

inTEST Corporation

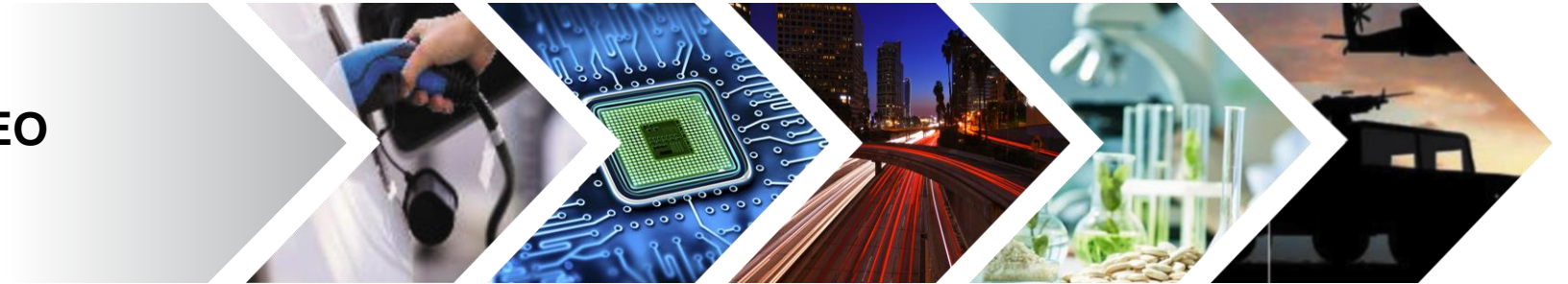
Q3 2024 Financial Results Conference Call



Nick Grant,
President and CEO



Duncan Gilmour,
CFO and Treasurer



November 1, 2024

inTEST

Note Regarding Reported Results for Q3 2023

All references to results for Q3 2023 are as restated on March 27, 2024.

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," "should," "plan," "potential," "forecasts," "outlook," "targets," "estimated," "opportunities" 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.

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.

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

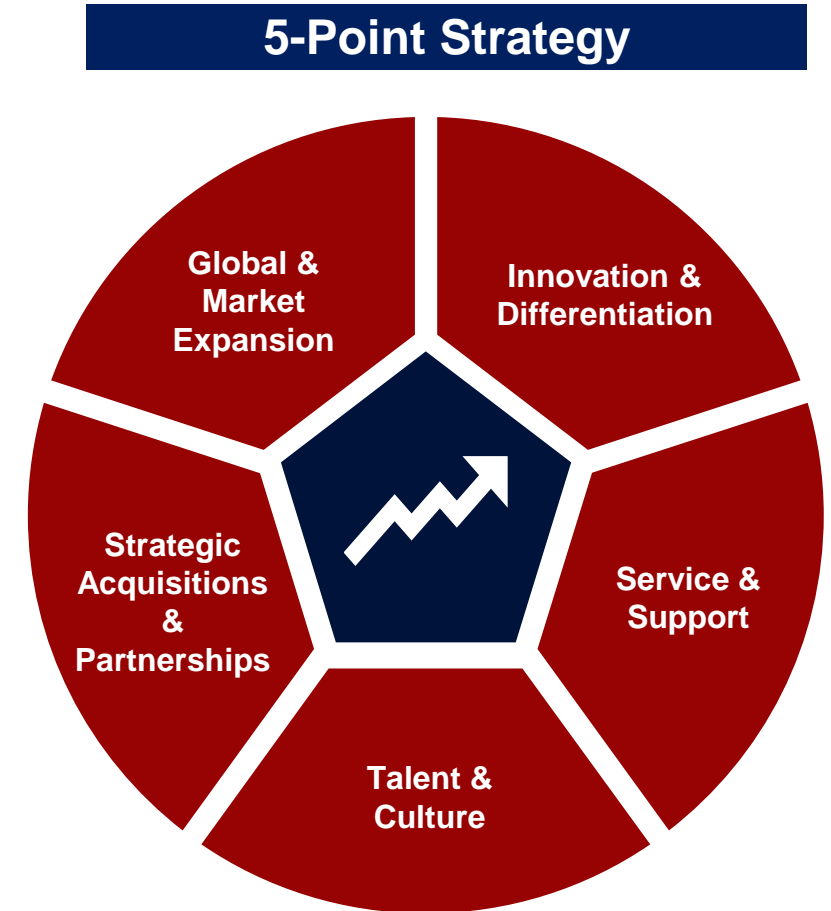
In addition to disclosing results that are determined in accordance with generally accepted accounting practices in the United States (“GAAP”), we also disclose non-GAAP financial measures. These non-GAAP financial measures consist of adjusted net earnings, adjusted earnings per diluted share (adjusted 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.

Executing 5-Point Strategy in Challenging Times

- Effective execution of 5-Point Strategy ...
 - Continue to add new customers and optimize sales channels
 - Leveraging innovation and application expertise for growth
 - Driving Alfamation synergies (technology, supply & customers)
- Alfamation and growth in diversified markets helped to offset current weakness in semiconductor market y/y
 - Sales to industrial and other markets grew 44% and 51%, respectively
- Sequentially, gross margin expanded 570 bps on mix and cost actions
 - Flowed through to 60 bps expansion of operating margin and 180 bps improvement of Adj. EBITDA margin⁽¹⁾
- Orders⁽²⁾ improved 7% over Q2
- Tightened full year outlook



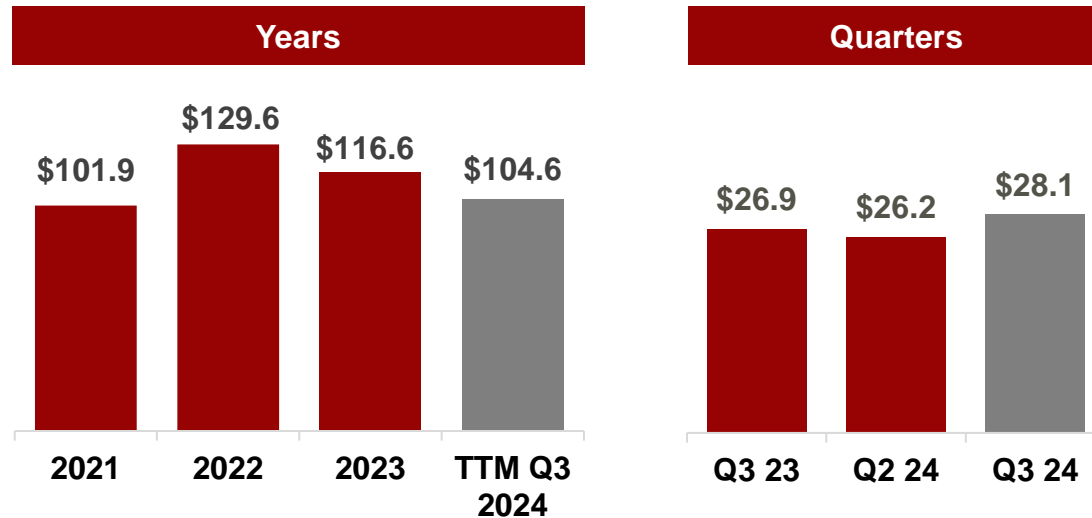
(1) Adjusted EBITDA margin is a non-GAAP financial measure. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures." See also the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this presentation.

(2) Orders is a key performance metric. Further information can be found under "Key Performance Metrics."

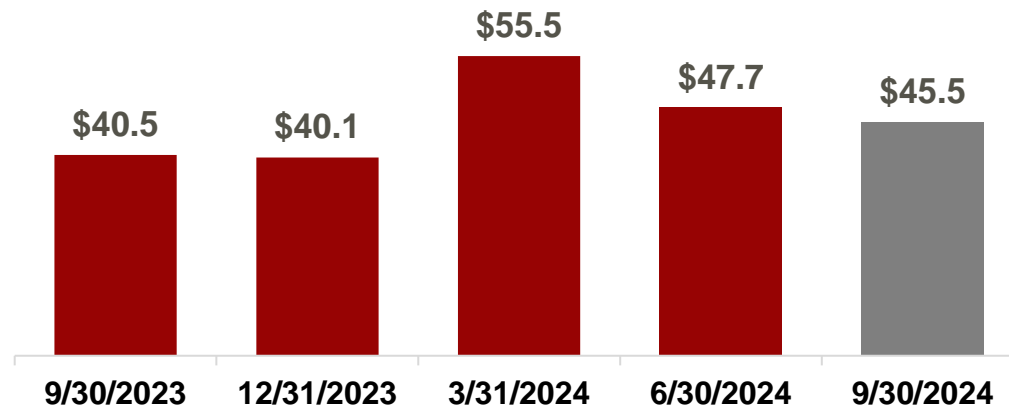
Orders and Backlog⁽¹⁾

(\$ in millions)

Orders



Backlog



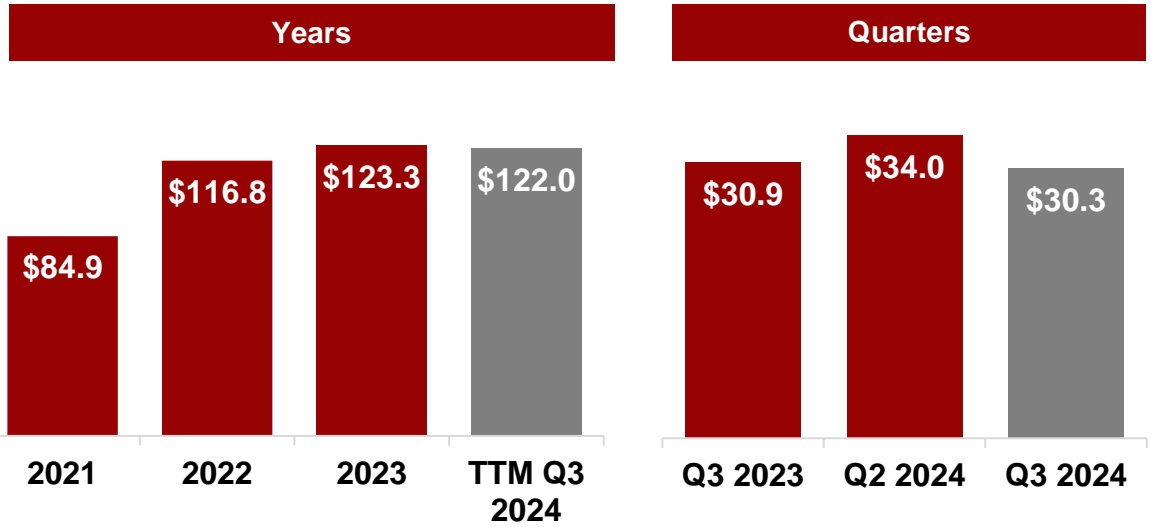
- Q3 orders up 4.5% y/y
 - Includes \$3.9 million from Alfamation
 - \$4.1 million increase in auto/EV, more than doubled driven by Alfamation
 - More investments directed to ICE⁽²⁾ autos
 - Def/aero spending remains robust, up \$1.4 million, or 47%
- Sequentially, orders up 7.1%
 - Auto/EV, defense/aerospace, security and other offset decline in semi
- Backlog up \$5.0 million, or 12.3%, y/y
 - Includes \$14.7 million from Alfamation
 - Approximately 42% of backlog is expected to ship beyond Q4 2024

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

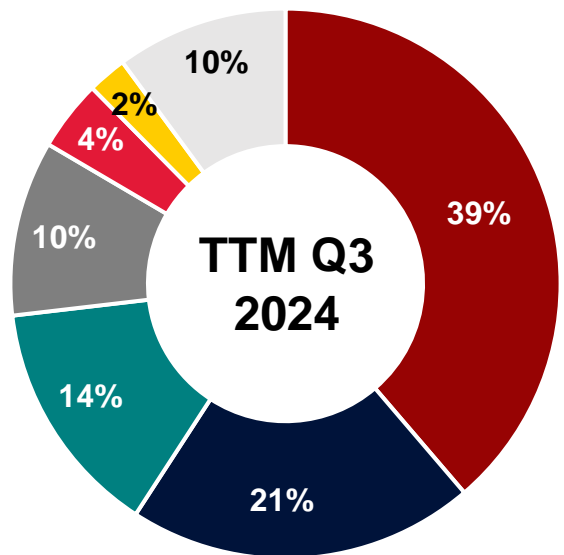
(2) Internal combustion engine

Revenue

(\$ in millions)



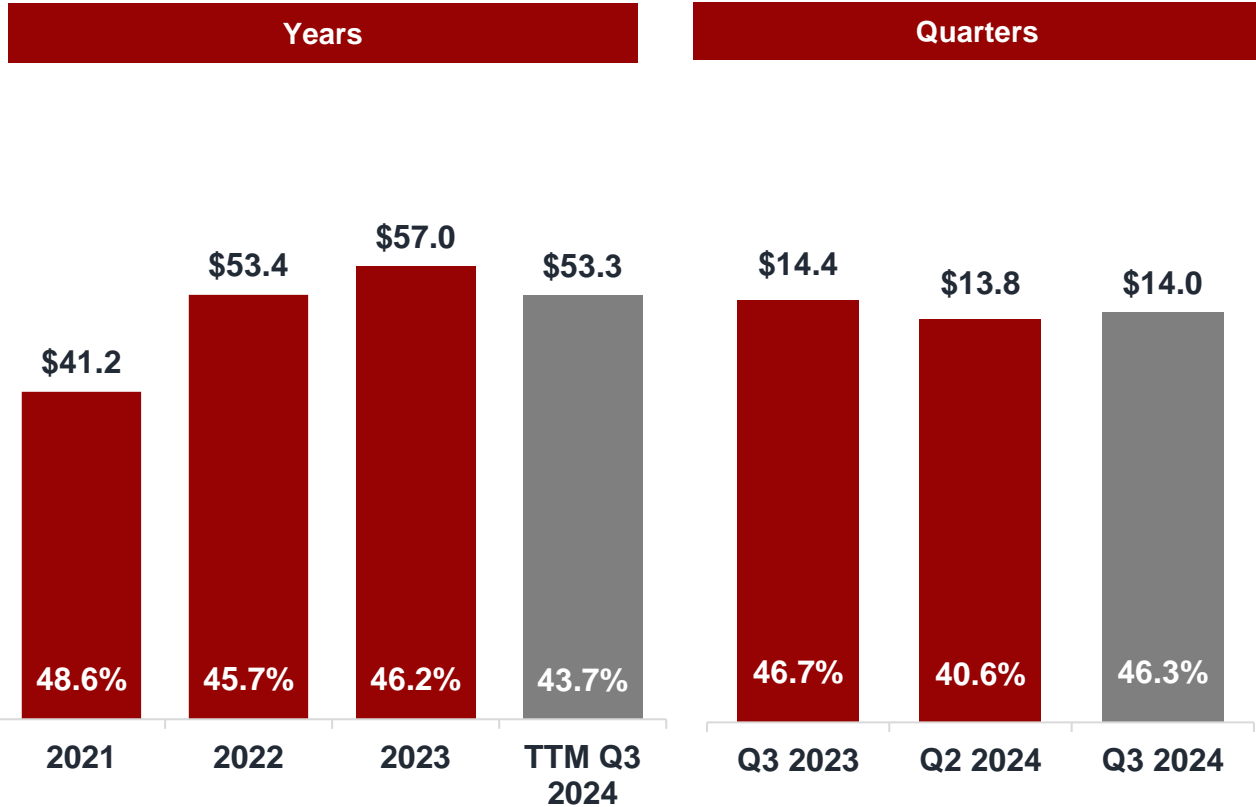
- Semi
- Automotive/EV
- Industrial
- Defense/Aero
- Life Sciences
- Security
- Other



- Q3 2024 revenue, decreased \$0.7 million y/y
 - \$5.4 million from Alfamation
 - Auto/EV up \$4.5 million, primarily from Alfamation
 - \$7.1 million decline in semi sales
 - Industrial market up \$1.1 million and other markets up \$1.3 million
- Diversification progress continues
 - Alfamation serves auto/EV, life sciences and consumer electronic markets
- Sequentially, revenue decreased \$3.7 million
 - Approximately \$2 million in shipments delayed into the fourth quarter
 - Industrial and other markets, combined, up \$0.9 million
 - Semi revenue up 13%, \$1.3 million on back-end improvement
 - Compares with unusually strong quarter for Alfamation, which contributed \$9.7 million in Q2

Gross Profit and Margin

(\$ in millions)

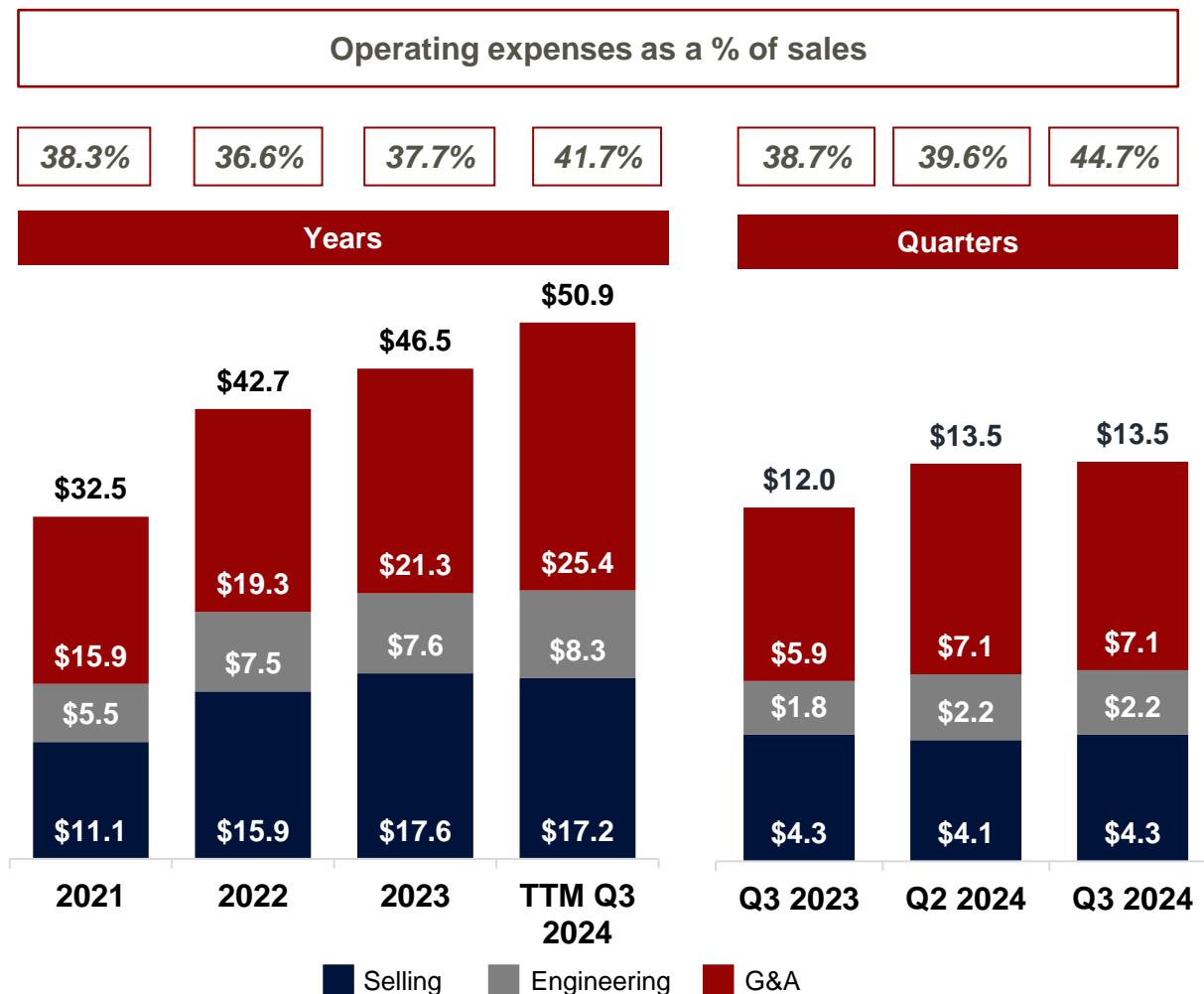


- Q3 gross margin of 46.3% expanded 570 bps compared with Q2 2024
 - Margin expansion driven by favorable product mix and cost actions
 - Improved volume in higher margin back-end semi business
- Y/Y gross margin nominally unchanged on lower revenue

Operating Expenses

Continuing to invest to support 5-Point Strategy for Growth

(\$ in millions)



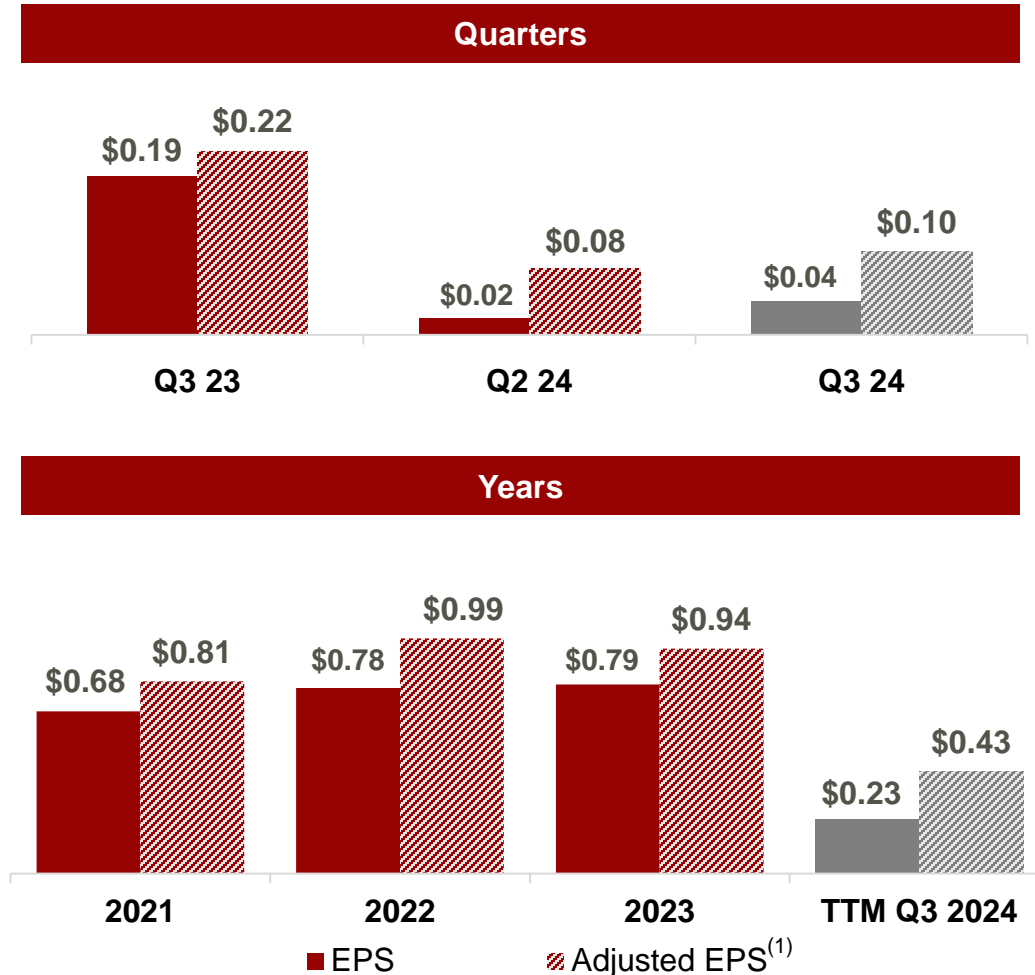
NOTE: Components may not add up to totals due to rounding.

- Q3 2024 operating expenses up \$1.5 million versus Q3 2023
 - \$2.3 million incremental operating expenses attributable to Alfamation (including \$460,000 in amortization)
 - Offset by cost reduction efforts and lower business development costs
- Sequentially, operating expenses essentially flat

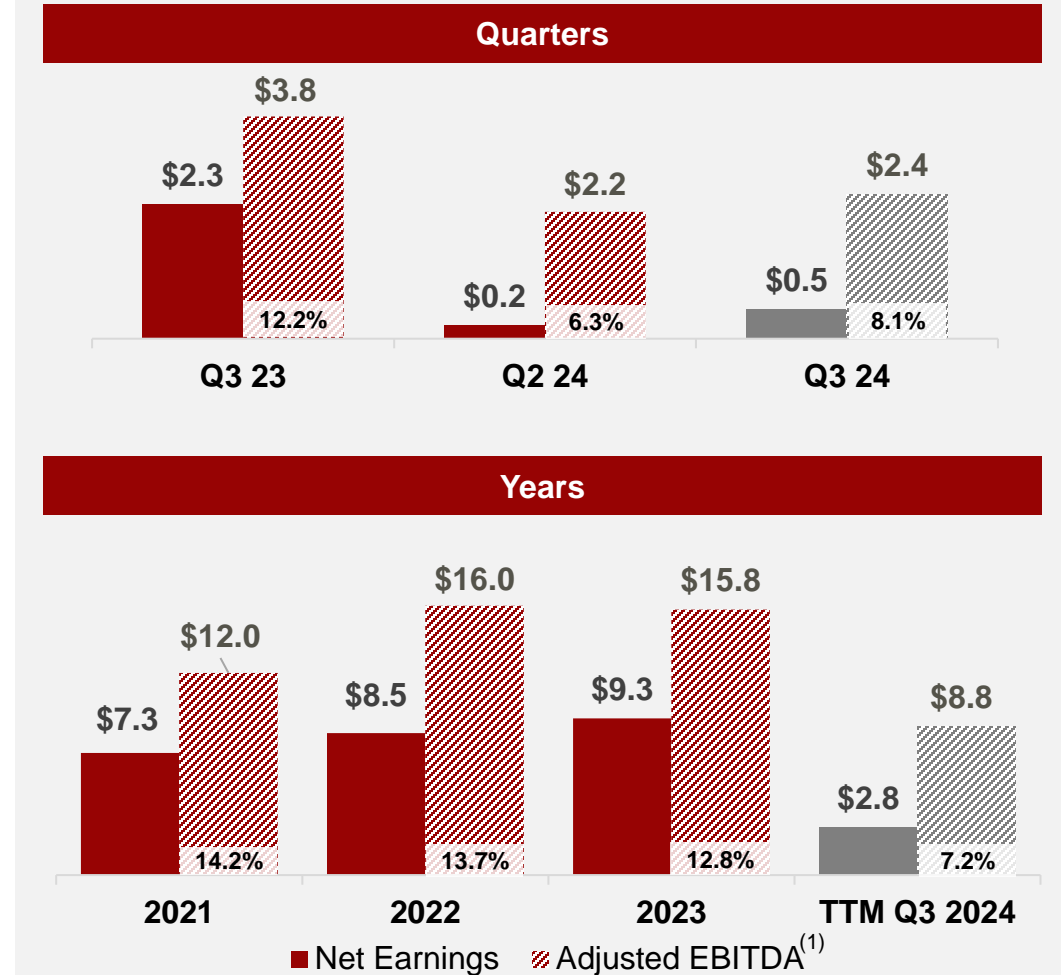
Earnings and Adjusted EBITDA⁽¹⁾

(\$ 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>9/30/24</u>	<u>12/31/23</u>
Cash and cash equivalents	\$ 18.0	\$ 45.3
Total debt	\$ 16.1	\$ 12.0
Shareholders' equity	\$ 100.4	\$ 96.3
Total capitalization	\$ 116.5	\$ 108.3

Cash Flow	Three Months Ended		Year Ended
	<u>9/30/24</u>	<u>9/30/23</u>	<u>12/31/23</u>
Net cash provided by operating activities	\$ 4.2	\$ 6.2	\$ 16.2
Capital expenditures	(0.5)	(0.3)	(1.3)
Free cash flow (FCF)⁽¹⁾	\$ 3.7	\$ 5.9	\$ 14.9

- Paid down \$5.3 million in debt during the quarter and invested \$1.0 million to repurchase 141,117 shares
- Continued financial flexibility: Total debt / TTM adjusted EBITDA⁽¹⁾ leverage ratio was ~1.8x
- Approximately \$58 million in liquidity at quarter end
 - Includes \$18.0 million in cash
 - \$40 million borrowing capacity, includes \$30 million delayed draw term loan, and \$10 million revolving line of credit
- Continue to expect capital expenditures of approximately 1% to 2% of revenue

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.

Tightened Outlook for 2024

Fourth Quarter Outlook⁽¹⁾

Revenue:	\$34 million to \$37 million
Gross margin:	~42%
Operating expenses:	~\$13.5 million
Intangible asset amortization expense:	~\$0.9 million
Amortization (after tax):	~\$0.7 million
Interest expense:	~\$210,000
EPS at midpoint:	~\$0.08
Adjusted EPS ⁽²⁾ at midpoint (Non-GAAP):	~\$0.14

Full Year Outlook⁽¹⁾

Current

Revenue:	\$128 million to \$131 million
Gross margin:	42% to 43%
Operating expenses:	~\$53 million
Intangible asset amortization expense:	~\$3.3 million
Amortization (after tax):	~\$2.7 million
Effective tax rate:	17% to 19%

5-Point Strategy



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

(1) Guidance provided November 1, 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.

Executing on our Strategy

Limited visibility but signs of stabilization in targeted industries

- Seeing gradual improvement in back-end semi
- Solid demand from defense/aerospace
- Front-end semi currently paused, but exciting long-term opportunity with unique induction heating solution for SiC, GaN and epitaxy

Optimizing channels to markets

- Ongoing optimization of channel partners and geographic/market reach
- Continuously adding new customers and gaining wallet share with existing customers
- Expanding applications: defense/aerospace and green energy
- Driving innovation across the businesses

Focus on profitability with cost discipline and rightsizing actions

- Capturing price, operational efficiencies and managing costs

Conference Call Playback Info



- Replay Number: (412) 317-6671 passcode: 13749100
- Telephone replay available through Friday, November 8, 2024
- Webcast / Presentation / Replay available at www.intest.com/investor-relations
- Transcript, when available, at www.intest.com/investor-relations

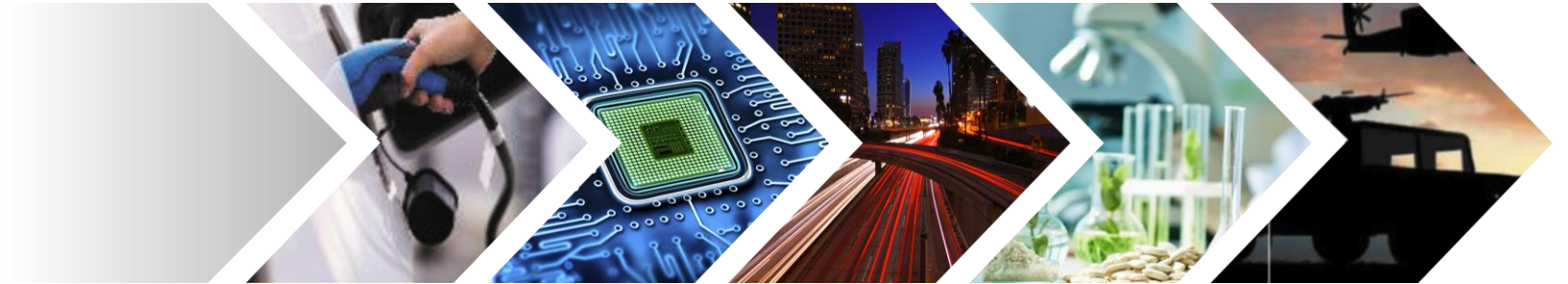
Upcoming Events

- November 20, 2024 Southwest IDEAS Conference (Dallas)
- December 3, 2024 NobleCon Emerging Growth Equity Conference (Boca Raton, FL)
- December 11, 2024 Sidoti Small-Cap Conference (virtual)
- December 17, 2024 CEO Summit (New York)

inTEST Corporation

Q3 2024 Financial Results Conference Call

Supplemental Information



November 1, 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				
	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
Net earnings	\$ 2,277	\$ 1,455	\$ 662	\$ 230	\$ 495
Acquired intangible amortization	515	513	595	897	944
Tax adjustments	(85)	(58)	(95)	(168)	(223)
Adjusted net earnings (Non-GAAP)	\$ 2,707	\$ 1,910	\$ 1,162	\$ 959	\$ 1,216
Diluted weighted average shares outstanding	12,212	12,122	12,158	12,330	12,252
Net earnings per diluted share: ⁽¹⁾					
Net earnings	\$ 0.19	\$ 0.12	\$ 0.05	\$ 0.02	\$ 0.04
Acquired intangible amortization	0.04	0.04	0.05	0.07	0.08
Tax adjustments	(0.01)	-	(0.01)	(0.01)	(0.02)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.22	\$ 0.16	\$ 0.10	\$ 0.08	\$ 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 Q3
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 2,842
Acquired intangible amortization	1,440	2,694	2,095	2,949
Tax adjustments	(22)	(447)	(324)	(544)
Adjusted net earnings (Non-GAAP)	\$ 8,701	\$ 10,708	\$ 11,113	\$ 5,247
Diluted weighted average shares outstanding	10,730	10,863	11,780	12,216
Net earnings per diluted share: ⁽¹⁾				
Net earnings	\$ 0.68	\$ 0.78	\$ 0.79	\$ 0.23
Acquired intangible amortization	0.13	0.25	0.18	0.24
Tax adjustments	-	(0.04)	(0.03)	(0.04)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.81	\$ 0.99	\$ 0.94	\$ 0.43

(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				
	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
Net earnings	\$ 2,277	\$ 1,455	\$ 662	\$ 230	\$ 495
Acquired intangible amortization	515	513	595	897	944
Net interest expense (income)	(276)	(340)	(193)	41	36
Income tax expense	446	111	125	66	74
Depreciation	262	255	273	356	355
Non-cash stock-based compensation	544	424	349	564	537
Adjusted EBITDA (Non-GAAP)	\$ 3,768	\$ 2,418	\$ 1,811	\$ 2,154	\$ 2,441
Revenue	30,941	27,884	29,824	33,991	30,272
Net margin	7.4%	5.2%	2.2%	0.7%	1.6%
Adjusted EBITDA margin (Non-GAAP)	12.2%	8.7%	6.1%	6.3%	8.1%

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 Q3
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 2,842
Acquired intangible amortization	1,440	2,694	2,095	2,949
Net interest expense (income)	89	600	(404)	(456)
Income tax expense	1,119	1,684	1,706	376
Depreciation	666	810	1,021	1,239
Non-cash stock-based compensation	1,450	1,787	2,047	1,874
Adjusted EBITDA (Non-GAAP)	\$ 12,047	\$ 16,036	\$ 15,807	\$ 8,824
Revenue	84,878	116,828	123,302	121,971
Net margin	8.6%	7.2%	7.6%	2.3%
Adjusted EBITDA margin (Non-GAAP)	14.2%	13.7%	12.8%	7.2%

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

	<u>Q4 2024E</u>
Estimated earnings per diluted share	~ \$ 0.08
Estimated acquired intangible amortization	~ 0.08
Estimated tax adjustments	~ (0.02)
Estimated adjusted earnings per diluted share (Non-GAAP)	<u>~ \$ 0.14</u>

Segment Reporting (Quarterly)

(\$ in thousands)

	Three Months Ended									
	<u>9/30/2023</u>		<u>12/31/2023</u>		<u>3/31/2024</u>		<u>6/30/2024</u>		<u>9/30/2024</u>	
Electronic Test	\$ 11,547		\$ 8,105		\$ 11,116		\$ 16,159		\$ 15,481	
Environmental Technologies	7,000		7,623		6,828		8,273		6,734	
Process Technologies	12,394		12,156		11,880		9,559		8,057	
Total Revenue	<u>\$ 30,941</u>		<u>\$ 27,884</u>		<u>\$ 29,824</u>		<u>\$ 33,991</u>		<u>\$ 30,272</u>	
		% of divisional revenue		% of divisional revenue		% of divisional revenue		% of divisional revenue		% of divisional revenue
Electronic Test	\$ 3,268	28%	\$ 1,702	21%	\$ 1,813	16%	\$ 1,743	11%	\$ 2,311	15%
Environmental Technologies	523	7%	594	8%	15	0%	993	12%	426	6%
Process Technologies	2,094	17%	2,182	18%	1,961	17%	970	10%	1,070	13%
Total income from divisional operations	5,885	19%	4,478	16%	3,789	13%	3,706	11%	3,807	13%
Corporate expense	(2,902)		(2,856)		(2,702)		(2,473)		(2,376)	
Acquired intangible amortization	(515)		(513)		(595)		(897)		(944)	
Interest expense	(168)		(153)		(140)		(253)		(219)	
Other income	423		610		435		213		301	
Earnings before income tax expense	<u>\$ 2,723</u>		<u>\$ 1,566</u>		<u>\$ 787</u>		<u>\$ 296</u>		<u>\$ 569</u>	

Segment Reporting (12-Months)

(\$ in thousands)

	Years Ended		TTM			
	12/31/2022	12/31/2023	9/30/2024			
Electronic Test	\$ 40,219	\$ 41,016	\$ 50,861			
Environmental Technologies	30,172	30,801	29,458			
Process Technologies	46,437	51,485	41,652			
Total Revenue	\$ 116,828	\$ 123,302	\$ 121,971			
		% of divisional revenue	% of divisional revenue	% of divisional revenue		
Electronic Test	\$ 9,931	25%	\$ 10,189	25%	\$ 7,569	15%
Environmental Technologies	3,817	13%	3,073	10%	2,028	7%
Process Technologies	8,230	18%	9,544	19%	6,183	15%
Total income from divisional operations	21,978	19%	22,806	18%	15,780	13%
Corporate expense	(8,563)		(10,272)		(10,407)	
Acquired intangible amortization	(2,694)		(2,095)		(2,949)	
Interest expense	(635)		(679)		(765)	
Other income	59		1,288		1,559	
Earnings before income tax expense	\$ 10,145		\$ 11,048		\$ 3,218	