Operator: Good day, and welcome to the inTEST Corporation First Quarter 2022 Financial Results Conference Call. Please note today's event is being recorded. I would now like to turn the conference over to Shawn Southard. Please go ahead.

Shawn Southard: Thank you. Good morning, everyone. We appreciate your interest and thank you for sharing your time with inTEST Corporation.

Here with me are Nick Grant, our President and CEO, and Duncan Gilmour, our Chief Financial Officer and Treasurer.

You should have a copy of the First Quarter 2023 Financial Results, which we released earlier this morning. If not, you can access the release, as well as the slides that will accompany our conversation, on our website at www.intest.com/investor-relations. After our presentation, we will open the lines for Q&A.

If you'll turn to **Slide 2**, I will review the Safe Harbor statement. You should be aware that we may make some forward-looking statements during the formal discussions, as well as during the Q&A session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what is stated here today.

These risks, uncertainties and other factors are provided in the earnings release, as well as in other documents filed by the Company with the Securities and Exchange Commission. These documents can be found on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe these will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliations of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and slides.

With that, please turn to **Slide 3**, and I will turn the call over to Nick.

Nick Grant: Thank you, Shawn, and good morning, everyone. Thanks for joining us for our first quarter 2023 earnings call.

We delivered another strong quarter as the team is continuing to execute well on our 5-Point Strategy for growth. I would like to once again thank the entire organization for their commitment to our strategy and for delivering to plan. Revenue grew 33% year over year to $32 million driven by strong performance across most markets with particular strength shown in front-end semi for silicon carbide (SiC) crystal growth and epitaxy applications as well as in the defense/aerospace and life sciences markets.

The revenue growth was all organic as we now have a full year of the acquisitions under our belt. I believe our results are demonstrating the success we are having with the integration of those three businesses. Under our 5-Point Strategy, we are beginning to unlock their potential.

I should point out that we believe innovation is at the heart of our success which is validated with every new product we launch. For example, our compact EKOHEAT system is now a standard offering in our induction heating solutions. We've made significant headway in our Electronic Test business with our high voltage/high current Superset

interface solution for testing higher power chips, as well as our continued expansion of our automated manipulator portfolio with our new LSC and LSL manipulators. And we are excited about Videology's new SCAiLX Zoom Block camera with AI-capable, edge computing technology which formally launched last quarter and will start shipping in June. Innovation is driving demand.

Our sales and marketing efforts to expand our business are also validated by our continued success. We are consistently adding new customers, deepening our reach into existing customers and key markets, while expanding into new applications. A good example of this is our industrial-grade embedded video cameras, which are finding their way into pipe inspections for the energy industry.

Our opportunities also continue to expand in silicon carbide and gallium nitride as those markets develop. We are supporting our customers in this space as they ramp capacity and optimize operations.

Profitability in the quarter increased year-over-year on favorable mix and realization from our ongoing pricing efforts. Our year-over-year expanded operating margin also demonstrates the power of operating leverage as we achieve higher sales.

As to demand, we continue to see strength in semiconductor, industrial, defense/aerospace, and life sciences markets. These markets drove first quarter orders of $31 million, up 23% versus the prior year. Larger orders can often create lumpy comparisons quarter-to-quarter. For example, while auto/EV orders were down year over year, they were up sequentially, and we just announced this morning a nearly $2 million order from an EV customer for a
brand-new application utilizing our chiller solutions. In fact, this is just another example of where our focus on this target market is helping to uncover new opportunities in the manufacturing of EVs for our portfolio of technologies.

And our backlog at the end of the first quarter remained solid at approximately $46 million.

Organizationally, we continue to add talent to the team and are pleased to have announced the addition of Michael Tanniru as President of our Environmental Technologies division. He joins us from Cincinnati Test Systems, and I had the opportunity to work with Mike in the past at both Emerson and Ametek where he had a track record of success. We are excited to welcome him to the team and look forward to seeing the impact he will have in the role.

With that, let me turn it over to Duncan to review the financials in more detail. **Duncan**, over to you.

Duncan Gilmour: Thank you, Nick.

Starting on **Slide 4,** revenue for the first quarter 2023 was $31.9 million, up 32.5%, or $7.8 million, versus the same period last year and at the top end of our guidance range of $30 to $32 million.

This revenue growth of $7.8 million was entirely organic and, as Nick mentioned, was driven by strong demand across semi, defense/aerospace, life sciences, security, and other markets. In the case of semi, increased demand for induction heating technology solutions for silicon carbide (SiC) crystal growth and epitaxy applications, combined with

strength in supporting trailing-edge, or less capital-intensive technologies, for analog and mixed signal applications drove semi sales to $17.7 million, up 32% year-over-year.

The automotive/EV market was down 6% on a tough comp and the large order we announced this morning we believe shows the decline is less meaningful than it might first appear.

Moving to **Slide 5**, gross margin of 47.2% in the quarter, was up 150 basis points compared with the prior-year Q1 period due to higher volume, better product mix, and improved pricing. Compared with the trailing quarter, gross margin improved 100 basis points reflecting favorable product mix and improved pricing.

Our trailing twelve months gross profit of $57.5 million, or 46.1% of sales, is in line with our updated outlook this year of gross margin between 46% and 47%.

As you can see on **Slide 6**, our operating expenses were up $1.3 million versus the prior year but down 630 basis points as a percentage of revenue, driven by operating leverage as the business scales up. Versus the trailing quarter, total operating expenses were up $600,000 at $11.5 million. This was a little higher than anticipated due to slightly higher selling commissions and non-cash stock compensation expense as we saw higher and more profitable revenue and an increased stock price. We continue to invest in sales & marketing as we execute on our strategy to drive growth.

Turning to **Slide 7**, you can see our bottom line and Adjusted EBITDA results. We had net earnings of $2.8 million or $0.25 per diluted share for the first quarter which is up from $600,000 and $0.05 per diluted share in Q1 2022 and at the upper end of our guidance range.

Adjusted EBITDA was $4.8 million, up from $2.1 million last year. Adjusted EBITDA margin expanded 620 basis points to 15.1% year-over-year. On an adjusted basis, non-GAAP EPS was $0.29 per diluted share compared with $0.12 per diluted share in the first quarter of 2022. Adjusted EPS reflects adding back tax-effected acquired intangible amortization.

On an after-tax basis, our acquired intangible amortization amounted to $452,000 in the first quarter. We expect after tax intangible amortization for the second quarter to be similar.

Slide 8 shows our capital structure and cash flow. We had a strong quarter of cash generation adding $2.5 million from operations. Given our modest capital requirements to grow the organic business, free cash flow was $2.2 million, or about 80% of net earnings.

Cash and equivalents at the end of the first quarter were $15.4 million, up $2 million from the trailing quarter. We also have $500,000 in restricted cash related to a pre-payment on a customer order.

In addition, we have $30 million available with our delayed draw term loan and an incremental $10 million available under our revolver. Our current leverage ratio is also below 1 at 0.81x giving us considerable flexibility to continue to pursue our acquisition strategy. As we did in each of the prior quarters, we repaid $1 million of debt, bringing it down to $15.1 million. Note that repayment of debt does not increase funding available under the terms of our $30 million term-loan facility.

Slide 9: Turning to our order activity, as previously mentioned, our first quarter orders of nearly $31 million was a 23% increase versus the prior year. This reflected increases across all end markets except in automotive/EV, which declined $600,000 due to the

timing of orders received. While orders are generally lumpier from quarter to quarter, demand in that market remains strong as noted by the order we announced this morning.

Sequentially, overall orders were down a modest 1.6%. Growth in demand in both front-end and back-end semi, automotive/EV and industrial helped to offset sequential declines in security, defense/aerospace, life sciences and other markets. Again, while we think most of these sequential declines are primarily driven by the timing of underlying customer projects, we are seeing more cautious spending from customers with smaller order sizes and POs taking longer to get sign-off. While expected given the macro environment, we are optimistic about our funnel activities, which remain healthy.

Our backlog on March 31, 2023, was $45.7 million, a 30.5% increase over the prior year although down 2.3% compared with December 31, 2022, mostly on variability in timing of orders and shipments.

Approximately 45% of the backlog is expected to ship beyond the current quarter.

Turning to **Slide 10** let me review our updated outlook for 2023.

We continue to be excited about where we're headed this year. While we expect the quarterly cadence of orders to be lumpy, we believe we can achieve our revenue target, which represents high single-digit organic growth.

In addition, we continue to pursue strategic acquisitions and partnerships to expand our portfolio and better serve our target markets.

We expect revenue for the second quarter of 2023 to be in the range of $31 to $33 million with a gross margin of approximately 46%.

Second quarter operating expenses, including amortization, should run between $11.4 million and $11.7 million, this is elevated to reflect annual merit increases, stock compensation expense and continued sales and marketing investments.

Intangible asset amortization is expected to be approximately $540,000 pre-tax, or $450,000 after tax.

Given loan balances and current rates, our interest expense should be approximately $190,000 for the quarter.

We anticipate second quarter 2023 EPS to be in the range of 21 to 26 cents, while non-GAAP adjusted EPS should be in the range of 25 to 30 cents. As a reminder, we simply adjust for tax-effected amortization expense in this latter, non-GAAP, measure of profitability.

We expect our growth this year to be driven by strong demand across nearly all technology offerings and end markets. The progress we are making with our 5-Point Strategy is being realized through the implementation of disciplined processes in sales and marketing and accountability across the entire organization.

We are holding our guidance and outlook for 2023 annual revenue of $125 to $130 million, which represents a 9% organic increase year-over-year at the midpoint of the range. This, of course, does not include the potential impact from any acquisitions we may make this year.

We are however raising our gross margin outlook for 2023, which is now expected to range between 46% and 47%, driven by anticipated improved mix and pricing realization. Offsetting this increase at the gross profit line are likely higher operating expenses for the year, which should be in the range of $45 to $47 million. This includes intangible asset

amortization expense of approximately $2.1 million for the full year. This translates to tax adjusted amortization expense of approximately $1.7 million for determining adjusted non-GAAP earnings. Our effective tax rate is expected to be similar to 2022, or approximately 16%-17%.

Finally, our capital expenditures for 2023 are expected to continue to run between 1% to 2% of sales.

With that, if you will turn to **Slide 11**, I will now turn the call back over to Nick.

Nick Grant: Thanks, Duncan.

Slide 11 shows that we are making solid progress toward our 2025 revenue goal of $200 million to $250 million. Including our 2023 expectations, we will have grown the Company at a greater than 30% CAGR since we implemented our 5-Point Strategy at the start of 2021. Excluding future acquisitions, we expect to continue driving high single digit growth with our base business. With future strategic acquisitions, it should enable us to achieve our 2025 goal of between $200 and $250 million in revenue.

We have an active pipeline of acquisition and partnership opportunities, and we have flexibility with our capital structure that we believe will allow us to execute on our plan.

If you'll turn to **Slide 12**, our revenue growth goals should translate into strong earnings growth. Our plan is to deliver divisional operating income of over $40 million, adjusted EBITDA of over $30 million and improve earnings power to over $20 million in 2025.

Let me sum up on **slide 13**. As I have noted, our 5-Point Strategy is delivering results for shareholders. Our engineered solutions that enable our customers to improve productivity or create more effective solutions within their own portfolio are in high demand. Our growing sales force is reaching more prospects and our new organizational structure, with three technology focused business segments, has driven greater focus and collaboration across the Company. We believe this, in turn, will create even more opportunities for growth.

We continue to unleash the potential of inTEST on our journey to becoming a supplier of choice for innovative test and process technology solutions. We are driving organic growth and actively pursuing acquisition opportunities to build our technology base, deepen our market penetration and broaden our market reach.

With that, Operator, let's open the lines for questions.

Question & Answer

Operator: [Operator Instructions] Our first question is from Jaeson Schmidt of Lake Street.

Jaeson Schmidt: Congrats on a nice start to the year. Just want to start with the silicon carbide business. I mean, you guys continue to see some really nice traction there. Just curious how much of the revenue pie is coming from those type of applications this year? And I guess relatedly, is this ramp in the business more driven by overall market growth or continued share gains as well?

Nick Grant: Thanks for acknowledging the performance in the quarter. Yes, as you said, SiC (silicon carbide) continues to perform well for us. Our front-end semi business in the quarter was roughly, Duncan, 30% of our semi number. We saw nice strength in our back-end semi business in Q1. Then, within that front-end semi, 60% of it probably is more SiC-related, I would say.

Duncan Gilmour: Yes, correct. About 70%.

Nick Grant: So, yes, it's an area that we have identified as a nice growth avenue. Given the market trends out there, we believe SiC will be a nice driver for growth for us for quite some time.

Jaeson Schmidt: Okay. No, that's great to hear. And when you look at that full year outlook, thinking about the low-end versus the high-end, is semi in general really just the biggest swing factor?

Nick Grant: I would say, yes, semi, obviously is a big part of our business, so it can impact the full year. I would say, though, our ramping of our acquisitions will also be a big part of the full year achievement that we're driving. Duncan, would you agree?

Duncan Gilmour: Yes. I think across all the markets we serve, there's obviously more optimistic and more pessimistic potential outcomes. So, I don't think it's just semi. I think the fact we're playing across a number of interesting sectors and markets helps us from a diversification perspective. So, it's not just semi that is swinging our business.

Nick Grant: Yes. As you probably saw, Jaeson, our automotive/EV order this morning, those wins and new applications for our product lines really position opportunities for future growth.

Jaeson Schmidt: Okay. And that's a good segue into my last question, and then I'll jump back into queue. Looking at that announcement this morning, it definitely seems really interesting. Just curious if this is with a new or existing customer? And if you could provide some additional color on the potential for follow-on orders or how you're looking at the sort of new opportunity in this market?

Nick Grant: As you know, we've been serving this automotive/EV space for quite some time with our induction heating solutions. Then, with the acquisition of Acculogic in late '21, we added our battery inspection equipment, which expanded our customer base. This customer is a traditional automotive big player that has been working to establish their electric vehicle production lines. And this win is really exciting because it's driven also by SiC and the higher power devices that are going into the electric vehicles. What they would like to do, is test, as well as thermal control, the process with these chillers as they manufacture these inverters that manage the power from the battery to the wheels. So, pretty exciting. It's obviously something that we believe is applicable outside of just this particular customer and something we're going to explore and exploit as much as possible.

Operator: The next question is from Ted Jackson of Northland Securities.

Ted Jackson: I'd also want to reinforce it was a very nice quarter. Congratulations. I'm going to ask a couple of questions. One is probably more just for Duncan. I'd like to have a little discussion or maybe provide some commentary about the working capital structure and how you see that playing out on a go-forward basis. I mean, not to knock the free cash flow number was a very nice

number. But your inventory was -- it was up quite a bit, and it could have been even better. And so, I guess what I'm asking is, how should I think about the structure of your working capital and looking at the current quarter with a particular focus perhaps on inventory and trends we may see there as we roll through '23.

Duncan Gilmour: Sure. I think you hit the nail on the head there, Ted. I think we had a nice free cash flow quarter, as you pointed out, but it could have been even better. We do continue to invest in inventory, although the supply chain world is certainly a lot better than it was. We are still being cautious with certain types of parts where we want to make sure we have enough supply. We do have a nice strong backlog as well. So, the inventory levels we have are certainly supported by our backlog, which is something that, as we go forward and the supply chain continues to moderate, we will be looking to squeeze and push that a little bit more than we have. I think, as you said, really nice cash flow generation in the quarter and the opportunities there to see that continue.

Ted Jackson: Would it be fair if I thought about your inventory numbers through the forward part of the year, when I think about trending sideways on a dollars basis on the balance sheet, or would I think about it as you execute against the backlog as supply chain issues fade, that we would see inventory levels trend down and days-of-inventory occurrence or however you want to look about it, move back to pre-pandemic levels.

Duncan Gilmour: Yes. I think it's really a case of executing against backlog. As I said, we have $46 million of backlog there that we obviously need to deliver on. Certainly, there's components within inventory there where we are making sure we have the right parts and pieces on hand to be able to deliver against that. So, if the backlog trends down, then we would expect to see inventory trending down. Top line is obviously another factor in terms of where that's trending. Based on the outlook, we see nice, steady top line but not explosive top line growth there. So, we'd expect to see inventory moderate around where it is. We are, as I said, looking to work that down as we slowly get our supply chain challenges behind us here, as that world moderates.

Ted Jackson*:* Okay. And then, my second question, which is, honestly, I think probably will be a fun question for you guys to answer. It ties into the previous line of questioning, and that goes around your acquisitions, and your ramping of those acquisitions seeing them bear fruit. And where I'm going with it is, when you had put out the announcement in the quarter with regards to the distribution arrangement for your ultra cold chillers, refrigerators, that we touched base on. And you talked about how this was part of the efforts that you are making in terms of growing what was albeit a small acquisition and really taking it and bringing it to the next level and creating value.

And with that thought in mind, as we think about that spread in terms of your guidance and the ability of you to come to the higher end with some of that being a success on the acquisitions. Maybe you guys could take a little bit of time and talk about in these acquisitions, some of the actions and things that you've done on an operational basis to grow those businesses in terms of like actions in terms of improving the sales function, improving the products or reducing cost, or you see I'm saying, just how you're going about generating value because you're not just buying a business plugging in and just letting it run on its own per se. You're actually buying a business that is perhaps resource starved or that provides some leverage to inTEST and then making an incentive, 1 plus 1 equal 2 to 1 plus 1 equal 3 scenario. Is that a question that you can answer?

Nick Grant: Yes. Happy to address the acquisitions here. So, as we've noted these acquisitions were really lifecycle businesses that ran to a certain level, and we saw the ability that being part of inTEST, getting them integrated into our processes and procedures, and the way we operate, we

believed we could scale these things. And each one is a little different in some areas where investments were needed. But in general, it's about driving innovation into these businesses, building robust product road maps that are market-driven as one of the key avenues for growth that we're driving across all three. I'll give you an example. The North Sciences freezers and chiller refrigerators that you were referring to, we completely rebranded, upgraded some of the designs and launched the new product lines after acquiring that business. Then we've continued to expand our capability and functionality with these products by adding cloud-based monitoring, et cetera, into the products. So, making them smarter is just one example for that product line on innovation to create demand.

We've touched on Videology and the new SCAiLX product that we launched the beginning of this year, and we'll be starting to ship in Q2. This is a really state-of-the-art, AI-capable, edge computing, zoom block camera. So, we can embed our software and run it on the camera versus having to feed the data back to a cloud computer or a server to run the analysis and then make the determination. It can actually do that on the camera now. And we've gotten a lot of interest after launching this product from a lead generation perspective. So, we're excited to see where that goes.

And then, last but not least, our Acculogic innovation areas, we've been focusing on driving enhanced measurement capabilities on their flying probe systems to better serve these battery markets and the trends we're seeing. And we have some new technology, that is a non-contact technology for measuring properties of these batteries, which customers are looking for and we believe will be a nice demand generator as well. So, innovation is a key part of it. Obviously with investments in sales and marketing, adding direct sales heads, and building out the channels. That announcement for North Sciences was just another example of a channel partner we brought on to help us go after more government opportunities. So, yes, we're excited about the progress we're making with these businesses. And now that they're integrated with inTEST, we look forward to seeing the results that we can get.

Ted Jackson*:* That was nice. I'm going to ask one last question, then I will get out of the queue. Just as we were talking about M&A and the acquisition strategy, you commented that you've got a good pipeline and the pipeline is full. I mean, is there a chance we'll see some action on that front within the fiscal year? And then, with all the turmoil we're having with regards to capital access with the banking crisis and interest rates going higher, what are you seeing in terms of valuations? Is it driving any people to feel more of a need to execute in terms of maybe selling the business or something? What's the general activity and how has it changed given all the turbulence we're seeing in the capital markets?

Nick Grant: As we said, our pipeline is healthy. We've remained very active on the M&A front, as we had done through 2022 after completing the 2021 deals. Lots of opportunities to look at, but we remain diligent to our criteria, being able to identify and close deals that we believe will bring shareholder value for the company, better position us with our customers, and our target markets. So, the timing of closures of deals varies and it's very difficult to say. We remain diligent. As for valuations, I think with these credit markets, certainly broad multiples are more realistic. Where you don't see a lot of teens, or multiples off of EBITDA and PE firms that are sitting on a bunch of cash. That's absolutely moderated the expectations from the sellers. So, it's a good opportunity out there, and we're remaining very active in it.

Duncan, would you add anything?

Duncan Gilmour: No, I think you captured it, Nick.

Operator: The next question is from Tim Moore of EF Hutton.

Tim Moore: And congratulations on the strong gross margin in the quarter and the continued execution of your strategic plan. A couple of my questions have already been asked, but I'll start off by asking about, I believe, a comment you made during your opening remarks. It seems like what's going on with a few other competitors that are smaller order sizes coming from smaller customers just as they maybe buckle down or delay for macro concerns. Could that be possibly enough upside to move the needle on your sales guidance if some of those possible delay orders come through in the September or December quarters? Did they make up enough of an amount, the smaller customer side, to maybe move the needle?

Nick Grant: Well, I would say, you're exactly right. The smaller order size results a bit from the economy. You see that also in the fact that the supply chain has improved so much, lead times have come down, and they're more confident on the ability for suppliers to be able to deliver. So, they've moved to that trend, which is a good thing for us. Our lead times are down as well. We're able to, as you said, respond more quickly when opportunities come. If the demand surges to the point where it creates a lot of opportunities for shipments later this year, that can certainly have an impact. We've modeled in what we believe to be a very doable case that we've laid out. We'll keep marching towards that, but we'll see how the quarter plays out. Our funnel of activities remains very active, very robust. So, yes, if something changes in order patterns, we'll be able to capture it.

Tim Moore*:* That's helpful. I want to follow up on the news announcement you had a few weeks ago, coincidentally, I think the stock was up 14% that day. But just on the stellar scientific ultra-low-temp biomedical storage news, the partnership with the U.S. government agencies, have you thought about maybe how sizable that could be? Have you gotten any indication or RFPs on that? I mean, could that be $4 million in sales over the next 12 months or something like that?

Nick Grant: We're optimistic with all of our channel partners on what they're able to achieve there. Too early to say what that number could be in the next few months. We're excited to add these really quality channel partners as we build out our go-to network for these freezers and refrigerators and our transportation chillers as well.

Tim Moore*:* Great. And just switching gears for geographic opportunities, it seems like Europe and Southeast Asia could be pretty attractive expansion opportunities now that you've implemented your overall strategy. Are you starting to focus there? And maybe related on that question, it seems like some of the low-cost regions you can maybe penetrate more with automated back-end testing where some of the competitive offerings only do manual, are you seeing more opportunity for that in the automation back inside in Southeast Asia and Europe?

Nick Grant: Yes, absolutely. That's part of our globalization strategy. As Europe and Southeast Asia are two target areas where we want to expand our presence. So, yes, we believe we can better serve customers in those regions. We made some progress with acquisitions of Acculogic and Videology in Europe. They both brought a small footprint to us but expanded our exposure. We're currently assessing how we can better serve Southeast Asia and some of our customers. As you know, our back-end test business ships a lot into Asia and Southeast Asia. In particular, a lot of activity with investments in regionalization in the U.S. and then Europe recently announcing their versions as well. So, yes, we have to make sure we're well-positioned to capitalize on those.

Tim Moore*:* Great. And my last question is, what efforts are you making to grow your aftermarket service business? Have you added more dedicated workers there over the last two or three quarters?

Nick Grant: Yes. We have expanded with service personnel within our organizations, across our businesses, and filling gaps where we have the customer base so we can better serve them locally. Likewise, we're ramping up our service capabilities on product offerings. As well as trying to better serve customers through more service agreements and helping them to ensure their equipment is optimized. So, it's a multi-pronged approach to expanding our service out there. And we had some good service numbers, right, Duncan.

Duncan Gilmour: Yes. Our service business is a bigger piece of the pie in Q1, getting into the low teens. So that's nice to see. I wouldn't say we're claiming victory at all. Nice to see the strength in the quarter certainly helped the margin side, but we'll continue that journey. There are plenty of opportunities for us as we move forward.

Operator: The next question is from Peter Wright of Intro-act.

Peter Wright: Congratulations on the great quarter. Nick, I got a couple of questions for each of you. Nick, My first question is on the innovation cycle. I'm hoping you can share with us some insight into how product evolution is changing at inTEST, whether it be more aggressive new product introductions, a faster next-generation enhanced product cycle, any insights into what is changing on the innovation curve and how it's reflected in the ASPs of your product over time relative to the long-term trajectory or curve there?

And then, just tagging a little piece on to that on the service business as you build that out, is more of the innovation / customer-driven or is it still primarily engineer / inTEST driven?

Nick Grant: Okay. Let me start with the innovation. I described this as part of our strategy and the innovation is really driving these businesses as they do a fantastic job with our engineering know-how and expertise in solving customer problems. But the focus in the past had been more from one customer to the next customer to the next customer. We're taking more of a market-driven approach to our innovation, developing product portfolios, product lines that are applicable to a broader number of customers versus one individual customer. It allows for the flexibility of late-stage customization to specifically address the needs for those applications with that customer. So, you're seeing much more of that standardization, subassembly-type approach in our product funnels.

The compact EKOHEAT and the compact work heads are good examples of that, where we've reduced the size. Now, we have a wide variety of power settings, power options as well. We design our coils and solutions around particular applications as late-stage customization. So, being more market-driven is one of the big changes we commented on last year throughout the supply chain challenges. Unfortunately, innovation has taken a bit of a backseat on some of our R&D projects as we had to qualify new suppliers and new vendors for products. So, I would say, now that things have stabilized, we're able to put more focus on that and we're excited to see that ramp back up here going forward.

Shifting to the service side of things, I would say, it's a mix. Some of the service avenues and growth that we're driving here are requests we've seen from our customers and others are more inTEST-driven, specifically trying to place individuals in regions to better serve, for better response time, as well as framing up these agreements so we could expand our capabilities and solutions that we're providing from a service perspective to customers. So, it's a mix across the board.

Peter Wright: And any comments on the ASP trajectory that you guys are in the evolution from component to solution, usually there's some decent ASP lift. Is there anything you can point to there yet that's materializing?

Nick Grant: I would just say that as we take the market-driven approach, we're trying to assess market pricing rather than a cost-plus approach of the past. So that gives us the opportunity to validate that we're not leaving money on the table. It varies across the product that's being developed and across the businesses from an ASP perspective.

Peter Wright: Fantastic. And then, on the acquisition strategy, congratulations on your margins, really already hitting long-term plan on an EBITDA margin basis. I guess, what I'm really asking is, is there upside to go on term target? But when you look at your acquisition strategy, obviously there's integration and everything of the sort, but any thoughts there in the landscape of biz dev that you're looking at, what is the best way to think of your acquisition strategy's impact on your margin profile?

Nick Grant: As I think we've talked about before; our business is running ballpark at those longer-term margin profiles. However, we do need inorganic activity to move us into that next bracket at $200 million to $250 million. There are inefficiencies. There are costs associated with acquisitions and integrations. So, our long-term profile takes into account that growing organically, we should see continuing operating leverage and improvements, and there is a cycle of inefficiency as we execute inorganically and integrate businesses. So that's factored into our thinking there, Peter.

Peter Wright: Fantastic. And Duncan, a follow-up, if I could, on that. Your commentary suggested that there might be some moderating signs of a little bit of moderation. The guidance really doesn't reflect that. So, I'm trying to understand the change in visibility. So, are there some pushouts? Is it just slower incremental bookings? Is it phasing out of larger orders that were pressured from the supply chain? What is the impact that's causing the moderation? And my very last little part, I'll just add into it. Is there any commentary you can share with us on any tool utilization or any of the other forward-looking things that you're looking at that is making you add that slightly cautious comment?

Duncan Gilmour: I think Nick touched on it in one of the earlier answers. We're seeing fewer very large orders where customers are buying well in advance because of significant concerns around the global supply chain. It doesn't mean overall activity is dropping, it just means those orders are smaller. They're perhaps only ordering a couple of quarters ahead instead of a year ahead. So, it does mean visibility, by definition, can be hampered a little bit. It doesn't mean the demand is not there. We're seeing the demand. We're maintaining backlog levels even in spite of that dynamic. So that's really what we're talking about. It just makes that visibility a tiny bit tougher versus the situation where you're getting orders for next year and even beyond.

Peter Wright: Very clear. Very healthy. Great.

Operator: [Operator Instructions] The next question is from Brian Kinstlinger of Alliance Global Partners.

Brian Kinstlinger: Great. Nice results. Just one question for me. You mentioned a couple of times, are price increases occurring across the board? Are there pockets of strength based on certain solutions or verticals? Any further detail around the price landscape would be great.

Duncan Gilmour: Let me try to address that, Brian. Pricing, as we talked about a little bit in the past, has been very dynamic, and continues to be dynamic. The inflationary environment and cost inputs have changed quite dramatically and very quickly over the course of the last 12 months or so. Obviously, we're looking at that constantly. If our prices go up, we have to move and push our prices up. Our teams have absolutely been doing that and constantly reassessing. That process continues. Our input costs, we're seeing a little bit less in the way of that rate of change, but that's an ongoing process.

And then, the other element that Nick alluded to, we continue to push around more of a market-driven view, what's the value of our product, and continue to push on making sure we're getting value in the marketplace from a pricing perspective. So that's another angle from a longer-term perspective that we continue to work on with our teams. It's really across the board. There's no one single product, one single market or anything like that, Brian. It's really across the board with respect to those two elements.

Nick Grant: I would just add another dynamic from pricing realization, is this whole order trend. If they're placing a large, blanket order for four quarters those prices are locked in on those orders basically, and we have little ability to change. Whereas now, the smaller orders every couple of quarters or so, give us more flexibility to adjust pricing. So, it gives us a better opportunity there.

Operator: Ladies and gentlemen, we have no further questions in the queue. And I would like to hand the floor back over to Nick Grant for some closing comments.

Nick Grant: Thank you, Chris. I want to reiterate, that I am exceptionally proud of our global team, who continue to deliver outstanding results. We look forward to connecting with some of you on May 10th at the EF Hutton Inaugural Global Conference in NYC. We really appreciate you taking the time to join us on our call today and your interest in inTEST. Thank you all and have a great day.