



Motion Solutions that Change the Game

First Quarter 2023 Financial Results Call

May 4, 2023

Dick Warzala
Chairman, President & CEO

Mike Leach
Senior Vice President & CFO

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.

First Quarter 2023 Highlights

(Compared with prior-year period unless otherwise noted)

Record Revenue \$145.5M +27%	Gross Margin 31.5% +230 bps	Operating Margin 7.8% +410 bps
Organic Growth ¹ 25%	Adjusted EBITDA Margin ² 13.1% +190 bps	Diluted EPS GAAP - \$0.39 Adjusted² - \$0.55

Higher demand across most target markets and incremental revenue from acquisitions

Volume, accretive acquisitions and pricing drove gross margin performance

Strong operating leverage

Net income more than doubled to \$6.3 million or \$0.39 per diluted share; Adjusted net income per share was \$0.55, up 53% for the quarter

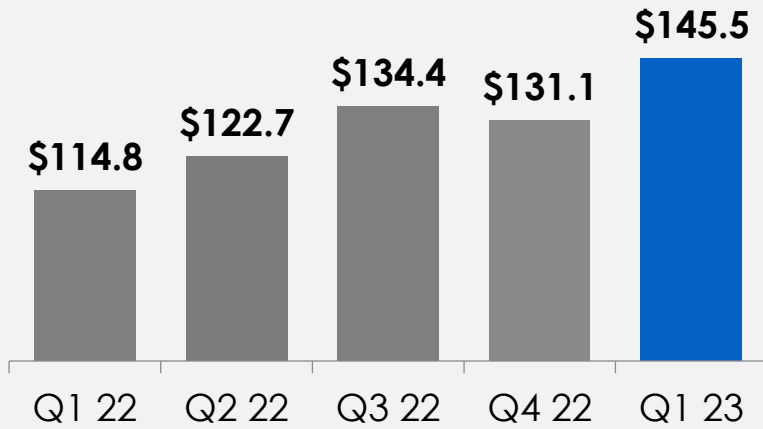
⁽¹⁾On a constant currency basis; See supplemental slides for the reconciliation of revenue excluding foreign currency exchange rate fluctuations and other important disclaimers.

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

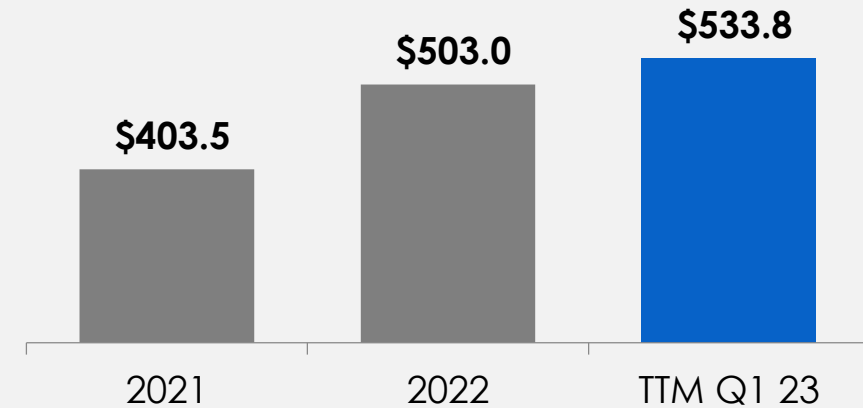
Revenue

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

Quarters



Years



Up \$30.8 million or 27%; excluding \$3.3 million unfavorable FX, revenue up 30%

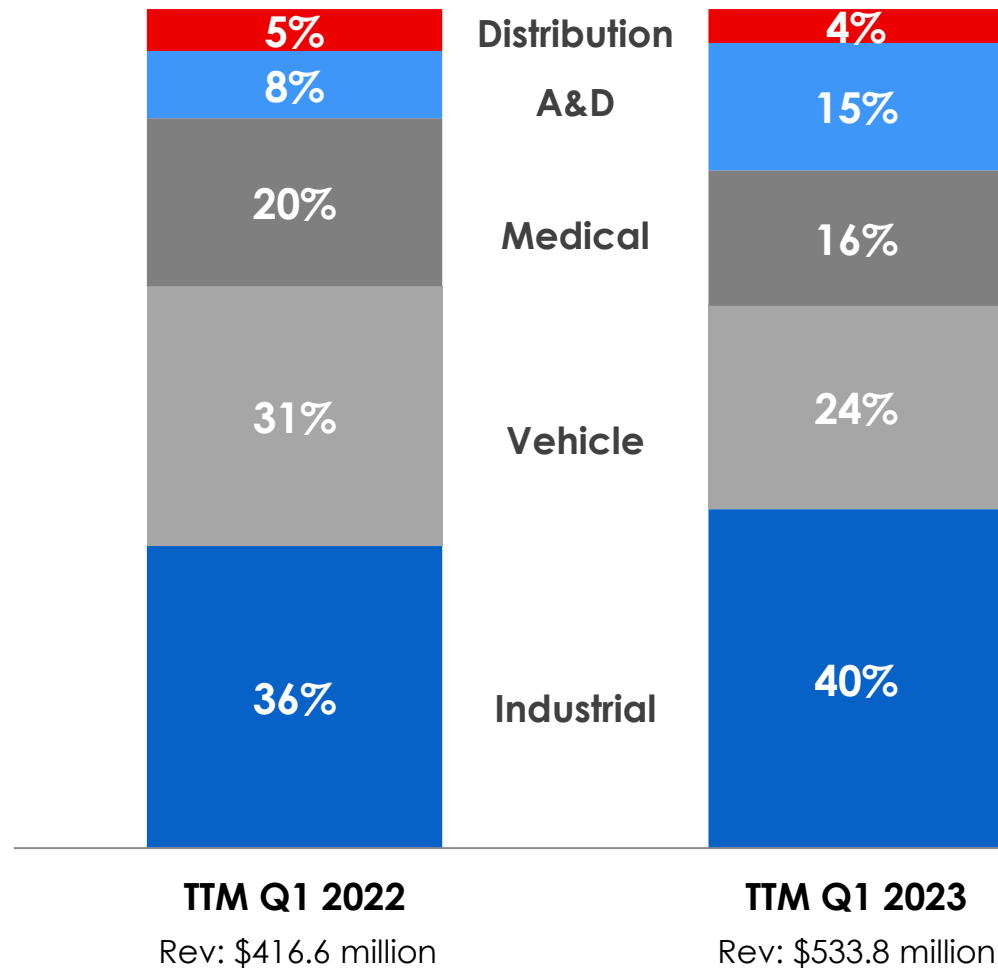
Q1 market growth: A&D +125%, Industrial +38%, Medical +11%, Vehicle (5%)

Organic growth of 25%¹

Sales to U.S. customers at 56% for the first quarter of 2023 and 2022

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

Revenue by Market (TTM)



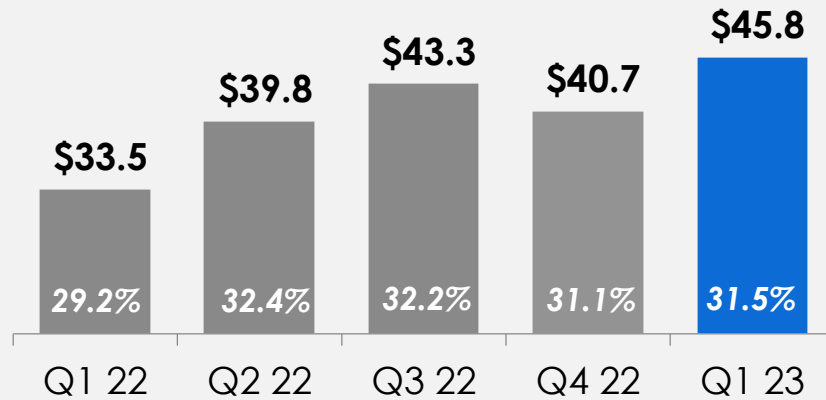
TTM Revenue Change and Market Drivers

+143%	Solid organic growth, defense program timing and contributions from recent acquisitions
+4%	Lapped strong prior-period pandemic-related sales; benefiting from return of elective surgeries and recent acquisitions
+1%	Truck and commercial automotive demand more than offset weaker agricultural demand
+41%	Acquisition contributions plus strong end market demand within industrial automation, Oil & Gas, pumps and electronics

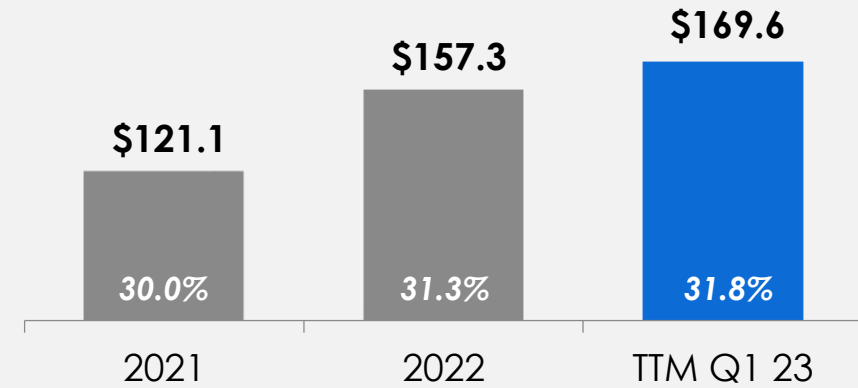
Gross Profit and Margin

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

Quarters



Years



Up \$12.4 million or 37%

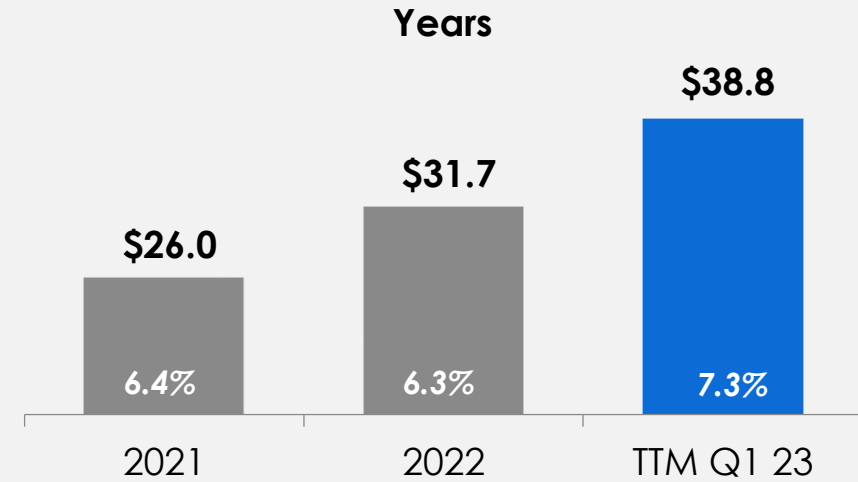
230 basis points margin expansion

Margin impacts:

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

Operating Income and Margin

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



Up \$7.1 million or 167%

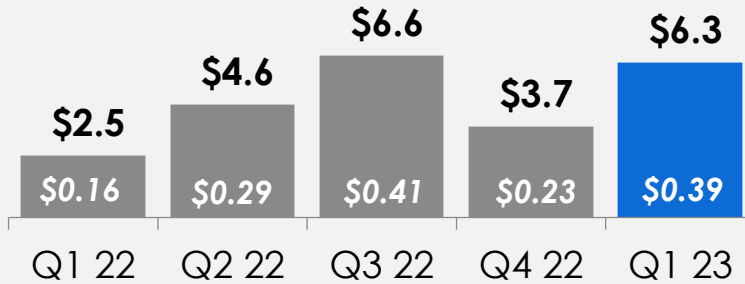
410 basis points margin expansion

Operating costs and expenses as a percent of revenue were 23.7%, down 170 bps

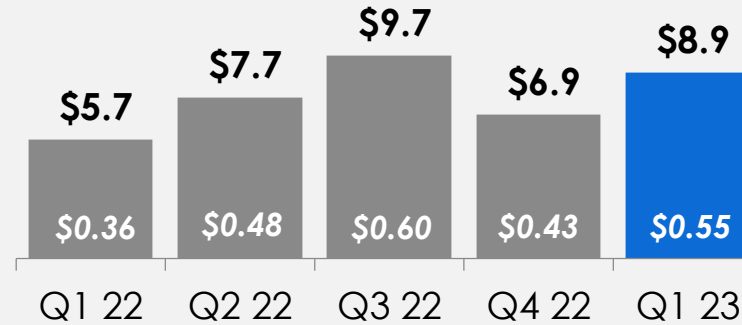
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

GAAP Net Income & EPS

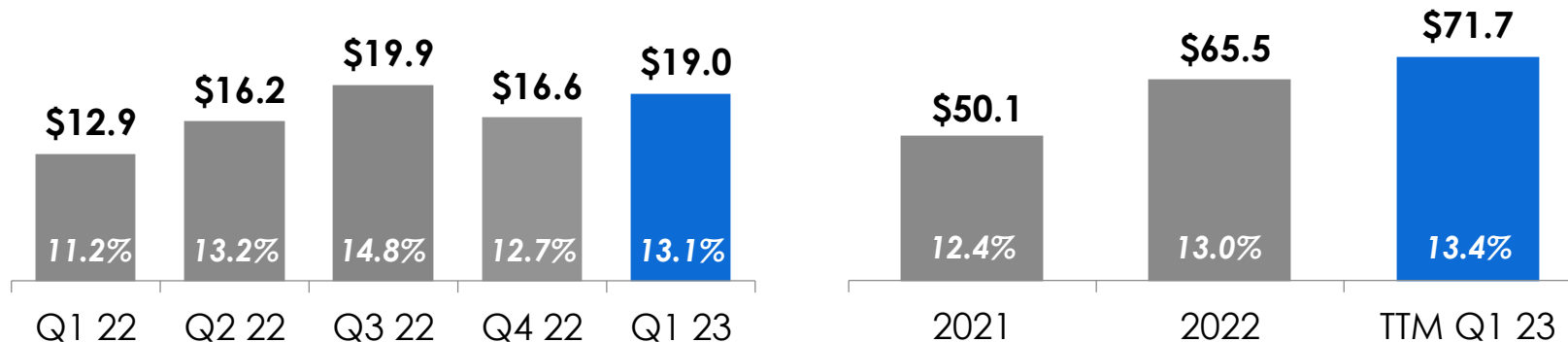


Adjusted Net Income & Adjusted EPS¹



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		
	Mar 31, 2023	Dec 31, 2022
Cash and cash equivalents	\$ 25.1	\$ 30.6
Total debt	236.5	235.5
Total net debt	211.4	204.8
Shareholders' equity	230.2	215.5
Total capitalization	\$ 466.7	\$ 451.0
Debt/total capitalization	50.7%	52.2%
Net debt/net total capitalization	47.9%	48.7%

Generated cash from operations in what is typically a higher cash consumption quarter

Made \$6.25 million deferred payment for prior acquisition in Q1 23

Bank leverage ratio¹ of 3.30x

⁽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)

	Three Months Ended	
	3/31/23	3/31/22
Net cash provided by (used in) operating activities	\$ 3.6	\$ (13.4)
Capital expenditures (CapEx)	(3.6)	(2.5)
Operating free cash flow (FCF)⁽¹⁾	\$ 0.03	\$ (15.9)

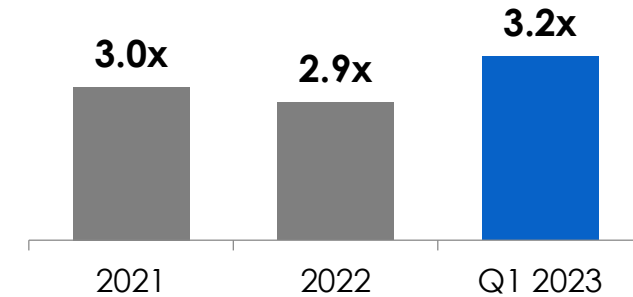
FY23 CapEx: \$18 million – \$23 million⁽²⁾

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

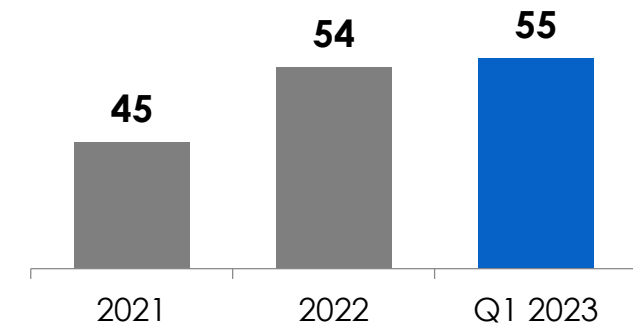
⁽²⁾ 2023 CapEx expectation provided on May 3, 2023

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

Inventory Turnover



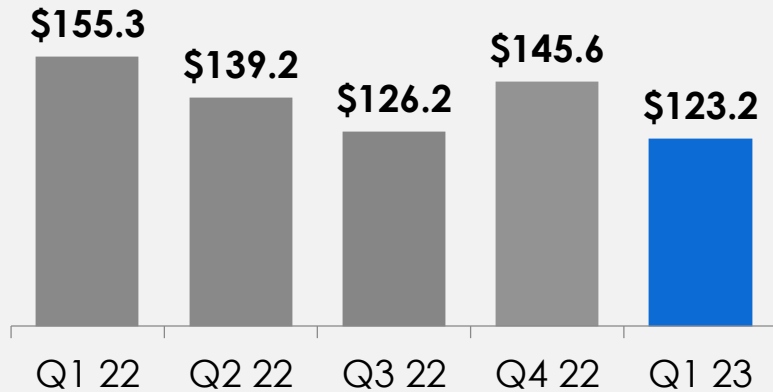
Days Sales Outstanding



Orders and Backlog

(\$ in millions)

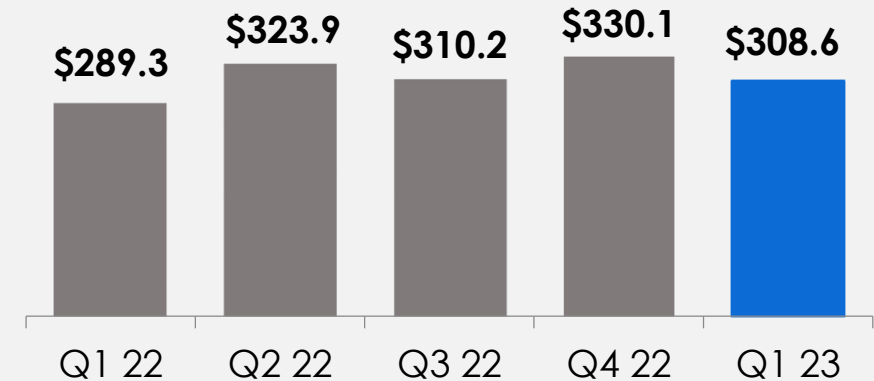
Orders



Unfavorable \$3.3 million foreign currency translation

Book:Bill 0.85x

Backlog



Backlog up 7% over the prior-year period

Sequential decline reflects the loosening of some supply chain constraints

Majority to ship in three to nine months

2023 Outlook¹



- ✓ Strong start to 2023 – expect investments in technology and solutions to continue to yield positive results
- ✓ 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: 10177270*
- Telephone replay available through Thursday, May 11, 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)

	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023
Net income	\$ 2,504	\$ 4,581	\$ 6,609	\$ 3,696	\$ 6,315
Amortization of intangible assets - net	2,460	2,233	2,725	2,395	2,305
Foreign currency gain/loss - net	38	(194)	197	187	164
Business development costs - net	650	1,085	152	655	151
Adjusted Net Income	\$ 5,652	\$ 7,706	\$ 9,683	\$ 6,933	\$ 8,935
Average Diluted Shares Outstanding	15,599	15,932	16,169	16,145	16,137
Diluted earnings per share	\$ 0.16	\$ 0.29	\$ 0.41	\$ 0.23	\$ 0.39
Adjusted diluted earnings per share	\$ 0.36	\$ 0.48	\$ 0.60	\$ 0.43	\$ 0.55

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, 2021	Dec 31, 2022	Mar 31, 2023
Net income	\$ 24,094	\$ 17,389	\$ 21,201
Discrete income tax benefit	(7,373)	-	-
Amortization of intangible assets - net	4,938	9,812	9,658
Income tax valuation allowance	506	-	-
Foreign currency gain/loss - net	18	228	354
Business development costs - net	998	2,542	2,043
Non-GAAP Adjusted Net Income	\$ 23,181	\$ 29,971	\$ 33,256
Average Diluted Shares Outstanding	14,517	15,951	16,096
Diluted earnings per share	\$1.66	\$1.09	\$1.32
Adjusted diluted earnings per share	\$1.60	\$1.88	\$2.06

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				
	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023
Net income	\$ 2,504	\$ 4,581	\$ 6,609	\$ 3,696	\$ 6,315
Interest expense	1,038	1,525	2,337	2,792	2,983
Provision for income taxes	679	1,691	2,508	1,414	1,904
Depreciation and amortization	6,435	6,096	6,692	6,264	6,145
EBITDA	\$ 10,656	\$ 13,892	\$ 18,146	\$ 14,166	\$ 17,347
Stock compensation expense	1,349	1,141	1,262	1,321	1,267
Foreign currency loss (gain)	50	(253)	257	244	214
Business development costs	848	1,417	199	855	197
Adjusted EBITDA	\$ 12,903	\$ 16,197	\$ 19,864	\$ 16,586	\$ 19,025

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, 2021	Dec 31, 2022	Mar 31, 2022
Net income	\$ 24,094	\$ 17,389	\$ 21,201
Interest expense	3,236	7,692	9,637
Provision (benefit) for income taxes	(981)	6,292	7,517
Depreciation and amortization	18,307	25,486	25,197
EBITDA	\$ 44,656	\$ 56,859	\$ 63,552
Stock compensation expense	4,161	5,073	4,991
Foreign currency loss	21	298	462
Business development costs	1,299	3,319	2,668
Adjusted EBITDA	\$ 50,137	\$ 65,549	\$ 71,673

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 *(Unaudited)*

(\$ in thousands)

	Three Months Ended	
	March 31, 2023	
Revenue as reported	\$	145,549
Currency impact - unfavorable		3,252
Revenue excluding foreign currency exchange impacts	\$	148,801

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.