



Nasdaq: ALNT

November 7, 2024

Third Quarter 2024 Financial Results Call

Dick Warzala
Chairman, President & CEO

Jim Michaud
Chief Financial Officer

SAFE HARBOR STATEMENT

The statements in this presentation 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 savings from restructuring and simplifying actions, the cost of implementing such actions, operating results, preliminary financial results, expectations for the level of sales for the next several quarters, 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, 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.

Q3 2024 REVIEW

Revenue \$125.2M	Diluted EPS GAAP: \$0.13 Adjusted¹: \$0.31
Gross Margin 31.4%	Cash from Operations \$12.0M
Net Income \$2.1M	Debt Reduction \$5.5M

Improved margins sequentially

Strong cash flow and debt reduction

Simplify to Accelerate NOW efforts yielding results

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

SIMPLIFY TO ACCELERATE NOW

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.

Identified \$5 million in cost reductions that were implemented in Q2 24

Implemented additional savings since Q2 2024, bringing total annualized savings to date of ~\$10 million

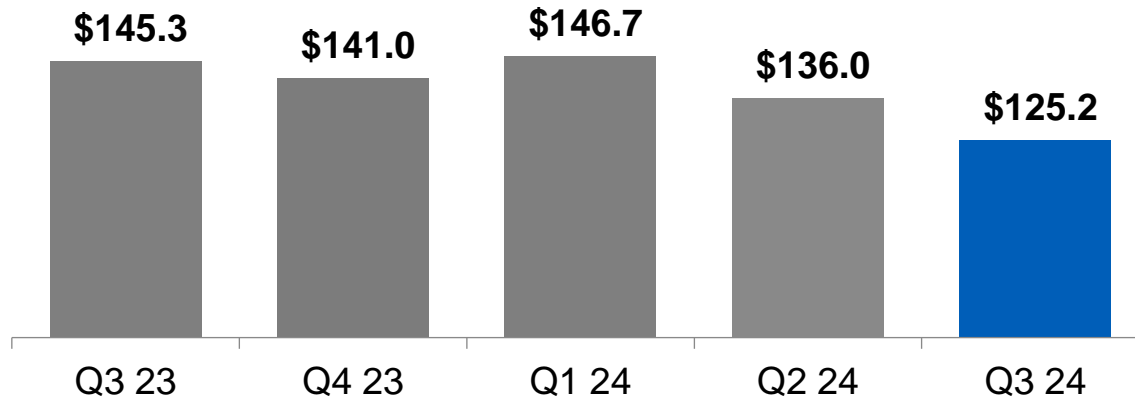
Restructuring and related charges of \$0.5 million recognized in Q3 2024

Actively identifying further opportunities to rationalize cost structure in 2025

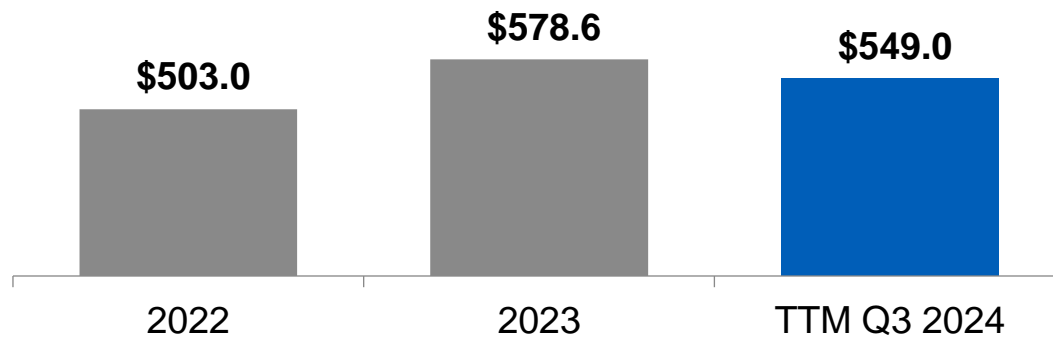
REVENUE

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

Quarters



Years



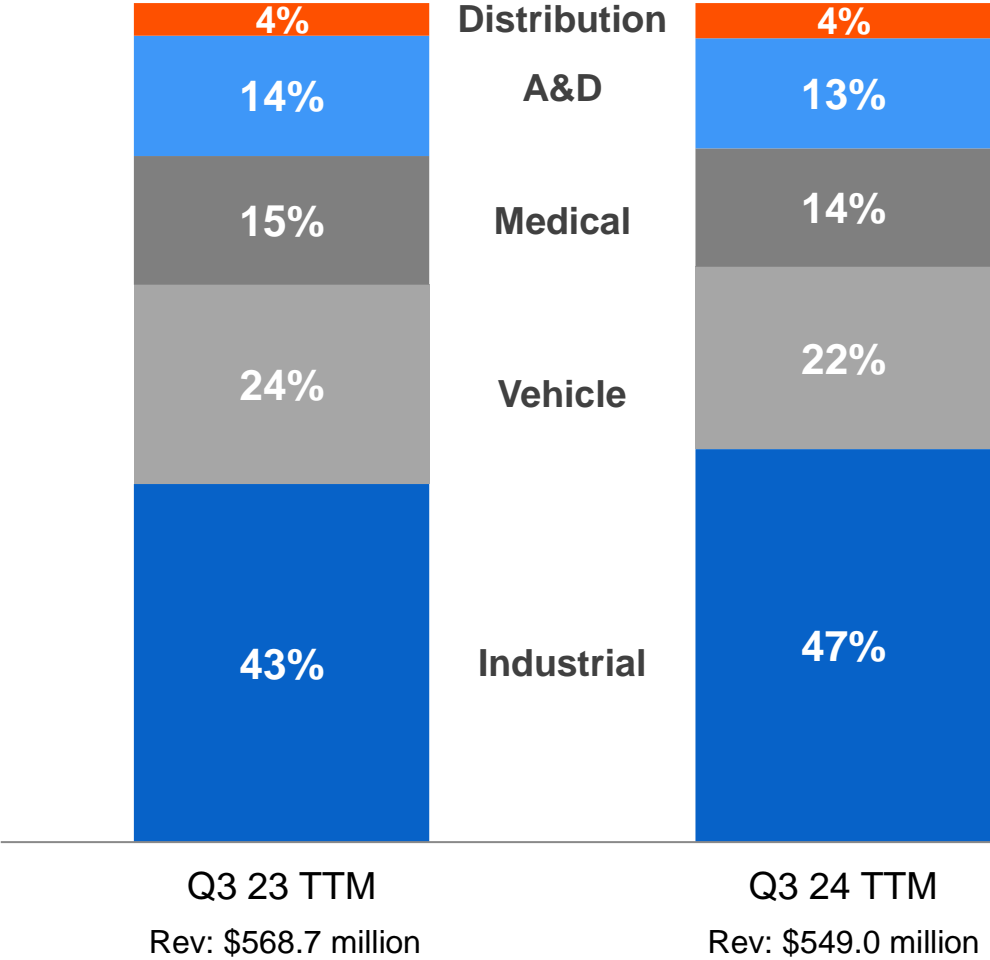
Q3 24 market results:

- 38% **Vehicle** (accelerated decline in demand in powersports)
- 9% **Industrial** (lower industrial automation offset by power quality and acquisition)
- 8% **A&D** (program timing)
- 6% **Medical** (broad end-market)

Sales to U.S. customers at 56% for Q3 24 versus 61% for Q3 23

DIVERSIFIED REVENUE MIX

Revenue by Market



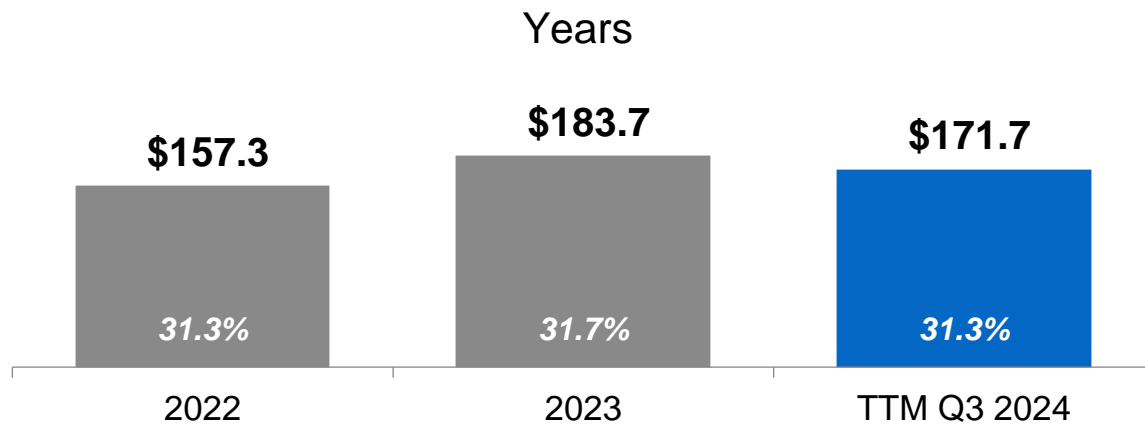
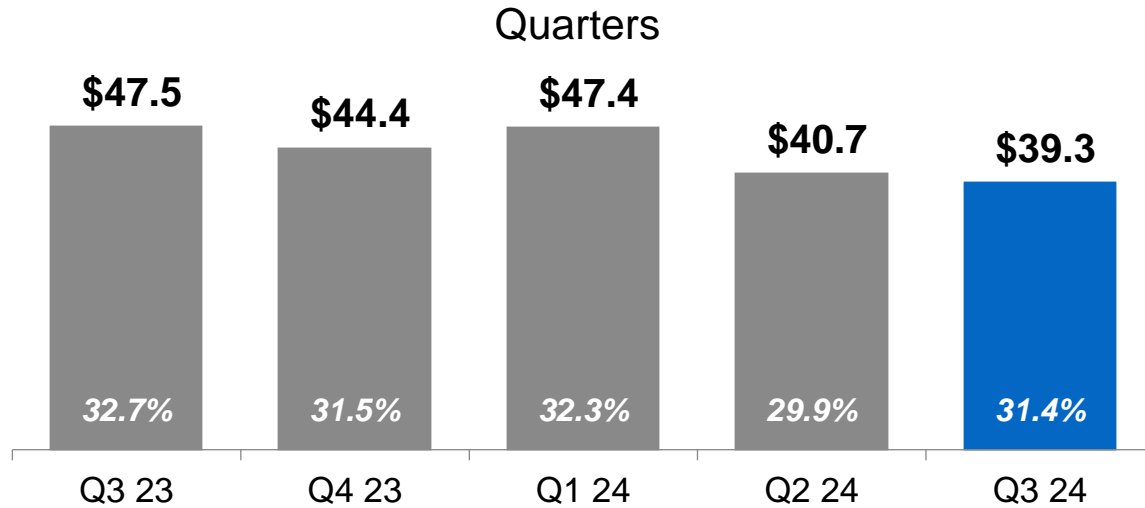
NOTE: Components may not add up to totals due to rounding

TTM Revenue Change and Market Drivers

- 13% Program timing within the space industry
- 12% Demand largely down within mobility
- 8% Ramp of commercial automotive programs offset by lower demand in powersports and agriculture
- + 4% Driven by power quality (HVAC/datacenter) and industrial automation

GROSS PROFIT AND MARGIN

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



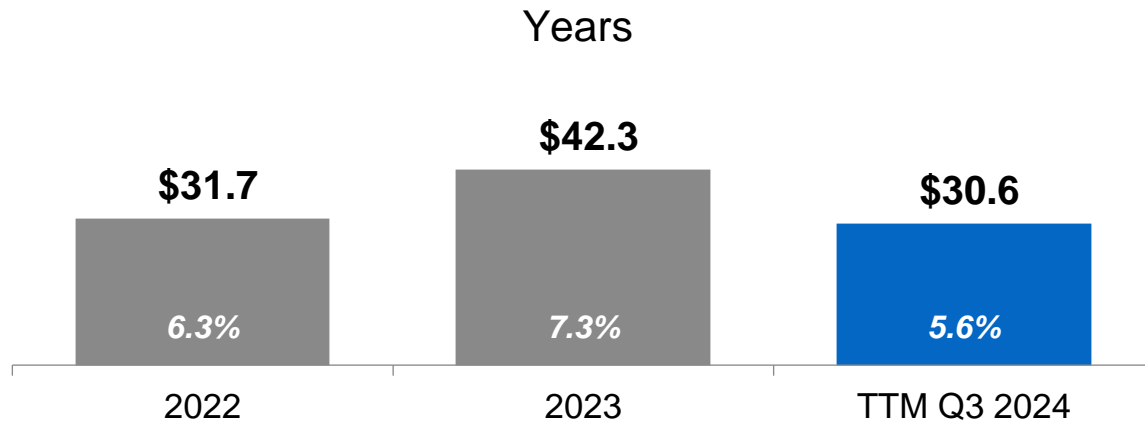
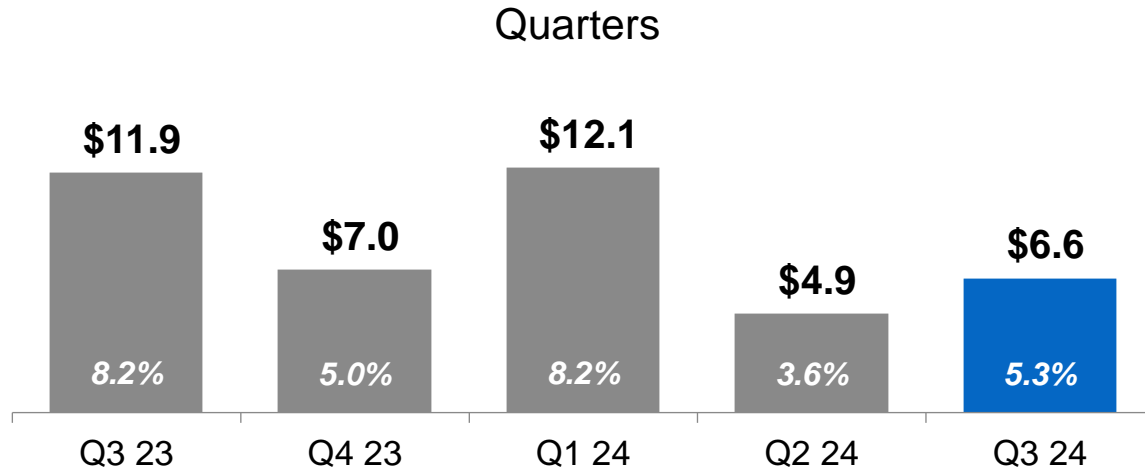
Q3 24 gross margin impacts

- Lower volume
- Margin dilution from most recent acquisition

Sequentially, margin expanded 150 bps largely due to an improved mix and benefits from Simplify to Accelerate NOW actions, despite lower sales

OPERATING INCOME AND MARGIN

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



Q3 24 reflects \$0.5 million restructuring and business realignment costs

General & Administrative 11.1%
of Q3 24 sales

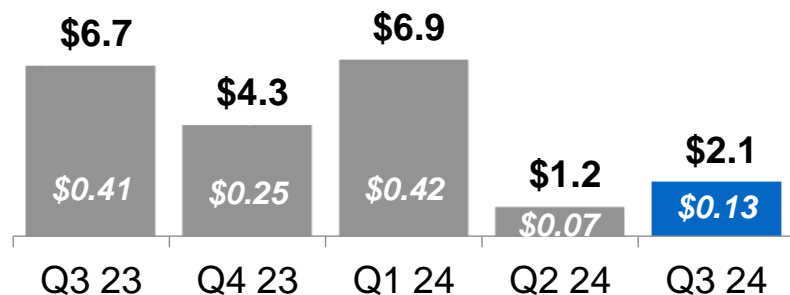
Engineering & Development 7.2%
of Q3 24 sales

Sequentially, operating margin up 170 bps which reflects initial Simplify to Accelerate NOW efforts

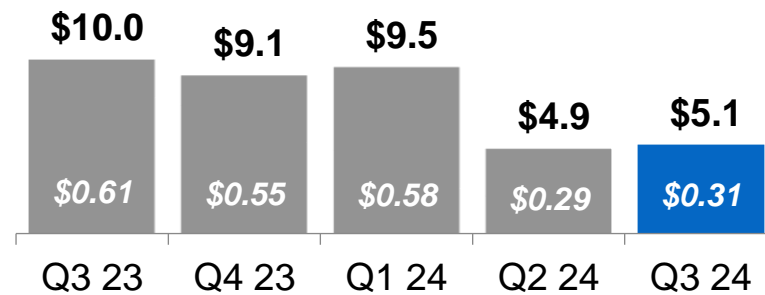
NET INCOME AND ADJUSTED EBITDA

(\$ in millions, except per share data)

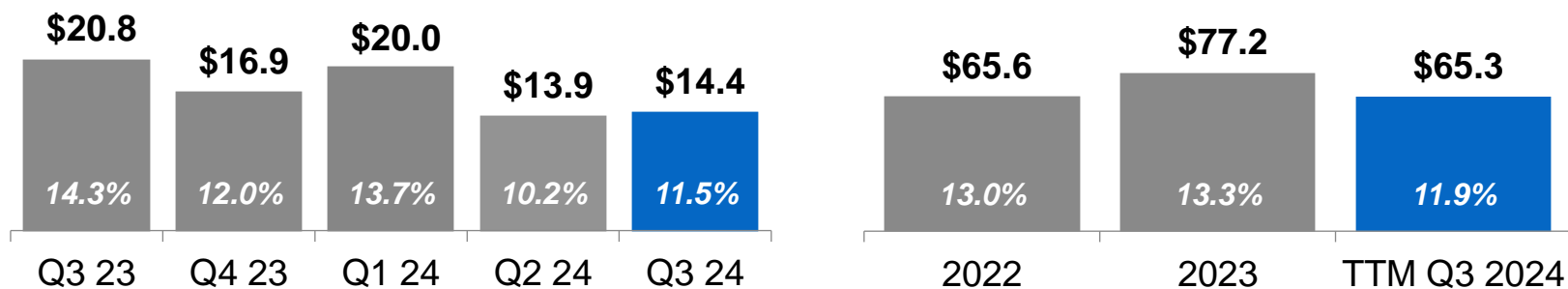
GAAP Net Income & EPS



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

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

Sequentially, Adjusted EBITDA¹ margin rose 130 bps

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

⁽²⁾2024 tax rate expectation provided on November 6, 2024

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

CASH FLOW

(\$ in millions)

	Three Months Ended		YTD	
	9/30/24	9/30/23	9/30/24	9/30/23
Net cash provided by operating activities	\$ 12.0	\$ 9.9	\$ 29.5	\$ 27.1
Capital expenditures (CapEx)	(1.6)	(1.7)	(6.9)	(7.9)
Operating free cash flow (FCF)⁽¹⁾	\$ 10.4	\$ 8.1	\$ 22.6	\$ 19.3

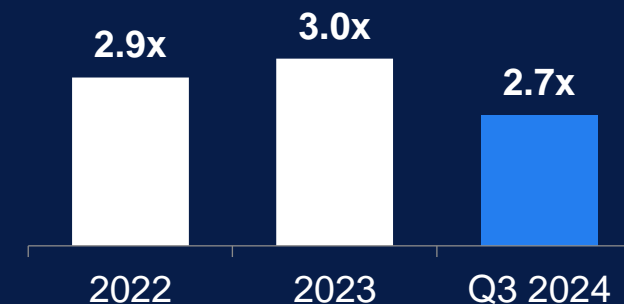
FY24 CapEx Expectation: \$8 million – \$11 million⁽²⁾

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

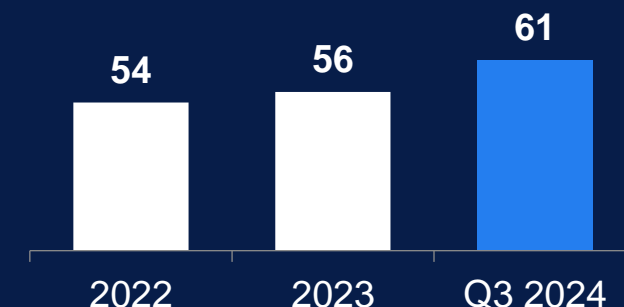
⁽²⁾ 2024 CapEx expectation provided on November 6, 2024

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Inventory Turnover



Days Sales Outstanding



BALANCE SHEET

(\$ in millions)

CAPITALIZATION		
	Sept 30, 2024	Dec 31, 2023
Cash and cash equivalents	\$ 37.1	\$ 31.9
Total debt	231.4	218.4
Total net debt	194.3	186.5
Shareholders' equity	272.9	251.6
Total capitalization	\$ 504.2	\$ 470.0
Debt/total capitalization	45.9%	46.5%
Net debt/net total capitalization	41.6%	42.6%

Q3 24 debt was down \$5.5 million from sequential quarter

Debt increase from year-end 2023 reflects SNC acquisition

In October, amended credit facilities to include less restrictive covenants and expanded EBITDA add-backs

Bank leverage ratio¹ of 3.32x at quarter end

Executed new interest rate swap agreement to hedge additional \$50M of debt

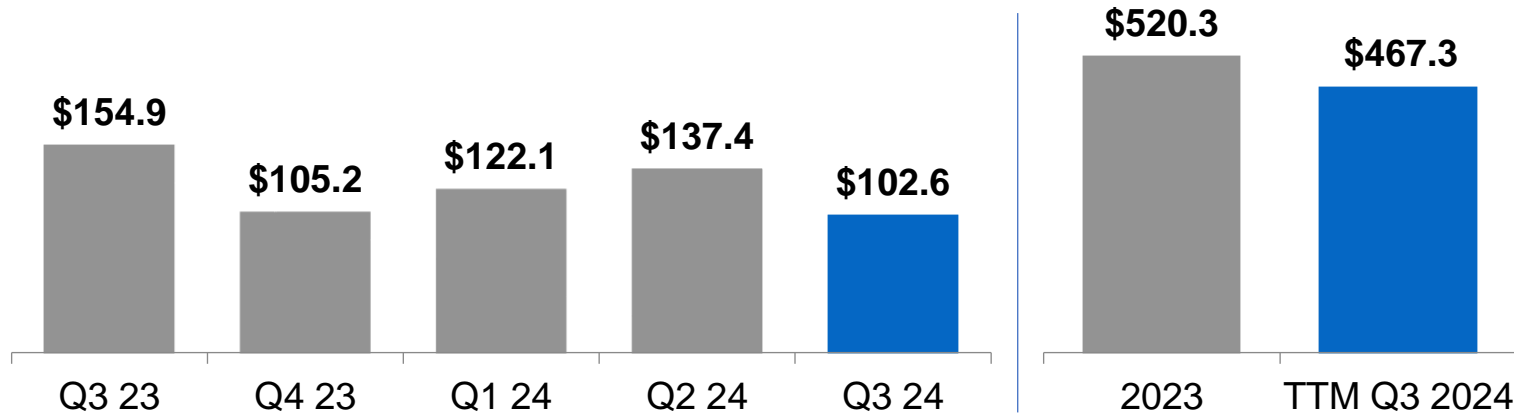
⁽¹⁾ Bank leverage ratio calculated in accordance with the Company's credit agreement

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

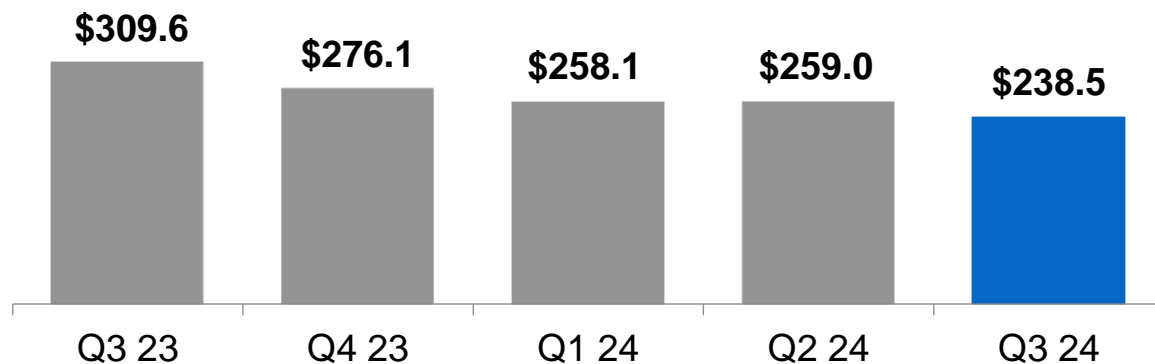
INVENTORY REBALANCING IMPACTING ORDER RATES

(\$ in millions)

Orders



Backlog



Q3 2024 orders were impacted by shifts in customer order patterns due to high inventory levels

Some project delays likely due to the election and expected interest rate changes

Book:Bill 0.8x

Backlog change reflects recent order softness and continued improvements within the supply chain

Majority of backlog to ship in three to nine months

OUTLOOK¹



Simplify to Accelerate NOW:

- ✓ Took out ~\$10 million in annualized cost savings
- ✓ Identifying more opportunities to execute in 2025

Challenged market expected to persist into 1H 2025

Expect Q4 2024 revenue to reflect continued inventory rebalancing at customers and typical year-end seasonality

Prioritize cash conversion and debt reduction

⁽¹⁾ Outlook provided on November 6, 2024

CONFERENCE CALL AND WEBCAST PLAYBACK

Replay Number: **412-317-6671** *passcode: 10193002*

Telephone replay available through Thursday, November 14, 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				
	Sept 30, 2023	Dec 31, 2023	Mar 31, 2024	June 30, 2024	Sept 30, 2024
Net income	\$ 6,666	\$ 4,347	\$ 6,902	\$ 1,150	\$ 2,101
Non-GAAP adjustments, net of tax ⁽¹⁾					
Amortization of intangible assets - net	2,355	2,685	2,463	2,475	2,401
Foreign currency loss – net	44	26	(92)	30	353
Acquisition and integration-related costs – net ⁽²⁾	298	1,853	273	77	(154)
Restructuring and business realignment costs - net	617	161	-	1,125	367
Adjusted Net Income	\$ 9,980	\$ 9,072	\$ 9,546	\$ 4,857	\$ 5,068
Average Diluted Shares Outstanding	16,237	16,505	16,497	16,540	16,605
Diluted earnings per share	\$ 0.41	\$ 0.26	\$ 0.42	\$ 0.07	\$ 0.13
Adjusted diluted earnings per share	\$ 0.61	\$ 0.55	\$ 0.58	\$ 0.29	\$ 0.31

(1) Applies a blended federal, state, and foreign tax rate of approximately 23% to the non-GAAP adjustments for the periods presented, except for Q4 2023 (21%)

(2) Includes a Q3 2024 fair value measurement reduction of \$270 due to acquisition-related contingent consideration.

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	Sept 30, 2024
Net income	\$ 17,389	\$ 24,097	\$ 14,500
Non-GAAP adjustments, net of tax ⁽¹⁾			
Amortization of intangible assets - net	9,812	9,752	10,024
Foreign currency loss – net	228	223	317
Acquisition and integration-related costs - net	645	2,344	2,049
Restructuring and business realignment costs - net	1,897	1,042	1,653
Non-GAAP Adjusted Net Income	\$ 29,971	\$ 37,458	\$ 28,543
Average Diluted Shares Outstanding	15,951	16,272	16,529
Diluted earnings per share	\$1.09	\$1.48	\$0.88
Adjusted diluted earnings per share	\$1.88	\$2.30	\$1.73

(1) Applies a blended federal, state, and foreign tax rate of 21% for 2023 and 23% for 2022 and Q3 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				
	Sept 30, 2023	Dec 31, 2023	Mar 31, 2024	June 30, 2024	Sept 30, 2024
Net income	\$ 6,666	\$ 4,347	\$ 6,902	\$ 1,150	\$ 2,101
Interest expense	3,164	3,074	3,388	3,384	3,435
Provision for income taxes	1,992	(424)	1,919	299	612
Depreciation and amortization	6,421	6,112	6,385	6,416	6,447
EBITDA	\$ 18,243	\$ 13,109	\$ 18,594	11,249	12,595
Stock compensation expense	1,354	1,312	1,211	1,073	1,098
Acquisition and integration-related costs ⁽¹⁾	389	2,273	357	100	(201)
Restructuring and business realignment costs	805	211	-	1,469	479
Foreign currency (gain) loss	58	24	(120)	40	461
Adjusted EBITDA	\$ 20,849	\$ 16,929	\$ 20,042	\$ 13,931	\$ 14,432
Revenue	\$ 145,319	\$ 140,997	\$ 146,713	\$ 136,032	\$ 125,213
Adjusted EBITDA Margin	14.3%	12.0%	13.7%	10.2%	11.5%

(1) Includes a Q3 2024 fair value measurement reduction of \$270 due to acquisition-related contingent consideration.

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, and foreign currency gains/losses), which is a non-GAAP measure. Business development costs include acquisition and integration related costs as well as restructuring and business realignment costs. 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	Sept 30, 2024
Net income	\$ 17,389	\$ 24,097	\$ 14,500
Interest expense	7,692	12,383	13,281
Provision for income taxes	6,292	5,603	2,406
Depreciation and amortization	25,486	25,068	25,360
EBITDA	\$ 56,859	\$ 67,151	\$ 55,547
Stock-based compensation expense	5,073	5,477	4,694
Acquisition and integration-related costs	842	2,959	2,529
Restructuring and business realignment costs	2,477	1,316	2,159
Foreign currency loss	298	281	405
Adjusted EBITDA	\$ 65,549	\$ 77,184	\$ 65,334
Revenue	\$ 502,988	\$ 578,634	\$ 548,955
Adjusted EBITDA Margin	13.0%	13.3%	11.9%

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REVENUE EXCLUDING FOREIGN CURRENCY EXCHANGE AND CALCULATION OF ORGANIC REVENUE

(\$ in thousands)

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenue as reported	\$ 125,213	\$ 407,958
Foreign currency impact	(641)	(155)
Revenue excluding foreign currency exchange impacts	<u>\$ 124,572</u>	<u>\$ 407,803</u>

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenue decrease year over year	(13.8%)	(6.8%)
Less: Impact of acquisitions and foreign currency	7.7%	7.1%
Organic revenue	<u>(21.5%)</u>	<u>(13.9%)</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 EBITDA and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation expense, business development costs, foreign currency gains/losses, and restructuring and business realignment costs), which are non-GAAP measures. Business development costs include acquisition and integration related costs.

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.