



Motion Solutions that Change the Game

Second Quarter 2022 Financial Results Call

August 4, 2022

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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.

Second Quarter 2022 Highlights – Strong Execution

(Compared with prior-year period unless otherwise noted)

Record Revenue \$122.7M +21%	Record Gross Margin 32.4% +170 bps	Record Backlog \$323.9M +90%
Organic Growth 10%	Book-to-bill 1.1x	EPS GAAP - \$0.29 Adjusted¹ - \$0.36

Sales to Industrial markets were up 40% and reflected new solutions offerings, continued economic recovery in a number of verticals and incremental sales from acquisitions

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

Completed three acquisitions in the quarter: enhances technology offerings, strengthens competitive position in targeted markets and improves Allied's margin profile

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

Strategic Acquisitions – Advancing Growth Strategy

Complementary Businesses with Attractive Financial Profiles



High performance, zero cogging slotless motors for use in applications in aerospace, defense and medical that require precise motion in a compact, high-torque-to-volume package.

Acquired May 24, 2022



Ironless Linear Motors

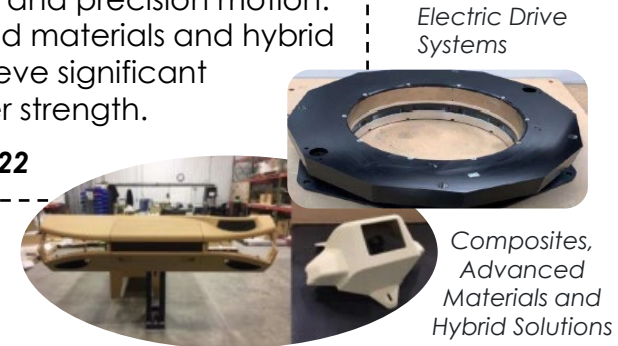


An Allied Motion Company

Technically advanced, reliable and cost-effective electrical drive systems and light weighting technologies for existing and future ground-based vehicles in the defense industry.

Direct drive systems provide high torque and precision motion. FPH also develops composites, advanced materials and hybrid products and systems that achieve significant weight reduction and higher strength.

Acquired May 30, 2022



Electric Drive Systems

Composites, Advanced Materials and Hybrid Solutions



An Allied Motion Company

High precision electromagnetic components and solutions for aerospace/defense, life sciences, semiconductor and other commercial industrial applications. Patented winding technology combined with robotic manufacturing assures best-in-class quality linear motors – ironless and iron core, rotary motors, voice coils, wound electromagnetic components and sub-components.

Acquired June 17, 2022



Magnetic Bearings

Competitive Advantage through System Solutions

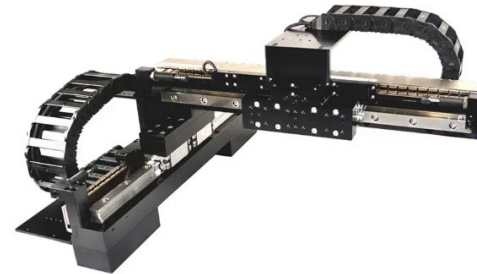
Allied's system capabilities continue to evolve with strategic acquisitions.

Building blocks that include controls, drives, motors, gearing and feedback, light weighting and electrification technologies create a competitive advantage.

System capabilities range from vehicle steering systems and motors with integrated drive electronics to nano-precision motion systems and ground-based vehicle systems.



Automated GPS-Guided Vehicle Steering Module with Torque Motor, Integrated Servo Drive with CAN Bus



Cartesian Robot Systems with Integrated Linear Motors, Single and Multi-Axis Drives and Controls



Synchronized Multi-axis Motion controllers, drives and actuation systems.



Lightweight composites, Electric Direct Drive Motors and Motor Systems for Ground Based Vehicles and Platforms



Hybrid Hexapod Systems with Integrated Linear Motors, Drives and Controls for multi-axis point precision



Highly Customized, customer specific, mission critical solutions - Custom Control, Drive, Software and Electromechanical Solutions

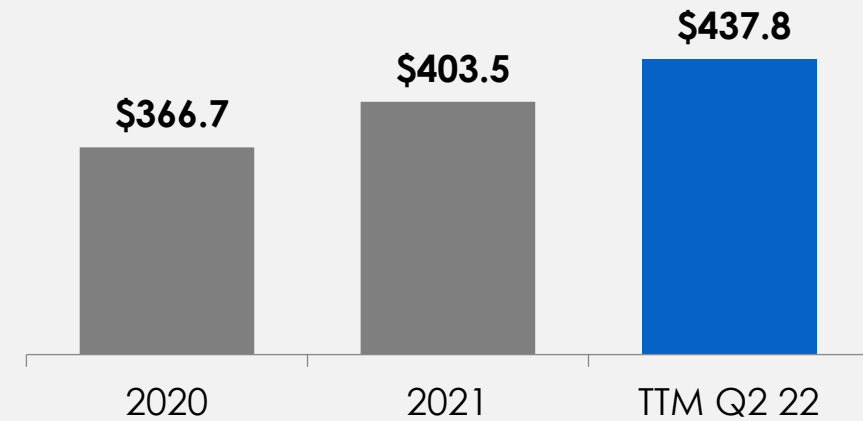
Revenue

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

Quarters



Years



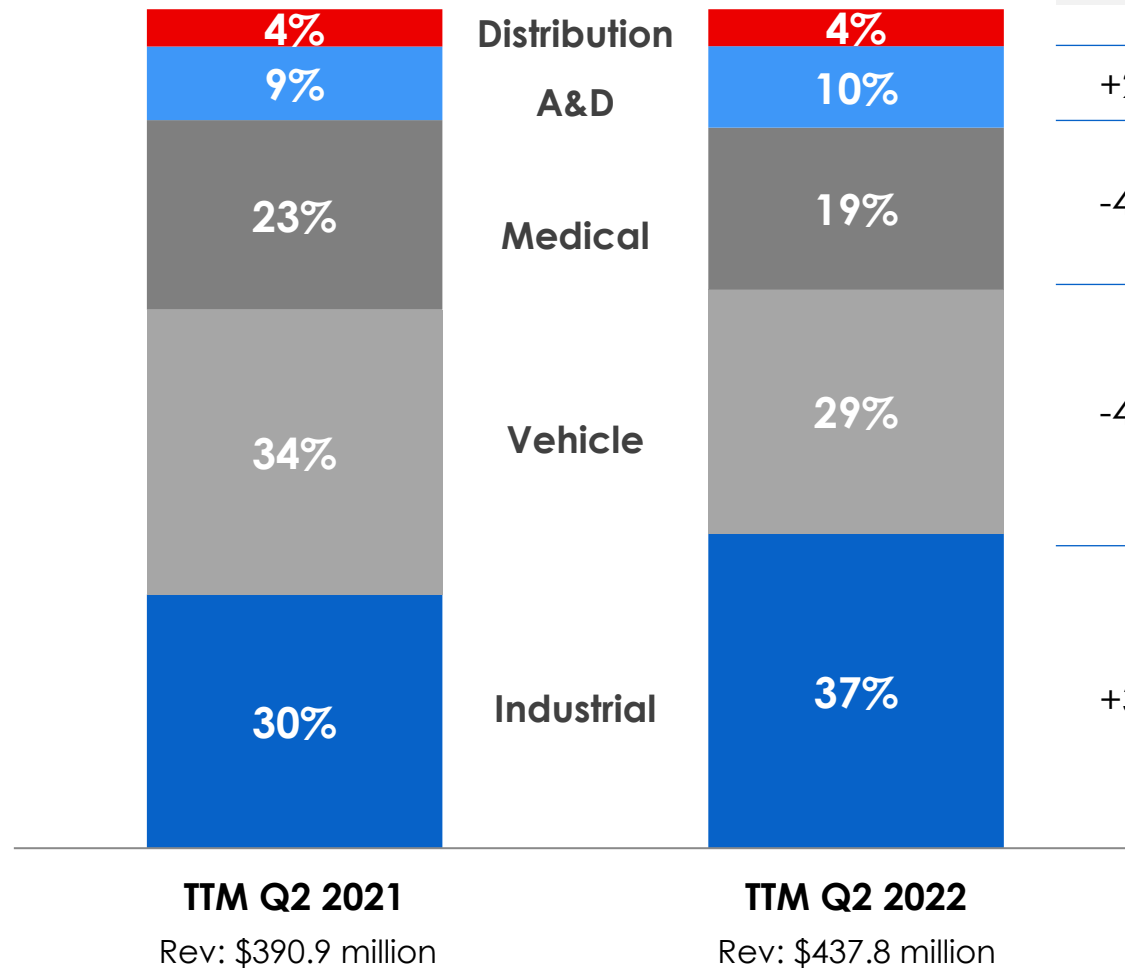
Up \$21.2 million or 21%; excluding \$5.2 million unfavorable FX, revenue up 26%

Second quarter market growth: Industrial +40% and A&D +100%, partially offset by Vehicle (3%), Medical (<1%)

Organic growth of 10%

Sales to U.S. customers were 58% in Q2 22 compared with 55% in prior-year period

Revenue by Market (TTM)



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

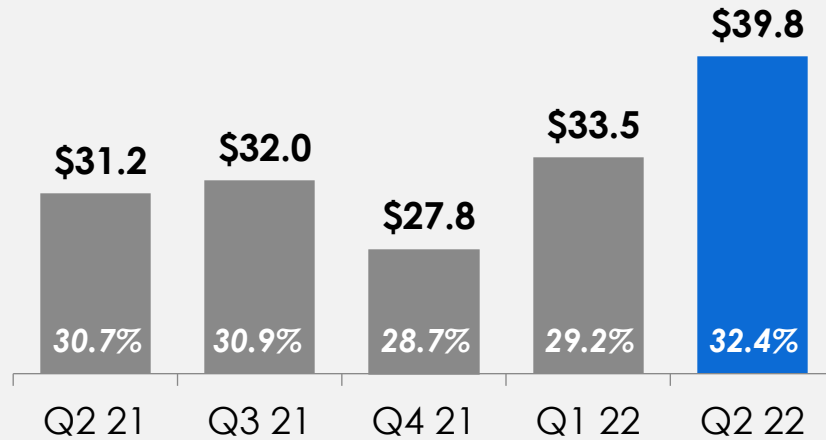
TTM Revenue Change and Market Drivers

+24%	Contributions from recent acquisitions
-4%	Lapping strong prior-period pandemic-related sales, offset by gradual return of elective surgeries
-4%	Strong truck, agricultural and construction vehicle demand more than offset broad supply chain challenges within commercial automotive and powersports
+39%	Acquisition contributions plus recovery in key end markets, such as industrial automation, oil & gas, vehicle handling, pumps, and electronics solutions for motor control and instrumentation

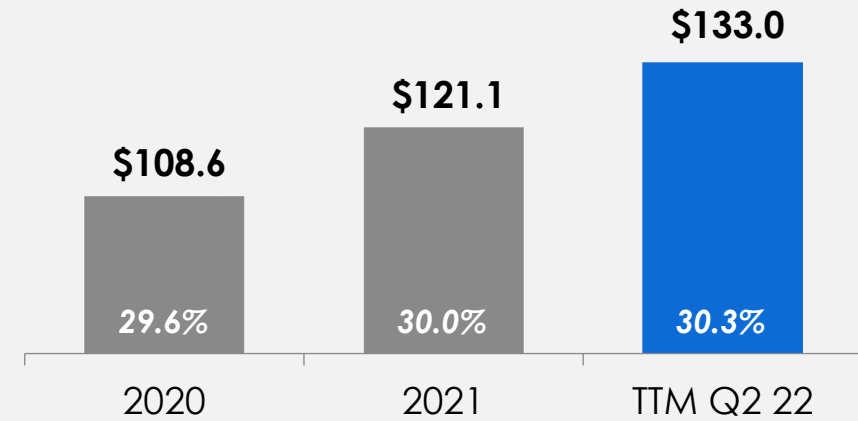
Gross Profit and Margin

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

Quarters



Years



Up \$8.6 million or 27%

170 basis points margin expansion; 320 basis points sequentially

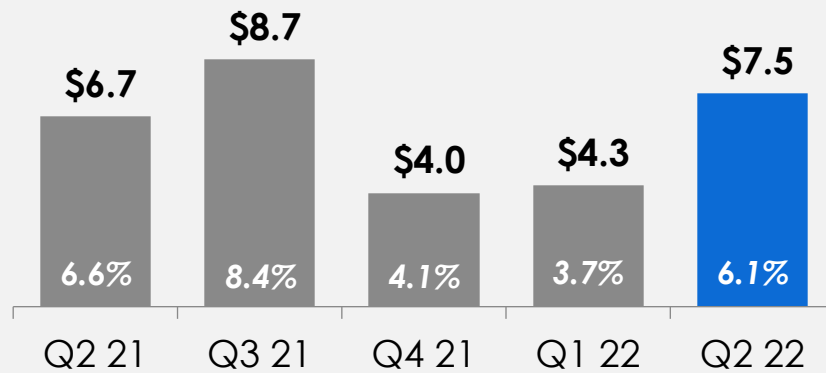
Margin impacts:

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

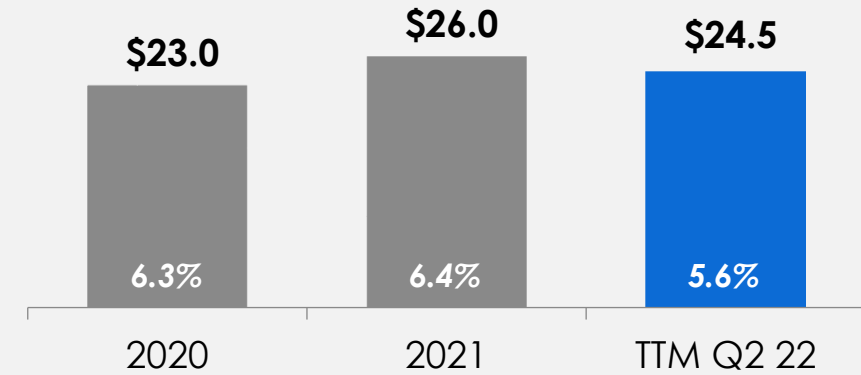
Operating Income and Margin

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

Quarters



Years



Operating costs and expenses as a percent of revenue were 26.3%, up 220 bps

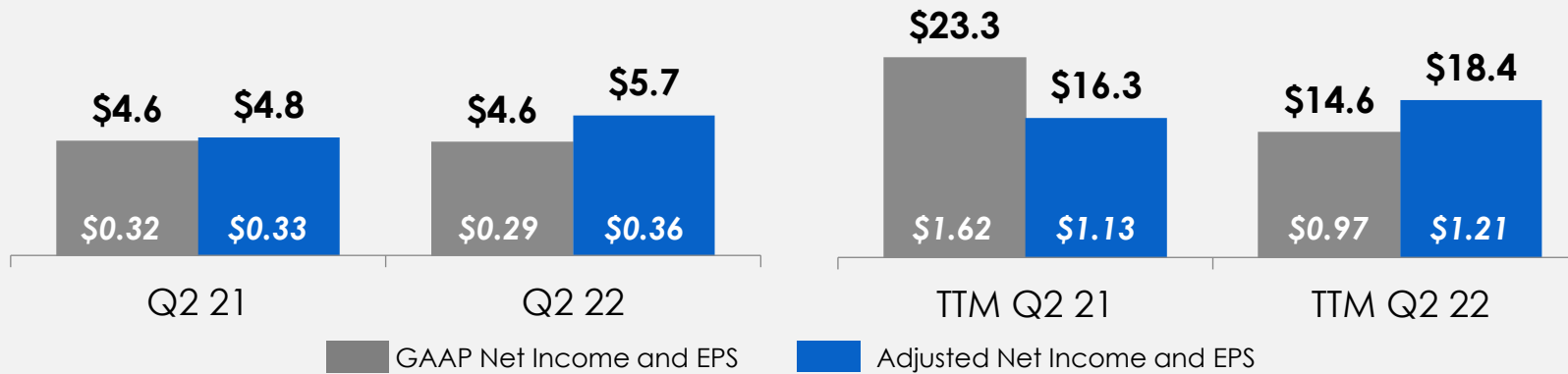
100 bps attributable to higher business development costs in support of M&A

90 bps attributable to higher engineering and development costs, largely due to the three acquisitions completed in Q2 2022

Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

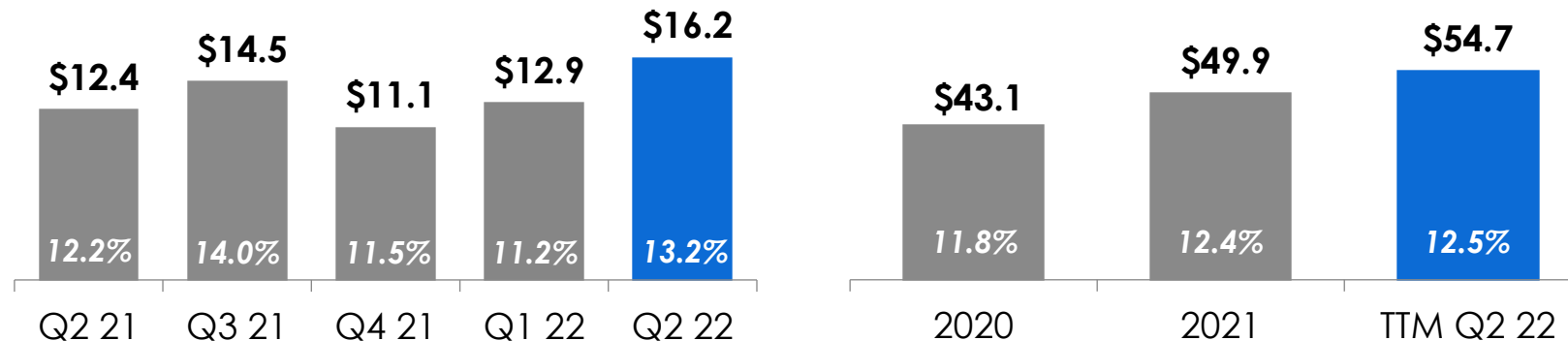
GAAP and Adjusted Net Income and EPS⁽¹⁾



Adjusted net income excludes 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 new 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		
	June 30, 2022	Dec 31, 2021
Cash and cash equivalents	\$ 28.8	\$ 22.5
Total debt	229.2	159.0
Total net debt	200.4	136.5
Shareholders' equity	201.3	187.8
Total capitalization	\$ 430.5	\$ 346.7
Debt/total capitalization	53.2%	45.8%
Net debt/net total capitalization	49.9%	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 ~3.7x

⁽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
	6/30/22	6/30/21	6/30/22
Net cash provided by (used in) operating activities	\$ 13.1	\$ 10.9	\$ (0.3)
Capital expenditures (CapEx)	(3.9)	(2.8)	(6.4)
Operating free cash flow (FCF)⁽¹⁾	\$ 9.2	\$ 8.1	\$ (6.6)

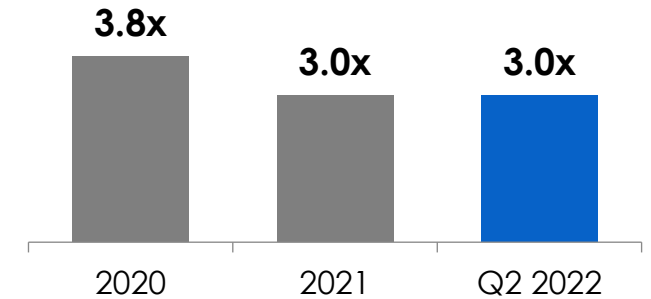
FY22 CapEx: **\$15 - \$20 million⁽²⁾**

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

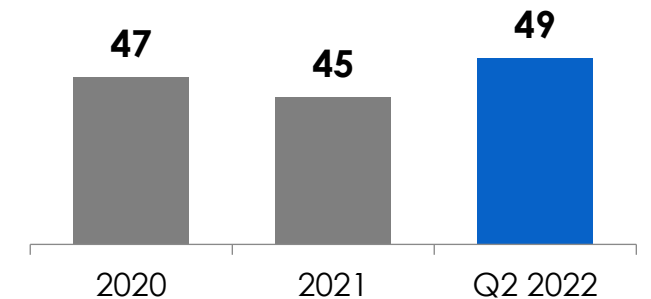
⁽²⁾ 2022 CapEx expectation provided on August 3, 2022

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

Inventory Turnover



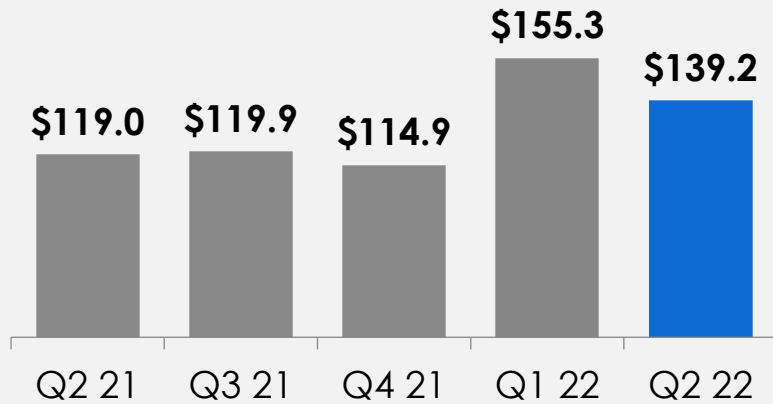
Days Sales Outstanding



Orders and Backlog

(\$ in millions)

Orders



Book:Bill 1.1x

Unfavorable \$6.0 million foreign currency translation

Backlog



Record backlog up 12% sequentially and 90% Y/Y

Incremental backlog from Q2 2022 acquisitions

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 \$15 million to \$20 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: 10019635*
- Telephone replay available through Thursday, August 11, 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				
	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022
Net income	\$ 4,634	\$ 5,972	\$ 1,561	\$ 2,504	\$ 4,581
Acquisition inventory step-up amortization - net	-	-	-	596	207
Income tax valuation allowance	-	-	506	-	-
Foreign currency gain/loss - net	30	(50)	48	38	(194)
Business development costs - net	121	72	790	650	1,085
Adjusted Net Income	\$ 4,785	\$ 5,994	\$ 2,905	\$ 3,788	\$ 5,679
Average Diluted Shares Outstanding	14,494	14,502	14,632	15,599	15,932
Diluted earnings per share	\$ 0.32	\$ 0.41	\$ 0.11	\$ 0.16	\$ 0.29
Adjusted diluted earnings per share	\$ 0.33	\$ 0.41	\$ 0.20	\$ 0.24	\$ 0.36

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for 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)

	For twelve months ended		
	Dec 31, 2020	Dec 31, 2021	June 30, 2022
Net income	\$ 13,643	\$ 24,094	\$ 14,617
Discrete income tax benefit	-	(7,373)	-
Non-income based tax assessment	(424)	-	-
Acquisition inventory step-up amortization - net	-	-	803
Income tax valuation allowance	-	506	506
Foreign currency gain/loss - net	752	16	(158)
Business development costs - net	344	995	2,597
Non-GAAP Adjusted Net Income	\$ 14,315	\$ 18,238	\$ 18,365
Average Diluted Shares Outstanding	14,333	14,517	15,166
Diluted earnings per share	\$0.95	\$1.66	\$0.97
Adjusted diluted earnings per share	\$1.00	\$1.26	\$1.21

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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				
	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022
Net income	\$ 4,634	\$ 5,972	\$ 1,561	\$ 2,504	\$ 4,581
Interest expense	807	777	791	1,038	1,525
Provision for income taxes	1,303	1,950	1,823	679	1,691
Depreciation and amortization	4,459	4,427	4,790	6,435	6,096
EBITDA	\$ 11,203	\$ 13,126	\$ 8,965	\$ 10,656	\$ 13,892
Stock compensation expense	1,000	1,303	1,061	1,349	1,141
Foreign currency loss (gain)	39	(69)	63	50	(253)
Business development costs	155	94	1,031	848	1,417
Adjusted EBITDA	\$ 12,397	\$ 14,454	\$ 11,120	\$ 12,903	\$ 16,197

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	June 30, 2022
Net income	\$ 13,643	\$ 24,094	\$ 14,617
Interest expense	3,716	3,236	4,131
Provision (benefit) for income taxes	5,133	(981)	6,143
Depreciation and amortization	15,985	18,107	21,748
EBITDA	\$ 38,477	\$ 44,456	\$ 46,639
Stock compensation expense	3,550	4,161	4,854
Foreign currency loss	1,035	21	(209)
Business development costs	473	1,299	3,390
Non-income based tax assessment	(424)	-	-
Adjusted EBITDA	\$ 43,111	\$ 49,937	\$ 54,673

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