

**Operator:** Greetings, and welcome to the inTEST Corporation acquisition of Alfamation call. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Deb Pawlowski, Investor Relations for inTEST Corporation. Thank you. You may begin.

**Deborah Pawlowski:** Thanks, Melissa. Good morning, everyone. We certainly appreciate your interest in inTEST Corporation and thank you for sharing your time with us today on such short notice. As you know, we published the release announcing the acquisition of Alfamation aftermarket yesterday. Also crossing the wires was the release regarding our plans to restate previously-issued consolidated financial statements for the 2023 third quarter and nine months results. That release provides the details of what the restatement is expected to entail as well as the 8-K that was filed last night too.

As noted, we intend to file an amended third quarter 10-Q as well as the 2023 10-K as soon as practical. We plan to host a conference call following the filing and release of our fourth quarter 2023 financial results and will provide notice once we can determine a date. You should no longer rely upon the company's previously-released financial statements nor any other related materials for the 3rd quarter and 9 months ended September 30, 2023. Similarly, preliminary results reported for the fourth quarter ended December 31, 2023, should no longer be relied upon.

So, let's turn to the discussion of Alfamation. There are slides that you should have on the acquisition that we will use to accompany our conversation this morning. If you do not have the slides, they can be found in the Investor Relations section of our website, [intest.com](http://intest.com).

Here with me today are Nick Grant, our President and Chief Executive Officer, and Duncan Gilmour, our Chief Financial Officer and Treasurer. Nick will briefly review the acquisition, and then, we will open the call for Q&A regarding the acquisition.

If you would please turn to **Slide 2**, I will review the safe harbor statement. During this call, management may make some forward-looking statements about our current plans, beliefs and expectations. These statements apply to future events and are subject to risks, uncertainties and 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 yesterday's releases, as well as in other documents filed by the company with the Securities and Exchange Commission. These documents can be found on our website or at [sec.gov](http://sec.gov). In addition, management will refer to some non-GAAP financial measures. We believe these will be useful in evaluating performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP.

So now if you will turn to **Slide 3**, I will turn the call over to Nick to begin. Nick?

**Nick Grant:** Thank you, Deb, and good morning, everyone.

We are thrilled to have you with us this morning as we share the news of our most recent acquisition, Alfamation SpA. I would like to start by welcoming all of our new colleagues at Alfamation into the inTEST family. Alfamation is a leading global provider of state-of-the-art test and measurement solutions for the automotive market, consumer electronics applications and the life sciences industry.

As many of you may be aware, an integral part of our 5-Point Strategy for growth is our very disciplined approach to acquisitions, which led us to identify Alfamation. This acquisition advances all dimensions of our 5-Point Strategy and is the latest milestone

demonstrating our progress since we launched the strategy in 2021. This furthers our efforts to transform inTEST into the supplier of choice globally for innovative test and process technology solutions.

We expect the addition of Alfamation will:

- Deepen our presence in key target markets, such as automotive/EV and life sciences,
- Expand our markets into consumer electronics,
- Extend our geographic reach with a sizable footprint in Europe,
- Broaden our portfolio of differentiated automated test solutions for our Electronic Test division,
- and finally, Alfamation brings a highly qualified team of employees, and we are excited to have them join us. Their technical talent, commitment and customer focus align perfectly with inTEST's mission and culture to provide innovative, engineered solutions that address customers' high-value challenges.

Turn to **Slide 4** and I'll highlight further why we see this as an outstanding addition to our Electronic Test division.

Alfamation advances our corporate vision as it brings broader and complementary technologies and applications to enhance our high-quality, innovative customer solutions. We intend to leverage both companies' existing channels to market to gain synergies and accelerate growth across the broader portfolio.

Alfamation enhances our product portfolio with a wide range of test and measurement solutions, from individual functional test modules to fully automated systems. Their test systems are used for both production processes as well as product development. Notably, this transaction further diversifies our markets beyond semiconductor test equipment. It adds consumer electronics, extends our position in life sciences, and sizably advances our position in automotive/EV. What's exciting is, this opens up the infotainment systems segment, where Alfamation's Flexmedia XM® modular test solutions provide a platform for customers to build flexible and scalable functional testers.

We see the potential for sales synergies as we leverage our presence in the U.S. to expand Alfamation's business and are also planning to capitalize on the channels that Alfamation has established in Europe and Asia to accelerate the expansion of our current solutions.

Let's move to **Slide 5** and I'll touch on some of Alfamation's highlights.

Alfamation was established in 1991 and is headquartered in Milan, Italy. Alfamation has grown through the years, driven by their success in the automotive, life sciences, and consumer electronics test markets. The business also has a small sales and service subsidiary based in Suzhou City, China.

They have demonstrated double-digit revenue growth over recent years and had approximately \$25 million in total revenue last year. Shown here is a breakdown of that revenue by market and by customer. Alfamation comes with approximately \$15 million in backlog, comprised of several automotive OEMs and well-known tier-one electronics suppliers. In addition, they have several new customers in backlog that we believe have the potential to join our list of top customers globally.

The Test and Measurement industry is a large market with a wide variety of participants. Alfamation has been able to differentiate itself because of its engineering focus on

creating innovative solutions for its customers --- very similar to the culture and mission here at inTEST.

On **Slide 6** you'll see a snapshot of some of the test and measurement solutions offered by Alfamation. They have established their niche in creating solutions that address the continued advancement in electronics and electrification in a variety of industries.

**Slide 7** shows various applications that use Alfamation's test equipment, such as a vehicle's infotainment and computing systems, in wafer level optics, and in testing popular consumer devices.

Let me sum up the business and the transaction on **Slide 8**. As noted earlier, Alfamation delivered revenue of approximately \$25 million in their last fiscal year, extending their recent trend of double-digit year-over-year growth and has a backlog of approximately \$15 million. From a margin perspective, the business has a margin profile similar to inTEST.

We purchased all of the outstanding stock of the company for 20 million euros. The purchase was paid 90% in cash and 10% in inTEST stock. This translates into 18 million Euros in cash and 187,432 shares of common stock, plus working capital adjustments. The transaction also included the assumption of approximately 7 million Euros of net debt. As such, we are paying approximately 1.1 times 2023 revenue and about 8 times EBITDA.

We plan to further invest in the acquired operations to drive continued growth. The acquisition is expected to be dilutive to GAAP earnings per diluted share in 2024, but accretive on a non-GAAP adjusted earnings basis due to the anticipated impacts associated with the amortization of intangible assets.

With the close of the acquisition, we are updating our full year 2024 revenue guidance to be in the range of \$145 million to \$155 million. Given how late in the quarter we closed, we expect the impact to the first quarter of 2024 will be nominal.

Turning to **Slide 9**, you'll see a summary that reiterates the benefits and value of this transaction to inTEST and our investors. We are very excited about this addition to our portfolio as we create greater scale within our Electronic Test Division.

Operator, we can open the line now for questions.

## Question & Answer

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**Operator:** [Instructions] Our first question comes from the line of Jaeson Schmidt with Lake Street Capital Markets.

**Jaeson Schmidt:**

Just want to focus first on the geography. Obviously, you noted this expands your presence in Europe. But just curious if there's any overlap from a distribution channel perspective and how you're thinking about potentially cross selling these products into areas beyond Europe?

**Nick Grant:**

From a geographic perspective, their footprint in Europe certainly gives us a much stronger presence there. From a sales perspective, about 35% of Alfamation's sales are into Europe, about 45% into the Americas, and about 20% into Asia. So, we believe our position in the Americas will help strengthen them there. Their position in Europe will give us a stronger opportunity to sell more of our broader portfolio throughout the region. And likewise, our Asia presence is something that we can leverage for them as well. So, we think it's a really good fit geographically to provide additional sales synergies.

**Jaeson Schmidt:**

Okay. That's really helpful. And then, you mentioned they have a small portion of services revenue. Just curious what percentage that is?

**Duncan Gilmour:**

Jaeson, it's actually very similar. Not only a similar margin profile as the inTEST business, but also their service component in the high-single digits, close to 10%, is very similar from that perspective to the existing core inTEST business as well.

**Jaeson Schmidt:**

Got you. And then, just the last one for me, and I'll jump back into queue, when you look at Alfamation, is there any sort of seasonality to their revenue?

**Nick Grant:**

From a revenue perspective, they're pretty stable. They are a much more project-oriented business, with larger automotive orders and contracts that are pretty level -- more level from a revenue perspective throughout quarters. However, we do see that Q3 in the calendar year is a bit slower due to the vacation holiday seasons in Europe. So, that's really the most notable revenue seasonality. Duncan, anything on that?

**Duncan Gilmour:**

No, I think that's exactly right.

**Deborah Pawlowski:**

You may want to just throw in there too, about orders being lumpy.

**Nick Grant:**

Yes, exactly. They're very similar to inTEST in our businesses today, although they have the potential for longer orders that carry out over 18 or 24 months for these test system deliveries. So, orders can be a bit lumpier across any given month or quarter.

**Operator:**

[Operator Instructions] Our next question comes from the line of Peter Wright with Intro-act.

**Peter Wright:**

Congratulations on the acquisition. I have 2 questions. Nick, the first question is on the product synergy side. Is this going to sit more alongside your existing product suite, and I'm thinking specifically on the EV side, or is there any ambition for product innovation or integration of the product that they offer with yours? And, the second part of that question is, if you could help us understand the ASP, what does this product look like from a numbers and average price sale? And then Duncan, looking at how many months of backlog that \$13 million represents, is that also a similar profile to inTEST or can you give some type of guidance on how many months that represents?

**Nick Grant:**

Okay. So, Peter, let's first talk about product synergies here. In 2021, with the acquisition of Acculogic, we added functional test systems, as well as flying probe test systems serving automotive, defense and other markets. Alfamation, with their functional test systems, helps to expand our solutions, our portfolio, across those two businesses nicely, so we see some really good synergies from a product perspective and broader capabilities. Potentially, we could also leverage the software. So, we're really excited about the opportunities that exist. From a market perspective, it gives us more solutions for customers across the entire portfolio since automotive/EV is being served by all three divisions. We're excited about the synergies that exist. It gives us a stronger presence in functional test and broader customer base to leverage.

From an ASP perspective, these systems can range anywhere from, €300,000 to €0.5 million on the larger systems. Some of their smaller functional testers and the modular Flexmedia are lower than that, below €100,000. It all depends on how they build up the solutions with this modular platform. So, similar ASPs as our Acculogic business as well.

**Duncan Gilmour:**

And then, on the backlog question, a lot of their business is these larger systems, which can be 2 to 6 months in terms of production time, lead time, etc. For the most part, the backlog they have now will bleed in over the course of the next 12 months. Some of that maybe drift a little bit beyond that, but certainly slightly longer cycle than the bulk of our existing core inTEST business.

**Peter Wright:**

Fantastic. So, one follow-up to that. Is it safe to assume in looking at your full year guidance, and I know you don't guide by product, but with the growth that they've experienced over the last couple of years, is that expected to continue and embedded in your guidance, or has something changed there?

**Nick Grant:**

That business, as mentioned multiple times, has a track record of driving growth recently at double digits, and we expect to continue to capture that and invest into the business, capture synergies to accelerate growth. So now, we're excited about the opportunities that exist there.

**Operator:**

Our next question comes from the line of Greg Weaver with Invicta Capital Management.

**Gregory Weaver:**

Just to follow up quickly on the backlog question that Peter had. What was it a year ago, roughly?

**Duncan Gilmour:**

The backlog is certainly a little bit higher now. I don't have the precise number from a year ago, but we're certainly at a relative high point right now.

**Gregory Weaver:**

Okay, yes. Just trying to understand that. So, the modules are more of a turns business than an 'I got them on the shelf, and you order them' type of thing.

**Nick Grant:**

They have that with their Flexmedia, there are quicker churn type solutions around these test modules. But the larger systems, which are auto, could be very heavily automated robotic pick and place, conveyors, testing, et cetera. These things go right in production and those systems, as Duncan mentioned, can be 2 to 6 months in production times out there. That's why you get a little bit longer backlog there, longer duration.

**Gregory Weaver:**

And so, I see you upped the guidance, €20 million to €25 million, right, from what you had out before? So, how much of that is due to Alfamation given you only get 9 months there? I mean, that looks pretty good, or is some of this the rev rec shuffling?

**Duncan Gilmour:**

We're not going to break that out, and we'll talk in more detail when we announce earnings. Based on the numbers that are out there, €25 million ballpark annual revenue business, as you point out, about 9 months and change, this contribution from Alfamation gets tacked onto what we expect our core business to do.

**Gregory Weaver:**

Okay. Pretty linear then I'll assume. How about some background on the transaction. Why was it for sale? Was it shopped or private equity? Have you been pursuing it for a while? Anything like that?

**Nick Grant:**

We really followed our same recipe as we've done on the others: identifying target companies that are strategically attractive to us. We reached out to the owner. He's in his mid-60s looking for a potential home for the business long term. We were able to convince him that inTEST is the right home. We see a lot of synergies between the two businesses and are excited that the owner is going to stay on with us for the next three years to help with the integration of the two businesses and driving synergies between us. And yes, we were able to pre-empt any potential sale process, which was what the owner was considering down the road. So, we are very pleased with the approach we've taken and the success we've had to identify companies that strategically fit within inTEST and

allow us to capture them without having to aggressively go after higher multiples and sale processes.

**Gregory Weaver:**

Great. That's excellent to hear. Nice work there. And just last question for me. Looking at the pie charts you offered in the presentation, I guess roughly half their business is one customer. Is that's correct? Is it a European automotive OEM?

**Nick Grant:**

It is. Yes. In 2023, one of their largest customers represented about half of their business. It is a global, automotive electronics supplier. Their solutions are used throughout multiple plants for that supplier. So, it's an automotive Tier 1 electronics company.

**Operator:**

Ladies and gentlemen, there are no other questions at this time. I'll turn the floor back to Mr. Grant for final comments.

**Nick Grant:**

Thank you, Melissa, and thanks, everyone, for participating on our call today. This will end our session. Have a great day.

**Operator:**

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.

*Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the inTEST Corporation (INTT) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website ([www.intest.com](http://www.intest.com)), as well as to information available on the SEC's website ([www.sec.gov](http://www.sec.gov)) before making an investment decision. Please also refer to the opening remarks of this call for INTT's announcement concerning forward-looking statements that were made during this call.*