



Motion Solutions that Change the Game

Third Quarter 2021 Financial Results Call

November 4, 2021

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Chairman, President & CEO

Mike Leach
Chief Financial Officer

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.

Q3 2021 Review

Effective Execution

Revenue up 9% to \$103.5 million

120 bps gross margin expansion to 30.9%

Operating income of \$8.7 million, or 8.4% of sales, up 160 bps

Net income of \$6.0 million, or \$0.41 per diluted share, up 49%

Diversified Strategy

Continued economic recovery reflected in 39% YoY and 4% sequential growth in Industrial markets

Strong execution and demand drove 5% increase of sales in Vehicle markets

Encouraging signs of improving conditions in A&D

Competitive Position

Achieved record orders of \$119.9 million, up 35% YoY

Backlog grew 9% sequentially to a record \$185.6 million

Announced bolt on acquisition subsequent to quarter end

Advancing Growth Strategy



Acquisition of ORMEC Systems Corp. on November 2, 2021

Provider of mission critical electro-mechanical automation solutions and motion control products including multi-axis controls, electronic drives and actuators for the automation and aerospace industries.

- Headquartered in Rochester, NY
- Total employees: ~25
- Dr. Edward Krasnicki will continue to lead the business under Allied
- Terms of the deal were not disclosed

Strategic Rationale:

- ✓ Strengthens technical expertise
- ✓ Adds higher level of precision motion control systems and solutions
- ✓ Believe we can scale the business
- ✓ Expected to be accretive to earnings per share and gross margin profile

Advanced motion controls were used for the Space Shuttle Payload Ground Handling and Robotic Jib mechanisms.



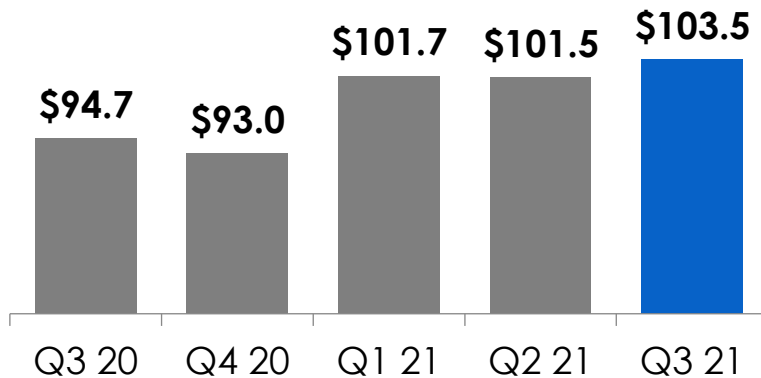
Airframe applications for the C-17 require precise motion control for Wing Join and Major Join assembly as well as Underwing maintenance systems.



Revenue

(\$ in millions)

Quarters



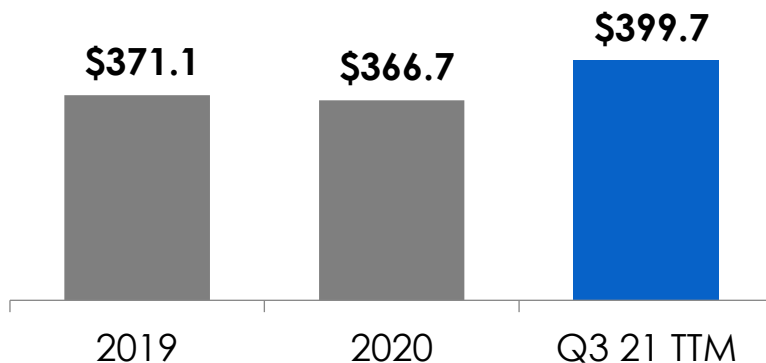
Up \$8.9 million, or 9%, YoY

Revenue up 8.5% excluding
\$0.8 million favorable FX

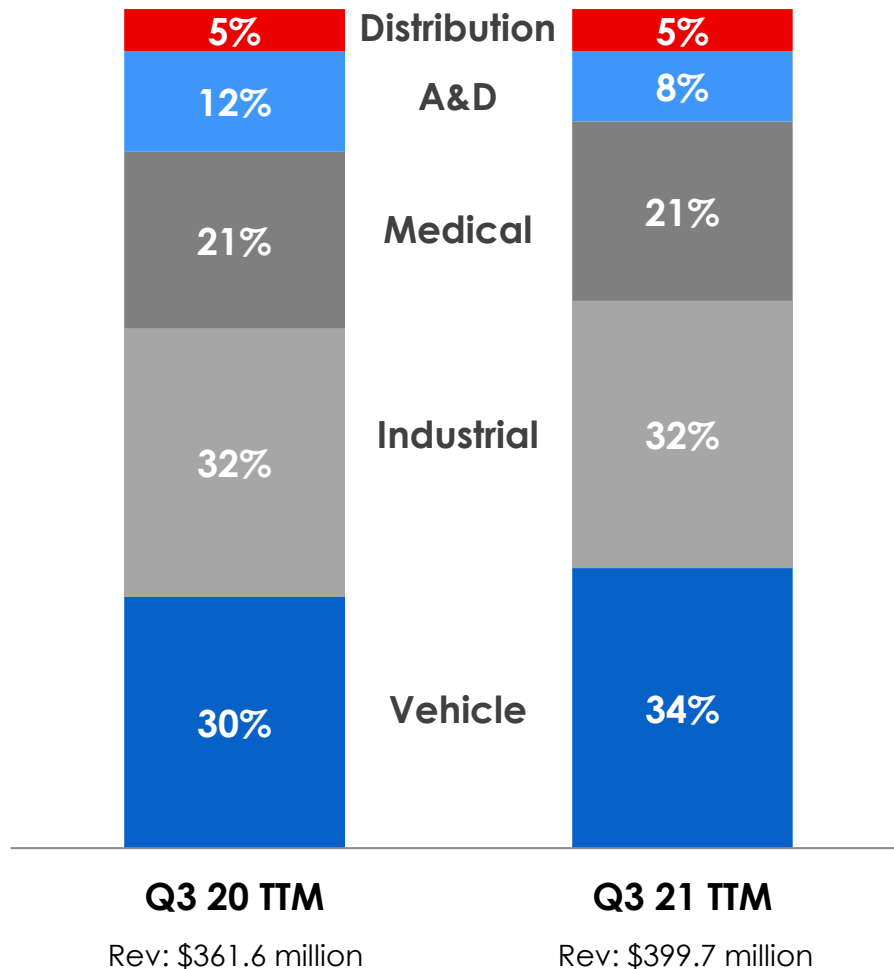
Strong demand in Industrial markets

Sales to U.S. customers
unchanged at 56%

Years



Revenue by Market



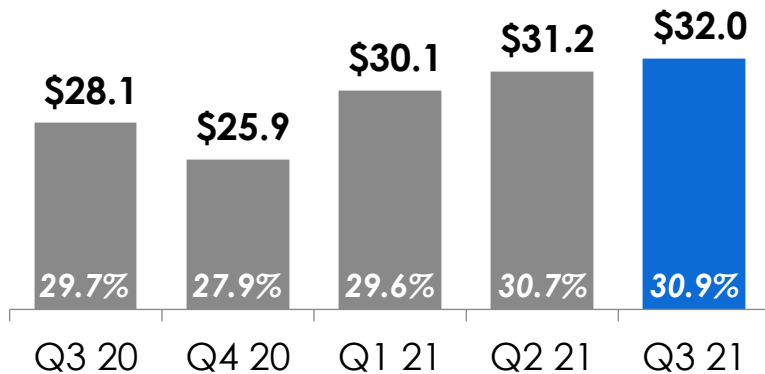
TTM revenue up 11%

Vehicle	+ 23%
Medical	+ 14%
Industrial	+ 9%
Distribution	+ 2%
A&D	- 21%

Gross Profit and Margin

(\$ in millions)

Quarters



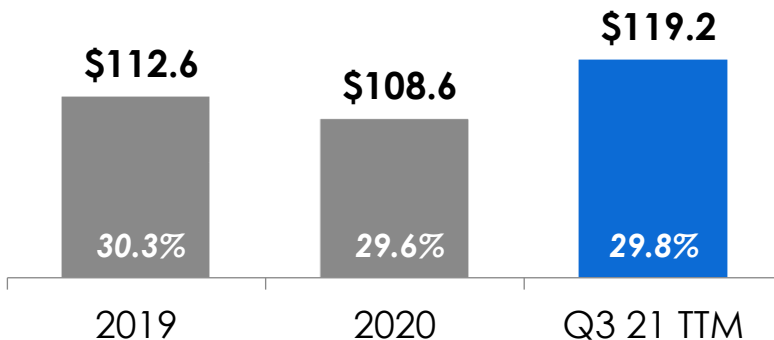
Up \$3.9 million, or 14%, YoY

120 bps margin increase

Margin impacts:

- + Strong volume
- + Strategic pricing
- + Improved mix
- + Lean tool kit (AST)
- Supply chain challenges
- Higher labor and material costs

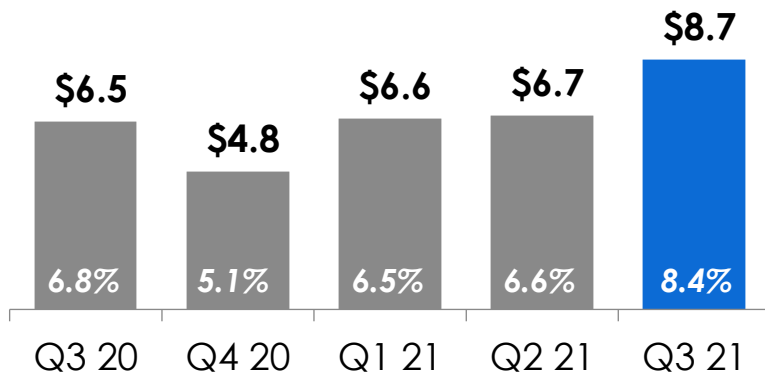
Years



Operating Income and Margin

(\$ in millions)

Quarters



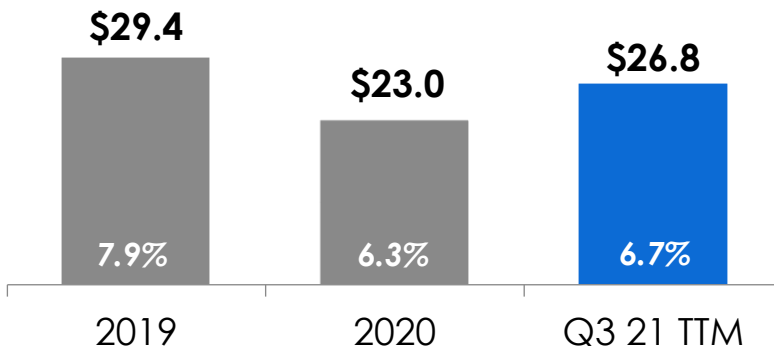
160 bps margin increase YoY,
up 180 bps sequentially

Operating costs as a percent of
revenue down 30 bps to 22.6%

Higher volume drove operating
leverage

- Offset increased incentive compensation

Years

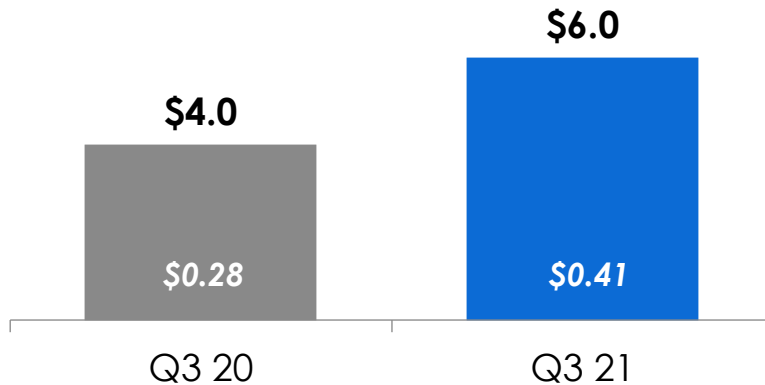


Engineering & development 6.5%
of sales in Q3 21 vs 6.8% in Q3 20

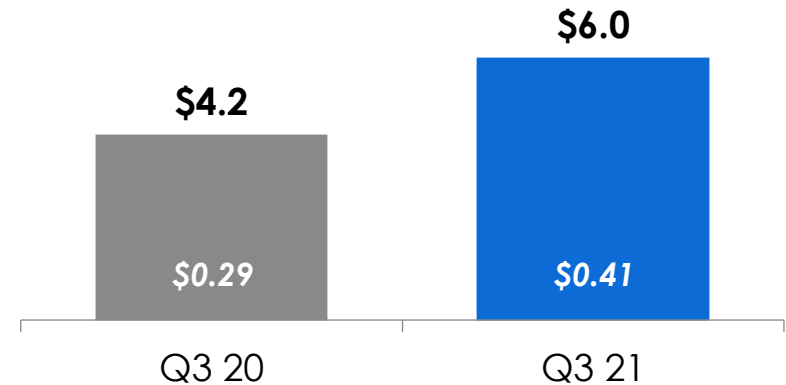
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

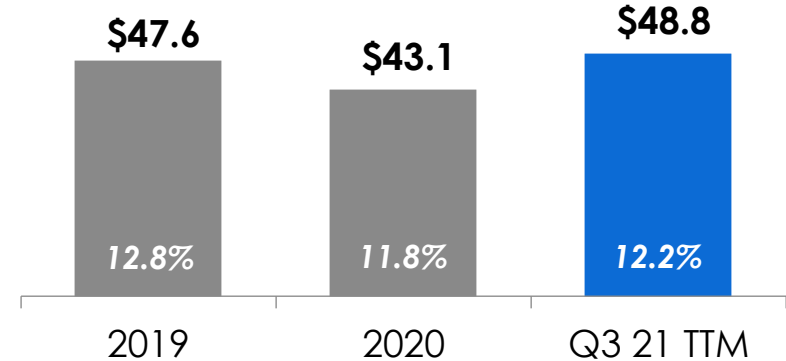
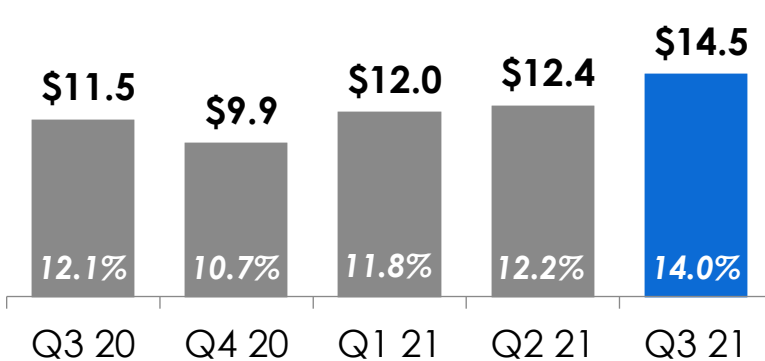
Net Income and EPS



Adjusted Net Income and EPS⁽¹⁾



Adjusted EBITDA⁽¹⁾ and Margin



⁽¹⁾See supplemental slides for Adjusted Net Income and Adjusted EBITDA reconciliations and other important disclaimers.

Balance Sheet

(\$ in millions)

CAPITALIZATION		
	Sept. 30, 2021	Dec. 31, 2020
Cash and cash equivalents	\$ 19.2	\$ 23.1
Total debt	109.3	120.1
Total net debt	90.1	96.9
Shareholders' equity	162.4	143.1
Total capitalization	\$ 271.7	\$ 263.1
Debt/total capitalization	40.2%	45.6%
Net debt/net total capitalization	35.7%	40.4%

Strong capital structure

Net debt repayment of \$10.6 million since year-end 2020

Net debt/net total capitalization improved 470 bps since year-end 2020

Bank leverage ratio⁽¹⁾ of 2.22x

⁽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	
	9/30/21	9/30/20
Net cash provided by operating activities	\$ 3.5	\$ 8.4
Capital expenditures (CapEx)	(3.9)	(2.9)
Operating free cash flow (FCF)⁽¹⁾	\$ (0.4)	\$ 5.5

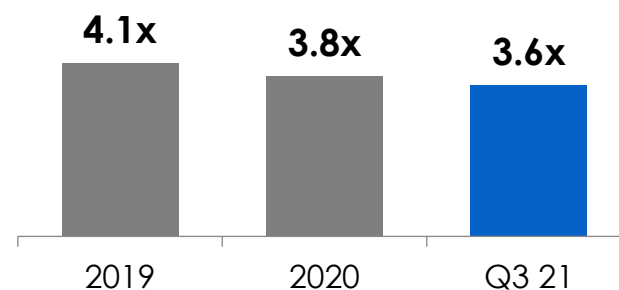
FY21 CapEx: \$12 - \$15 million⁽²⁾

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

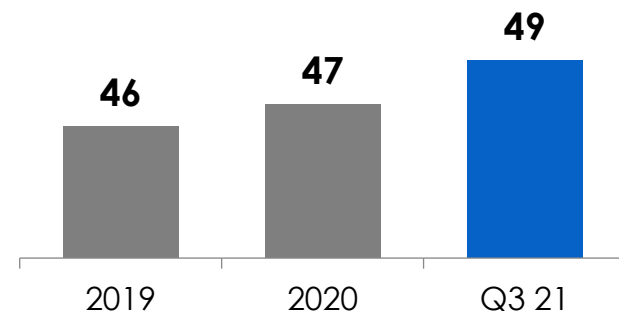
⁽²⁾ 2021 CapEx expectation provided on November 3, 2021

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

Inventory Turnover



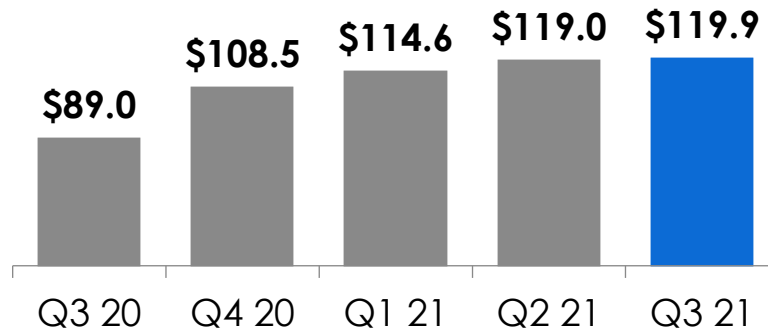
Days Sales Outstanding



Orders and Backlog

(\$ in millions)

Orders

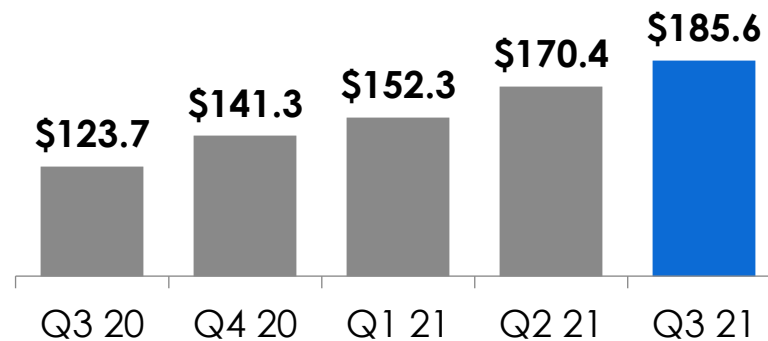


Record order level up 1% sequentially and 35% YoY

Favorable \$1.0 foreign currency translation

Book:Bill 1.2x

Backlog



Record backlog up 9% sequentially and 50% YoY

Majority to ship in three to nine months

Outlook

Continued improving market conditions with increased quoting and orders

Expect some seasonality in Q4 21 given typical holiday shutdowns and inventory adjustments, though impact may be less than prior years if there is improvement related to the global supply chain challenges

Expect Q4 2021 tax rate to be approximately 25%

Expect to invest \$12 million to \$15 million in capital expenditures during FY21

Continue to successfully execute our strategy to drive further efficiency and profitable growth

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

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** passcode: **13723716**
- Telephone replay available through Thursday, November 11, 2021
- 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)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

For the three months ended

	Sept 30, 2020	Dec 31, 2020	Mar 31, 2021	June 30, 2021	Sept 30, 2021
Net income	\$ 4,013	\$ 2,699	\$ 11,927	\$ 4,634	\$ 5,972
Discrete income tax benefit	-	-	(7,373)	-	-
Non-income based tax assessment	-	(424)	-	-	-
Foreign currency loss (gain)	211	400	(9)	30	(50)
Business development costs	6	30	15	121	72
Adjusted Net Income	\$ 4,230	\$ 2,705	\$ 4,560	\$ 4,785	\$ 5,994
Average Diluted Shares Outstanding	14,369	14,403	14,438	14,494	14,502
Diluted earnings per share	\$0.28	\$0.19	\$0.83	\$0.32	\$0.41
Adjusted diluted earnings per share	\$0.29	\$0.19	\$0.32	\$0.33	\$0.41

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for unusual non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, 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)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

	For twelve months ended		
	Dec 31, 2019	Dec 31, 2020	Sept 30, 2021
Net income	\$ 17,022	\$ 13,643	\$ 25,232
Discrete income tax benefit	-	-	(7,373)
Non-income based tax assessment	384	(424)	(424)
Income tax provision charge	433	-	-
Foreign currency loss	79	752	371
Business development costs	81	344	238
Non-GAAP Adjusted Net Income	\$ 17,999	\$ 14,315	\$ 18,044
Average Diluted Shares Outstanding	14,192	14,333	14,459
Diluted earnings per share	\$1.20	\$0.95	\$1.75
Adjusted diluted earnings per share	\$1.27	\$1.00	\$1.25

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

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

	For the three months ended				
	Sept 30, 2020	Dec 31, 2020	Mar 31, 2021	June 30, 2021	Sept 30, 2021
Net income	\$ 4,013	\$ 2,699	\$ 11,927	\$ 4,634	\$ 5,972
Interest expense	844	917	861	807	777
Provision (benefit) for income taxes	1,369	960	(6,057)	1,303	1,950
Depreciation and amortization	4,055	4,303	4,431	4,459	4,427
EBITDA	\$10,281	\$8,879	\$11,162	\$11,203	\$13,126
Stock compensation expense	920	910	797	1,000	1,303
Foreign currency loss (gain)	283	542	(12)	39	(69)
Business development costs	8	41	19	155	94
Non-income based tax assessment	-	(424)	-	-	-
Adjusted EBITDA	\$ 11,492	\$ 9,948	\$ 11,966	\$ 12,397	\$ 14,454

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 related to acquisitions, 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, 2019	Dec 31, 2020	Sept 30, 2021
Net income	\$ 17,022	\$ 13,643	\$ 25,232
Interest expense	5,134	3,716	3,362
Provision (benefit) for income taxes	6,819	5,133	(1,844)
Depreciation and amortization	14,857	15,985	17,620
EBITDA	\$ 43,832	\$ 38,477	\$ 44,370
Stock compensation expense	3,203	3,550	4,010
Foreign currency loss	111	1,035	500
Business development costs	113	473	309
Non-income based tax assessment	384	(424)	(424)
Adjusted EBITDA	\$ 47,643	\$ 43,111	\$ 48,765

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