

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## inTEST Corporation (NYSE American:INTT)



**RICHARD N. "NICK" GRANT, JR.** became President and Chief Executive Officer and a director of inTEST Corporation in 2020. He formerly was an executive at ABB Ltd. At the company he was Senior Vice President of the Americas Region of the Industrial Automation Measurement and Analytics Division. Earlier, he was Corporate Vice President and General Manager of AMETEK Inc.'s Materials Analysis Division. Mr. Grant previously had a 16-year career with Emerson Electric. Mr. Grant received a degree in physics from Northern Kentucky University and an executive MBA from Xavier University.

### SECTOR — TECHNOLOGY

#### **TWST: Could you tell me about the company and its history?**

**Mr. Grant:** Sure, the company was founded in 1981, serving the semiconductor market. It's where its heritage lies, and it manufactures high-end, highly engineered solutions for this marketplace. Over time, the company has grown outside of semi and went public in 1997. From the funds associated with doing so, the company did a series of acquisitions to diversify. So today, inTEST is a diversified manufacturer of technology solutions serving a wide variety of attractive markets.

#### **TWST: Did you want to highlight some of the products and services you provide and explain some noteworthy products?**

**Mr. Grant:** inTEST is structured really with three divisions, one being our Electronic Test division. It provides testing solutions for the semiconductor market on the back-end test space and also much further downstream in the systems' assembly test space, which is more relative to PCB boards or integrated circuits. These products are getting tested using a wide variety of our test solutions, ranging from our flying probe technology to test bed technology utilizing our interface docking and manipulator solutions.

In our Environmental Technologies division, we provide thermal control solutions. We serve the markets with extreme testing conditions, as well as process applications. This might mean we will test products at minus 80 degrees C and then ramp those up over cycles in order to validate the robustness and quality of the product. We added to this capability last year when we acquired a company that provides ultra-low temperature freezers and refrigerators, serving the life sciences industry. Specifically, this acquisition enhances our medical cold chain solutions where vaccine transportation, vaccine storage, bio-banking are the end markets.

And finally, our third division is the Process Technologies division. Here, we manufacture induction heating solutions that serve a wide variety of markets and applications, ranging from toothpaste tubes to catheters, to battery cooling circuits on electric vehicles, to electric motors. So there are numerous applications where this technology is employed. Also, we provide vision solutions relative to image capture camera applications that are serving a wide variety of markets, including life sciences, with applications for dental inspection, ophthalmology inspection and robotic surgery where cameras are used to guide the surgeons during procedures.

#### **TWST: And did you want to describe some of the target markets?**

**Mr. Grant:** Absolutely. The semiconductor industry, as I mentioned, is our heritage. It's still a very important market for us today. In semiconductor, we had historically predominantly served the back-end test space, and also the semiconductor lab and R&D testing space with our thermal products. More recently, we entered the front-end of the semi fabrication market. Our induction heating solutions are being used to generate the silicon crystal carbide boules or ingots as they are grown. This market is undergoing a transition from silicon to silicon carbide, and we believe we're leading the way there with our induction heating solutions. Overall, a little more than half of our business is related to semi today and it still will be an important part for us going forward.

Other markets that we've targeted are the automotive and electric vehicle markets. This is one of the areas that we've identified as a high-growth opportunity for us. Our solutions there include various applications in the manufacture of an automotive vehicle, which also incorporates our induction heating solutions, but also in the electric

vehicle battery test markets where we're testing these battery cells that are being manufactured to run the vehicles. And so, automotive is another area that we believe we've got a strong position, good technology and will continue to be a growth engine for us.

The last market to touch upon is life sciences. Our products and solutions are being used in a variety of applications relative to the storage of vaccines, the transportation of organs, bio-banking, dental inspection, visual inspection, endoscopes, etc. Additionally, we have entered into cannabis extraction, really focusing on the CBD and THC extraction. Specifically, the process of extracting oils from cannabis uses our chiller products that we manufacture in our Environmental Technologies division. So we serve the life sciences industry in a wide variety of applications.

**TWST: In many sectors, there's been some concern about supply chain issues. Did you want to talk about any shortages that have developed in the overall sector and what opportunities you see for the company?**

**Mr. Grant:** Supply chain challenges absolutely exist and have for a number of quarters. We really are not seeing significant improvement up to this point and they seem widespread. As we rely on a large number of components to manufacture our systems, we find ourselves establishing alternative sources to allow us to continue to ship a high-quality product to our customers. So a lot of engineering time and effort is being used to qualify new suppliers and parts and to update drawings to support the ability to continue to ship products out the door.

We do anticipate that this will improve somewhat over the next few quarters. We are getting better at this all the time. Our supply chain is getting more and more robust as we bring on these alternate suppliers and we continue to build inventory to allow us to support the potential that we see in our order flow.

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**TWST: Did you want to talk about the future for some of the different sectors which you are targeting?**

**Mr. Grant:** Sure. So again, in automotive, the whole transition from a combustion engine vehicle to the electric vehicle is in the early stages. We believe our positioning in a wide variety of applications supporting the manufacture of EVs really positions us well and will be a key growth driver for us going forward.

We believe life sciences is somewhat recession proof. The development, transportation and storage of vaccines and other medical cold chain requirements will continue to require ultra-cold storage solutions. We believe life sciences provides a very attractive runway for our chiller solutions for the foreseeable future.

inTEST's heritage started in the semiconductor industry and this industry has a number of positive underlying trends. Many discussions have moved from cyclical uptrends to more secular trends that are being driven by the global shift to smarter devices and the Internet of Things that are creating massive amounts of data that needs to be handled. With increasing amounts of electronics being incorporated

into connected devices more complex chips are being manufactured. We are positioned in the front-end supply chain for silicon carbide crystal growth, the back-end for testing of chips and ultimately for the testing of the boards at the end users that utilize our flying probe technology. Our global footprint positions us well to support the semiconductor growth that we see in the years ahead.

Other industries include the defense/aerospace markets. Obviously, with the geopolitical situations going on, we see a little bit of a rebound in defense right now, but aerospace, the space side of it specifically, is being driven more by the relative frequency of satellite launches.

**TWST: And are there some challenges ahead for the company? I would think that R&D is very important and having talented researchers on staff is important. And also, to stay on top of what these different sectors are needing. Are those some of the concerns and challenges that the company is facing?**

**Mr. Grant:** Yes, excellent point. In fact, innovation and differentiation is one of our core strategies, one of our five strategic initiatives that we are driving across the company. It is critical for us that we stay ahead of the competition. Our heritage has been that of being a highly engineered, complex solutions provider, where many companies turn to us when others cannot solve their problems. Technology is extremely critical for us and one that we're investing heavily in and will continue to do so to ensure we are developing products that the markets need.

The other area we are focused on is driving geographical and market growth and penetration. Right now, we service the globe through a number of sales service facilities. But most of our manufacturing is in North America with a smaller manufacturing footprint in Europe. We believe there is an opportunity to do more globally to get closer to and better serve our customers — and that is one of the areas we are looking to invest in and drive growth.

Improving service and support is in our five-point strategies for growth as well. Making sure we take care of customers after the sale drives customer satisfaction. So, when it comes time to add another product line or to upgrade a piece of equipment, they think of us first. We do a good job of this today, but there are opportunities to improve. All of our business units are focused on expanding our service footprint and revenue.

And lately, we have been pursuing acquisitions aggressively. During the latter half of 2021, we completed three deals. While smaller deals, they really fit strategically in where we are going relative to the electric vehicles segment, life sciences and products that expand our portfolio to better serve these markets. So inorganic growth will augment our organic growth to deliver upon our vision of being the preferred provider for test and process technologies.

**TWST: Is it possible you'll be looking at some other companies to acquire in the future?**

**Mr. Grant:** Absolutely. I have a track record of doing acquisitions throughout my career. And one thing that I have been

instilling here at inTEST is the importance of feeding your organic growth via inorganic opportunities. And so, we have developed a plan to really make M&A a core competency. We have an M&A team focused on identifying and pursuing the right targets that will help us to achieve our vision. To effectively achieve this, we meet every couple of weeks on the progress, knowing that as part of our growth strategy, potential acquisitions will better position us to serve our customers.

**TWST: Have you found some synergies as a result of these acquisitions?**

**Mr. Grant:** We are not necessarily trying to be synergistic with the existing businesses we have. It's about helping to build scale and drive growth in targeted adjacent markets. With that said, we have identified a number of sales synergies and it is really why we decided to restructure the company around these three divisions of Electronic Test, Environmental Technologies and Process Technologies.

**TWST: And looking back, were there any lessons learned by the sector or the company itself from the pandemic?**

**Mr. Grant:** We were not immune to the pandemic. In 2020, when the world came to a halt, we saw our markets slow, but because of the way the world responded and the need for some of our products, it really helped to provide the nice growth avenue for us in the second part of the year and then into 2021.

Also, this move towards remote work created demand for semiconductor-related devices. Whether it was for a new laptop, cameras to do virtual meetings or just more being done with cell phones, it drove a surge in our semi markets. I would say our businesses really changed on how we work as well. We, too, went to remote work for a number of our employees. We implemented safety protocols in our facilities to protect our employees who were onsite to ensure that we got our products out to our customers. And as a new normal, many of those procedures are

staying in place going forward. I think the world has changed, and I do not see it really going back to the way it was, so we have adapted.

**TWST: A lot of our readers are investors — be it retail or institutional. What would you like them to know about the company and maybe even the sector?**

**Mr. Grant:** If anyone is familiar with inTEST in the past, they really should take a new look at the company. It is an entirely different inTEST than it was 10 years ago or even just five years ago. We are undergoing a major transformation, a growth path that this company has not seen in its history. And we have a new culture. One that is more geared towards entrepreneurial approaches to things versus more conservative approaches in the past, more results driven versus the conservative, privately owned mentality in the past. inTEST is an entirely different company today and I would encourage them to take a look at inTEST again and see what is happening here. And we have a lot of excitement and change underway with more to come.

**TWST: Thank you. (ES)**

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