

inTEST Corporation

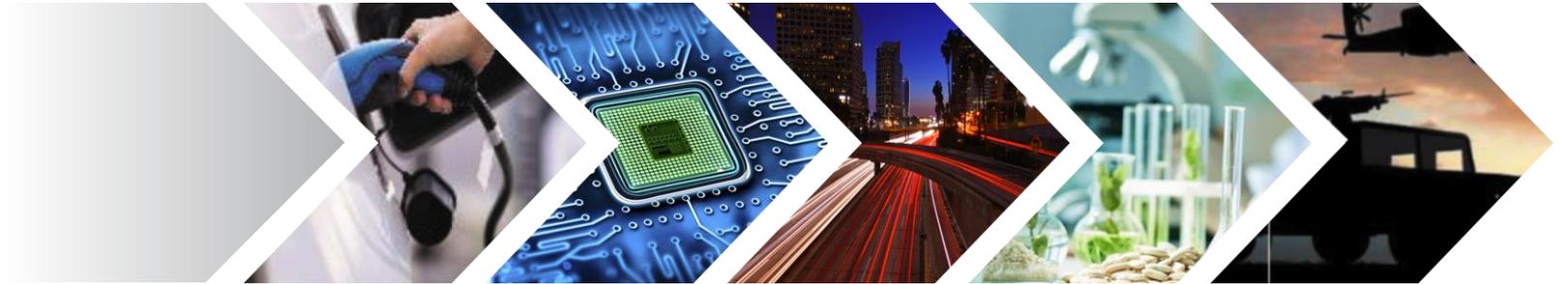
Q2 2022 Financial Results Conference Call



**Nick Grant,
President and
CEO**



**Duncan Gilmour,
CFO**



August 4, 2022

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 "believes," "expects," "intends," "may," "will," "should," "plans," "projects," "forecasts," "outlook," "anticipates," "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 the life sciences, security, industrial 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; the impact of the COVID-19 pandemic on the Company's business, liquidity, financial condition and results of operations; 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; changes in the demand for semiconductors; 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, 2021. 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.

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

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP financial measures which consist of adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, free cash flow, adjusted EBITDA, and adjusted EBITDA margin. Adjusted net earnings (loss) is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss). Adjusted net earnings (loss) per diluted share is derived by dividing adjusted net earnings (loss) by diluted weighted average shares outstanding. Adjusted EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, depreciation, and stock-based compensation expense to net earnings (loss). 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 operations. These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges as 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 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 (loss) and net earnings (loss) per diluted share to adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share and from net earnings (loss) to adjusted EBITDA and adjusted EBITDA margin, are contained in the tables that accompany this presentation. The non-GAAP financial measures discussed in this presentation may not be comparable with similarly titled measures used by other companies. The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

This presentation also contains forward-looking statements regarding non-GAAP adjusted EBITDA and adjusted EBITDA margin. The Company is unable to present a quantitative reconciliation of these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort or expense. In addition, the Company believes that such reconciliations would imply a degree of precision that would be confusing or misleading to investors. These non-GAAP financial measures are preliminary estimates and are subject to risks and uncertainties, including, among others, changes in connection with quarter-end and year-end adjustments. Any variation between the Company's actual results and preliminary financial data set forth above may be material.

Demonstrating Success of 5-Point Strategy

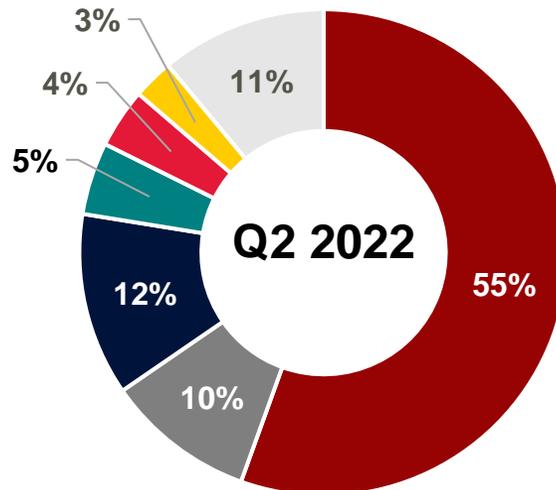
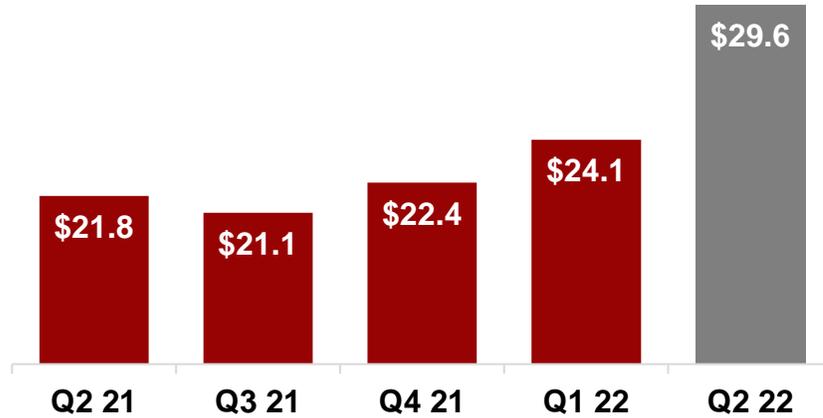
- Execution of strategy delivered better than expected results
- 36% y/y revenue growth included 12% organic expansion
 - Delivered record revenue of \$29.6 million with strength across markets
 - Organic growth of \$2.6 million driven by automotive/EV and industrials
 - Acquisitions contributed \$5.2 million in revenue
- Record orders reflect strong demand across markets
 - Sequential and y/y order growth over 60%; 40% organic growth sequentially
 - Strength in semi, auto, life sciences, defense, and other end-markets more than offset slight decline in industrial
 - Growing customer base through disciplined execution of plan
- Contributions from acquired businesses are improving
 - Strengthening sales processes, integrating business systems, leveraging sales synergies and implementing operating improvements

5-Point Strategy



Revenue

(\$ in millions)

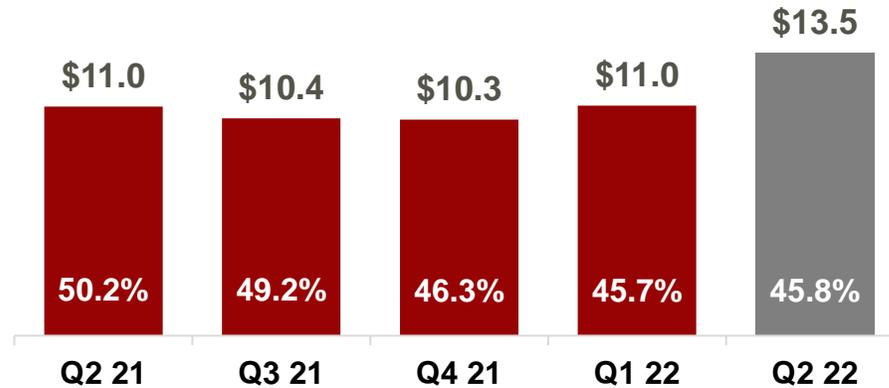


- Q2 record revenue up \$7.8 million, or 36%
 - Three Q4 2021 acquisitions added \$5.2 million
 - 12% organic growth y/y
 - 23% sequential growth
- Strong improvement across markets
 - Solid demand in front-end semi, automotive, especially EV, and industrials drove organic growth
 - Organic revenue growth supported by new products as well as geographic and customer expansion
 - Acquisitions contributed revenue from security, defense, auto/EV and life sciences markets
 - Semi front-end shipments more than offset back-end decline
 - Induction heating solutions serving front-end semi silicon carbide crystal growth, relatively new space for organization

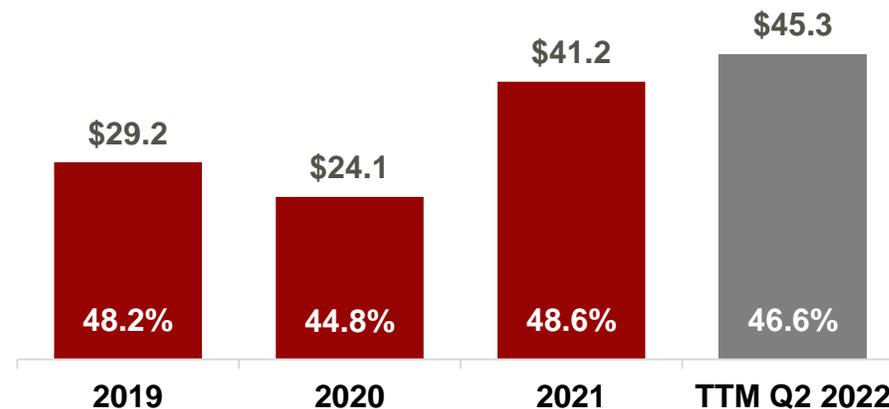
Gross Profit and Margin

(\$ in millions)

Quarters



Years/TTM



➤ Q2 gross profit increased \$2.5 million

- Margin contraction vs. prior-year period result of less favorable product mix
 - Prior-year period benefitted from significant volume in legacy back-end semi test solutions
- Margin also impacted by supply chain constraints and inflation

➤ Sequential margin stabilizing

- Improving efficiencies and pricing coming more in line with supply chain challenges and inflationary impacts

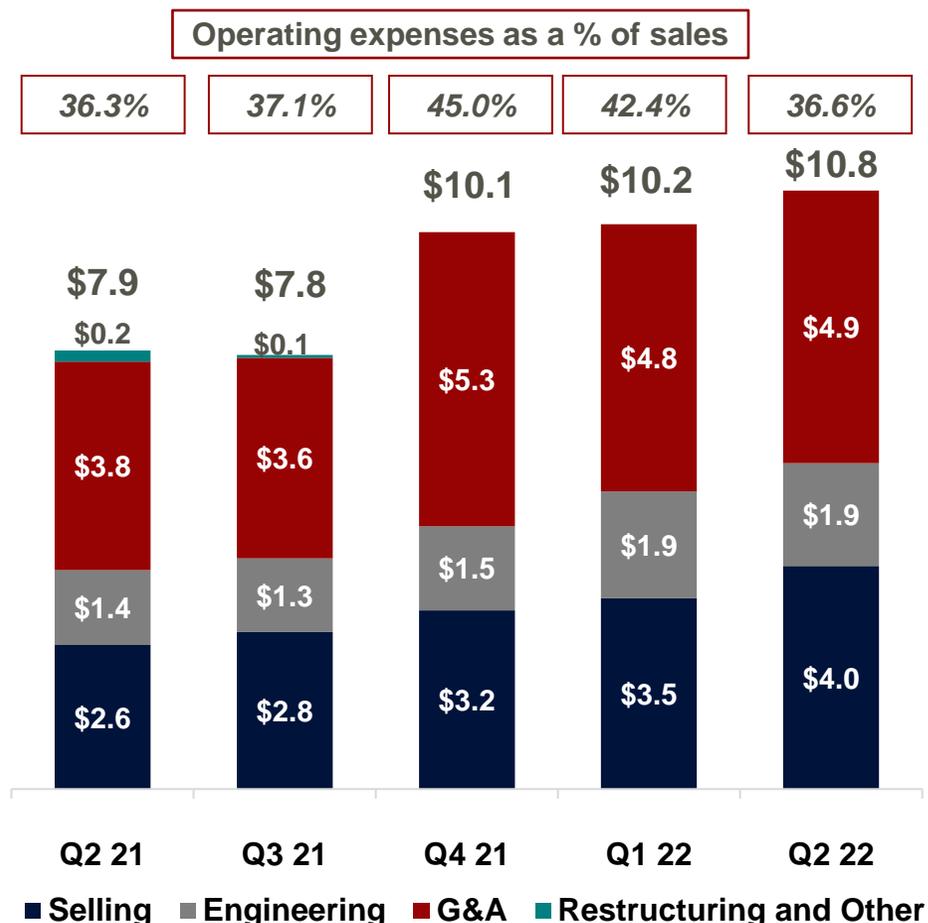
➤ Expect to see improvement in 2H 2022

- Higher volume and operational efficiencies expected to drive margin expansion
- Contributions from acquisitions expected to continue to improve

Operating Expenses

Investing in people and marketing to support 5-Point Strategy for Growth

(\$ in millions)



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

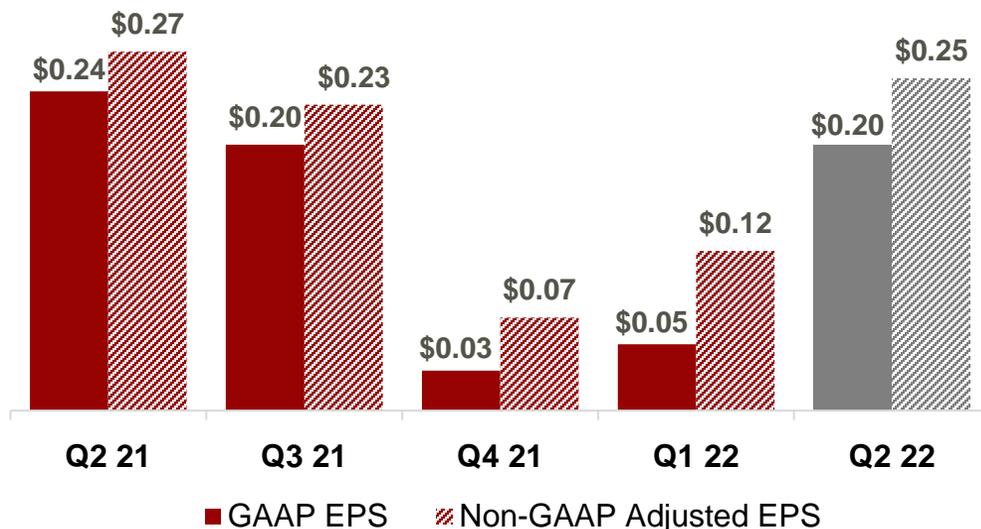
- Q2 operating expenses up \$609,000, sequentially
 - Reflects merit increases and continued growth-related investments (Q4 2021 included atypical acquisition and financing expenses)
 - Included \$765,000 of pre-tax intangible asset amortization expense vs. \$782,000 in Q1 2022 and \$305,000 in Q2 2021
- Scale and volume demonstrating operating leverage
- Expect quarterly operating expenses of \$10.8 million to \$11.0 million for balance of 2022
 - Continue to expect growth-related investments through the year

Earnings and Adjusted EBITDA

(\$ in millions, except per share data)

- Demonstrating operating leverage as the organization scales to further drive earnings power
- Adjusted EPS reflects \$603,000 (after tax) of acquired intangible amortization

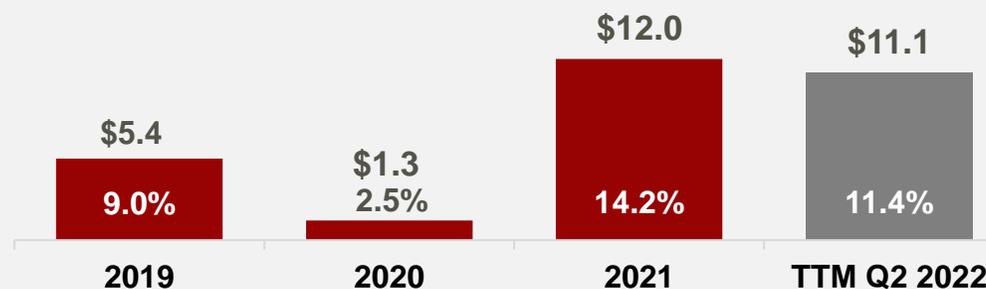
EPS and Adjusted EPS⁽¹⁾



Adjusted EBITDA and Margin⁽¹⁾ Quarters



Years/TTM



(1) Adjusted EPS and adjusted EBITDA and 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		
	6/30/22	3/31/22
Cash and cash equivalents	\$ 10.5	\$ 17.2
Short term investments	\$ 3.5	\$ —
Total debt	\$ 18.2	\$ 19.2
Total net debt	\$ 4.2	\$ 2.0
Shareholders' equity	\$ 58.1	\$ 56.0
Total capitalization	\$ 76.3	\$ 75.2

Cash Flow	Six Months Ended		Year Ended
	6/30/22	6/30/21	12/31/21
Net cash provided by (used in) operating activities (GAAP)	\$ (5.1)	\$ 3.9	\$ 10.8
Capital expenditures	(0.7)	(0.5)	(1.0)
Free cash flow (FCF)⁽¹⁾ (Non-GAAP)	\$ (5.8)	\$ 3.4	\$ 9.8

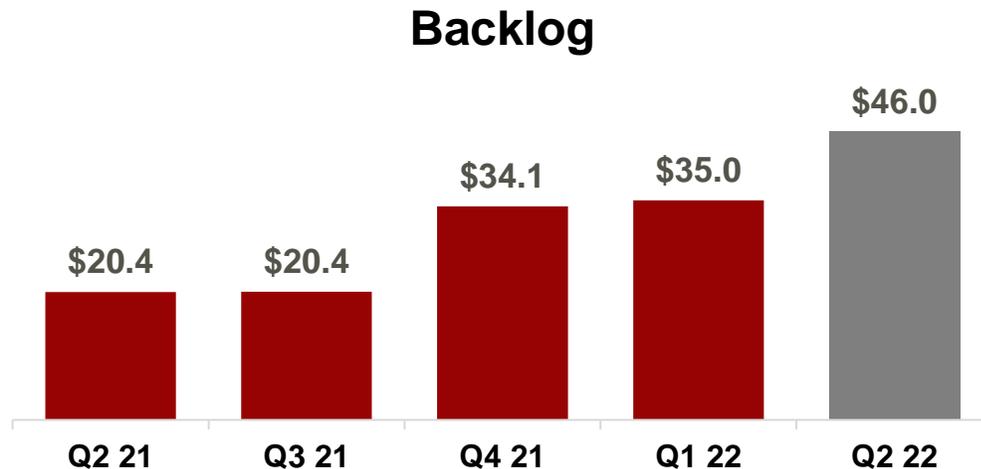
- ~\$29 million in liquidity
 - Includes \$14 million in cash and S-T investments and ~\$15 million capacity on borrowing instruments
- Measurable financial flexibility
 - Current Net Debt/Adjusted EBITDA leverage ratio less than 1.5x

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

⁽¹⁾ Free cash flow is a non-GAAP financial measure. Further information can be found under "Non-GAAP Financial Measures and Forward-Looking Non-GAAP Financial Measures."

Orders and Backlog

(\$ in millions)



- Record orders, up 60% with strong demand from all end markets
 - Book-to-bill of 1.4
 - Acquisitions added to demand especially in security and defense
 - Semi front-end and back-end orders strengthened y/y and sequentially on technology and capacity demands
 - Growing customer base with front-end solution for silicon carbide crystal manufacturing process
 - Impacted by capex spending approval cycles at large customers
- Approximately 55%, or ~\$25 million, of backlog is expected to convert to sales in Q3 2022
 - 45% of backlog to convert beyond Q3 vs. historic levels of ~20% as customers secure production capacity

Reaffirming Outlook for 2022

- Executing our 5-Point Strategy to continue driving growth
 - Innovative solutions gaining confidence among growing customer base
 - Increasing volume of longer term commitments
- 2022 Outlook & Q3 Guidance⁽¹⁾
 - 2022 revenue: \$110 million to \$115 million
 - 2H 2022 gross margin: 46% to 48%
 - Operating expenses: \$10.8 million to \$11.0 million per quarter
 - Interest expense: ~\$150,000 per quarter
 - Effective tax rate: 16% to 17%
 - Capital expenditures: 1% to 2% of revenue
 - Q3 revenue: \$29 million to \$31 million
 - Q3 GAAP EPS: \$0.20 to \$0.25
 - Q3 non-GAAP Adj EPS⁽²⁾: \$0.25 to \$0.30

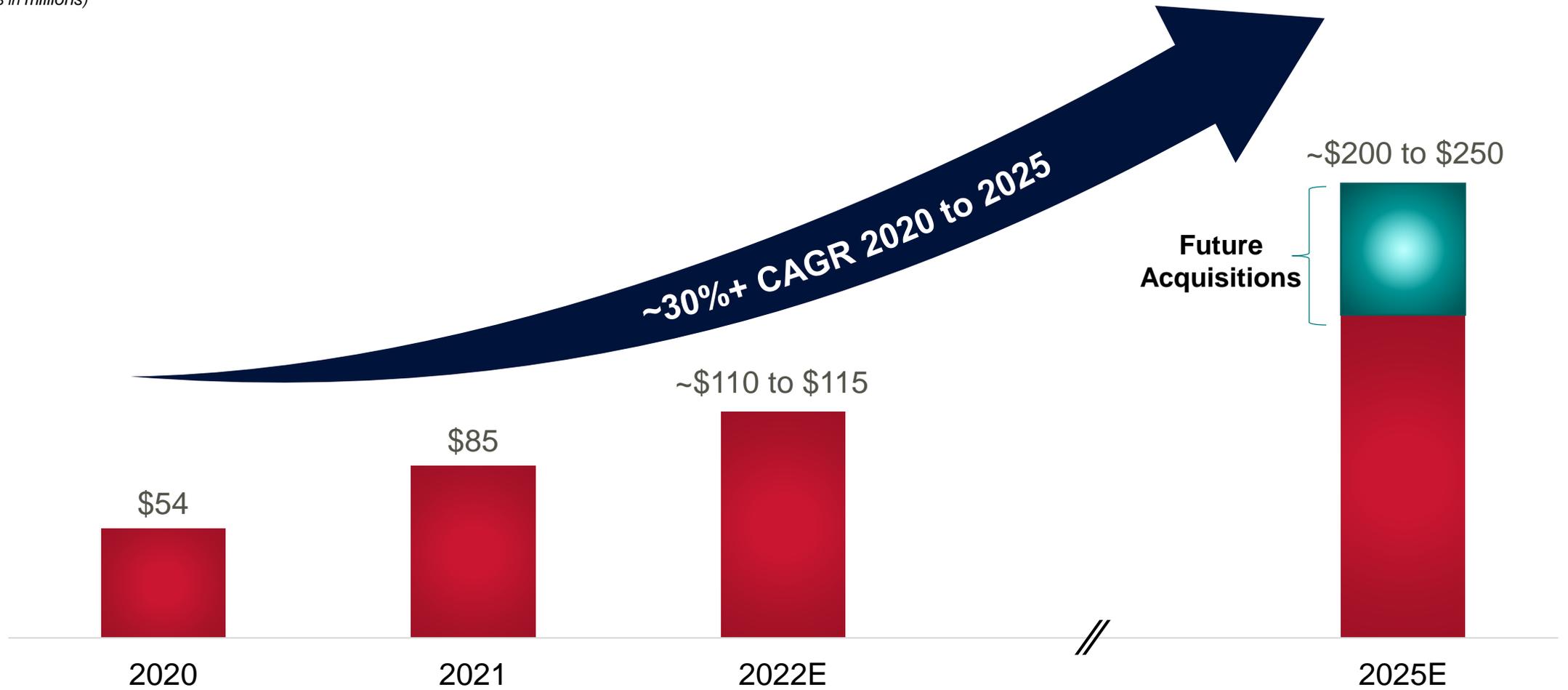


⁽¹⁾ Guidance provided August 4, 2022. The foregoing guidance is based on management's current views with respect to operating and market conditions and customers' forecasts. It also assumes supply chain challenges are expected to remain unchanged in the first half of the year and to begin to improve modestly in the second half. 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 to Plan

(\$ in millions)

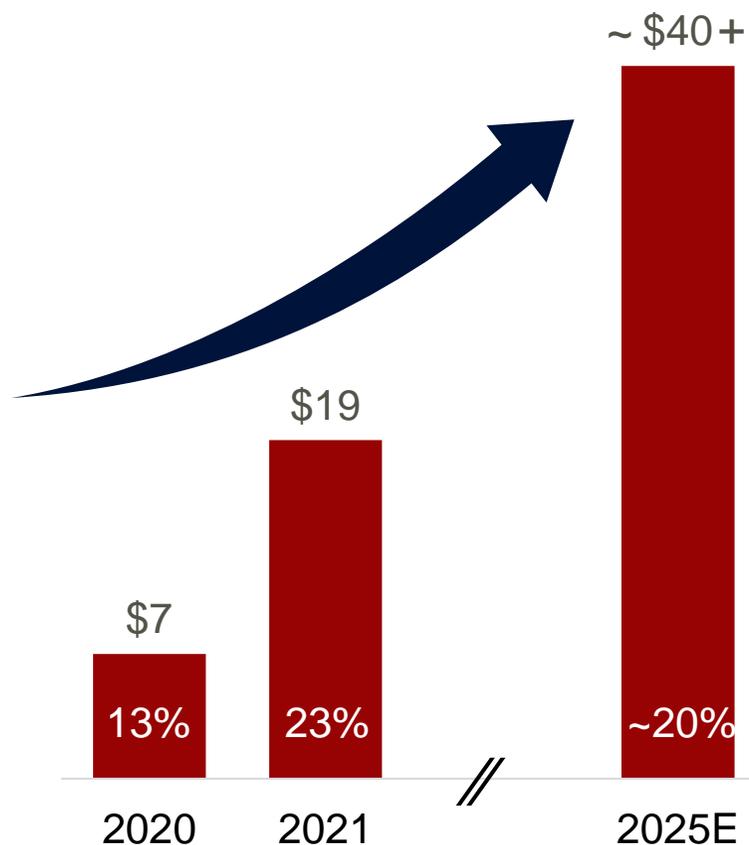


Scale Expected to Drive Operating Leverage

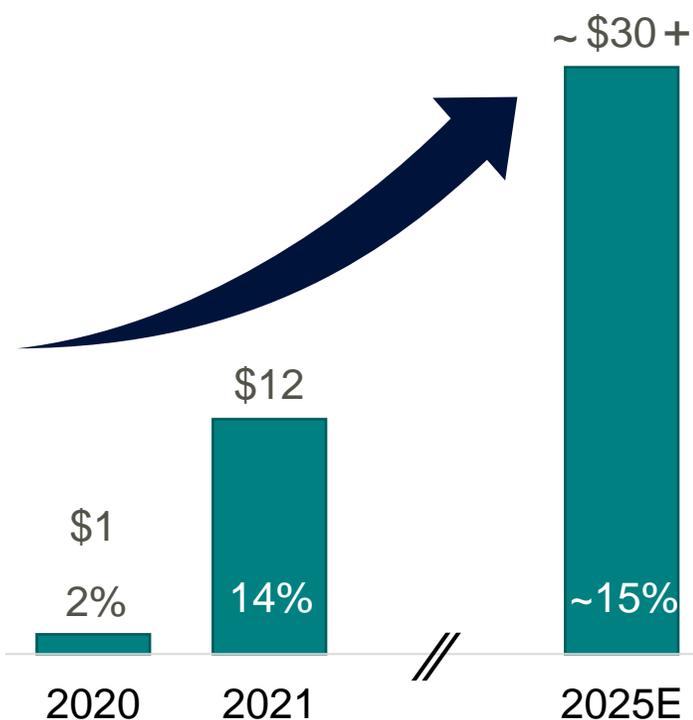


(\$ in millions)

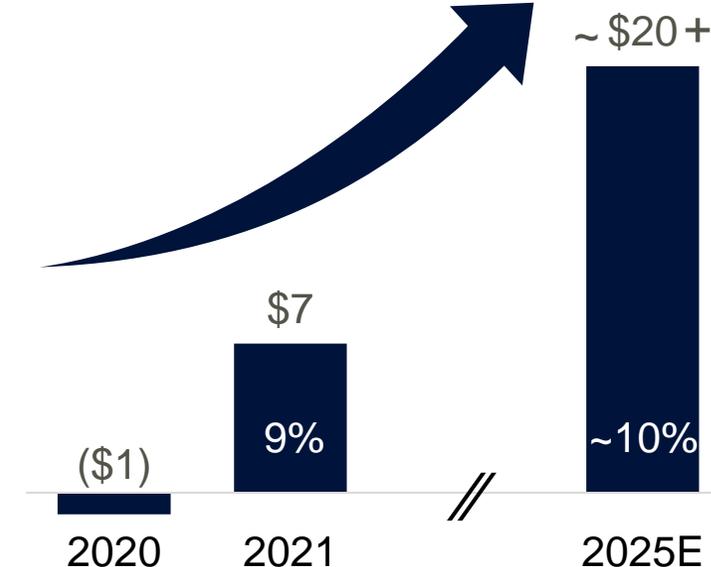
Division Operating Income*



Adjusted EBITDA¹



Net Income (Loss)



¹ 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.

*Division operating income is unaudited.

Strong First Half on Track with Plan

-  **Strong demand for innovative technologies and engineering expertise**
-  **Diversified end markets with strong secular growth drivers**
-  **Increasing customer base, deepening customer reach and expanding geographically**
-  **Financial flexibility to execute growth strategy**
-  **Executing 5-Point Strategy and delivering results**

Conference Call Playback Info



- Replay Number: (412) 317-6671 passcode: 22019594
- Telephone replay available through August 11, 2022
- Webcast / Presentation / Replay available at ir.intest.com
- Transcript, when available, at ir.intest.com

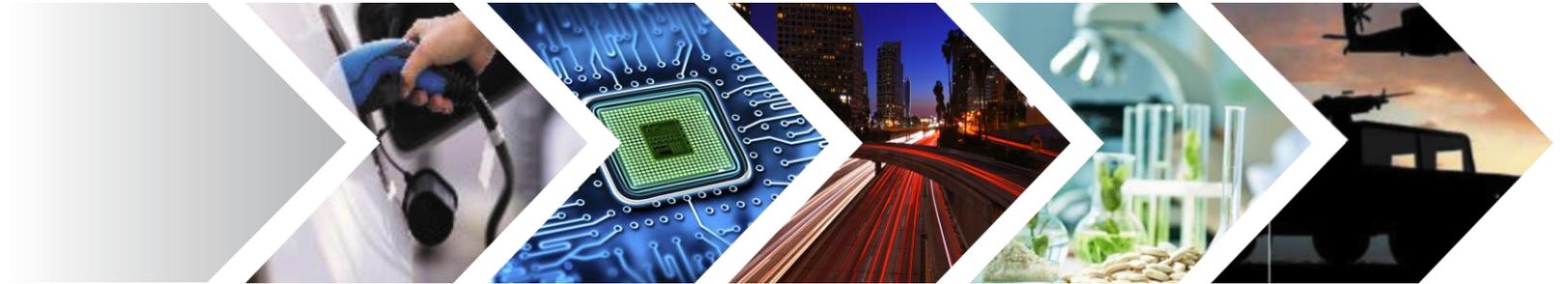
Upcoming Events

- Midwest IDEAS Conference on August 24, 2022
- Needham Semiconductor & SemiCap Conference on August 25, 2022

inTEST Corporation

Q2 2022 Financial Results Conference Call

Supplemental Information



August 4, 2022

inTEST

Adjusted Net Earnings Reconciliation

(\$ in thousands)

	Three Months Ended		
	6/30/2022	6/30/2021	3/31/2022
Net earnings (GAAP)	\$ 2,116	\$ 2,609	\$ 577
Acquired intangible amortization	765	305	782
Tax adjustments	(162)	(4)	(93)
Adjusted net earnings (Non-GAAP)	<u>\$ 2,719</u>	<u>\$ 2,910</u>	<u>\$ 1,266</u>
Diluted weighted average shares outstanding	<u>10,815</u>	<u>10,765</u>	<u>10,843</u>
Net earnings per share – diluted:			
Net earnings (GAAP)	\$ 0.20	\$ 0.24	\$ 0.05
Acquired intangible amortization	0.07	0.03	0.08
Tax adjustments	(0.02)	-	(0.01)
Adjusted net earnings per share – diluted (Non-GAAP)	<u>\$ 0.25</u>	<u>\$ 0.27</u>	<u>\$ 0.12</u>

Adjusted EBITDA Reconciliation



(\$ in thousands)

	Three Months Ended		
	6/30/2022	6/30/2021	3/31/2022
Net earnings (GAAP)	\$ 2,116	\$ 2,609	\$ 577
Acquired intangible amortization	765	305	782
Interest expense	133	2	137
Income tax expense	454	447	78
Depreciation	174	167	188
Non-cash stock-based compensation	551	454	372
Adjusted EBITDA (Non-GAAP)	<u>\$ 4,193</u>	<u>\$ 3,984</u>	<u>\$ 2,134</u>
Revenue	29,571	21,820	24,081
Adjusted EBITDA margin (Non-GAAP)	14.2%	18.3%	8.9%

Adjusted EPS Reconciliation

Estimated Q3 2022 Guidance



	<u>Low</u>	<u>High</u>
Estimated earnings per share – diluted (GAAP)	\$ 0.20	\$ 0.25
Estimated acquired intangible amortization	0.06	0.06
Estimated tax adjustments	(0.01)	(0.01)
Estimated adjusted earnings per share – diluted (Non-GAAP)	<u>\$ 0.25</u>	<u>\$ 0.30</u>

Segment Reporting



Reclassification of 2021

(\$ in thousands)

	Quarter Ended					Year Ended
	<u>6/30/2021</u>	<u>9/30/2021</u>	<u>12/31/2021</u>	<u>3/31/2022</u>	<u>6/30/2022</u>	<u>12/31/2021</u>
Electronic Test	\$ 9,054	\$ 8,103	\$ 6,851	\$ 8,778	\$ 9,797	\$ 32,509
Environmental Technologies	6,647	6,875	7,176	6,993	7,507	26,896
Process Technologies	6,119	6,166	8,331	8,310	12,267	25,473
Total Revenue	<u>\$ 21,820</u>	<u>\$ 21,144</u>	<u>\$ 22,358</u>	<u>\$ 24,081</u>	<u>\$ 29,571</u>	<u>\$ 84,878</u>
Electronic Test	\$ 3,237	\$ 2,634	\$ 2,068	\$ 1,887	\$ 2,193	\$ 10,926
Environmental Technologies	1,113	1,090	1,110	802	1,070	4,236
Process Technologies	1,161	1,078	1,124	730	2,569	3,819
Total income from divisional operations	5,511	4,802	4,302	3,419	5,832	18,981
Corporate expense	(2,171)	(1,944)	(3,485)	(1,835)	(2,339)	(9,082)
Acquired intangible amortization	(305)	(309)	(522)	(782)	(765)	(1,440)
Other income (expense)	21	(17)	(59)	(147)	(158)	(57)
Earnings before income tax expense	<u>\$ 3,056</u>	<u>\$ 2,532</u>	<u>\$ 236</u>	<u>\$ 655</u>	<u>\$ 2,570</u>	<u>\$ 8,402</u>

Beginning in the first quarter of 2022, the Company made a change to its reportable segments from two reportable segments to three reportable segments – Electronic Test, Environmental Technologies and Process Technologies. These segments, which operate as Divisions, align with how the Chief Executive Officer (CEO), who is also the Chief Operating Decision Maker (CODM) as defined under U.S. GAAP, allocates resources and assesses performance against the Company’s key growth strategies. Prior period reportable segment results and related disclosures have been restated to be consistent with the current year presentation.