	1,262	1,321
Foreign currency loss (gain)	63	50	(253)	257	244
Business development costs	1,032	848	1,417	199	855
Adjusted EBITDA	\$ 11,320	\$ 12,903	\$ 16,197	\$ 19,864	\$ 16,586

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 *(Unaudited)*

(\$ in thousands)

	For twelve months ended		
	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Net income	\$ 13,643	\$ 24,094	\$ 17,389
Interest expense	3,716	3,236	7,692
Provision (benefit) for income taxes	5,133	(981)	6,292
Depreciation and amortization	15,985	18,307	25,486
EBITDA	\$ 38,477	\$ 44,656	\$ 56,859
Stock compensation expense	3,550	4,161	5,073
Foreign currency loss	1,035	21	298
Business development costs	473	1,299	3,319
Non-income based tax assessment	(424)	-	-
Adjusted EBITDA	\$ 43,111	\$ 50,137	\$ 65,549

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.

Revenue excluding Foreign Currency Exchange *(Unaudited)*

(\$ in thousands)

	Three Months Ended December 31, 2022	Twelve Months Ended December 31, 2022
Revenue as reported	\$ 131,076	\$ 502,988
Currency impact - unfavorable	6,686	22,263
Revenue excluding foreign currency exchange impacts	\$ 137,762	\$ 525,251

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 EBITDA and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation expense, business development costs, and foreign currency gains/losses), 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 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.