



Motion Solutions that Change the Game

Second Quarter 2021 Financial Results Call

August 5, 2021

Dick Warzala
Chairman, President & CEO

Mike Leach
Chief Financial Officer

Safe Harbor Statement

The statements in these slides that relate to future plans, events or performance are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Examples of forward-looking statements include, among others, statements the Company makes regarding expected operating results, anticipated levels of capital expenditures, the Company's belief that it has sufficient liquidity to fund its business operations, and expectations with respect to the conversion of backlog to sales. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of the Company's business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. The Company's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company's customers and suppliers, competitor responses to the Company's products and services, the overall market acceptance of such products and services, the pace of bookings relative to shipments, the ability to expand into new markets and geographic regions, the success in acquiring new business, the impact of changes in income tax rates or policies, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains; our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, the prices of our securities and the achievement of our strategic objectives and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.

This presentation will discuss some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Q2 2021 Review

Strong Execution

Revenue up 17% to \$101.5 million
110 bps sequential gross margin expansion to 30.7%
Operating income of \$6.7 million reflecting higher volume
Generated \$10.9 million of cash from operations; \$16.5M YTD
Paid down \$7.6 million of debt

Diversified Strategy

Strong demand and execution drove 82% increase of sales in Vehicle markets
Continued economic recovery reflected in 20% YoY and 8% sequential growth in Industrial markets
Encouraging signs of improving conditions in A&D

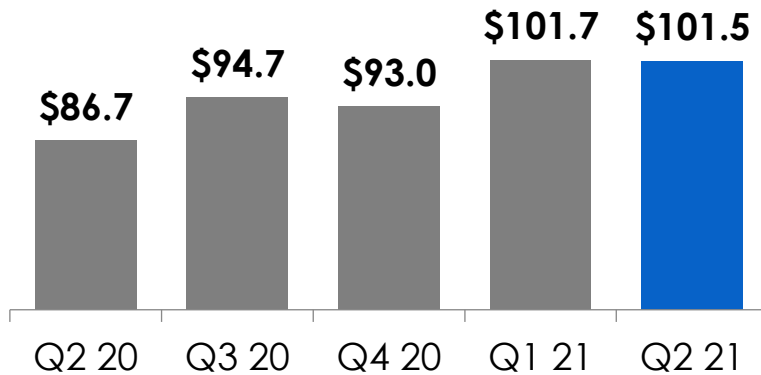
Competitive Position

Achieved record orders of \$119.0 million, up 48% YoY and 4% sequentially
Backlog grew 12% sequentially to a record \$170.4 million
Sustainable growth with diversified strategy: Achieved double-digit organic growth in the quarter

Revenue

(\$ in millions)

Quarters



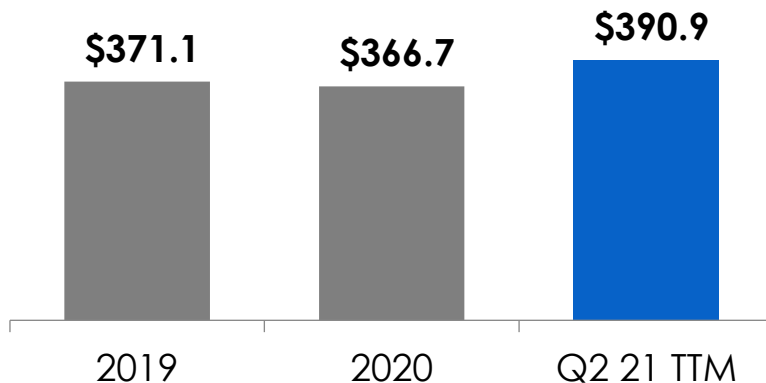
Up \$14.9 million or 17%

Revenue up 12.4% excluding
\$4.1 million favorable FX

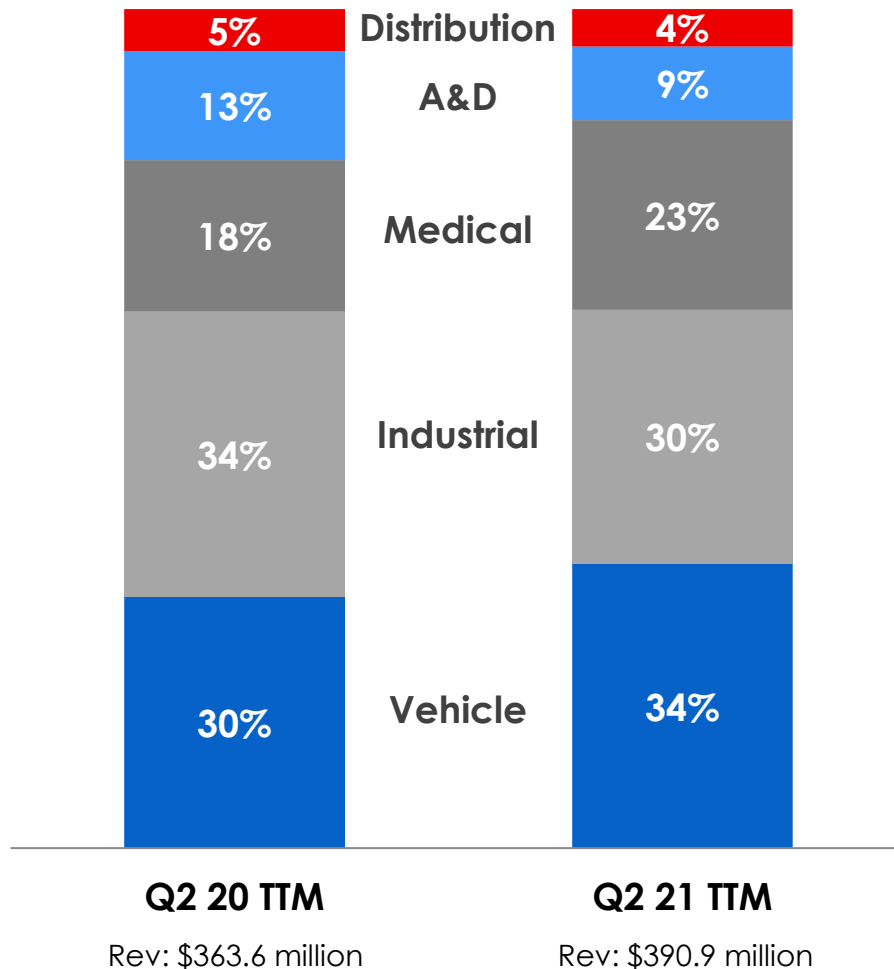
Strong demand in Vehicle and
Industrial markets

Sales to U.S. customers 55% vs. 50%

Years



Revenue by Market



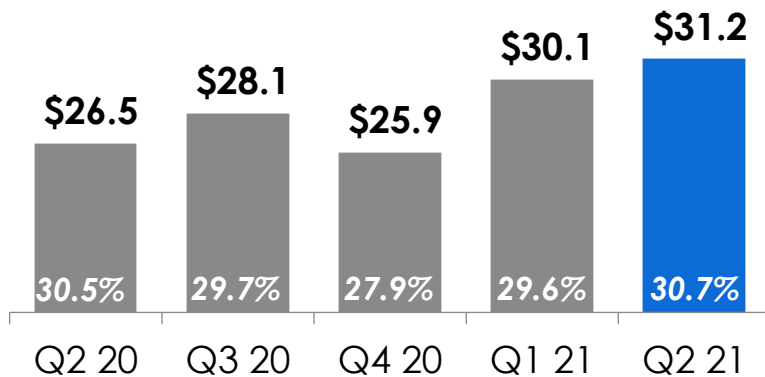
TTM revenue up 8%

| | |
|--------------|-------|
| Medical | + 34% |
| Vehicle | + 21% |
| Distribution | - 1% |
| Industrial | - 4% |
| A&D | - 26% |

Gross Profit and Margin

(\$ in millions)

Quarters



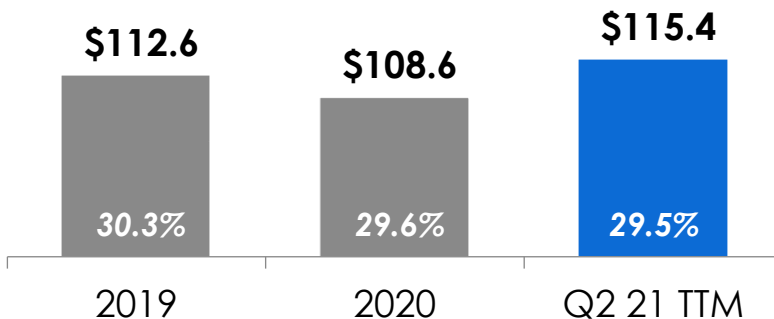
Up \$4.8 million or 18%

110 bps sequential margin increase

Margin impacts:

- + Strong volume
- + Favorable mix
- + Lean tool kit (AST)
- Higher material costs and supply chain challenges

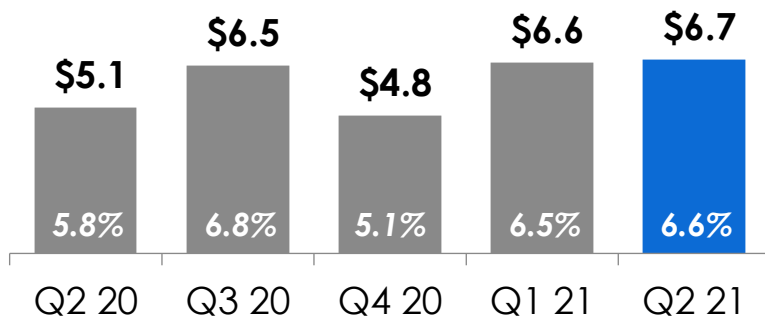
Years



Operating Income and Margin

(\$ in millions)

Quarters



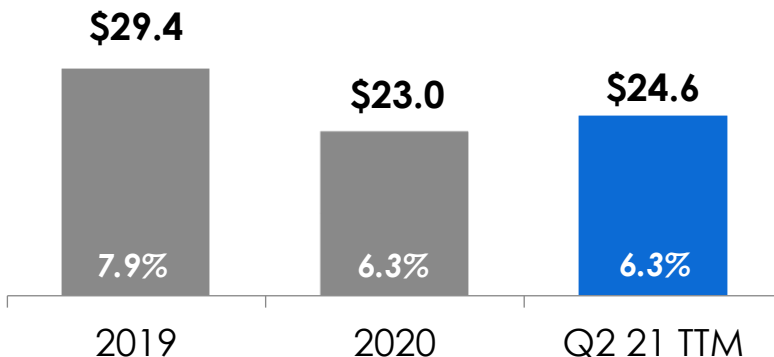
Operating costs as a percent of revenue down 60 bps to 24.1%

Higher volume drove operating leverage

- Offset increased incentive compensation

Engineering & development 7.1% of sales in Q2 21 vs 7.2% in Q2 20

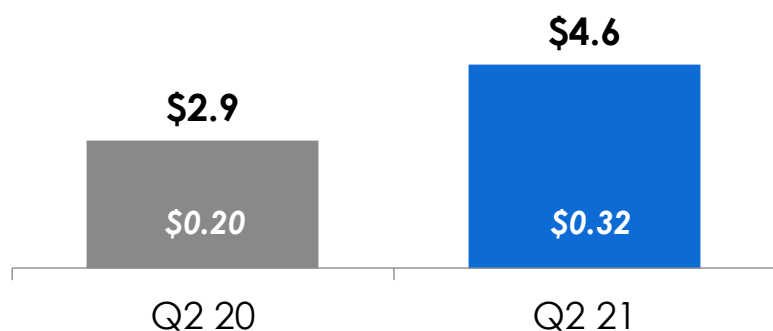
Years



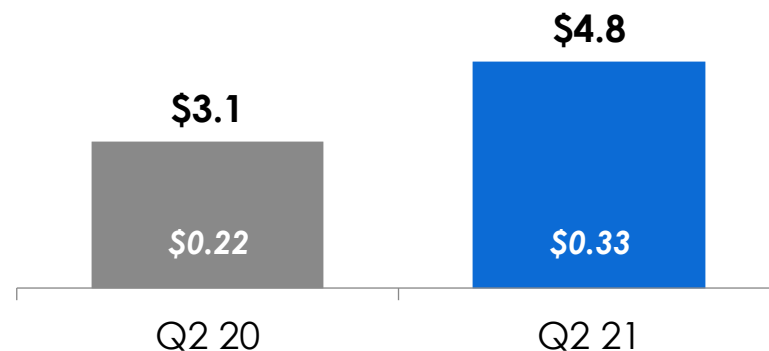
Net Income and Adjusted EBITDA

(\$ in millions, except per share data)

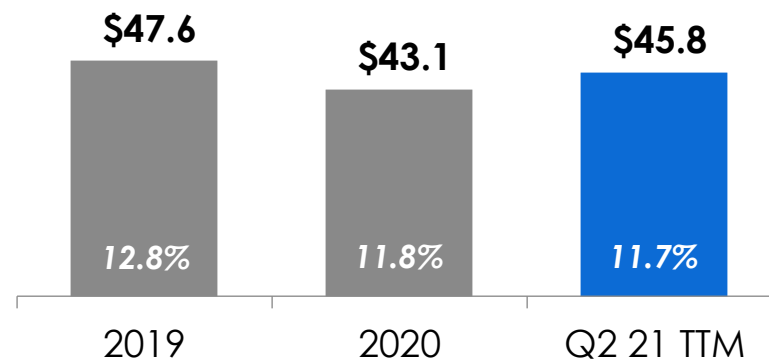
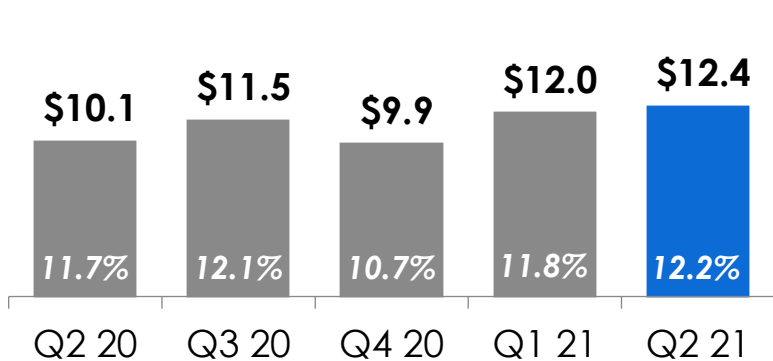
Net Income and EPS



Adjusted Net Income and EPS⁽¹⁾



Adjusted EBITDA⁽¹⁾ and Margin



All per share information reflect the April 30, 2021 3-for-2 stock dividend

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

Balance Sheet

(\$ in millions)

| CAPITALIZATION | | |
|-----------------------------------|------------------|------------------|
| | June 30, 2021 | Dec. 31, 2020 |
| Cash and cash equivalents | \$ 23.4 | \$ 23.1 |
| Total debt | 112.4 | 120.1 |
| Total net debt | 89.0 | 96.9 |
| Shareholders' equity | 158.0 | 143.1 |
| Total capitalization | \$ 270.4 | \$ 263.1 |
| Debt/total capitalization | 41.6% | 45.6% |
| Net debt/net total capitalization | 36.0% | 40.4% |

Strong capital structure

Paid down \$7.6 million of debt during the quarter

Net debt/net total capitalization improved 440 bps since year-end 2020

Bank leverage ratio⁽¹⁾ of 2.44x

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

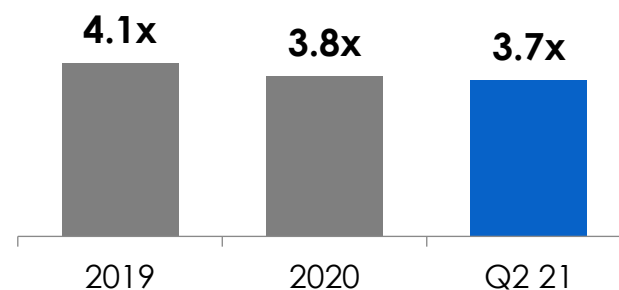
NOTE: Components may not add up to totals due to rounding

Cash Flow

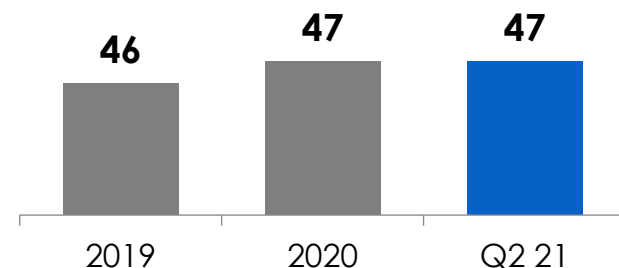
(\$ in millions)

| Note: Components may not add to totals due to rounding | Three Months Ended | |
|--------------------------------------------------------|--------------------|---------------|
| | 6/30/21 | 6/30/20 |
| Net cash provided by operating activities | \$ 10.9 | \$ 9.6 |
| Capital expenditures (CapEx) | (2.8) | (1.9) |
| Operating free cash flow (FCF)⁽¹⁾ | \$ 8.1 | \$ 7.6 |

Inventory Turnover



Days Sales Outstanding



FY21 CapEx: \$12 - \$15 million⁽²⁾

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

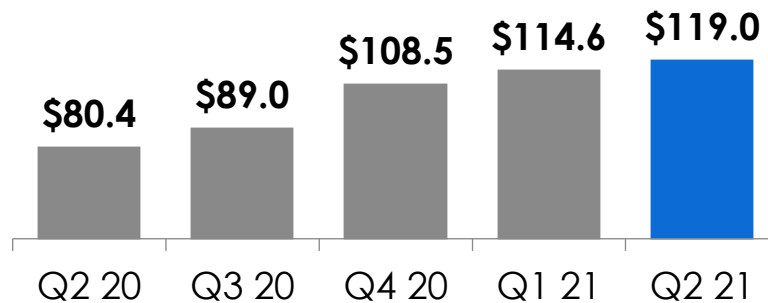
⁽²⁾ 2021 CapEx expectation provided on August 4, 2021

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

Orders and Backlog

(\$ in millions)

Orders



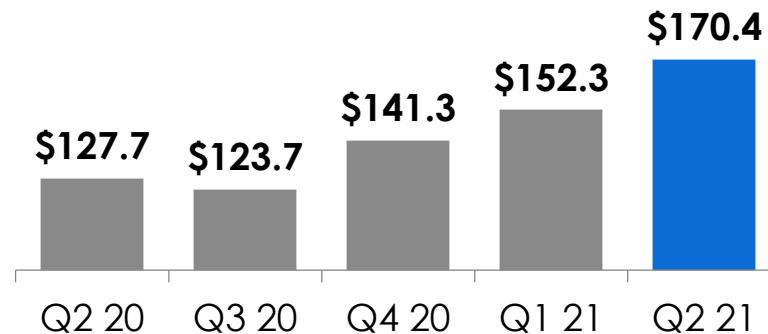
Record order level up 4% sequentially and 48% YoY

All key markets contributing

Favorable \$4.1 foreign currency translation

Book:Bill 1.17x

Backlog



Record backlog up 12% sequentially and 33% YoY

Majority to ship in three to six months

Outlook

Vehicle: expect heightened demand to continue into Q3 21

Industrial: continued improving market conditions with increased quoting and orders

Medical: demand still solid with recovery in elective surgeries

A&D: increased quoting and orders to impact fiscal year 2022 and beyond

Leveraging key engineering capabilities to further ramp new projects and solutions

Addressing inflation and supply chain challenges through disciplined execution of Allied Systematic Tools (AST)

Expect to invest \$12 million to \$15 million in capital expenditures during FY21

Expect tax rate to range between 26% - 28% for the remaining quarters of FY21

Long-term goal: Increase gross margin by 1% per year

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** passcode: **10158260**
- Telephone replay available through Thursday, August 12, 2021
- Webcast / Presentation / Replay available at www.alliedmotion.com/investor-relations/
- Transcript, when available, at www.alliedmotion.com/investor-relations/



Motion Solutions that Change the Game

Supplemental Information

Adjusted Net Income Reconciliation_(Unaudited)

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

For the three months ended

| | Jun 30, 2020 | Sept 30, 2020 | Dec 31, 2020 | Mar 31, 2021 | June 30, 2021 |
|-------------------------------------|-----------------|------------------|-----------------|-----------------|------------------|
| Net income | \$ 2,896 | \$ 4,013 | \$ 2,699 | \$ 11,927 | \$ 4,634 |
| Discrete income tax benefit | - | - | - | (7,373) | - |
| Non-income based tax assessment | - | - | (424) | - | - |
| Foreign currency loss (gain) | 83 | 211 | 400 | (9) | 30 |
| Business development costs | 124 | 6 | 30 | 15 | 121 |
| Adjusted Net Income | \$ 3,103 | \$ 4,230 | \$ 2,705 | \$ 4,560 | \$ 4,785 |
| Average Diluted Shares Outstanding | 14,304 | 14,369 | 14,403 | 14,438 | 14,494 |
| Diluted earnings per share | \$0.20 | \$0.28 | \$0.19 | \$0.83 | \$0.32 |
| Adjusted diluted earnings per share | \$0.22 | \$0.29 | \$0.19 | \$0.32 | \$0.33 |

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for unusual non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measure as used by other companies. Nevertheless, the Company believes that providing non-GAAP information, such as adjusted net income and diluted EPS are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS.

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

Adjusted Net Income Reconciliation_(Unaudited)

(\$ in thousands, except per share data)

All share and per share information reflect the April 30, 2021 3-for-2 stock dividend

| | For twelve months ended | | |
|-------------------------------------|-------------------------|------------------|------------------|
| | Dec 31, 2019 | Dec 31, 2020 | June 30, 2021 |
| Net income | \$ 17,022 | \$ 13,643 | \$ 23,273 |
| Discrete income tax benefit | - | - | (7,373) |
| Non-income based tax assessment | 384 | (424) | (424) |
| Income tax provision charge | 433 | - | - |
| Foreign currency loss | 79 | 752 | 632 |
| Business development costs | 81 | 344 | 172 |
| Non-GAAP Adjusted Net Income | \$ 17,999 | \$ 14,315 | \$ 16,280 |
| Average Diluted Shares Outstanding | 14,192 | 14,333 | 14,426 |
| Diluted earnings per share | \$1.20 | \$0.95 | \$1.62 |
| Adjusted diluted earnings per share | \$1.27 | \$1.00 | \$1.13 |

Adjusted net income and diluted EPS are defined as net income as reported, adjusted for unusual non-recurring items. Adjusted net income and diluted EPS are not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measure as used by other companies. Nevertheless, the Company believes that providing non-GAAP information, such as adjusted net income and diluted EPS are important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS.

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

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

| | For the three months ended | | | | |
|--------------------------------------|----------------------------|------------------|-----------------|------------------|------------------|
| | Jun 30, 2020 | Sept 30, 2020 | Dec 31, 2020 | Mar 31, 2021 | June 30, 2021 |
| Net income | \$ 2,896 | \$ 4,013 | \$ 2,699 | \$ 11,927 | \$ 4,634 |
| Interest expense | 901 | 844 | 917 | 861 | 807 |
| Provision (benefit) for income taxes | 1,237 | 1,369 | 960 | (6,057) | 1,303 |
| Depreciation and amortization | 3,877 | 4,055 | 4,303 | 4,431 | 4,459 |
| EBITDA | \$8,911 | \$10,281 | \$8,879 | \$11,162 | \$11,203 |
| Stock compensation expense | 931 | 920 | 910 | 797 | 1,000 |
| Foreign currency loss (gain) | 118 | 283 | 542 | (12) | 39 |
| Business development costs | 177 | 8 | 41 | 19 | 155 |
| Non-income based tax assessment | - | - | (424) | - | - |
| Adjusted EBITDA | \$ 10,137 | \$ 11,492 | \$ 9,948 | \$ 11,966 | \$ 12,397 |

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, foreign currency gains/losses, business development costs and non income based tax assessment), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs related to acquisitions, foreign currency gains/losses on short-term assets and liabilities, and other items that are not indicative of the Company's core operating performance. Adjusted EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

For twelve months ended

| | Dec 31, 2019 | Dec 31, 2020 | June 30, 2021 |
|--------------------------------------|------------------|------------------|------------------|
| Net income | \$ 17,022 | \$ 13,643 | \$ 23,273 |
| Interest expense | 5,134 | 3,716 | 3,429 |
| Provision (benefit) for income taxes | 6,819 | 5,133 | (2,425) |
| Depreciation and amortization | 14,857 | 15,985 | 17,248 |
| EBITDA | \$ 43,832 | \$ 38,477 | \$ 41,525 |
| Stock compensation expense | 3,203 | 3,550 | 3,627 |
| Foreign currency loss | 111 | 1,035 | 852 |
| Business development costs | 113 | 473 | 223 |
| Non-income based tax assessment | 384 | (424) | (424) |
| Adjusted EBITDA | \$ 47,643 | \$ 43,111 | \$ 45,803 |

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, foreign currency gains/losses, business development costs and non income based tax assessment), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs related to acquisitions, foreign currency gains/losses on short-term assets and liabilities, and other items that are not indicative of the Company's core operating performance. Adjusted EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.