Operator: Greetings and welcome to the inTEST Corporation First Quarter 2022 Financial Results Conference Call. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Ms. Deborah Pawlowski, Investor Relations for inTEST. Thank you. Please go ahead.

Deborah Pawlowski: Thanks, and good morning, everyone. We certainly appreciate your time today and your interest in inTEST Corporation. Here with me are Nick Grant, our President and CEO, and Duncan Gilmour, our Chief Financial Officer and Treasurer. You should have a copy of the First Quarter 2022 Financial Results, which we released this morning before markets opened. If not, you can access the release and the slides that will accompany our conversation today at our website, www.intest.com. After our formal presentation, we will be opening the line for Q&A.

If you turn to Slide 2 in the deck, I will first review the Safe Harbor statement. You should be aware that we may make some forward-looking statements during the formal discussions, as well as during the Q&A session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in the earnings release, as well as with other documents filed with the Securities and Exchange Commission. These documents can be found on our website or at sec.gov.

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

With that, if you turn to Slide 3, I will turn it over to Nick to begin. Nick?

Nick Grant: Thank you, Deb and good morning, everyone. Thanks for joining us this morning for our First Quarter 2022 Earnings Report. I would like to start by thanking the entire inTEST organization for their resiliency and never-ending desire to exceed customer expectations and deliver a solid start to the year.

The first quarter played out as expected, with both top and bottom-line results in line with our guidance, despite Omicron, supply chain constraints, transportation shortages and continued inflationary pressures. We are advancing our 5-Point Strategy and executing well. Revenue grew 23% year-over-year and 8% sequentially to $24.1 million and was the result of continued demand for our innovative and differentiated solutions.

The quarter was not without its challenges. An estimated $1 million of the product could not ship due to supply chain constraints or logistic issues. As an example, we had a product on a ship that could not get into port in Baltimore in time; however, as we advanced through the quarter, we improved our ability to deliver by bringing on more qualified suppliers, increasing the inventory of raw materials and driving greater efficiencies in our production processes. We are becoming experts at whack-a-mole to get product out the door to our customers.

Acquisitions contributed $4 million in the quarter, primarily from demand in industrial, security and other markets. Organic growth of 3% reflected our growing presence in automotive electric vehicles and select industrial segments. We believe that our diversification efforts around targeted growth markets are working well. This is demonstrated by the strong sales of our leading test and process solutions to the automotive industry, including electric vehicles.

In fact, in Q1, we saw our bookings and sales for Automotive EV applications more than double from the prior-year period. As we have been communicating, our diversification within Semi is also providing benefits. We had sales of our innovative solutions for the front-end space, specifically in silicon-carbide crystal growth applications, and sales of our thermal back-end solutions. Both increased sequentially in the quarter, more than offsetting lower volume in our back-end electronic test solutions.

For Semi sales to hold up that well is remarkable, given the atypical strength we saw during the first half of 2021 for our back-end electronic test solutions. A few factors impacted margins, both sequentially and from a year-ago period. When comparing the year-over-year, the change in product mix was the primary reason for margin contraction, due to the significant volume from our back-end semi-electronic test solutions during the first half of 2021.

Our custom-engineered solutions in this back-end test space generally command our highest margins. From a sequential comparison, the initial contributions from the acquisitions had a drag on margins as they were not where we expected they would be at the end of the year. Margins should improve as we drive productivity gains, and the investments we have made to grow revenue and realize operating leverage begin to pay off as we advance through the year.

Integration of the three acquisitions that closed during the fourth quarter of 2021 is going as planned. We are improving their systems and processes with more discipline and sophistication to enable greater scalability while investing in the sales organization across our enterprise to support our growth plans. We are building out our sales teams domestically and in Europe, and we recently opened our newest induction heating demonstration lab in conjunction with our channel partner in Mexico.

History has shown we have a high success rate of converting prospects to customers when we demonstrate how our technology solves their production challenges in our labs. Our strategy is to invest in more labs worldwide to drive greater market penetration through customer conversion. In parallel with these sales and marketing efforts, we continue to advance our new product innovation efforts, further enhancing our solutions offerings and helping to drive additional sales growth. As we tackle supply chain constraints, we have to redirect our development engineers to qualify new suppliers and validate product specifications, which is somewhat slowing our new product development efforts.

Last year, we defined our vision and mission and initiated our 5-Point Strategy. As we announced at our recent Investor Day, it was necessary to reorganize our structure after completing the three acquisitions we made at the end of last year to execute our forward plans better. We now have three reportable segments that align with our technology platforms: electronic test, environmental, and process technologies. We believe this division structure enables us to increase efficiencies, broaden opportunities, better utilize our manager’s talents and leverage our strong customer relationships to accelerate growth and capture cost synergies. We also expect to be able to increase collaboration across the businesses, which will help to create broader customer solutions.

Finally, with our new technology division structures, we believe we are well-positioned to build our forward vision of innovative test and process technology solutions and the platform to support our growth ambitions. You can find the results by segment in both our news release and the supplemental tables of our slide deck.

We had orders of $25 million in the first quarter of 2022, a record backlog at quarter-end and a demand that has elevated as we advance into the second quarter. These all provide us with the confidence to reaffirm our guidance for 2022 and establish second-quarter revenue guidance of approximately $27 million to $29 million.

Let me now turn it over to Duncan to review the financials in more detail. Duncan, over to you.

Duncan Gilmour: Thank you, Nick. Starting on Slide 4, we provide some detail regarding our top line. As Nick indicated, revenue for the first quarter of 2022 was $24.1 million, a 23% increase over the same period last year and at the midpoint of guidance. Compared with the prior-year period, revenue growth of $4.5 million included $4 million from our Q4 acquisitions.

Those acquisitions contributed to growth in Life Sciences, Security, and other markets and is indicative of the Company's strategy to diversify and expand with new customers and into new markets. Organic growth amounted to $0.5 million, or 3%, reflecting demand from the automotive, particularly electric vehicles, and industrial markets.

Sales to the Semi industry were relatively unchanged on a year-over-year comparison as growth and shipments to front-end Semi customers offset the decline in sales to the traditional back-end Semi markets, which were exceptionally strong in the prior-year quarter. It is also important to note that first quarter's supply and logistic challenge levels were similar to our experience throughout the last couple of quarters. We estimate supply chain and logistic constraints impacted Q1 2022 revenue by approximately $1 million, even as our teams continue to do an outstanding job of working through the issues, finding alternative solutions and aligning operations to best meet customer expectations.

Compared with the trailing fourth quarter of 2021, sales to the Semi industry grew 9%, driven primarily by demand from back-end Semi thermal applications. Life sciences, Industrial and Defense/Aero markets also improved sequentially. Still the Company's top five customers in the first quarter represented approximately 20% of revenue and no single customer during the quarter accounted for 10% or more in revenue.

Moving to Slide 5, our first-quarter gross margin of 45.7% compares with 46.3% in the fourth quarter of 2021 and 48.7% a year ago. The contraction from both prior periods reflects a less favorable product mix, the impact of acquisitions, production inefficiencies driven by supply chain constraints and delayed recovery of cost increases as pricing improvements tend to lag inflationary increases in component material and labor costs in preexisting order commitments.

As it relates to the mix in the prior-year quarter, back-end Semi Test was at a strong level with the market resurging and we believe we were capturing more market share. As noted in the past, our back-end Semi Test business is the most lucrative in our product portfolio from a margin perspective. What is encouraging for this segment is that the new leadership and focus have reignited our customer relationships.

Sales to back-end Semi were $11.1 million in the 2022 first quarter compared with $12 million last year. Front-end Semi sales stepped up from $1.3 million in last year's first quarter to $2.3 million this year.

The impact of our acquisitions is tied to them closing toward the tail end of 2021. We expect Inefficiencies from the early stages of integration, and we anticipate improvement with more consistent go-forward quarterly performance. Overall, we expect modest margin improvement through the rest of 2022, driven by improving contributions from acquisitions and increasing volumes.

Slide 6 details our operating expenses and expectations going forward. Operating expenses were $10.2 million in the first quarter, representing 42.4% of revenue compared with $10.1 million, or 45% of revenue, in the fourth quarter. First-quarter 2022 operating expenses reflect the impact of a full quarter of costs associated with the Company's fourth-quarter acquisitions and include approximately $780,000 pre-tax intangible asset amortization expense.

Intangible asset amortization expense was $522,000 in the fourth quarter, with the step-up directly related to the acquisitions. We expect quarterly operating expenses for the balance of 2022 to be in the $10.9 million to $11.2 million range. We have annual merit pay increases during the second quarter and we expect growth-related investments to step up through the year, which are reflected in this range. As we continue with our growth investment plans to support our 5-Point Strategy, we are confident that we will continue to demonstrate improving operating leverage with volume and scale.

On Slide 7, you can see our bottom line and Adjusted EBITDA results. Both GAAP and adjusted EPS were within our guided ranges. We had GAAP net earnings of $577,000, or $0.05 per diluted share, for the first quarter compared with net earnings of $287,000, or $0.03 per diluted share, for the fourth quarter of 2021.

EPS was $0.12 per share compared with $0.07 per share in the fourth quarter, on an adjusted basis. Adjusted EPS reflects tax-affected acquired intangible amortization. On an after-tax basis, acquired intangible amortization amounted to $689,000 in the first quarter. We expect a similar amount of intangible amortization in the second quarter of 2022, with declining levels during the second half.

The effective tax rate for the quarter was 12%. We continued to benefit from tax credits related to high export sales and released a small valuation reserve of tax assets associated with some old foreign net operating losses. Adjusted EBITDA was $2.1 million for the first quarter, up 56% from the fourth quarter of 2021, reflecting higher bottom-line profitability and the impact of acquisitions on Q1 2022 amortization and interest expense.

In our Adjusted EBITDA calculation, we removed the impact of stock-based compensation. Stock-based compensation is a non-cash expense and, as such, does not impact our liquidity. Accordingly, we believe our Adjusted EBITDA is a better performance measure to assess the strength of our cash generation ability than EBITDA alone. More detail on the calculation of Adjusted EBITDA can be found under non-GAAP financial measures in our earnings release.

Slide 8 shows our capital structure and cash flow. Cash and cash equivalents were $17.2 million compared with $21.2 million at the end of 2021. We used approximately $900,000 in cash to pay down debt in the quarter, reducing our balance to $19.2 million. As a reminder, we had debt of $20.1 million at the end of 2021 as we established a term loan facility to finance two of our three acquisitions during the fourth quarter.

We believe we have better leverage in our balance sheet than we had historically and have plenty of financial flexibility to continue executing our 5-Point Strategy for growth. Our liquidity stands at $32.2 million, including cash and approximately $15 million available on a revolver and term loan facilities. We used $2.7 million in cash during the first quarter. The first quarter typically consumes cash due to the timing of year-end bonus payments and cash taxes.

Capital expenditures during the first quarter were $335,000 compared with $417,000 in the fourth and $388,000 in the year-ago quarter. For 2022, we expect capital expenditures to be around 1% to 2% of annual revenue; however, depending upon changes in market demand or manufacturing sales strategies, we may make purchases or investments as we deem necessary and appropriate.

With that, I will now turn the call back over to Nick.

Nick Grant: Thanks, Duncan. Slide 9 highlights our orders and backlog performance. Overall, demand for our products and solutions remained solid with a first-quarter book-to-bill of 1.04. While we will always welcome market tailwinds, our objective is to execute our 5-Point Strategy to grow faster than our served markets.

We continue to extend our reach in targeted growth markets while deepening customer relationships across these industries. In the first quarter, our businesses continued to add new customers, focusing on both end-users and OEMs. Orders for the first quarter of $25.1 million were essentially flat with the year-ago period and were down from a record $30.5 million in the fourth quarter.

As we mentioned on our last call, the fourth quarter included a large, approximately $10 million order for our front-end Semi solutions. We will deliver against this order throughout 2022, primarily in the second, third and fourth quarters. The pipeline remains very active for more front-end Semi orders for our induction heating solutions used in silicon-carbide crystal growth applications.

Our Semi back-end orders were lower year-over-year than an atypically strong period of demand that occurred during the first half of 2021. Still, they remained at an elevated level from historical rates. Outside of Semi, orders for the first quarter of 2022 reflected strong demand from the automotive industry, particularly for EV applications requiring inTEST's induction heating technology and our newly-acquired battery test solutions.

Orders were up in Life Sciences, driven by demand for a variety of inTEST's technology solutions, including digital imaging and induction heating. In the quarter, demand increased for environmental technology solutions from the Defense/Aero industry. Our backlog at quarter-end reached another record level at $35 million, approximately 63% of which is expected to convert to sales in the second quarter. Our level of longer-term backlog is higher than historical trends as customers seek to secure production capacity and cope with longer lead times.

Slide 10 reaffirms our guidance for 2022 and provides second-quarter expectations. Although we only have one quarter in the books, I'm pleased with how the year is shaping up.

As a result of our solid start, we expect revenue for 2022 to be in the range of $110 million to $115 million, with quarterly gross margins ranging between 46% and 49%. We also expect interest expense to run approximately $150,000 per quarter and our effective tax rate to be between 15% to 17% for the year.

As I mentioned earlier, for the second quarter of 2022, we expect revenue to be in the range of $27 million to $29 million. Q2 GAAP EPS should be in the range of $0.11 to $0.16 per diluted share, while we anticipate adjusted non-GAAP EPS to be approximately $0.18 to $0.23 per diluted share. The difference between GAAP and non-GAAP is tax-effective acquisition amortization expense.

Our guidance is based on our current views with respect to operating and market conditions, customer forecasts that are subject to change as well as our expectations for the balance of the quarter, and are subject to any strategic investments we may choose to make. It also assumes supply chain challenges remain relatively consistent with what we've been seeing, with gradual improvement as we move through the second half of the year. Actual results may differ materially as a result of, among other things, the factors described under forward-looking statements found in the materials that accompany this conference call, including the press release and the slides.

Slide 11 highlights the longer-term aspirational goals that we delineated at inTEST's Investor Day in early March. With the talent we have in place and a strong adherence to our 5-Point Strategy for growth, we can see a path to essentially doubling the size of the Company from what we expect to report in 2022. This path includes both organic and acquisitive growth expectations and would represent a very strong top-line CAGR.

Slide 12 shows the operating leverage we expect our business model to ultimately deliver, which should drive cash generation and improved earnings power.

Let me now summarize the key takeaways for inTEST on Slide 13. A focused and energized workforce is in place to continue to drive growth as we diversify and expand our markets and our customer base. Executing our 5-Point Strategy for growth is delivering results and we'll see more secular growth trends across our addressable markets. Our M&A funnel development is ongoing. Our team continues to identify acquisition targets that we believe will bring differentiated and innovative technologies, provide complementary capabilities, or enable deeper and broader reach within our targeted markets and geographies.

To capitalize on future opportunities, we have a strong balance sheet and the financial flexibility to execute our growth plans. We are encouraged by the strong demand across our markets. Our solid first-quarter results and the pace of second-quarter orders thus far give us confidence in our 2022 outlook, even in the face of continuing supply chain challenges. We are optimistic about our healthy pipeline of projects as we skillfully manage our operations to meet customer needs.

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

Operator: Thank you. [Operator instructions] The first question is coming from Jaeson Schmidt of Lake Street Capital Markets. Please go ahead.

Jaeson Schmidt: Thanks for taking my questions. I want to start with the supply chain. Nick, I know you mentioned in your prepared remarks that you're baking in the assumption for some gradual improvement throughout the year. I'm curious if you're seeing signs of improvement now to give you that confidence or if this is based more on the worst has to be over because it's been so challenging.

Nick Grant: Good morning, Jaeson. Great question. I would say the improvement is a result of the actions we're taking and our ability to qualify second sources and provide alternate component avenues for us here to get our products to market. So, I wouldn't say things are improving in the marketplace as the frequency of supply challenges continue to occur weekly, but the teams are getting better at it. That's what's driving the confidence in the second half.

Duncan, would you want to add anything?

Duncan Gilmour: Yes, I agree that we aren't necessarily seeing improvement. The situation is pretty much the same as we've seen the last few quarters. I know, we talked about roughly a $1 million impact, which is a little bit higher than we've seen in prior quarters, really due to the additional impact of the acquisitions. Our acquisitions certainly were also impacted by the supply chain challenges that our legacy businesses have been dealing with for a number of quarters now.

As Nick has indicated, the teams are certainly becoming familiar with managing through that. We do assume some modest improvement in the second half. So, there isn't a change there. We're not seeing that yet. The situation is much the same as of right now.

Jaeson Schmidt: Okay. That's helpful color. Sticking with the supply chain topic, it's really impressive to see you reaffirm that gross margin outlook for the year, just given all the challenges out there, but does that also bake in some potential friction of qualifying new suppliers?

Nick Grant: Yes. Absolutely. That assumes the activities that we've been seeing on that supply side as we switch those suppliers has usually a cost impact on that. So that's baked in, but the volume that we're picking up as we grow through the year here is driving improvements there; plus, we laid out in the press release a number of cost activities that we're driving with dedicated cells for production, supporting this silicon crystal growth technology in our induction heating facility. We've recently consolidated our Videology North America into our Mansfield environmental technologies facility. So, we are taking some actions to try to contain the cost side things there.

Jaeson Schmidt: Okay, got it. Then, just the last one from me and I'll jump back in the queue. Semi revenue was up nicely sequentially. I'm just curious how you're thinking about the end market, given the historical cyclicality that has plagued that industry. How far does visibility extend in that space for you?

Nick Grant: Yes. Semi is still, as we said, at elevated levels, but not at the historical highs we saw at the beginning of last year. As we've highlighted, we have the benefits of being at different parts of Semi, very front-end, back-end electronic test and back-end lab test, if you will. So, we see the different pieces, the dynamics kind of all play out, where one might offset another, but still at a healthy level.

As you know, lead times for products have gotten out there pretty far, so it gives us really good visibility of the projects coming in the second and third quarters and we feel confident that Semi is going to maintain at a healthy level for us.

Duncan Gilmour: Yes. As I think we commented on, I would add that it's nice to see Semi growing sequentially. As you point out, the dynamics within Semi are certainly interesting. Our traditional back-end electronic test piece of the business, as projected, has moderated a little bit. Still, we offset that with the activity on the front-end side and some of the back-end lab activity. I think that demonstrates more diversity, even within the Semi space.

Then I'd also add that it's great to see that our non-semi businesses are all demonstrating growth, which proves the additional resiliency that we think we're bringing to the table by virtue of the acquisitions in particular and the additional markets that we're now playing in.

Jaeson Schmidt: Okay. Appreciate that color. Congrats on the strong results and outlook.

Operator: Thank you. The next question is coming from Robert Marcin of Penn Capital. Please go ahead.

Robert Marcin: Good morning. Thanks for taking my questions. Congratulations on the solid start. Hopefully, there's a sequential improvement over the rest of the year. Can you give us an update on the improvements in organic revenue growth for both the Ambrell and the Semi businesses that Nick mentioned? When he first arrived, the commentary was low-hanging fruit for significant market share gains, geographical gains and sales efforts. Do you feel that the organic revenue growth of those businesses today is positioned to be higher than it would've been a year or two ago? Thank you.

Nick Grant: Yes. Relative to the low-hanging fruit comments that I made when I came on board, specific to Semi, I am really pleased with the work our teams have done there. To go, I would say, from a farming mode to the hunting mode and establishing key account programs; going after customers that we typically did not have in the past; and, likewise, increasing our portfolio through product innovation, an area that starved in the past. That work has really opened up new customers and new applications for us and, I believe, positions us well from where we were before I joined.

On the induction heating side, which also pertains to Videology, our image capture, so our whole process technology space there, it's all about lead generation. We've invested in Marcom and direct sales, channel partner programs and OEM programs to drive qualified leads. With our efforts to expand our labs to help drive higher conversion of customers, when we demonstrate our technology solutions, we feel really good about the organic growth that we will see in the core businesses, acquisitions and the investments we're making.

Robert Marcin: Okay. Organic revenue growth is a key component of our 2025 target, so, at some point, it needs to show up in the numbers in a significant double-digit way. I don't think we've seen that yet from what I believe the markets themselves have been doing, but I'm looking forward to seeing that.

Regarding M&A activity, do you think this year could include another deal or do you want to get these three acquisitions completely humming before you bite off another acquisition transaction?

Nick Grant: Yes. As I mentioned, our M&A front is quite healthy, our funnel strength, as we shared more details on our Investor Day, but our activity remains strong. As I've mentioned in the past, our objective is to follow the inorganic growth path at inTEST here at a greater frequency, with a goal to complete one deal annually at least. Last year, we were successful with the three. I do believe, if our activity continues and we're successful here, we could see another later this year.

Robert Marcin: With the stock market acting the way it has, the valuations are coming down, so don't let your acquisition candidates forget that.

Nick Grant: Absolutely. Hopefully, you can see from the deals we did that we've been pretty prudent about getting good multiples and finding companies that we believe we can drive tremendous value being part of inTEST. We won't lose sight of that.

Robert Marcin: I mentioned your acquisition price-to-sales ratios to another CFO recently and he said, "You got them for free." So anyway, I told him he's not working hard enough.

Nick Grant: We can assure you we're working hard here.

Robert Marcin: Then finally, any updates on the opportunities in the service businesses that we're trying to expand over the next year or two?

Nick Grant: We're making some progress on the service front there. In the first quarter, we landed a few master supply agreements with customers that have a larger installed base. They don't show up in the numbers immediately. As you know, these are multi-year contracts and we bleed those in as they go on that, but the teams are focused on driving service growth and driving greater customer satisfaction with after-sales support.

I also believe our acquisition with Acculogic and their test programming services business provided us with an opportunity to do more on the service front that other parts of the Company can leverage. Duncan, any other comments on service you want to add?

Duncan Gilmour: No, I think you captured it there. Certainly, we're seeing some nice initial wins, but there are still plenty of opportunities.

Robert Marcin: All right. Thank you. Then, one final one quickly. Not for you, but are your customers', customers' factory expansion plans on schedule? Do the fabs that have been announced seem to be on schedule? I'm hearing that there's not any significant delays in the factories or the build-out to the fabs.

Nick Grant: As you know, we're more on the back-end test side of things, but what we hear is that progress is continuing on the front-end space, which will eventually drive more back-end demand as these get established. So, yes, obviously COVID lockdowns in China and everything has extended lead times on things, but it's not like anyone's pulling the plug. They're just delaying things weeks or what have you out there.

We feel good about what Semi holds for us in the future and are excited that this shift from silicon to silicon-carbide is creating some nice opportunities for us on the front-end.

Operator: The next question is coming from Peter Wright of Intro-act. Please go ahead.

Peter Wright: Good morning. Thank you for taking my question and congratulations on the amazing transformation and execution, Nick, since you've built the team around you to do what you've done.

Nick Grant: Thanks, Peter. We're excited about how the year's shaping up and where the Company's heading.

Peter Wright: So, Nick, I have a couple of questions for you, one near-term, one long-term; and then, Duncan, I have a couple for you as well. So, Nick, in the short term, you're looking for 20% half-on-half growth embedded in your guidance. What do you think the primary drivers of that are and maybe the risks that we should be aware of, because that's very aggressive guidance for the year?

Then longer-term, the second question is, looking at your 5-Point Strategy, you're looking to double organically to the organic question. If you were to break it down to breadth, number of customers, depth, penetrating each customer deeper and the service business, how would you rank the importance of those three things, breadth, depth, and service?

Nick Grant: I'll let Duncan address the first part of that; and then, I'll comment on the 5-Point Strategy.

Duncan Gilmour: Looking at the year, I think as we talked about in the initial remarks, the demand side has been strong and continues to be strong. Our backlog is at record levels, so we have the backlog there to give us a fair degree of confidence with respect to the next quarter or so as the demand picture that the teams are seeing out there is also strong. That top line is the biggest driver, obviously, of the growth. So, I think it's as simple as that, Peter, in terms of the short-term.

Nick Grant: Then, on the 5-Point Strategy, breadth, depth, and service are all key parts of our strategy. I am hesitant to say that one's more important than the other. We want to expand our customer base, which we're doing to reach more customers, and we're getting a larger share of our customer's wallets as we go deeper in them, so the teams are actively working both fronts there.

Then, as we commented, our service, activities and programs are growing and will drive greater customer satisfaction to retain customers as we go forward here. I don't want to leave out innovation and talent. Both are critical pieces of our 5-Point Strategy, and I am pleased about the progress we're making on those fronts as well. So, yes, it is a multi-pronged strategy, with each piece being, I would say, equally important to us.

Deborah Pawlowski: This is Deb. Just for clarification, I think I heard you say double organically and that is not the goal. That doubling includes acquisitions.

Nick Grant: Correct. I did not catch that, but yes, our doubling of the business includes a certain amount of acquisitions by 2025, which we'd discussed.

Peter Wright: Fantastic. I have a couple of other clarifications; first, an easy one. In the guidance, the $10.9 million to $11.2 million, you did a great job on the G&A, bringing that down almost 10% quarter-on-quarter. Is that guidance an average of all four quarters or guidance going forward from here?

Duncan Gilmour: I would say it reflects the next three quarters, and I would look at it as it steps up very slightly, Q2 through Q4. There's a bigger step up, Q1 to Q2, because of, for example, merit increases being a component of that, but I would expect that range to step up, Q3 through Q4, with the investments we're making.

Nick Grant: Primarily to drive growth there. On top of the merit, we have plans as we bring resources on to get more sales coverage, improve our marketing, drive more engineering development, etc. That's also a piece of what's driving it in the outer quarters.

Peter Wright: So, it's selling. There's really no growth in the fixed portion of G&A; 5-ish a quarter is a good number on the G&A side.

Duncan Gilmour: Not dramatically, no. We'll continue to make modest headcount investments in selling, engineering and areas like that where we need to do that in order to continue the growth trajectory.

Peter Wright: Fantastic. Very last question. Free cash flow in 2022, any thoughts there?

Duncan Gilmour: Cash was, obviously, weak in Q1, given the timing of bonus payments, certain tax payments and things like that. I'd expect us to be generating cash throughout the rest of the year. We haven't thrown a cash number out there. but I would expect, looking at our Adjusted EBITDA as a liquidity measure and the general cash cycle that you see from the business, that cash will start growing again through the rest of the year, even with paying down debt at around $1 million a quarter. I would expect to see our cash balances grow as we get to the end of the year.

Operator: Thank you. Our next question is coming from George Melas of MKH Management. Please go ahead.

George Melas: Good morning, gentlemen. Good job on a good start to the year and, also, thank you very much for the new reporting vision for the Company. I think it will help us understand the business a lot better, so we very much appreciate that.

Nick Grant: Good morning, George. We're pleased to be able to share a bit more visibility, because this is really how we're running the business. I think it's important that you see that.

George Melas: You noted that the acquisition contributed roughly $4 million in revenue during the quarter. Is there a way to give us some sense of what they contributed to the gross margin and the income? Did they contribute to this divisional operational income or were they a slight distracter from that, and do you expect some improvement during the rest of the year?

Duncan Gilmour: Let me give you a little bit of color on that. I think we talked about the acquisitions being accretive to the year as a whole. Certainly, we believe that to be the case. I would say, in Q1 at $4 million, which is about $16 million annualized, that's below the run rate that we're ultimately expecting to see from the acquisitions. If you look at it that way and work through the mechanics there, I would say that they certainly were a little bit dilutive to margins in Q1. Again, we alluded to that in the prepared remarks and in the release. So, yes, they were a drag. As we said, we do expect that to resolve and we do anticipate them to, ultimately, be accretive by the end of the year.

Operator: Thank you. At this time, I'd like to turn the floor back over to Mr. Grant for closing comments.

Nick Grant: Thank you, Donna. Before we wrap up, I want to reinforce that the inTEST team is the secret to our success. I thank all of our team members for supporting and driving our transformation.

You can note on Slide 14 that we will be presenting at the Sidoti Virtual Micro Cap Conference next Wednesday. That presentation will also be webcast. We are also presenting at the Stifel Cross Sector Conference on June 8, so, perhaps, we'll see some of you there. In the meantime, we appreciate you joining us today on our call and for your interest in inTEST. Thank you and stay safe.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.