Operator: Greetings and welcome to Allient First Quarter Fiscal Year 2024 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Craig Mychajluk, Investor Relations. Thank you. You may begin.

Craig Mychajluk: Thank you and good morning, everyone. We certainly appreciate your time today as well as your interest in Allient Inc. Joining me on the call are Dick Warzala, our Chairman, President and CEO, and Jackson Trostle, our Corporate Controller. Dick and Jackson are going to review our first quarter 2024 results, and provide an update on the company's strategic progress and outlook, after which, we'll open up for Q&A. You should have a copy of the financial results that were released yesterday after the market closed. If not, you can find it on our website at allient.com, along with the slides that accompany today's discussion.

If you are reviewing those slides, please turn to **Slide 2** for the safe harbor statement. As you are aware, we may make forward-looking statements on this call during the formal discussion as well as during the Q&A. These statements apply to future events that are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from what is stated on today's call. These risks, uncertainties and other factors are discussed in the earnings release as well as with other documents filed by the company with the Securities and Exchange Commission. You can find these documents on our website or at sec.gov.

I want to point out as well that, during today's call, we will discuss some non-GAAP measures, which we believe will be 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. We have provided reconciliations of non-GAAP to comparable GAAP measures in the tables accompanying the earnings release and slides.

With that, please turn to **Slide 3**, and I will turn it over to Dick to begin.

Dick Warzala: Thank you, Craig, and welcome, everyone.

Before delving into the quarter discussion, I'd like to provide an update on our ongoing search for a new CFO. The process has been productive, yielding a pool of high-caliber candidates and we anticipate welcoming an external candidate onboard very soon. Given the timing, Mike graciously agreed to extend his tenure as CFO until the end of June which will facilitate a smooth transition of his duties. Due to prior planned commitments, Mike couldn't join us on today's call, and Jackson Trostle will be filling in for him.

I would like to take this moment to extend my heartfelt wishes to Mike, as he embarks on his retirement. Throughout his tenure, Mike has been an outstanding partner, and has played a key role in establishing the framework necessary for us to support the levels of growth we've achieved over the years. Under his leadership he also cultivated a strong supporting team, laying a solid foundation for our continued success in the future.

I would also like to express gratitude to two other individuals for their guidance and support over the years. Jim Tanous, a director since 2014, has chosen not to stand for re-election, resulting

in a reduction of our Board's size to six members after yesterday's annual meeting. Jim's steadfast dedication, insightful guidance, and invaluable contributions have left an indelible mark on our company's trajectory.

Similarly, I extend sincere appreciation to Joe Kubarek for his over 12 years of service to Allient, including as secretary and corporate counsel. Joe has been a constant force over the years and his guidance has been instrumental in supporting our needs as we executed numerous acquisitions and realized excellent organic growth over the years. On behalf of the entire Allient family, I extend our sincerest thanks to these three individuals for their unwavering commitment and contributions. Now, let's turn our focus to the results.

The past quarter has been a testament to our resilience and adaptability. Moreover, our commitment to operational excellence and cost management has bolstered our margins and fueled bottom-line growth along with strong cash flow generation. Given improved lead times, customer order patterns are normalizing to a pre-pandemic environment and excess supply is being taken out of the channel, which has had an impact on order rates, which I will review later in the presentation.

Demand from our end markets was mixed, reflecting the various states of supply normalization within each market, with some pockets of weakness in Europe. Our top line came in at nearly $147 million for the quarter. On the plus side was our Vehicle markets, which continued to benefit from the ramp of automotive programs, and Industrial markets, which has increased at least double digits for each of the last 12 straight quarters, largely driven by industrial automation projects and power quality solutions. This market has also benefited from the improved supply chain and acquisitions.

We reviewed the acquisition of SNC Manufacturing on our last earnings call as we completed the transaction in early January. SNC is a well-established company with locations in the U.S., Mexico and China, and their offerings are complementary to our current power quality capabilities. While SNC has some medical and A&D business, the vast majority of their revenue will show up within our Industrial bucket. As a reminder, this was our first tuck in acquisition in support of our Power technology pillar and we are excited about the synergies that are developing as a result.

We saw margin expansion across the board, with gross margin up 80 basis points, operating margin up 40 basis points and adjusted EBITDA margin up 60 basis points. Overall, net income per diluted share increased 8% to $0.42 and on an adjusted basis, net income per share was $0.58, up 5% for the quarter. The stronger earnings, combined with improved working capital, led to cash generation of $9.2 million, a record level for a first quarter.

With that, let me turn it over to Jackson for a more in-depth review of the financials.

Jackson Trostle: Thank you, Dick. Starting on **Slide 4**, we highlight our top line. First quarter revenue increased 1%, or $1.2 million, to $146.7 million. The impact of foreign currency exchange rate fluctuations was favorable by $0.2 million.

Sales in our Vehicle markets increased 12% during the quarter, driven by the anticipated escalation of certain automotive programs. Partially offsetting this growth was the continued decline in demand for agricultural vehicles given the softness in Europe stemming from geopolitical tensions, notably the Ukrainian conflict.

Industrial markets were up 10%, lifted by recent acquisitions and heightened end market demand within industrial automation, electronics, and power quality solutions, particularly those for the HVAC markets.

A&D sales saw a decline of 22%, primarily attributed to the timing of certain space industry initiatives. We did see an uptick in defense demand throughout the quarter, which helped to somewhat mitigate the impact of this timing.

Our Medical markets also saw a decline, primarily due to the persistent softness in medical mobility products and solutions – a trend that has persisted over the past few years.

Slide 5 shows the shift in our revenue mix across markets over the trailing twelve months, and the catalysts for each change. Industrial maintained its position as our largest market and was 45% of TTM sales – a noteworthy expansion of 500 basis points. The robust 25% growth in the Industrial vertical mimics the trends from the recent quarter, and reflected the improvements in the supply chain environment, which facilitated the delivery of long lead projects.

Vehicle market revenue was up 7% on a TTM basis and reflected the same demand drivers as the recent quarter, and also included higher demand for powersports.

Similarly, Aerospace and Defense as well as Medical sales demand also had similar drivers as the first quarter.

Lastly, sales through the Distribution channel, which are a small component of total sales, were up 4% for the TTM period.

As highlighted on **Slide 6**, gross margin expanded 80 basis points to 32.3% for the quarter on higher volume, favorable mix, and pricing, along with the continued emphasis and usage of our lean tool kit throughout the organization. These impacts more than offset elevated raw material costs and remaining supply chain disruptions.

Moving to **Slide 7** for our operating performance, you will notice we had an increase in engineering and business development costs for the quarter, which largely reflected recent M&A activity. Helping partially offset this was lower general and administrative costs, which were 40 basis points lower as a percentage of sales year-over-year. Overall, operating income increased 6% to $12.1 million, or 8.2% of revenue, a 40-basis point improvement.

On **Slide 8**, we present GAAP net income and adjusted net income, which we believe provides a better understanding of our earnings power, inclusive of adjusting for the noncash amortization of intangible assets, which reflects the company's strategy to grow through acquisitions as well as organically.

First quarter net income increased 9% to $6.9 million, or $0.42 per diluted share, and on an adjusted basis, was up 7% to $9.5 million, or $0.58 per diluted share.

The effective tax rate was 21.8% in the first quarter of 2024. We expect our income tax rate for the full year 2024 to be approximately 21% to 23%.

We use adjusted EBITDA as an internal metric and believe it is useful in determining our progress and operating performance. Adjusted EBITDA increased 5% to $20.0 million, or 13.7% of revenue, up 60 basis points.

Slides 9 and 10 offer a snapshot of our cash flow and balance sheet. Notably, we experienced a robust cash generating quarter, amounting to $9.2 million of operating cash flows, marking a

significant increase from the $3.6 million in the prior year's first quarter. This achievement is particularly noteworthy considering that the first quarter is traditionally a higher operating cash consumption period. The year-over-year increase was attributed to elevated net income and enhanced management of working capital. Our projections indicate a sustained momentum in driving strong cash flows, aligning with our historical trends.

Capital expenditures for the quarter were $3.0 million and largely focused on new customer projects. We expect 2024 capital expenditures to be in the range of $13 million to $17 million.

The increase in cash utilized for investing activities during the first quarter of 2024 was primarily attributed to the acquisition of SNC. Additionally, the investing activities for both the first quarters of 2024 and 2023 included a deferred payment of $6.25 million related to a prior acquisition.

Inventory turns were 3.0x and our DSO was at 55 days for the quarter.

Total debt was approximately $240 million, up from year-end 2023 due to the SNC acquisition. Debt, net of cash, was about $209 million or 43.9% of net debt to capitalization. Our bank leverage ratio was 2.89x. Reducing debt remains at the top of our priorities regarding the use of capital.

Lastly, we recently extended the maturity of our existing $280 million revolving credit facility for five years to 2029. Borrowings for the revolving facility bear interest on a sliding-scale rate based on leverage of 1.25% to 2.50% over SOFR. In addition, for added flexibility and to lock in favorable rates, we entered into a $150 million fixed-rate private shelf facility under which $50.0 million of borrowings occurred on March 21, 2024. The fixed-rate $50.0 million debt bears interest at 5.96% and will mature in March 2031.

With that, I will now turn the call back over to Dick.

Dick Warzala: Thank you, Jackson. **Slide 11** shows our orders and backlog levels. As discussed on previous calls, the shift in our backlog reflects ongoing enhancements within our supply chain environment. These improvements have facilitated the shipment of several long-lead industrial projects as demand returns to a more normalized pre-pandemic level with customer ordering patterns adjusting accordingly, as reflected in our book to bill.

The year ahead will undoubtedly pose challenges as we continue to adapt to these evolving dynamics. However, this presents an opportunity to optimize our working capital and bolster cash flow. It is also important to stress that there are exciting initiatives on the horizon as we progress through 2024 and we are strategically positioning our organization to capitalize on significant opportunities across our targeted verticals. That leads to the highlighted actions on **Slide 12**.

Our strong commitment to our strategy guides all our key decisions. With the unveiling of our new strategic motto, "Simplify to Accelerate NOW," we embark on a journey aimed at refining our organizational structure, eliminating redundancies, and optimizing our operations.

In pursuit of sustained earnings growth and increased cash generation, our teams have identified key strategic actions for this year and into 2025.

Realigning and rationalizing our footprint represents the largest opportunity but also the most complex. This includes the consolidation of our brands under the Allient banner to include our

Motion, Controls, and Power Technologies. By doing so we ensure a more cohesive approach to foster improved market and customer alignment, enhanced market clarity, and a focused teams that can better serve our diverse global customers.

Our commitment to simplicity extends to customer interactions, with dedicated selling units and solution centers offering specialized expertise and comprehensive system-level solutions. We must eliminate complexity in processing orders and transactions and focus on speed of play to win new business. As a result, we aim to centralize customer entry points and leverage cutting-edge systems to automate processes to reduce transactional cost wherever possible.

Internally, we want to foster a common business language, facilitated by AST, our lean toolkit, ensuring seamless collaboration across all levels. By defining and supporting the needs of the business as a whole, we're driving out redundant costs and strengthening our foundation for future growth.

And lastly, elevating our pace and reducing our product development time to market is expected to deliver tangible value and stands as a top priority. This means reducing the complexity of designs by taking smaller incremental steps and adapting as we move forward. By doing so, we enhance agility, responsiveness, and ultimately, customer satisfaction.

These initiatives are being implemented in phases and some are still being fully vetted. While we expect benefits in 2024, ongoing improvements will be realized over the next 2+ years and will be offset by certain one-time costs to implement. Ultimately, we expect our executed actions to result in a more cost-effective leveraging of our resources and to provide us with a $10+ million-dollar improvement in EBITDA over this timeframe as actions are implemented and gain traction. We believe our efforts and actions are consistent with and will support our goal of achieving a 100 total basis point of annual margin improvement, which will come from a combination of gross margin expansion and operating expense reduction.

During 2023, it is important to note that we enjoyed elevated shipments in certain markets as the supply chain normalized and our customers accepted shipments for orders placed during the height of when lead times were being extended. In 2024, we expect this normalization to have a $30-$40M headwind on our top-line, which will be mostly offset by the SNC acquisition. While the SNC acquisition will help offset the top-line, it will not fully offset the pull through incremental margin we enjoyed as a result. Ultimately, the impact of our cost reduction and profit enhancing activities will help offset the bottom-line pressures that are expected to persist for the near term. In support of our strategic goals as a Company, we will aggressively and proactively adjust the organization, as required, to ensure we establish a strong foundation for the future.

In closing, I want to reiterate our unwavering enthusiasm and confidence in the trajectory of our company. As we look ahead, we are energized by the myriad of opportunities that lie before us. With a firm commitment to innovation, new product development and operational excellence, we are primed to capitalize on these prospects and further elevate our performance over the long term.

As we embark on the journey ahead, rest assured that our vision, strategy, and determination will continue to drive our success in the coming year and beyond.

With that, Operator, let's open the line for questions.

Question & Answer

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Greg Palm with Craig-Hallum Capital Group.

Greg Palm: Starting off with a little bit more color on what you're seeing out there in various end markets, geographies: Is it stable relative to where we were at a couple months ago? Any notable changes you want to highlight or call out?

Dick Warzala: I would say to you that there's more clarity on what we expect to see here in the coming months ahead. Certainly, we pay very close attention to the performance of our customers. As we've seen and are hearing from them, they're expecting that organic growth rates will be down, which certainly would reflect on our organic growth. I mean, the impact would be relatively similar to what we see there. So, I would say to you that, yes, there are certain markets that are having some challenges. I do think it's still a part of the normalization of demand as commitments for orders that have been placed months ago are being fulfilled and inventories are full. Now we'll have to see when that will start to return to full normalization, meaning that the consumption is increasing or at least leveling out to the point of where those inventory reserves are being consumed and then replenished. I'll say that's primarily in the industrial markets, Greg.

Greg Palm: Well, I was just going to ask, you mentioned inventory levels; do you have a sense on where inventory levels are? I mean, I know it varies across customer bases, but just in general. Should we just assume that book to bill is going to run below 1 in the near term as a result of what you're saying?

Dick Warzala: It may be below 1 in the near term, but I think we're going to see that gap is closing. We're starting to see some encouraging signs that there is business. Now orders are being released that hadn't been released for a while, which was resulting in the negative book-to-bill. But I would say to you that there's definitely improvement in that area. So, there's some encouraging signs coming in the near term.

Greg Palm: And then I guess just lastly, thinking about some of the operational improvements that you're making specifically around the Simplify to Accelerate NOW strategy: do you feel like you got some of that benefit in Q1 or is that still to come? Can you give us any more color around the timing? I know you mentioned $10 million when it's all said and done, but when should we see that sort of full run rate of cost improvements?

Dick Warzala: For your first question, have we seen any impact of that in the first quarter? The answer would be no. When will we start to see it? There's been a very comprehensive review of all operations, looking at all areas of cost, and so forth, and expenses. We are working through the details, and we've identified certainly some major opportunities for us that will begin very shortly. So, I would say to you, without providing any more details, it's a complete rationalization of where we are.

Moving forward, on actions, I would have said to you that without COVID, we would have seen some optimization already in the supply chain crisis. We are beginning to move forward. Part of the process is not just to look at reducing costs, but how can we align much better to service our customers. I think that's key. It's critical because we've built the basis of business in different markets, and we think we can better service those markets and gain additional market share.

There's opportunities to increase the EBITDA generation, profit generation, from improved business levels by leveraging the synergies we have in place and there's also opportunities by

restructuring and realigning to be more focused on markets that we serve and create an expertise that better services our customers. Those will start in Q2 and will continue throughout the year. That's what I would say to you. Again, with some of the actions, there will be some one-time costs. We'll be very clear on what those are and as we identify, and we relay it to the marketplace. But I think that's about as much as I can cover right now without giving you more specifics, which we're still working on.

Operator: The next question will come from Gerry Sweeney with Roth Capital.

Gerry Sweeney: Not quite a repeat of Greg's question, but curious as to demand, how much of it is, order normalization versus maybe fiscal tightening in the US and in certain other countries? I'm not sure if the economy is slowing down. I'm just curious if you would have any thoughts on delineating between the two.

Dick Warzala: Yeah. I would say to you that as we've watched the book-to-bill ratio – we watched our backlog and look at the markets, both geographic and vertical – it wasn't unexpected. I think we've talked about it for several quarters that it really was going to happen.

Typically, as I look at our business and we pay attention to what's happened with our customers, we typically lag that. Where we've seen some reduction in demand for our end customers, we held up. As we're looking at what their forecasts and projections are for the near-term – I think we're modeling in that -- we're going to follow that. But as I said, I wanted to make the point that the gap of the negative book-to-bill ratio is closing. And we've seen some encouraging signs where certain projects and certain, where we've expected to begin resuming deliveries on certain projects, it is happening.

Europe is still a question mark, especially Germany, where they're talking about major reductions in demand and so forth throughout the economy. That's the one area that we're still watching closely, although we'll have to say other parts of Europe, we're again starting to see that same trend where the order patterns or delivery, I'll say shipment patterns, are improving. So, it's going to be pretty telling here. The next couple of quarters we bottomed out and we normalized inventories and we're now starting to supply to real demand, not filling channels and so forth.

Gerry Sweeney: I do know that you had spoken about order normalization for some quarters, and it sounds as though it's tracking as expected, but there are some pockets that it's still a little bit of wait and see. Is that a fair summation?

Dick Warzala: It is. Again, as I mentioned in the conference call here, the headwind that we faced, it's a real interesting one because we received orders and multiple-year orders where supply chain could not supply key components.

I know our customers honored the deliveries when the supply chain opened up and we were able to get components. It certainly elevated the shipments from last year, which were depressed from the prior year and will have an impact into this year, as I mentioned. So, if we think about that demand, the questions I can anticipate may be coming here, we said that we have this headwind of top line. That was incremental top line based upon existing base of business and offset by the acquisition of SNC, which of course comes in as a full company with fully loaded expenses and operating costs and so forth. It's not the same profit generation from an incremental standpoint, right. We've got a full business. We're bringing that same level of business through, but the profits can't be expected to be the same because of an incremental demand.

Gerry Sweeney: Just one more from me, then I'll jump in line. Inventories, turnovers, DSOs, what is the target or what would be more of a normalized level? I know it's in the slide deck. It

was 22, 23 and I think 24. But we had COVID, and you also had a bunch of acquisitions since that time frame. I'm just curious if you sort of have a target where you want to take that, where sort of working capital…

Dick Warzala: I'll let Jackson answer that.

Jackson Trostle: I would say, wouldn't be accurate to say we'll revert back to exactly where we were pre-COVID because a portion of the business has changed along with our acquisition since then. In the DSO range, I'd say based on our customer mix, there should be improvement, but I wouldn't expect it to be below 50 in the near term. And inventory turns, we're driving towards, I'd say in the 3.5 range at the end of this year, into the first quarter of next year would be our expectation. Certainly, driving to find opportunities to even exceed that internally where we can.

Operator: Our next question comes from Ted Jackson with Northland Securities.

Ted Jackson: Dick, I want to auger into kind of the efforts you're making with regards to kind of restructuring operations and business. I have a few questions around that, and I want to start with the brand consolidation. So, if I understood you correctly, are you eliminating all the different from the various acquisitions and everything's going to Allient? Then am I understanding that you're going to centralize a lot of operations for that, across those businesses?

The reason I ask that is what is going back into your M&A. In the past, it seemed to me that the strategy for Allient was to buy smaller companies that kind of fit within your world, give them the resources to grow their businesses, usually kind of keep the management team in place and really kind of let them run it. When I listen to what you're doing, and I'm not criticizing it, because honestly, I actually approve of it – but is it a change in kind of the strategy? How do you see that impacting your ability to bring in acquisitions? Because I would think that for many of your targets, if they can have you own them and they still get a run at that, that's kind of an attractive proposition for them. So that's my first question. I have a couple more behind it.

Dick Warzala: Sure. There's a lot of questions in that first question, Ted, so let me go ahead. So first off, the parent company named Allient. Ted, you joined in as an analyst for us within the last two to three years. If you go back in time, when we began the roll-up in the motion side of the business and how we handled brands under Allied Motion, you will see that we took a logical approach to changing the names, over time.

There are some that have been fully changed, and where companies with separate names – but smaller who had some brand recognition, but it was a limited customer base – were rolled into Allied Motion. Basically, it was Allied Motion and a location, for example, Tulsa, Stockholm, Dordrecht, et cetera.

As we move forward, there were certain reasons, as we acquired other companies, to maintain the individual brands a little longer. We do realize as a company that we want to compete as a company, and that's our strength. By coming out with a new brand, a new name, Allient; “connecting what matters”, leveraging all of our pillars. We've been working hard to identify within the vertical markets, and that gets into some of the realignment that I'm talking about. We'll discuss further here the opportunity to bring multiple technologies from the different pillars into the vertical markets as a solution as one company. There are many reasons for doing that. But if you don't do that, then what happens is each entity gets treated as an individual company. If you want to get qualified with larger customers and open up the door for multiple products, it becomes very difficult and very restrictive.

So having a company, not just the name, but a company that has a quality management system. That has an outlook on all of the corporate initiatives. That's consistent with what we're portraying as a corporation. Which creates an image for a more powerful, more capable company that is going to focus on the verticals that can truly drive growth and provide better support. That's the reason. It will still be a logical approach. It's not an overnight change, but as you'll see, we're introducing it at trade shows. We're changing literature, we're changing websites, we're doing all of that work behind the scenes, but it's a slow migration to ultimately get it to Allient.

With regard to the individuals within the companies, you're absolutely correct. One of the first questions I receive at every single acquisition, post-acquisition meeting is: what's going to happen to our name? We basically say that we will keep a brand. But for us, in order to be more cost-effective from the operating expense standpoint, we need to merge some of this together – in terms of having all these individual entities having tax returns; having all the reporting that's necessary; and the audits that are necessary if you keep these independent. We're bringing them together and we're doing that now.

We're putting logical groups of companies together. We're retaining management, we're retaining key individuals. What we're doing though is saying, hey, listen, there's a better way to operate as a combined entity, to get the power and the strength of the corporation out there to leverage that and to bring everything we have possible to bring a more complete solution into the verticals and satisfy our customers. Also, do it with a higher level of expertise and focus.

So, I see no issue with us acquiring companies, in looking at our brand strategy over-time, we'll have brands as products, but we'll have a company, one company that will support and service multiple brands, okay, product brands, product lines, not companies. So, we can simplify that whole side of our business.

I think I've answered all of your first question.

Ted Jackson: Yup. I mean, you get where I was going with it. It sounds like there is a shift in here. You're going to basically centralize a lot of behind-the-scenes stuff with regards to, like you said, a lot of the stuff in the G&A. I am curious, how does it play? I mean, a lot of the different sort of entities within Allient had independent standalone sales efforts. What are you doing on that front or is it too early to ask that question?

Dick Warzala: No, that's certainly a fair question. That's one of the things that we leverage very quickly: there isn't one Allient sales force, there will not be one Allient sales force. So, make that very clear. I think while we can leverage many of the products in a solution in certain markets to certain customers, we're still going to have that demand that comes from discrete products to certain customers in certain markets by pillars.

We have that, that structure is already in place. What we're doing is enhancing that. When I say enhancing it, for example, if we take defense vehicles, we sit there and we go through our strategy session and we determine, “Okay, what are we selling into this market, what applications and how many different applications are we servicing within, let's just call it, a defense vehicle.” We find that it's very significant and things that maybe the team wasn't aware of. But now we're better prepared to have a customer-facing team that's totally knowledgeable of everything we can bring to bear. We have the support, the engineering support, application engineering support, and they can reach into the company, take an order from a customer for everything we’re going to supply, in one time. That's where the opportunity really lies.

Then if you think about, if we maintain the way we did it in the past, these customers are placing individual orders at different locations. They all have to be entered, they all have to be invoiced, they all have to be tracked and so forth, and then it becomes complicated to do business with us. It's like dealing with not one company, but multiple companies. And that's the one complaint

that we would hear. Yes, you're calling yourself one name, but you're not acting as one name. And that's part of the change.

From a transactional standpoint, the changes that we're looking at is say, internally getting the IT systems in place that can support a structure. An order comes in, it's placed for an end user part number, let's call it x. That x has many different components and sub-assemblies coming from multiple locations within Allient. Take that order – we drive demand one time throughout the company, be satisfied; we ultimately ship the product; we invoice once, and we have one receivable; and we drive the revenue recognition and the profit recognition back into the specific TUs.

So, it sounds like it is a very tremendous simplification of the duplicative process. We have to deal with one customer shipping many products with different customer service-facing units, facing to the customer, and all the transactional processing we have to go through. So that's some of that simplification we're talking about, but it's also a true alignment of the expertise and digging deeper into those applications and supporting it with everything we have available.

There's work there. We talked about systems in order to be able to do this, connecting those systems. Not everybody's on the same computer system, but that process continues to move forward. But when that occurs, it really simplifies, and it's a transaction that occurs electronically, not manually, each time, as some of it is today.

Ted Jackson: Well, I think you answered one of my next questions. Sounds like with this reorganization, if you would have processed that, you'll be going through a consolidation of kind of back-office systems and such. I assume this involves possibly new ERP, like a standardized ERP and CRM systems and things along those lines, and you're in the process of kind of mapping that out. Having gone through that in my operational days, it's clearly a multi-year project to kind of map that out and get it in place and get it into your solutions, you got to be really careful with it. I mean, is that what I'm hearing from you?

Dick Warzala: We need to be clear. We have been doing that. That's been ongoing for multiple years now, and we have converted the vast majority of the acquisitions onto a common system, the vast majority. Some of the smaller ones I think is where the real benefit is to be derived, we're adding capabilities that didn't even exist. So that process has been ongoing. It continues, and we have a really good team. I started my career in that area, and we have a really good team that from starting the project, to executing, and getting it implemented is a very short period of time, and it's been done successfully over, and over, and over.

So we're not starting now. We are well along the way, and we are completing. I'll say we're on the final phases of completing the conversion and the cutover to a common system, and it won't be all. I do have to be clear. We do operate very well internally here using Hyperion or HFM to consolidate and create business reports for us because there are systems that are deeply rooted in certain companies that you just can't rip out. So where we can, and we are already well down that path and have been doing it, and it's been done successfully. We are, I'll call it, in the later innings of where we are, at the point of getting close to getting. They're never done, but getting close to the point of getting the identified systems up and converted and running as a company.

Ted Jackson: Well, I think it's going to be an exciting journey. I have been through some of that stuff before, and I will tell you, it's pretty interesting, beyond the stuff you're doing to organize the business to be more effective. With regards to customer-facing; when you get in and you start getting into cost improvements and cost savings, you know that it's much easier to make a dollar by saving a dollar than it is by going and selling stuff to make a dollar, if that makes sense to you. I applaud you for going at it, and I look forward to hearing about the progress in the years to come, and I'll step out of line. Thanks.

Dick Warzala: Sounds great. Thanks, Ted. Just to add to the back end of that is: the reasons for doing this is also to establish the foundation for the next level of growth in the company. We feel the time is right. We've had several and many acquisitions we did at a fast pace. It's time to bring those together and to establish this really strong base and foundation so we can move into the next level of growth that we expect within the company. So that's the other important part of this as well. But thanks for all your comments and questions. I appreciate it.

Operator: Our next question comes from Brett Kearney with American Rebirth Opportunity Partners.

Brett Kearney: I had a question on your growing power technology pillar. Can you help us think about either magnitude or potential runway you're seeing for some of your solutions there going into the fast-evolving data center market? As well as your ability to supply that I think the SNC manufacturing acquisition unlocks the TCI business?

Dick Warzala: I want to talk about one of the exciting opportunity areas for us and highlights. You've identified the combination of TCI and SNC and the opportunity for us with the management teams to look at the true synergies that these combined entities can bring. It's extensive and it's exciting. You hit it as far as data centers and the ongoing demand and need for that, certainly that's not going away. That will continue to explode over the years ahead.

The second thing you asked about, or you mentioned, was the ability to supply. Certainly, anyone following the industry has seen lead times have extended. They still have supply chain issues in that market for certain materials which have caused orders that can be placed for 12 or 24 months out still. For us, the expanded footprint that these operations bring together, the Mexican facility that's well established for SNC is that something that's being leveraged immediately, and it is resulting in our ability to service customers and supply. So, we were capacity constrained. That's been unleashed and it's happening quickly. I can only say, I compliment the teams in Wisconsin and Mexico and China and so forth for their efforts here to ensure that it happens as quickly and as efficiently as possible, and that's actually happening. So that's a great question. One of the bright spots and bright opportunities for the future, the synergies there are extensive and literally the opportunity to create this one company approach to the market exists with the combination of these two.

Operator: We have reached the end of the question-and-answer session. I'd now like to turn the call back over to management for closing comments.

Dick Warzala: Thank you everyone for joining us on today's call and for your interest in Allient. We will be participating in the Craig-Hallum Investor Conference on May 29 in Minneapolis. Otherwise, as always, please feel free to reach out to us at any time, and we look forward to talking with all of you again after our second quarter 2024 results. Thank you for your participation and have a great day.

Operator: This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Allient, Inc. (ALNT) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website (www.allient.com), as well as to information available on the SEC's website (https://www.sec.gov/) before making an investment decision. Please also refer to the opening remarks of this call for ALNT's announcement concerning forward-looking statements that were made during this call.