

inTEST Corporation

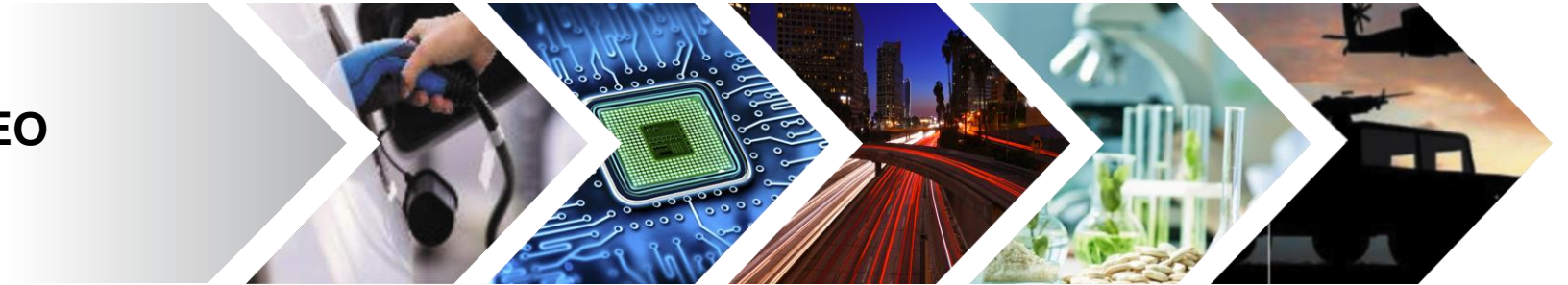
Q1 2024 Financial Results Conference Call



Nick Grant,
President and CEO



Duncan Gilmour,
CFO and Treasurer



May 6, 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," "continuing," "could," "expects," "guidance," "may," "outlook," "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.

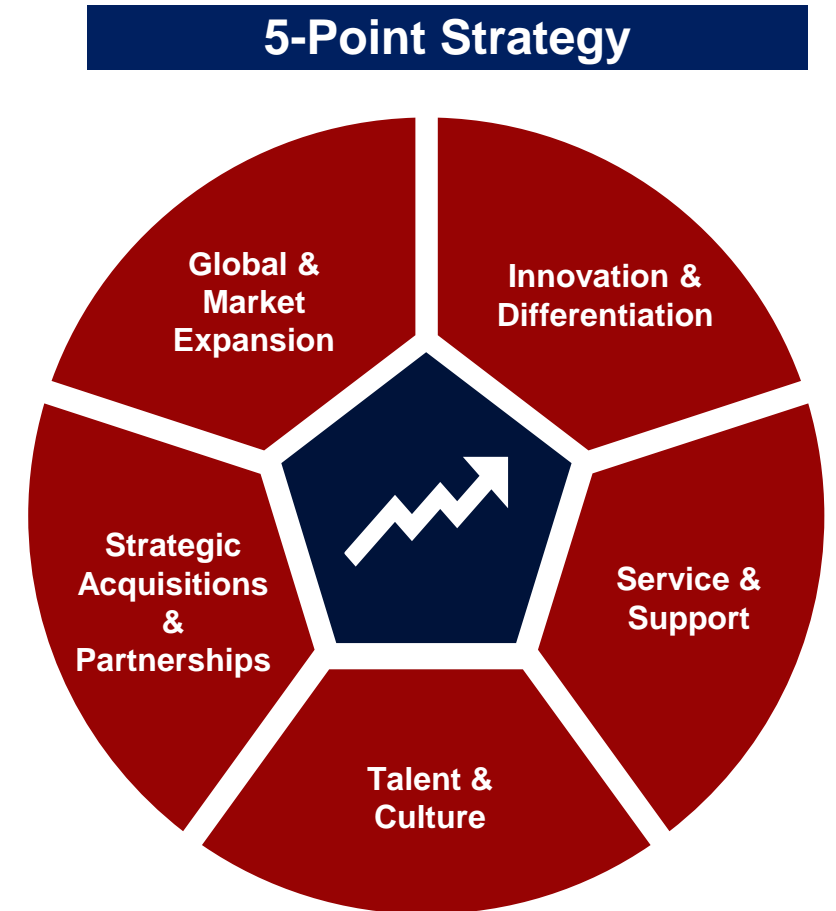
These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings and adjusted earnings per diluted share (adjusted EPS) are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance 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

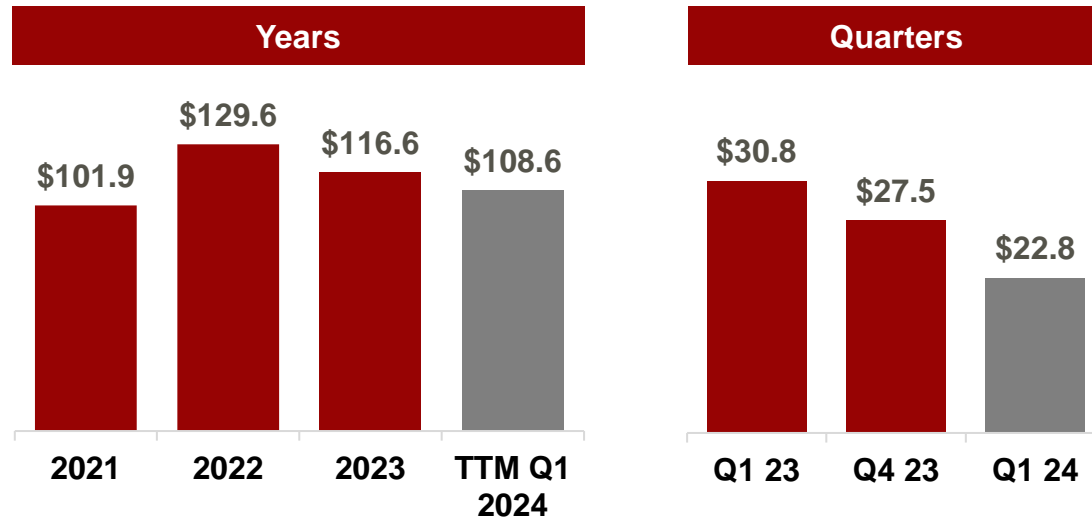
- Effective execution of 5-Point Strategy ...
 - Drives market diversification to help offset cyclicality
 - Creates focus on innovation and application expertise
- First quarter revenue of \$29.8 million, increased 7% sequentially, including \$1.4 million from Alfamation
- Acquisition and growth in diversified markets helped to offset weakness in semiconductor market y/y
 - Industrial and defense/aerospace grew 33% and 14%, respectively
- Generated \$2.1 million in cash from operations
- \$27.3 million in cash at March 31, 2024, net of approximately \$19 million in cash used for acquisition of Alfamation



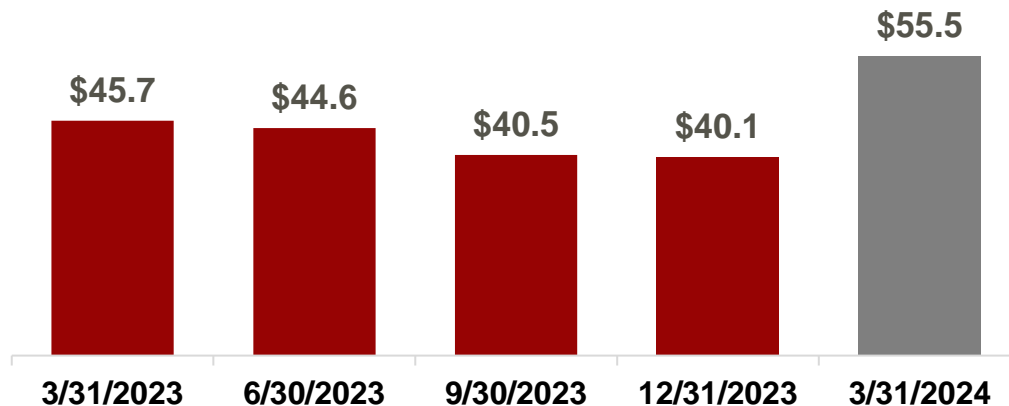
Orders and Backlog⁽¹⁾

(\$ in millions)

Orders



Backlog



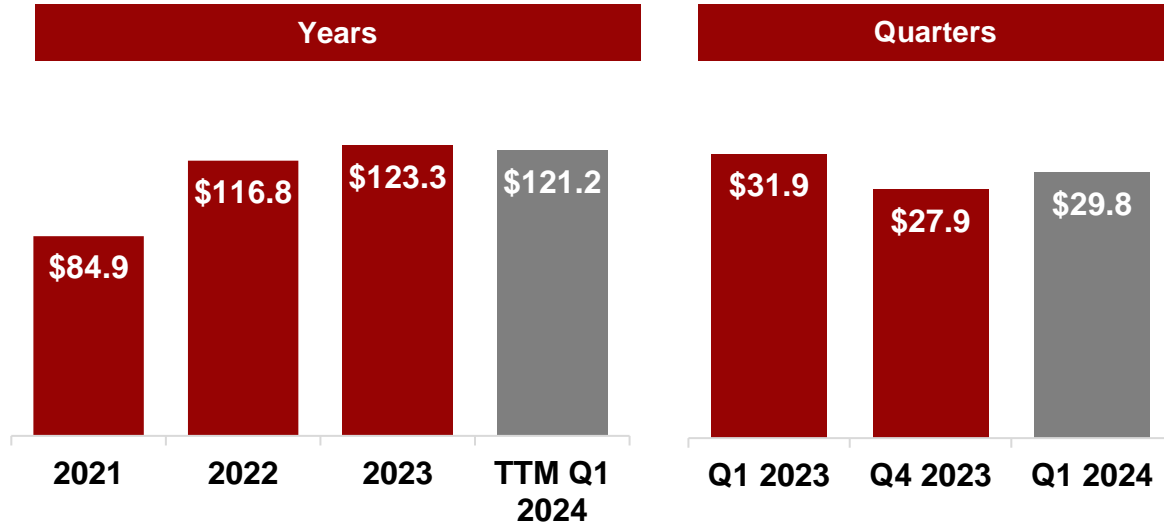
- Alfamation added \$1.8 million in orders
- Q1 orders down 26% y/y
 - \$8.1 million decline from semi primarily due to front-end weakness
 - \$2.3 million combined decline from life sciences and industrial due to timing
 - ~\$5.0 million in orders delayed/reduced at quarter end
- Sequentially, orders down 17%
 - Back-end semi improved, helping to somewhat offset front-end semi decline
 - Defense/aero down off tough comparator
- Backlog of \$55.5 million, up measurably including \$22.8 million from Alfamation
- Approximately 45% of backlog is expected to ship beyond Q2 2024

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

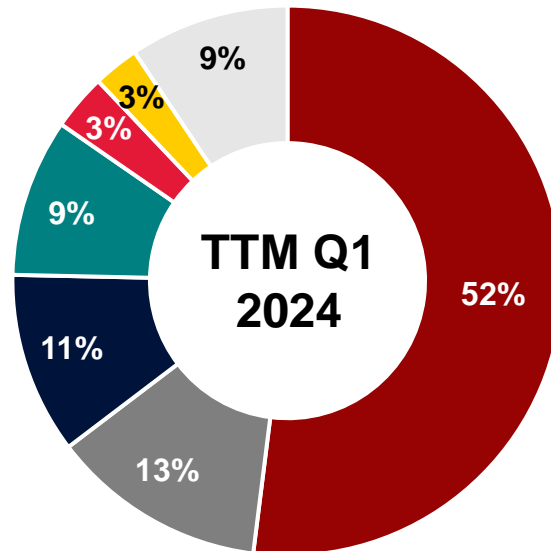
Revenue



(\$ in millions)



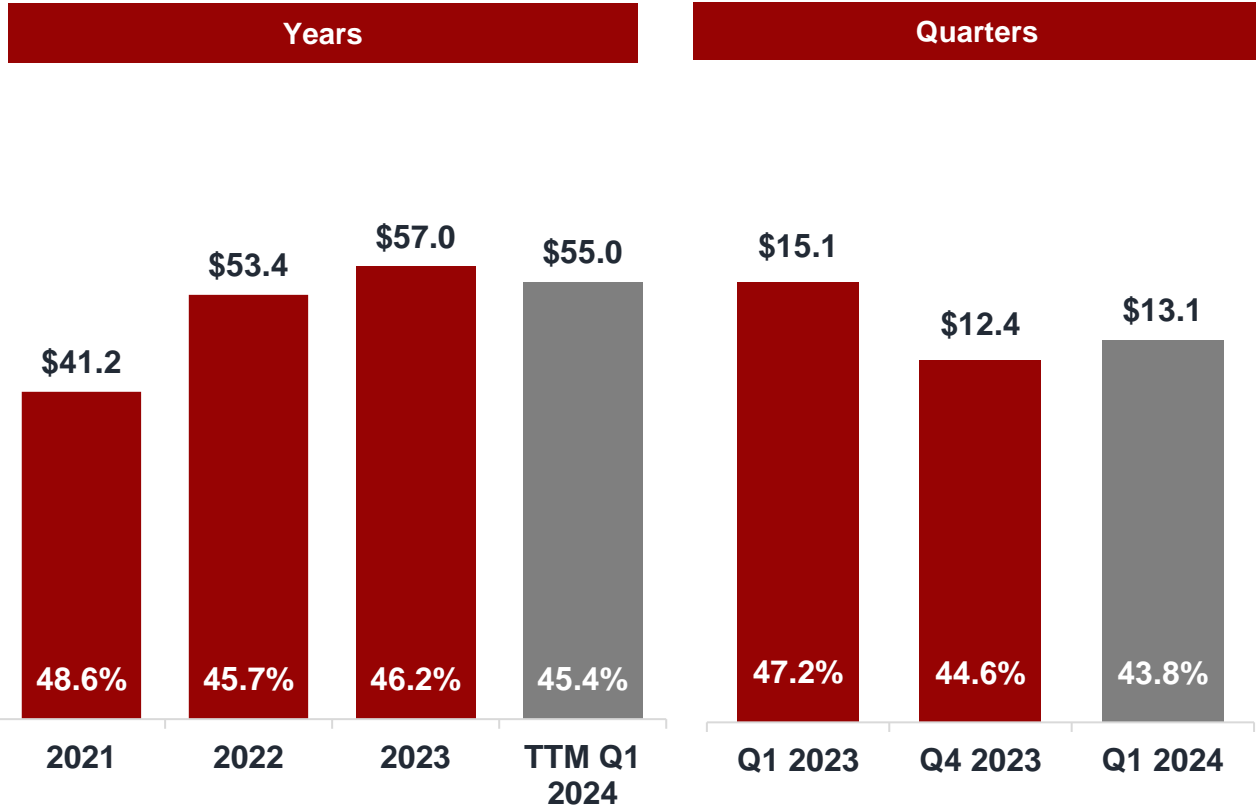
- Semi
- Industrial
- Defense/Aero
- Automotive/EV
- Life Sciences
- Security
- Other



- \$1.4 million from Alfamation, primarily in auto/EV
- Q1 2024 revenue down \$2.1 million y/y
 - \$2.7 million decline in semi sales
 - Industrial market up \$1.1 million
 - Defense/aerospace up \$0.4 million, or 14%
- Sequentially, revenue increased \$1.9 million
 - Semi revenue up 39%
 - Defense/aerospace up 34%
 - Alfamation helped offset decline in auto/EV

Gross Profit and Margin

(\$ in millions)



- Q1 gross margin of 43.8% contracted 80 bps compared with Q4 2023
- Margin contraction impacted by stub period for the acquisition: 100 bps dilution
 - Expect Alfamation normalized gross margin to be similar to inTEST
- Y/Y margin contraction reflects lower volume and mix as well as acquisition impact

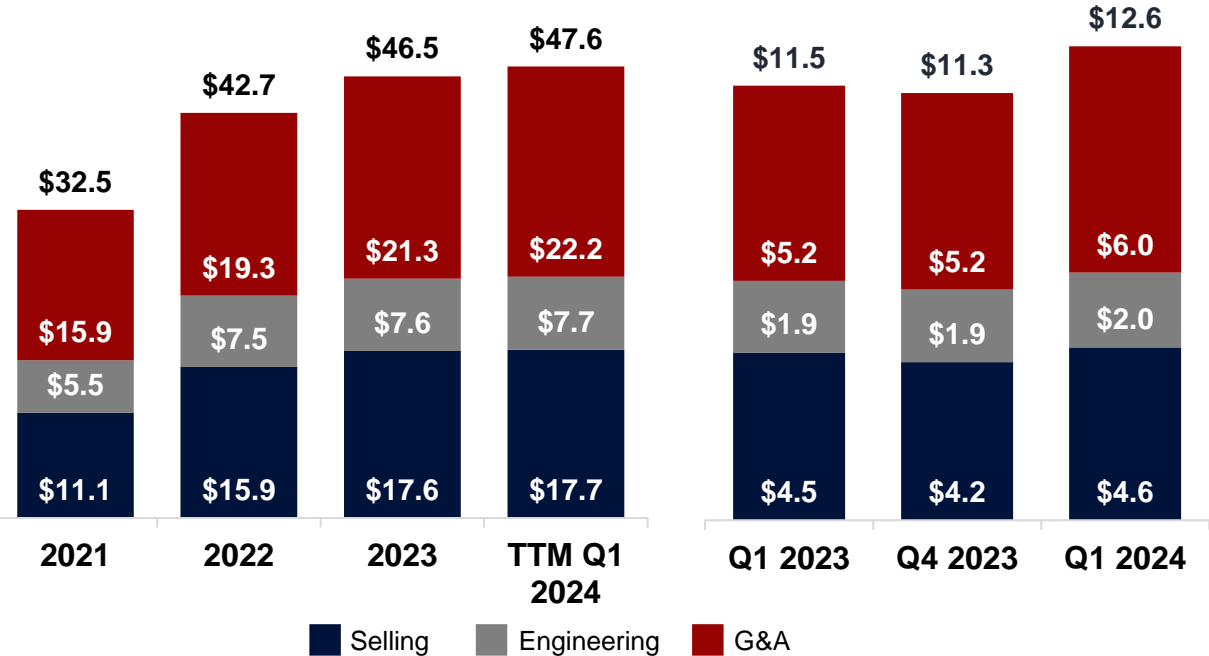
Operating Expenses

Continuing to invest to support 5-Point Strategy for Growth

(\$ in millions)

Operating expenses as a % of sales

38.6%	36.6%	37.7%	39.3%	36.1%	40.7%	42.2%
Years				Quarters		



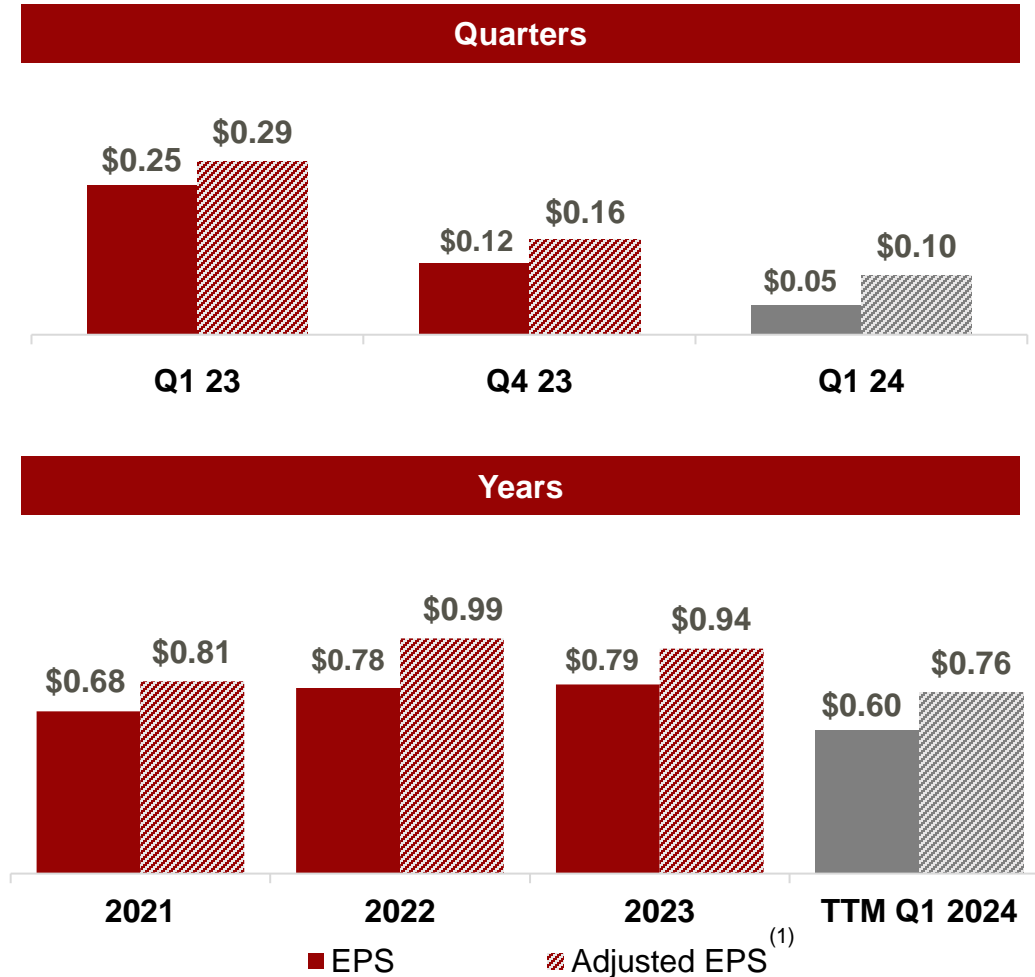
NOTE: Components may not add up to totals due to rounding.

- Q1 2024 operating expenses up \$1.1 million versus Q1 2023
 - \$650,000 in higher corporate development expenses
 - \$450,000 incremental operating expenses gained from Alfamation stub period (including \$100,000 in amortization)
 - \$200,000 in higher professional fees for 2023 reporting and SOx compliance
- Sequentially, core business operating expenses up \$800,000
 - Q1 costs include fully burdened benefit costs
 - Other impacts include incremental professional fees and corporate development costs

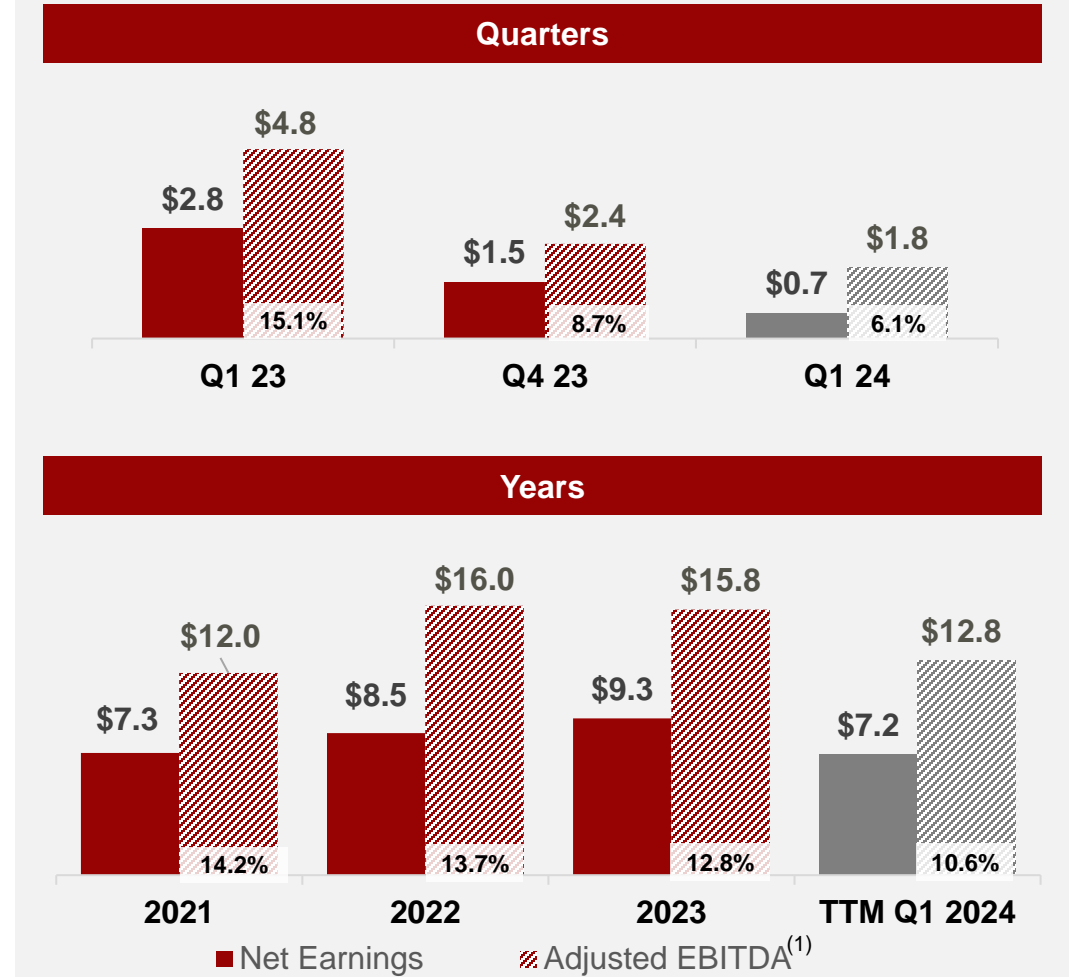
Earnings and Adjusted EBITDA⁽¹⁾

(\$ 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>3/31/24</u>	<u>12/31/23</u>
Cash and cash equivalents	\$ 27.3	\$ 45.3
Total debt	\$ 20.4	\$ 12.0
Shareholders' equity	\$ 99.3	\$ 96.3
Total capitalization	\$ 119.7	\$ 108.3

Cash Flow	Three Months Ended		Year Ended
	<u>3/31/24</u>	<u>3/31/23</u>	<u>12/31/23</u>
Net cash provided by operating activities	\$ 2.1	\$ 2.5	\$ 16.2
Capital expenditures	(0.3)	(0.3)	(1.3)
Free cash flow (FCF)⁽¹⁾	\$ 1.8	\$ 2.2	\$ 14.9

- Assumed \$9.4 million in debt with the acquisition of Alfamation at an average interest rate of ~4%
- Continued financial flexibility: Total debt / TTM adjusted EBITDA⁽¹⁾ leverage ratio was ~1.6x
- Approximately \$67 million in liquidity at quarter end
 - Includes \$27.3 million in cash
 - \$40 million borrowing capacity, includes \$30 million delayed draw term loan, and \$10 million revolving line of credit
- Extended lending agreement maturity to 2031 and the draw down window to 2026

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.

Outlook for 2024

Second Quarter Outlook⁽¹⁾

Revenue:	\$34 million to \$36 million
Gross margin:	44% to 45%
Operating expenses:	\$14.5 million to \$15 million
Intangible asset amortization expense:	~\$1.5 million
Amortization (after tax):	~\$1.2 million (or ~\$0.10 per share)
Interest expense:	~\$195,000
EPS:	\$0.00 to \$0.06
Adjusted EPS ⁽²⁾ (Non-GAAP):	\$0.10 to \$0.16

Full Year Outlook⁽¹⁾

Revenue:	\$140 million to \$150 million
Gross margin:	44% to 46%
Operating expenses:	\$56 million to \$58 million
Intangible asset amortization expense:	~\$5 million
Amortization (after tax):	~\$4.1 million
Effective tax rate:	17% to 19%
Capital expenditures:	1% to 2% of sales

5-Point Strategy



Note: purchase price accounting for Alfamation is not complete. Adjustments when completed could be material.

(1) Guidance provided May 6, 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.

Managing tough headwinds from semi market

- Back-end stabilizing while slow down in front-end now evident
- Furthering innovation with new products
- Deepening reach within existing customers
- Continuing to add new customers

Diversified markets helping to offset cyclicity of semi market

- Ongoing expansion of channel partners and geographic/market reach
- Innovation key to success
- Expanding applications: commercial space and green energy

Accountability driving disciplined, strategic thinking

- Focused actions around pricing, offerings, markets and talent

Conference Call Playback Info



- Replay Number: (412) 317-6671 passcode: 13745674
- Telephone replay available through Monday, May 13, 2024
- Webcast / Presentation / Replay available at www.intest.com/investor-relations
- Transcript, when available, at www.intest.com/investor-relations

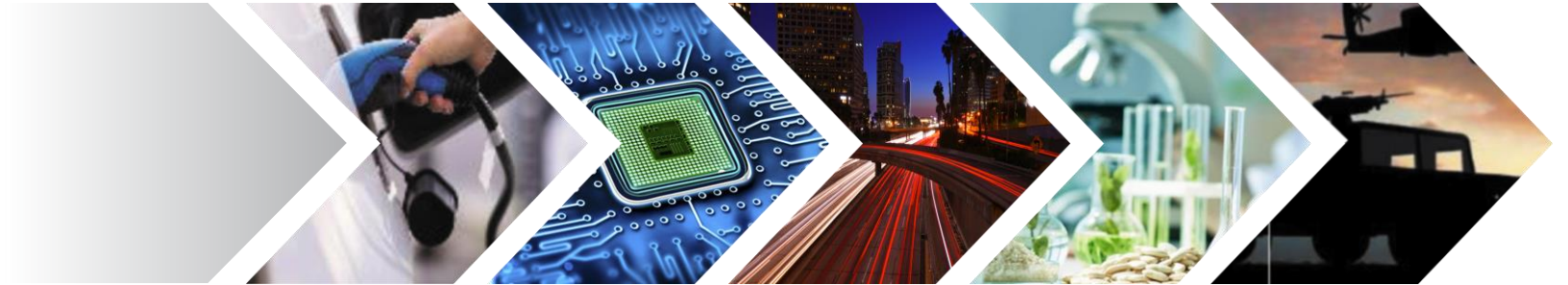
Upcoming Events

- May 9, 2024 Oppenheimer Industrial Conference (Virtual)
- June 12, 2024 East Coast IDEAS (New York)
- June 25, 2024 Northland Growth Conference 2024 (Virtual)
- June 27, 2024 Noble Capital Markets Virtual Equity Conference (Virtual)
- August 28, 2024 Midwest IDEAS (Chicago)

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Supplemental Information



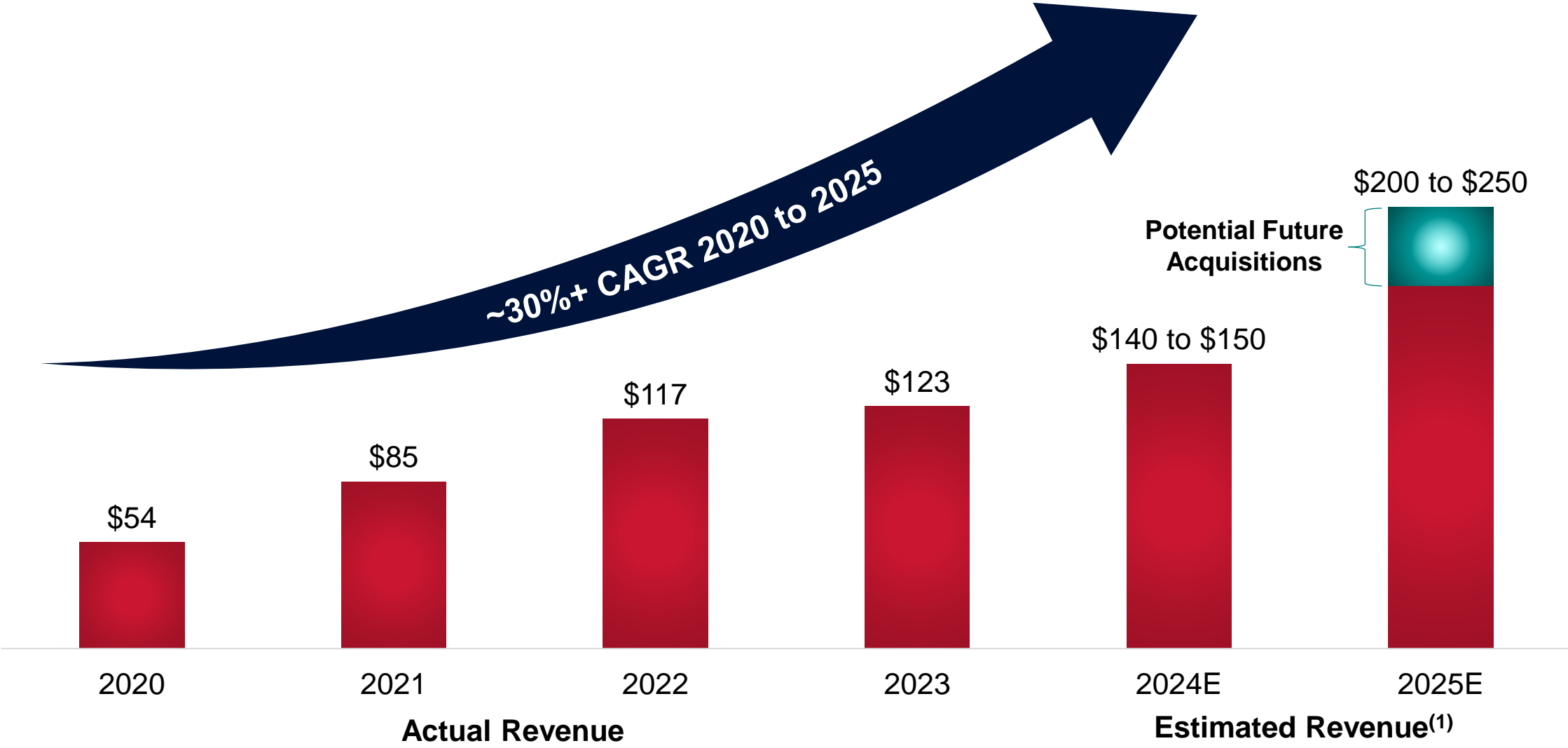
May 6, 2024

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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

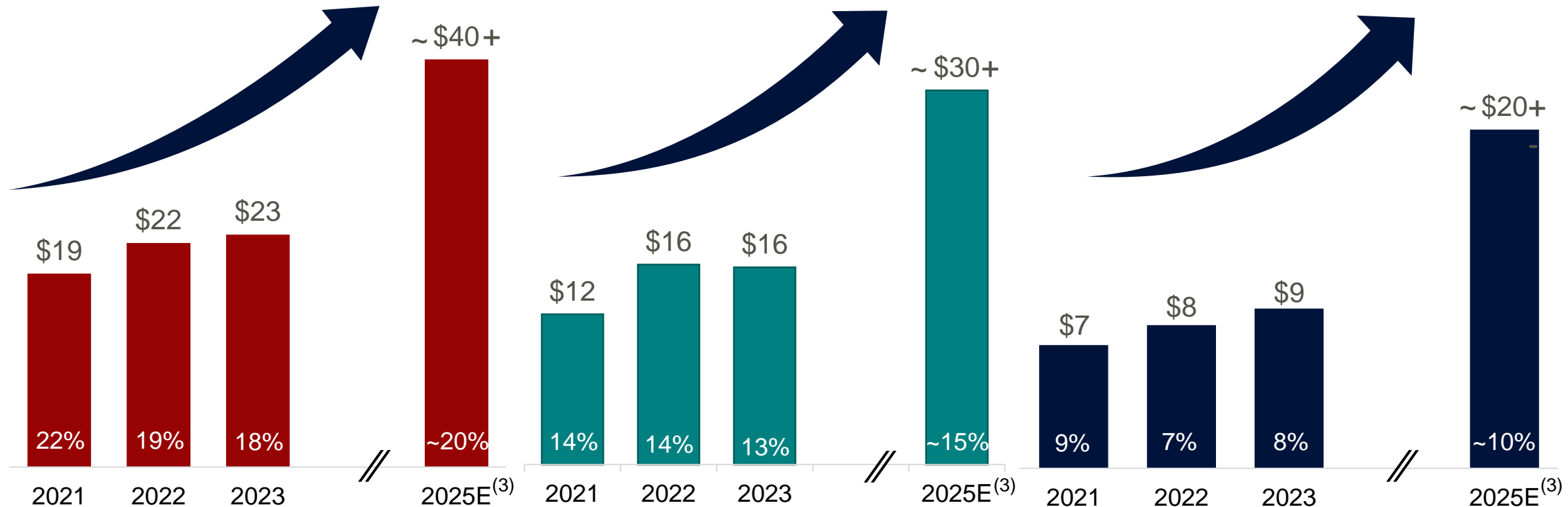


(\$ in millions)

Division Operating Income⁽¹⁾

Adjusted EBITDA⁽²⁾

Net Earnings



(1) See segment reporting information on slide 21 & 22.

(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.

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				
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
Net earnings	\$ 2,817	\$ 2,793	\$ 2,277	\$ 1,455	\$ 662
Acquired intangible amortization	544	523	515	513	595
Tax adjustments	(92)	(89)	(85)	(58)	(95)
Adjusted net earnings (Non-GAAP)	\$ 3,269	\$ 3,227	\$ 2,707	\$ 1,910	\$ 1,162
Diluted weighted average shares outstanding	11,089	11,697	12,212	12,122	12,158
Net earnings per diluted share: ⁽¹⁾					
Net earnings	\$ 0.25	\$ 0.24	\$ 0.19	\$ 0.12	\$ 0.05
Acquired intangible amortization	0.05	0.05	0.04	0.04	0.05
Tax adjustments	(0.01)	(0.01)	(0.01)	-	(0.01)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.29	\$ 0.28	\$ 0.22	\$ 0.16	\$ 0.10

(1) Components may not add up to totals due to rounding.

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 December 31,			TTM Q1
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 7,187
Acquired intangible amortization	1,440	2,694	2,095	2,146
Tax adjustments	(22)	(447)	(324)	(327)
Adjusted net earnings (Non-GAAP)	\$ 8,701	\$ 10,708	\$ 11,113	\$ 9,006
Diluted weighted average shares outstanding	10,730	10,863	11,780	12,047
Net earnings per diluted share: ⁽¹⁾				
Net earnings	\$ 0.68	\$ 0.78	\$ 0.79	\$ 0.60
Acquired intangible amortization	0.13	0.25	0.18	0.18
Tax adjustments	-	(0.04)	(0.03)	(0.03)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.81	\$ 0.99	\$ 0.94	\$ 0.76

(1) Components may not add up to totals due to rounding.

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

(\$ in thousands)

	Three Months Ended				
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
Net earnings	\$ 2,817	\$ 2,793	\$ 2,277	\$ 1,455	\$ 662
Acquired intangible amortization	544	523	515	513	595
Net interest expense	169	43	(276)	(340)	(193)
Income tax expense	577	572	446	111	125
Depreciation	245	259	262	255	273
Non-cash stock-based compensation	474	605	544	424	349
Adjusted EBITDA (Non-GAAP)	\$ 4,826	\$ 4,795	\$ 3,768	\$ 2,418	\$ 1,811
Revenue	31,919	32,558	30,941	27,884	29,824
Net margin	8.8%	8.6%	7.4%	5.2%	2.2%
Adjusted EBITDA margin (Non-GAAP)	15.1%	14.7%	12.2%	8.7%	6.1%

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

(\$ in thousands)

	Years Ended December 31,			TTM Q1
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 7,187
Acquired intangible amortization	1,440	2,694	2,095	2,146
Net interest expense	89	600	(404)	(766)
Income tax expense	1,119	1,684	1,706	1,254
Depreciation	666	810	1,021	1,049
Non-cash stock-based compensation	1,450	1,787	2,047	1,922
Adjusted EBITDA (Non-GAAP)	\$ 12,047	\$ 16,036	\$ 15,807	\$ 12,792
Revenue	84,878	116,828	123,302	121,207
Net margin	8.6%	7.2%	7.6%	5.9%
Adjusted EBITDA margin (Non-GAAP)	14.2%	13.7%	12.8%	10.6%

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

	Q2 2024E	
	Low	High
Estimated earnings per diluted share	\$ 0.00	\$ 0.06
Estimated acquired intangible amortization	0.12	0.12
Estimated tax adjustments	(0.02)	(0.02)
Estimated adjusted earnings per diluted share (Non-GAAP)	<u>\$ 0.10</u>	<u>\$ 0.16</u>

Segment Reporting (Quarterly)

(\$ in thousands)

	Three Months Ended									
	<u>3/31/2023</u>		<u>6/30/2023</u>		<u>9/30/2023</u>		<u>12/31/2023</u>		<u>3/31/2024</u>	
Electronic Test	\$ 10,371		\$ 10,993		\$ 11,547		\$ 8,105		\$ 11,116	
Environmental Technologies	8,042		8,136		7,000		7,623		6,828	
Process Technologies	13,506		13,429		12,394		12,156		11,880	
Total Revenue	<u>\$ 31,919</u>		<u>\$ 32,558</u>		<u>\$ 30,941</u>		<u>\$ 27,884</u>		<u>\$ 29,824</u>	
		% of divisional revenue		% of divisional revenue		% of divisional revenue		% of divisional revenue		% of divisional revenue
Electronic Test	\$ 2,578	25%	\$ 2,641	24%	\$ 3,268	28%	\$ 1,702	21%	\$ 1,813	16%
Environmental Technologies	1,013	13%	943	12%	523	7%	594	8%	15	0%
Process Technologies	2,676	20%	2,592	19%	2,094	17%	2,182	18%	1,961	17%
Total income from divisional operations	<u>6,267</u>	<u>20%</u>	<u>6,176</u>	<u>19%</u>	<u>5,885</u>	<u>19%</u>	<u>4,478</u>	<u>16%</u>	<u>3,789</u>	<u>13%</u>
Corporate expense	(2,205)		(2,309)		(2,902)		(2,856)		(2,702)	
Acquired intangible amortization	(544)		(523)		(515)		(513)		(595)	
Interest expense	(182)		(176)		(168)		(153)		(140)	
Other income (expense)	58		197		423		610		435	
Earnings before income tax expense	<u>\$ 3,394</u>		<u>\$ 3,365</u>		<u>\$ 2,723</u>		<u>\$ 1,566</u>		<u>\$ 787</u>	

