



Nasdaq: ALNT

May 9, 2024

First Quarter Financial Results Call

Dick Warzala
Chairman, President & CEO

Jackson Trostle
Corporate Controller

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, commercial activity and demand across our and our customers’ businesses, and on global supply chains; the prices of our securities and the achievement of our strategic objectives, the ability to attract and retain qualified personnel, the ability to successfully integrate an acquired business into our business model without substantial costs, delays, or problems, 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.

Q1 2024 HIGHLIGHTS

Compared with prior-year unless otherwise noted

Revenue \$146.7M +1%	Gross Margin 32.3% +80 bps
Operating Income \$12.1M +6%	Operating Margin 8.2% +40 bps
Cash from Operations \$9.2M +156%	Diluted EPS GAAP - \$0.42 +8% Adjusted¹ - \$0.58 +5%

Demand from end markets was mixed

Acquired SNC Manufacturing in Jan. '24

Commitment to operational excellence and cost management bolstered margins

Delivered strong free cash flow

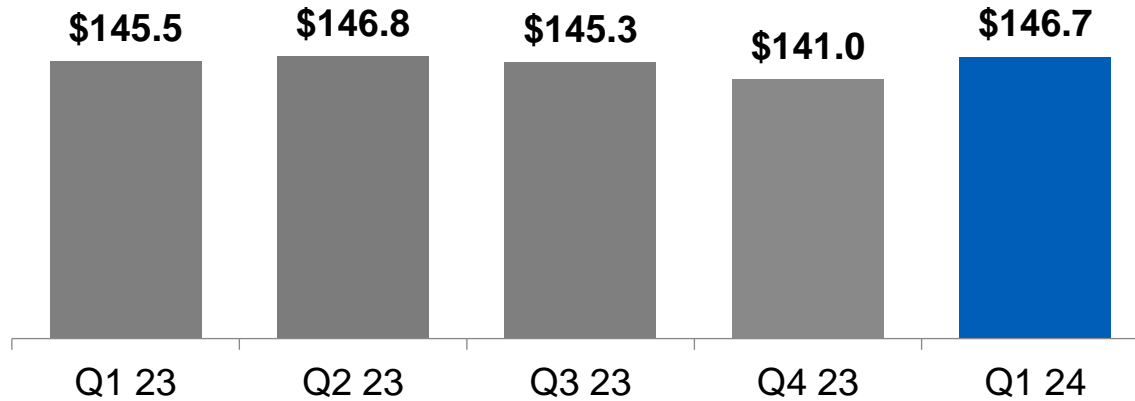
Orders up 16% sequentially

⁽¹⁾See supplemental slides for Adjusted Diluted EPS reconciliation and other important disclaimers.

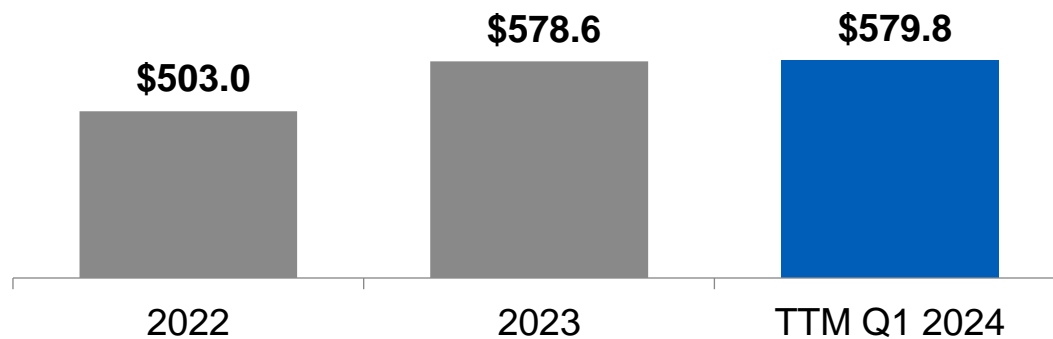
REVENUE

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

Quarters



Years



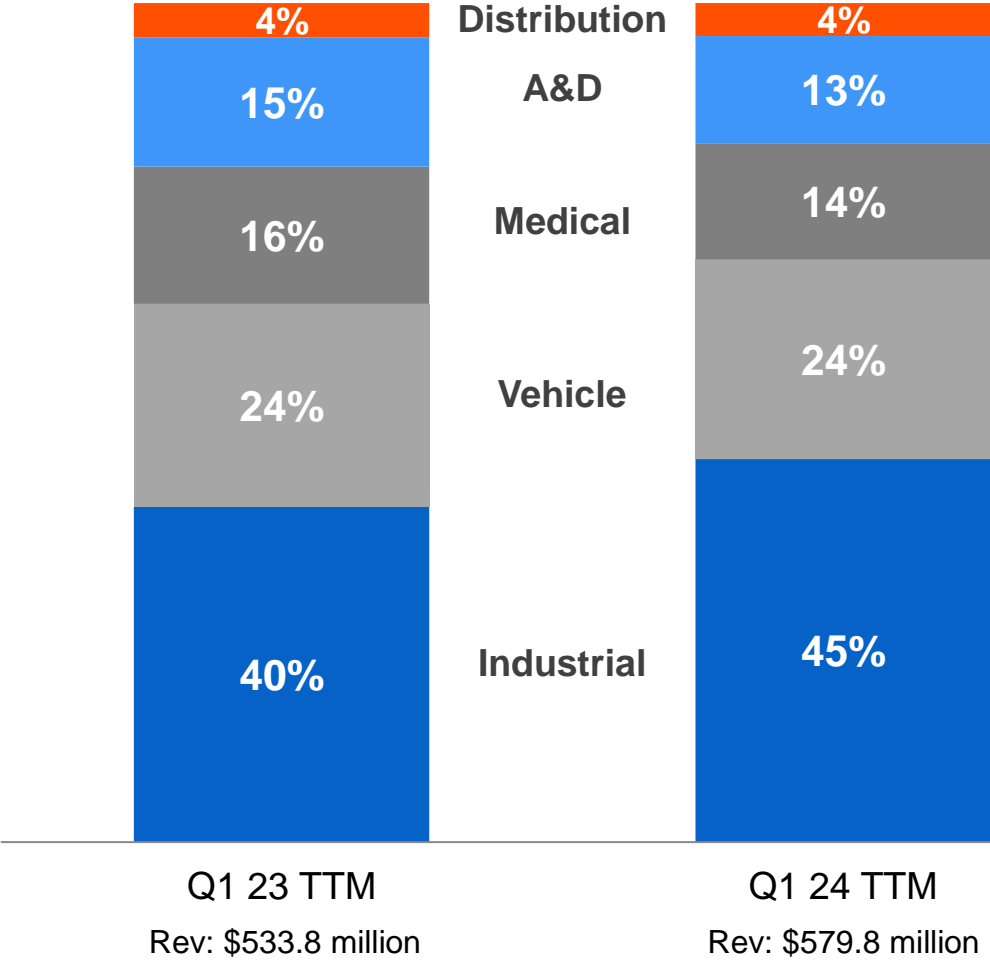
Q1 market growth:

- + 12% Vehicle
- + 10% Industrial
- 19% Medical
- 22% A&D

Sales to U.S. customers at 58% for Q1 2024 versus 56% for Q1 2023

DIVERSIFIED REVENUE MIX

Revenue by Market



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

TTM Revenue Change and Market Drivers

-10 % Solid defense demand offset by program timing within space industry

- 9% Softer medical mobility demand

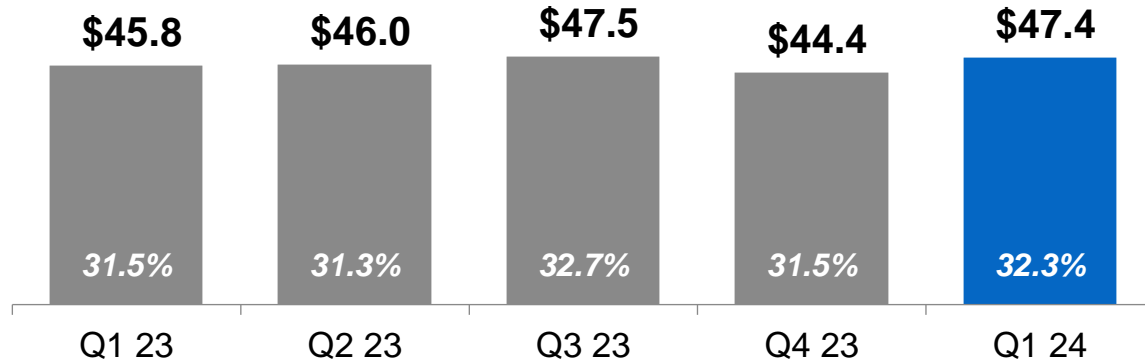
+7% Commercial automotive and powersports demand partially offset by weaker agricultural demand

+25% Strong end market demand within industrial automation, power quality solutions (HVAC) and vehicle handling

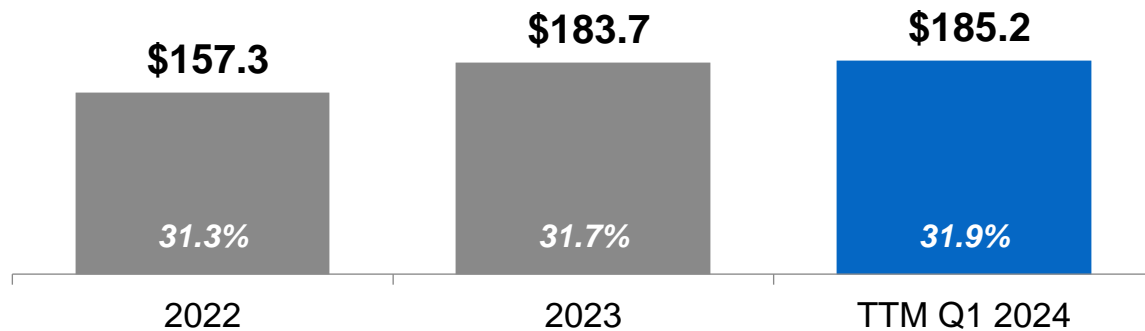
GROSS PROFIT AND MARGIN

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

Quarters



Years



**Q1 24 up \$3.0 million or 1%;
80 bps margin expansion**

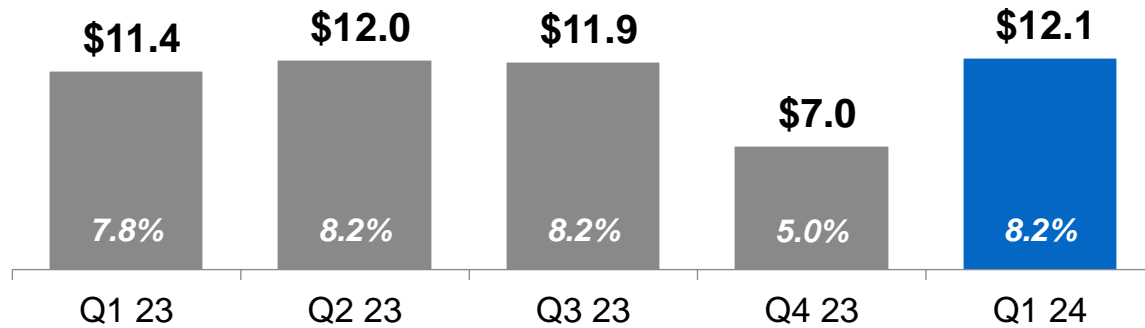
Gross margin impacts

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

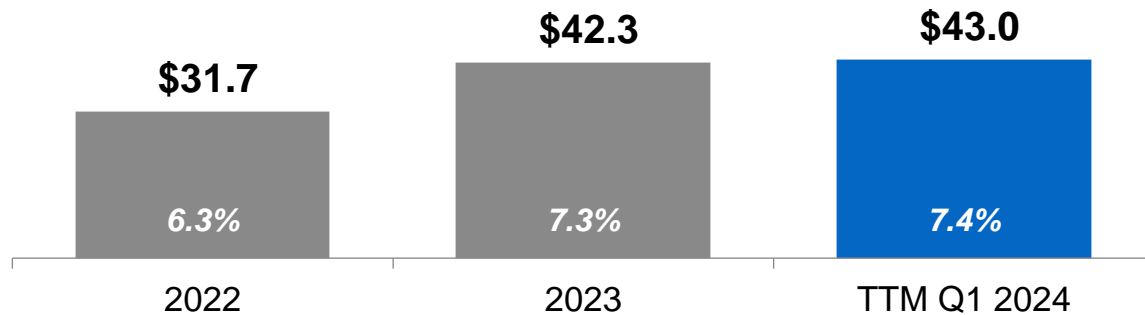
OPERATING INCOME AND MARGIN

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

Quarters



Years



**Q1 24 up \$0.7 million or 6%;
40 bps margin expansion**

**Q1 24 reflects higher
engineering and business
development costs due to
M&A activity; offset by lower
G&A costs.**

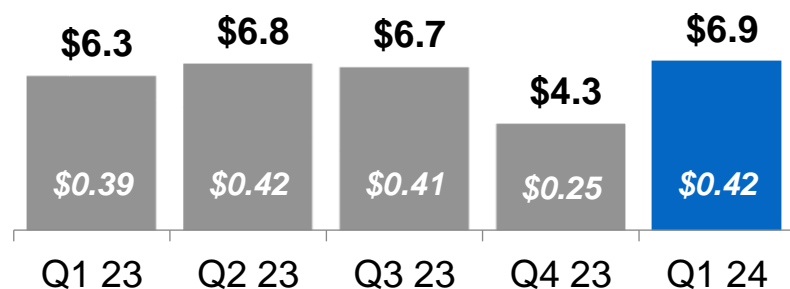
General & Administrative 9.8%
of Q1 2024 sales

Engineering & Development 7.5%
of Q1 2024 sales

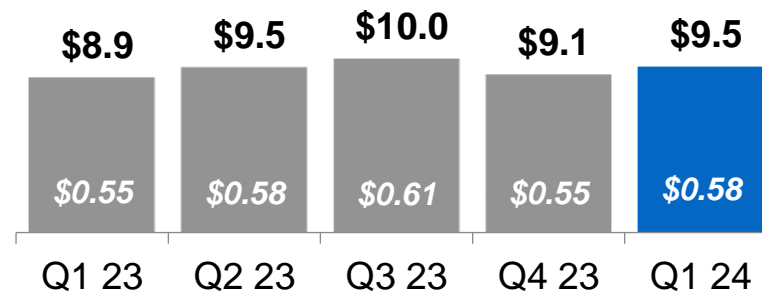
NET INCOME AND ADJUSTED EBITDA

(\$ in millions, except per share data)

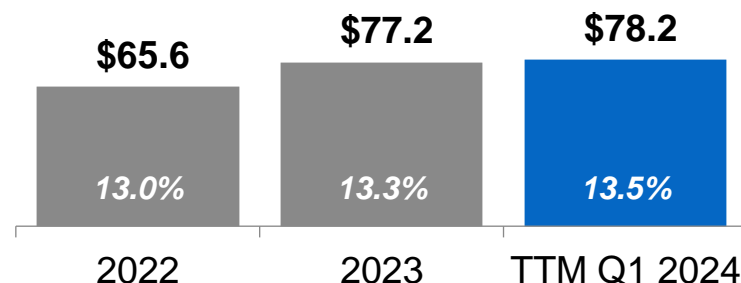
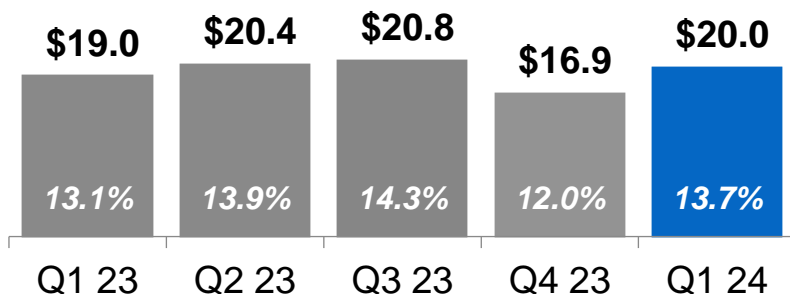
GAAP Net Income & EPS



Adjusted Net Income & Adjusted EPS¹



Adjusted EBITDA¹ and Margin



Q1 24 net income up 9%;
adj. net income increased 7%

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

Expect income tax rate for full
year 2024 to be ~21% to 23%²

Q1 24 adjusted EBITDA margin
expanded 60 bps¹

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

⁽²⁾2024 tax rate expectation provided on May 8, 2024

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

CASH FLOW

(\$ in millions)

	Three Months Ended	
	3/31/24	3/31/23
Net cash provided by operating activities	\$ 9.2	\$ 3.6
Capital expenditures (CapEx)	(3.0)	(3.6)
Operating free cash flow (FCF)⁽¹⁾	\$ 6.2	\$ 0.03

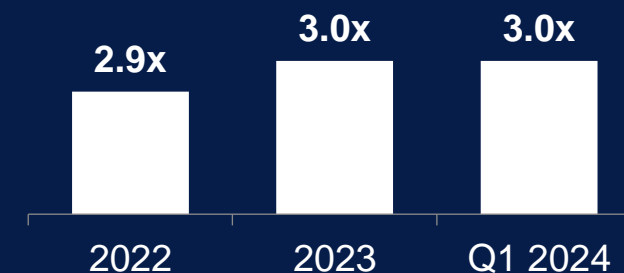
FY24 CapEx Expectation: \$13 million – \$17 million⁽²⁾

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

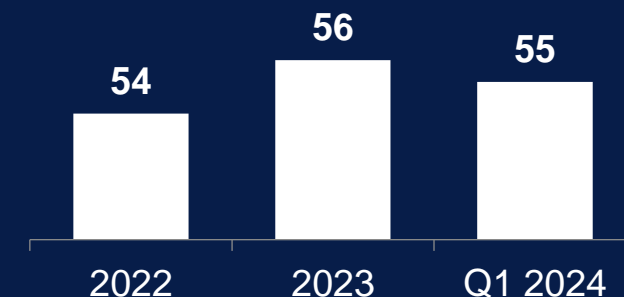
⁽²⁾ 2024 CapEx expectation provided on May 8, 2024

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Inventory Turnover



Days Sales Outstanding



BALANCE SHEET

(\$ in millions)

CAPITALIZATION		
	Mar 31, 2024	Dec 31, 2023
Cash and cash equivalents	\$ 31.5	\$ 31.9
Total debt	240.2	218.4
Total net debt	208.7	186.5
Shareholders' equity	267.1	251.6
Total capitalization	\$ 507.3	\$ 470.0
Debt/total capitalization	47.3%	46.5%
Net debt/net total capitalization	43.9%	42.6%

Q1 debt restructuring:

Extended maturity on existing \$280M revolver to 2029

Entered into a \$150M private shelf facility; \$50M of borrowings

Debt increase reflects SNC acquisition

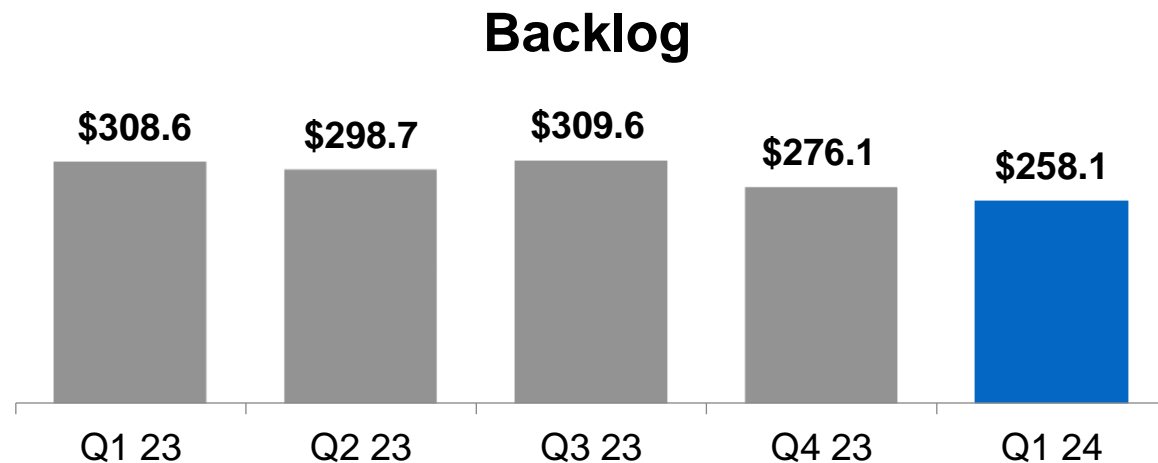
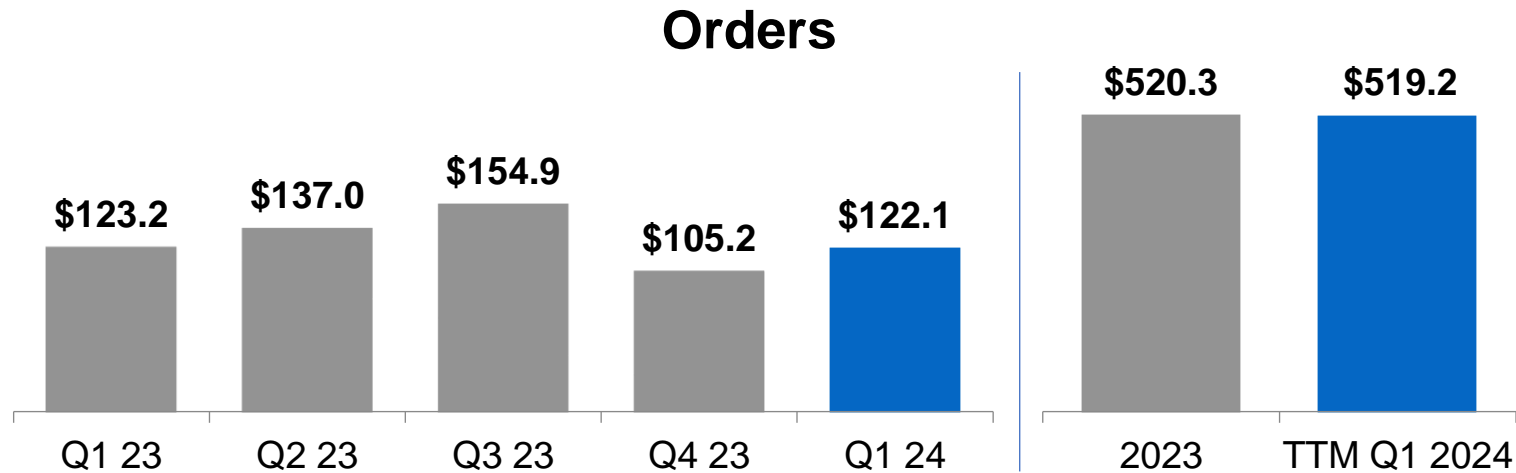
Bank leverage ratio¹ of 2.89x

⁽¹⁾Bank leverage ratio calculated in accordance with the Company's credit agreement

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

CUSTOMER ORDER PATTERNS RETURNING TO PRE-COVID ENVIRONMENT

(\$ in millions)



Q1 2024 orders up 16% sequentially; Book:Bill 0.8x

Customer order patterns are normalizing

Backlog change reflects the continued improvements within the supply chain

Enabled the shipping of some long lead industrial market focused projects

Majority of backlog to ship in three to nine months

SIMPLIFY TO ACCELERATE NOW STRATEGY



Cost reduction and profit enhancing initiatives to help offset top-line pressure



Key Strategic Actions

- Realign and right-size our footprint to better align with our markets and customers.
- Simplify customer interactions – make it easier for customers to do business with Allient.
- Reinforce lean manufacturing disciplines throughout the Company to accelerate margin expansion.
- Elevate our product development pace and reduce time to market.

Initiatives are already underway and are expected to continue with earnest throughout 2024 and beyond.

CONFERENCE CALL AND WEBCAST PLAYBACK

Replay Number: **412-317-6671** *passcode: 13745675*

Telephone replay available through Thursday, May 16, 2024

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)

	For the three months ended				
	Mar 31, 2023	June 30, 2023	Sept 30, 2023	Dec 31, 2023	Mar 31, 2024
Net income	\$ 6,315	\$ 6,769	\$ 6,666	\$ 4,347	\$ 6,902
Non-GAAP adjustments, net of tax (1)					
Amortization of intangible assets - net	2,305	2,407	2,355	2,685	2,463
Foreign currency (gain) loss – net	164	(11)	44	26	(92)
Business development costs - net	151	306	915	2,014	273
Adjusted Net Income	\$ 8,935	\$ 9,471	\$ 9,980	\$ 9,072	\$ 9,546
Average Diluted Shares Outstanding	16,137	16,219	16,237	16,505	16,497
Diluted earnings per share	\$ 0.39	\$ 0.42	\$ 0.41	\$ 0.26	\$ 0.42
Adjusted diluted earnings per share	\$ 0.55	\$ 0.58	\$ 0.61	\$ 0.55	\$ 0.58

(1) Applies a blended federal, state, and foreign tax rate of 21% for Q4 2023 and 23% for the other periods 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, 2022	Dec 31, 2023	Mar 31, 2024
Net income	\$ 17,389	\$ 24,097	\$ 24,684
Non-GAAP adjustments, net of tax (1)			
Amortization of intangible assets - net	9,812	9,752	9,910
Foreign currency (gain) loss – net	228	223	(33)
Business development costs - net	2,542	3,386	3,508
Non-GAAP Adjusted Net Income	\$ 29,971	\$ 37,458	\$ 38,069
Average Diluted Shares Outstanding	15,951	16,272	16,497
Diluted earnings per share	\$1.09	\$1.48	\$1.51
Adjusted diluted earnings per share	\$1.88	\$2.30	\$2.33

(1) Applies a blended federal, state, and foreign tax rate of 21% for 2023 and 23% for 2022 and Q1 2024 TTM 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				
	Mar 31, 2023	June 30, 2023	Sept 30, 2023	Dec 31, 2023	Mar 31, 2024
Net income	\$ 6,315	\$ 6,769	\$ 6,666	\$ 4,347	\$ 6,902
Interest expense	2,983	3,162	3,164	3,074	3,388
Provision for income taxes	1,904	2,131	1,992	(424)	1,919
Depreciation and amortization	6,145	6,390	6,421	6,112	6,385
EBITDA	\$ 17,347	\$ 18,452	\$ 18,243	\$ 13,109	\$ 18,594
Stock compensation expense	1,267	1,544	1,354	1,312	1,211
Foreign currency (gain) loss	214	(15)	58	24	(120)
Business development costs	197	400	1,194	2,484	357
Adjusted EBITDA	\$ 19,025	\$ 20,381	\$ 20,849	\$ 16,929	\$ 20,042
Revenue	\$ 145,549	\$ 146,769	\$ 145,319	\$ 140,997	\$ 146,713
Adjusted EBITDA Margin	13.1%	13.9%	14.3%	12.0%	13.7%

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, 2022	Dec 31, 2023	Mar 31, 2024
Net income	\$ 17,389	\$ 24,097	\$ 24,684
Interest expense	7,692	12,383	12,788
(Benefit) provision for income taxes	6,292	5,603	5,618
Depreciation and amortization	25,486	25,068	25,308
EBITDA	\$ 56,859	\$ 67,151	\$ 68,398
Stock-based compensation expense	5,073	5,477	5,421
Foreign currency (gain) loss	298	281	(53)
Business development costs	3,319	4,275	4,435
Adjusted EBITDA	\$ 65,549	\$ 77,184	\$ 78,201
Revenue	\$ 502,988	\$ 578,634	\$ 579,798
Adjusted EBITDA Margin	13.0%	13.3%	13.5%

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REVENUE EXCLUDING FOREIGN CURRENCY EXCHANGE AND CALCULATION OF ORGANIC REVENUE

(\$ in thousands)

	Three Months Ended March 31, 2024
Revenue as reported	\$ 146,713
Foreign currency impact	(238)
Revenue excluding foreign currency exchange impacts	<u>\$ 146,475</u>
	Three Months Ended March 31, 2024
Revenue increase year over year	0.8%
Less: Impact of acquisitions and foreign currency	6.7%
Organic revenue	<u>(5.9)%</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 organic revenue, 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 revenue is reported revenues adjusted for the impact of foreign currency and the revenue contribution from acquisitions.



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Chairman, President & CEO

Jackson Trostle
Corporate Controller