



Nasdaq: ALNT

March 6, 2024

# Fourth Quarter & Full Year 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.*

# 2023 HIGHLIGHTS

*Compared with prior-year unless otherwise noted*

Revenue <b>\$578.6M</b> +15%	Gross Margin <b>31.7%</b> +40 bps
Organic Growth <sup>1</sup> <b>+13%</b>	Operating Margin <b>7.3%</b> +100 bps
Record Operating Cash Generation <b>\$45.0M</b>	Diluted EPS <b>GAAP - \$1.48</b> <b>Adjusted<sup>2</sup> - \$2.30</b>

**Strong execution driving organic and inorganic growth**

**Acquired Sierramotion in Sept. '23 and after year-end SNC Manufacturing in Jan. '24**

**Delivered strong free cash flow**

**Reduced debt balance \$17.1 million**

*(1)On a constant currency basis; See supplemental slides for the reconciliation of organic growth.*

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

# ADVANCING GROWTH STRATEGY

## **Sierramotion Inc.**

***Advances integrated motion solutions strategy  
(specialize with rotary, linear and arc shaped applications)***

- Acquired September 2023
- Founded in 2019 and headquartered in Loomis, CA
- Improves speed-of-play: excel at providing rapid product development, prototyping and low volume production
- We have collaborated and partnered in the past to develop industry leading solutions for the motion market
- Solutions for robotic, medical, industrial, defense, semiconductor and other precision applications
- Potential to provide larger scale production capabilities for Sierramotion customers

## **SNC Manufacturing Co., Inc**

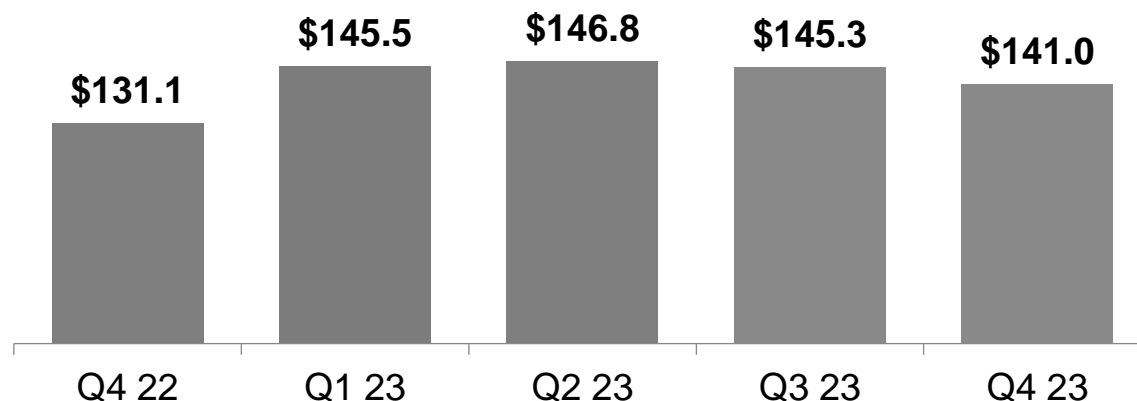
***Expands capabilities and capacity in Allient's  
Allied Power Technology Pillar***

- Acquired January 2024
- Founded in 1946 and headquartered in Oshkosh, WI with other manufacturing facilities in Mexico and China
- Broadens reach into industrial automation, defense, medical and in the energy and alternative energy markets
- Gain much-needed manufacturing capacity and expertise to further grow our power quality business
- Opportunities to leverage sales channels
- Adds ~\$40 million of annual revenue

# REVENUE

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

Quarters



Years



**Q4 23 up \$9.9 million or 8%;  
organic growth of 6%<sup>1</sup>**

**Q4 market growth:**

- + 23% Industrial
- + 17% Vehicle
- 19% A&D
- 16% Medical

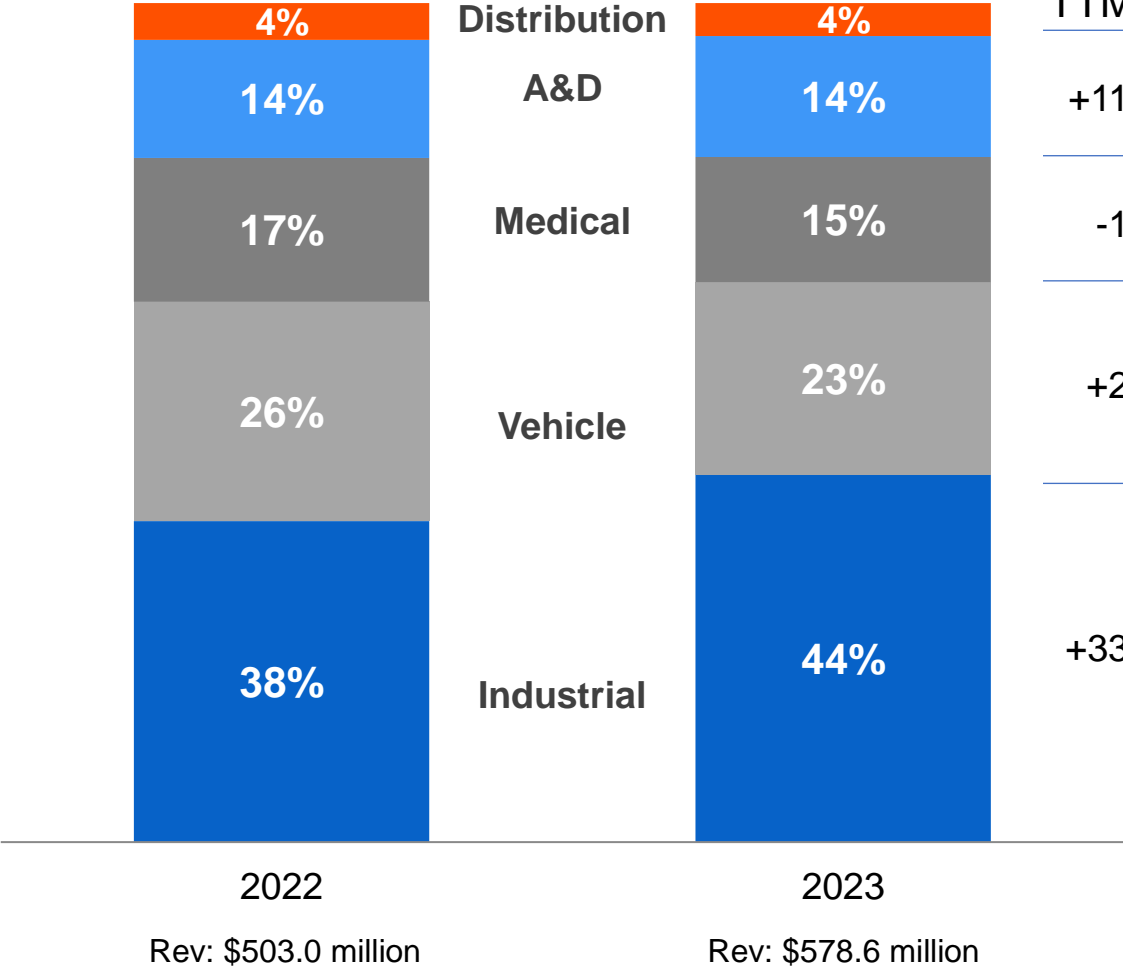
**2023 up \$75.6 million or 15%;  
organic growth of 13%<sup>1</sup>**

**Sales to U.S. customers at  
59% for 2023 versus 58%**

<sup>(1)</sup>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



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

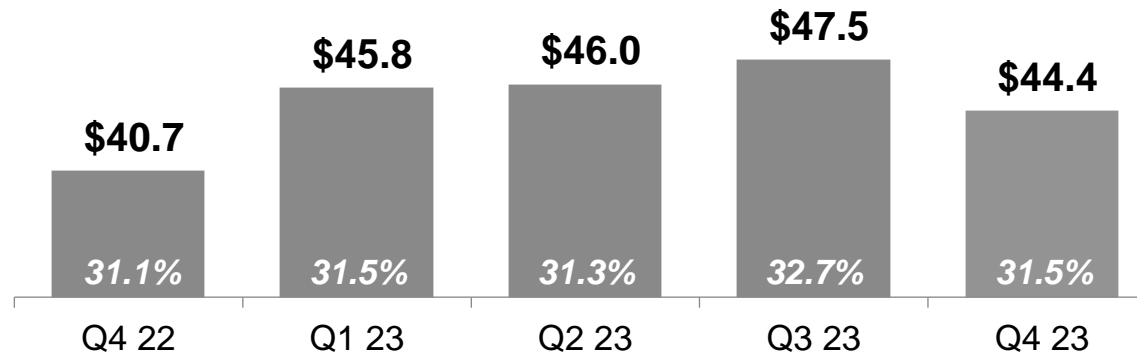
## TTM Revenue Change and Market Drivers

+11%	Defense program timing and commercial aircraft demand
-1%	More normalized sales environment focused on surgical and instrumentation related end markets, offset by lower medical mobility demand
+2%	Commercial automotive and powersports demand partially offset by weaker agricultural demand
+33%	Strong end market demand within industrial automation, Oil & Gas, HVAC and material & vehicle handling

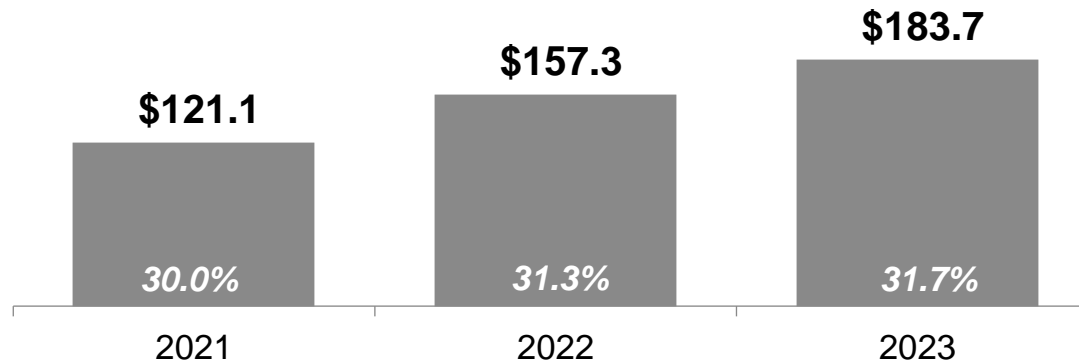
# GROSS PROFIT AND MARGIN

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

Quarters



Years



**Q4 23 up \$3.6 million or 9%;  
40 bps margin expansion**

**2023 up \$26.4 million or 17%;  
40 bps margin expansion**

## Gross margin impacts

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

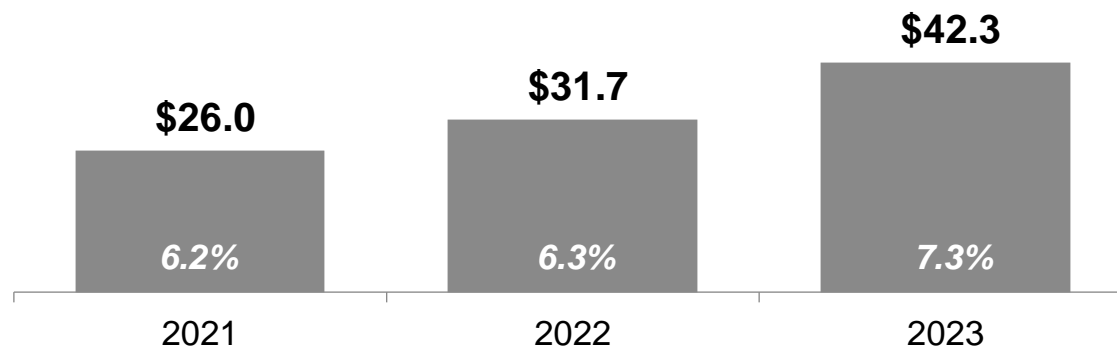
# OPERATING INCOME AND MARGIN

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

Quarters



Years



**Q4 23 reflects higher business development costs due to M&A activity, rationalization efforts and an earnout for a prior acquisition**

**2023 up \$10.7 million or 34%; margin expanded 100 bps**

**General & administrative 10.1%**  
*of 2023 sales*

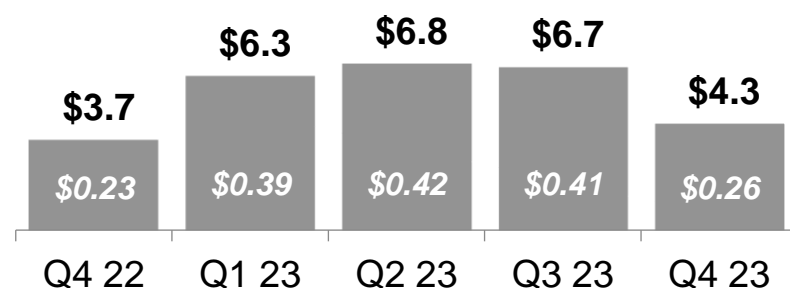
**Engineering & development 7.2%**  
*of 2023 sales*



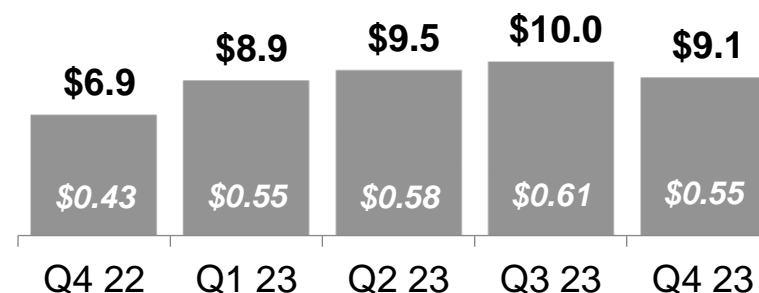
# NET INCOME AND ADJUSTED EBITDA

(\$ in millions, except per share data)

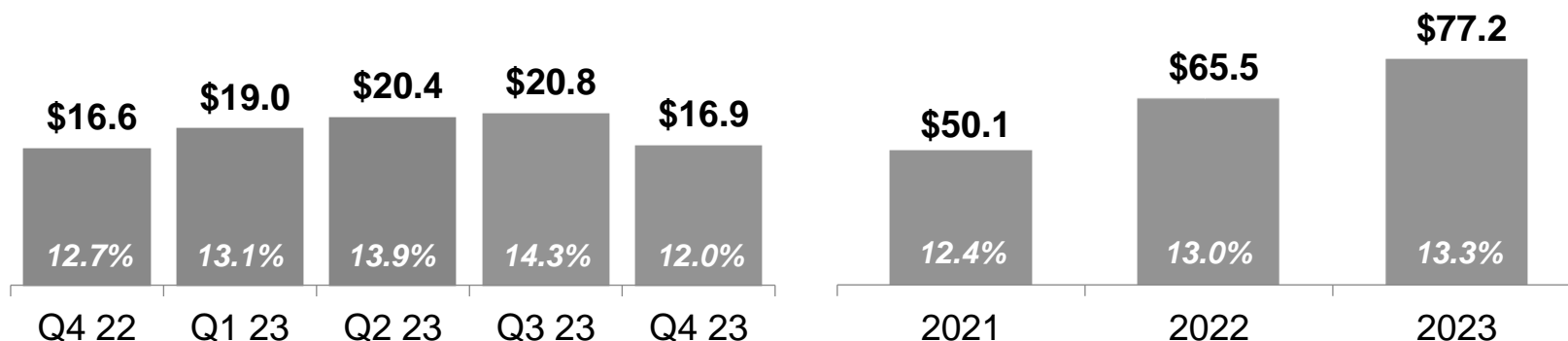
GAAP Net Income & EPS



Adjusted Net Income & Adjusted EPS<sup>1</sup>



Adjusted EBITDA<sup>1</sup> and Margin



Q4 23 net income included a tax benefit of \$0.4 million due to realization of certain NOLs and R&D credits

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%<sup>2</sup>

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

<sup>(2)</sup>2024 tax rate expectation provided on March 5, 2024

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

# RECORD ANNUAL CASH FLOW

(\$ in millions)

	Three Months Ended		Full year
	12/31/23	12/31/22	12/31/23
Net cash provided by operating activities	\$ 17.9	\$ 11.4	\$ 45.0
Capital expenditures (CapEx)	(3.8)	(4.9)	(11.6)
<b>Operating free cash flow (FCF)<sup>(1)</sup></b>	<b>\$ 14.1</b>	<b>\$ 6.5</b>	<b>\$ 33.4</b>

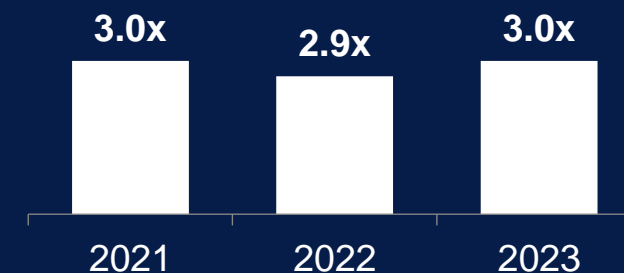
**FY24 CapEx Expectation: \$16 million – \$20 million<sup>(2)</sup>**

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

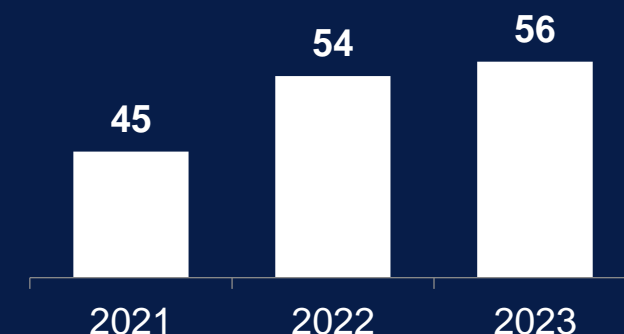
<sup>(2)</sup> 2024 CapEx expectation provided on March 5, 2024

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

## Inventory Turnover



## Days Sales Outstanding



# STRENGTHENED BALANCE SHEET

(\$ in millions)

CAPITALIZATION		
	Dec 31, 2023	Dec 31, 2022
Cash and cash equivalents	\$ 31.9	\$ 30.6
Total debt	218.4	235.5
<b>Total net debt</b>	<b>186.5</b>	<b>204.8</b>
Shareholders' equity	251.6	215.5
<b>Total capitalization</b>	<b>\$ 470.0</b>	<b>\$ 450.9</b>
Debt/total capitalization	46.5%	52.2%
Net debt/net total capitalization	42.6%	48.7%

**Strong cash generation enabled continued investments and debt paydown**

**Reduced debt balance \$17.1 million in 2023**

**Bank leverage ratio<sup>1</sup> of 2.8x**

**Made \$11.0 million of investments in support of acquisition strategy** *(included deferred cash payment for prior acquisition in Q1 23)*

**Subsequent year-end, extended maturity on existing debt for five years to 2029**

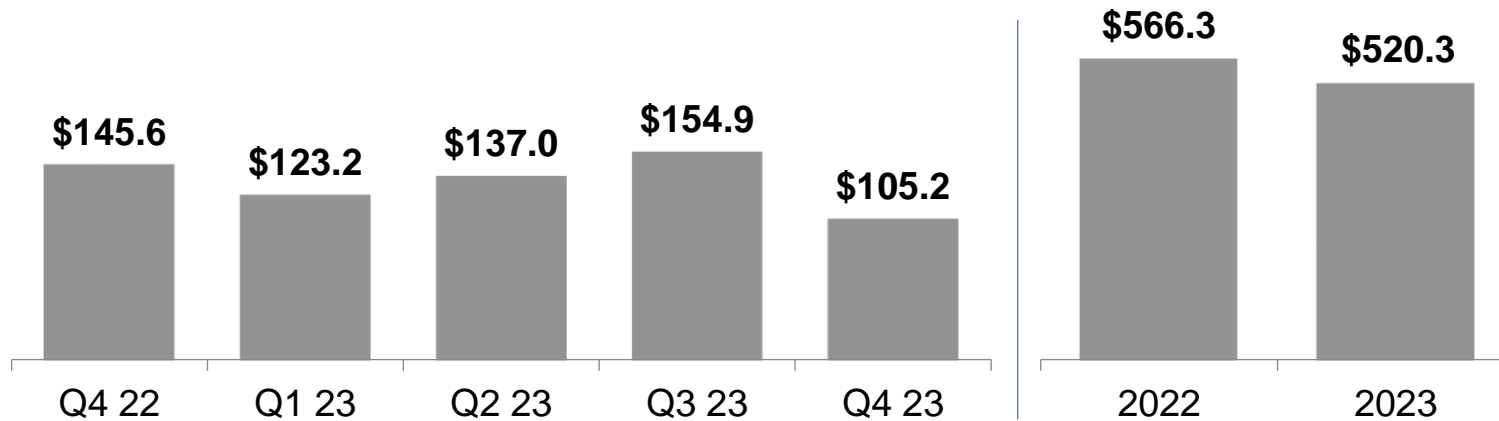
<sup>(1)</sup>Bank leverage ratio calculated in accordance with the Company's credit agreement

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

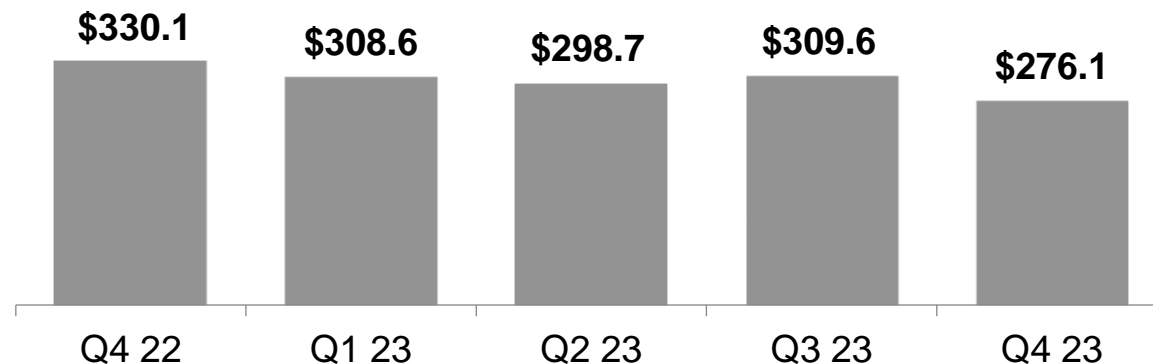
# CUSTOMER ORDER PATTERNS RETURNING TO PRE-COVID ENVIRONMENT

(\$ in millions)

## Orders



## Backlog



**2023 Book:Bill 0.9x**

**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 STRATEGY



*Centered on three high-level initiatives in 2024*



1. Realign and right-size our footprint to better align with our markets and customers. Initiatives are already underway and are expected to continue with earnest throughout 2024 and beyond.
2. Reinforce lean manufacturing disciplines throughout the Company to accelerate margin expansion.
3. Focus on working capital reduction to drive additional cash generation and de-lever the balance sheet.

# CONFERENCE CALL AND WEBCAST PLAYBACK

Replay Number: **412-317-6671** *passcode: 10185196*

Telephone replay available through Wednesday, March 13, 2024

Webcast / Presentation / Replay available at  
[www.allient.com/investors](http://www.allient.com/investors)

Transcript, when available, at  
[www.allient.com/investors](http://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				
	Dec 31, 2022	Mar 31, 2023	June 30, 2023	Sept 30, 2023	Dec 31, 2023
Net income	\$ 3,696	\$ 6,315	\$ 6,769	\$ 6,666	\$ 4,347
Non-GAAP adjustments, net of tax (1)					
Amortization of intangible assets - net	2,395	2,305	2,407	2,355	2,685
Foreign currency gain/loss - net	187	164	(11)	44	26
Business development costs - net	655	151	306	915	2,014
<b>Adjusted Net Income</b>	<b>\$ 6,933</b>	<b>\$ 8,935</b>	<b>\$ 9,471</b>	<b>\$ 9,980</b>	<b>\$ 9,072</b>
Average Diluted Shares Outstanding	16,145	16,137	16,219	16,237	16,505
Diluted earnings per share	\$ 0.23	\$ 0.39	\$ 0.42	\$ 0.41	\$ 0.26
Adjusted diluted earnings per share	\$ 0.43	\$ 0.55	\$ 0.58	\$ 0.61	\$ 0.55

(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, 2021	Dec 31, 2022	Dec 31, 2023
Net income	\$ 24,094	\$ 17,389	\$ 24,097
Non-GAAP adjustments, net of tax (1)			
Discrete income tax benefit	(7,373)	-	-
Amortization of intangible assets - net	4,938	9,812	9,752
Income tax valuation allowance	506	-	-
Foreign currency gain/loss - net	18	228	223
Business development costs - net	998	2,542	3,386
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 23,181</b>	<b>\$ 29,971</b>	<b>\$ 37,458</b>
Average Diluted Shares Outstanding	14,517	15,951	16,272
Diluted earnings per share	\$1.66	\$1.09	\$1.48
Adjusted diluted earnings per share	\$1.60	\$1.88	\$2.30

(1) Applies a blended federal, state, and foreign tax rate of 21% for 2023 and 23% for 2021 and 2022 applicable to the non-GAAP adjustments.

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

# ADJUSTED EBITDA RECONCILIATION

(\$ in thousands)

	For the three months ended				
	Dec 31, 2022	Mar 31, 2023	June 30, 2023	Sept 30, 2023	Dec 31, 2023
Net income	\$ 3,696	\$ 6,315	\$ 6,769	\$ 6,666	\$ 4,347
Interest expense	2,792	2,983	3,162	3,164	3,074
Provision for income taxes	1,414	1,904	2,131	1,992	(424)
Depreciation and amortization	6,264	6,145	6,390	6,421	6,112
<b>EBITDA</b>	<b>\$ 14,166</b>	<b>\$ 17,347</b>	<b>\$ 18,452</b>	<b>\$ 18,243</b>	<b>\$ 13,109</b>
Stock compensation expense	1,321	1,267	1,544	1,354	1,312
Foreign currency (gain) loss	244	214	(15)	58	24
Business development costs	855	197	400	1,194	2,484
<b>Adjusted EBITDA</b>	<b>\$ 16,586</b>	<b>\$ 19,025</b>	<b>\$ 20,381</b>	<b>\$ 20,849</b>	<b>\$ 16,929</b>
<b>Revenue</b>	<b>\$ 131,076</b>	<b>\$ 145,549</b>	<b>\$ 146,769</b>	<b>\$ 145,319</b>	<b>\$ 140,997</b>
<b>Adjusted EBITDA Margin</b>	<b>12.7%</b>	<b>13.1%</b>	<b>13.9%</b>	<b>14.3%</b>	<b>12.0%</b>

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	Dec 31, 2023
Net income	\$ 24,094	\$ 17,389	\$ 24,097
Interest expense	3,236	7,692	12,383
(Benefit) provision for income taxes	(981)	6,292	5,603
Depreciation and amortization	18,307	25,486	25,068
<b>EBITDA</b>	<b>\$ 44,656</b>	<b>\$ 56,859</b>	<b>\$ 67,151</b>
Stock-based compensation expense	4,161	5,073	5,477
Foreign currency loss	21	298	281
Business development costs	1,299	3,319	4,275
<b>Adjusted EBITDA</b>	<b>\$ 50,137</b>	<b>\$ 65,549</b>	<b>\$ 77,184</b>
<b>Revenue</b>	<b>\$ 403,516</b>	<b>\$ 502,988</b>	<b>\$ 578,634</b>
<b>Adjusted EBITDA Margin</b>	<b>12.4%</b>	<b>13.0%</b>	<b>13.3%</b>

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 AND CALCULATION OF ORGANIC GROWTH

(\$ in thousands)

	Three Months Ended December 31, 2023	Twelve Months Ended December 31, 2023
Revenue as reported	\$ 140,997	\$ 578,634
Foreign currency impact	(1,611)	258
Revenue excluding foreign currency exchange impacts	<u>\$ 139,386</u>	<u>\$ 578,892</u>
	Three Months Ended December 31, 2023	Twelve Months Ended December 31, 2023
Revenue increase year over year	7.6%	15.0%
Less: Impact of acquisitions and foreign currency	<u>2.0%</u>	<u>1.9%</u>
Organic growth	<u>5.6%</u>	<u>13.1%</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, 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.



Nasdaq: ALNT

March 6, 2024

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