

inTEST Corporation

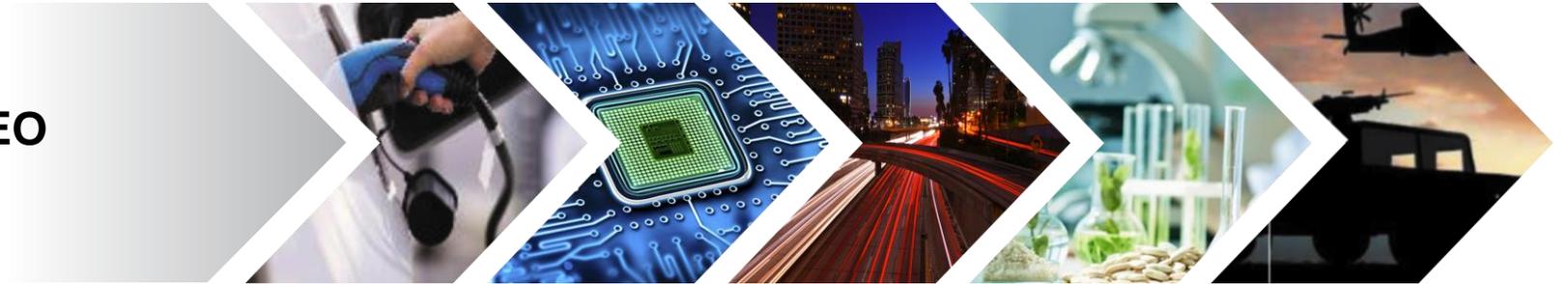
Q4 and Full Year 2023 Financial Results Conference Call



Nick Grant,
President and CEO



Duncan Gilmour,
CFO and Treasurer



March 27, 2024

inTEST

Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements do not convey historical information but relate to predicted or potential future events and financial results, such as statements of the Company's plans, strategies and intentions, or our future performance or goals, that are based upon management's current expectations. These forward-looking statements can often be identified by the use of forward-looking terminology such as "believe," "could," "expects," "guidance," "may," "will," "should," "plan," "potential," "forecasts," "outlook," "targets," "estimates," or similar terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Such risks and uncertainties include, but are not limited to, any mentioned in this presentation as well as the Company's ability to execute on its 5-Point Strategy, realize the potential benefits of acquisitions and successfully integrate any acquired operations, grow the Company's presence in its key target and international markets, manage supply chain challenges, convert backlog to sales and to ship product in a timely manner; the success of the Company's strategy to diversify its markets; the impact of inflation on the Company's business and financial condition; indications of a change in the market cycles in the semi market or other markets served; changes in business conditions and general economic conditions both domestically and globally including rising interest rates and fluctuation in foreign currency exchange rates; changes in the demand for semiconductors; access to capital and the ability to borrow funds or raise capital to finance potential acquisitions or for working capital; changes in the rates and timing of capital expenditures by the Company's customers; and other risk factors set forth from time to time in the Company's Securities and Exchange Commission filings, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2023. Any forward-looking statement made by the Company in this presentation is based only on information currently available to management and speaks to circumstances only as of the date on which it is made. The Company undertakes no obligation to update the information in this presentation to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures

In addition to disclosing results that are determined in accordance with generally accepted accounting practices in the United States ("GAAP"), we also disclose non-GAAP financial measures. These non-GAAP financial measures consist of adjusted net earnings, adjusted earnings per diluted share (adjusted EPS), adjusted EBITDA, adjusted EBITDA margin and free cash flow. The Company defines these non-GAAP measures as follows:

- Adjusted net earnings is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss).
- Adjusted earnings per diluted share (adjusted EPS) is derived by dividing adjusted net earnings by diluted weighted average shares outstanding.
- Adjusted EBITDA is derived by adding acquired intangible amortization, net interest expense, income tax expense, depreciation, and stock-based compensation expense to net earnings.
- Adjusted EBITDA margin is derived by dividing adjusted EBITDA by revenue.
- Free cash flow is derived by subtracting capital expenditures from net cash provided by or used in operating activities.

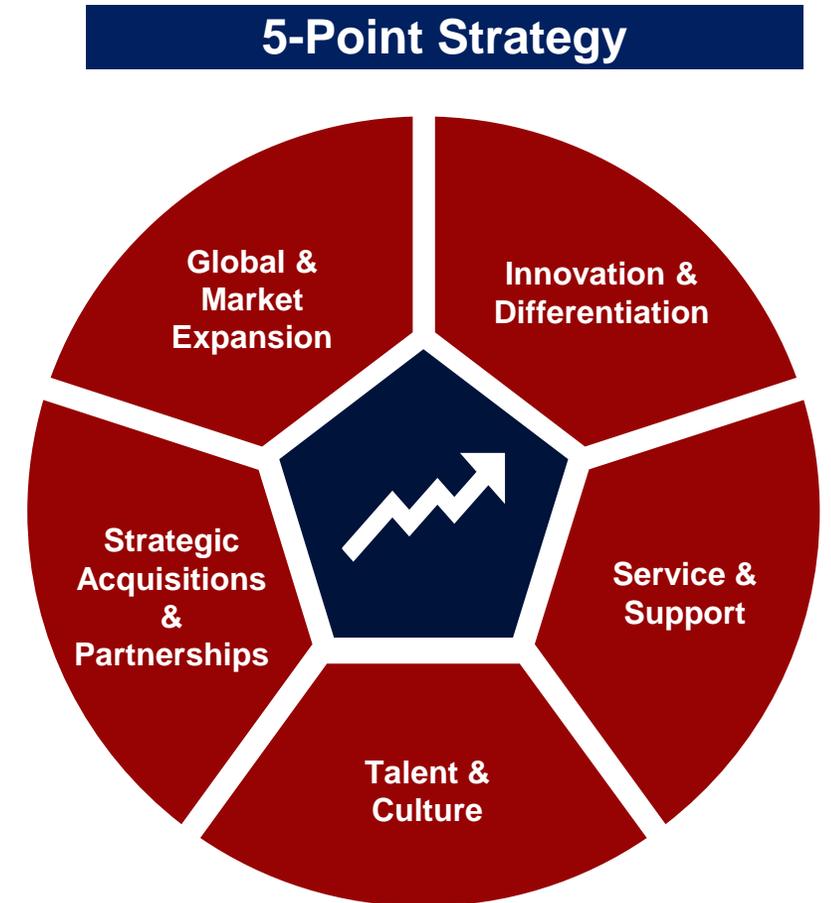
These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings and adjusted earnings per diluted share (adjusted EPS) are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges as management believes this expense may not be indicative of our underlying operating performance. Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures presented primarily as a measure of liquidity as they exclude non-cash charges for acquired intangible amortization, depreciation and stock-based compensation. In addition, adjusted EBITDA and adjusted EBITDA margin also exclude the impact of interest income or expense and income tax expense or benefit, as management believes these expenses may not be indicative of our underlying operating performance. The non-GAAP financial measures presented in this presentation are used by management to make operational decisions, to forecast future operational results, and for comparison with our business plan, historical operating results and the operating results of our peers. Reconciliations from net earnings and earnings per diluted share (EPS) to adjusted net earnings and adjusted earnings per diluted share (adjusted EPS) and from net earnings and net margin to adjusted EBITDA and adjusted EBITDA margin, are contained in the tables below. Each of our non-GAAP measures have limitations as analytical tools. They should not be viewed in isolation or as a substitute for GAAP measures of earnings or cash flows. Limitations may include the cash portion of interest expense, income tax (benefit) provision, charges related to intangible asset amortization and stock-based compensation expense. These items could significantly affect our financial results. Management believes these Non-GAAP financial measures are important in evaluating our performance, results of operations, and financial position. We use non-GAAP financial measures to supplement our GAAP results to provide a more complete understanding of the factors and trends affecting our business. Adjusted net earnings, adjusted earnings per diluted share (adjusted EPS), adjusted EBITDA, and adjusted EBITDA margin are not alternatives to net earnings, earnings per diluted share or margin as calculated and presented in accordance with GAAP. As such, they should not be considered or relied upon as substitutes or alternatives for any such GAAP financial measure. We strongly urge you to review the reconciliations of adjusted net earnings, adjusted earnings per diluted share (adjusted EPS), adjusted EBITDA, and adjusted EBITDA margin along with our financial statements included elsewhere in this presentation. We also strongly urge you not to rely on any single financial measure to evaluate our business. In addition, because adjusted net earnings, adjusted earnings per diluted share (adjusted EPS), adjusted EBITDA, and adjusted EBITDA margin are not measures of financial performance under GAAP and are susceptible to varying calculations, the adjusted net earnings, adjusted earnings per diluted share (adjusted EPS), adjusted EBITDA, and adjusted EBITDA margin measures as presented in this presentation may differ from and may not be comparable to similarly titled measures used by other companies.

Key Performance Metrics

In addition to the foregoing non-GAAP measures, management uses orders and backlog as key performance metrics to analyze and measure the Company's financial performance and results of operations. Management uses orders and backlog as measures of current and future business and financial performance, and these may not be comparable with measures provided by other companies. Orders represent written communications received from customers requesting the Company to provide products and/or services. Backlog is calculated based on firm purchase orders we receive for which revenue has not yet been recognized. Management believes tracking orders and backlog are useful as it often is a leading indicator of future performance. In accordance with industry practice, contracts may include provisions for cancellation, termination, or suspension at the discretion of the customer. Given that each of orders and backlog are operational measures and that the Company's methodology for calculating orders and backlog does not meet the definition of a non-GAAP measure, as that term is defined by the U.S. Securities and Exchange Commission, a quantitative reconciliation for each is not required or provided.

Execution of 5-Point Strategy Driving Results

- 2023 results reflect commitment and effective execution of Five-Point Strategy
 - Market diversification provided strength in sales
 - Expanded customer base and expanded geographic reach
 - Added new talent to enhance team
- Record full year revenue of \$123.3 million, 6% y/y growth; net income grew 10% over 2022 to a record \$9.3 million
- Fourth quarter orders⁽¹⁾ improved 2% over the third quarter driven by defense/aero and industrial markets
- Demonstrated strong cash generation: \$4.7 million in cash from operations in the fourth quarter and \$16.2 million for the year



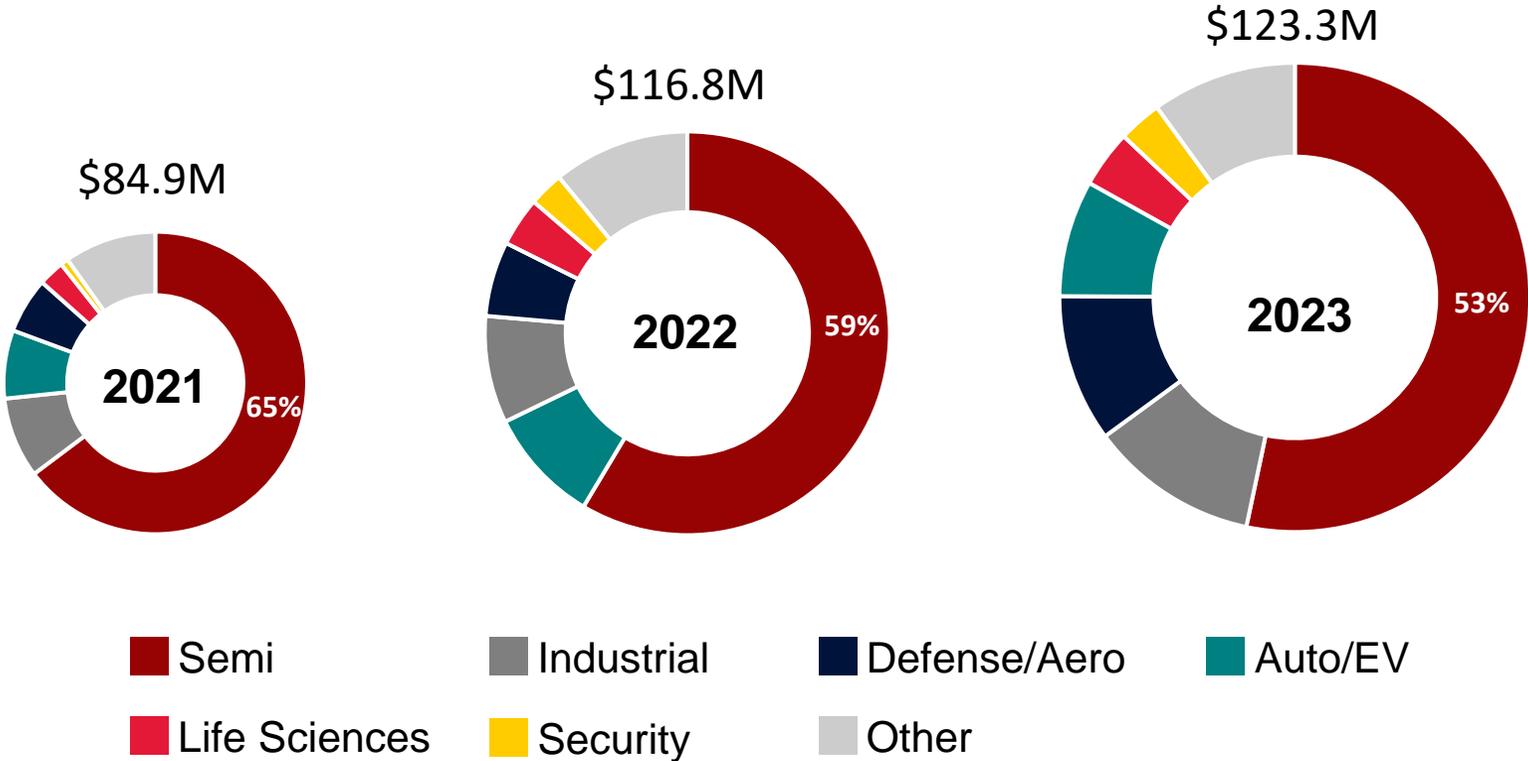
(1) Orders are a key performance metric. Further information can be found under “Key Performance Metrics.”

Diversification Efforts are Paying Off

Focused on target markets with strong, secular tailwinds



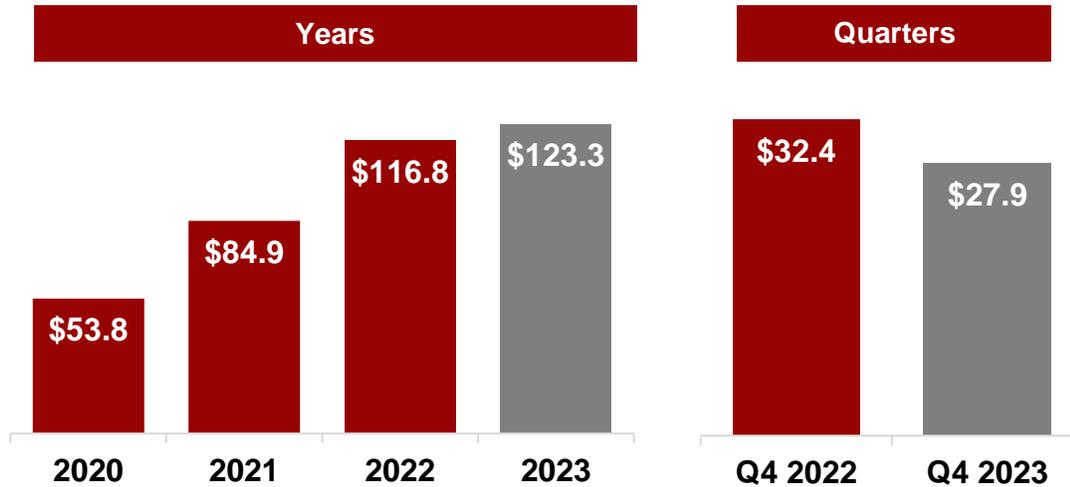
inTEST Revenue by Market



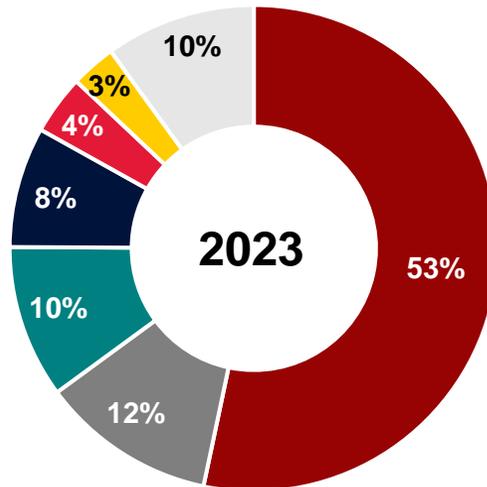
Revenue



(\$ in millions)



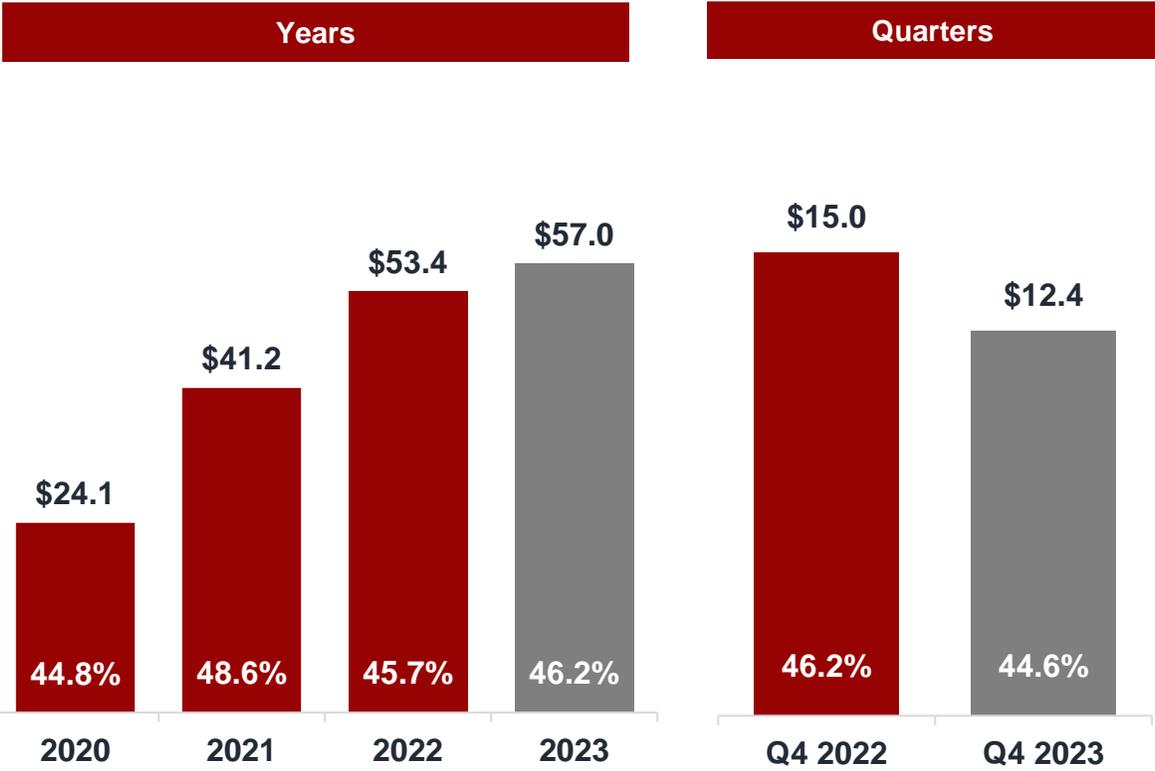
- Semi
- Industrial
- Defense/Aero
- Automotive/EV
- Life Sciences
- Security
- Other



- Record revenue in 2023 of \$123.3 million, up \$6.5 million, or 6%
- 2023 versus 2022 comparison:
 - Driven by \$5.5 million increase in defense/aero, or 79%
 - Increase in industrial market of \$4.3 million, or 43%
 - Life Sciences revenue increased 6% and security increased 14%
 - Increasing diversification helped to offset weakness in the semi market
- Q4 2023 versus Q4 2022 comparison:
 - \$8.7 million decline in semi partially offset by strength in diversified markets
 - Industrial market up \$3.7 million, or 171%
 - Auto/EV market up \$1.2 million, or 42%
- Sequentially, revenue declined \$3.1 million, or 10%

Gross Profit and Margin

(\$ in millions)



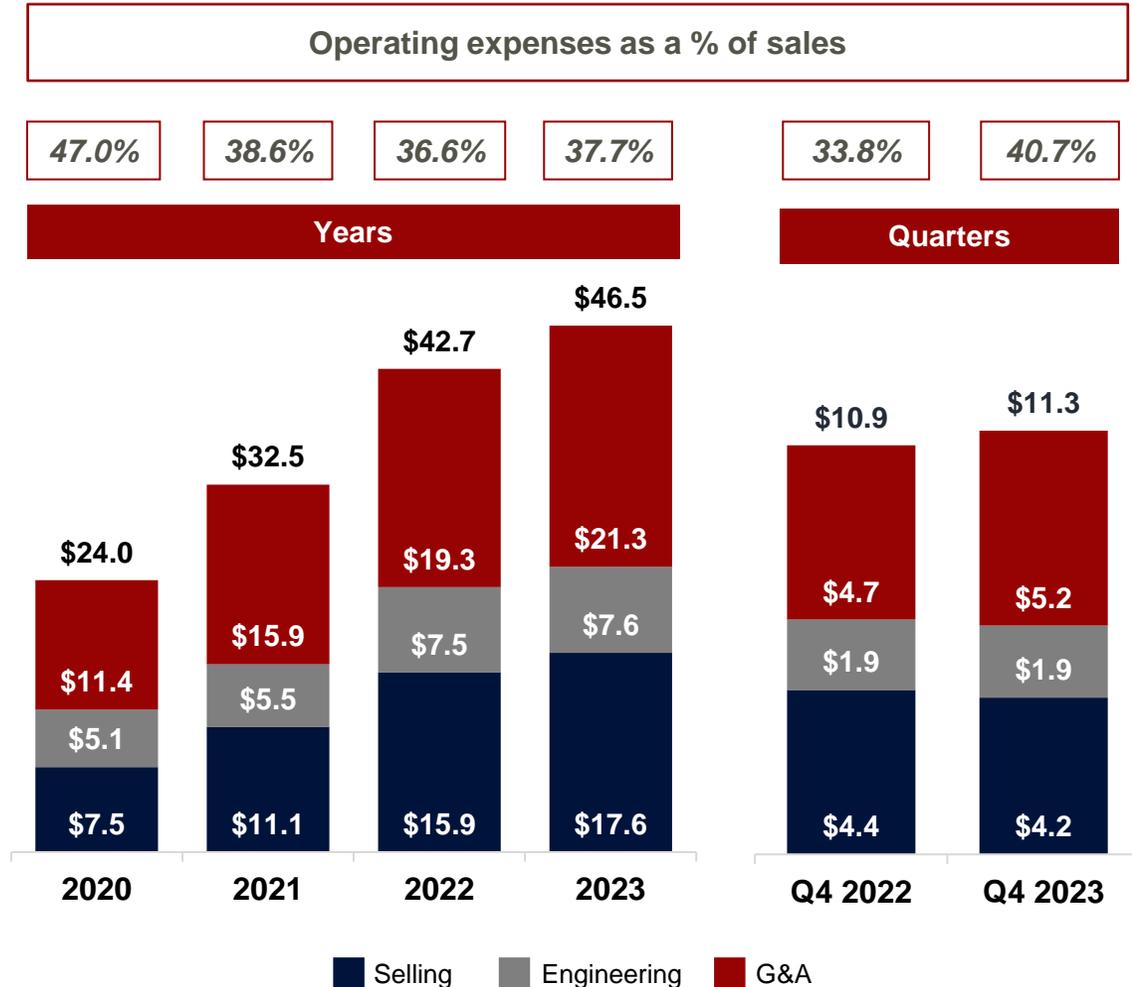
- 2023 gross profit increased \$3.5 million
 - Gross margin expanded 50 bps y/y to 46.2% on higher volume, favorable mix and ongoing pricing and cost actions
- Q4 gross profit of \$12.4 million decreased \$2.5 million y/y, and \$2.0 million sequentially
 - Margin contraction both y/y and sequentially related to lower volume and product mix

Operating Expenses



Continuing to invest to support 5-Point Strategy for Growth

(\$ in millions)



➤ 2023 operating expenses up \$3.8 million y/y, and increased as a percent of sales 110 bps to 37.7%

- Increase included \$1.2 million in higher corporate development expenses

➤ Q4 2023 operating expenses up modestly versus Q4 2022

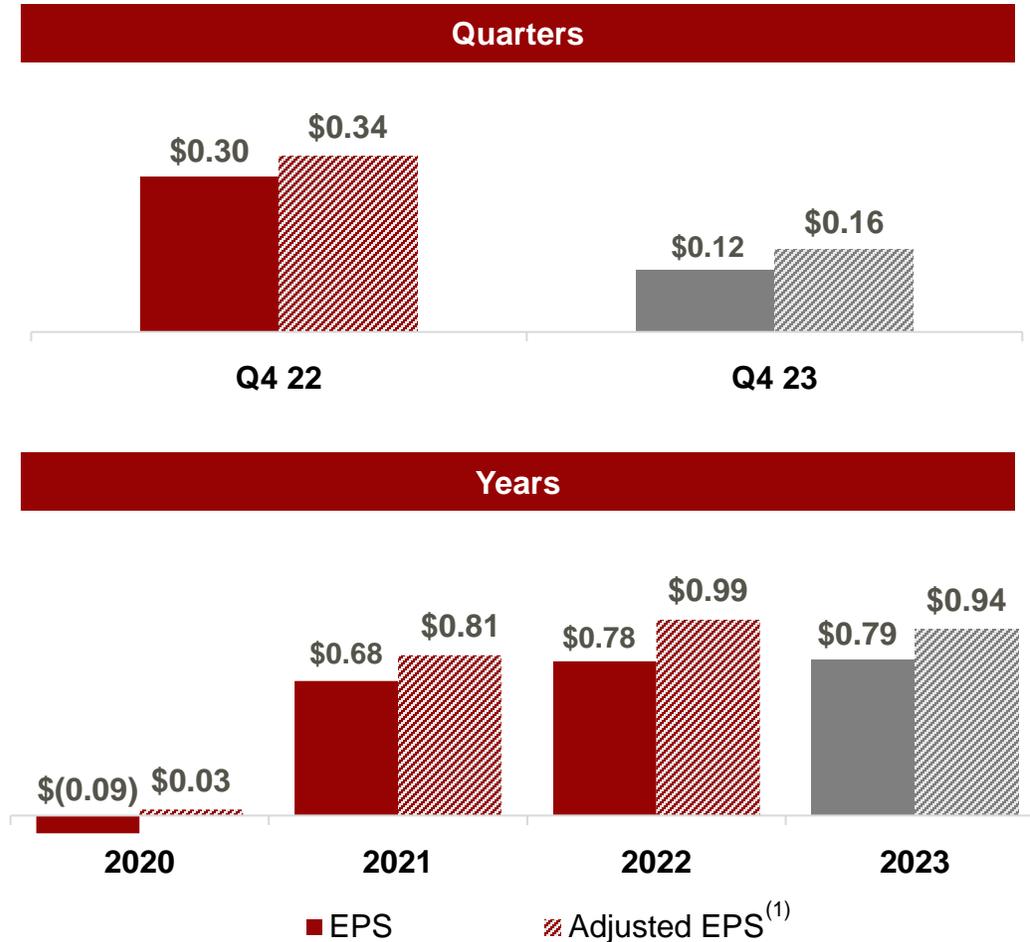
- Increase included \$0.4 million in higher corporate development expenses
- Included \$0.5 million of pre-tax intangible asset amortization expense in 2023, compared with \$0.6 million in 2022

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

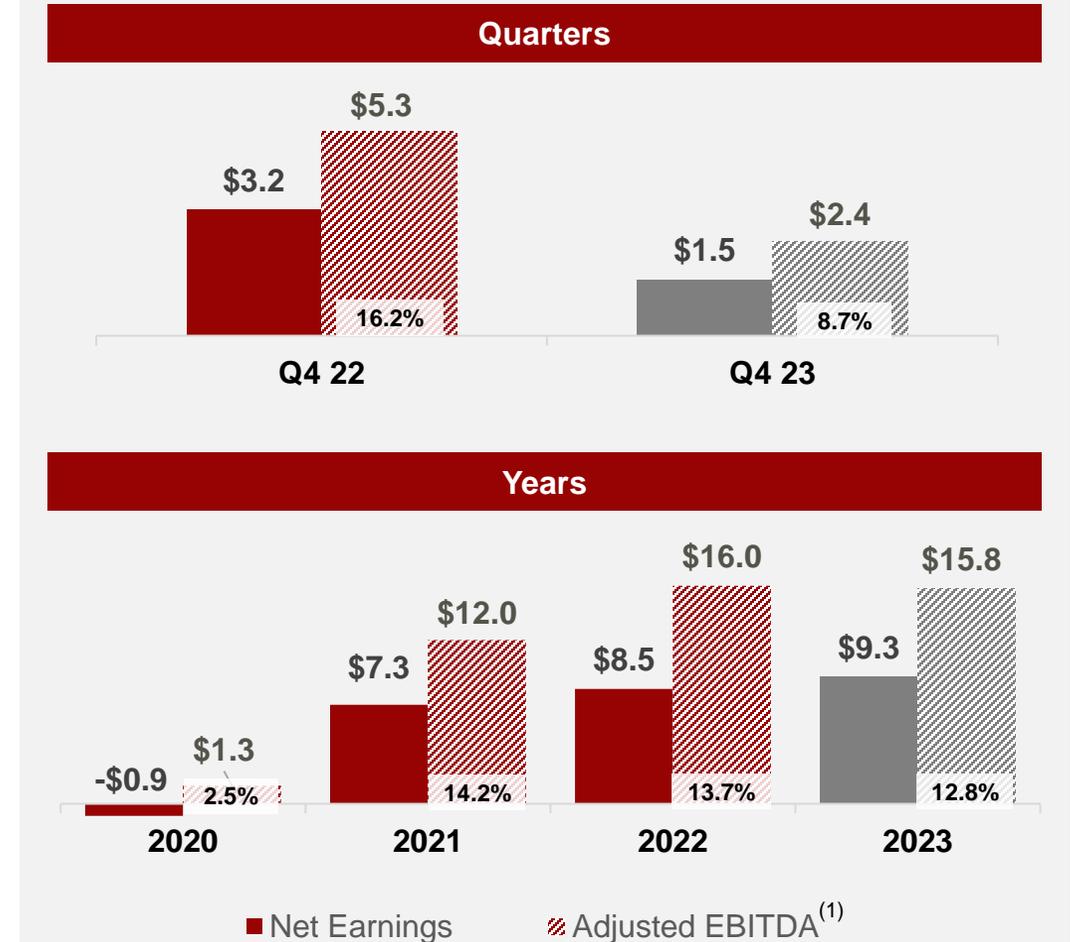
Earnings and Adjusted EBITDA⁽¹⁾

(\$ in millions, except per share data)

EPS and Adjusted EPS⁽¹⁾



Net Earnings and Adjusted EBITDA/ Adjusted EBITDA Margin⁽¹⁾



(1) Adjusted EPS, adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures." See also the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this presentation.

Capital Structure and Cash Flow



(\$ in millions)

Capitalization		
	<u>12/31/23</u>	<u>12/31/22</u>
Cash and cash equivalents	\$ 45.3	\$ 13.4
Total debt	\$ 12.0	\$ 16.1
Shareholders' equity	\$ 96.3	\$ 65.0
Total capitalization	\$ 108.3	\$ 81.1

Cash Flow	Year Ended	Year Ended
	<u>12/31/23</u>	<u>12/31/22</u>
Net cash provided by (used in) operating activities	\$ 16.2	\$ (1.4)
Capital expenditures	(1.3)	(1.4)
Free cash flow (FCF)⁽¹⁾	\$ 14.9	\$ (2.8)

- Generated \$16.2 million in cash from operations in 2023, up from \$(1.4) million in 2022
- Approximately \$85 million in liquidity at quarter end
 - Includes \$45.3 million in cash; raised \$19.2 million through ATM equity offering in Q2 2023
 - \$40 million borrowing capacity, includes \$30 million delayed draw term loan, and \$10 million revolving line of credit
- Measurable financial flexibility: Total debt / TTM adjusted EBITDA⁽¹⁾ leverage ratio was ~0.8x

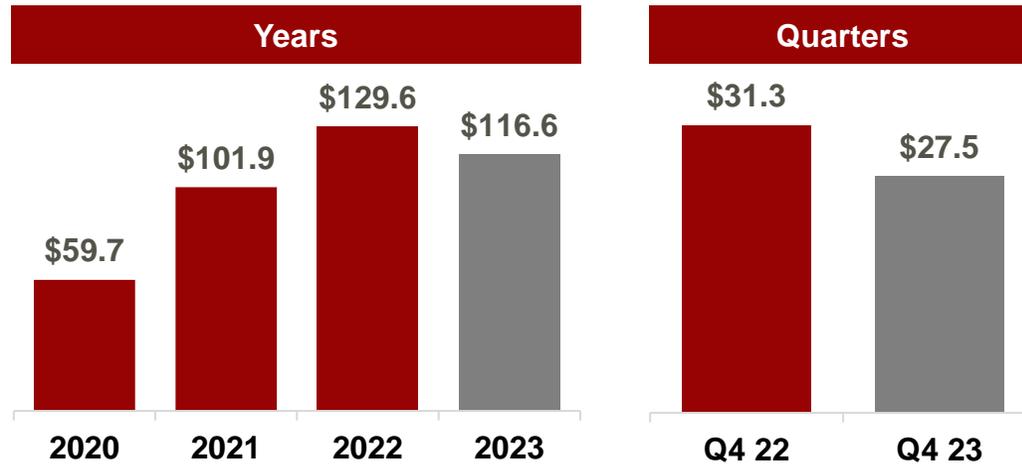
NOTE: Components may not add up to totals due to rounding.

(1) Free cash flow and adjusted EBITDA are non-GAAP financial measures. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures." See also the reconciliation of GAAP financial measures to non-GAAP financial measures in the tables that accompany this presentation for Adjusted EBITDA and above for the reconciliation of free cash flow.

Orders and Backlog⁽¹⁾

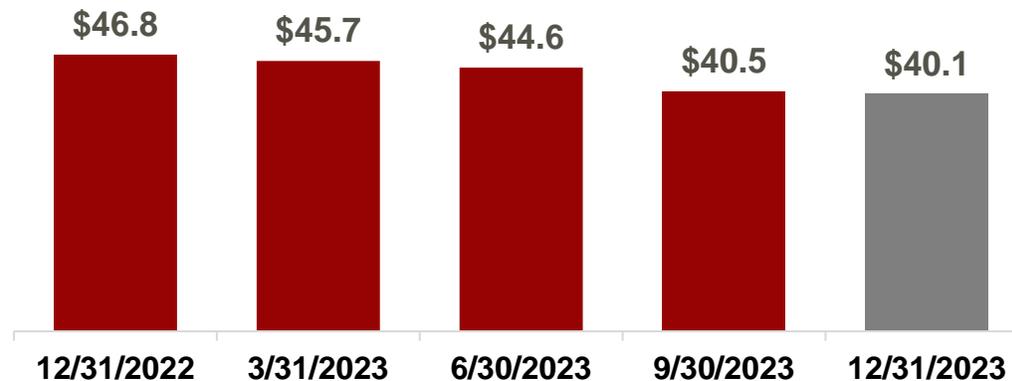
(\$ in millions)

Orders



- Q4 orders down 12% y/y, up 2% sequentially
 - Defense/aerospace orders strong y/y and sequentially, up 53% and 70%, respectively
 - Industrial orders recovered in the fourth quarter, up 30% y/y and more than double sequentially
 - Combined semi orders, while down 10% y/y, improved sequentially by 3% to \$13.3 million
 - Semi front-end orders resilient in Q4 supporting epitaxy applications
 - Back-end orders declined further y/y and sequentially but began to show stabilization

Backlog



- Backlog down 14% y/y and 1% sequentially
 - Customer order patterns normalized associated with improved supply chain and shorter lead times
- Approximately 45% of backlog is expected to ship beyond Q1 2024

(1) Orders and backlog are key performance metrics. Further information can be found under "Key Performance Metrics."

Outlook for 2024

➤ First Quarter Outlook⁽¹⁾

Revenue:	~\$29 million
Gross margin:	45% to 46%
Operating expenses:	~\$13 million
Intangible asset amortization expense:	~\$0.6 million
Amortization (after tax):	~\$0.5 million (or ~\$0.04 per share)
Effective tax rate:	16% to 17%
EPS:	~\$0.06
Adjusted EPS ⁽²⁾ (Non-GAAP):	~\$0.10

➤ Full Year Outlook⁽¹⁾

Revenue:	\$145 million to \$155 million
Gross margin:	45% to 46%
Operating expenses:	\$57 million to \$59 million
Intangible asset amortization expense:	~ \$4.0 million
Amortization (after tax):	~\$3.5 million
Effective tax rate:	18% to 20%
Capital expenditures:	1% to 2% of sales

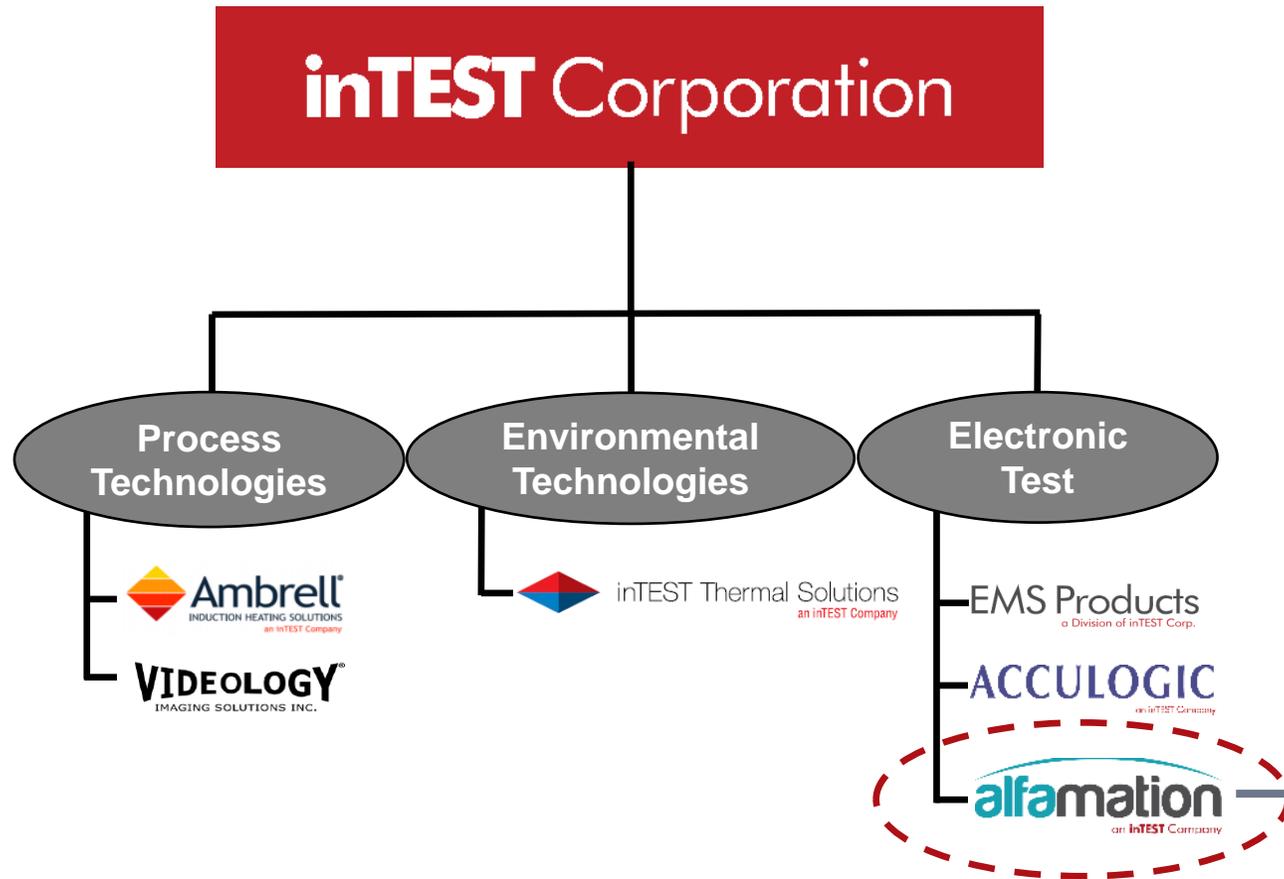
5-Point Strategy



(1) Guidance provided March 27, 2024. The foregoing guidance is based on management's current views with respect to operating and market conditions and customers' forecasts. It also assumes macroeconomic conditions remain unchanged through the end of the year and does not take into account any extraordinary non-operating expenses that may occur from time to time. Actual results may differ materially from what is provided here today as a result of, among other things, the factors described under "Forward-Looking Statements" on slide 2.

(2) Adjusted EPS is a non-GAAP financial measure. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures." See also the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this presentation.

Building On Our Vision



Acquisition Strategy: Scaling Divisions

Electronic Test

- Broader and complementary technology/applications
- Diversify outside of Semi market
- Deepen geographic market reach in Europe/Asia
- Expands customer base

Environmental Technologies

- Higher growth markets and complementary technologies
- Expand beyond thermal (vibration, humidity, stress)
- Larger capital equipment/average unit selling price
- Market share expansion in Defense/Aerospace/Auto

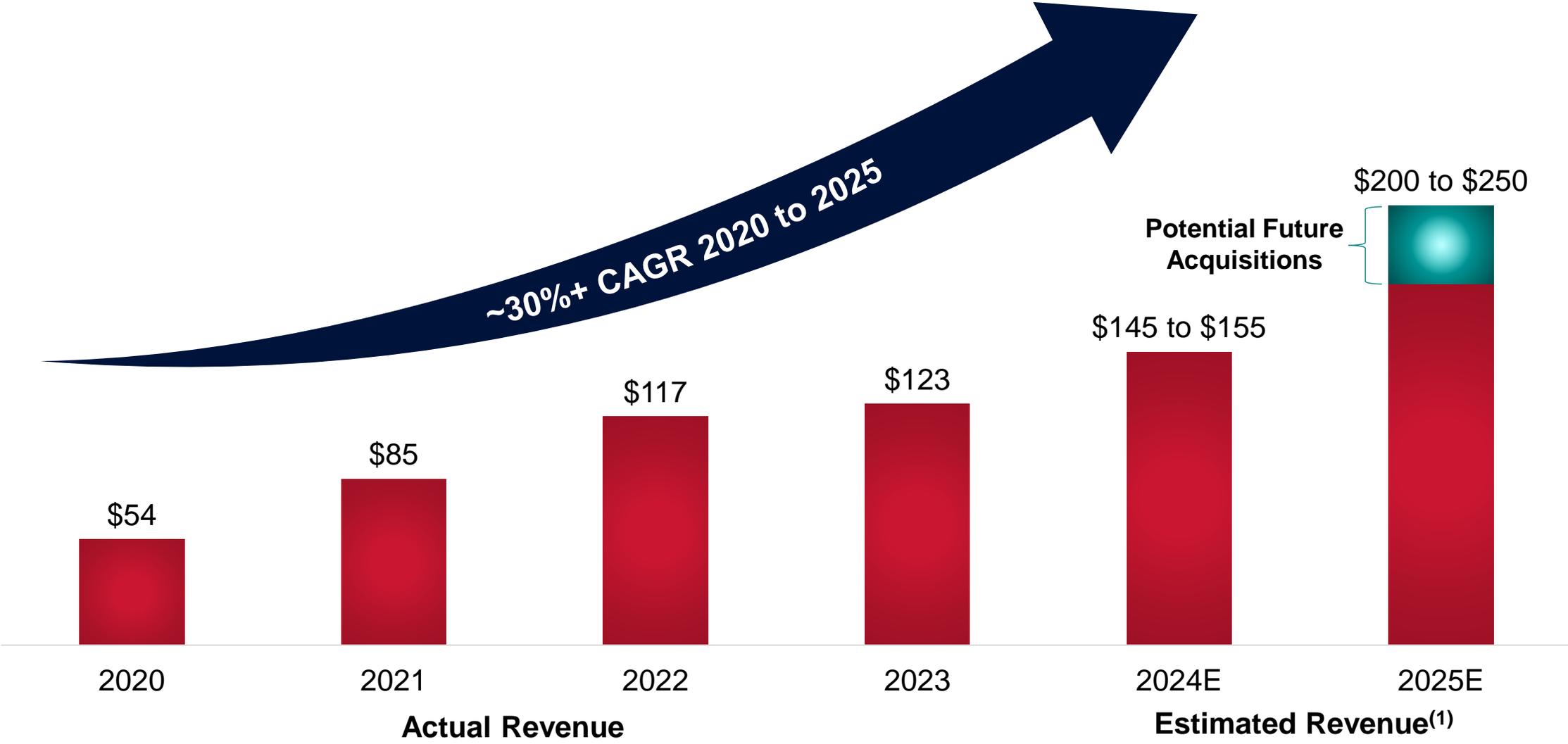
Process Technologies

- Expanding radio-frequency (“RF”) capabilities
- Geographic expansion
- Automation and Analytic Plays
- Emerging/adopting industrial technologies

Executing to Plan



(\$ in millions)



(1) Estimated revenue, including estimated revenue from future potential acquisitions, is based on management's current views with respect to operating and market conditions and customers' forecasts. It also assumes macroeconomic conditions remain unchanged through the end of the year, and that suitable acquisition targets are identified and can be effectively integrated into the Company's operations. Actual results may differ materially from what is provided here today as a result of, among other things, the factors described under "Forward-Looking Statements" above.

Driving Scale to Deliver Growth in Earnings

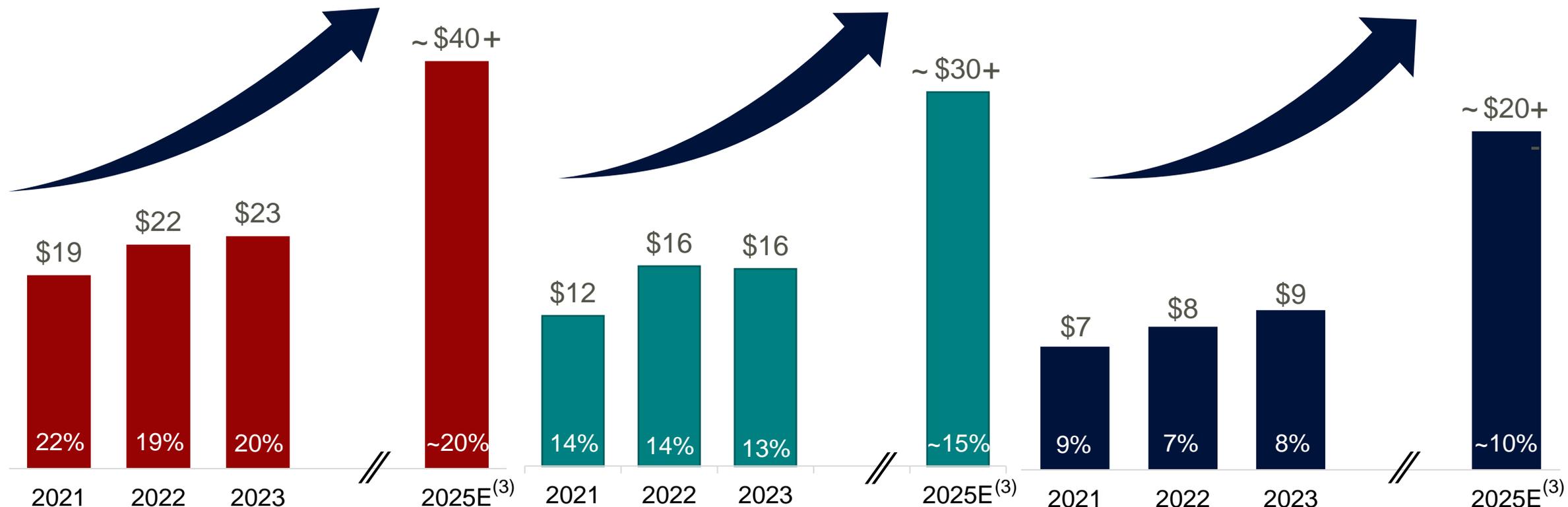


(\$ in millions)

Division Operating Income⁽¹⁾

Adjusted EBITDA⁽²⁾

Net Earnings



(1) See segment reporting information on slide 23.

(2) Adjusted EBITDA is a non-GAAP financial measure. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures." See also the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this presentation. For forward-looking adjusted EBITDA, the reconciliation is unavailable without unreasonable effort.

(3) Estimated 2025 division operating income, estimated 2025 adjusted EBITDA and estimated 2025 net earnings, together with their respective percentages as a function of estimated 2025 revenue, is based on management's current views with respect to operating and market conditions and customers' forecasts. It also assumes macroeconomic conditions remain unchanged through the end of the year, and that suitable acquisition targets are identified and can be effectively integrated into the Company's operations. Actual results may differ materially from what is provided here today as a result of, among other things, the factors described under "Forward-Looking Statements" above.

Execution on Track with Plan



Innovative technologies leveraging engineering expertise



Diversified end markets with strong secular growth drivers



Growing customer base, deepening customer reach and expanding geographically



Financial flexibility to execute growth strategy



Executing 5-Point Strategy and delivering results

Conference Call Playback Info



- Replay Number: (412) 317-6671 passcode: 13745436
- Telephone replay available through Thursday, April 4, 2024
- Webcast / Presentation / Replay available at www.intest.com/investor-relations
- Transcript, when available, at www.intest.com/investor-relations

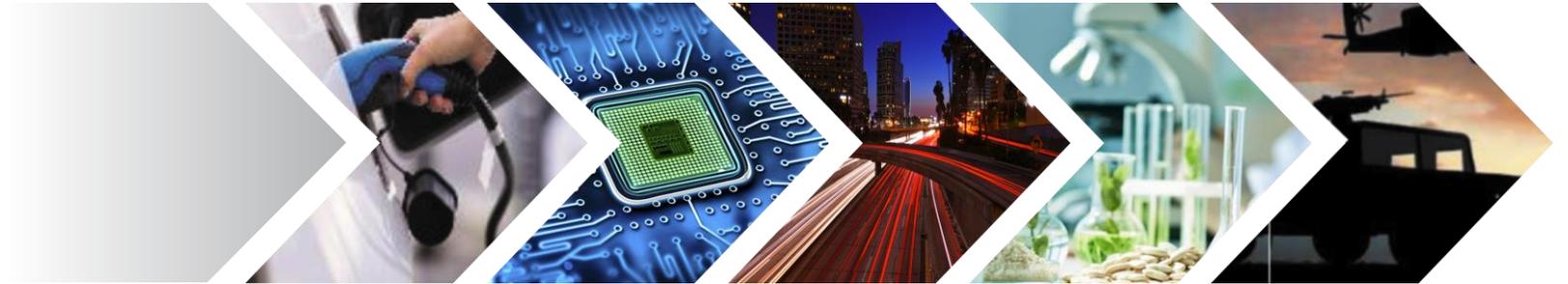
Upcoming Event

- April 9, 2024 LD Micro 2024 Inaugural New York Invitational (New York)

inTEST Corporation

Q4 and Full Year 2023 Financial Results Conference Call

Supplemental Information



March 27, 2024

inTEST

Reconciliation of Net Earnings to Adjusted Net Earnings (Non-GAAP) and Earnings Per Diluted Share to Adjusted Earnings Per Diluted Share (Non-GAAP)

(\$ in thousands, except per share amounts)

	Three Months Ended				
	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Net earnings	\$ 3,244	\$ 2,817	\$ 2,793	\$ 2,277	\$ 1,455
Acquired intangible amortization	552	544	523	515	513
Tax adjustments	(89)	(92)	(89)	(85)	(58)
Adjusted net earnings (Non-GAAP)	\$ 3,707	\$ 3,269	\$ 3,227	\$ 2,707	\$ 1,910
Diluted weighted average shares outstanding	10,928	11,089	11,697	12,212	12,122
Net earnings per diluted share:					
Net earnings	\$ 0.30	\$ 0.25	\$ 0.24	\$ 0.19	\$ 0.12
Acquired intangible amortization	0.05	0.05	0.05	0.04	0.04
Tax adjustments	(0.01)	(0.01)	(0.01)	(0.01)	-
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.34	\$ 0.29	\$ 0.28	\$ 0.22	\$ 0.16

Reconciliation of Net Earnings to Adjusted Net Earnings (Non-GAAP) and Earnings Per Diluted Share to Adjusted Earnings Per Diluted Share (Non-GAAP)

(\$ in thousands, except per share amounts)

	Years Ended			
	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Net earnings (loss)	\$ (895)	\$ 7,283	\$ 8,461	\$ 9,342
Acquired intangible amortization	1,233	1,440	2,694	2,095
Tax adjustments	(26)	(22)	(447)	(324)
Adjusted net earnings (Non-GAAP)	\$ 312	\$ 8,701	\$ 10,708	\$ 11,113
Diluted weighted average shares outstanding	10,281	10,730	10,863	11,780
Net earnings per diluted share:				
Net earnings (loss)	\$ (0.09)	\$ 0.68	\$ 0.78	\$ 0.79
Acquired intangible amortization	0.12	0.13	0.25	\$ 0.18
Tax adjustments	-	-	(0.04)	(0.03)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.03	\$ 0.81	\$ 0.99	\$ 0.94

Reconciliation of Net Earnings and Net Margin to Adjusted EBITDA (Non-GAAP) and Adjusted EBITDA Margin (Non-GAAP)

(\$ in thousands)

	Three Months Ended				
	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Net earnings	\$ 3,244	\$ 2,817	\$ 2,793	\$ 2,277	\$ 1,455
Acquired intangible amortization	552	544	523	515	513
Net interest expense (income)	164	169	43	(276)	(340)
Income tax expense	637	577	572	446	111
Depreciation	245	245	259	262	255
Non-cash stock-based compensation	414	474	605	544	424
Adjusted EBITDA (Non-GAAP)	<u>\$ 5,256</u>	<u>\$ 4,826</u>	<u>\$ 4,795</u>	<u>\$ 3,768</u>	<u>\$ 2,418</u>
Revenue	32,405	31,919	32,558	30,941	27,884
Net margin	10.0%	8.8%	8.6%	7.4%	5.2%
Adjusted EBITDA margin (Non-GAAP)	16.2%	15.1%	14.7%	12.2%	8.7%

Reconciliation of Net Earnings and Net Margin to Adjusted EBITDA (Non-GAAP) and Adjusted EBITDA Margin (Non-GAAP)

(\$ in thousands)

	Years Ended December 31,			
	2020	2021	2022	2023
Net earnings (loss)	\$ (895)	\$ 7,283	\$ 8,461	\$ 9,342
Acquired intangible amortization	1,233	1,440	2,694	2,095
Net interest expense (income)	33	89	600	(404)
Income tax expense (benefit)	(336)	1,119	1,684	1,706
Depreciation	630	666	810	1,021
Non-cash stock-based compensation	671	1,450	1,787	2,047
Adjusted EBITDA (Non-GAAP)	\$ 1,336	\$ 12,047	\$ 16,036	\$ 15,807
Revenue	53,823	84,878	116,828	123,302
Net margin	-1.7%	8.6%	7.2%	7.6%
Adjusted EBITDA margin (Non-GAAP)	2.5%	14.2%	13.7%	12.8%

Reconciliation of First Quarter 2024 Estimated Earnings Per Diluted Share to Estimated Adjusted Earnings Per Diluted Share (Non-GAAP)

	<u>Q1 2024E</u>
Estimated earnings per diluted share	\$ 0.06
Estimated acquired intangible amortization	0.05
Estimated tax adjustments	(0.01)
Estimated adjusted earnings per diluted share (Non-GAAP)	<u>\$ 0.10</u>

Segment Reporting

(\$ in thousands)

	Three Months Ended					Years Ended								
	<u>12/31/2022</u>	<u>3/31/2023</u>	<u>6/30/2023</u>	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>							
Electronic Test	\$ 11,236	\$ 10,371	\$ 10,993	\$ 11,547	\$ 8,105	\$ 40,219	\$ 41,016							
Environmental Technologies	8,041	8,042	8,136	7,000	7,623	30,172	30,801							
Process Technologies	13,128	13,506	13,429	12,394	12,156	46,437	51,485							
Total Revenue	<u>\$ 32,405</u>	<u>\$ 31,919</u>	<u>\$ 32,558</u>	<u>\$ 30,941</u>	<u>\$ 27,884</u>	<u>\$ 116,828</u>	<u>\$ 123,302</u>							
		% of												
		divisional												
		revenue												
Electronic Test	\$ 3,445	31%	\$ 2,578	25%	\$ 2,641	24%	\$ 3,268	28%	\$ 1,702	21%	\$ 9,931	25%	\$ 10,189	25%
Environmental Technologies	924	11%	1,013	13%	943	12%	523	7%	594	8%	3,817	13%	3,073	10%
Process Technologies	2,466	19%	2,676	20%	2,592	19%	2,094	17%	2,182	18%	8,230	18%	9,544	19%
Total income from divisional operations	6,835	21%	6,267	20%	6,176	19%	5,885	19%	4,478	16%	21,978	19%	22,806	18%
Corporate expense	(2,251)		(2,205)		(2,309)		(2,902)		(2,856)		(8,563)		(10,272)	
Acquired intangible amortization	(552)		(544)		(523)		(515)		(513)		(2,694)		(2,095)	
Interest expense	(178)		(182)		(176)		(168)		(153)		(635)		(679)	
Other income	27		58		197		423		610		59		1,288	
Earnings before income tax expense	<u>\$ 3,881</u>		<u>\$ 3,394</u>		<u>\$ 3,365</u>		<u>\$ 2,723</u>		<u>\$ 1,566</u>		<u>\$ 10,145</u>		<u>\$ 11,048</u>	