UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2022.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________________to ________________________

Commission file number 0-04041

ALLIED MOTION TECHNOLOGIES INC.
(Exact name of Registrant as Specified in Its Charter)

Colorado	**84-0518115**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
495 Commerce Drive, Amherst, New York	**14228**
(Address of principal executive offices)	(Zip Code)

(716) 242-8634
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	AMOT	NASDAQ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of Shares of the only class of Common Stock outstanding: 15,978,261 as of August 3, 2022

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ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 28,846	$ 22,463
Trade receivables, net of provision for credit losses of $586 and $506 at June 30, 2022 and December 31, 2021, respectively	69,806	51,239
Inventories	112,255	89,733
Prepaid expenses and other assets	11,403	12,522
Total current assets	222,310	175,957
Property, plant and equipment, net	65,945	56,983
Deferred income taxes	4,427	5,321
Intangible assets, net	125,943	103,786
Goodwill	125,006	106,633
Operating lease assets	23,550	16,983
Other long-term assets	8,934	5,122
Total Assets	$ 576,115	$ 470,785
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 47,129	$ 36,714
Accrued liabilities	46,295	41,656
Total current liabilities	93,424	78,370
Long-term debt	228,901	158,960
Deferred income taxes	8,263	5,040
Pension and post-retirement obligations	3,841	3,932
Operating lease liabilities	18,854	12,792
Other long-term liabilities	21,553	23,929
Total liabilities	374,836	283,023
Stockholders' Equity:		
Common stock, no par value, authorized 50,000 shares; 15,978 and 15,361 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	81,662	68,097
Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding	—	—
Retained earnings	134,066	127,757
Accumulated other comprehensive loss	(14,449)	(8,092)
Total stockholders' equity	201,279	187,762
Total Liabilities and Stockholders' Equity	$ 576,115	$ 470,785

See accompanying notes to condensed consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME
(In thousands, except per share data)
(Unaudited)

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Revenues	$ 122,722	$ 101,537	$ 237,507	$ 203,214
Cost of goods sold	82,948	70,320	164,273	141,929
Gross profit	39,774	31,217	73,234	61,285
Operating costs and expenses:				
Selling	5,808	4,396	10,839	8,614
General and administrative	12,595	11,181	24,091	21,929
Engineering and development	9,791	7,240	19,177	14,199
Business development	1,417	155	2,265	174
Amortization of intangible assets	2,645	1,511	5,079	3,023
Total operating costs and expenses	32,256	24,483	61,451	47,939
Operating income	7,518	6,734	11,783	13,346
Other expense, net:				
Interest expense	1,525	807	2,563	1,668
Other (income) expense, net	(279)	(10)	(234)	(129)
Total other expense, net	1,246	797	2,329	1,539
Income before income taxes	6,272	5,937	9,454	11,807
Income tax (provision) benefit	(1,691)	(1,303)	(2,370)	4,754
Net income	$ 4,581	$ 4,634	$ 7,084	$ 16,561
Basic earnings per share:				
Earnings per share	$ 0.30	$ 0.32	$ 0.47	$ 1.15
Basic weighted average common shares	15,355	14,406	15,226	14,356
Diluted earnings per share:				
Earnings per share	$ 0.29	$ 0.32	$ 0.45	$ 1.14
Diluted weighted average common shares	15,932	14,494	15,752	14,467
Net income	$ 4,581	$ 4,634	$ 7,084	$ 16,561
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(8,699)	955	(9,932)	(3,052)
Gain on derivatives	974	56	3,576	764
Comprehensive (loss) income	$ (3,144)	$ 5,645	$ 728	$ 14,273

See accompanying notes to condensed consolidated financial statements.

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ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except per share data)
(Unaudited)

	Common Stock					Accumulated Other Comprehensive (Loss) Income			
(In thousands except per share data)	**Shares**	**Amount**	**Unamortized Cost of Equity Awards**	**Common Stock and Paid-in Capital**	**Retained Earnings**	**Foreign Currency Translation Adjustments**	**Accumulated income (loss) on derivatives**	**Pension adjustments**	**Total Stockholders' Equity**
Balances, December 31, 2021	15,361	$ 73,106	$ (5,009)	$ 68,097	$ 127,757	$ (7,409)	$ 180	$ (863)	$ 187,762
Stock transactions under employee benefit stock plans	36	1,217		1,217					1,217
Issuance of restricted stock, net of forfeitures	141	5,140	(5,144)	(4)					(4)
Stock-based compensation expense			1,349	1,349					1,349
Shares withheld for payment of employee payroll taxes	(4)	(137)		(137)					(137)
Comprehensive (loss) income						(1,233)	3,423		2,190
Tax effect of derivative transactions							(822)		(822)
Net income					2,504				2,504
Dividends to stockholders - $0.025					(388)				(388)
Balances, March 31, 2022	15,534	$ 79,326	$ (8,804)	$ 70,522	$ 129,873	$ (8,642)	$ 2,781	$ (863)	$ 193,671
Issuance of restricted stock, net of forfeitures	16	313	(314)	(1)					(1)
Share issuance in connection with acquisitions	463	11,103		11,103					11,103
Stock-based compensation expense			1,141	1,141					1,141
Shares withheld for payment of employee payroll taxes	(35)	(1,103)		(1,103)					(1,103)
Comprehensive (loss) income						(8,699)	1,284		(7,415)
Tax effect of derivative transactions							(310)		(310)
Net income					4,581				4,581
Dividends to stockholders - $0.025					(388)				(388)
Balances, June 30, 2022	15,978	$ 89,639	$ (7,977)	$ 81,662	$ 134,066	$ (17,341)	$ 3,755	$ (863)	$ 201,279

	Common Stock					Accumulated Other Comprehensive (Loss) Income			
(In thousands except per share data)	**Shares**	**Amount**	**Unamortized Cost of Equity Awards**	**Common Stock and Paid-in Capital**	**Retained Earnings**	**Foreign Currency Translation Adjustments**	**Accumulated income (loss) on derivatives**	**Pension adjustments**	**Total Stockholders' Equity**
Balances, December 31, 2020	14,632	$ 47,085	$ (5,807)	$ 41,278	$ 105,065	$ (216)	$ (1,438)	$ (1,633)	$ 143,056
Stock transactions under employee benefit stock plans	32	988		988					988
Issuance of restricted stock, net of forfeitures	81	3,001	(2,872)	129					129
Stock-based compensation expense			797	797					797
Shares withheld for payment of employee payroll taxes	(21)	(256)		(256)					(256)
Comprehensive (loss) income						(4,007)	929		(3,078)
Tax effect of derivative transactions							(221)		(221)
Net income					11,927				11,927
Dividends to stockholders - $0.02					(294)				(294)
Balances, March 31, 2021	14,724	$ 50,818	$ (7,882)	$ 42,936	$ 116,698	$ (4,223)	$ (730)	$ (1,633)	$ 153,048
Issuance of restricted stock, net of forfeitures	15	472	(474)	(2)					(2)
Stock-based compensation expense			1,000	1,000					1,000
Shares withheld for payment of employee payroll taxes	(23)	(1,344)		(1,344)					(1,344)
Comprehensive income						955	74		1,029
Tax effect of derivative transactions							(18)		(18)
Net income					4,634				4,634
Dividends to stockholders - $0.025					(368)				(368)
Balances, June 30, 2021	14,716	$ 49,946	$ (7,356)	$ 42,590	$ 120,964	$ (3,268)	$ (674)	$ (1,633)	$ 157,979

See accompanying notes to condensed consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash Flows From Operating Activities:		
Net income	$ 7,084	$ 16,561
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	12,531	8,890
Deferred income taxes	1,222	(7,316)
Stock-based compensation expense	2,490	1,797
Debt issue cost amortization recorded in interest expense	71	71
Other	793	1,028
Changes in operating assets and liabilities, net of acquisition:		
Trade receivables	(15,407)	(5,381)
Inventories	(22,003)	(5,951)
Prepaid expenses and other assets	1,601	814
Accounts payable	9,850	5,651
Accrued liabilities	1,478	307
Net cash (used in) provided by operating activities	(290)	16,471
Cash Flows From Investing Activities:		
Consideration paid for acquisitions, net of cash acquired	(44,569)	—
Purchase of property and equipment	(6,354)	(5,885)
Net cash used in investing activities	(50,923)	(5,885)
Cash Flows From Financing Activities:		
Principal payments of long-term debt and finance lease obligations	(3,406)	(7,603)
Proceeds from issuance of long-term debt	64,203	—
Dividends paid to stockholders	(776)	(662)
Tax withholdings related to net share settlements of restricted stock	(1,240)	(1,600)
Net cash provided by (used in) financing activities	58,781	(9,865)
Effect of foreign exchange rate changes on cash	(1,185)	(468)
Net increase in cash and cash equivalents	6,383	253
Cash and cash equivalents at beginning of period	22,463	23,131
Cash and cash equivalents at end of period	$ 28,846	$ 23,384
Supplemental disclosure of cash flow information:		
Stock issued for acquisitions	$ 11,103	$ —
Property, plant and equipment purchases in accounts payable or accrued expenses	$ 1,444	$ 967

See accompanying notes to condensed consolidated financial statements.

1. BASIS OF PREPARATION AND PRESENTATION

Allied Motion Technologies Inc. ("Allied Motion" or the "Company") is engaged in the business of designing, manufacturing and selling precision and specialty controlled motion components and systems, which include integrated system solutions as well as individual controlled motion products, to a broad spectrum of customers throughout the world primarily for the vehicle, medical, aerospace and defense, and industrial markets.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using end of period exchange rates. Changes in reported amounts of assets and liabilities of foreign subsidiaries that occur as a result of changes in exchange rates between the foreign subsidiaries' functional currencies and the U.S. dollar are included in foreign currency translation adjustment. Foreign currency translation adjustment is included in accumulated other comprehensive loss, a component of stockholders' equity in the accompanying condensed consolidated statements of stockholders' equity. Revenue and expense transactions use an average rate prevailing during the month of the related transaction. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of each of the foreign subsidiaries are included in the results of operations as incurred in other (income) expense, net.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

It is suggested that the accompanying condensed consolidated financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the Annual Report on Form 10-K for the year ended December 31, 2021 that was previously filed by the Company.

Twinsburg Consolidation

In September 2021, the Company announced its plans to consolidate its manufacturing facility in Twinsburg, Ohio with its Watertown, New York and Reynosa, Mexico facilities in 2022. Such consolidation has been substantially completed by June 30, 2022. Costs of $4 and $344 are included in business development on the condensed consolidated statement of income and comprehensive (loss) income for the three and six months ended June 30, 2022, respectively, related to the consolidation of the Twinsburg facility. Costs incurred include accelerated lease costs, severance and other payroll related costs.

2. ACQUISITIONS

FPH Group

On May 30, 2022, the Company acquired 100% of the direct and indirect legal and beneficial ownership of the shares of FPH Group Inc., a corporation incorporated pursuant to the laws of the Province of Ontario and the membership interests of Transtar International, LLC, a Michigan limited liability company, collectively "FPH". FPH is an Ontario, Canada headquartered industry leader in the development of technically advanced, reliable and cost-effective electrical drive systems which provide high torque and precision motion for the defense industry, as well as light weighting technologies for existing and future ground-based vehicles in the defense industry. FPH provides concept engineering, prototyping, validation and production. FPH also develops composites, advanced materials and hybrid products and systems that achieve significant weight reduction and higher strength. This acquisition provides the Company with a deeper penetration within defense applications including the necessary manufacturing licenses and certifications.

The purchase price was $42,159 consisting of cash of $39,359 funded through borrowings under the Amended Revolving Facility, $550 in Company stock (22,886 shares at $24.01 closing stock price on May 27, 2022), and $2,250 in the form of 93,728 exchangeable shares (based on the closing price of an equivalent share of the Company's common stock) of an indirect wholly-owned subsidiary of the Company, each of which is initially exchangeable into one share of Company common stock, subject to adjustment, in accordance with a Support Agreement entered into concurrently with the closing of the transaction. The purchase price allocation is subject to adjustments based on a final determination of closing net working capital and certain tax matters.

The Company incurred $710 of transaction costs related to the acquisition of FPH, which are included in business development on the condensed consolidated statements of income and comprehensive (loss) income.

The preliminary allocation of the purchase price paid for FPH is based on estimated fair values of the assets acquired and liabilities assumed of FPH as of May 30, 2022 and is as follows (in thousands):

Cash and cash equivalents	$ 1,755
Trade receivables	3,161
Inventories	4,576
Other assets, net	174
Property, plant and equipment	624
Right of use assets	4,165
Intangible assets	22,611
Goodwill	13,314
Other current liabilities	(956)
Deferred revenue	(776)
Lease liabilities	(4,165)
Net deferred income tax liabilities	(2,324)
Net purchase price	$ 42,159

The intangible assets acquired consist of customer lists of $16,173, technology of $5,731, and a trade name of $707, which are being amortized over 12, 10 and 10 years, respectively. Goodwill generated in the acquisition is related to the assembled workforce, synergies between Allied Motion's other operations and FPH that are expected to occur as a result of the combined engineering knowledge, the ability of each of the operations to integrate each other's products into more fully integrated system solutions and Allied Motion's ability to utilize FPH's management knowledge in providing complementary product offerings to the Company's customers.

The operating results of this acquisition are included in the condensed consolidated financial statements beginning on the date of the acquisition. Revenue of FPH included within the condensed consolidated statement of income and comprehensive (loss) income for the three and six months ended June 30, 2022 was $1,925 and earnings were $247.

The goodwill resulting from the FPH acquisition is tax deductible.

ThinGap and Airex

On May 24, 2022, the Company acquired 100% of the outstanding stock of ThinGap, Inc. (“ThinGap”), a privately-owned California headquartered developer and manufacturer of high performance, zero clogging slotless motors for use in aerospace, defense and medical applications that require precise performance in a compact, yet high-torque-to-volume solutions. ThinGap designs, engineers and manufactures low profile, brushless DC motor kits and assemblies that utilize a proprietary wave-wound stator architecture and highly optimized rotors. ThinGap expands the Company’s precision motion capabilities and advances its strategy to provide integrated motion solutions in the robotics, semiconductor and instrumentation markets.

On June 17, 2022, the Company acquired 100% of the membership interests of Airex, LLC (“Airex”), a privately-owned New Hampshire headquartered developer of high precision electromagnetic components and solutions for the aerospace and defense, life sciences, semiconductor and commercial industrial applications. Airex combines its patented winding technology with robotic manufacturing to produce linear motors – ironless and iron core, rotary motors, voice coils, wound electromagnetic components and sub-components. Airex expands the Company’s motor offerings as well as enhances its quality systems to support broad mission critical defense programs, as well as other high demanding industries.

The purchase price, collectively, for ThinGap and Airex was $16,527, comprised of $8,224 in cash funded through borrowings under the Amended Revolving Credit Facility and $8,303 in Company stock (376,500 shares, of which 29,631 shares are subject to an indemnification holdback, at a weighted average stock price of $22.05). These purchase price allocations are subject to adjustments based on a final determination of closing net working capital and certain tax matters.

The Company incurred $179 of transaction costs related to these acquisitions in 2022, which are included in business development on the condensed consolidated statements of income and comprehensive (loss) income.

The preliminary allocation of the purchase price paid is based on estimated fair values of the assets acquired and liabilities assumed as of May 24, 2022 for ThinGap and June 17, 2022 for Airex and is, collectively, as follows (in thousands):

Cash and cash equivalents	$ 1,074
Trade receivables	1,295
Inventories	1,686
Other assets, net	636
Property, plant and equipment	202
Right of use assets	888
Intangible assets	6,000
Goodwill	6,800
Other current liabilities	(574)
Deferred revenue	(245)
Lease liabilities	(888)
Net deferred income tax liabilities	(347)
Net purchase price	$ 16,527

The intangible assets acquired consist of customer lists of $3,800, technology of $2,000 and trade names of $200, which are being amortized over weighted average useful lives of 10, 12.5 and 10 years, respectively. Goodwill generated in these acquisitions is related to the assembled workforce, synergies with Allied Motion’s other operations that are expected to occur as a result of the combined engineering knowledge, the ability of the operations to integrate products into more fully integrated system solutions and Allied Motion’s ability to utilize ThinGap and Airex management knowledge in providing complementary product offerings to the Company’s customers.

The operating results of these acquisitions are included in the condensed consolidated financial statements beginning on the date of the acquisition. Revenue included within the condensed consolidated statement of income and comprehensive (loss) income for the three and six months ended June 30, 2022, related to ThinGap and Airex, collectively, was $408 and earnings were not material.

(In thousands, except per share data)

The goodwill resulting from the ThinGap acquisition is not tax deductible. The goodwill resulting from the Airex acquisition is tax deductible.

2021 Acquisitions

On November 2, 2021, the Company acquired 100% of the outstanding stock of ORMEC Systems Corp. (“ORMEC”), a New York headquartered developer and manufacturer 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. On November 4, 2021, the Company acquired 100% of ALIO Industries (“ALIO”), a Colorado headquartered innovator and manufacturer of advanced linear and rotary motion systems for nano-precision applications. On December 30, 2021, the Company acquired Spectrum Controls, Inc. (“Spectrum Controls”), a Washington headquartered innovator and manufacturer of industrial Input/Output (“I/O”) and universal communications gateway products.

The initial purchase price, collectively, for ORMEC and ALIO was $33,458, and the initial purchase price of Spectrum Controls was $68,711. During the three months ended March 31, 2022, measurement period adjustments to the preliminary purchase price allocations, collectively, resulted in an increase in purchase price of $119 and an increase in goodwill of $175. There were no measurement period adjustments during the three months ended June 30, 2022. During the three months ended March 31, 2022, a settlement of certain closing working capital amounts resulted in a cash inflow of $185. There were no additional closing working capital settlements during the three months ended June 30, 2022. The purchase price allocations for each of the three 2021 acquisitions remain preliminary and are subject to adjustments based on a determination of closing net working capital and/or certain tax matters.

The acquisition of ALIO includes contingent consideration initially measured at a fair value of $4,900. There were no changes to the estimated fair value of contingent consideration during the three months or six months ended June 30, 2022. Contingent consideration of $1,125 is included in accrued liabilities and $3,775 is included in other long-term liabilities as of June 30, 2022 on the condensed consolidated balance sheet. The Spectrum Controls acquisition includes two remaining payments of $12,500 each to be paid in two equal installments no later than December 31, 2022 and December 31, 2023, respectively, comprised of 50% cash and 50% in Company stock. As of June 30, 2022, $12,444 is included in accrued liabilities and $12,333 is included in other long-term liabilities on the condensed consolidated balance sheet. As of December 31, 2021, $12,388 is included in accrued liabilities and $12,277 is included in other long-term liabilities on the condensed consolidated balance sheet.

Proforma information

The following pro forma financial information presents the combined results of operations if the FPH, ThinGap and Airex acquisitions had occurred as of January 1, 2021 and Spectrum Controls, ORMEC, and ALIO as of January 1, 2020:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenues	$ 127,492	$ 118,398	$ 248,322	$ 236,600
Income before income taxes	$ 8,225	$ 7,422	$ 12,943	$ 10,561

The pro forma information includes certain adjustments, including depreciation and amortization expense, interest expense, and certain other adjustments, together with related income tax effects. The pro forma amounts do not reflect adjustments for anticipated operating efficiencies that the Company expects to achieve as a result of these acquisitions. The pro forma financial information is for informational purposes only and does not purport to present what the Company’s results would have been had these transactions actually occurred on the date presented or to project the combined company’s results of operations or financial position for any future period.

3. REVENUE RECOGNITION

Performance Obligations

The Company considers control of most products to transfer at a single point in time when control is transferred to the customer, generally when the products are shipped in accordance with an agreement and/or purchase order. Control is defined as the ability to direct the use of and obtain substantially all of the remaining benefits of the product.

The Company satisfies its performance obligations under a contract with a customer by transferring goods and services in exchange for monetary consideration from the customer. The Company considers the customer's purchase order, and the Company's corresponding sales order acknowledgment as the contract with the customer. For some customers, control, and a sale, is transferred at a point in time when the product is delivered to a customer. For a limited number of contracts, the Company recognizes revenue over time in proportion to costs incurred.

Sales, value add, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

Nature of Goods and Services

The Company sells component and integrated controlled motion solutions to end customers and original equipment manufacturers ("OEM's") through the Company's own direct sales force and authorized manufacturers' representatives and distributors. The Company's products include brushed and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, active and passive filters for power quality and harmonic issues, and other controlled motion-related products. The Company's target markets include Vehicle, Medical, Aerospace & Defense and Industrial.

Determining the Transaction Price

The majority of the Company's contracts have an original duration of less than one year. For these contracts, the Company applies the practical expedient and therefore does not consider the effects of the time value of money. For multiyear contracts, the Company uses judgment to determine whether there is a significant financing component. These contracts are generally those in which the customer has made an up-front payment. Contracts that management determines to include a significant financing component are discounted at the Company's incremental borrowing rate. The Company incurs interest expense and accrues a contract liability. As the Company satisfies performance obligations and recognizes revenue from these contracts, interest expense is recognized simultaneously. Management does not have any contracts that include a significant financing component as of June 30, 2022.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into geographical regions and target markets. The Company determines that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted below in Note 17, *Segment Information*, the Company's business consists of one reportable segment. Revenue by geographic region is based on point of shipment origin.

A disaggregation of revenue by target market and geography is provided below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
Target Market	**2022**	**2021**	**2022**	**2021**
Vehicle	$ 32,555	$ 33,731	$ 65,137	$ 68,182
Industrial	47,135	33,778	92,911	65,081
Medical	20,194	20,235	41,513	43,524
Aerospace & Defense	17,149	8,579	26,593	16,021
Other	5,689	5,214	11,353	10,406
Total	$ 122,722	$ 101,537	$ 237,507	$ 203,214

	Three months ended June 30,		Six months ended June 30,	
Geography	**2022**	**2021**	**2022**	**2021**
North America (primarily U.S.)	$ 84,052	$ 61,705	$ 156,430	$ 118,347
Europe	32,122	31,538	65,871	68,700
Asia-Pacific	6,548	8,294	15,206	16,167
Total	$ 122,722	$ 101,537	$ 237,507	$ 203,214

Contract Balances

When the timing of the Company's delivery of product is different from the timing of the payments made by customers, the Company recognizes either a contract asset (performance precedes customer payment) or a contract liability (customer payment precedes performance). Typically, contracts are paid in arrears and are recognized as receivables after the Company considers whether a significant financing component exists.

The opening and closing balances of the Company's contract liabilities are as follows (in thousands):

	June 30, 2022	December 31, 2021
Contract liabilities in accrued liabilities	$ 6,977	$ 2,425
Contract liabilities in other long-term liabilities	222	242
	$ 7,199	$ 2,667

The difference between the opening and closing balances of the Company's contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment. In the six months ended June 30, 2022, the Company recognized revenue of $1,865 that was included in the opening contract liabilities balance.

Significant Payment Terms

The Company's contracts with its customers state the final terms of the sale, including the description, quantity, and price of each product or service purchased. Payments are typically due in full within 30-60 days of delivery. Since the customer agrees to a stated rate and price in the contract that do not vary over the contract, the majority of contracts do not contain variable consideration.

Returns, Refunds, and Warranties

In the normal course of business, the Company does not accept product returns unless the item is defective as manufactured. The Company establishes provisions for estimated returns and warranties. All contracts include a standard warranty clause to guarantee that the product complies with agreed specifications.

4. INVENTORIES

Inventories include costs of materials, direct labor and manufacturing overhead, and are stated at the lower of cost (first-in, first-out basis) or net realizable value, as follows (in thousands):

	June 30, 2022	December 31, 2021
Parts and raw materials	$ 86,142	$ 65,223
Work-in-process	10,905	9,529
Finished goods	15,208	14,981
	$ 112,255	$ 89,733

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is classified as follows (in thousands):

	Useful lives	June 30, 2022	December 31, 2021
Land		$ 959	$ 979
Building and improvements	5 - 39 years	24,413	14,398
Machinery, equipment, tools and dies	3 - 15 years	82,958	82,898
Construction work in progress		12,175	9,582
Furniture, fixtures and other	3 - 10 years	21,870	21,794
		142,375	129,651
Less accumulated depreciation		(76,430)	(72,668)
Property, plant and equipment, net		$ 65,945	$ 56,983

Depreciation expense was approximately $3,181 and $2,948 for the three months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, depreciation expense was approximately $6,404 and $5,867, respectively.

6. GOODWILL

The change in the carrying amount of goodwill for the six months ended June 30, 2022 is as follows (in thousands):

	June 30, 2022
Beginning balance	$ 106,633
Goodwill acquired (Note 2)	20,114
Impact of measurement period adjustments of 2021 acquisitions (Note 2)	175
Effect of foreign currency translation	(1,916)
Ending balance	$ 125,006

7. INTANGIBLE ASSETS

Intangible assets on the Company's condensed consolidated balance sheets consist of the following (in thousands):

		June 30, 2022			December 31, 2021		
	Life	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Customer lists	5-18 years	$ 112,875	$ (30,446)	$ 82,429	$ 94,079	$ (27,639)	$ 66,440
Trade name	10 - 19 years	15,287	(6,347)	8,940	14,649	(5,927)	8,722
Design and technologies	10 - 15 years	41,312	(6,738)	34,574	34,241	(5,617)	28,624
Total		$ 169,474	$ (43,531)	$ 125,943	$ 142,969	$ (39,183)	$ 103,786

Intangible assets resulting from the acquisition of FPH, ThinGap and Airex were $28,611 (Note 2). The intangible assets acquired consist of customer lists, technology and tradenames.

Amortization expense for intangible assets was $2,645 and $1,511 for the three months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, amortization expense was $5,079 and $3,023, respectively.

Estimated future intangible asset amortization expense as of June 30, 2022 is as follows (in thousands):

	Estimated Amortization Expense
Remainder of 2022	$ 6,133
2023	12,269
2024	11,944
2025	11,928
2026	11,831
2027	11,388
Thereafter	60,450
Total estimated amortization expense	$ 125,943

8. STOCK-BASED COMPENSATION

Stock Incentive Plans

The Company's Stock Incentive Plans provide for the granting of stock awards, including restricted stock, stock options and stock appreciation rights, to employees and non-employees, including directors of the Company.

Restricted Stock

For the six months ended June 30, 2022, 166,650 shares of unvested restricted stock were awarded at a weighted average market value of $33.47. Of the restricted shares granted, 104,946 shares have performance-based vesting conditions. The value of the shares is amortized to compensation expense over the related service period, which is normally three years, or over the estimated performance period. Shares of unvested restricted stock are generally forfeited if a recipient leaves the Company before the vesting date. Shares that are forfeited become available for future awards.

The following is a summary of restricted stock activity for the six months ended June 30, 2022:

	Number of shares
Outstanding at beginning of period	293,577
Awarded	166,650
Vested	(116,638)
Forfeited	(8,312)
Outstanding at end of period	335,277

Stock-based compensation expense, net of forfeitures, of $1,141 and $1,000 was recorded for the three months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, stock based compensation expense, net of forfeitures, of $2,490 and $1,797 was recorded, respectively.

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Compensation and fringe benefits	$ 11,317	$ 14,666
Accrued business acquisition consideration	12,559	12,388
Warranty reserve	2,038	1,869
Operating lease liabilities - current	5,035	4,532
Finance lease obligations - current	338	—
Deferred revenue	6,977	2,425
Other accrued expenses	8,031	5,776
	$ 46,295	$ 41,656

10. DEBT OBLIGATIONS

Debt obligations consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Long-term Debt		
Revolving Credit Facility, long-term (1)	$ 220,056	$ 159,395
Unamortized debt issuance costs	(365)	(435)
Finance lease obligations - noncurrent	9,210	—
Long-term debt	$ 228,901	$ 158,960

(1) The effective rate of the Amended Revolving Facility is 2.92% at June 30, 2022.

Amended Revolving Credit Facility

The First Amended and Restated Credit Agreement (the "Amended Credit Agreement") includes a $225 million revolving credit facility (the "Amended Revolving Facility"). The Amended Credit Agreement includes (i) a maximum principal amount of $225 million, (ii) a $75 million accordion amount, and (iii) a maturity date of February 2025.

Borrowings under the Amended Revolving Facility bear interest at the LIBOR or EURIBOR Rate (as defined in the Amended Credit Agreement) plus a margin of 1.00% to 1.75% or the Prime Rate (as defined in the Amended Credit Agreement) plus a margin of 0% to 1.25%, in each case depending on the Company's ratio of total funded indebtedness (as defined in the Amended Credit Agreement) to consolidated trailing twelve-month EBITDA (the "Total Leverage Ratio"). At June 30, 2022, the applicable margin for LIBOR Rate borrowings was 1.75% and the applicable margin for Prime Rate borrowings was 1.25%. In addition, the Company is required to pay a commitment fee of between 0.10% and 0.225% quarterly (0.225% at June 30, 2022) on the unused portion of the Amended Revolving Facility, also based on the Company's Total Leverage Ratio. The Amended Revolving Facility is secured by substantially all of the Company's non-realty assets and is fully and unconditionally guaranteed by certain of the Company's subsidiaries.

The Amended Credit Agreement contains certain financial covenants related to minimum interest coverage, Total Leverage Ratio, and non-material subsidiaries assets to consolidated total assets at the end of each quarter. The Amended Credit Agreement also includes other covenants and restrictions, including limits on the amount of additional indebtedness, and restrictions on the Company's ability to merge or sell all, or substantially all, of its assets. Under the provisions of the Amended Credit Agreement, the Company may elect to increase its Leverage Ratio to a 4.0 to 1.0 ratio (a "Leverage Increase") during the fiscal quarter in which a Material Acquisition (as defined in the Amended Credit Agreement) takes place, and for the next three fiscal quarters. If the Material Acquisition occurs within the last 45 days of any fiscal quarter, the Leverage Increase is applicable for the following four fiscal quarters. The Company qualified for, and elected, the Leverage Increase as a result of the Spectrum Controls acquisition in the fourth quarter of 2021. The Company was in compliance with all covenants at June 30, 2022.

As of June 30, 2022, the unused Amended Revolving Facility was $4,944. The amount available to borrow may be reduced based upon the Company's debt and EBITDA levels, which impacts its covenant calculations.

Other

The China Credit Facility provides credit of $1,492 (Chinese Renminbi 10,000) ("the China Facility"). The China Facility is a demand revolving facility used for working capital and capital equipment needs at the Company's China operations. The term is annual and may be cancelled at the bank's discretion. The interest rate shall be agreed upon by the Lender and the Borrower before the Utilization Date (as defined in the China Facility) and shall be specified in the Utilization Request (as defined in the China Facility). Collateral for the facility is a guarantee issued by the Company. There were no borrowings under the China Facility during the three and six months ended June 30, 2022 or 2021, respectively.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, and foreign exchange risk primarily through the use of derivative financial instruments.

The Company enters into foreign currency contracts with 30-day maturities to hedge its short-term balance sheet exposure, primarily intercompany, that are denominated in currencies (Euro, Mexican Peso, New Zealand Dollar, Chinese Renminbi, Swedish Krona) other than the subsidiary's functional currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in other expense (income), net in the condensed consolidated statements of income and comprehensive (loss) income. To minimize foreign currency exposure, the Company had foreign currency contracts with notional amounts of $16,000 at June 30, 2022. The foreign currency contracts are recorded in the condensed consolidated balance sheets at fair value and resulting gains or losses are recorded in other expense (income), net in the condensed consolidated statements of income and comprehensive (loss) income. During the three and six months ended June 30, 2022, the Company had gains of $253 and $203, respectively on foreign currency contracts which is included in other expense (income), net and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other expense (income), net. During the three and six months ended June 30, 2021, the Company had losses of $39 and $27, respectively.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements on its variable-rate debt. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. In February 2017, the Company entered into three interest rate swaps with a combined notional amount of $40,000 that matured in February 2022. In March 2020, the Company entered into two additional interest rate swaps with a combined notional amount of $20,000 that increased to $60,000 in March 2022 and matures in December 2024. In March 2022 the Company entered into an additional interest rate swap with a notional amount of $40,000 that matures in December 2026.

The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive (loss) income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2022 and 2021, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

The Company estimates that $1,804 will be reclassified as a decrease to interest expense over the next twelve months related to its interest rate derivatives. Additionally, the Company does not use derivatives for trading or speculative purposes.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of June 30, 2022 and December 31, 2021 (in thousands):

Derivatives designated as hedging instruments	Balance Sheet Location	Asset Derivatives Fair value as of: June 30, 2022	December 31, 2021
Foreign currency contracts	Prepaid expenses and other assets	$ —	$ 39
Interest rate products	Other long-term assets	4,928	340
		$ 4,928	$ 379

Derivatives designated as hedging instruments	Balance Sheet Location	Liability Derivatives Fair value as of: June 30, 2022	December 31, 2021
Foreign currency contracts	Accrued liabilities	$ 33	$ —
Interest rate products	Accrued liabilities	—	120
		$ 33	$ 120

The tables below present the effect of cash flow hedge accounting on other comprehensive (loss) income ("OCI") for the three and six months ended June 30, 2022 and 2021 (in thousands):

Derivatives in cash flow hedging relationships	Amount of pre-tax (loss) gain recognized in OCI on derivatives Three months ended June 30, 2022	2021	Amount of pre-tax (loss) gain recognized in OCI on derivatives Six months ended June 30, 2022	2021
Interest rate products	$ 1,182	$ (157)	$ 4,419	$ 547

Location of (loss) gain reclassified from accumulated OCI into income	Amount of pre-tax loss reclassified from accumulated OCI into income Three months ended June 30, 2022	2021	Amount of pre-tax loss reclassified from accumulated OCI into income Six months ended June 30, 2022	2021
Interest expense	$ (102)	$ (231)	$ (288)	$ (456)

The table below presents the line items that reflect the effect of the Company's derivative financial instruments on the condensed consolidated statements of income and comprehensive (loss) income for the three and six months ended June 30, 2022 and 2021 (in thousands):

Derivatives designated as hedging instruments	Income Statement Location	Total amounts of income and expense line items presented that reflect the effects of cash flow hedges recorded Three months ended June 30, 2022	2021	Total amounts of income and expense line items presented that reflect the effects of cash flow hedges recorded Six months ended June 30, 2022	2021
Interest rate products	Interest Expense	$ 1,525	$ 807	$ 2,563	$ 1,668

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of June 30, 2022 and December 31, 2021. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented in the condensed consolidated balance sheets (in thousands):

Derivative assets:

As of June 30, 2022	Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheets	Net amounts of assets presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 4,928	$ —	$ 4,928	$ —	$ —	$ 4,928

As of December 31, 2021	Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheets	Net amounts of assets presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 387	$ (8)	$ 379	$ —	$ —	$ 379

Derivative liabilities:

As of June 30, 2022	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 39	$ (6)	$ 33	$ —	$ —	$ 33

As of December 31, 2021	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 120	$ —	$ 120	$ —	$ —	$ 120

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

12. FAIR VALUE

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The guidance establishes a framework for measuring fair value which utilizes observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. Preference is given to observable inputs.

These two types of inputs create the following three - level fair value hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model - derived valuations whose inputs or significant value drivers are observable.

Level 3: Significant inputs to the valuation model that are unobservable.

The Company's financial assets and liabilities include cash and cash equivalents, accounts receivable, debt obligations, accounts payable, and accrued liabilities. The carrying amounts reported in the condensed consolidated balance sheets for these assets and liabilities approximate their fair value because of the immediate or short-term maturities of these financial instruments.

The following tables presents the Company's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2022 and December 31, 2021, respectively, by level within the fair value hierarchy (in thousands):

	June 30, 2022		
	Level 1	Level 2	Level 3
Assets (liabilities)			
Pension plan assets	$ 5,270	$ —	$ —
Deferred compensation plan assets	3,868	—	—
Foreign currency hedge contracts	—	(33)	—
Interest rate swaps, net	—	4,928	—
Contingent consideration	—	—	(4,900)

	December 31, 2021		
	Level 1	Level 2	Level 3
Assets (liabilities)			
Pension plan assets	$ 6,899	$ —	$ —
Deferred compensation plan assets	4,636	—	—
Foreign currency hedge contracts	—	39	—
Interest rate swaps, net	—	220	—
Contingent consideration	—	—	(4,900)

The contingent consideration fair value measurement in connection with the acquisition of ALIO Industries in the fourth quarter of 2021 is based on significant inputs not observable in the market and therefore constitute Level 3 inputs within the fair value hierarchy. The Company determines the initial fair value of contingent consideration liabilities using a Monte Carlo valuation model, which involves a simulation of future earnings generated during the earn out-period using management's best estimates, or a probability-weighted discounted cash flow analysis. There were no changes to the estimated fair value of contingent consideration during the three and six months ended June 30, 2022.

13. INCOME TAXES

The income tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the estimate of the annual effective tax rate is updated, and if the estimated effective tax rate changes, a cumulative adjustment is made. There is potential for volatility of the effective tax rate due to several factors, including changes in the mix of the pre-tax income and the jurisdictions to which it relates, changes in tax laws, settlements with taxing authorities and foreign currency fluctuations.

The effective income tax rate was 27.0% and 21.9% for the three months ended June 30, 2022 and 2021, respectively. The effective tax rate for the three months ended June 30, 2022 and 2021 includes discrete tax benefit of (1.6%) and (4.3%), respectively, related primarily to share-based payment awards. For the six months ended June 30, 2022 and 2021, the effective income tax rate was 25.1% and (40.3%), respectively. The effective tax rate includes a discrete tax benefit of (3.5%) and (67.1%), respectively. The discrete benefit in the six months ended June 30 2022 is primarily related to the reversal of uncertain tax positions. The discrete benefit in the six months ended June 30, 2021 is related primarily to the recognition of net operating loss carryforwards resulting from tax legislation enacted in New Zealand during the period, which changes our ability to use the carryforwards in future periods changes our ability to use the carryforwards in future periods.

14. LEASES

The Company has operating leases for office space, manufacturing equipment, computer equipment and automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for a long-term period, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for capital area maintenance, utilities, inflation and/or changes in other indexes.

Supplemental cash flow information related to the Company’s operating and finance leases for the six months ended June 30, 2022 and 2021 was as follows (in thousands):

	June 30, 2022	June 30, 2021
Cash paid for amounts included in the measurement of operating leases	$ 2,290	$ 2,679
Cash paid for amounts included in the measurement of finance lease obligations	$ 368	$ —
Right of use ("ROU") assets obtained in exchange for operating lease obligations	$ 2,770	$ 1,640
ROU assets obtained in acquisitions (Note 2)	$ 5,053	$ —
ROU assets obtained in exchange for finance lease obligations	$ 9,471	$ —

The Company’s finance lease obligations relate to a manufacturing facility. As of June 30, 2022, finance lease assets of $9,155 are included in property, plant and equipment, net, finance lease obligations of $338 are included in accrued liabilities, and $9,210 are included in long-term debt on the condensed consolidated balance sheet.

The following table presents the maturity of the Company’s operating and finance lease liabilities as of June 30, 2022 (in thousands):

	Operating Leases	Finance Leases
Remainder of 2022	$ 3,112	$ 368
2023	4,699	799
2024	4,030	815
2025	3,269	831
2026	2,689	848
2027	2,525	867
Thereafter	6,506	8,769
Total undiscounted cash flows	$ 26,830	$ 13,297
Less: present value discount	(2,862)	(3,750)
Total lease liabilities	$ 23,968	$ 9,547

The Company leases certain facilities from companies for which a member of management is a part owner. In connection with such leases, the Company made fixed minimum lease payments to the lessor of $319 and $486 during the three and six months ended June 30, 2022 and is obligated to make payments of $430 during the remainder of 2022. Future fixed minimum lease payments under these leases as of June 30, 2022 are $7,117.

15. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated Other Comprehensive (Loss) Income (“AOCI”) for the three months ended June 30, 2022 and 2021 is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At March 31, 2022	$ (863)	$ 3,644	$ (863)	$ (8,642)	$ (6,724)
Unrealized gain on cash flow hedges	—	1,182	(285)	—	897
Amounts reclassified from AOCI	—	102	(25)	—	77
Foreign currency translation loss	—	—	—	(8,699)	(8,699)
At June 30, 2022	$ (863)	$ 4,928	$ (1,173)	$ (17,341)	$ (14,449)

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At March 31, 2021	$ (1,633)	$ (960)	$ 230	$ (4,223)	$ (6,586)
Unrealized gain on cash flow hedges	—	(157)	38	—	(119)
Amounts reclassified from AOCI	—	231	(56)	—	175
Foreign currency translation loss	—	—	—	955	955
At June 30, 2021	$ (1,633)	$ (886)	$ 212	$ (3,268)	$ (5,575)

AOCI for the six months ended June 30, 2022 and 2021 is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2021	$ (863)	$ 221	$ (41)	$ (7,409)	$ (8,092)
Unrealized gain on cash flow hedges	—	4,419	(1,062)	—	3,357
Amounts reclassified from AOCI	—	288	(70)	—	218
Foreign currency translation loss	—	—	—	(9,932)	(9,932)
At June 30, 2022	$ (863)	$ 4,928	$ (1,173)	$ (17,341)	$ (14,449)

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2020	$ (1,633)	$ (1,889)	$ 451	$ (216)	$ (3,287)
Unrealized loss on cash flow hedges	—	547	(129)	—	418
Amounts reclassified from AOCI	—	456	(110)	—	346
Foreign currency translation gain	—	—	—	(3,052)	(3,052)
At June 30, 2021	$ (1,633)	$ (886)	$ 212	$ (3,268)	$ (5,575)

The realized losses relating to the Company's interest rate swap hedges were reclassified from AOCI and included in interest expense in the condensed consolidated statements of income and comprehensive (loss) income.

16. DIVIDENDS PER SHARE

The Company declared a quarterly dividend of $0.025 per share in the first and second quarters of 2022. The Company declared a quarterly dividend of $0.02 and $0.025 in the first and second quarters of 2021, respectively. Total dividends declared and paid were $776 and $662 in the six months ended June 30, 2022 and 2021, respectively.

17. EARNINGS PER SHARE

Basic and diluted weighted-average shares outstanding are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Basic weighted average shares outstanding	15,355	14,406	15,226	14,356
Dilutive effect of potential common shares	577	88	526	111
Diluted weighted average shares outstanding	15,932	14,494	15,752	14,467

For the three months ended June 30, 2022 and 2021, the anti-dilutive common shares excluded from the calculation of diluted earnings per share were immaterial.

18. SEGMENT INFORMATION

The Company operates in one segment for the manufacture and marketing of controlled motion products for end user and OEM applications. The Company's chief operating decision maker is the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services in which the entity holds material assets and reports revenue.

Revenues for the three months ended June 30, 2022 and 2021 was comprised of 58% and 55% shipped to U.S. customers, respectively. For the six months ended June 30, 2022 and 2021, revenues was comprised of 57% and 53% shipped to U.S. customers, respectively. The remainder of revenues for all periods were shipped to foreign customers, primarily in Europe, Canada and Asia-Pacific.

Identifiable foreign fixed assets were $33,246 and $32,807 as of June 30, 2022 and December 31, 2021, respectively. Identifiable assets outside of the U.S. are attributable to Europe, China, Mexico and Asia-Pacific.

For the three months ended June 30, 2022 and 2021, one customer accounted for 11% and 16% of revenues, respectively. For the six months ended June 30, 2022 and 2021, one customer accounted for 12% and 16% of revenues, respectively. As of June 30, 2022 and December 31, 2021 this customer represented 11% and 10% of trade receivables, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

All statements contained herein that are not statements of historical fact constitute “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, and may contain the word “believe,” “anticipate,” “expect,” “project,” “intend,” “will continue,” “will likely result,” “should” or words or phrases of similar meaning. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from the expected results described in the forward-looking statements. The risks and uncertainties include those associated with: the domestic and foreign general business and economic conditions in the markets we serve, including political and currency risks and adverse changes in local legal and regulatory environments; 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; the introduction of new technologies and the impact of competitive products; the ability to protect the Company’s intellectual property; our ability to sustain, manage or forecast our growth and product acceptance to accurately align capacity with demand; the continued success of our customers and the ability to realize the full amounts reflected in our order backlog as revenue; the loss of significant customers or the enforceability of the Company’s contracts in connection with a merger, acquisition, disposition, bankruptcy, or otherwise; our ability to meet the technical specifications of our customers; the performance of subcontractors or suppliers and the continued availability of parts and components; failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach, ransomware, or failure of one or more key information technology systems, networks, processes, associated sites or service providers; changes in government regulations; the availability of financing and our access to capital markets, borrowings, or financial transactions to hedge certain risks; the ability to attract and retain qualified personnel, and in particular those who can design new applications and products for the motion industry; the ability to implement our corporate strategies designed for growth and improvement in profits including to identify and consummate favorable acquisitions to support external growth and the development of new technologies; the ability to successfully integrate an acquired business into our business model without substantial costs, delays, or problems; our ability to control costs, including the establishment and operation of low cost region manufacturing and component sourcing capabilities; and in the Company’s Annual Report in Form 10 K. Actual results, events and performance may differ materially from the Company’s forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements as a prediction of actual results. 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.

New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company’s expectations, beliefs and projections are believed to have a reasonable basis; however, the Company makes no assurance that expectations, beliefs or projections will be achieved.

Overview

We are a global company that designs, manufactures and sells precision and specialty controlled motion products and solutions used in a broad range of industries. Our target markets include Vehicle, Medical, Aerospace & Defense (A&D), and Industrial. We are headquartered in Amherst, NY, and have operations in the United States, Canada, Mexico, Europe and Asia-Pacific. We are known worldwide for our expertise in electro-magnetic, mechanical and electronic motion technology. We sell component and integrated controlled motion solutions to end customers and OEMs through our own direct sales force and authorized manufacturers’ representatives and distributors. Its products include nano precision positioning systems, servo control systems, motion controllers, digital servo amplifiers and drives, brushless servo, torque, and coreless motors, brush motors, integrated motor-drives, gear motors, gearing, incremental and absolute optical encoders, active (electronic) and passive (magnetic) filters for power quality and harmonic issues, Industrial safety rated input/output Modules, Universal Industrial Communications Gateways and other controlled motion-related products.

Business Environment

Recent Events

During 2022, interest rate increases and inflation in the U.S. continues to impact our input costs and pricing, primarily for labor and materials. Gross domestic product is forecasted to slow throughout 2022 largely due to the widespread impacts of more restrictive financial conditions. Supply chain disruptions, labor shortages, and global inflation remain persistent in 2022, along with elevated geopolitical instability.

The ongoing Ukraine conflict has created general economic uncertainty with regard to energy and other commodity prices, interest rates, and our supply chain. The conflict has resulted in increased energy and component costs, especially within in our European locations, as well as extending the time for component shipments between Europe and Asia-Pacific. We continue to monitor developments as they unfold in order to react accordingly. The impact of the conflict on our operational and financial performance will depend on future developments that cannot be predicted, including the availability of oil and the potential impact on our production in Europe.

Acquisitions

The Company completed three acquisitions during the second quarter 2022 (“2022 acquisitions”) and three acquisitions during the fourth quarter of 2021 (“2021 acquisitions”). These acquisitions had a significant impact on the quarter and year to date results as described below. These acquisitions are important to executing on the Company’s strategic plan, and our focus in the near term will be on successfully integrating these acquisitions and leveraging the synergies that will be important drivers of our future growth and profitability.

COVID-19

The ongoing impact of Coronavirus (“COVID-19”) and its variants has created significant impacts and disruptions to the U.S. and global economies and are likely to do so for the foreseeable future. We expect that COVID-19 will continue to adversely affect portions of our business, including our global supply chain and manufacturing operations. We experienced reductions in customer demand in certain of our served markets and increases in demand in other of these markets during the first and second quarters of 2022 due to COVID-19. The operational ability of our suppliers to provide the necessary quantity of materials on a timely basis has been reduced, which has impacted the predictability of our global supply chain, and resulted in some increased costs to secure and place materials into production and forced us to delay product shipments. Throughout 2022, we expect the impact of COVID-19 on our operations will continue to challenge certain aspects of our business, particularly our global supply chain and our ability to hire direct labor. Certain materials and components used in our products are required and qualified to be sourced from a single or a limited number of suppliers. Any interruption in the supply from any supplier that serves as a sole source could delay product shipments and have a material adverse effect on our business.

In response to COVID-19, we have taken and will continue to take proactive, aggressive action to protect the health and safety of our employees, customers, partners, suppliers and communities. We continue to follow rigorous safety measures in all of our sites, including social distancing protocols, incorporating a work from home model at certain times for those employees that do not need to be physically present to perform their work, limiting travel, implementing temperature checks at the entrances to our facilities where required, extensively and frequently disinfecting our workspaces and providing masks and other protective equipment to those employees who must be physically present. These measures have been implemented on a worldwide basis and have been adjusted prudently as requirements and conditions change. We will continue to monitor and act in accordance with government authorities requirements or recommendations and evolving best practices.

Our Company provides essential and important products, including some that our customers rely on to address COVID-19. We manufacture and deliver critical motion control components, including electronic drives, motors and control assemblies to manufacturers of medical equipment including respirators, ventilators, infusion pumps, medical fluid pumps and other breathing assist equipment required to care for patients with respiratory issues including COVID-19. We are a long-term, qualified supplier to leading medical device manufacturers of ventilators and respirators around the world.

While demand for certain items, such as ventilators, has returned to normalized levels in 2022, we continue to provide solutions to suppliers of other types of medical equipment, including surgical tools and equipment, surgical robots, diagnostic equipment, test equipment, patient mobility and rehabilitation equipment, hospital beds and mobile equipment carts.

Our worldwide locations are considered to be essential suppliers to our customers and therefore most of our locations have remained substantially operational throughout the outbreak while implementing the enhanced safety procedures.

There have been recent COVID-19 related lockdowns in certain areas of China that have generally impacted the timing of shipments into and out of certain ports. These lockdowns have not significantly impacted our production facilities, however we are continuing to monitor the situation.

Our Amended Credit Agreement includes a $225 million revolving credit facility through February 2025. Through this amendment we have lowered our cost of debt, and have secured more favorable covenants. This availability of liquidity preserves our financial flexibility. We believe that our cash flows from operations and borrowing capacity are sufficient to support our short and long-term liquidity needs.

To conserve cash and maximize operational efficiency while supporting growth plans, we continue to align variable costs with demand, maintain and enhance key engineering capabilities, and control discretionary spending. The Company continues to closely monitor events and conditions resulting from COVID-19.

The extent of the impact of the COVID-19 outbreak on our operational and financial performance will continue to depend on future developments, including the duration and spread of the virus and variants, the potential for additional waves, its impact on our customers, suppliers and the range of governmental reactions to the pandemic, which cannot be predicted at this time. We will continue to proactively respond to the situation and will take further actions as warranted to alter our business operations as necessary.

Twinsburg Consolidation

In September 2021, the Company announced its plans to consolidate its manufacturing facility in Twinsburg, Ohio with its Watertown, New York and Reynosa, Mexico facilities in 2022. Costs of $4 and $344, respectively are included in business development in the condensed consolidated statement of income and comprehensive (loss) income for the three and six months ended June 30, 2022, respectively, related to this consolidation. Costs incurred in connection with this initiative have included accelerated lease costs, severance and other payroll related costs, legal costs, accelerated depreciation, and costs to relocate inventory and machinery and equipment. This initiative is substantially complete as of June 30, 2022.

Operating Results

Three months ended June 30, 2022 compared to three months ended June 30, 2021

(Dollars in thousands, except per share data)	For the three months ended June 30, 2022	2021	2022 vs. 2021 Variance $	%
Revenues	$ 122,722	$ 101,537	$ 21,185	21 %
Cost of goods sold	82,948	70,320	12,628	18 %
Gross profit	39,774	31,217	8,557	27 %
Gross margin percentage	32.4 %	30.7 %		
Operating costs and expenses:				
Selling	5,808	4,396	1,412	32 %
General and administrative	12,595	11,181	1,414	13 %
Engineering and development	9,791	7,240	2,551	35 %
Business development	1,417	155	1,262	814 %
Amortization of intangible assets	2,645	1,511	1,134	75 %
Total operating costs and expenses	32,256	24,483	7,773	32 %
Operating income	7,518	6,734	784	12 %
Interest expense	1,525	807	718	89 %
Other income, net	(279)	(10)	(269)	NM %
Total other expense	1,246	797	449	56 %
Income before income taxes	6,272	5,937	335	6 %
Income tax provision	(1,691)	(1,303)	(388)	30 %
Net income	$ 4,581	$ 4,634	$ (53)	(1)%
Effective tax rate	27.0 %	21.9 %		
Diluted earnings per share	$ 0.29	$ 0.32	$ (0.03)	(10)%
Bookings	$ 139,209	$ 118,974	$ 20,235	17 %
Backlog	$ 323,873	$ 170,364	$ 153,509	90 %

REVENUES: The increase in revenues during the second quarter 2022 reflects increases in our Industrial and A&D served markets and includes a full quarter of the impact of the 2021 acquisitions. Our revenue for the period ended June 30, 2022 was comprised of 58% to U.S. customers and 42% to customers primarily in Europe, Canada and Asia-Pacific. The overall increase in revenue was due to a 26% volume increase offset partially by a 5% unfavorable currency impact. Organic growth was 9.9% during the second quarter 2022. See information included in “Non – GAAP Measures” below for a discussion of the non-GAAP measure and reconciliation of revenue to revenue excluding foreign currency impacts.

ORDER BOOKINGS AND BACKLOG: The 17% increase in orders in the second quarter 2022 compared to 2021 is due to a 22% increase in volume, offset partially by a 5% unfavorable currency impact. The increase in bookings during the second quarter 2022 compared to 2021 is impacted by the three acquisitions completed during the fourth quarter 2021 and the three acquisitions completed during the second quarter 2022 along with organic growth notably in our Industrial market.

GROSS PROFIT AND GROSS MARGIN: Gross profit increased to $39,774 in the second quarter of 2022 from $31,217 in the second quarter of 2021 driven by higher sales volume, including the recently completed acquisitions, and gross margins increased to 32.4% for 2022, compared to 30.7% for 2021. The increase in gross margin percentage was driven by cost absorption on higher sales volume, pricing, and favorable mix, notably from accretive acquisitions.

SELLING EXPENSES: Selling expenses increased 32% during the second quarter 2022 compared to 2021 primarily due to increased costs in connection with our recently completed acquisitions as well as sales commissions related to the increased revenue growth. Selling expenses as a percentage of revenues were 5% and 4% during the second quarter of 2022 and 2021, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 13% during the second quarter 2022 compared to 2021 due primarily to increased costs related to the inclusion of our recent acquisitions. As a percentage of revenues, general and administrative expenses were 10% and 11% in 2022 and 2021, respectively.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 35% in the second quarter of 2022 compared to 2021. The increase is primarily due to the inclusion of our recent acquisitions along with our continued investment in new product development. As a percentage of revenues, engineering and development expenses were 8% for the three months ended June 30, 2022 compared to 7% for the three months ended June 30, 2021.

BUSINESS DEVELOPMENT COSTS: The increase in business development costs in the second quarter 2022 compared to 2021 is due to increased costs related to the 2022 acquisition activities.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets increased in the second quarter 2022 compared to 2021 due to incremental intangible amortization attributable to the 2021 and 2022 acquisitions.

INTEREST EXPENSE: Interest expense increased in the second quarter of 2022 compared to 2021 due to a combination of increased average debt levels due to funding of acquisition activity, and to a lesser extent, higher interest rates, offset in part by interest rate swaps.

INCOME TAXES: The effective income tax rate was 27.0% and 21.9% for the three months ended June 30, 2022 and 2021, respectively. The effective tax rate for the three months ended June 30, 2022 and 2021 includes discrete tax benefit of (1.6%) and (4.3%), respectively, related primarily to share-based payment awards. The Company expects its income tax rate for the full year 2022 to be approximately 25% to 27%.

NET INCOME AND ADJUSTED NET INCOME: Net income decreased during the second quarter of 2022 compared to 2021, despite increased gross profit, primarily due to the effect of incremental business development costs and amortization of intangible assets of $1,262 and $1,134, respectively, due to acquisition-related activity, as well as higher interest expense, and a higher effective tax rate.

Adjusted net income for the quarters ended June 30, 2022 and 2021 was $5,679 and $4,785, respectively. Adjusted diluted earnings per share for the second quarter of 2022 and 2021 were $0.36 and $0.33, respectively. Adjusted net income and adjusted diluted earnings per share are non-GAAP measures. See information included in "Non–GAAP Measures" below for a discussion of the non-GAAP measure and reconciliation of net income to Adjusted net income and diluted earnings per share to Adjusted diluted earnings per share.

EBITDA AND ADJUSTED EBITDA: EBITDA was $13,893 for the second quarter 2022 compared to $11,203 for the second quarter 2021. Adjusted EBITDA was $16,197 and $12,397 for the second quarters of 2022 and 2021, respectively. EBITDA and Adjusted EBITDA are non-GAAP measures. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation expense, foreign currency gain/loss and certain other items. Refer to information included in "Non-GAAP Measures" below for a discussion of the non-GAAP measure and a reconciliation of net income to EBITDA and Adjusted EBITDA.

Six months ended June 30, 2022 compared to six months ended June 30, 2021

(Dollars in thousands, except per share data)	For the six months ended June 30, 2022	2021	2022 vs. 2021 Variance $	%
Revenues	$ 237,507	$ 203,214	$ 34,293	17 %
Cost of goods sold	164,273	141,929	22,344	16 %
Gross profit	73,234	61,285	11,949	19 %
Gross margin percentage	30.8 %	30.2 %		
Operating costs and expenses:				
Selling	10,839	8,614	2,225	26 %
General and administrative	24,091	21,929	2,162	10 %
Engineering and development	19,177	14,199	4,978	35 %
Business development	2,265	174	2,091	NM %
Amortization of intangible assets	5,079	3,023	2,056	68 %
Total operating costs and expenses	61,451	47,939	13,512	28 %
Operating income	11,783	13,346	(1,563)	(12)%
Interest expense	2,563	1,668	895	54 %
Other income, net	(234)	(129)	(105)	81 %
Total other expense, net	2,329	1,539	790	51 %
Income before income taxes	9,454	11,807	(2,353)	(20)%
Income tax (provision) benefit	(2,370)	4,754	(7,124)	(150)%
Net income	$ 7,084	$ 16,561	$ (9,477)	(57)%
Effective tax rate	25.1 %	(40.3)%		
Diluted earnings per share	$ 0.45	$ 1.14	$ (0.7)	(61)%
Bookings	$ 294,505	$ 233,618	$ 60,887	26 %
Backlog	$ 323,873	$ 170,364	$ 153,509	90 %

REVENUES: The increase in revenues for the year to date 2022 reflects increases in our Industrial and A&D served markets and includes the impact of the 2022 and 2021 acquisitions. Our revenues for the period ended June 30, 2022 was comprised of 57% to U.S. customers and 43% to customers primarily in Europe, Canada and Asia-Pacific. The overall increase in revenue was due to a 21% volume increase offset partially by a 4% unfavorable currency impact. Organic growth was 7.6% during the year to date 2022. See information included in “Non – GAAP Measures” below for a discussion of the non-GAAP measure and reconciliation of revenue to revenue excluding foreign currency impacts.

ORDER BOOKINGS AND BACKLOG: The 26% increase in orders for the year to date 2022 compared to 2021 is due to a 30% increase in volume, offset partially by a 4% unfavorable currency impact. The increase in bookings during year to date 2022 compared to 2021 is impacted by the six acquisitions completed between the fourth quarter of 2021 and the second quarter of 2022 along with organic growth notably in our Industrial market.

GROSS PROFIT AND GROSS MARGIN: Gross profit increased to $73,234 for year to date 2022 from $61,285 in 2021 driven by higher sales volume, including the recently completed acquisitions, and gross margins increased to 30.8% for 2022, compared to 30.2% for 2021. The increase in gross margin percentage was driven by cost absorption on higher sales volume, pricing, and favorable mix, notably from accretive acquisitions.

SELLING EXPENSES: Selling expenses increased 26% during year to date 2022 compared to 2021 primarily due to increased costs in connection with our recently completed acquisitions as well as sales commissions related to the increased revenue growth. Selling expenses as a percentage of revenues were comparable at 5% and 4% during year to date 2022 and 2021, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 10% during the six months ended June 30, 2022 compared to the same period of 2021 due primarily to increased costs related to the inclusion of our 2022 and 2021 acquisitions. As a percentage of revenues, general and administrative expenses were 10% and 11% in 2022 and 2021, respectively.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 35% during the year to date 2022 compared to 2021. The increase is due primarily to the inclusion and nature of our recent acquisitions along with our continued investment in new product development. As a percentage of revenues, engineering and development expenses were 8% for the six months ended June 30, 2022 compared to 7% for the six months ended June 30, 2021.

BUSINESS DEVELOPMENT COSTS: The increase in business development costs for year to date 2022 compared to 2021 is due to increased costs related to the 2022 acquisition activities.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets increased for year to date 2022 compared to 2021 due to incremental intangible amortization attributable to the 2021 and 2022 acquisitions.

INTEREST EXPENSE: Interest expense increased by 54% for the year to date 2022 compared to 2021 primarily due to an increase in average debt levels to fund acquisitions combined, to a lesser extent, with increased interest rates, offset in part by interest rate swaps.

INCOME TAXES: For the six months ended June 30, 2022 and 2021, the effective income tax rate was 25.1% and (40.3%), respectively. The effective tax rate includes a discrete tax benefit of (3.5%) and (67.1%), respectively. The discrete benefit in the six months ended June 30 2022 is primarily related to the reversal of uncertain tax positions and share-based payment awards. The discrete benefit in the six months ended June 30, 2021 is related primarily to the recognition of net operating loss carryforwards resulting from tax legislation enacted in New Zealand during the period, which changes our ability to use the carryforwards in future periods.

NET INCOME AND ADJUSTED NET INCOME: Net income decreased during year to date 2022 compared to 2021, despite increased gross profit, primarily due to the effect of a $7,373 discrete income tax benefit in the first quarter of 2021 that was not present in year to date 2022, as well as incremental business development costs and amortization of intangible assets of $2,091 and $2,056, respectively, due to acquisition-related activity, as well as higher interest expense.

Adjusted net income for the six month periods ended June 30, 2022 and 2021 was $9,466 and $9,344, respectively. Adjusted diluted earnings per share for year to date 2022 and 2021 were $0.60 and $0.65, respectively. Adjusted net income and adjusted diluted earnings per share are non-GAAP measures. See information included in “Non–GAAP Measures” below for a discussion of the non-GAAP measure and reconciliation of net income to Adjusted net income and diluted earnings per share to Adjusted diluted earnings per share.

EBITDA AND ADJUSTED EBITDA: EBITDA was $24,548 for year to date 2022 compared to $22,365 for year to date 2021. Adjusted EBITDA was $29,100 and $24,363 for year to date 2022 and 2021, respectively. EBITDA and Adjusted EBITDA are non-GAAP measures. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation expense, foreign currency gain/loss and certain other items. Refer to information included in “Non-GAAP Measures” below for a discussion of the non-GAAP measure and a reconciliation of net income to EBITDA and Adjusted EBITDA.

Non-GAAP Measures

Revenue excluding foreign currency exchange impacts, EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted diluted earnings per share are provided for information purposes only and are not measures of financial performance under GAAP. Management believes the presentation of these financial measures reflecting non-GAAP adjustments provides important supplemental information to investors and other users of our financial statements in evaluating the operating results of the Company as distinct from results that include items that are not indicative of ongoing operating results. In particular, those charges and credits that are not directly related to operating unit performance, and that are not a helpful measure of the performance of our underlying business particularly in light of their unpredictable nature. These non-GAAP disclosures have limitations as analytical tools, should not be viewed as a substitute for revenue and net income determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. In addition, supplemental presentation should not be construed as an inference that the Company’s future results will be unaffected by similar adjustments to net income determined in accordance with GAAP.

The Company believes that revenue excluding foreign currency exchange impacts is a useful measure in analyzing sales results. The Company excludes the effect of currency translation from revenue for this measure because currency translation is not 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.

The Company believes EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to measure the operating performance of the Company's business because EBITDA excludes charges for depreciation, amortization and interest expense that have resulted from our debt financings, acquisitions, as well as our provision for income tax expense. EBITDA is frequently used as one of the bases for comparing businesses in the Company's industry.

The Company also believes that Adjusted EBITDA provides helpful information about the operating performance of its business. Adjusted EBITDA excludes stock-based compensation expense, as well as 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. EBITDA and Adjusted EBITDA do 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 GAAP.

Management uses Adjusted net income and Adjusted diluted earnings per share to assess the Company's consolidated financial and operating performance. Adjusted net income and Adjusted diluted earnings per share are provided for informational purposes only and are not a measure of financial performance under GAAP. These measures help management make decisions that are expected to facilitate meeting current financial goals as well as achieving optimal financial performance. Adjusted net income provides management with a measure of financial performance of the Company based on operational factors as it removes the impact of certain non-routine items from the Company's operating results. Adjusted diluted earnings per share provides management with an indication of how Adjusted net income would be reflected on a per share basis for comparison to the GAAP diluted earnings per share measure. Adjusted net income is a key metric used by senior management and the Company's board of directors to review the consolidated financial performance of the business. This measure adjusts net income determined in accordance with GAAP to reflect changes in financial results associated with the highlighted expense and income items.

The Company's calculation of revenues excluding foreign currency exchange impacts for the three months ended June 30, 2022 is as follows (in thousands):

	Three months ended June 30, 2022	Six months ended June 30, 2022
Revenue as reported	$ 122,722	$ 237,507
Currency impact unfavorable (favorable)	5,174	8,403
Revenue excluding foreign currency exchange impacts	$ 127,896	$ 245,910

The Company's calculation of EBITDA and Adjusted EBITDA for the three months ended June 30, 2022 and 2021 is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income as reported	$ 4,581	$ 4,634	$ 7,084	$ 16,561
Interest expense	1,525	807	2,563	1,668
Provision (benefit) for income tax	1,691	1,303	2,370	(4,754)
Depreciation and amortization	6,096	4,459	12,531	8,890
EBITDA	13,893	11,203	24,548	22,365
Stock-based compensation expense	1,141	1,000	2,490	1,797
Business development costs	1,417	155	2,265	174
Foreign currency (gain) loss	(254)	39	(203)	27
Adjusted EBITDA	$ 16,197	$ 12,397	$ 29,100	$ 24,363

The Company's calculation of Adjusted net income and Adjusted diluted earnings per share for the three and six months ended June 30, 2022 and 2021 is as follows (in thousands except per share amounts):

	For the three months ended June 30,			
	2022	Per diluted share	2021	Per diluted share
Net income as reported	$ 4,581	$ 0.29	$ 4,634	$ 0.32
Non-GAAP adjustments, net of tax				
Acquisition inventory step-up amortization - net	207	0.01	—	—
Foreign currency (gain) loss - net	(194)	(0.01)	30	—
Business development costs - net	1,085	0.07	121	0.01
Non-GAAP adjusted net income and diluted earnings per share	$ 5,679	$ 0.36	$ 4,785	$ 0.33

	For the six months ended June 30,			
	2022	Per diluted share	2021	Per diluted share
Net income as reported	$ 7,084	$ 0.45	$ 16,561	$ 1.14
Non-GAAP adjustments, net of tax				
Discrete income tax benefit	—	—	(7,373)	(0.51)
Acquisition inventory step-up amortization - net	802	0.05	—	—
Foreign currency (gain) loss - net	(155)	(0.01)	21	0.00
Business development costs - net	1,735	0.11	135	0.01
Non-GAAP adjusted net income and diluted earnings per share	$ 9,466	$ 0.60	$ 9,344	$ 0.65

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents increased by $6,383 to a balance of $28,846 at June 30, 2022 from December 31, 2021.

	Six Months Ended June 30,		2022 vs. 2021 Variance
	2022	2021	$
Net cash (used in) provided by operating activities	$ (290)	$ 16,471	$ (16,761)
Net cash used in investing activities	(50,923)	(5,885)	(45,038)
Net cash provided by (used in) financing activities	58,781	(9,865)	68,646
Effect of foreign exchange rates on cash	(1,185)	(468)	(717)
Net increase in cash and cash equivalents	$ 6,383	$ 253	$ 6,130

Of the $28,846 of cash and cash equivalents at June 30, 2022, $16,521 was located at our foreign subsidiaries and may be subject to withholding tax if repatriated back to the U.S.

During the six months ended June 30, 2022, the increase in cash used in operating activities is primarily due to working capital needs, primarily for inventories due to strategic decisions to secure critical components given the current supply chain environment.

The increase in cash used in investing activities in 2022 relates to the $44,569 net cash consideration paid for the ThinGap, FPH and Airex acquisitions in the second quarter. Cash used in investing activities in the six months ended June 30, 2022 includes $6,354 for purchases of property and equipment compared to $5,885 during the three months ended June 30, 2021. Capital expenditures are expected to be between $15,000 and $20,000 for the full year 2022.

The increase in cash provided by financing activities during the six months ended June 30, 2022 includes Amended Revolving Facility borrowings of $47,583 to fund the three acquisitions in the second quarter of 2022. Debt payments of $3,406 were made during the six months ended June 30, 2022. At June 30, 2022, we had $220,057 of obligations under the Amended Revolving Facility, excluding deferred financing costs.

The Amended Credit Agreement contains certain financial covenants related to minimum interest coverage, total leverage ratio, and non-material subsidiaries assets to consolidated total assets at the end of each quarter. The Amended Credit Agreement also includes other covenants and restrictions, including limits on the amount of additional indebtedness, and restrictions on the ability to merge, consolidate or sell all, or substantially all, of our assets. Under the provisions of the Amended Credit Agreement, we may elect to increase our Leverage Ratio to a 4.0 to 1.0 ratio (a "Leverage Increase") during the fiscal quarter in which a Material Acquisition (as defined in the Amended Credit Agreement) takes place and for the next three fiscal quarters. If the Material Acquisition occurs within the last 45 days of any fiscal quarter, the Leverage Increase is applicable for the following four fiscal quarters. We qualified for and elected the Leverage Increase as a result of the Spectrum Controls acquisition in the fourth quarter of 2021. We were in compliance with all covenants at June 30, 2022.

As of June 30, 2022, the unused Amended Revolving Facility was $4,944. The amount available to borrow may be lower and may vary from period to period based upon our debt and EBITDA levels, which impacts our covenant calculations. The Amended Credit Agreement matures in February 2025.

There were no borrowings under the China Facility during the three months ended June 30, 2022 and 2021, respectively.

The Company declared dividends of $0.050 and $0.045 per share during the six months ended June 30, 2022 and 2021, respectively. The Company's working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Amended Credit Agreement.

Although there is ongoing uncertainty related to the current conflict in Ukraine and the continued impact of COVID-19 and variants on our future results, we believe our diverse markets, our strong market position in many of our businesses, and the steps we have taken to strengthen our balance sheet leaves us well-positioned to manage our business through the crisis as it continues to unfold. We continually assess our liquidity and cash positions and have assessed the impact of COVID-19 on our Company. Based on our analysis, we believe our existing balances of cash, the flexibility of our Amended Credit Agreement and our currently anticipated operating cash flows will be more than sufficient to meet our cash needs arising in the ordinary course of business for the next twelve months.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Foreign Currency

We have international operations in The Netherlands, Sweden, Germany, China, Portugal, Canada, Czech Republic, Mexico, the United Kingdom and New Zealand which expose us to foreign currency exchange rate fluctuations due to transactions denominated in Euros, Swedish Krona, Chinese Renminbi, Canadian dollar, Czech Krona, Mexican pesos, British Pound Sterling, and New Zealand dollar, respectively. We continuously evaluate our foreign currency risk and we take action from time to time in order to best mitigate these risks. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $4,013 on our sales for the three months ended June 30, 2022 and $8,253 on our sales for the six months ended June 30, 2022. This amount is not indicative of the hypothetical net earnings impact due to partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during the three months ended June 30, 2022 increased revenues in comparison to the quarter ended June 30, 2021 by $5,174. For the six months ended June 30, 2022, we estimate that foreign currency exchange rate fluctuations increased revenues $8,403 in 2022 compared to 2021.

We translate all assets and liabilities of our foreign operations, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the condensed consolidated financial statements as comprehensive (loss) income. The translation adjustment was a loss of $8,699 and a gain of $955 for the three months ended June 30, 2022 and 2021, respectively. The translation adjustment was a loss of $9,932 and $3,052 for the six months ended June 30, 2022 and 2021, respectively. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our foreign subsidiaries. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency net assets would have had an impact of approximately $11,152 on our foreign net assets as of June 30, 2022.

We have contracts to hedge our short-term balance sheet exposure, primarily intercompany, that are denominated in currencies (Euro, Mexican Peso, New Zealand Dollar, Chinese Renminbi, Swedish Krona) other than the subsidiary's functional currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in other (income) expense, net in the consolidated statements of income and comprehensive (loss) income. To minimize foreign currency exposure, the Company had foreign currency contracts with notional amounts of $16,000 at June 30, 2022. The foreign currency contracts are recorded in the condensed consolidated balance sheets at fair value and resulting gains or losses are recorded in other expense (income), net in the condensed consolidated statements of income and comprehensive (loss) income. During the three and six months ended June 30, 2022, we recorded a gains of $253 and $203, respectively, on foreign currency contracts which is included in other (income) expense, net and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other (income) expense, net. Net foreign currency transaction gains and losses included in other expense, net amounted to a gain of $253 and loss of $39 for the three months ended June 30, 2022 and 2021, respectively. Net foreign currency transaction gains and losses included in other expense, net amounted to a gain of $203 and a loss of $27 for the six months ended June 30, 2022 and 2021, respectively.

Interest Rates

Interest rates on our Amended Credit Agreement are based on the LIBOR or EURIBOR plus a margin of 1.00% to 1.75% (1.75% at June 30, 2022) or the Prime Rate plus a margin of 0% to 1.25% (1.25% at June 30, 2022), in each case depending on the Company's ratio of total funded indebtedness to Consolidated EBITDA. We use interest rate derivatives to add stability to interest expense and to manage our exposure to interest rate movements. We primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. In February 2017, the Company entered into three interest rate swaps with a combined notional amount of $40,000 that matured in February 2022. In March 2020, the Company entered into two additional interest rate swaps with a combined notional amount of $20,000 that increased to $60,000 in March 2022 and matures in December 2024. In March 2022 the Company entered into an additional interest rate swap with a notional amount of $40,000 that matures in December 2026.

As of June 30, 2022, we had $220,056 outstanding under the Amended Revolving Facility (excluding deferred financing fees), of which $100,000 is currently being hedged. Refer to Note 10, Debt Obligations, of the notes to consolidated financial statements for additional information about our outstanding debt. A hypothetical one percentage point (100 basis points) change in the Base Rate on the $120,057 of unhedged floating rate debt outstanding at June 30, 2022 would approximately a $300 and $600 impact on our interest expense for the three and six months ended June 30, 2022, respectively.

Item 4. Controls and Procedures

Conclusion regarding the effectiveness of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (principal accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2022. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on management's evaluation of our disclosure controls and procedures as of June 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

During the quarter ended June 30, 2022, there were no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Form 10-K for the year ended December 31, 2021, except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors. For a full discussion of these risk factors, please refer to "Item 1A. Risk Factors" in the 2021 Annual Report and 10-K.

Item 5. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Unregistered Securities

Period	Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
04/01/22 to 04/30/22	34,929	$ 29.77	—	—
05/01/22 to 05/31/22	356	27.54	—	—
06/01/22 to 06/30/22	—	—	—	—
Total	35,285	$ 29.75	—	—

(1) As permitted under the Company's equity compensation plan, these shares were withheld by the Company to satisfy tax withholding obligations in connection with the vesting of stock. Shares withheld for tax withholding obligations do not affect the total number of shares available for repurchase under any approved common stock repurchase plan. At June 30, 2022, the Company did not have an authorized stock repurchase plan in place.

Recent Sales of Unregistered Securities

On June 17, 2022, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") pursuant to which the Company acquired 100% of the membership interests of Airex, LLC from Airex Merger Holdco, LLC (the "Seller"). Under the Purchase Agreement, a portion of the purchase price was in the form of equity consisting of 80,000 shares of Company common stock. The securities issued in connection with this transaction were issued by the Company to the Seller in reliance upon on Section 4(a)(2) of the Securities Act. The Seller represented that it was an "accredited investor" and will acquire the securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof.

Item 6. Other Information

None.

Item 7. Exhibits

(a) Exhibits

31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1 SCH	Inline XBRL Taxonomy Extension Schema Document *(filed herewith)*.
101.2 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document *(filed herewith)*.

101.3 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document *(filed herewith)*.
101.4 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document *(filed herewith)*.
101.5 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document *(filed herewith)*.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in exhibits 101.*) *(filed herewith)*.

* Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 3, 2022

ALLIED MOTION TECHNOLOGIES INC.
By: /s/ Michael R. Leach
Michael R. Leach
Senior Vice President & Chief Financial Officer

CERTIFICATION

I, Richard S. Warzala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s other verifying officer, the auditors and the audit committee of registrant’s Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: August 3, 2022

/s/ Richard S. Warzala
Richard S. Warzala
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael R. Leach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's other certifying officer, the auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 3, 2022	/s/ Michael R. Leach
	Michael R. Leach
	Chief Financial Officer

EXHIBIT 32.1

Certification of Periodic Financial Reports
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ Richard S. Warzala
Richard S. Warzala
Chief Executive Officer

EXHIBIT 32.2

Certification of Periodic Financial Reports
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2022 fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2022

/s/ Michael R. Leach
Michael R. Leach
Chief Financial Officer