



*Motion Solutions that Change the Game*

# Second Quarter 2018 Financial Results Call

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August 2, 2018

Dick Warzala  
Chairman, President & CEO

Mike Leach  
Chief Financial Officer

# Safe Harbor Statement

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*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, 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 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 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; changes in government regulations; the availability of financing and our access to capital markets, borrowings, or financial transactions to hedge certain risks; the Company’s ability to realize the annual interest expense savings from its debt refinancing; the ability to attract and retain qualified personnel 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, including the ability to carve out, relocate and separate the Maval OE business; our ability to control costs, including the establishment and operation of low cost region manufacturing and component sourcing capabilities; and other risks and uncertainties detailed from time to time in the Company’s SEC filings. Actual results, events and performance may differ materially. 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.*

*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 compared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.*

# Second Quarter Highlights

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## Record performance

Revenue grew 33% to a record \$80M; up 29% FX adjusted  
Orders increased 31% to a record \$86.2 million  
Record backlog up 30% QoQ and 4% sequentially to \$111.2M

## Demonstrated Operating Leverage

Operating income increased 56% to \$6.2M  
Operating margin expanded 120 bps to 7.8%  
Net Income nearly doubled to \$4.2M; EPS up \$0.21 to \$0.45

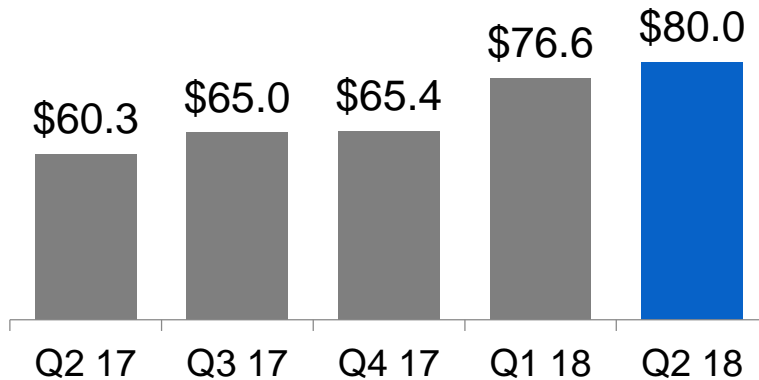
## Enhanced competitive position

Diversifying customers and applications while streamlining the organization  
Broad based growth  
Vehicle market rebound continued in Q2 aided by recent acquisition

# Revenue

(\$ in millions)

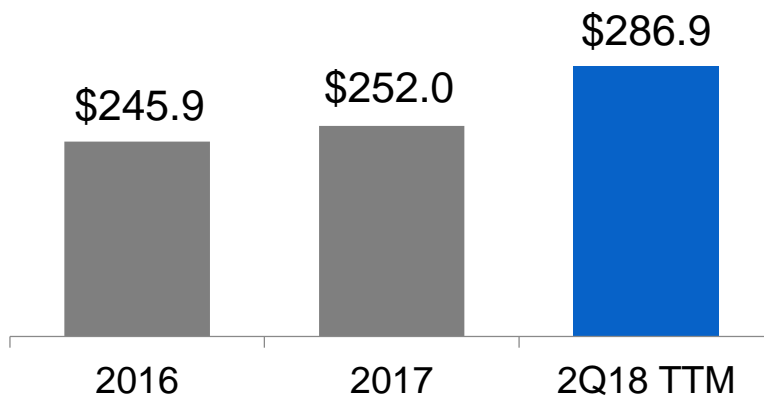
## Quarters



## Second quarter:

- Broad based growth
- Significantly higher sales in Vehicle, Industrial and A&D
- Favorable FX impact of \$2.3M
- Sales to U.S. customers: 52% vs 54%

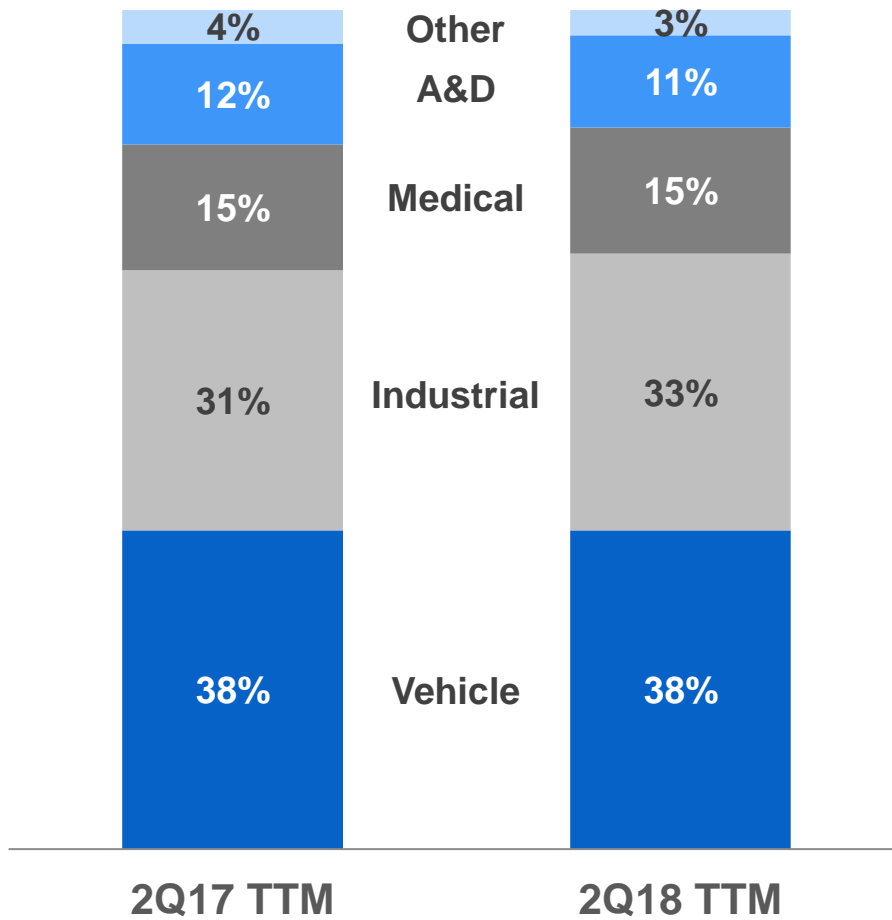
## Years



## Q2 18 TTM:

- Double digit growth in all major served markets
- Added OE steering business from Maval Industries in Jan 2018

# Revenue by Market (TTM Basis)



Executing diversification strategy

TTM sales up 20%

- Industrial +28%
- Vehicle +21%
- Medical +15%
- A&D +10%

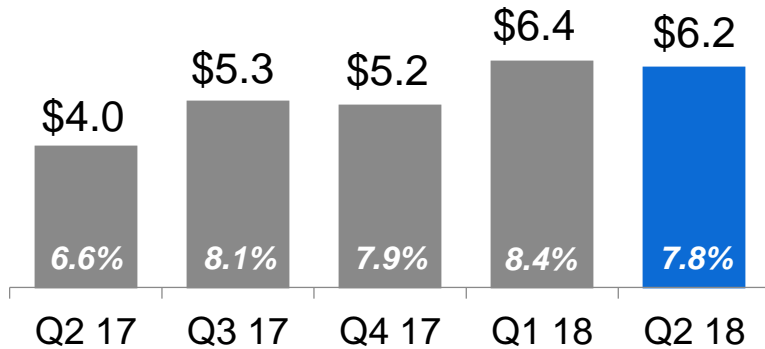
Distribution sales flat

- Included in Other market

# Operating Income and Margin

(\$ in millions)

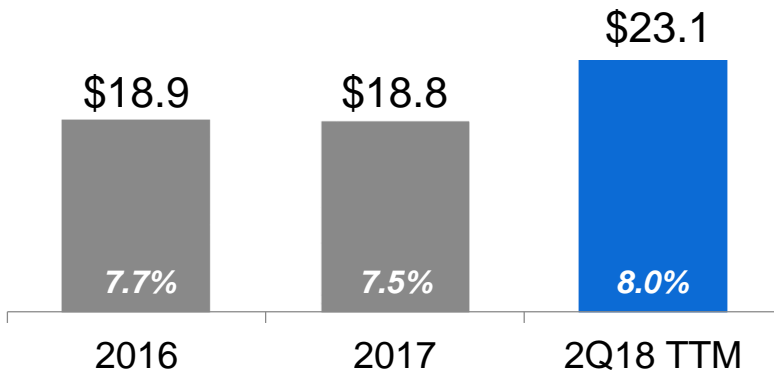
## Quarters



## Second quarter:

- Gross profit increased \$5.6M, or 32%
- Gross margin contracted 20bps to 29.4% due to lower margin contribution from recent acquisition
- SG&A down 30 bps to 14.1% of sales
- E&D down 110 bps to 6.2% of sales

## Years



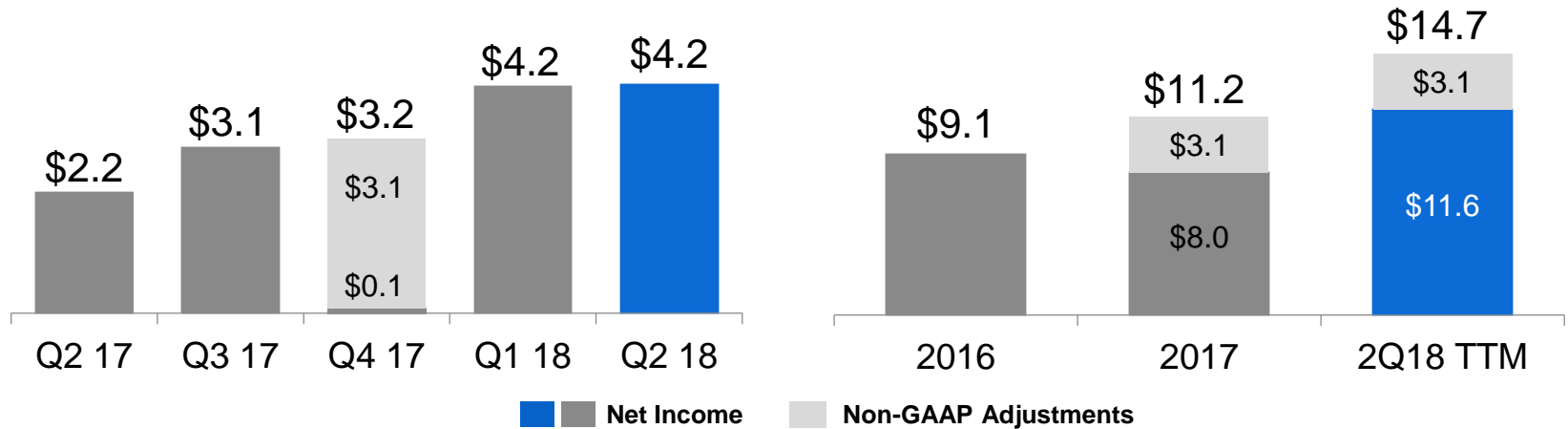
## Q2 18 TTM:

- Gross margin of 30.0%

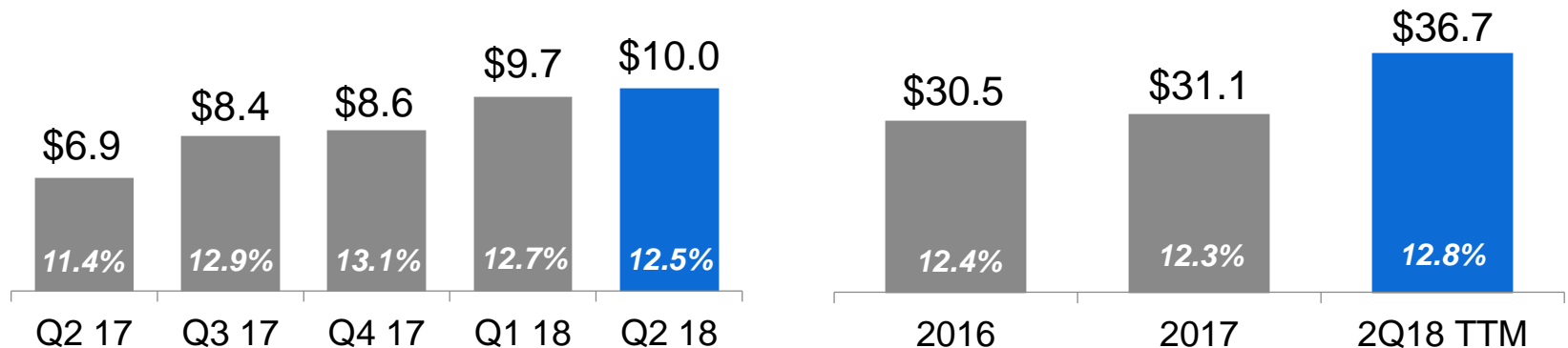
# Adjusted Net Income and Adjusted EBITDA

(\$ in millions)

## Adjusted Net Income\*



## Adjusted EBITDA\* and Margin

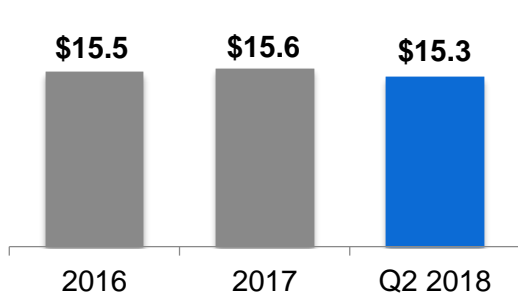


\* See supplemental slides for Adjusted Net Income and Adjusted EBITDA reconciliations and other important disclaimers.

# Balance Sheet and Cash Generation

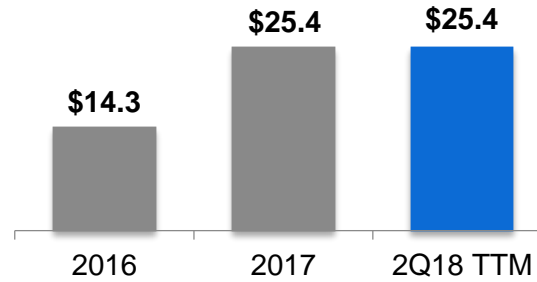
(\$ in millions)

## Cash & Cash Equivalents



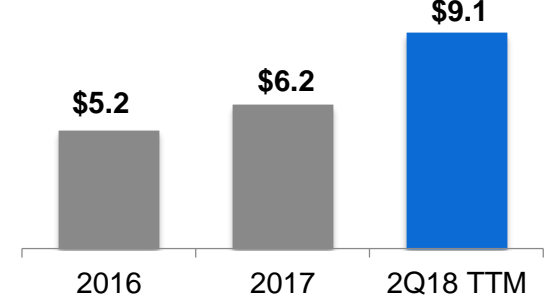
*Q1 18 acquisition funded with debt and cash on hand*

## Cash From Operations



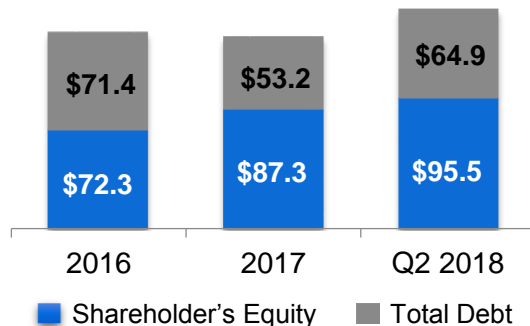
*Strong cash generation used to pay down debt \$18.3 million in 2017*

## Capital Expenditures

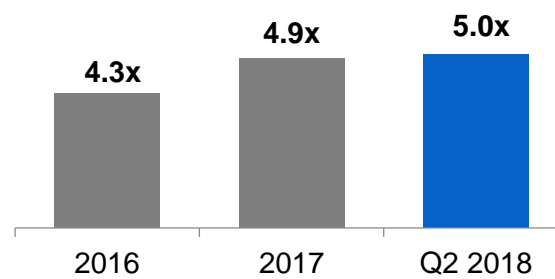


*2018 CapEx expected to range between \$13-\$16 million\**

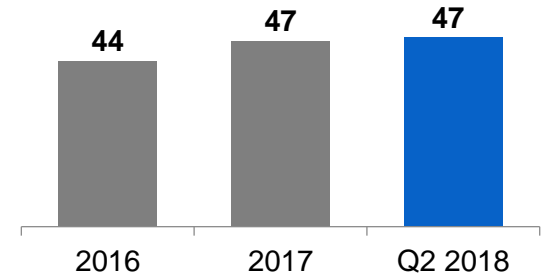
## Total Debt & Shareholders' Equity



## Inventory Turnover



## Days Sales Outstanding



\* 2018 CapEx expectation provided on August 1, 2018

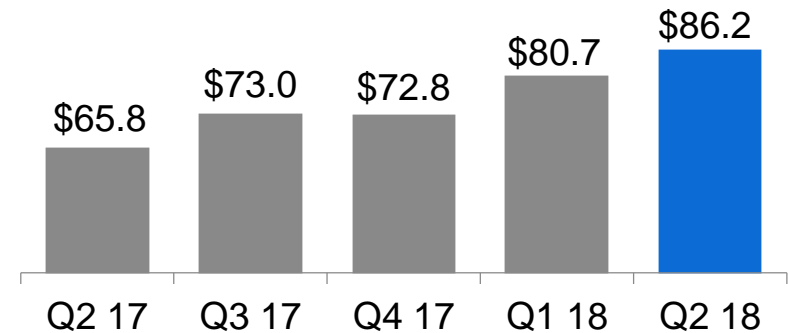


# Orders and Backlog

## Record order level

- Strength across all served markets
- New customers and solution wins
- FX favorable \$2.5 million in Q2 18

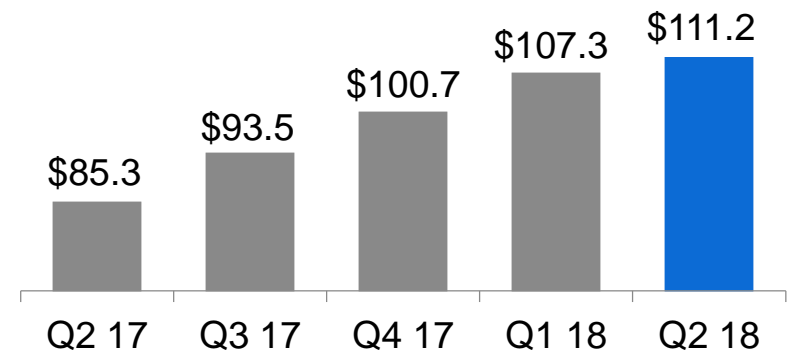
## Orders



## Record backlog

- + 30% QoQ; + 4% sequentially
- Majority to ship in three to six months
- Not included in backlog are previously announced new business awards of \$225 million  
*(expected to begin shipping in 2019)*

## Backlog



# Fiscal 2018 – Executing our Strategy

**Enhanced value proposition and building momentum**

**Record backlog and strong pipeline of opportunities provides confidence**

**Continue to strengthen *One Allied* approach to drive organic sales growth**

- Further North America reorganization

**Adding new channel partners for distribution strategy:  
goal of approx. 20 ASPs by year-end**

**Integrate steering business from Maval and continue to identify acquisitions  
to enhance future growth opportunities**

**Leverage enhanced IT infrastructure**

- Continue implementing ERP to support planned growth

**Continued enhancement and development of Operational Effectiveness  
Team & AST to drive continuous improvement in all business areas**

# Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13680956*
- Telephone replay available through **Thursday, August 9, 2018**
- Webcast / Presentation / Replay available at [www.alliedmotion.com/investors](http://www.alliedmotion.com/investors)
- Transcript, when available, at [www.alliedmotion.com/investors](http://www.alliedmotion.com/investors)



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# Supplemental Information

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# Adjusted Net Income Reconciliation *(Unaudited)*

(\$ in thousands)

	For three months ended				
	June 30, 2017	Sept 30, 2017	Dec 31, 2017	March 31, 2018	June 30, 2018
Net income	\$ 2,227	\$ 3,057	\$ 95	\$ 4,198	\$ 4,231
Tax Cuts and Jobs Act Impact	-	-	3,133	-	-
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 2,227</b>	<b>\$ 3,057</b>	<b>\$ 3,228</b>	<b>\$ 4,198</b>	<b>\$ 4,231</b>

	For twelve months ended		
	Dec 31, 2016	Dec 31, 2017	2Q18 TTM
Net income	\$ 9,078	\$ 8,036	\$ 11,581
Tax Cuts and Jobs Act Impact	-	3,133	3,133
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 9,078</b>	<b>\$ 11,169</b>	<b>\$ 14,714</b>

Adjusted net income is defined as net income as reported, adjusted for unusual non-recurring items. Adjusted net income is 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 is 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 to the historical periods' net income.

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

# Adjusted EBITDA Reconciliation *(Unaudited)*

(\$ in thousands)

	For the three months ended				
	June 30, 2017	Sept 30, 2017	Dec 31, 2017	March 31, 2018	June 30, 2018
Net income	\$ 2,227	\$ 3,057	\$ 95	\$ 4,198	\$ 4,231
Interest expense	641	633	677	614	602
Provision for income taxes	1,039	1,512	4,354	1,493	1,599
Depreciation and amortization	2,510	2,630	2,684	2,791	2,831
<b>EBITDA</b>	<b>\$ 6,417</b>	<b>\$ 7,832</b>	<b>\$ 7,810</b>	<b>\$ 9,096</b>	<b>\$ 9,263</b>
Stock compensation expense	488	519	553	496	598
Business development costs	-	-	213	151	165
<b>Adjusted EBITDA</b>	<b>\$ 6,905</b>	<b>\$ 8,351</b>	<b>\$ 8,576</b>	<b>\$ 9,743</b>	<b>\$ 10,026</b>

In addition to reporting net income, a U.S. generally accepted accounting principle (“GAAP”) measure, the Company presents Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock compensation expense, and business development costs), which is a non-GAAP measure. The Company believes Adjusted EBITDA is often a useful measure of a Company’s operating performance and is a significant basis used by the Company’s management to evaluate and compare the core operating performance of its business from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, stock-based compensation expense, business development costs related to acquisitions, 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, 2016	Dec 31, 2017	2Q18 TTM
Net income	\$ 9,078	\$ 8,036	\$ 11,581
Interest expense	6,449	2,474	2,526
Provision for income taxes	3,725	8,100	8,958
Depreciation and amortization	9,749	10,274	10,936
<b>EBITDA</b>	<b>\$ 29,001</b>	<b>\$ 28,884</b>	<b>\$ 34,001</b>
Stock compensation expense	1,893	2,026	2,166
Business development costs	428	213	529
Insurance recoveries	(823)	-	-
<b>Adjusted EBITDA</b>	<b>\$ 30,499</b>	<b>\$ 31,123</b>	<b>\$ 36,696</b>

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