

inTEST Corporation

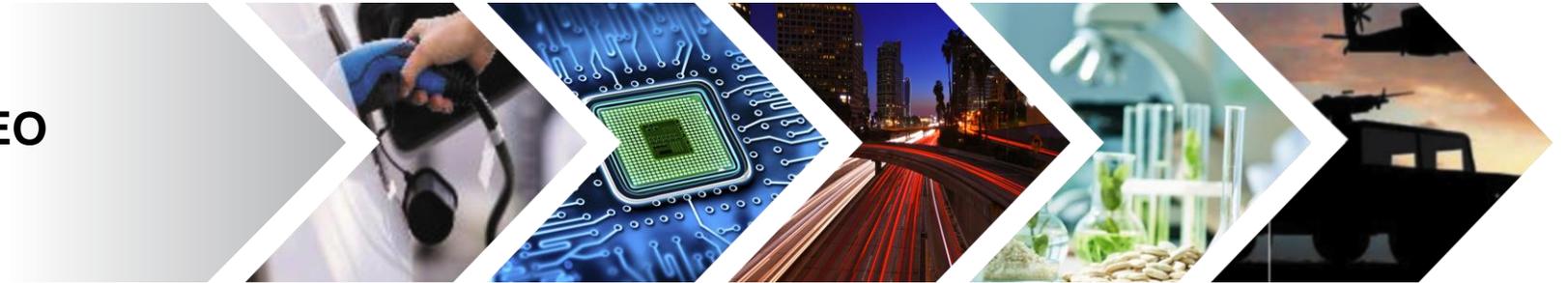
Q4 2024 Financial Results Conference Call



Nick Grant,
President and CEO



Duncan Gilmour,
CFO and Treasurer



March 7, 2025

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," "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 non-GAAP financial measures described on the next slide, 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

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 and acquired inventory step-up expense adjusted for the related income tax expense (benefit) to net earnings.
- 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, acquired inventory step-up expense, 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 and acquired inventory step-up charges as management believes these expenses 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, acquired inventory step-up, 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.

Achieves Third Consecutive Year of Record Revenue

- Validating effectiveness of growth strategy...
 - Achieved record \$36.6 million in revenue in quarter and record \$130.7 million for 2024
 - 6%, or \$7.4 million, annual growth driven by Alfamation acquisition, defense/aerospace and life sciences more than offsetting 26%, or \$17.0 million, decline in semi
 - Q4 revenue up 31% Y/Y and 21% sequentially
- Sequential quarterly improvement in auto/EV, back-end semi and defense/aero helped offset soft industrial demand
- Sequentially, gross margin contracted 660 bps, impacted by 430 bps inventory step-up adjustment⁽¹⁾ and mix
- Orders⁽²⁾ improved 9.3% over trailing quarter supported by increases in semi, life sciences and industrial
- Establishing Q1 guidance and cautious outlook for 2025

5-Point Strategy



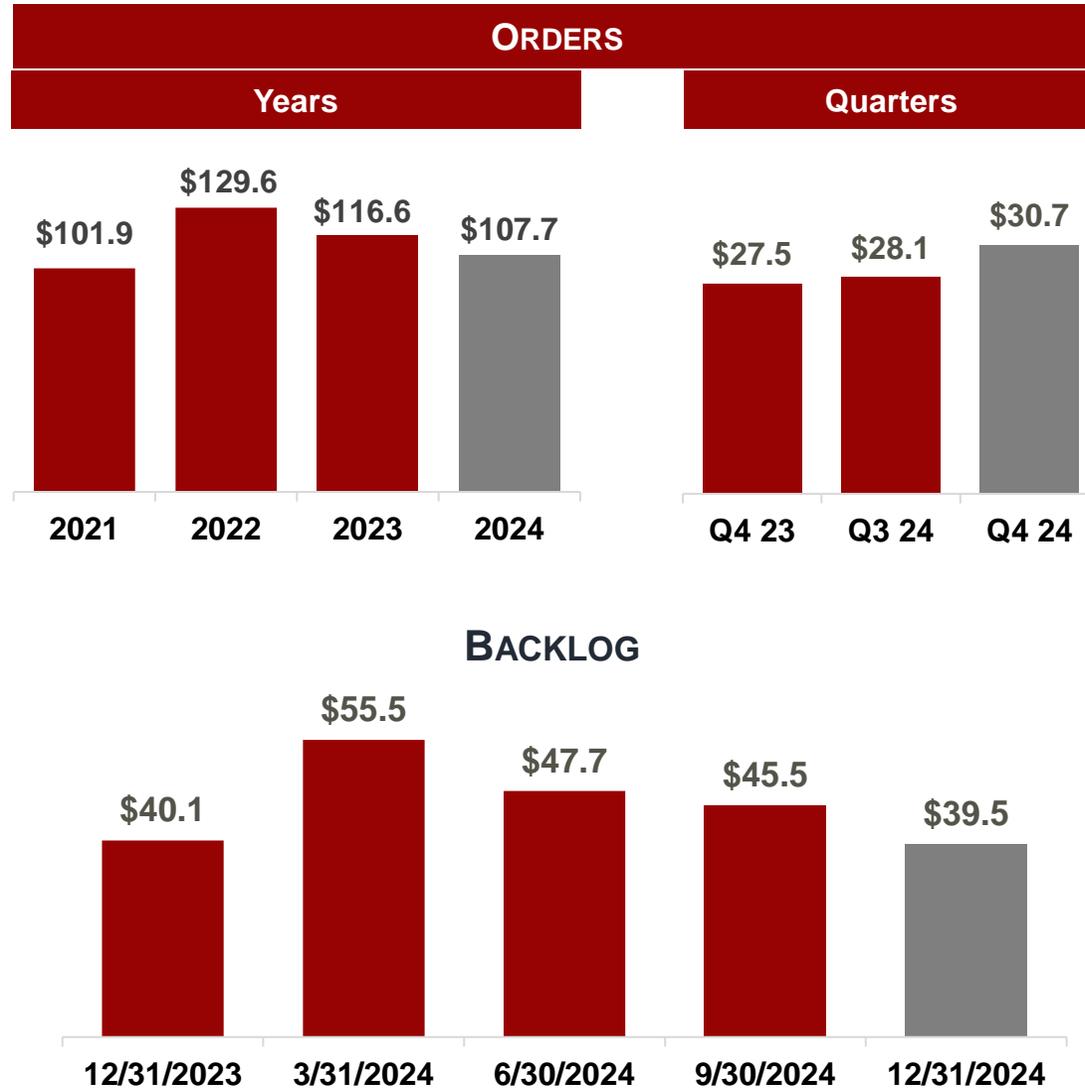
(1) In the fourth quarter, the Company refined and finalized the purchase price allocation for the Alfamation acquisition. Adjustments recorded included a \$1.6 million increase in the cost of inventory acquired ("inventory step-up"), to reflect the fair value of work in process and finished goods as of the acquisition date. As the related inventory was sold in 2024, this increase was charged to cost of goods sold in the fourth quarter which negatively impacted gross margin for the period.

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

Orders and Backlog⁽¹⁾



(\$ in millions)



- Q4 orders up 11.4% y/y
 - Includes \$1.2 million from Alfamation
 - Back-end demand drove a \$2.4 million increase in semi, offsetting persistent weakness in front-end
 - \$1.7 million, or 91%, increase in auto/EV driven by Alfamation
 - Life sciences demand more than doubled, to a record \$2.3 million

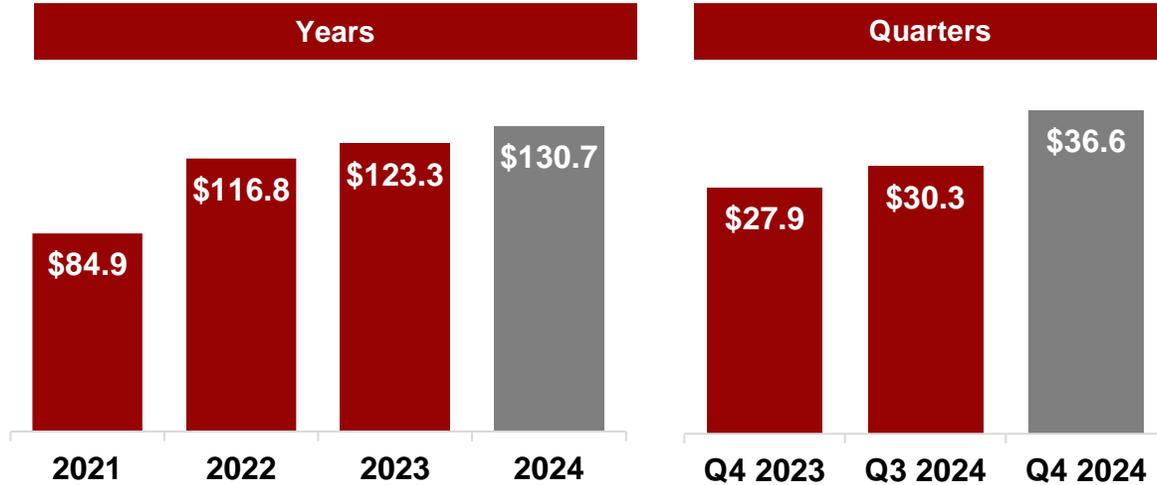
- Sequentially, orders up 9.3%, third consecutive quarter of improvement
 - Semi and life sciences offset declines primarily in auto/EV reflecting the continued softness

- Backlog lower by \$0.6 million, or 1.5%, y/y
 - Includes \$7.4 million from Alfamation
 - Approximately 50% of backlog is expected to ship beyond Q1 2025

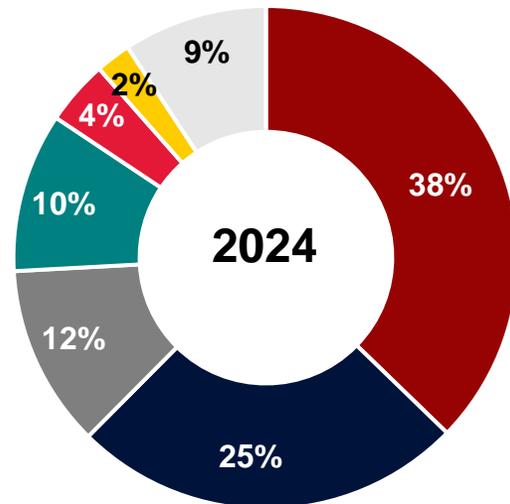
(1) Orders and backlog are key performance metrics. Further information can be found under "Key Performance Metrics."

Revenue

(\$ in millions)



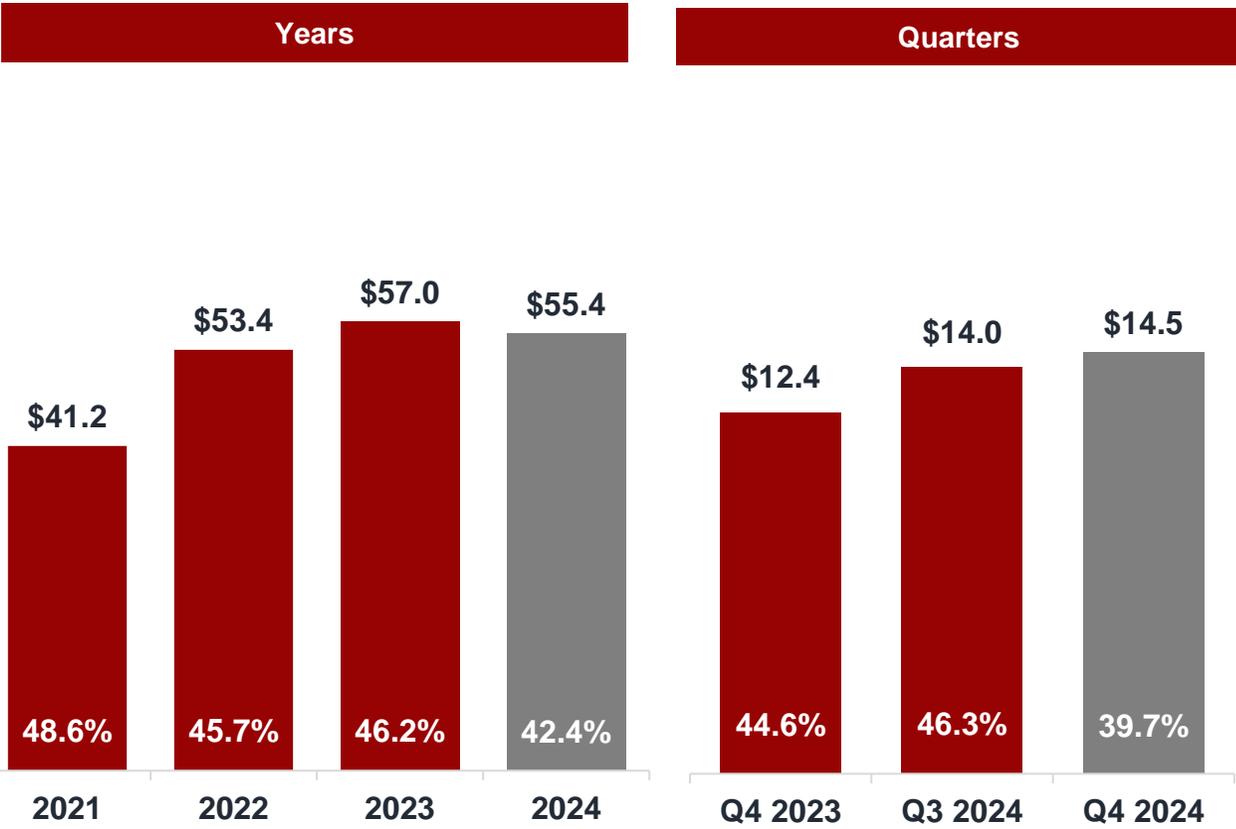
- Semi
- Automotive/EV
- Defense/Aero
- Industrial
- Life Sciences
- Security
- Other



- Q4 2024 revenue, increased \$8.7 million y/y
 - \$8.5 million from Alfamation drove Auto/EV up \$7.9 million
 - \$2.7 million increase in defense/aerospace sales
 - Semi up \$1.5 million as back-end improvement more than offset slow down in front-end
 - Industrial sales were down \$3.7 million
- Alfamation furthers diversification strategy
 - Serves auto/EV, life sciences and consumer electronic (other) markets
- Sequentially, revenue increased \$6.3 million
 - \$5.7 million increase in auto/EV
 - Defense/aerospace and security markets were up \$1.9 million and 0.3 million, respectively
- Q4 2024 benefitted from approximately \$2 million of shipments pushed out of previous quarter

Gross Profit and Margin

(\$ in millions)



- Q4 gross profit impacted by \$1.6 million charge to cost of goods related to inventory step-up
- Q4 gross margin of 39.7% contracted 660 bps compared with Q3 2024
 - Q4 gross margin includes the negative 430-basis point impact from inventory step-up
- Y/Y Q4 gross margin contracted 490 bps including the 430 bps negative impact of the inventory step-up

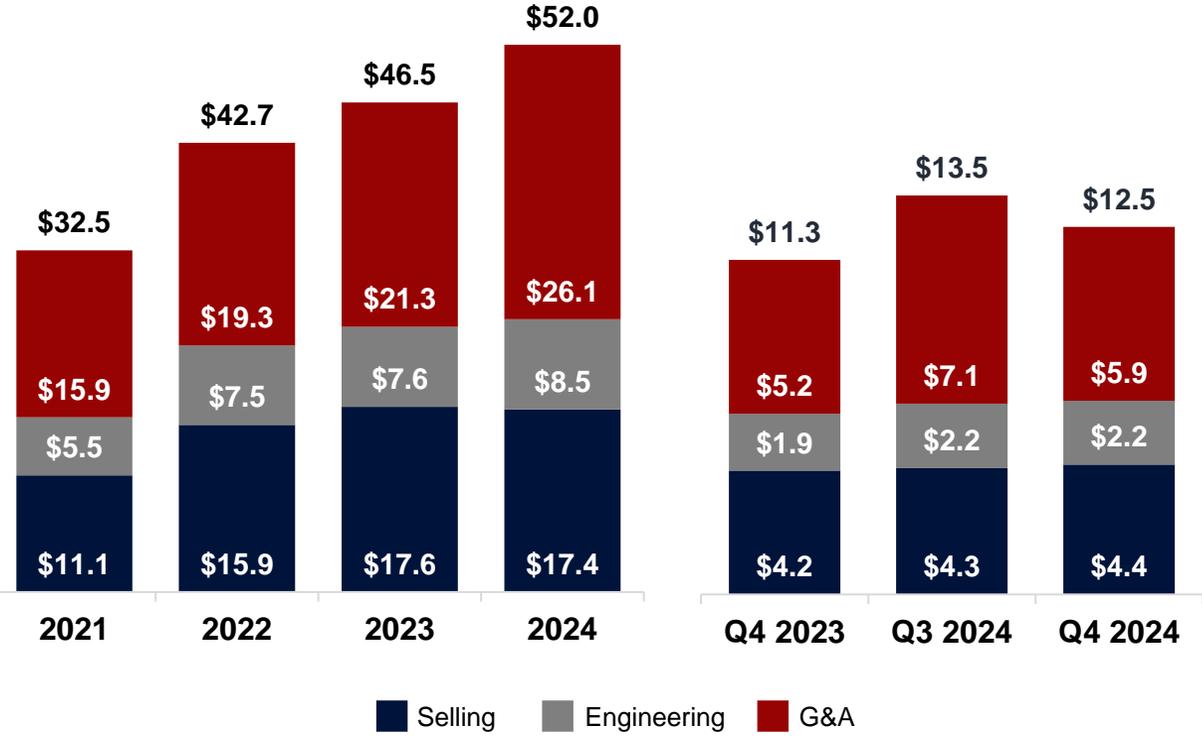
Operating Expenses

Continuing to invest to support 5-Point Strategy for Growth

(\$ in millions)

Operating expenses as a % of sales

38.3%	36.6%	37.7%	39.8%	40.7%	44.7%	34.0%
Years				Quarters		



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

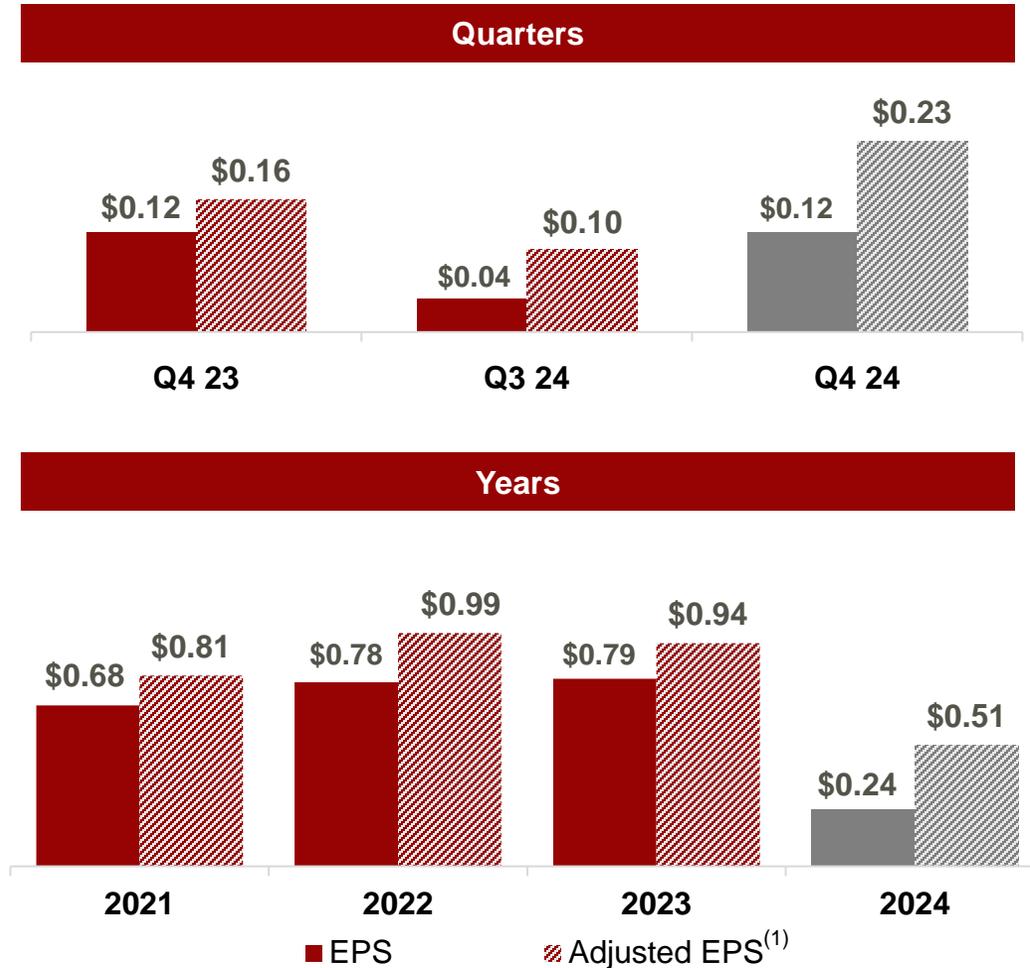
- Q4 2024 operating expenses up \$1.1 million versus Q4 2023
 - \$1.5 million incremental operating expenses attributable to Alfamation, including benefit of \$0.8 million amortization credit
 - Incremental expenses from acquisition partially offset by core business cost reductions and operational improvements

- Sequentially, operating expenses declined \$1.1 million
 - Sequential reduction in amortization expense reflects \$0.8 million amortization credit
 - Cost cutting actions and operational improvements

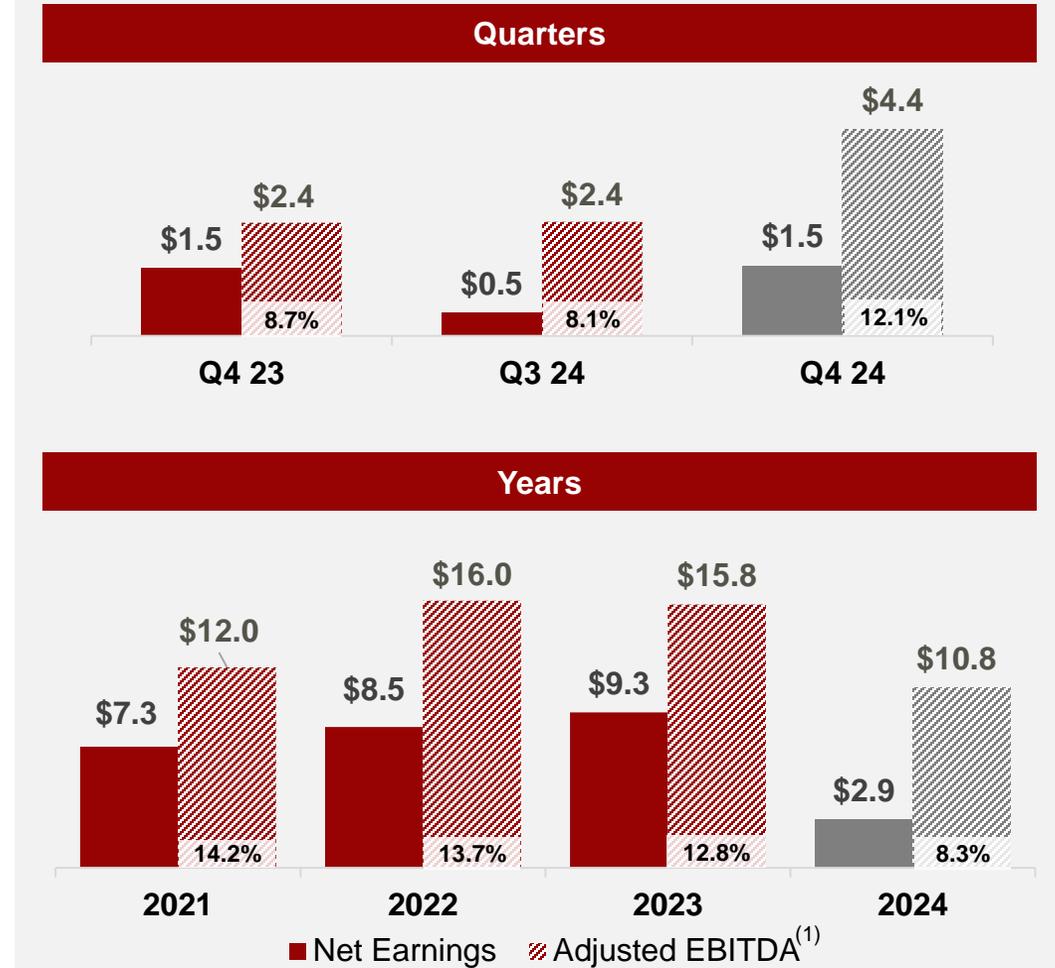
Earnings and Adjusted EBITDA⁽¹⁾

(\$ in millions, except per share data)

EPS and Adjusted EPS⁽¹⁾



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



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

Capital Structure and Cash Flow



(\$ in millions)

Capitalization				
	<u>12/31/24</u>		<u>12/31/23</u>	
Cash and cash equivalents	\$	19.8	\$	45.3
Total debt	\$	15.0	\$	12.0
Shareholders' equity	\$	99.8	\$	96.3
Total capitalization	\$	114.8	\$	108.3

Cash Flow	Three Months Ended		Year Ended
	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/24</u>
Net cash provided by operating activities	\$ 2.6	\$ 4.7	\$ 3.8
Capital expenditures	(0.2)	(0.3)	(1.3)
Free cash flow (FCF)⁽¹⁾	\$ 2.4	\$ 4.4	\$ 2.5

- Paid down \$1.1 million in debt during the quarter
- Approximately \$60 million in liquidity at quarter end
 - Includes \$19.8 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. We define Free Cash Flow as net cash from operating activities less capital expenditures.

Outlook for 2025

➤ First Quarter 2025 Guidance

- Revenue expected to be \$27 million to \$29 million
- Gross margin ~41%
- Operating expenses of \$13.6 million to \$14.0 million
 - Excludes Videology restructuring costs of ~\$0.2 million

➤ Full Year 2025 Outlook

- Revenue expected to be \$125 million to \$135 million
- Expect gradual profitability improvement throughout 2025
- Amortization expense ~\$3.4 million
- Effective tax rate ~18%
- Capital expenditures of 1% to 2% of revenue

5-Point Strategy



(1) Guidance provided March 7, 2025. 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.

Customers slowing investments due to unpredictable environment

- Uncertainty regarding tariff situation
- Pockets of improvements in some back-end semi applications for both Electronic Test and Environmental Technologies
- While lumpy, increasing activity with defense/aerospace customers
- Expecting front-end semi to be down again y/y; closely engaged with customers to develop next generation induction heating solutions for SiC, GaN and epitaxy

Optimizing channels to markets

- Leveraging Malaysia operation for engineers, supply chain and in the region manufacturing, closer proximity to targeted prospects and current customers
- Planning to consolidate Videology operations into one facility in Mansfield, MA
- Upgraded channel partner in Japan for Electronic Test

Presenting Vision 2030 on March 26, 2025

- Renewal of stock repurchase plan demonstrates commitment to long-term value creation
- Refined strategy, vision and opportunities to be presented at Investor Strategy Briefing

Conference Call Playback Info



- Replay Number: (412) 317-6671 passcode: 13751127
- Telephone replay available through Friday, March 14, 2025
- Webcast / Presentation / Replay available at www.intest.com/investor-relations
- Transcript, when available, at www.intest.com/investor-relations

Upcoming Event

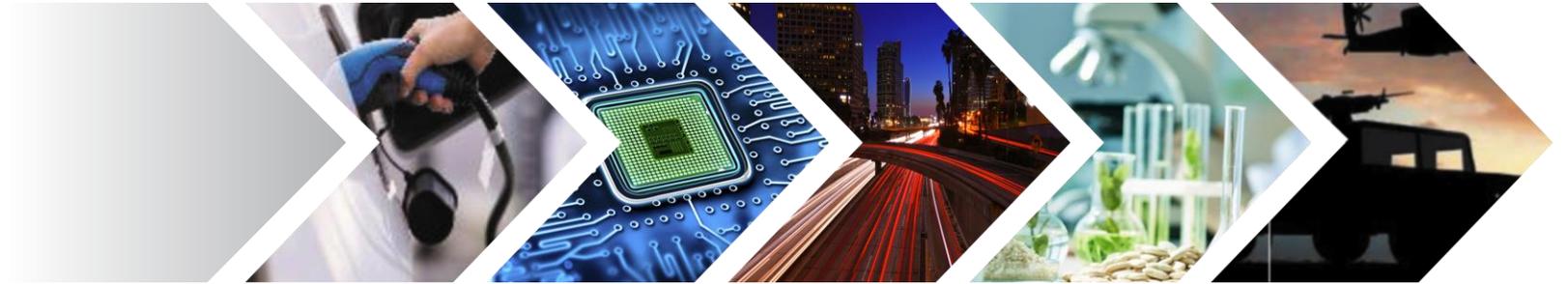
- March 26, 2025 inTEST Corporation Investor & Analyst Strategy Briefing
at the New York Stock Exchange

Register at www.intest.com/events/event-details/2025-investor-analyst-day

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Q4 2024 Financial Results Conference Call

Supplemental Information



March 7, 2025

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

(\$ in thousands, except per share amounts)

	Three Months Ended				
	12/31/2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024
Net earnings	\$ 1,455	\$ 662	\$ 230	\$ 495	\$ 1,504
Acquired intangible amortization	513	595	897	944	109
Acquired inventory step-up	-	-	-	-	1,570
Tax adjustments	(58)	(95)	(168)	(128)	(401)
Adjusted net earnings (Non-GAAP)	\$ 1,910	\$ 1,162	\$ 959	\$ 1,311	\$ 2,782
Diluted weighted average shares outstanding	12,122	12,158	12,330	12,252	12,216
Net earnings per diluted share: ⁽¹⁾					
Net earnings	\$ 0.12	\$ 0.05	\$ 0.02	\$ 0.04	\$ 0.12
Acquired intangible amortization	0.04	0.05	0.07	0.08	0.01
Acquired inventory step-up	-	-	-	-	0.13
Tax adjustments	-	(0.01)	(0.01)	(0.01)	(0.03)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.16	\$ 0.10	\$ 0.08	\$ 0.11	\$ 0.23

(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,			
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 2,891
Acquired intangible amortization	1,440	2,694	2,095	2,545
Acquired inventory step-up	-	-	-	1,570
Tax adjustments	(22)	(447)	(324)	(792)
Adjusted net earnings (Non-GAAP)	\$ 8,701	\$ 10,708	\$ 11,113	\$ 6,214
Diluted weighted average shares outstanding	10,730	10,863	11,780	12,239
Net earnings per diluted share: ⁽¹⁾				
Net earnings	\$ 0.68	\$ 0.78	\$ 0.79	\$ 0.24
Acquired intangible amortization	0.13	0.25	0.18	0.21
Acquired inventory step-up	-	-	-	0.13
Tax adjustments	-	(0.04)	(0.03)	(0.06)
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.81	\$ 0.99	\$ 0.94	\$ 0.52

(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				
	12/31/2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024
Net earnings	\$ 1,455	\$ 662	\$ 230	\$ 495	\$ 1,504
Acquired intangible amortization	513	595	897	944	109
Acquired inventory step-up	-	-	-	-	1,570
Net interest (income) expense	(340)	(193)	41	36	109
Income tax expense	111	125	66	74	298
Depreciation	255	273	356	355	415
Stock-based compensation	424	349	564	537	407
Adjusted EBITDA (Non-GAAP)	\$ 2,418	\$ 1,811	\$ 2,154	\$ 2,441	\$ 4,412
Revenue	27,884	29,824	33,991	30,272	36,603
Net margin	5.2%	2.2%	0.7%	1.6%	4.1%
Adjusted EBITDA margin (Non-GAAP)	8.7%	6.1%	6.3%	8.1%	12.1%

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

(\$ in thousands)

	Years Ended December 31,			
	2021	2022	2023	2024
Net earnings	\$ 7,283	\$ 8,461	\$ 9,342	\$ 2,891
Acquired intangible amortization	1,440	2,694	2,095	2,545
Acquired inventory step-up	-	-	-	1,570
Net interest expense (income)	89	600	(404)	(7)
Income tax expense	1,119	1,684	1,706	563
Depreciation	666	810	1,021	1,399
Stock-based compensation	1,450	1,787	2,047	1,857
Adjusted EBITDA (Non-GAAP)	<u>\$ 12,047</u>	<u>\$ 16,036</u>	<u>\$ 15,807</u>	<u>\$ 10,818</u>
Revenue	84,878	116,828	123,302	130,690
Net margin	8.6%	7.2%	7.6%	2.2%
Adjusted EBITDA margin (Non-GAAP)	14.2%	13.7%	12.8%	8.3%

Segment Reporting (Quarterly)

(\$ in thousands)

	Three Months Ended				
	<u>12/31/2023</u>	<u>3/31/2024</u>	<u>6/30/2024</u>	<u>9/30/2024</u>	<u>12/31/2024</u>
Electronic Test	\$ 8,105	\$ 11,116	\$ 16,159	\$ 15,481	\$ 21,122
Environmental Technologies	7,623	6,828	8,273	6,734	7,063
Process Technologies	12,156	11,880	9,559	8,057	8,418
Total Revenue	\$ 27,884	\$ 29,824	\$ 33,991	\$ 30,272	\$ 36,603
Electronic Test	\$ 1,702	\$ 1,813	\$ 1,743	\$ 2,311	\$ 2,865
Environmental Technologies	594	15	993	426	682
Process Technologies	2,182	1,961	970	1,070	971
Total income from divisional operations	4,478	3,789	3,706	3,807	4,518
Corporate expense	(2,856)	(2,702)	(2,473)	(2,376)	(2,330)
Acquired intangible amortization	(513)	(595)	(897)	(944)	(109)
Interest expense	(153)	(140)	(253)	(219)	(234)
Other income (expense)	610	435	213	301	(43)
Earnings before income tax expense	\$ 1,566	\$ 787	\$ 296	\$ 569	\$ 1,802

Segment Reporting (12-Months)

(\$ in thousands)

	Years Ended		
	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
Electronic Test	\$ 40,219	\$ 41,016	\$ 63,878
Environmental Technologies	30,172	30,801	28,898
Process Technologies	46,437	51,485	37,914
Total Revenue	\$ 116,828	\$ 123,302	\$ 130,690
Electronic Test	\$ 9,931	\$ 10,189	\$ 8,732
Environmental Technologies	3,817	3,073	2,116
Process Technologies	8,230	9,544	4,972
Total income from divisional operations	21,978	22,806	15,820
Corporate expense	(8,563)	(10,272)	(9,881)
Acquired intangible amortization	(2,694)	(2,095)	(2,545)
Interest expense	(635)	(679)	(846)
Other income	59	1,288	906
Earnings before income tax expense	\$ 10,145	\$ 11,048	\$ 3,454