



Motion Solutions that Change the Game

Third Quarter 2022 Financial Results Call

November 3, 2022

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.

Third Quarter 2022 Highlights – Strong Execution

(Compared with prior-year period unless otherwise noted)

Record Revenue \$134.4M +30%	Gross Margin 32.2% +130 bps	Organic Growth ¹ 15%
Record Operating Income \$11.7M +35%	Operating Margin 8.7% +30 bps	Diluted EPS GAAP - \$0.41 Adjusted² - \$0.60

Sales to Industrial markets were up 39% and reflected new solutions offerings, strong end market demand in a number of verticals and incremental sales from acquisitions

Higher volume, pricing, and accretive acquisitions drove gross margin performance

Adjusted EBITDA² increased 37% to \$19.9 million, with a margin of 14.8%, up 80 basis points

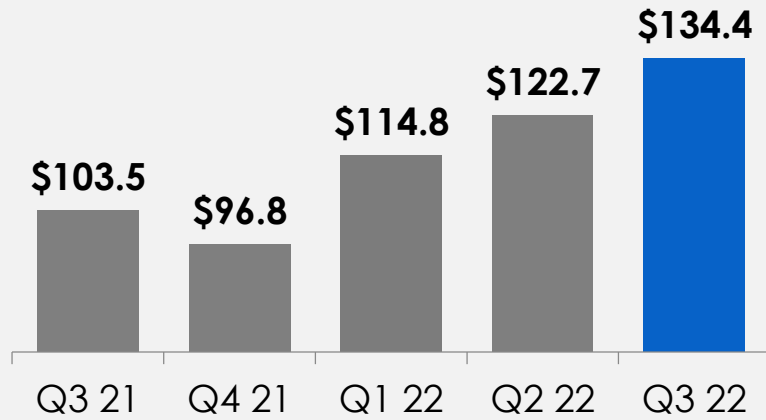
⁽¹⁾On a constant currency basis; See supplemental slides for the reconciliation of revenue excluding foreign currency exchange rate fluctuations and other important disclaimers.

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

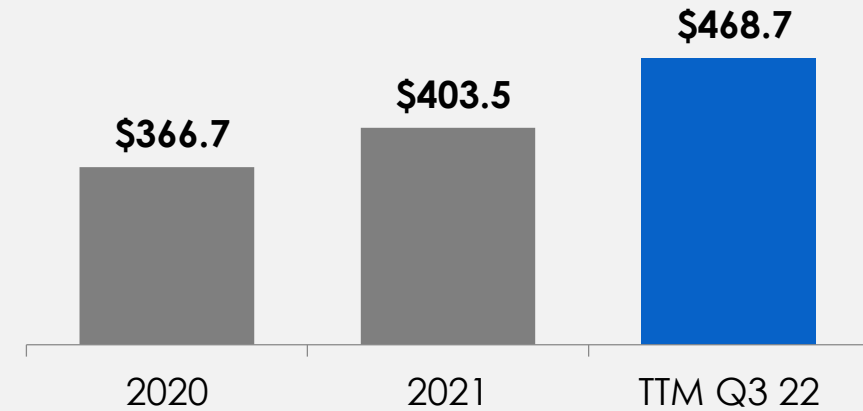
Revenue

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

Quarters



Years



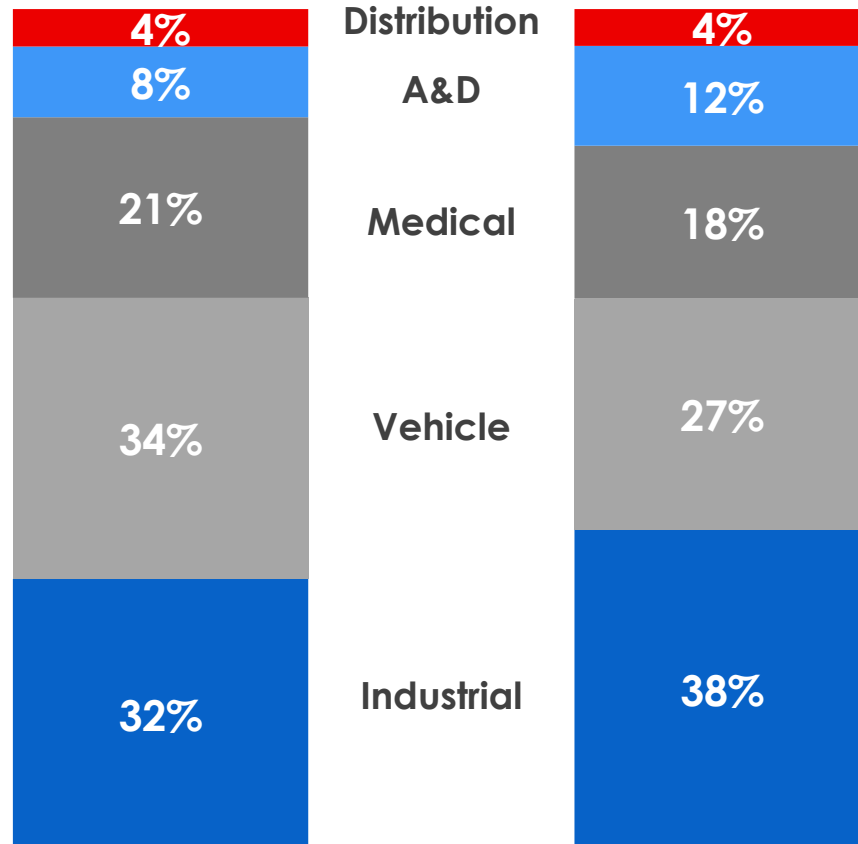
Up \$30.9 million or 30%; excluding \$7.2 million unfavorable FX, revenue up 37%

Q3 22 market growth: A&D +159%, Industrial +39%, Distribution +25%, Vehicle +4%, and Medical +4%

Organic growth of 15%

Sales to U.S. customers were 59% in Q3 22 compared with 56% in prior-year period

Revenue by Market (TTM)



TTM Q3 2021

Rev: \$399.7 million

TTM Q3 2022

Rev: \$468.7 million

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

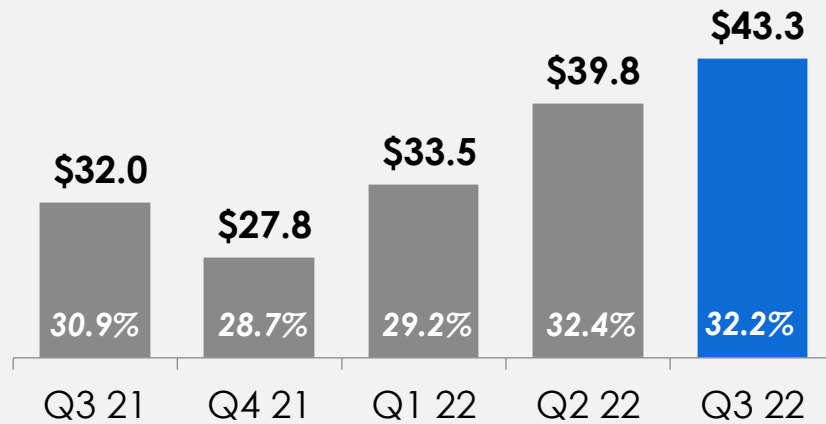
TTM Revenue Change and Market Drivers

+66%	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
-4%	Strong truck and agricultural vehicle demand more than offset by broad supply chain challenges within commercial automotive and powersports
+39%	Acquisition contributions plus higher demand within industrial automation, oil & gas, pumps, and electronics solutions for motor control

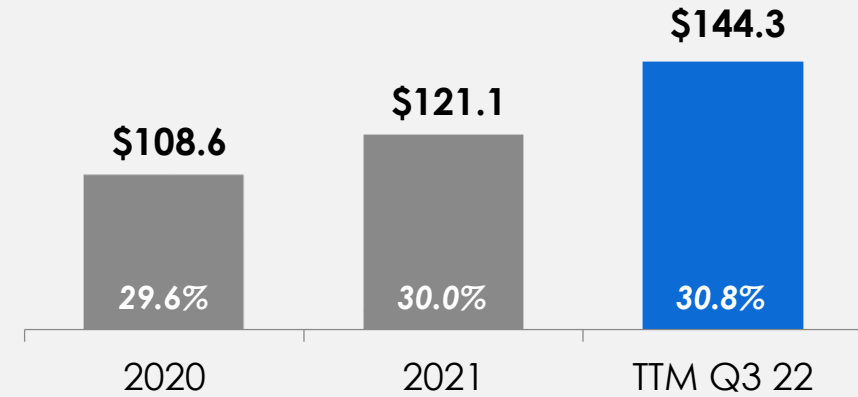
Gross Profit and Margin

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

Quarters



Years



Up \$11.3 million or 35%

130 basis points margin expansion

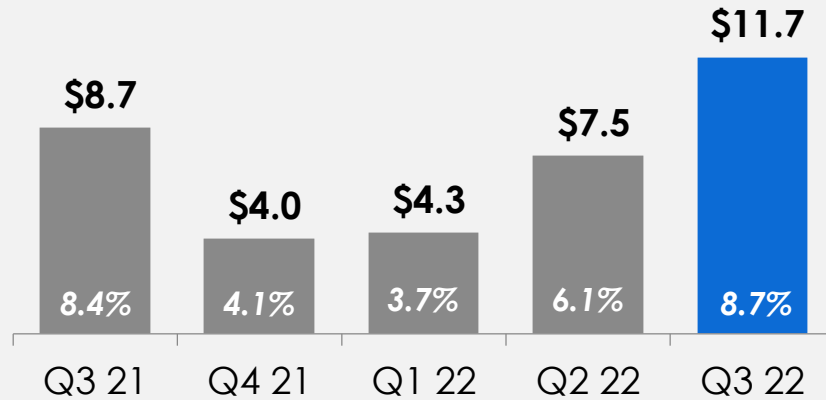
Margin impacts:

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

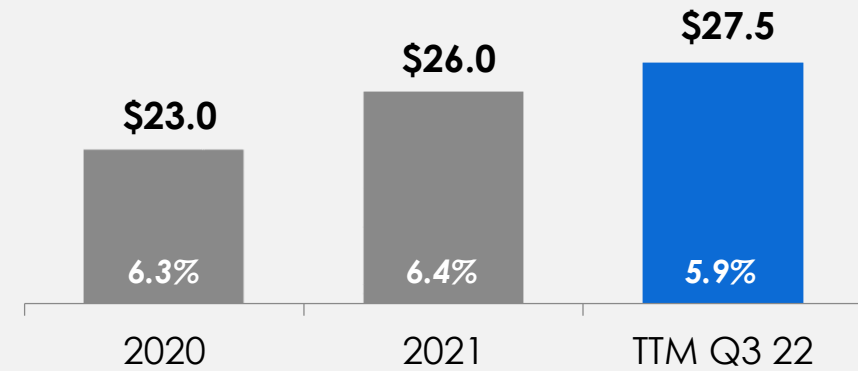
Operating Income and Margin

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

Quarters



Years



Operating costs and expenses as a percent of revenue were 23.5%, up 90 bps largely due to recent M&A activity

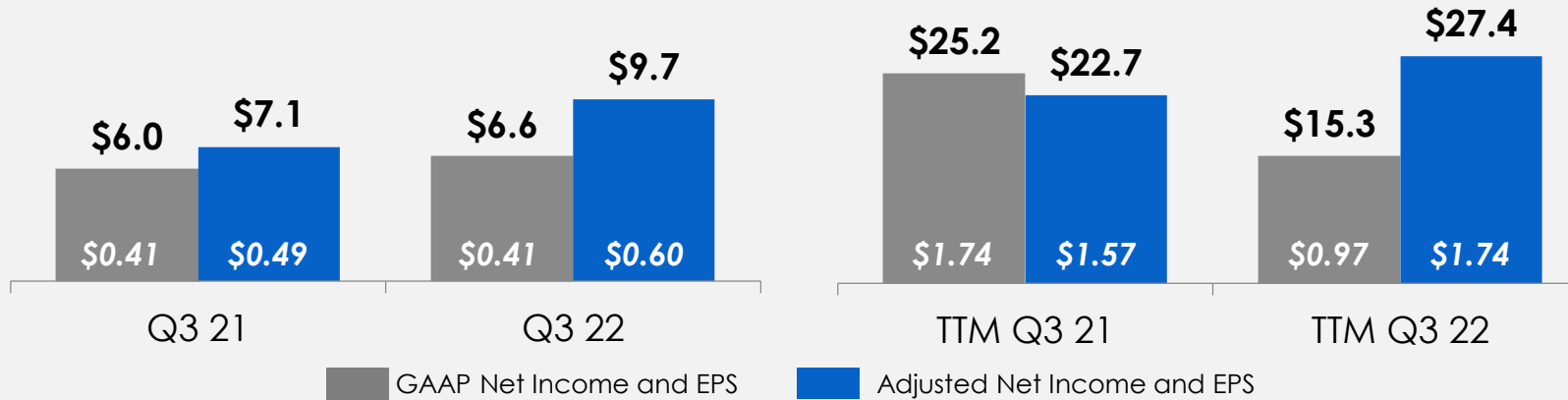
80 bps attributable to higher amortization expense & 70 bps attributable to higher engineering and development costs

Partially offsetting was lower selling, general and administrative expenses as a percent of revenue due to operating leverage

Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

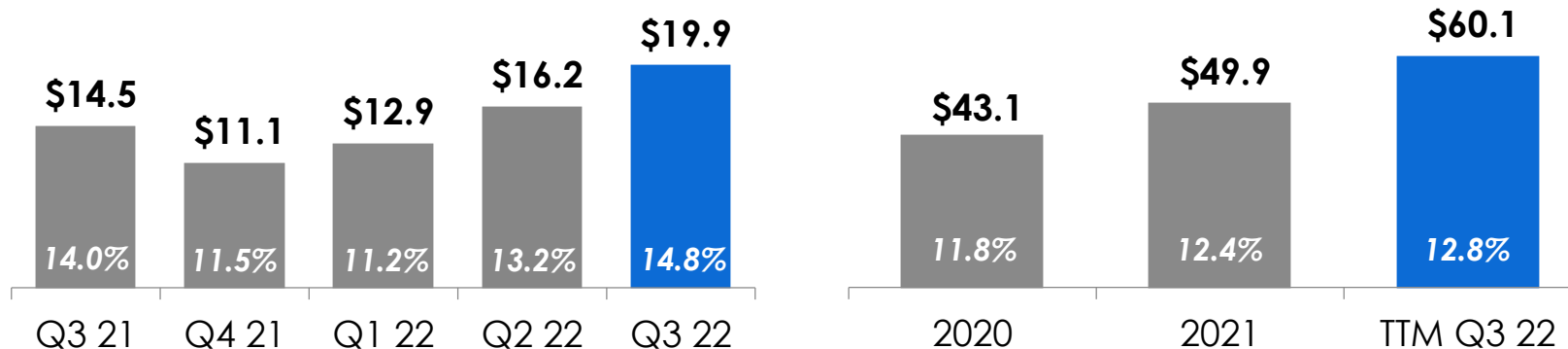
GAAP and Adjusted Net Income and EPS⁽¹⁾



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

2021 TTM GAAP net income reflects a net discrete tax benefit of \$7.4 million relating to legislation enacted in New Zealand

Adjusted EBITDA⁽¹⁾ 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		
	Sept 30, 2022	Dec 31, 2021
Cash and cash equivalents	\$ 19.7	\$ 22.5
Total debt	231.9	159.0
Total net debt	212.2	136.5
Shareholders' equity	201.1	187.8
Total capitalization	\$ 433.0	\$ 346.7
Debt/total capitalization	53.6%	45.8%
Net debt/net total capitalization	51.3%	42.1%

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

Q2 22 acquisitions: utilized \$44.8 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 ratio⁽¹⁾ of 3.75x

⁽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
	9/30/22	9/30/21	9/30/22
Net cash (used in) provided by operating activities	\$ (5.5)	\$ 3.5	\$ (5.8)
Capital expenditures (CapEx)	(4.7)	(3.9)	(11.0)
Operating free cash flow (FCF)⁽¹⁾	\$ (10.2)	\$ (0.4)	\$ (16.9)

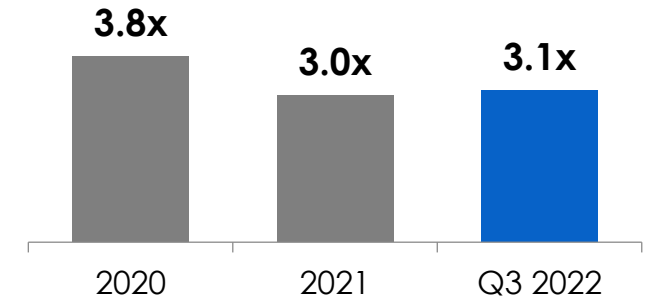
FY22 CapEx: **\$14 - \$18 million⁽²⁾**

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

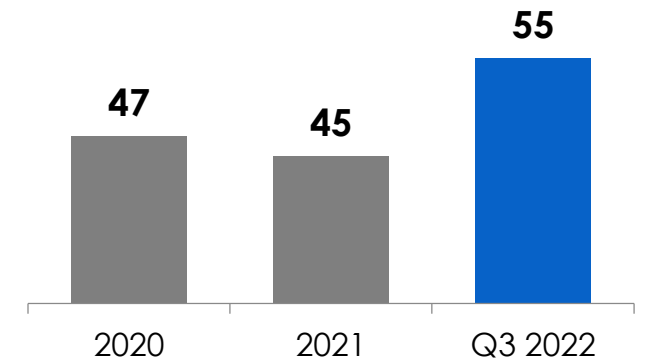
⁽²⁾ 2022 CapEx expectation provided on November 2, 2022

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

Inventory Turnover



Days Sales Outstanding



Orders and Backlog

(\$ in millions)

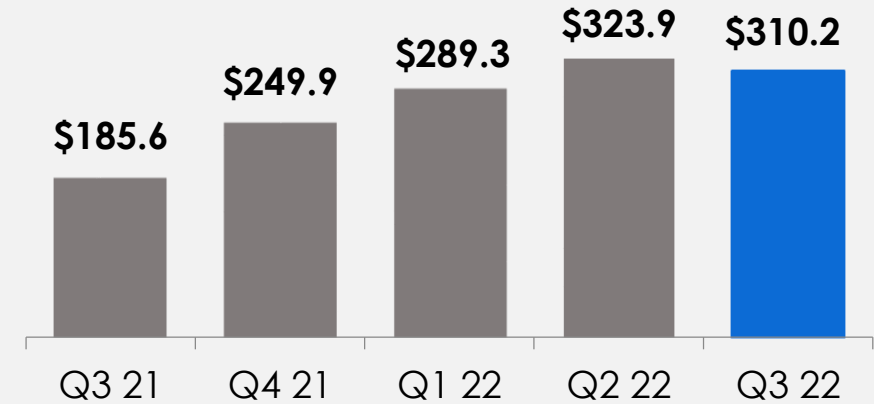
Orders



Book:Bill 0.94x

Unfavorable \$7.3 million foreign currency translation

Backlog



Backlog up 67% Y/Y

Majority to ship in three to nine months

Outlook*

- ✓ In 2023, six acquisitions (*three in Q4 21 and three in Q2 22*) expected to collectively contribute ~\$100 million in revenue, with gross margins in the high 30% range and EBITDA margins in the high teens range
- ✓ Leverage our strengthened competitive position across our target markets
 - *Industrial market demand expected to remain strong*
 - *Vehicle demand will be muted by supply chain disruptions in the short-term, though encouraging production demands for later 2022 and early 2023*
 - *Solid Medical demand lapping pandemic-related sales*
 - *A&D demand expected to improve with acquisitions*
- ✓ Continue to contend with supply chain disruptions and inflation
- ✓ Expect 2022 tax rate to be approximately 25% to 27%
- ✓ Expect to invest \$14 million to \$18 million in capital expenditures during FY22

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

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 10171521*
- Telephone replay available through Thursday, November 10, 2022
- 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				
	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022
Net income	\$ 5,972	\$ 1,561	\$ 2,504	\$ 4,581	\$ 6,609
Amortization of intangible assets - net	1,152	1,470	2,460	2,233	2,725
Income tax valuation allowance	-	506	-	-	-
Foreign currency gain/loss - net	(50)	48	38	(194)	197
Business development costs - net	72	790	650	1,085	152
Adjusted Net Income	\$ 7,146	\$ 4,375	\$ 5,652	\$ 7,706	\$ 9,683
Average Diluted Shares Outstanding	14,502	14,632	15,599	15,932	16,169
Diluted earnings per share	\$ 0.41	\$ 0.11	\$ 0.16	\$ 0.29	\$ 0.41
Adjusted diluted earnings per share	\$ 0.49	\$ 0.30	\$ 0.36	\$ 0.48	\$ 0.60

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	Sept 30, 2022
Net income	\$ 13,643	\$ 24,094	\$ 15,255
Discrete income tax benefit	-	(7,373)	-
Non-income based tax assessment	(424)	-	-
Amortization of intangible assets - net	4,541	4,938	8,888
Income tax valuation allowance	-	506	506
Foreign currency gain/loss - net	760	19	89
Business development costs - net	338	998	2,677
Non-GAAP Adjusted Net Income	\$ 18,858	\$ 23,181	\$ 27,415
Average Diluted Shares Outstanding	14,333	14,517	15,756
Diluted earnings per share	\$0.95	\$1.66	\$0.97
Adjusted diluted earnings per share	\$1.32	\$1.60	\$1.74

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				
	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022
Net income	\$ 5,972	\$ 1,561	\$ 2,504	\$ 4,581	\$ 6,609
Interest expense	777	791	1,038	1,525	2,337
Provision for income taxes	1,950	1,823	679	1,691	2,508
Depreciation and amortization	4,427	4,790	6,435	6,096	6,692
EBITDA	\$ 13,126	\$ 8,965	\$ 10,656	\$ 13,892	\$ 18,146
Stock compensation expense	1,303	1,061	1,349	1,141	1,262
Foreign currency loss (gain)	(69)	63	50	(253)	257
Business development costs	94	1,031	848	1,417	199
Adjusted EBITDA	\$ 14,454	\$ 11,120	\$ 12,903	\$ 16,197	\$ 19,864

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	Sept 30, 2022
Net income	\$ 13,643	\$ 24,094	\$ 15,255
Interest expense	3,716	3,236	5,691
Provision (benefit) for income taxes	5,133	(981)	6,701
Depreciation and amortization	15,985	18,107	24,013
EBITDA	\$ 38,477	\$ 44,456	\$ 51,660
Stock compensation expense	3,550	4,161	4,813
Foreign currency loss	1,035	21	117
Business development costs	473	1,299	3,495
Non-income based tax assessment	(424)	-	-
Adjusted EBITDA	\$ 43,111	\$ 49,937	\$ 60,083

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 September 30, 2022	Nine Months Ended September 30, 2022
Revenue as reported	\$ 134,405	\$ 371,912
Currency impact - unfavorable	7,173	15,577
Revenue excluding foreign currency exchange impacts	\$ 141,578	\$ 387,489

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.