inTEST Corporation

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Investor & Analyst Day

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INTEST EXECUTIVE MANAGEMENT

Leadership Team Transforming inTEST

Nick Grant – President and CEO

Duncan Gilmour – CFO and Treasurer

Richard Rogoff – VP, Corporate Development

Meghan Blount – VP, Human Resources

Scott Nolen – Division President, Process Technologies

Joe McManus – Division President, Electronic Test

Greg Martel – VP and GM, Environmental Technologies

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Presentation

Deborah Pawlowski

Good morning, and welcome to inTEST Corporation's First Investor and Analyst Day. We're happy to have both the folks in the room here with us, as well as those of you who are listening via the webcast. I'm Deborah Pawlowski, Investor Relations for inTEST.

SLIDE 2:

Let me start by reviewing the safe harbor statement on Slide 2. As you are aware, we may make some forward-looking statements during this presentation as well as during the Q&A. 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 and uncertainties and other factors are provided on this slide as well as with other documents filed with the Securities and Exchange Commission. This presentation can be found on our website or at sec.gov.

We will also discuss some non-GAAP financial measures during our presentation today. 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 a reconciliation of our non-GAAP measures with comparable GAAP measures in the slides that are posted here on our website.

SLIDE 3:

We have a very full day here for us. We have the executive management team, each presenting their successes for year one of our 5-Point Strategy. We will hold our questions until the end of the presentation, but we've allowed ample time for lots of questions. I should mention that if you're listening via the webcast, you can submit questions at any time during the presentation, and we'll get to those at the end as well.

SLIDE 4:

Here is the leadership team that is present in the room today. Most of you are familiar with Nick Grant, our President and CEO, and Duncan Gilmour, our Chief Financial Officer. Also presenting today are Rich Rogoff, who joined us just last year as our Vice President of Corporate Development; Meghan Blount has been with the company all of 5 weeks now. She's our Vice President of Human Resources. We announced this morning our reorganization into three divisions. So, presenting today are the leaders of these divisions: Scott Nolen, who is the President of Process Technologies; Joe McManus, who is the Division President of Electronic Test; and Gregory Martel, who is the Vice President, GM of Environmental Technologies.

We welcome you again here today. And now let me turn it over to Nick.

Nick Grant
Transforming inTEST

Good morning, everyone, and thanks, Deb. We really appreciate your participation today. We're excited to share with you the journey that we embarked on here at inTEST. A little bit about my background. I joined the company 18 months ago as the CEO and the first externally hired CEO into this business with the intention of coming in and driving change into this organization. I've had a successful career, leading multiple businesses, divisions, and world areas, for a number of large industrial conglomerates, including ABB, AMETEK, and Emerson, throughout my career. I am really excited to take what I've learned over the past 20-some odd years in leadership roles and apply that knowledge and experience to inTEST. I am even more excited to share with you the journey we're on here. We've really made some great progress in year one, but we have a long way to go.

SLIDE 6:

One of the first things I did working with the management team here was to find a purpose for inTEST -- what are we striving to become? Together, we quickly settled in on an innovative test and process solutions technology company. We decided to strive to become the supplier of choice out there; meaning that you're one of the market leaders; the ones they think of when they need your products and solutions. That's our goal and our objective.

We said then, how are we going to get there? It's really about leveraging our expertise, our know-how, our industry knowledge. You're going to hear a lot about that across our businesses. We've got hundreds of years of engineering know-how across our businesses. It's about applying that in a way that allows us to differentiate, to innovate, and sell these solutions, but not only on a small scale, but across a wide variety of the markets.

SLIDE 7:

Over the past 18 months, we have made some tremendous progress. If anyone's been following inTEST for quite some time, I really believe things are changed. It's not the company you've come to know. We have a robust 5-point strategy in place, which you're going to hear a whole lot about today. The company is diversified, serving the globe as well as a number of industries -- targeted growth industries. We have consistent, open communication up and down the organization, and everyone is aligned on what we're trying to achieve. We have an energized workforce. We're shifting from this more conservative, sleepy, risk-averse company to one more results-driven and aggressively entrepreneurial; I am really pleased with the progress we made this past year.

SLIDE 8:

As I was coming into the company, I was very happy to know that we aren't starting from scratch. I looked at this and really assessed where I was going to drive this transformation from. I am really excited about the technologies we have. The approach of all three businesses is highly engineered, customer-driven solutions which have been built on decades-long relationships with customers that, blue chip customers, that we can build off upon.

The prior management team has moved, over the past couple of decades, to try to diversify this business outside of just semi, so we are serving a wide variety of industries today. We are a global company. We had about half of our sales go into Asia last year, about 1/3 into the Americas, and the balance into Europe, Middle East, Africa. We have a great foundation and platform on which we are building our forward vision, and that's all about creating long-term value for our shareholders and our employees. So how do we do that?

SLIDE 9:

Our recipe here starts with that foundation I just described. We build off of that, and we make sure we have the right leadership in place. I've made some really good progress this past year upgrading talent, bringing in some individuals who can execute our strategies as well as getting the right individuals in the company in the right roles where they belong and that help us deliver on where we want to go.

We launched our 5-point strategy, which I've been talking about on the earnings call since the beginning of last year, but we're going to go to a lot deeper into it today.

We have a new focus on acquisitions, which was something the company only used to do every four or five years. We have taken an aggressive approach to filling up our portfolio gaps, adding new technologies, and expanding into new markets, and we have the strong balance sheet to do that. I'm excited to announce, as Deb alluded to, we're reorganizing the company to better position us for the growth ahead. And I'm going to talk more about that in just a minute.

As we all know, it always comes down to people. If you do not have the right people, an energized and aligned team that is committed to where you want to go, you won't get there. Over this past 18 months, I am really pleased with the cultural change I've seen, and the support shown from the bottom to the top and across the organization.

SLIDE 10:

I think that really started to show in our results this past year. The commitment is there, and if you look at nearly all measures out there, 2021 indicates we are definitely moving in the right direction. We have a long way to go, but our recipe is working.

We have achieved some good market share gains and enhanced innovation, which you will hear quite a bit about from our division leaders today and about their activities in their businesses. We are also diversifying and getting into new markets to expand on our served markets. We did have some overall tailwinds, which allowed us to accelerate some of our activities into the first year. At the end of the year, we added three companies that now positions us well heading into 2022 and beyond.

SLIDE 11:

This new organization structure, as you have known, inTEST has historically reported into two segments, Thermal and EMS for quite some time. With the acquisitions we completed last year and the new organization, we do not want to manage the business into those two segments. It is not appropriate, and it's not going to deliver the results.

We are moving to a new organization structure around three technology divisions. First, the Electronic Test division, which is headed by Joe McManus, who is going to speak shortly. This is where we will house our semiconductor test equipment, or EMS products, as well as our new flying probe technology and in-circuit testers from Acculogic a recent corporate acquisition. The second is the Environmental Test division, headed by Greg Martel. This is where our thermal test and storage solutions reside today, which includes the Z-Sciences acquisition that we folded into our ITS business last year. Last but not least, is our Process Technologies division, which will house our induction heating solutions as well as video imaging video capture solutions we picked up with our Videology acquisition, which will be led by Scott Nolen. You will hear from all three of these guys today. I really believe technology aligned divisions are where we want to go, and there's a lot of benefits for doing that.

SLIDE 12:

I am a strong believer that having focus drives accountability and results. We have leaders overseeing these businesses who can leverage their resources, can drive common practices, processes, leverage systems, and deliver the overall results we're trying to gain. More importantly, they can bundle solutions that will give us broader options for customers. They bundle technologies like process, induction heating and imaging, flying probes, and interface testing, so we have sharing of technology promoting collaborations across these divisions and really which is the right platform for us to go forward. If you look at it, based on the revenues this past year, we have about a 3-legged stool that we are building from here. It's almost 1/3, 1/3, 1/3 with these three divisions, and we will look to scale them appropriately over time.

SLIDE 13:

One area where we made a lot of progress this past year was expanding our served markets. Not only going about it organically by innovating new products to penetrate adjacent spaces, but also going after the new markets and getting a position in these markets with our acquisitions and new technologies. When I started with the company, our served market was roughly $600 million. Over time, we have positioned ourselves as the market leaders in these segments. Now with these acquisitions and our new technology expansions, we are serving over $2 billion in the markets where we can grow, which provides ample opportunity for each division to really accelerate growth.

SLIDE 14:

We are so excited about our new playground, not only the size of it but also the makeup of it. We are serving diverse markets and some great industries Many people have come to think of inTEST as a semiconductor company, and that is where the heritage started. But, when I joined in 2020, it was about 50-50 semi/non-semi markets. Going forward, because of our growth and our investments to diversify the company, semi will remain the main focus area for us where we will continue to invest. However, our other markets are anticipated to grow faster than semi, and we believe being in the right application segments, like electric vehicles, battery testing, cannabis, medical cold chain technologies, will drive faster growth in our non-semi segments.

SLIDE 15:

How do we get to where we want to go? It is really about having that road map, the execution plan, which is our 5-point strategy. The strategy is all about the customer and how to better serve the customer. That is by driving more innovative and differentiated solutions that solve their challenges. It's about expanding our global presence to be present with the customer and be on site to help them along the way. It's about having the right service and support out there after market, to make sure that we can drive repeat business with these customers and provide complete customer satisfaction. Ultimately, it comes down to the talent and the culture; do we have the right people in the right roles are we the organization's culture, one that the good people that come in, want to stay. So that's something that we'll dive into a little bit more. But it's an area that I've been focusing on.

And then last but not least, our focus is on strategic acquisitions and partnerships; not only driving the organic piece through these other activities, but building out our portfolios, entering new markets, and partnering with companies that expand our solutions. We are pleased with the progress we made this past year on all of these strategies, and we are going to dive into each one a little bit deeper.

SLIDE 16:

Starting with global and market expansion, this is about serving the globe better. While we are a global company with almost half of our revenues in Asia and about a quarter in Europe, we could do it much better.

We have gaps and logistic challenges, so we have to look at how we position ourselves in our end markets appropriately.

How do we ensure we have the right coverage, from a sales front-end perspective, in the markets to capture the appropriate growth? It is all about making these direct investments in the front-end sales resources and developing channel partners. It is executing global supply agreements with our key accounts. It's about making inTEST more known, the first thought out there, so we need to improve our branding there.

SLIDE 17:

We have made some really good progress this first year with this particular part of our strategy. You will hear about a number of key investments made by the division leaders relative to the front end. They have expanded their channel partners across the globe where they had gaps. We are entering new markets with technology. And all three have really driven OEM programs as an area that our direct sales guys will be focused on driving. Once we get embedded with these OEMs and system integrators, we are able to leverage their sales force to pull our solutions along with theirs. The strong progress we have seen this past year will pay off for years to come. It's about improving our footprint , so we're closer to customers.

SLIDE 18:

Next, innovation and differentiation. This one is near and dear to me being a physicist as an undergraduate student and because it requires focus on the customer. It is about driving the solution that others can't and leveraging our industry know-how. We are really pleased with the progress we're making in this area and other areas where we have invested more engineering resources across the organization. We have launched a number of new products that address market needs. Highly valued customer solutions are again making inTEST more applicable within the market. This is an area where we are putting focus, developing road maps that are market driven.

SLIDE 19:

We have achieved great progress in year one. Our compact EKOHEAT and workhead solutions that were launched last year, did address one of the top pain points for customers. The team did a great job identifying what customers need; they wanted more floor space availability instead of having large equipment sitting there, smaller footprints. These new workheads are half the size or less in some cases than in our prior products, so great job by the induction heating team. Our environmental tech solutions around the cannabis chillers; we now have a platform of five different offerings for this market. This gives us a stronger position, allowing us to drive more standardization rather than just picking off one customer at a time there.

SLIDE 20:

Our next-gen ECO stream is something you will hear about that fills a gap in our portfolio and also a market need. Thinking about our electronic test and the work we're driving to try to lead automation on the test floor. We have launched the automated manipulators and entered new markets with our high-powered interface solutions, called ECO Lightning. You are going to hear more about the excellent progress made in year one on this part of our strategy.

SLIDE 21:

Next, service and support. It's about getting better coverage. It's about being with the customer through the life cycle. It's about helping them to keep their plants up and running, and there has been good progress made on this front. Although I would admit that COVID did give us a slow start. We could not get out to do some of the on-site initiatives, on the service side of things, that we wanted to do. We will focus more on developing these remote solutions and capabilities which again we will continue to build upon going forward.

You will hear about some master service agreements that we're driving with key accounts that have a large installed base; we will then embed engineers on-site to better support the clients to keep them up and running. This is about expanding our current service offerings. We did a nice job with the acquisition of Acculogic last year, since a portion of their revenue, about 20%, is driven by test programming services offered to customers to help them develop their own test programs, their solutions, customized testing. We provide that as a service out there. We are excited where service is heading; although, as I said, there has not been quite as much progress as I would like on this one due to the COVID pandemic.

SLIDE 22:

I've spent a lot of time this past year, since joining the company, getting that right culture and ensuring we have the right talent, the right people in the right seats on the bus. What we wanted to make it clear is change starts at the top, and we have to drive it with the right people. We have to move from this sleepy conservative company to a more results-driven business while holding people accountable.

One area that we have emphasized this past year is diversity. I am pleased with the progress we made this past year and in making sure we have aligned incentives. We want to make sure right people are properly rewarded.

SLIDE 23:

In Q4, when I started, I implemented the first company-wide town hall meaning across all of inTEST, which had not been done in the past. We communicated our strategy in our first quarter town hall. During each subsequent town-hall, we are updating our progress, so everyone knows where we are going and is clear about our strategy.

We also did our first-ever employee engagement survey to obtain a little deeper insight. Are employees committed to where we are going, and are they satisfied with the direction. I am pleased about the participation and the feedback we received. We implemented a new performance management system, which is about driving that accountability and establishing rewards for meeting goals and objectives. On the diversity hiring, I mentioned we made good progress. Two-thirds of our hires across the entire company last year were diverse candidates. Thanks to our shareholders, we implemented an employee stock purchase plan, so everyone can benefit as the company drives success.

The last objective I'll touch on is the addition of senior talent into the company. Duncan joined us in mid last year. Joe McManus, who is heading up our electronic test business came at the beginning of last year. Rich Rogoff joined at the end of last year as our M&A leader and corporate development leader. Most recently, Meghan Blount has joined the company to head up our corporate development and HR activities. I am excited about the new team we have in place, and I believe we have some of the best talent out there and who are all poised to execute going forward.

SLIDE 24:

Last, but not least, is the strategic acquisition and partnerships, which is something I have had a passion for throughout my career. I had been driving it at Emerson and AMETEK. I did not get the opportunity at ABB to do much on the acquisition front, but having done over a dozen deals, I recognize the importance of adding technologies, penetrating new markets, and building out your portfolios. inTEST did do this opportunistically in the past, but we have a very different approach going forward.

SLIDE 25:

As you can see, we were quite successful in year one with the three deals completed in the fourth quarter. You might ask why in the fourth quarter. We started working these opportunities earlier in the year or even some in 2020; it just takes time. You have to have a willing seller and the right price. I'm really pleased about all three of our deals and with the valuations where we acquired them.

The first completed acquisition was the Z-Sciences Corporation, which was about penetrating new markets and allowing us to leverage our ultra-cold temperature technology, that we were doing on the test side, but not on the storage side. They opened that up for us and enabled us to bring some talent into the company that positions us well. Videology was about expanding our process technology solutions and opening up image capture, which is an application that is growing so rapidly. Everything is getting some camera, some image on it, which also aligns with our existing portfolio. You will hear from Joe about our Acculogic team and the systems they use for flying probes. They have cameras they're trying to embed now with the Videology solutions.

There is great opportunity to drive more collaboration, but those acquisitions opened up a $1 billion served market opportunity. It is a large space that we can and will go after. Acculogic was the one we completed at the end of the year on the 21st of December, which was all about expanding our electronic test capabilities and moving beyond semi solutions into integrated circuits serving a wide variety of industries.

SLIDE 26:

Before I turn it over to Joe, let me just summarize where we are. We have a strong foundation on which we are building, highly valued solutions, and a strong blue-chip base of customers. The business is absolutely not broken, and it generates strong margins and cash flow. With the transformational pillars we have put in place, the new leadership team, our 5-point strategy, our recent acquisitions, and this new organizational structure based around technology divisions, our focus is on growth going forward. We believe we can take this business to -- between $200 million and $250 million by 2025. That's our objective. We are executing on a clear plan behind that. As we drive this top line growth, which you will learn more about in Duncan's section here, our expectation is to maintain strong margins and cash flows throughout. So, we are excited about the journey we are on.

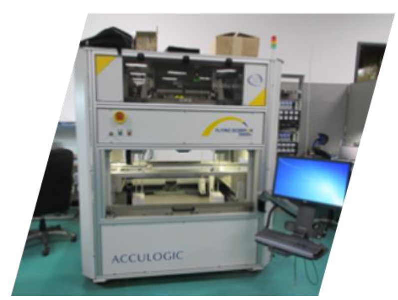
With that, I'll play a short video that will give you more perspective on our 3 divisions. Then Joe is going to get up, followed by Greg and then Scott on each of the divisions. Thank you.

Joe McManus

Electronic Test:

Reducing the cost of high-quality test

SLIDE 27:



Good morning. Thank you, Nick. Thank you all for being here to learn more about inTEST. I am Joe McManus, the President of inTEST Electronic Test division. I joined the company just about 13 months ago, after spending 4 years at CECO Environmental leading their sales and marketing for the Fluid Handling division. Before that, I spent 20 years at a company called Akrion Systems that made capital equipment for the semiconductor industry.

I'm really excited to be part of inTEST and working with so many of the customers with whom I worked throughout my career. I was fortunate to join inTEST soon after the launch of the strategic plan and to be involved in making the investments needed to get our growth into high gear. We had an incredible first year. I inhered an amazing team; we executed well on the 5-point plan, and we delivered a year of amazing growth. At the end of 2021, we acquired the Acculogic business, which had a great group of people with a DNA that was similar to that of the EMS business. I am honored to be leading a fantastic team whose knowledge and passion for the business is exciting as are the ideas for what we can accomplish together.

SLIDE 28:

Electronic Test was the largest division within inTEST last year with 38% of the company sales. 80% of our sales went to Asia. We have manufacturing in New Jersey, outside of Toronto in Canada, and in Germany. We have over 90 employees, approximately 30 of whom are engineers. The number one reason customers work with us is our engineers. They are a huge part of the DNA I mentioned earlier. Our engineers are known for being the people you want to work with to help you solve your toughest electronic test challenges. We have close ties to our customers through our sales, service, and application engineers, both direct and through our channel partners. Our strong responsiveness, knowledge, applications, and understanding of customers' challenges are critical, not only for ensuring that our customers are successful today, but to make certain that we are the ones they want to work with and partner with to meet their future needs.

SLIDE 29:

Historically, the division was 100% back-end semi. Since joining, we have grown that part of the business, but we have really broadened our reach beyond that with the Acculogic acquisition. We now have exposure to a large variety of diverse markets, including the rapidly growing EV battery market. This diversification of our revenue stream will be apparent in 2022. We expect 30% of our business to come from new markets, and by 2025, it is going to be 40%. During this period, we expect all markets to grow, but we expect outsized growth in the EV battery and the industrial markets.

SLIDE 30:

As I touched on earlier, our engineers are what sets us apart. We have the expertise that is unmatched among our competitors. Our customers seek out our engineers to work with on their most challenging issues. In many cases, they have been working together for decades. An engineer at one of our major European customers reached out to our Director of Engineering about a year and a half ago as they were putting in a new tester for RF and automotive products. They had worked together many times in the past, and they were having issues. After a development process and a successful implementation at this customer, we approached two more customers. We were successful with them, and then we approached the OEM that was supplying the tester. Now our interface is the tester the one the OEM goes to market with. That's how our engineers, working with our customers, get us to grow our market.

SLIDE 31:

The core of the business has historically been semiconductor tests. Our semiconductor solutions are enabling testers from companies such as Teradyne and National Instruments to work with probers from companies like Tel and Acrotech, on probe cards from FormFactor and Technoprobe and handlers from Advantest and Cohu. We do this with manipulators that move the tester into place. In 2020, we launched industry's first fully automated manipulator. This automation is helping to improve the safety and the efficiency of the test floor. Our sales with this product are growing year-over-year. We provide docking solutions that create the precise and repeatable mechanical connections between the tester and the peripheral equipment and the electrical interface between the tester and the device under test

Why is this important? If you look at a device that's probably in your pocket, your hand , right in front of you, or your phone, you are going to see that there are dozens of different chips in there. They are made by different manufacturers with different processes. They have to be tested correctly to make sure the device works when you pick it up. We have also been hearing a lot in the market about the revolutionary changes in power management. This is an area where we are focused with our interface products for high power management -- for high-power, high-current applications like batteries. In this market, we are integrating our solutions with a major tester OEM, so that every time they sell one of their testers for this application, the customer will be purchasing an electronic test interface designed for high-voltage connections.

SLIDE 32:

With the Acculogic acquisition, we acquired the Scorpion flying probe system, which is focused on the printed circuit board market. The flexibility of the Scorpion system is what sets it apart from the competition. The number of probes on the top and the bottom of the Board, along with the variable angles at which it moves provides the best board coverage in the industry. Additionally, our systems through board programming use a vision system for LED validation. These capabilities make the system great for both product development and high-volume production. Systems can be integrated with factory automation, like conveyors. We're also a leader in the adoption of the latest IPC communication, factory communication and control standards. We're partnering with a Fortune 100 company in the defense industry in that effort, we expect this leadership position and the capability that comes with it to open up additional customers to us.

Flying probe systems are used in the semiconductor industry to test load boards. Acculogic has had success with a limited number of customers in this market. Last month, we held a training session for our EMS sales team, so they can now work to identify opportunities for the Scorpion system within customers' test facilities. It is this kind of synergy that is really helping to get the Acculogic business growing.

SLIDE 33:

We've been mentioning the EV battery market. Our Stingray automated battery tester has been used by technology leaders in the market since 2015. Our patent multi-point testing system provides the high throughput needed in the world's Giga factories. We're partnering with leading customers to expand beyond just interconnect verification. In one of our roadmap projects, we're working with the Videology team to integrate some of their camera solutions into our automated testing platform. Our success in this market has been limited by Acculogic's reach and their commitment. Most opportunities were kind of found by word of mouth, where engineers who left one company went to another. They had liked working with our product, liked working with our engineers and then they would reach out; we've left a lot on the table with that. So inTEST has the reputation, the engineering and the resources needed to really unlock the potential for this market with our solutions.

SLIDE 34:

We have accomplished a lot in our first year. One of the most critical was the creation of a market-driven road map. We're expanding on the progress we have made in automating the test floor, which increases both throughput and reduces the cost of tests to our customers. With this investment, we are planning on growing new product sales by 20% per year. We also started a strategic account management program to make sure that we're maximizing our business with market leaders and OEMs. With the Acculogic acquisition, we have diversified into multiple attractive markets including the EV battery market. Electronic test was also able to get an important source of recurring revenue with aftermarket and service that really was missing from our business. We have begun implementing the best practices from the EMS business like a market-driven road map and strategic account management just in the first few months since the Acculogic acquisition.

SLIDE 35:

As Nick discussed, expanding our addressable markets is a big focus for the company. We made great progress in our traditional market last year, increasing it by about 25%. We did this with new products, working with OEMs to increase what was available for us. It's kind of tricky with OEMs, because sometimes they provide some of the things that we do. If they're exclusively providing their own manipulators or docking solutions, we do not necessarily count that business as part of our available market. However, if we get them to start providing it, then we have more market available to us. There are cases where they're now using our equipment directly with theirs. A tester manufacturer that does very well in the RF market included over 60 of our interfaces with testers they sold last year. This has gotten us into a top 5 semi customer where we had no installed base.

I was talking to a tester manufacturer at SEMICON in December. We had just seen our intelligent test cell, which is our fully automated LS manipulator along with our IntelliDOCK. A customer asked how we work together, and how have our products really complemented each other. My first question to him was, why are you asking me this? You have your own manipulators. And his response was, we don't make manipulators like that. Yours are much, much better, much more sophisticated, much more robust. We're now working with them, trying to plan how we're going to approach customers together. As we've discussed through this presentation, the acquisition of the Acculogic flying probe system has opened up a significant new market to us as well. We view it as approximately an additional $200 million in served market between the printed circuit board and the battery testing.

SLIDE 36:

I hope this has helped you understand what inTEST Electronic Test is and why we're so excited about the business. It starts with the great team and the solutions that our customers value so much. We accomplished a lot in our first year, tripling our served market, diversifying into new markets like electronic vehicle testing for electronic vehicles, batteries, and printed circuit boards. We are progressing on our goals to help customers lower the cost of tests with automation. Finally, we are expanding on what has made us successful, which is partnering with market leaders to help solve their most challenging issues.

Thank you for your time. I would like to introduce Greg Martel who will talk about our Environmental Technologies division.

Greg Martel

Environmental Technologies:
Delivering differentiated solutions for environmental test, process and storage

SLIDE 37:

Good morning, everybody. Thank you all for joining us today. My name is Greg Martel, and I am the Vice President and General Manager of the Environmental Technologies division. I have been with inTEST for about 19 years now. I have served in a variety of customer-facing and internal roles during that time from sales to service and applications, some time in operations, and also in business development. One of the things I'm really excited about is when Nick joined the organization, he really saw a lot of potential that I've felt was always residing within inTEST. I am really energized to be part of the strategic vision, helping to craft it, and taking actions to execute on the plan.

SLIDE 38:

Let me tell you a little bit about the Environmental Technologies division. For those of you who have been following inTEST for a long time, we are essentially what inTEST Thermal Solutions was with the acquisition of Z-Sciences last year rolled into it. We're roughly one-third of the total inTEST business last year. Our manufacturing is done in Mansfield, Massachusetts, and we have sales and service offices just outside of Berlin, Germany and also in Singapore. Our sales are relatively diversified. The Americas did make up our largest portion last year at about 45%. The backbone of our division is our strong multi-disciplinary engineering team.

We do our own thermal designs as well as our own board layouts. We do our own firmware design which has allowed us to maintain a lot of positive control of the products and solutions we offer. Additionally, that gives us some ability to create differentiated controls that add value for our customer base. As far as going to market, we are a combination of direct sales and application support with also a wide variety of channel partners throughout the globe.

SLIDE 39:

With everything we do, we give a nod towards the environmental responsibility that is intrinsic to working with refrigeration technologies. We use natural refrigerants, where it makes sense to do so, that have a very low environmental impact. When we are not able to do that, we try to choose environmentally friendly synthetic refrigerants. Wherever physics allows us to do it, we try to maintain our refrigerant content below the European F-Gas regulations. Not only does that create an environmental benefit, but it also creates a benefit to our customer base. They're able to avoid costly time delays associated with the third-party certifications required for those that don't fall within those guidelines.

We deliver some of the lowest current draw products in the market by using a variety of technologies, including some bypass technologies. We try to minimize the current draw on the components that we use wherever possible. We also offer an array of cryogenic products. Those products avoid refrigeration circuits completely by using liquid nitrogen for heat transfer. Not only does that have no refrigeration impact, but it also minimizes the electricity requirement by avoiding high current draw components like mechanical refrigeration compressors. We are compliant with some of the European guidelines like RoHS and REACH, which essentially governs electronic hazards, as well as chemicals.

SLIDE 40:

We are a fairly diversified business. Our core and our history are in semi, but even back in 2020, we were a fairly diversified group. We intend to continue to grow across all segments, and I will be taking actions to do that as we move towards 2025. We're going to put a particular focus on the growth opportunities afforded to us in the life science markets, both with the freezers and refrigerator technology that comes along with the Z-Science acquisition, but also with the ever-expanding opportunities that the cannabis market provides us. As this diversification continues, we expect Semi to become roughly 1/3 of our business by 2025. With Life Science offering the fastest growth potential, we expect that to consume about 30% of our business in that period.

SLIDE 41:

I would like to talk to you about a couple of the key markets we serve now. The first, and the backbone again, being the semiconductor market. We are a market leader in the back-end semi lab space. Our products are there to drive R&D, to drive life cycle testing, and to drive failure analysis. They work in a variety of standards, including the standards the expected by the military, the automotive industry, and the commercial sector. Essentially, our goal is to help our customers understand their designs better, allowing them to be robust and reliable for their customers.

For example, we all know that there are more electronics and more chips in cars than ever before. Nobody would be very pleased if you turned your car on and it only worked inside your 70-degree climate-controlled garage. It's going to work at 120 in Phoenix in July. It's going to work and turn on at minus 40 in Alaska in February. Our products help our customers make designs that work reliably in all the environments in which they need to operate.

SLIDE 42:

Within the Life Science market, our focus is going to be on driving high-value solutions and differentiated solutions. What we are trying to do here is look at areas where customers have unique requirements in the freezer market. This could be vaccine storage, for example, it could be human tissue storage. We try to give differentiated products that give customers the ability and the confidence in total sample security. Our freezer product line has completely redundant refrigeration systems such that even if there is a failure, the freezer is able to maintain temperature for an extended period of time. The customer can make an intelligent decision whether they want to move their samples into another location or repair the equipment on the fly. At the end of the day, it's all about total sample integrity and security. When you're storing human tissue samples that are literally unique, there is no recovery path if the product fails.

Within the cannabis subset of this market, we're trying to drive ultra-high capacity refrigeration systems that allow enhanced extraction processes for both THC and CBD products. We do this with some of the industry-leading smallest footprints, which minimize floor space requirements in production. We do it with ultra-high capacity, which allows them to do more extraction more quickly. Additionally, we have remote control temperature sensing technology that allows customers to enhance and tighten their process control for better quality products.

SLIDE 43:

Within the defense and aerospace market, we really are targeting kind of customer specific solutions for some of the most challenging thermal applications in the space. We are trying to drive highly engineered solutions, maintaining temperature ranges and rapid temperature transitions that some of these tough applications require.

We always want to become a strong relationship builder; we want to be driving the opportunity to be top of mind with our key customers. A great example that I'd like to reference is a number of years ago, we received an opportunity to deliver some systems that do air climate control from a customer that wanted to put a device in a box. They needed the air around that to be a very specific order. Since that time, it has proliferated into over 80 systems made in 5 of their factories in the United States. The project was so successful that they took on additional products to put into this line, some of which require liquid cooling as well. They came back to us, and we developed some liquid chillers that subsidize that. We've delivered several dozens of those now. They now have come back to us for additional test cells that are purely dummy systems that populate the line when real thermal capability is not required. They're even approaching us for other products that have nothing to do with this production line at this point. We have essentially become their go-to guys for thermal challenges. We want to continue to develop that throughout the entire customer base that's available to us.

SLIDE 44:

We are very pleased with the strategic progress we have made in the last. For the global and market expansion piece, we have added an Asia sales leader based in Asia to drive business there. We have also enhanced focus on our chiller line by putting a dedicated sales leader in place. We have expanded with additional channel partners. The expansion that Nick referenced in developing more standard chillers allows us to drive more business focus there. Specifically, within the chillers, our focus really will be on continuing to find OEM applications and high-volume end user applications.

With regard to innovation and differentiation, we have released a new ECO ThermoStream, that Nick mentioned, that fills a product gap for us, both in terms of temperature capability and also price point in the market space. We believe that it is going to be nice fit for some customers that do not need the full capability of our larger systems. We also launched several OEM thermal platforms that are used with curve trace analyzers. Those are used for high-power switching technologies like the components that you might find in electric vehicles or in electric trains. We have talked about standardizing and expanding the chillers we offer for the cannabis market platform. We will continue to drive that effort as we move forward., but we offer some of the highest capacity chillers in the market space and some of the smallest footprints, which our customers our finding tremendous value in.

The acquisition of Z-Sciences really further expands Life Sciences to us. When we looked at this opportunity, it was a make versus buy decision for us. We acquired some technology. We acquired know-how. We acquired Market Access that would have taken us substantially longer to get to from an organic pathway. inTEST is able to provide some of the financial backing, marketing acumen and some of the more mature, larger company processes that they did not necessarily have. We have put those in place to make sure we are driving this in a disciplined way. This is a high growth potential market segment for us, and our focus is really going to be on about a $200 million slice of what we consider a $0.5 billion pie in that segment.

Within service and support, we have added additional field service engineers within the United States; we found a new refrigeration service channel partner in China, and we've launched some U.S. rental programs for the first time. As we move forward, we started creating focus on creating master service agreements for our key volume customers.

SLIDE 45:

As far as expanding addressable markets, the first piece of this came with the standardization of chillers as we begin to have more standard product; it really opens up some of that chiller value pyramid for us and allows us to serve segments that we weren't able to previously.

And then obviously, the big jump comes with the acquisition of Z-Sciences, selling the ultra-low temperature freezers, selling their refrigerators and even cold chain portable solutions one of which is over there on the table. That system allows somebody to take a sample, you can run it -- from plugged into the wall, you can run it in your car on a DC outlet or even has a battery backup where you can transport it with no external power source for up to an hour. That really opens up substantially more market for us.

Today, we are predominantly a thermal solutions provider. As we move forward, we really want to look to see what opportunities present themselves in the broader Environmental Technologies market, whether that's humidity control, climate control, altitude control, vibration testing or salt spray and corrosion testing. These are all things that we want to consider as we move further into a true Environmental Technologies company.

SLIDE 46:

What I'd like to leave you with today is that the Z-Sciences acquisition is the key to aggressively diversifying into the high-growth life sciences market space. We'll also continue to drive it through the cannabis opportunities, that more than triples our SAM. Standardizing chiller products also expands our SAM by opening up sections of the chiller value pyramid that were previously unavailable to us.

We have a wide range of thermal and controls technologies backed by strong IP and the strength of our engineering team that allows us to design systems that are customer and market appropriate enabling us to get the job done in the right way. We do all of this with a focus on environmental responsibility, making sure that we are a partner that people want to work with.

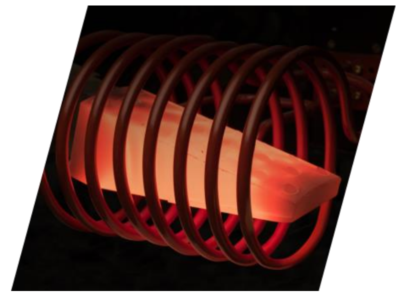
Thank you very much, and I'd like to turn it over to Scott Nolen to talk a little bit about process technologies.

Scott Nolen

Process Technologies:

Technical expertise and customized solutions for industrial applications

SLIDE 47:



All right. Thank you, Greg. Welcome and thank you for coming. My name is Scott Nolen. I joined inTEST two-and-a-half years ago to lead the induction heating business based in Rochester, New York. Previously, I had worked at energy equipment supply companies, very large companies where I had various growth roles. When I came to inTEST in 2019, I found a business with great people and great products, but it lacked an overall growth strategy, lacked the overall plan for where we were going to take the business. I think you are seeing today that we have turned that around. I hope you will see, in the future presentations, that we continue to do that.

SLIDE 48:

Process Technologies today is made up of 2 businesses. We have an Induction Heating business that we purchased about 5 years ago. This is a business that supplies induction heating solutions to customers to replace their existing heating processes or solve their existing heating needs. We have a video imaging corporation in Videology, which we acquired just at the end of last year. Similar to the Ambrell business, we supply solutions. We do not supply just products; we supply an actual solution that customers then can take apply that technology into their systems. They come back for more as they have increasing issues coming forward.

SLIDE 49:

I can tell you that after working 30 years in the energy space, I really am very proud of working for a business that has such a great environmental story. Our induction heating systems only use electricity. We replace systems that use heating with hydrocarbons. Not only our electric-only systems, but gas-heating systems and gas ovens tend to be very low efficiency, 30%, 40%. Induction heating systems, if done correctly, can be in the 80s% and 90% for overall efficiency. This is a great environmental story for induction heating customers when they move away from their hydrocarbon heating sources.

From a safety standpoint, induction heating offers great safety benefits. There is not a lot of wasted heat. There are not a lot of unsafe areas that can cause burns and issues in the field. Also with our camera systems, we offer safety systems that really provide safer transportation systems and a safer workplace. Our induction heating systems are used by OEMs to manufacture green energy technology, solar panels, wind turbines, and hydro turbine parts. We use induction heating consistently in those applications to make those components.

SLIDE 50:

The strength of our division is our diversity. We are not reliant on one market which was the case when we had just Ambrell. Videology brings us even more diversity. We had a very minor play in security, now with the camera systems, we have a big opportunity to grow into security.

SLIDE 51:

Now I'll take you through a few applications that we offer in our business. EV automotive can be basically all ground-based transportation. You can see the numerous applications that we supply in car systems to people who make those components or put camera systems into those cars; this also applies to trains and semi-tractor trailer trucks across the board. One of the hot applications right now, of course, is the transformation from internal combustion engines to EV motors. A lot of new technology is being developed in that space every day.

We just had a customer who makes batteries come to us right before Christmas. They were having a problem with their process of making the materials used in those batteries. They were not getting good yield. They brought those pieces into our lab, which is a very critical part of our business in Rochester, New York. We used that lab to prove out the technology and we then picked it up, took it out to their site. We showed that our induction heating system could significantly improve the way they manufacture these batteries. As a result, we have received some very nice orders in the beginning of the year from this customer that we are fulfilling in this first and second quarter.

SLIDE 52:

Aerospace is another key segment for us. It is not growing quite as quickly right now, but we expect it to grow in the future. Aerospace definitely has customers with longer development cycle times because of the need to get that certification, to get that FAA approval. People who fly a lot are happy they do that. This is a very important segment for us because of demanding specifications and approval cycles. We are working with a customer on developing technology to build the carbon fiber struts that are used in these current generation of aircraft. There is great technology there which is radically improving their overall speed at which they can make these next-generation struts for these aircraft.

SLIDE 53:

Life Sciences is another very demanding space. It is a space that really requires tight tolerance and tight specifications. Once again, as a consumer of this, despite delays, you're happy that they do require it. It can be very low-tech applications for just material or just instrumentation, all the way up to very high-resolution imaging for the borescopes that go into patients when they do surgery now as we move more into robotic surgery with an aging population. We have one OEM that use our induction heating systems to go and develop catheters. They do multiple catheter tipping, which is a big consumable industry, and they use our induction heating to very accurately make sure these catheters are of high quality and used in patients correctly.

SLIDE 54:

Last segment I'll talk about is security. Like I mentioned, we really did not have much of a play in the space before we purchased Videology. With the purchase of Videology, we have a whole new opportunity to enter this space where there are different rapidly expanding markets, like ATM security, road security, and workplace security.

We have one customer that came to us with a need for a specific camera to use in their traffic control devices. These guys build camera systems that look at the intersections for what is there and what type of person is there. If it's a crosswalk, the light cycles are changed. The timing is changed, so the safety of the crosswalk and the intersection is increased, and idle time is diminished

SLIDE 55:

Before we acquired Videology, we had a marketplace that was expanding, but the expansion tested our limits. We have global sales, but even more importantly, we have labs. We have labs that are directly installed in our facilities in the U.S. and Europe, and we're building one in Mexico right now. Bringing customers into these labs and introducing them to these products really introduces technology to several people who never realized it existed. Our market, in many cases, grew as fast as we could introduce this technology which is why it has been so critical for us to expand our labs globally, both directly and through our partners. We are very excited to take this relatively small business today and expand it into this space.

SLIDE 56:

We have accomplished a lot in year one, but we still have further to go. We've expanded our market. We've added more sales, both direct and indirect. We've expanded our lab footprint, which is really key to getting that customer in for a customer experience where they better understand our products and our technology. We've launched new products. As Nick mentioned, our number one customer feedback item was our work head. You see next the easy heat for those of you in the room, that's the piece that's marred right next to the customers part that they're heating. This being only 1 kilowatt that gets much larger as you get into the bigger power ranges. They were too big in many cases for customers decreased the size of that. So, we've met that customer need, and we've really checked that box. We have had a great acquisition with the purchase of Videology, very excited about taking that business to the next level in the months and years to come.

We have also extended our service and support operation. Previously, we did service as customers came to us, but now we're going to them. We have a very large fleet of induction heating systems at customer sites. We are bringing opportunities to do more proactive service with them, old spares at their site, train them, get them up to speed. We are aggressively going after the service annuity as well.

SLIDE 57:

In summary, we have a very large, diverse market, and we are not tied to one industry. That's exciting for me coming from the energy space where we do not have to worry about others growing at different rates. We supply high-value solutions. We don't supply just products. We supply solution and then the products that go behind that, enabling us to retain relationships with the customers and affords us with a lot of word-of-mouth selling.

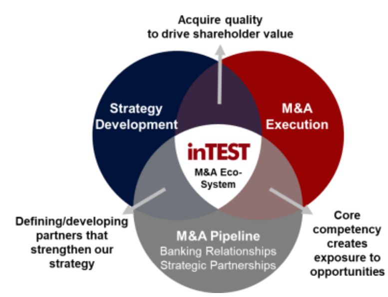
We have a great product road map. We just had a few launches last year. We are excited about the great stuff coming out this year, both from our imaging business and our heating business. We're really designed to scale globally, and we have a footprint today that can scale even within our existing space. We can take this out to the next level into different organizations across the world and meet the customers' needs without too much more investment.

Rich Rogoff will be giving us an update on our M&A activity next. Thank you.

Richard Rogoff

Corporate Development:
Making M&A a core competency for inorganic growth

SLIDE 59:



Good morning. My name is Rich Rogoff. As mentioned, I joined the company in October of last year after supporting the group with M&A activities throughout 2021. I bring with me about 30 years or more of experience in the capital equipment industry for semiconductors and optics manufacturing areas through on to innovation and ASML where I held leadership positions in all product life cycle and business life cycle areas including sales, engineering, operations, and strategy. I am really excited to be a part of the inTEST team, and Nick's vision for the 5-point strategy. It is an exciting time to be at the company to see the transformation and look forward to what the future holds.

Today, I will discuss ensuring that M&A is a core competency of the organization; it is one of the points on our 5-point strategy.

SLIDE 60:

We started this last year by asking ourselves a question or two, that most likely many of you or a targeted company might ask…why inTEST? Why would we want to be acquired by inTEST? Why would you go out and acquire somebody? The simple answer to that is, one, we've had a long history; we are a well-established company as you've heard. We have a good financial portfolio and background, so we're stable. We can afford that investment. We have a large stable of technologies that we can offer to an acquisition target or that that the acquisition target could use to blend in with and enhance our product lines.

The second question was, why now? Why not 10 years ago? I think Nick also answered that a little bit earlier with the change in leadership that he has brought to the company along with the change of focus. Of the new leaders on board, we all come with varying degrees of experience in leadership through our companies, growing high-tech companies, also experience in M&A, and we feel that best suits us for continuing this process and bringing it here to inTEST.

SLIDE 61:

We move on to how are we going to do that and make ecosystem performance for M&A and so more or less a 3-pillared approach. Strategy being the first one. We want to define the strategy, one that is adaptable as the company grows over time and one that gives us a good foundational direction. We have defined that strategy over the last 18 months and refined it again, so we are on the right path.

The second piece was to add an M&A pipeline. We want to ensure that we are targeting good companies and partnerships to enter our portfolio and be reviewed. As many of you know, it takes reviewing many companies to find the right fit. And we'll, again, describe some of those characteristics of right fit in a minute. The last piece is the execution phase. We want to execute well when we do these acquisitions. We want to have templates and processes in place that ensure that execution delivers on the value and propositions that we have outlined.

With that, we set some goals in mind. First, we want to expand in the markets that are fast growing. We do not want to pick something that is not going to be fast growing. We want to offer broader product portfolios to our existing companies as well as acquire new companies through these acquisitions. We want to drive further market diversification. How do we expand that market share from current markets and additional marketplaces? We want to enhance our value proposition to the customers with new product lines. We want to make sure the financial profile of the company continues. We want to continue to grow the company's cash positions, margins, et cetera.

SLIDE 62:

Now, we set off to make a playbook, which we have implemented over the course of the last 6 to 9 months, so that we ensure that the execution of any acquisition targets is done properly. We've implemented governance processes, and we have put processes and tools in place that we can follow through the life cycle of an acquisition, including managing our engagement. As an example, we've put in place due diligence and integration dashboards with the accompanying work plans to go along with them. The dashboards are able to communicate both internally and externally. The external focus is with the target company or a partner, so that we can address challenges that come up as they always do in acquisitions. We want to make sure we catch those challenges before they become issues. This dashboard tool allows us to communicate freely between the groups and address and review cycles at a higher level and anticipate where challenges may arise.

We also developed a comprehensive plan for valuation. Any company considered has to be a good strategic fit with our organization, as it is today, and has achievable synergies that we can approach. We want to make sure that they have a solid management team that will stay on for at least a period of time after the acquisition. WE want to make sure that it's a good cultural fit. We are not looking for a fixer upper. We are looking for a diamond in the rough, something that has a potential to be unlocked that has not been unlocked for various reasons, whether it is funding, private ownership, access to markets, et cetera. We want to offer something from inTEST that can broaden that portfolio, polish it up and see the results. We want to make sure that, again, the financial performance of the acquisition target adds to inTEST. Our goal is to make it accretive in the first year.

We will not always achieve that, but it is our goal. If it is not accretive in the first year, there has to be even stronger strategic value, technology value, et cetera, behind that acquisition, so we can plan that going into the process. Now that we have the M&A playbook in place, we have a strategy in place, and we are continuing to build the ecosystem.

SLIDE 63:

The 3 acquisitions that we closed at the end of last year, more or less the fourth quarter of last year . And yes, we are crazy for doing 3 in 1 quarter, no. In all seriousness, I think Nick mentioned it, they happen when they happen.

The good news here is we have three divisions. We have the process and the capability to handle three at one time. I will not tell you we are going to go out and look for three to happen in synchronization again, but we do have the capability and the manpower to do that. All three are progressing very well through the integration phase as we move toward, what I will call a “standard operating business,” within the organization, and we will look to continue that. I will give you an example of those acquisition synergies. The Videology team and the Acculogic team are now working together on product development. After two to three months, the two teams are already working together, so you can see the benefits already being realized.

SLIDE 64:

We congratulated ourselves for about 10 seconds on the acquisitions, and then we moved on. The integration teams are working well. My focus has changed back a little bit right now to growing that pipeline. Around the end of last year, we were evaluating about 30 companies through various forms and filters. That evaluation occurs with me, the business leaders, and their teams, as we try to get through that first level of filters and discussions. Once a company passes those first few levels, we will engage Nick and Duncan. We do not want to put every company on their plate, because that's all they would do. Our focus is to try to whittle it down to the right companies we feel are meeting those targets, then we will engage the senior leadership with that perspective.

You can see here, we focused on the graph between Electronic Test, Environmental Technologies, and Process Technologies. We have companies in various forms and shapes throughout the process. Maybe one or two will end up as an acquisition, maybe none. At this point, we are not close to anything at that point, but we will continue the evaluation process. The sources of pipeline for these targets are also important, so we want to make a name for ourselves. We use advisers and bankers to get those targets. We want to expand that horizon. We are going back to our teams, so for all 3 segment leaders mentioned, engineering is a core part of the company.

Sitting with those team members and giving them the opportunity to tell us we missed this technology, or this would be a great addition, or have you looked at this company, because they would be a great fit for our company. This gives us great opportunity to use that internal process to generate some ideas of companies to approach which we will continue to do. Our goal is to have a very strong pipeline to achieve our 5-year target.

SLIDE 65:

What we are looking for varies, of course, based on the business, the segment, or the division. In Electronic Tests, we would be interested in things that improve automation around testing capabilities in circuit testing, electronic functional testing, et cetera, whether it's for PCBs or batteries or other things that we have not dreamt of yet. Environmental Technologies, we would look to move beyond temperature-only targets into different areas like vibration, altitude, and corrosion testing. From a Process Technologies perspective, we would focus on enhancing our heating process and process controls around the heating process for induction heating and other things as well as image capture and image processing.

As our three division leaders explained, we are already in a lot of markets. We will continue to focus on some of those fast-growing markets like automotive and life sciences, and we will continue to strengthen our semiconductor position as we go forward. And as other markets or other factions of those markets come up, we'll still look as needing to be a fast-growing environment.

SLIDE 66:

To this point, I wanted to point out that it is not all about acquisitions. We are very open to partnerships, JVs, et cetera, as they are appropriate. We have talked with and engaged in talks with different people, whether it is an OEM partner or a partner to an OEM or special private label type of project, these are things would interest us. A potential partner would need to pass muster from a financial perspective and a valuation perspective. It needs to be providing us access to a technology or a market that maybe we do not have today, which would lead to revenue growth, or more importantly, allow us to analyze the company for a future acquisition potential. We position ourselves with the broad depth to look at those things and maybe minimize risk in some cases through that partnership.

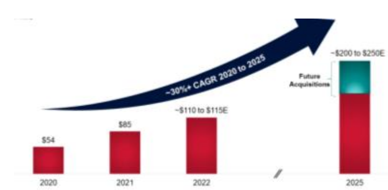
SLIDE 67:

I would like to conclude with you today by saying 2021 was off to a great start on that 5-point target and the strategic inorganic growth piece. We completed the acquisition of the three companies in the fourth quarter of last year. We've developed a disciplined adaptable approach to the M&A life cycle. We learn from each acquisition and can apply that knowledge going forward. We have an ecosystem under development that will continue to evolve as the company evolves. Lastly, we need to maintain, throughout this whole cycle, a focus on enhancing the financial profile of the company.

We look forward to the future. I will now turn it over to Duncan Gilmour to give you a little bit more about our financial successes for the future.

Duncan Gilmour
Driving Financial Success

SLIDE 68:



Thanks, Rich. Thanks again to all of you who are here today as well as everyone who is joining us on the web. We really appreciate your interest in the company. And hopefully, you are finding out a few new things about us.

My name is Duncan Gilmour, CFO. I've been with inTEST for nine months. I joined in June of 2021. Previous to inTEST, I was at ABB for four years. I worked with Nick for three of those years. Prior to that, I spent 13 years with Tyco in a variety of different corporate finance roles as well as within a number of operating businesses. And then before that, I spent ten years in public accounting with PwC in the U.S. and in the U.K.

SLIDE 69:

I'm going to start and just talk a little bit about our overarching financial priorities. The main thing is how do we allocate our capital, how are we going to spend our money. Our north star always has to be based on executing towards our 5-point strategy. On the organic side, we want we want to drive our revenue growth. We have already heard from many of the division leaders about some of the areas where we have been spending money. We have been investing in direct sales resources and new sales channels. We have also been spending money on product innovation which we have done and will continue to do in order to grow market share and expand our serviceable addressable markets organically.

We also have inorganic strategies that Rich just discussed. Clearly, we executed three acquisitions in 2021, and we continue to look at the pipelines as inorganic growth is also an important piece of the overall growth story. It is important that we maintain the strong margins that this business has always had. We also want to make sure we are we are delivering strong operational cash flow. Then as we grow, we can scale our business, helping operating leverage to increase our profitability over time.

In doing those things, we ensure that we can manage our balance sheet, which means we will have ongoing flexible access to capital, whether it be via debt or equity. We can then quite honestly, lather, rinse, repeat. And I keep going more capital to allocate, and so it goes on. So those, I'd say, there are overarching principles that should always be grounding us, our north star, so to speak.

SLIDE 70:

Nick talked about a lot of these numbers. 2021 revenue grew to $85 million, a 58% growth rate versus 2020. From a profitability standpoint, our adjusted EPS, which is adjusting for intangible amortization, increased from $0.03 to $0.81. Our orders exceeded $100 million during the year, which was a great benchmark to exceed. We completed three acquisitions our adjusted EBITDA margin, which we really look at as a liquidity metric, something that gives us a barometer of our operational -- ongoing operational cash flow go up to just over 14%. And we also made progress improving our capital structure by leveraging the balance sheet. We borrowed money to finance the acquisition, something that the company had never done before. Given the favorable debt markets that existed in 2021, it seemed like that made a lot of sense.

SLIDE 71:

Talking about revenue in a little more detail, the division leaders have all given you some great insight into their kind of businesses. The split of the $85 million of revenue changed in 2021 versus 2020. You can that we saw growth across all of our divisions. There is semiconductor activity across all of our new operating divisions. Obviously, the tailwinds there were certainly helpful. We also saw growth outside of semi, whether it be in new products, introductions, or some of the market initiatives that the teams have reviewed. It is certainly nice to see that growth across all our new divisions, product platforms, and product families.

SLIDE 72:

From a profitability standpoint, those increased revenues translated very nicely into the bottom line. Three key metrics I just want to highlight here include net income or GAAP net income that came in at 9% of revenues in 2021 versus a negative 2% in the prior year. Adjusted EBITDA was 14% in 2021 versus 2% in 2020. Division operating income is going to be an important metric going forward and certainly something I look at. Our net income after adding back tax, adding back intangible amortization, and adding back our corporate G&A and restructuring cost, really represents the operating income that is being delivered by our various divisions.

And it's 100% controllable, by the leaders that you heard from here this morning. On the right-hand side there is just as a percentage of revenue, a high-level P&L to give you a better flavor for that. There are also materials in the supplemental section to break out some of the expenses. Just to give you a better perspective of how the expense is going to break out.

SLIDE 73:

From a capital structure perspective, we ended 2021 with a strong balance sheet. Strong cash flow, with close to $11 million of operating cash. We are not a super heavy capital-intensive business. We saw around $1 million of capital spend in 2021, and we leveraged our balance sheet at very favorable rates to finance the acquisitions we made in 2021.

We believe we continue to have the financial flexibility for future long-term growth. We think that it is not unreasonable to look at our borrowing capacity as being around 2.5. 2.5x EBITDA is something that we feel would be a reasonable level on an ongoing basis; though, we are not at that level right now.

SLIDE 74:

We talked a little bit about historicals, now let's talk about outlook. Q1 guidance that we issued during our earnings call earlier this month, includes revenue of $23 million to $25 million and EPS in the ranges presented on the slide here. We also, for the first time, did present full year guidance. We presented some revenue ranges, operating expense ranges, and the different primary elements of our P&L.

SLIDE 75:

We are now getting really forward thinking, and we are talking about 2025 numbers, which are forecasted to be in the $200 million to $250 million revenue range, as Nick talked about earlier. How do we get there? You heard from a number of the business leaders about the initiatives going on within the business, and you heard from Joe about the opportunities within EV battery testing that Acculogic brings to the table. You also heard about some of the work going on in the existing legacy business around new products and driving growth there as well as partnering with OEMs.

You heard from Greg about what is going on in Life Sciences, not only with Life Sciences but also with the existing business and the opportunities we have there. Scott talked about the imaging opportunities with the new acquisition as well as, again, EV opportunities with the existing induction heating product lines. All of those engines are going to be driving organic growth over the course of the next 5 years. On top of that, we do expect to continue our inorganic activities. We think that the $200 million to $250 million range for 2025 is a fair target.

SLIDE 76:

How does that translate into profits? If I look at the bottom end of the revenue range, our divisional operating income at around GBP 200 million, getting all of our portfolio businesses, including new acquisitions to 20%, represents $40 million of division operating income. I would expect that to translate into about 10% or so of overall GAAP net income, about $20 million or so versus $7 million where we are today.

Adjusted EBITDA, assuming around 15%, 5% spread seems to be where we're running there, $30 million or so of adjusted EBITDA as is a reasonable benchmark an operational cash flow number. But these are the kind of profitability numbers that I believe we are looking at or are certainly very reasonable.

SLIDE 77:

On this slide here, I’m just presenting some data that shows enterprise value at the end of December versus 12-month forward-looking revenue and EBITDA for inTEST in red and a handful of peers in Semi and Industrial. I think the chart speaks for itself.

SLIDE 78:

In conclusion, we believe we have the strategy and financial flexibility to substantially increase value over the course of the next 5 years. We think we have a strong operationally foundation. We have new leadership, new organizational structure behind that, a clear and robust 5-point strategy, and we have a compelling story around growth in ever-diversifying markets. From a financial standpoint, the business has always been solid with nice margins, nice cash flow, and a proven track record. Revenue and earnings momentum in 2021 were certainly very strong and we plan to build off of that. We have a strong balance sheet in order to finance future growth and financial flexibility with to drive that as well.

With that, I'm going to hand it back over to Nick, who's going to take us home here. And then we'll be back up for Q&A.

Nick Grant

Deliver On The Vision:

Leveraging engineering expertise, customer relationships and a strong leadership team to drive growth and change

SLIDE 79:

Thanks, Duncan. Before I bring the team back up for Q&A, I want to give you a high-level recap of what you heard today.

SLIDE 80:

First and foremost, the journey is underway. We are on a path to transform this business, and we know how to get there. We have the roadmap and the recipe in place.

SLIDE 81:

We are building off of a strong foundation, which includes diversified markets we are serving, blue-chip customers, innovative technologies, and a global presence.

SLIDE 82:

Our elements around the transformation consist of building from the foundation, putting the right management team in place, executing on our 5-point strategy, driving more aggressive focus on acquisitions to accelerate our growth in the new markets and build out our portfolios. This new organization structure that I discussed relative to technology aligned divisions, positions us well so we can capture synergies and cost efficiencies across the businesses. But again, it comes down to an energized workforce and the people, and I'm really excited about the enthusiasm and commitment of our entire organization, and I believe we're well positioned to drive our plans.

SLIDE 83:

And our 5-point strategy, while it's not revolutionary by any means, it's exactly what inTEST needs to expand this business globally, drive more innovation, enhance our customers' service, and support initiatives to drive greater customer satisfaction and repeat business, ensuring we've got the best people to support them, and building out our organization through strategic partnerships. This is exactly what the recipe for success is for us.

SLIDE 84:

We're serving in the large markets, $2 billion plus now with the acquisitions. We have plenty of room to grow in our sandbox organically, and we will continue to build around these divisions with the technologies and focuses that Rich highlighted. We are looking to expand to widen our portfolios in these spaces. We believe our targeted markets of electric vehicle, battery testing cannabis, medical cold chain. These are all segments in these markets that are going to drive accelerated growth for us.

SLIDE 85:

We're not just a semi company. We have to break that mantra or perception that inTEST is semi. We are a diversified company. We'll continue to drive further diversification. We'll be able to weather the storms that happen out there as we are better positioned in markets.

SLIDE 86:

We believe that we have the ability to achieve our $200 million and $250 million revenue target that we've laid out there for 2025. The teams are making great progress in year one on all five strategies. Hopefully, you got a sense of that today as we laid out some of the achievements. A lot is happening in inTEST. It's not the same old inTEST.

SLIDE 87:

For us, it is about scaling the businesses we have and then adding new businesses to fuel that scalability. As we scale, we will have the opportunity to deliver the profit to the bottom line that we have reviewed. The transformation is underway with more to come. I look forward to updating our analysts and investors on our progress during our earnings calls as we go forward.

SLIDE 88:

At this point, let me bring my executive team up to the stage, including Meghan Blount, who has been here 5 weeks. We'll open it up for Q&A. Thank you.

Question and Answer

Unknown Analyst: Out of the revenue target of $200 million to $250 million, it looked like the acquired revenue was more than the organic growth. Can you break that down for us?

Nick Grant: No, it's about an equal split. Duncan, do you want to elaborate?

Duncan Gilmour: Yes, I can. There is about $200 million or so, if we take the bottom end of that range, around $200 million, we're talking about roughly $50 million coming from future acquisitions if you want to look at it that way. In terms of the businesses we have on board right now, we have a mid-teens growth rate going from 2021 of the $85 million up to the targets we've outlined there.

Unknown Analyst: Nick, if I look at your SAM, which is quadrupled, and your growth trajectory, one of the things that we noticed is that you might become a smaller piece of the markets that you serve. You have a big brand, and you're very well known. You're 15% of your SAM today, versus inTEST in the past. How does that change your strategy and make sure your customer always realizes how important you are to their solution?

Nick Grant: In our existing served markets, we are not going backwards. Obviously, we continue to gain more share with the initiatives these gentlemen are describing. What we have done with our acquisitions has opened up large playgrounds with companies that were managed. really are lifestyle businesses got to a small part of these markets that are very scalable in our minds. That's where we approach these things. We need to grab market share in these spaces that are really underserved today, as well as in our core markets using those technologies to continue to expand our market shares.

Unknown Analyst: Joe, your customers in semiconductor are numerous and in EV, less so. How does that change your approach when you go to a more concentrated customer base to service?

And the second part of that is, if you think of the EV test stack, what portion of all test dollars that go into an EV do you represent today?

Joe McManus: I'll answer the second part first. It is a pretty small portion of the overall test in EV that we're involved with right now. We're just involved in one step at the moment, but we are working hard with a couple of customers to add in additional steps over the coming months or years. I would say that from the customers we deal with in the semiconductor market, it's not a huge number of different customers. There are less than 100 potential target customers. With the EV market, it's growing. There are people that are getting added all the time. It feels pretty similar to us in terms of total number of customers.

Unknown Analyst: Greg, your market in life science is maybe more fragmented. If you look at a distribution model versus direct, is there anything noticeable changing in the sales approach of your business?

The second part of that is, as your customer base gets diversified very quickly, is there anything that you're using to track usage or utilization of your systems? Is there any kind of razor blade type model that you're going after?

Greg Martel: I won't say that there is a specific model that we are going after. What we are really trying to focus on within the life science market is where are the customers that will see high value from the differentiated products that we are manufacturing and offering.

Quite specifically, we want to go after the volume opportunities as well, whether it's in bio-banking space, whether it's in production cannabis space, if we move to another segment of the market, vaccine storage, for example. You touched on the direct versus distributor models. Those are going to vary regionally, and in areas of greatest potential customer concentration, we'll certainly look to go direct in those because, financially, it makes a lot of sense to do so. We're also going to be actively building out the service network to make sure that we can support those globally as well.

Unknown Analyst: Just thinking about capacity as you march towards that $200 million to $250 million mark, how should we think about capacity expansion plans? What is the current capacity for revenue you can take in today?

Nick Grant: All of our sites have capacity expansion opportunities today. No sites are operating more than one shift, and we have additional space in certain facilities that we can expand into.

As you all know, we did some restructuring at the end of 2020, but we still have adequate space for capacity addition. Now what we will see are some investments to try to position us closer to customers in better served markets. There will be some additional capacity build-out that we anticipate in our plan to better position us for growth. Duncan, any comment?

Duncan Gilmour: I'd just say, we do not anticipate having to buy a new factory in order to support that growth. Our existing infrastructure, for the most part, can cover it. There may be some expansion, as Nick indicated, service sales, small footprint type stuff in different markets, but we're not looking at building a 100,000 square foot factory anywhere in order to kind of drive that.

Unknown Analyst: Historically, inTEST has been in markets where you have very high market share, whether it's the manipulators or the iTS space with Ambrell, which was done prior to most of you guys being here. It was a big opportunity, big TAM, but a lot of players in there; you were 1 of 10 or 15 in that space. Then with the two acquisitions that have really tuck-in and seems to fit very well with what you're doing.

Then you do Videology which seems to be very different, a massive opportunity, but spread across a whole number of different industries in which you are not really players. I'm trying to see how that came about, and how do you go to market. Videology can augment what you're doing at Ambrell, but the core business of Videology is separate, it seems, from what the rest of the business does. So how do you manage that?

Nick Grant: As we lay down our division of technology platforms, knowing that really process technology is something we have a know-how and expertise in, Ambrell was a great addition to bring that. In fact, iTS has been doing temperature testing in process applications for quite some time, so how do we build out around that. We started looking at a whole variety of technologies.

And as Rich, we are looking for those diamonds in the rough, and we believe that's what we got with Videology. They are not a camera company that is a commodity. They are supplying image capture capabilities into OEM systems which is very similar to our other businesses. The DNA fit extremely well with us, right. You will never see one of their products in a cellphone or anything like that; it's not the highest volume product, they make is a few 10,000 or so.

We are finding that there is a lot of overlap in customers that we talk to; customers that we supply in Dutch and heating systems or even other test equipment, need cameras.

Really, I think the key thing is the diamond in the rough aspect. This is a business that was screaming for a lot of the great things that we have done at Ambrell. We have been able to leverage that knowledge base. Even though it's a different product; we have been able to leverage that knowledge base, bring it into this business and really build it up very quickly; whereas, if we try to do that with a business without that support, it would have been much more difficult.

Unknown Analyst: Diamond in the rough totally, the question is the fit. But you seem to say that there is more fit than appears at first.

Nick Grant : Exactly. Hopefully, we do see those opportunities across the businesses from an imaging perspective. As we build out more automation in our semi solutions or electronic test solutions, image capture is also a key part of that and process technologies.

Unknown Analyst: The front-end semi market seems to be fairly interesting at the moment; companies addressing the silicon carbide space tend to be growing fairly nicely. I think inTEST wants to play into this area. Do you have any foray into this right now? Is there room for expansion into that?

Nick Grant: Yes, we do with our Ambrell induction heating technology that is used to draw the ingots for certain customers. In fact, one large order we got in Q4 was associated with that silicon carbide application. We are on the front very front end of semi where you are drawing the ingots and as well as in back-end test. The diversification we have in semis, we believe, positions us extremely well. Would Scott have anything to add?

Scott Nolen: Yes. That is the classic example of a long-cycle development process. The customer that placed a large order with us last year is one we have been working with for 4 or 5 years on that technology, and that really came to fruition. We have more of those in the hopper right now that we are working on and getting that same type of order volume. It's really a great opportunity for us to get in with these customers and develop their technology. Once they are ready to move, they move with us.

Nick Grant: Yes, you're exactly right. Silicon carbide is all driving business in the other areas as we do power management testing and really the electronic test of temperature chambers, et cetera, that we do. We are benefiting from that front-end investment area.

Unknown Executive: Looking at your M&A pipeline, what company sizes are you seeing in there? And how big of a transaction are you comfortable taking on?

Nick Grant: Rich, answer the first part and Duncan can answer the second.

Richard Rogoff: From the pipeline today, as you see from the three acquisitions that we completed last year, there are varying sizes. On the smaller end, somewhere in the $1 million to $3 million range, which would be more of like a Z-Sciences type of tuck-in product acquisition, to upwards of $30 million - $35 million range.

We would be very comfortable looking again for that diamond in the rough that we can polish and see growth. I'll turn it over to you to Duncan to talk about the financials.

Duncan Gilmour: Those ranges make sense. Obviously, at the lower end of that range, we can probably move a lot quicker as of right now. As we go up that range, then looking at additional sources of capital comes into play. But anything in that range is certainly something that is doable.

Beyond that, then it becomes a slightly different story, but it doesn't mean that that's necessarily off the table for the right opportunity. Any M&A activity is about good valuation, good technology, and a good fit. We always have to assess that. We do not have a prescribed number that we are necessarily looking at.

Richard Rogoff: That is a good point. We do not exclude something valued at, let's say, $50 million or $100 million. We will still do the evaluation, and then we will discuss it.

Unknown Analyst: Scott, when you look at heat and when you look at cameras, what is the obvious synergy that I might be missing in that? Is there anything on the product side? Is it sales side?

Scott Nolen: It is more on the sales side. It is more on the structure of how we go to market. I do not see a whole lot of cameras on our induction heating systems today. What you do see is the same integrators that are doing heating solutions and buying from us today also do cameras for their mechanical handling lines or systems.

We are talking to the same people with whom we built relationships up through the years through Ambrell. Now we can introduce Videology, an opportunity that they never had before, as a sole proprietorship business at limited scope. This gives a bigger sales footprint that this smaller business did not have.

The other key thing that we have been able to do is take the knowledge base that we have in Ambrell and expand that into Videology, something that they were desperate for before we got there.

Unknown Analyst: Do you foresee potential impacts of de-globalization on the 5-point strategy?

Nick Grant: Yes, there are a lot of regionalization efforts going on, as we all know, across the globe. We believe that will absolutely benefit us depending on where we are located. If we get the right infrastructure in place in other regions, we can benefit from it also. We don't see it as a threat; we see it as an opportunity.

Unknown Analyst: Without looking at numbers, do you have any idea on the volatility within your sales on a year-by-year basis within the cycle backwards looking and where do you think that's going with the diversification that you now have?

Duncan Gilmour: Historically, when this business was very squarely in the back-end, semi space, the volatility was fairly significant based upon that particular sector. I think there are two things. We are driving towards greater diversification, both within semi, in the front end and back end, as well as outside of semi. That alone helps smooth that volatility.

The secular trend in semi is a very broad sector. It looks like they're going to smooth out. The long-term trends there are certainly positive. There is going to be volatility. But I think as that sector continues to mature and is ever maturing, that volatility will lessen over time.

The combination of that and the diversification into more front-end applications, the diversification outside of semi and the growth opportunities we're seeing there, I think that helps give us more predictability than we've had in the past.

Unknown Analyst: Rich, I know you mentioned you are targeting accretive acquisitions. Obviously, gross margin is a component of that. But how do you prioritize the gross margin profile of target companies?

Richard Rogoff: We focus on less so on the gross margin and more on the strategic fit. The strategic fit in the technology components that it adds. We will combine the strategic fit element together with analysis on the financial performance, but also on areas where we think we can add to the improvement of that gross margin, again, polishing that diamond.

Nick Grant: With that strategic fit, because we are a technology company delivering the highly valued solutions, we are looking for companies that fit in that, that are aligned. Typically, their margins are not too deviant from where we are.

We're not going out and looking for a commodity, one that is going to be very dilutive to us We look to see if that strategic fit aligns, then they will not have a big impact.

Duncan Gilmour: Rich, you obviously talked about the fact that our revenue growth is the number one, and we want to maintain our profitability and cash flow. The story here is a top line growth story. With that top line growth comes operational leverage opportunities around corporate costs and leveraging operational SG&A within the businesses.

We look to continue to do that. We are not looking to squeeze cost to drive margin percentages. We are relatively comfortable with that overall profitability of the business. We want to maintain that, grow that top line, and the profitability will, to some extent, take care of itself with that growth.

Unknown Analyst: Scott, I want to take you back to Ambrell to a time before you were there. There was the acquisition, the purchase price, I remember Westing was $40 million, and there was an earn-out, based on 8x EBITDA. It was earned, and the quarter after that, the business went south and somehow did not deliver to the puzzlement of a lot of people.

Since then, it seems like you came in, and now we are on a new growth trajectory for that business, and you have announced some really amazing relationships. Help us understand what happened and what that dip was. How are you growing again? Is it new customers, new partnerships, new relationships?

Scott Nolen: When I was at GE, they had a very simple rule they would never do an earn-out ever, and I think this is a good example of why. They did the earn out. None of the leadership that did any of this is here anymore, and I don't like to speak ill of people's decisions at the time, but what happens, so 2020 hindsight. They did an earn-out. They left the leadership in place of the business that had a very large stake in the success of that earn-out.

They squeezed the business down to as minimal as possible to maximize that earn-out, and they achieved it. Unfortunately, to the detriment of any future growth near term, and when I arrived in the business, we were coming down and we had really damaged the sales force. We reduced our relationships with our distributors out there. We stopped our development pipeline. I was brought in to turn that around, and we have been successful with that.

We have definitely been able to build our relationship with some key OEMs that can always drive that baseload of your business. Although this is risky because, if they stop, you have come down, but that is why we have made sure that we have not let our foot off the gas when we have gotten some nice OEM orders recently. We continue to expand into new spaces, expand our sales footprint and expand our products.

Unknown Analyst: Will you do earn-outs going forward?

Nick Grant: Not if I do not have it.

Scott Nolen: You have got to be very, very careful on how you structure the earn-out. There's no question about it.

Scott Nolen: I'm more interested in purchasing a business where the leadership stays on. You have to give them encouragement that grows the overall business of inTEST, not just that division, which is what they have done at that time.

Unknown Analyst: Nick and Duncan, if we look at Q1 and 2022 guidance, is that just a statement of fact? Or should we assume you still feel comfortable with those ranges?

Duncan Gilmour: I haven't changed the number, so I will let that statement stand by itself.

Unknown Analyst: It seems like your service offerings can increase nicely, especially with Acculogic and there is some nice low-hanging fruit there. With the slow uptake, is that largely just due to the pandemic? Or is there some labor necessity to increase the labor pool to get on sites?

Nick Grant: The pandemic was an inhibitor that slowed us down. The labor talent in the beginning of 2021 was a struggle, but that improved in the second half of the year, so we are in a good position already going into 2022. The supply chain challenges impacting all businesses globally is a bigger challenge than labor now.

Joe McManus: It was a really tough year to encourage customers to embrace our representatives and allow them on-site to talk through different ways we can support them. We want more forward-facing customer contact to push through our top initiative of thinking of customer needs first.

Greg Martel: I'll add that varied from region to region throughout the world as well. Travel in the U.S. was different than travel in Europe which was different than travel in Asia. We had to approach each specific scenario in a different way.

Unknown Analyst: Joe, you mentioned an exciting opportunity where a tester OEM, which has its own line of manipulators, is looking to adopt some of your advanced technology. How big is this captive market? And what percent of that market is right for share gains or a move to outsourcing merchant suppliers like inTEST?

Joe McManus: It's a significant opportunity; though, we don't necessarily expect them to go to our manipulator for everything. It's going to be a gradual process that we will ramp up over time, with a plan.

We are working very closely with a number of OEMs in the test space. We have a number of global account managers focused on OEMs and trying to partner with them on specific projects so that we can get in different niches. I mentioned the power management. We have different applications trying to be product specific, so we can add value and improved solutions.

Unknown Analyst: The margins in that business would be similar or lower growth below OpEx. **Just...

Joe McManus: Yes.

Unknown Analyst: The margin in the OEM business would be equal to corporate averages or would it be a different mix and a similar pretax?

Joe McManus: As far as corporate averages, yes, equal to that. Some of the margins or some of the products are pretty strong. If we have a high-volume OEM, it would not be quite as good. But overall, I think that we would work out pretty well.

Unknown Analyst: Can you talk a little bit about how you prioritize your OpEx spending as you move towards that $200 million sales goal?

Duncan Gilmour: Whenever we're investing dollars, whether it's OpEx, CapEx, we need to be thinking about what we are getting that is aligned with our strategy.

If we're investing in additional selling resources and marketing resources, we have to consider what we're going to get from that; what is the likely return. We are constantly thinking about it that way; there are some additional elements as we scale that we have to think about in supporting the overall business. But keeping that kind of modest. We do believe there's good operating leverage opportunity over the piece with respect to leveraging our existing kind of cost base.

We should be keeping as the north star, as I said, let's focus on the 5-point strategy, which is primarily focused on driving that top line. Are we growing market share? Are we increasing serviceable addressable market? Whether it be spending towards innovation or around the sales and marketing side. That's what we constantly need to think about.

If people are wanting to add headcount or want to do that, that's always the question that we need to be asking ourselves and are asking ourselves.

Unknown Analyst: Another question for Scott. You have quite a few competitors. It seems like you develop solutions for specific customers, and you work hard at it. How sticky is the customer? Once we have a customer, we need to prove our first-rate invested relationships. Are they then doing an RFP and trying to say, okay, now we know how to do it, and we will tell people how to do it, and they try to bid you out? And it goes both ways, right?

If your customers are sticky, your competitors' customers are sticky, so what are the dynamics of the market from a stickiness and a growth perspective?

Scott Nolen: The answer very simply is it is very sticky. The secret to the induction heating business is our labs and our ability to be able to show that solution to customers. In many cases, customers have told us this is going to pay for itself in weeks. Would you go to somebody else that maybe knows how to do it and try to tell them how we did it and find out 5 weeks later that, oh, this is all screwed up and come back to Ambrell, no.

Once we prove out that technology in our lab, we get sales. They don't spend a whole lot of time going out there. Now granted, if you have an OEM that is going to purchase a large volume, they are going to look around, but we can be very competitive. We bring a great history of product availability, meantime between failure that is second to none, we believe in the marketplace. The stickiness is absolutely there.

The great thing is once we solve one problem for us, they realize, oh, my gosh, I have 10 other applications that I can bring to them as well, and they do.

Unknown Analyst: Do you have labs in Rochester?

Scott Nolen: I have multiple labs. I have a lab in Rochester. I have a lab in Europe, in the Netherlands, and I have a partner lab in Italy that we are supporting directly, a partner lab in Mexico that were supporting directly. Then I have other distributors across Asia and in Eastern Europe where we have labs located, and we have done a lot of training with those partners. If they ever get into a difficult situation, they will either bring us in directly or virtually these days, but those labs are really the key to the solution.

Unknown Analyst: What valuations are you seeing in the acquisition pipeline?

Richard Rogoff: The valuations are varying depending on where the companies are coming from. Usually, if the process is coming from an investment banker strategy, it is a little bit on the higher side, say, in the mid 12% to 15% range times EBITDA.

If it is a private company or acquisition in that range, it's usually in the single digits in that space. We try to look at those valuations and address them accordingly, and, of course, look to the lower ones.

Unknown Analyst: When you came aboard, you used the phrase low-hanging fruit for organic revenue growth. If this were a baseball game, which inning would each division be in for organic revenue growth?

Nick Grant : Excellent question because the Board and I use this analogy as well. Overall, we feel like we're probably in the bottom of the second, top of the third inning from that perspective. You heard a lot that we made tremendous progress this past year, but we've got pretty big ambitions.

Unknown Analyst: I just don't think we've seen it in the numbers yet.

Nick Grant: We grew 58% last year.

Unknown Analyst: It was the cycle.

Nick Grant: Some of it was the cycle. Some of it was our innovation, our investments to get better coverage. The markets we're going after and penetrating into were absolutely not about just market tailwinds.

We are in the early innings of this. And we believe the investments we made are going to continue to drive that, and that's why we're very comfortable in our targets that we've laid out there.

Unknown Analyst: Without any future acquisitions, which division has the most revenue in 2025?

Nick Grant: Each of them are 1/3 of us roughly today. We have solid growth across all three, so it is not going to be like one is just tremendously taking all the growth, and the other two were just relatively flat. All three are aggressively growing in their markets.

Even though the small Z-Sciences was a product line acquisition, it opens up tremendous growth opportunity for iTS. The Videology, we have talked about, the Acculogic, more lifestyle businesses that were just underpenetrated. We see all 3 growing.

And in fact, I would say there's not one that stands out better than the others.

Duncan Gilmour : It is usually another sporting analogy. It is a good horse race between all three; there is opportunity in all three, so let's keep an eye on that.

Unknown Analyst: You spoke about how the organization structure is evolving at the business. Can you discuss how incentives are changing at the divisional and Board level? Is there an example of an incentive payment tied to the long-term revenue goal of $250 million?

Nick Grant : I will talk about the company. The comp committee decides the Board’s incentives, but from a company perspective, we absolutely have aligned our incentives relative to bonuses and stock around the objectives we are targeting to grow the company. Each of the leaders, and we've gone deeper into the organization to the next layers are incentivized to provide that.

We use a mixture of annual target setting as well as three-year performance objectives laid out there in our stock awards plan. Yes, we are aligning, and it is all about paper performance, which is the mentality we're driving.

Unknown Analyst: Following up on the volatility in fixed income control as you grow inorganically. If you think of the average cycle going from 100% down to 40% peak quarter to trough quarter, and you roll that forward to your $250 million number, the question is inTEST has clearly been profitable on a cross-cycle basis historically, can you think in this next cycle, you'll attain profitability in your trough quarter?

Duncan Gilmour: I believe those historic cycles somewhat overlap a little bit. I think this front-end semi back-end semi dynamic is a very important one, because we do see those moving in a slightly different fashion.

Back-end moderating a little bit, which we have talked about coming off the historic highs of last year, but we're still seeing high record numbers there. As that starts to moderate, we are seeing the opportunities in the front end which are all looking strong. Then as that cycle continues, we expect to see a similar flip flop. As we project out 12 months, 24 months, we are looking at that dynamic. As that dynamic evolves, and if it is not evolving that way, then we need to adjust as appropriate. The growth in the other sectors that we see as coming on board helps reduce that.

We are looking a little bit further out and seeing that volatility stabilize somewhat versus what we have seen before, where the exposure purely on back-end semi led to the dynamic that you're talking about.

Nick Grant : With that lessening or dampening of the volatility, the company has demonstrated it has been able to deliver profitability before, for years through the cycles, which positions us better going forward.

Unknown Analyst: Can you talk about the impact of rising interest rates?

Duncan Gilmour: Last year, obviously, interest rate was a very favorable environment. As you've seen, we did borrow money on the back of that. I think we borrowed $20 million. We effectively fixed the interest rate of $12 million of that, and the $8 million is kind of floating.

We will deal with the market environment at the time with respect to interest rates. We have flexibility around raising capital, in terms of debt versus equity, and there are different mechanisms. We will have to assess a particular point in time that makes sense.

If interest rates are crazy, and it does not make sense to enter into more debt, then we will look into different avenues. We have to look at the market conditions that prevail at the time.

Nick Grant: That will conclude our Investor Day today. Again, first ever for the company. Hopefully, you really get a sense that things are different here at inTEST. I'm excited about what the future holds, excited about the team we have in place. I look forward to updating you in the quarters and years ahead.

Thank you all.