



Nasdaq: ALNT

November 2, 2023

Third Quarter 2023 Financial Results Call

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 2023 HIGHLIGHTS

Compared with prior-year unless otherwise noted

Revenue \$145.3M +8%	Record Gross Margin 32.7% +50 bps
Organic Growth ¹ +7%	Diluted EPS GAAP - \$0.41 Adjusted² - \$0.61
Orders \$154.9M +23%	Robust Operating Cash Generation \$27.1M YTD

Strong industrial market demand

Received \$31M Defense market order

Acquired Sierramotion in September

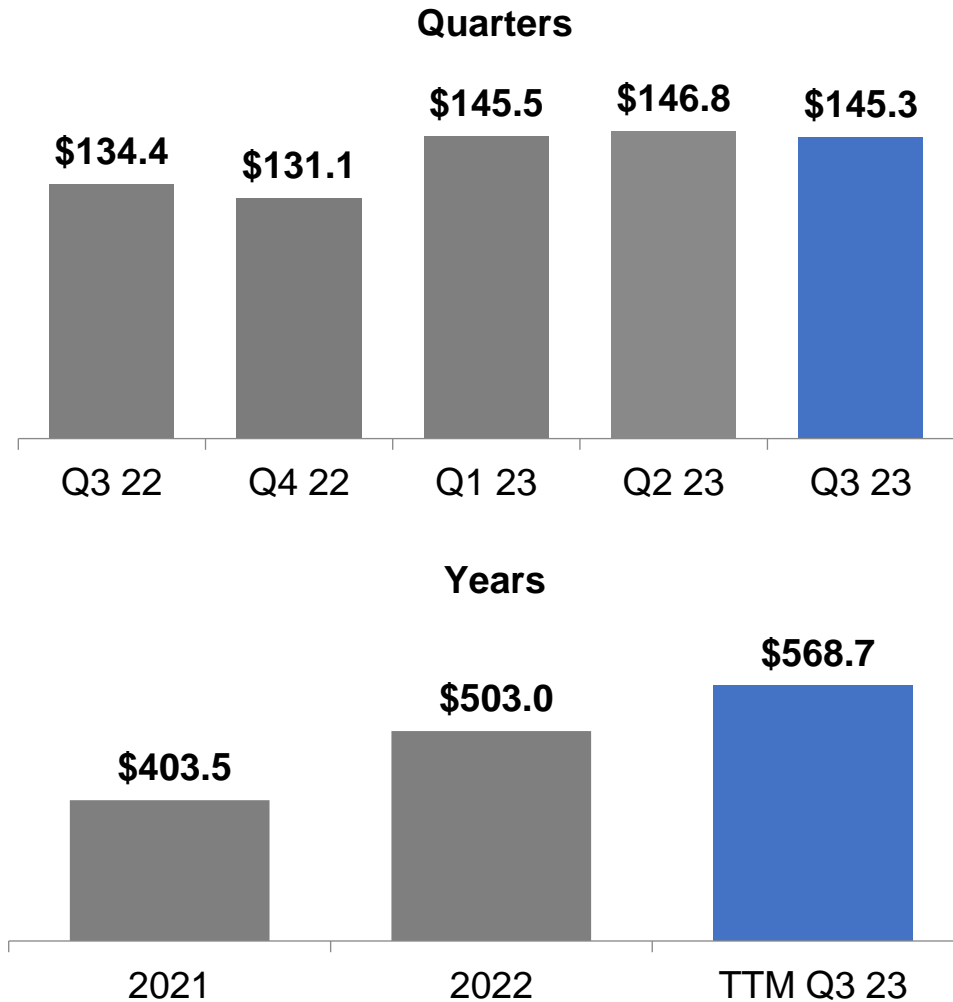
Reduced debt balance \$11.1 million YTD

(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 reconciliation and other important disclaimers.

REVENUE

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



**Up \$10.9 million or 8%;
includes \$1.8 million
favorable FX**

Organic growth of 7%¹

Q3 market growth:

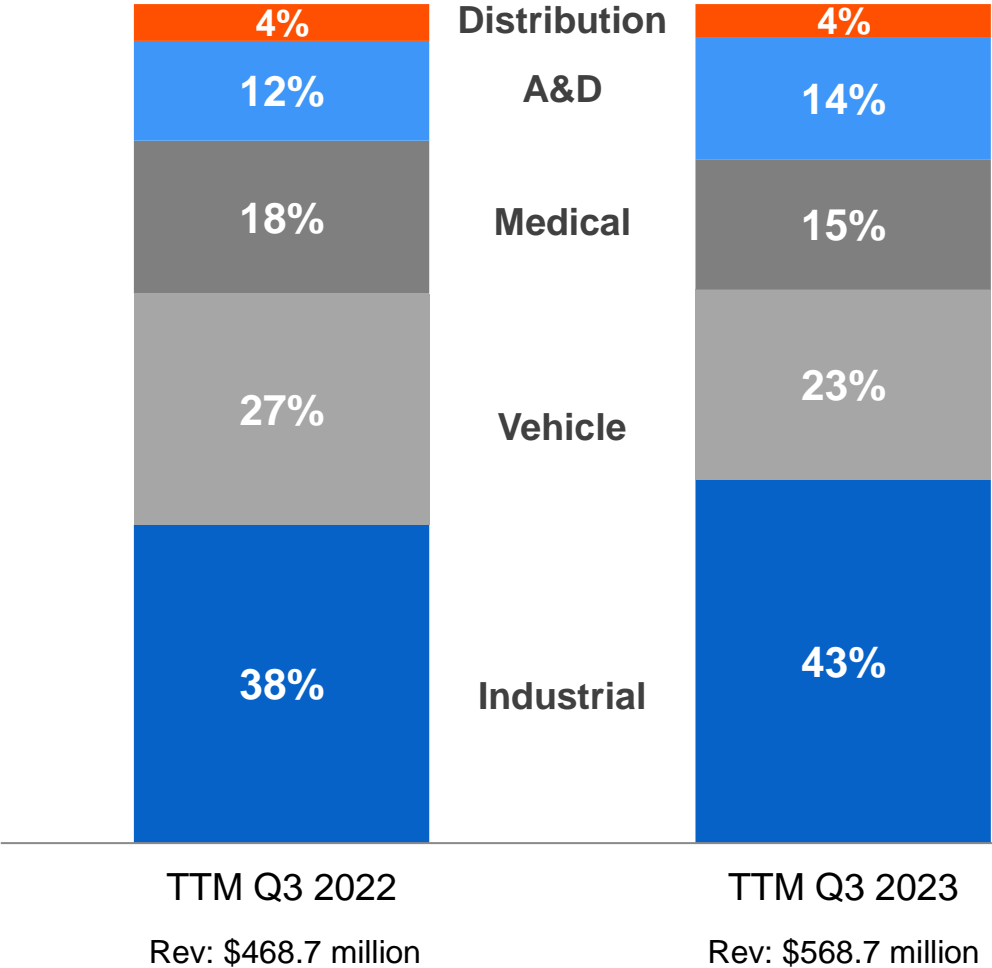
- + 32% Industrial
- 7% A&D
- 7% Vehicle
- 1% Medical

**Sales to U.S. customers at
61% for Q3 2023 versus 59%
for Q3 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.

DIVERSIFIED REVENUE MIX

Revenue by Market (TTM)



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

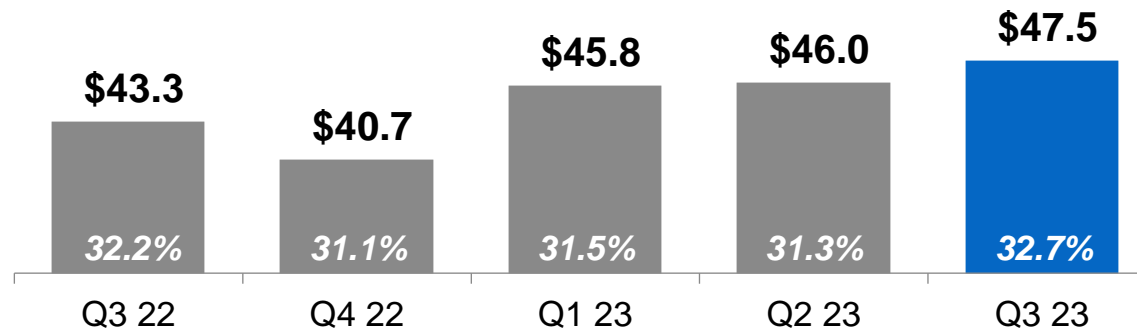
TTM Revenue Change and Market Drivers

+48%	Defense program timing
+3%	More normalized sales environment focused on surgical and instrumentation related end markets
0%	Commercial automotive and powersports demand offset weaker agricultural demand
+38%	Strong end market demand within industrial automation, Oil & Gas, HVAC and material & vehicle handling

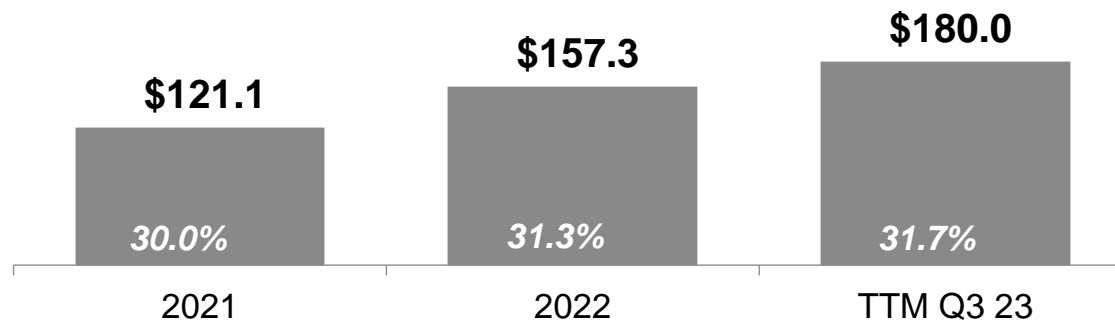
GROSS PROFIT AND MARGIN

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

Quarters



Years



Up \$4.2 million or 10%

50 basis points margin increase

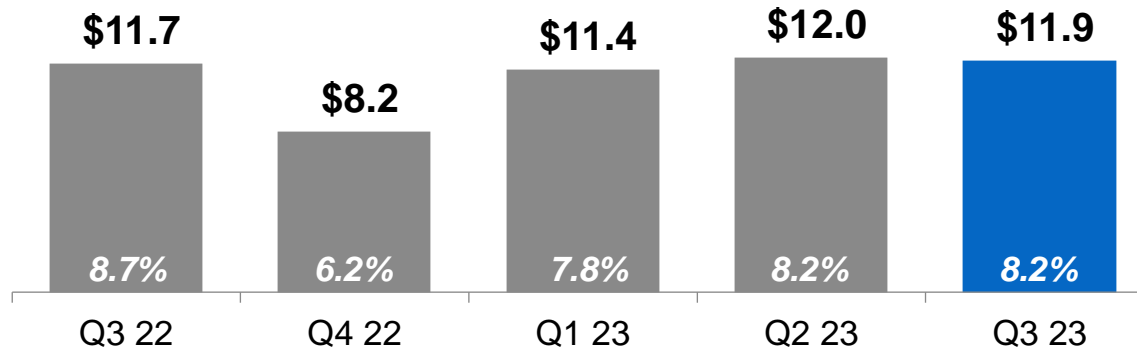
Gross margin impacts

- + Volume
- + Lean tool kit (AST)
- + Favorable Mix
- Remaining supply chain disruptions
- Elevated raw material costs

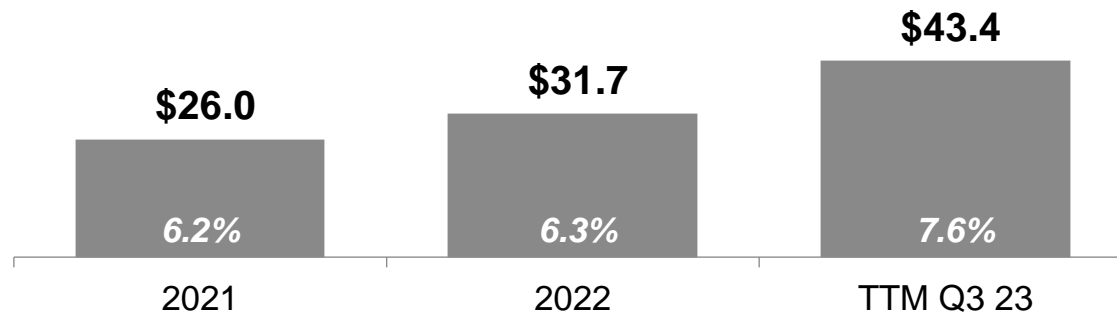
OPERATING INCOME AND MARGIN

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

Quarters



Years



Up \$0.2 million or 2%

Operating costs and expenses as a percent of revenue were 24.5%, up 100 bps

Largely reflects higher business development costs

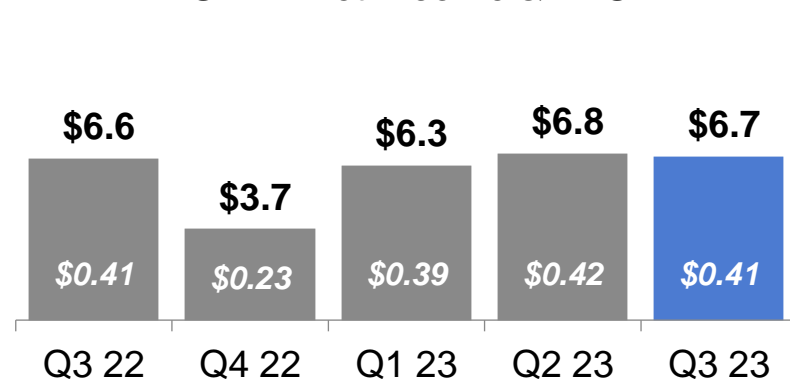
General & administrative 10.0%
of TTM Q3 23 sales

Engineering & development 7.2%
of TTM Q3 23 sales

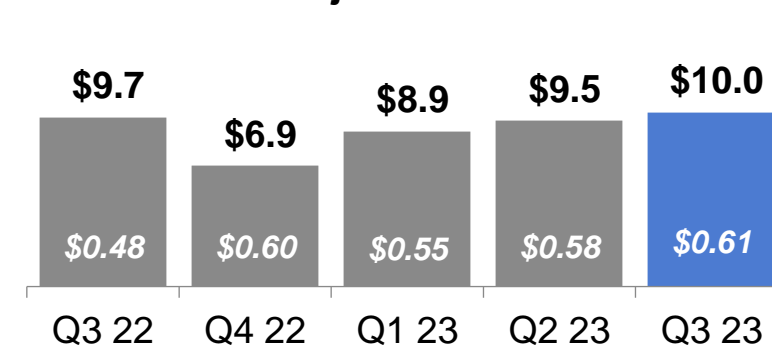
NET INCOME AND ADJUSTED EBITDA

(\$ in millions, except per share data)

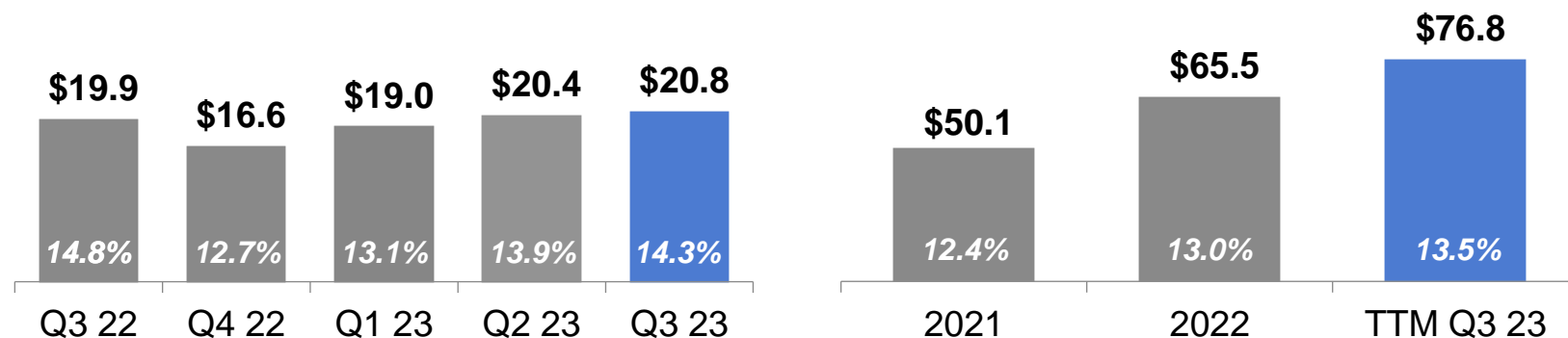
GAAP Net Income & EPS



Adjusted Net Income & Adjusted EPS¹



Adjusted EBITDA¹ and Margin



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

⁽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, 2023	Dec 31, 2022
Cash and cash equivalents	\$ 23.8	\$ 30.6
Total debt	224.4	235.5
Total net debt	200.5	205.2
Shareholders' equity	242.1	215.5
Total capitalization	\$ 466.5	\$ 451.3
Debt/total capitalization	48.1%	52.3%
Net debt/net total capitalization	45.3%	48.8%

Generated \$27.1 million of cash from operations YTD

Reduced debt balance \$11.1 million YTD

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

Bank leverage ratio¹ of 2.9x

⁽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		YTD
	9/30/23	9/30/22	9/30/23
Net cash provided by (used in) operating activities	\$ 9.7	\$ (5.5)	\$ 27.1
Capital expenditures (CapEx)	(1.7)	(4.7)	(7.9)
Operating free cash flow (FCF)⁽¹⁾	\$ 8.0	\$ (10.2)	\$ 19.2

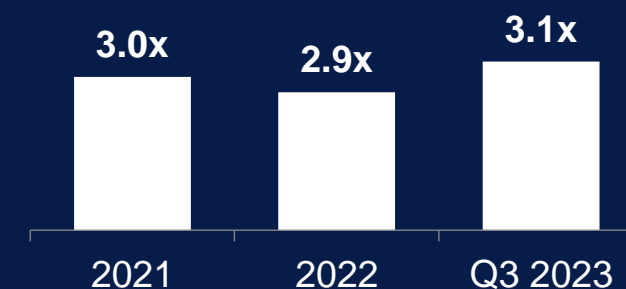
FY23 CapEx: \$12 million – \$15 million⁽²⁾

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

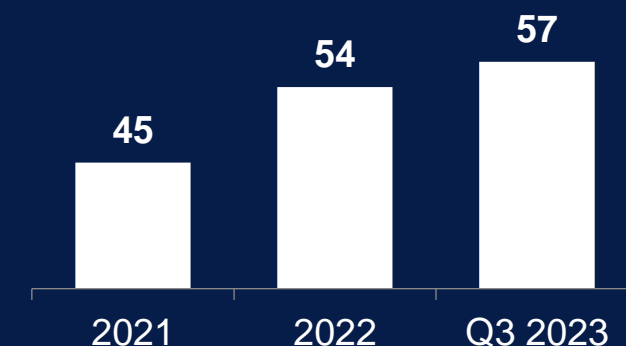
⁽²⁾ 2023 CapEx expectation provided on November 2, 2023; revised due to program timing and supply chain impacts

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

Inventory Turnover



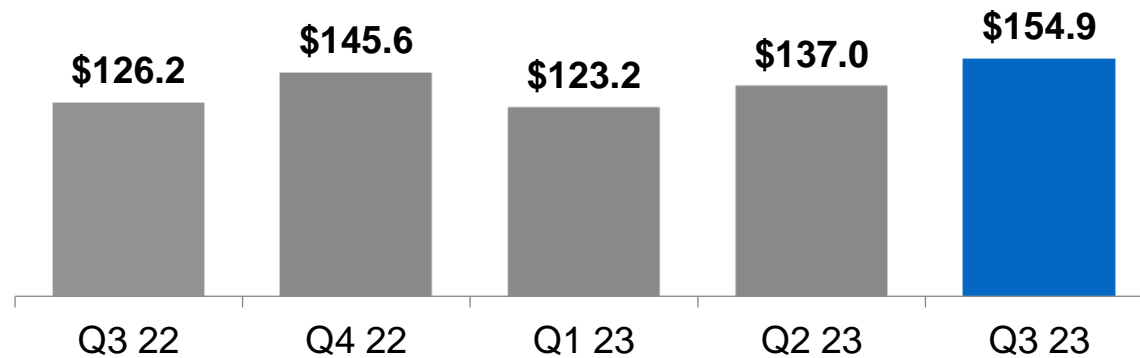
Days Sales Outstanding



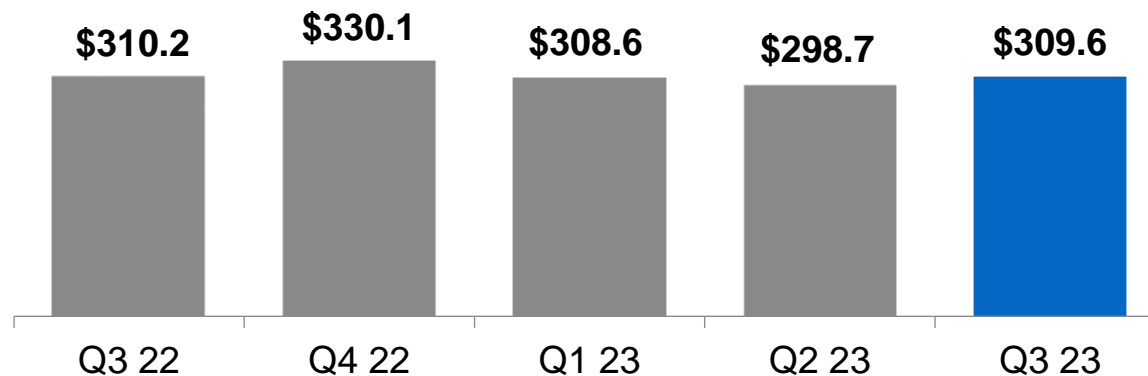
ORDERS & BACKLOG

(\$ in millions)

Orders



Backlog



Q3 23 Book:Bill 1.1x

**Favorable \$1.5 million
foreign currency translation**

**Backlog up 3% sequentially
reflects large Defense order,
partially offset by continued
improvements within the
supply chain**

**Majority to ship in three to
nine months**

OUTLOOK¹



Expect Q4 23 to be consistent directionally with fourth quarters from prior years pre-COVID; Higher potential for seasonality with holiday shutdowns and customers managing their own inventory levels

Expect continued strong demand within Industrial markets

Expect backlog to decline as supply chain improves

Focus on cash conversion and debt paydowns to support M&A activities

Expect 2023 tax rate to be approximately 23% to 25%

Expect to invest \$12 million to \$15 million in capital expenditures during FY23

⁽¹⁾ Outlook provided on November 2, 2023

CONFERENCE CALL AND WEBCAST PLAYBACK

Replay Number: **412-317-6671** *passcode: 10182417*

Telephone replay available through Thursday, November 9, 2023

Webcast / Presentation / Replay available at
www.allient.com/investors

Transcript, when available, at
www.allient.com/investors



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Supplemental Information

ADJUSTED NET INCOME RECONCILIATION

(\$ in thousands, except per share data)

	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	June 30, 2023	Sept 30, 2023
Net income	\$ 6,609	\$ 3,696	\$ 6,315	\$ 6,769	\$ 6,666
Non-GAAP adjustments, net of tax (1)					
Amortization of intangible assets - net	2,725	2,395	2,305	2,407	2,355
Foreign currency gain/loss - net	197	187	164	(11)	44
Business development costs - net	152	655	151	306	915
Adjusted Net Income	\$ 9,683	\$ 6,933	\$ 8,935	\$ 9,471	\$ 9,980
Average Diluted Shares Outstanding	16,169	16,145	16,137	16,219	16,237
Diluted earnings per share	\$ 0.41	\$ 0.23	\$ 0.39	\$ 0.42	\$ 0.41
Adjusted diluted earnings per share	\$ 0.60	\$ 0.43	\$ 0.55	\$ 0.58	\$ 0.61

(1) Applies a blended federal, state, and foreign tax rate of approximately 23% applicable to the non-GAAP adjustments.

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

(\$ in thousands, except per share data)

	For twelve months ended		
	Dec 31, 2021	Dec 31, 2022	Sept 30, 2023
Net income	\$ 24,094	\$ 17,389	\$ 23,446
Non-GAAP adjustments, net of tax (1)			
Discrete income tax benefit	(7,373)	-	-
Amortization of intangible assets - net	4,938	9,812	9,462
Income tax valuation allowance	506	-	-
Foreign currency gain/loss - net	18	228	384
Business development costs - net	998	2,542	2,027
Non-GAAP Adjusted Net Income	\$ 23,181	\$ 29,971	\$ 35,319
Average Diluted Shares Outstanding	14,517	15,951	16,185
Diluted earnings per share	\$1.66	\$1.09	\$1.45
Adjusted diluted earnings per share	\$1.60	\$1.88	\$2.17

(1) Applies a blended federal, state, and foreign tax rate of approximately 23% applicable to the non-GAAP adjustments.

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

(\$ in thousands)

	For the three months ended				
	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	June 30, 2023	Sept 30, 2023
Net income	\$ 6,609	\$ 3,696	\$ 6,315	\$ 6,769	\$ 6,666
Interest expense	2,337	2,792	2,983	3,162	3,164
Provision for income taxes	2,508	1,414	1,904	2,131	1,992
Depreciation and amortization	6,692	6,264	6,145	6,390	6,421
EBITDA	\$ 18,146	\$ 14,166	\$ 17,347	\$ 18,452	\$ 18,243
Stock compensation expense	1,262	1,321	1,267	1,544	1,354
Foreign currency (gain) loss	257	244	214	(15)	58
Business development costs	199	855	197	400	1,194
Adjusted EBITDA	\$ 19,864	\$ 16,586	\$ 19,025	\$ 20,381	\$ 20,849
Revenue	\$ 134,405	\$ 131,076	\$ 145,549	\$ 146,769	\$ 145,319
Adjusted EBITDA Margin	14.8%	7.7%	13.1%	13.9%	14.3%

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

(\$ in thousands, except per share data)

	For twelve months ended		
	Dec 31, 2021	Dec 31, 2022	Sept 30, 2023
Net income	\$ 24,094	\$ 17,389	\$ 23,446
Interest expense	3,236	7,692	12,101
(Benefit) provision for income taxes	(981)	6,292	7,441
Depreciation and amortization	18,307	25,486	25,220
EBITDA	\$ 44,656	\$ 56,859	\$ 68,208
Stock compensation expense	4,161	5,073	5,486
Foreign currency loss	21	298	501
Business development costs	1,299	3,319	2,646
Adjusted EBITDA	\$ 50,137	\$ 65,549	\$ 76,841
Revenue	\$ 403,516	\$ 502,988	\$ 568,713
Adjusted EBITDA Margin	12.4%	13.0%	13.5%

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

(\$ in thousands)

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Revenue as reported	\$ 145,319	\$ 437,637
Foreign currency impact	(1,793)	1,869
Revenue excluding foreign currency exchange impacts	<u>\$ 143,526</u>	<u>\$ 439,506</u>

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 fully 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. Organic growth is reported revenues adjusted for the impact of foreign currency and the revenue contribution from acquisitions.



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