

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended April 2, 2021

☐ Or  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No.: 001-35083

NOVANTA INC.

(Exact name of registrant as specified in its charter)

New Brunswick, Canada  
(State or other jurisdiction of  
incorporation or organization)  
125 Middlesex Turnpike  
Bedford, Massachusetts, USA  
(Address of principal executive offices)

98-0110412  
(I.R.S. Employer  
Identification No.)

01730  
(Zip Code)

Registrant's telephone number, including area code: (781) 266-5700

N/A  
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value	NOVT	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  
Non-accelerated filer

☒  
☐

Accelerated filer  
Smaller reporting company  
Emerging growth company

☐  
☐  
☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of May 4, 2021, there were 35,384,296 of the Registrant's common shares, no par value, issued and outstanding.

NOVANTA INC.  
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

NOVANTA INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands of U.S. dollars or shares)  
(Unaudited)

	April 2, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 113,562	\$ 125,054
Accounts receivable, net of allowance of \$260 and \$274, respectively	90,060	75,054
Inventories	89,944	92,737
Prepaid income taxes and income taxes receivable	6,277	3,203
Prepaid expenses and other current assets	9,274	8,125
Total current assets	309,117	304,173
Property, plant and equipment, net	77,535	78,676
Operating lease assets	31,642	34,444
Deferred tax assets	10,179	10,491
Other assets	2,813	2,894
Intangible assets, net	139,354	148,521
Goodwill	281,614	285,980
Total assets	<u>\$ 852,254</u>	<u>\$ 865,179</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 5,273	\$ 5,508
Accounts payable	51,952	42,966
Income taxes payable	5,596	5,787
Current portion of operating lease liabilities	5,895	6,188
Accrued expenses and other current liabilities	48,661	53,780
Total current liabilities	117,377	114,229
Long-term debt	186,145	194,927
Operating lease liabilities	30,934	32,802
Deferred tax liabilities	22,167	24,134
Income taxes payable	5,172	5,112
Other liabilities	14,336	17,166
Total liabilities	<u>376,131</u>	<u>388,370</u>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common shares, no par value; Authorized shares: unlimited; Issued and outstanding: 35,384 and 35,163, respectively	423,856	423,856
Additional paid-in capital	47,364	58,992
Retained earnings	17,512	6,202
Accumulated other comprehensive loss	(12,609)	(12,241)
Total stockholders' equity	476,123	476,809
Total liabilities and stockholders' equity	<u>\$ 852,254</u>	<u>\$ 865,179</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NOVANTA INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands of U.S. dollars or shares, except per share amounts)  
(Unaudited)

	Three Months Ended			
	April 2, 2021		April 3, 2020	
Revenue	\$	162,584	\$	155,468
Cost of revenue		93,844		91,023
Gross profit		68,740		64,445
Operating expenses:				
Research and development and engineering		18,682		15,334
Selling, general and administrative		31,653		30,755
Amortization of purchased intangible assets		3,575		3,445
Restructuring, acquisition, and related costs		3,731		1,661
Total operating expenses		57,641		51,195
Operating income		11,099		13,250
Interest income (expense), net		(1,408)		(1,678)
Foreign exchange transaction gains (losses), net		(257)		254
Other income (expense), net		(70)		83
Income before income taxes		9,364		11,909
Income tax provision (benefit)		(1,946)		(38)
Consolidated net income	\$	11,310	\$	11,947
Earnings per common share (Note 4):				
Basic	\$	0.32	\$	0.34
Diluted	\$	0.32	\$	0.34
Weighted average common shares outstanding—basic		35,279		35,152
Weighted average common shares outstanding—diluted		35,789		35,561

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands of U.S. dollars)  
(Unaudited)

	Three Months Ended	
	April 2, 2021	April 3, 2020
Consolidated net income	\$ 11,310	\$ 11,947
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax <sup>(1)</sup>	(489)	(6,806)
Pension liability adjustments, net of tax <sup>(2)</sup>	121	737
Total other comprehensive income (loss)	(368)	(6,069)
Total consolidated comprehensive income (loss)	\$ 10,942	\$ 5,878

(1) The tax effect on this component of comprehensive income (loss) was nominal for all periods presented.

(2) The tax effect on this component of comprehensive income (loss) was nominal for all periods presented. See Note 3 for the total amount of pension liability adjustments reclassified out of accumulated other comprehensive income (loss).

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands of U.S. dollars or shares)  
(Unaudited)

	Common Shares		Additional Paid-In	Retained	Accumulated Other	
	# of Shares	Amount	Capital	Earning (Deficit)	Comprehensive	Total
					Loss	
<b>Three Months Ended April 2, 2021</b>						
<b>Balance at December 31, 2020</b>	35,163	\$ 423,856	\$ 58,992	\$ 6,202	\$ (12,241)	\$ 476,809
Consolidated net income	—	—	—	11,310	—	11,310
Common shares issued under stock plans	354	—	—	—	—	—
Common shares withheld for taxes on vested stock awards	(133)	—	(18,272)	—	—	(18,272)
Share-based compensation	—	—	6,644	—	—	6,644
Other comprehensive income (loss), net of tax	—	—	—	—	(368)	(368)
<b>Balance at April 2, 2021</b>	<b>35,384</b>	<b>\$ 423,856</b>	<b>\$ 47,364</b>	<b>\$ 17,512</b>	<b>\$ (12,609)</b>	<b>\$ 476,123</b>
<b>Three Months Ended April 3, 2020</b>						
<b>Balance at December 31, 2019</b>	35,052	\$ 423,856	\$ 49,748	\$ (38,319)	\$ (18,113)	\$ 417,172
Consolidated net income	—	—	—	11,947	—	11,947
Common shares issued under stock plans	222	—	179	—	—	179
Common shares withheld for taxes on vested stock awards	(87)	—	(7,825)	—	—	(7,825)
Repurchases of common shares	(65)	—	(5,500)	—	—	(5,500)
Share-based compensation	—	—	3,199	—	—	3,199
Other comprehensive income (loss), net of tax	—	—	—	—	(6,069)	(6,069)
<b>Balance at April 3, 2020</b>	<b>35,122</b>	<b>\$ 423,856</b>	<b>\$ 39,801</b>	<b>\$ (26,372)</b>	<b>\$ (24,182)</b>	<b>\$ 413,103</b>

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of U.S. dollars)  
(Unaudited)

	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Cash flows from operating activities:</b>		
Consolidated net income	\$ 11,310	\$ 11,947
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	9,849	9,330
Provision for inventory excess and obsolescence	1,136	803
Share-based compensation	6,644	3,199
Deferred income taxes	(968)	(621)
Other	413	554
Changes in assets and liabilities which (used)/provided cash, excluding effects from business acquisitions:		
Accounts receivable	(15,828)	343
Inventories	675	1,919
Prepaid income taxes, income taxes receivable, prepaid expenses and other current assets	(4,277)	(4,501)
Accounts payable, income taxes payable, accrued expenses and other current liabilities	13,745	(5,632)
Other non-current assets and liabilities	569	414
Cash provided by operating activities	23,268	17,755
<b>Cash flows from investing activities:</b>		
Payment of business acquisition purchase price held in escrow	—	(150)
Purchases of property, plant and equipment	(3,268)	(2,319)
Payment of contingent consideration related to acquisition of technology assets	(2,200)	(2,632)
Cash used in investing activities	(5,468)	(5,101)
<b>Cash flows from financing activities:</b>		
Repayments under term loan and revolving credit facilities	(1,345)	(1,250)
Payments of debt issuance costs	—	(1,280)
Payments of withholding taxes from share-based awards	(18,272)	(7,825)
Repurchases of common shares	—	(5,500)
Payment of contingent consideration related to an acquisition	(435)	—
Purchase of building under finance lease	(8,743)	—
Other financing activities	(140)	(190)
Cash used in financing activities	(28,935)	(16,045)
Effect of exchange rates on cash and cash equivalents	(357)	(1,852)
Increase (decrease) in cash and cash equivalents	(11,492)	(5,243)
Cash and cash equivalents, beginning of the period	125,054	78,944
Cash and cash equivalents, end of the period	\$ 113,562	\$ 73,701
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 1,115	\$ 1,326
Cash paid for income taxes	\$ 1,983	\$ 1,592
Income tax refunds received	\$ 45	\$ 1,264

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF APRIL 2, 2021  
(Unaudited)

**1. Basis of Presentation**

Novanta Inc. and its subsidiaries (collectively referred to as “Novanta”, the “Company”, “we”, “us”, “our”) is a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers (“OEMs”) a competitive advantage. Novanta combines deep proprietary technology expertise and competencies in photonics, vision and precision motion with a proven ability to solve complex technical challenges. This enables Novanta to engineer core components and sub-systems that deliver extreme precision and performance, tailored to the customers’ demanding applications.

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in United States (“U.S.”) dollars and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”), the instructions to Form 10-Q and the provisions of Regulation S-X pertaining to interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted. The interim consolidated financial statements and notes included in this report should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, these interim consolidated financial statements include all adjustments and accruals of a normal and recurring nature necessary to fairly state the results of the interim periods presented. The results for interim periods are not necessarily indicative of results to be expected for the full year or for any future periods.

The Company’s unaudited interim consolidated financial statements are prepared for each quarterly period ending on the Friday closest to the end of the calendar quarter, with the exception of the fourth quarter which always ends on December 31.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates and assumptions are reviewed on an on-going basis and the effects of revisions are reflected in the period in which such revisions are deemed to be necessary. The Company evaluates its estimates based on historical experience, current conditions, including estimated economic implications of the COVID-19 pandemic, and various other assumptions that it believes are reasonable under the circumstances. The accounting estimates assessed included, but were not limited to, the Company’s allowance for doubtful accounts and credit losses, inventory and related reserves and the carrying value of goodwill and other long-lived assets. While there was not a material change to the consolidated financial statements related to these estimates as of and for the three months ended April 2, 2021, the Company’s future assessment of the magnitude and duration of the COVID-19 pandemic, as well as other factors, could result in material impacts to the Company’s consolidated financial statements in future reporting periods.



NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)  
AS OF APRIL 2, 2021  
(Unaudited)

**Recent Accounting Pronouncements**

The following table provides a brief description of recent Accounting Standards Updates (“ASU”) issued by the Financial Accounting Standards Board (“FASB”):

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.”	ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles of Accounting Standards Codification (“ASC”) 740, “Income Taxes”, including: (i) the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; (ii) the exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment (or vice-versa); and (iii) the exception for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. ASU 2019-12 also simplifies GAAP for other areas of ASC 740 by clarifying and amending the existing guidance.	January 1, 2021. Early adoption is permitted.	The adoption of ASU 2019-12 did not have a material impact on the Company’s consolidated financial statements
In March 2020, the FASB issued ASU 2020-04, “Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting.”	ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.	Upon issuance. ASU 2020-04 is elective.	The Company does not expect the impact of ASU 2020-04 to be material to its consolidated financial statements.

**2. Revenue**

The Company recognizes revenue when control of promised goods or services is transferred to customers. The transfer of control generally occurs upon shipment when title and risk of loss pass to the customer. The vast majority of the Company’s revenue is generated from the sale of distinct products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for such products, which is generally at contractually stated prices. Sales taxes and value added taxes collected concurrently with revenue generating activities are excluded from revenue.

**Performance Obligations**

Substantially all of the Company’s revenue is recognized at a point in time, upon shipment, rather than over time.

At the request of its customers, the Company may perform professional services, generally for the maintenance and repair of products previously sold to those customers and for engineering services. Professional services for the maintenance and repair of products are typically short in duration, mostly less than one month, and generally involve a single distinct performance obligation.

NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)  
AS OF APRIL 2, 2021  
(Unaudited)

The related revenue is recognized at a point in time when control transfers to the customer upon completion of professional services. The consideration expected to be received in exchange for such services is typically the contractually stated amount. Certain engineering services are longer in duration and the related revenue is recognized over time, as the Company has a right to consideration from a customer, based on the corresponding value to the customer from the Company's performance completed to date. Professional services aggregate to less than 3% of the Company's consolidated revenue.

The Company occasionally sells separately priced non-standard/extended warranty services or preventative maintenance plans with the sale of products. The transfer of control over the service plans is over time. The Company recognizes the related revenue ratably over the terms of the service plans. The transaction price of a contract is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using the expected cost plus a margin.

***Shipping & Handling Costs***

The Company accounts for shipping and handling activities that occur after the transfer of control over the related goods as fulfillment activities rather than performance obligations. The shipping and handling fees charged to customers are recognized as revenue and the related costs are recorded in cost of revenue at the time of transfer of control.

***Warranties***

The Company generally provides warranties for its products. The standard warranty period is typically 12 months to 24 months for the Photonics and Precision Motion segments and 12 months to 36 months for the Vision segment. The standard warranty period for product sales is accounted for under the provisions of ASC 450, "Contingencies," as the Company has the ability to ascertain the likelihood of the liability and can reasonably estimate the amount of the liability. A provision for the estimated cost related to warranty is recorded as cost of revenue at the time revenue is recognized. The Company's estimate of costs to service the warranty obligations is based on historical experience and expectations of future conditions. To the extent that the Company's experience in warranty claims or costs associated with servicing those claims differ from the original estimates, revisions to the estimated warranty liability are recorded at that time, with an offsetting adjustment to cost of revenue.

***Practical Expedients and Exemptions***

The Company expenses incremental direct costs of obtaining a contract when incurred if the expected amortization period is one year or less. These costs are recorded within selling, general and administrative expenses in the consolidated statement of operations.

The Company does not adjust the promised amount of consideration for the effects of a financing component because the transfer of a promised good to a customer and the customer's payment for that good are typically one year or less. The Company does not disclose the value of the remaining performance obligation for contracts with an original expected length of one year or less.

***Contract Liabilities***

Contract liabilities consist of deferred revenue and advance payments from customers, including amounts that are refundable. These contract liabilities are classified as either current or long-term liabilities in the consolidated balance sheet based on the timing of when the Company expects to recognize the related revenue. As of April 2, 2021 and December 31, 2020, contract liabilities were \$5.6 million and \$6.5 million, respectively, and are included in accrued expenses and other current liabilities and other liabilities in the accompanying consolidated balance sheets. The decrease in the contract liability balance during the three months ended April 2, 2021 is primarily due to \$2.8 million of revenue recognized during the period that was included in the contract liability balance at December 31, 2020, partially offset by cash payments received in advance of satisfying performance obligations.

***Disaggregated Revenue***

See Note 15 for the Company's disaggregation of revenue by segment, geography and end market.

NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)  
AS OF APRIL 2, 2021  
(Unaudited)

**3. Accumulated Other Comprehensive Loss**

Changes in accumulated other comprehensive loss was as follows (in thousands):

	Total Accumulated Other Comprehensive Loss	Cumulative Translation Adjustments	Pension Liability Adjustments
Balance at December 31, 2020	\$ (12,241)	\$ (2,296)	\$ (9,945)
Other comprehensive income (loss)	(609)	(489)	(120)
Amounts reclassified from accumulated other comprehensive loss	241	—	241
Balance at April 2, 2021	<u>\$ (12,609)</u>	<u>\$ (2,785)</u>	<u>\$ (9,824)</u>

The amounts reclassified from accumulated other comprehensive loss were included in other income (expense) in the consolidated statements of operations.

**4. Earnings per Common Share**

Basic earnings per common share is computed by dividing consolidated net income by the weighted average number of common shares outstanding during the period.

For diluted earnings per common share, the denominator includes the dilutive effect of outstanding common share equivalents. For the three months ended April 2, 2021 and April 3, 2020, respectively, weighted average shares outstanding for the diluted earnings per common share included the dilutive effect of outstanding restricted stock units, stock options, and total shareholder return performance-based restricted stock units, determined using the treasury stock method. The dilutive effects of market-based contingently issuable shares are included in the weighted average common share calculation based on the number of shares, if any, that would be issuable as of the end of the reporting period, assuming the end of the reporting period is also the end of the performance period. Dilutive effects of attainment-based contingently issuable shares granted to the former Laser Quantum Limited (“Laser Quantum”) noncontrolling interest shareholders, non-GAAP EPS performance-based restricted stock units and operating cash flow performance-based restricted stock units are included in the weighted average common share calculation when the performance targets have been achieved based on the cumulative achievement against the performance targets as of the end of each reporting period.

The following table sets forth the computation of basic and diluted earnings per common share (amounts in thousands, except per share data):

	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Numerators:</b>		
Consolidated net income	<u>\$ 11,310</u>	<u>\$ 11,947</u>
<b>Denominators:</b>		
Weighted average common shares outstanding— basic	35,279	35,152
Dilutive potential common shares	<u>510</u>	<u>409</u>
Weighted average common shares outstanding— diluted	<u>35,789</u>	<u>35,561</u>
Antidilutive potential common shares excluded from above	<u>27</u>	<u>52</u>
<b>Earnings per Common Share:</b>		
Basic	\$ 0.32	\$ 0.34
Diluted	\$ 0.32	\$ 0.34

For the three months ended April 2, 2021, 46 thousand non-GAAP EPS performance-based restricted stock units and 37 thousand operating cash flow performance-based restricted stock units granted to certain members of the executive management team, and 213 thousand shares of restricted stock issued to the former Laser Quantum non-controlling interest shareholders are

NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)  
AS OF APRIL 2, 2021  
(Unaudited)

considered contingently issuable shares and were excluded from the calculation of the denominator as the contingent conditions had not been met as of April 2, 2021.

For the three months ended April 3, 2020, 71 thousand non-GAAP EPS performance-based restricted stock units granted to certain members of the executive management team and 213 thousand shares of restricted stock issued to the former Laser Quantum non-controlling interest shareholders were considered contingently issuable shares and were excluded from the calculation of the denominator as the contingent conditions had not been met as of April 3, 2020.

#### 5. Fair Value Measurements

ASC 820, “Fair Value Measurements,” establishes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the third is considered unobservable:

- Level 1: Quoted prices for identical assets or liabilities in active markets which the Company can access
- Level 2: Observable inputs other than those described in Level 1
- Level 3: Unobservable inputs

#### *Current Assets and Liabilities*

The Company’s cash equivalents are highly liquid investments with original maturities of three months or less, which represent an asset the Company measures at fair value on a recurring basis. The Company determines the fair value of cash equivalents using a market approach based on quoted prices in active markets. The fair values of cash, accounts receivable, income taxes receivable, accounts payable, income taxes payable and accrued expenses and other current liabilities approximate their carrying values because of their short-term nature.

#### *Foreign Currency Contracts*

The Company addresses market risks from changes in foreign currency exchange rates through a risk management program that includes the use of derivative financial instruments to mitigate certain balance sheet foreign currency transaction exposures. The Company uses foreign currency forward contracts as a part of its strategy to manage exposures related to foreign currency denominated monetary assets and liabilities. The fair value of these foreign currency forward contracts is reported either in other current assets or in other current liabilities as of the end of the period.

#### *Contingent Considerations*

On July 31, 2019, the Company acquired ARGES GmbH (“ARGES”). Under the purchase and sale agreement for the ARGES acquisition, the former owner of ARGES is eligible to receive contingent consideration based on the achievement of certain revenue targets by the Company from August 2019 through December 2026. The undiscounted range of possible contingent consideration is zero to €10.0 million (\$11.1 million). If the revenue targets are achieved, the contingent consideration would be payable annually with the first payment due in the first quarter of 2021. The estimated fair value of the contingent consideration of €7.1 million (\$7.9 million) was determined based on the Monte Carlo valuation method and was recorded as part of the purchase price as of the acquisition date. Subsequent changes in the estimated fair value of the contingent consideration liability are recorded in the consolidated statement of operations in restructuring, acquisition, and related costs until the liability is fully settled. In March 2021, the Company made the first installment payment of €0.4 million (\$0.4 million), which is included in cash flows from financing activities in the consolidated statement of cash flows for the three months ended April 2, 2021. There were no other changes in the fair value of the contingent consideration during the three months ended April 2, 2021.

On April 16, 2019, the Company acquired Ingenia CAT, S.L. (“Ingenia”). Under the purchase and sale agreement for the Ingenia acquisition, the shareholders of Ingenia are eligible to receive contingent consideration based on the achievement of certain revenue targets by the Company from April 2019 through March 2022. The undiscounted range of possible contingent consideration is zero to €8.0 million (\$9.0 million). If the revenue targets are achieved, the contingent consideration would be payable in cash in three annual installments from 2020 to 2022. The estimated fair value of the contingent consideration of €5.8 million (\$6.6 million) was determined based on the Monte Carlo valuation method and was recorded as part of the purchase price as of the acquisition date. Subsequent changes in the estimated fair value of the contingent consideration liability are recorded in the consolidated statement of

NOVANTA INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)  
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operations in restructuring, acquisition, and related costs until the liability is fully settled. Based on the revenue performance as of April 2, 2021 and the most recent revenue projections for fiscal years 2021 and 2022, the fair value of the contingent consideration was adjusted to €2.4 million (\$2.9 million) as of April 2, 2021. The Company made the first installment payment of €1.0 million (\$1.1 million) during the three months ended July 3, 2020. The Company is expected to make a second installment payment of €1.3 million (\$1.5 million) during the three months ended July 2, 2021.

On December 14, 2016, the Company acquired certain video signal processing and management technologies used in medical visualization solutions. Under the purchase and sale agreement, the former owners are eligible to receive contingent consideration based on the achievement of certain revenue targets by the Company from 2018 to 2021 from products utilizing the acquired technologies. The undiscounted range of possible contingent consideration is zero to €5.5 million (\$6.6 million). If the revenue targets are achieved, the contingent consideration would be payable in cash in four installments from 2019 to 2022. As the acquired assets did not meet the definition of a business, the fair value of the contingent consideration is recognized when probable and estimable and is capitalized as part of the cost of the acquired assets. Subsequent changes in the estimated fair value of this contingent liability are recorded as adjustments to the carrying value of the assets acquired and amortized over the remaining useful life of the underlying assets. The Company made the first installment payment of €2.4 million (\$2.6 million) during the three months ended April 3, 2020. In February 2021, the Company made the second installment payment of €1.8 million (\$2.2 million), which is included in cash flows from investing activities in the consolidated statement of cash flows for the three months ended April 2, 2021. There were no other changes in the fair value of the contingent consideration during the three months ended April 2, 2021.

**Summary by Fair Value Hierarchy**

The following table summarizes the fair values of the Company's assets and liabilities measured at fair value on a recurring basis as of April 2, 2021 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 18,079	\$ 18,079	\$ —	\$ —
Prepaid expenses and other current assets:				
Foreign currency forward contracts	8	—	8	—
	<u>\$ 18,087</u>	<u>\$ 18,079</u>	<u>\$ 8</u>	<u>\$ —</u>
<b>Liabilities</b>				
Accrued expenses and other current liabilities:				
Contingent considerations - Current	\$ 3,711	\$ —	\$ —	\$ 3,711
Foreign currency forward contracts	66	—	66	—
Other liabilities:				
Contingent considerations - Long-term	4,999	—	—	4,999
	<u>\$ 8,776</u>	<u>\$ —</u>	<u>\$ 66</u>	<u>\$ 8,710</u>

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The following table summarizes the fair values of the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 11,047	\$ 11,047	\$ —	\$ —
Prepaid expenses and other current assets:				
Foreign currency forward contracts	27	—	27	—
	<u>\$ 11,074</u>	<u>\$ 11,047</u>	<u>\$ 27</u>	<u>\$ —</u>
<b>Liabilities</b>				
Accrued expenses and other current liabilities:				
Contingent considerations - Current	\$ 4,280	\$ —	\$ —	\$ 4,280
Foreign currency forward contracts	—	—	—	—
Other liabilities:				
Contingent considerations - Long-term	7,276	—	—	7,276
	<u>\$ 11,556</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,556</u>

Changes in the fair value of Level 3 contingent considerations during the three months ended April 2, 2021 were as follows (in thousands):

	Contingent Considerations
Balance at December 31, 2020	\$ 11,556
Payments	(2,635)
Fair value adjustments	126
Effect of foreign exchange rates	(337)
Balance at April 2, 2021	<u>\$ 8,710</u>

The following table provides qualitative information associated with the fair value measurement of the Company's Level 3 liabilities:

Liability	April 2, 2021 Fair Value (in thousands)	Valuation Technique	Unobservable Inputs	Percentage Applied
Contingent consideration (ARGES)	\$4,439	Monte Carlo method	Historical and projected revenues from August 2019 through December 2026	N/A
			Revenue volatility	21.0%
			Cost of debt	2.6%
			Discount rate	3.7%
Contingent consideration (Ingenia)	\$2,872	Monte Carlo method	Historical and projected revenues from April 2019 through March 2022	N/A
			Revenue volatility	38.5%
			Cost of debt	3.1%
			Discount rate	9.6%
Contingent consideration (Other)	\$1,399	Discounted cash flow method	Historical and projected revenues for fiscal years 2018 to 2021	N/A
			Revenue discount rate	22.8%

Increases or decreases in the unobservable inputs noted above would result in a higher or lower fair value measurement.

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See Note 9 to Consolidated Financial Statements for a discussion of the estimated fair value of the Company's outstanding debt.

## 6. Foreign Currency Contracts

The Company addresses market risks from changes in foreign currency exchange rates through a risk management program that includes the use of derivative financial instruments to mitigate certain foreign currency transaction exposures from future settlement of non-functional currency monetary assets and liabilities as of the end of a period. The Company does not enter into derivative transactions for speculative purposes. Gains and losses on derivative financial instruments substantially offset losses and gains on the underlying hedged exposures. Furthermore, the Company manages its exposures to counterparty risks on derivative instruments by entering into contracts with a diversified group of major financial institutions and by actively monitoring outstanding positions.

As of April 2, 2021, the aggregate notional amount and fair value of the Company's foreign currency forward contracts was \$23.6 million and a net loss of less than \$0.1 million, respectively. As of December 31, 2020, the aggregate notional amount and fair value of the Company's foreign currency forward contracts was \$28.5 million and a net gain of less than \$0.1 million, respectively.

The Company recognized an aggregate net gain of \$0.7 million and an aggregate net loss of \$0.3 million for the three months ended April 2, 2021 and April 3, 2020, respectively. These amounts were included in foreign exchange transaction gains (losses) in the consolidated statement of operations for all periods presented.

## 7. Goodwill and Intangible Assets

### Goodwill

Goodwill is recorded when the consideration for a business combination exceeds the fair value of net tangible and identifiable intangible assets acquired. The Company tests its goodwill balances for impairment annually as of the beginning of the second quarter or more frequently if indicators are present or changes in circumstances suggest that an impairment may exist. The Company performed the most recent annual goodwill and indefinite-lived intangible asset impairment test as of the beginning of the second quarter of 2020 and noted no impairment.

The following table summarizes changes in goodwill during the three months ended April 2, 2021 (in thousands):

Balance at beginning of the period	\$	285,980
Effect of foreign exchange rate changes		(4,366)
Balance at end of the period	\$	281,614

Goodwill by reportable segment as of April 2, 2021 was as follows (in thousands):

	Reportable Segment			Total
	Photonics	Vision	Precision Motion	
Goodwill	\$ 216,908	\$ 162,634	\$ 53,301	\$ 432,843
Accumulated impairment of goodwill	(102,461)	(31,722)	(17,046)	(151,229)
Total	\$ 114,447	\$ 130,912	\$ 36,255	\$ 281,614

Goodwill by reportable segment as of December 31, 2020 was as follows (in thousands):

	Reportable Segment			Total
	Photonics	Vision	Precision Motion	
Goodwill	\$ 218,517	\$ 165,195	\$ 53,497	\$ 437,209
Accumulated impairment of goodwill	(102,461)	(31,722)	(17,046)	(151,229)
Total	\$ 116,056	\$ 133,473	\$ 36,451	\$ 285,980

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**Intangible Assets**

Intangible assets as of April 2, 2021 and December 31, 2020, respectively, are summarized as follows (in thousands):

	April 2, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Patents and developed technologies	\$ 162,773	\$ (112,979)	\$ 49,794	\$ 164,430	\$ (110,572)	\$ 53,858
Customer relationships	165,528	(95,722)	69,806	167,429	(92,892)	74,537
Trademarks and trade names	18,239	(11,512)	6,727	18,367	(11,268)	7,099
Amortizable intangible assets	346,540	(220,213)	126,327	350,226	(214,732)	135,494
Non-amortizable intangible assets:						
Trade names	13,027	—	13,027	13,027	—	13,027
Totals	\$ 359,567	\$ (220,213)	\$ 139,354	\$ 363,253	\$ (214,732)	\$ 148,521

All definite-lived intangible assets are amortized either on a straight-line basis or an economic benefit basis over their remaining estimated useful life. Amortization expense for patents and developed technologies is included in cost of revenue in the accompanying consolidated statements of operations. Amortization expense for customer relationships and definite-lived trademarks, trade names and other intangibles is included in operating expenses in the accompanying consolidated statements of operations. Amortization expense was as follows (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Amortization expense – cost of revenue	\$ 2,977	\$ 2,734
Amortization expense – operating expenses	3,575	3,445
Total amortization expense	\$ 6,552	\$ 6,179

Estimated amortization expense for each of the five succeeding years and thereafter as of April 2, 2021 was as follows (in thousands):

Year Ending December 31,	Cost of Revenue	Operating Expenses	Total
2021 (remainder of year)	\$ 8,809	\$ 10,602	\$ 19,411
2022	10,065	13,282	23,347
2023	8,848	11,547	20,395
2024	6,613	9,540	16,153
2025	5,175	7,934	13,109
Thereafter	10,284	23,628	33,912
Total	\$ 49,794	\$ 76,533	\$ 126,327



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**8. Supplementary Balance Sheet Information**

The following tables provide the details of selected balance sheet items as of the periods indicated (in thousands):

***Inventories***

	April 2, 2021	December 31, 2020
Raw materials	\$ 52,752	\$ 55,657
Work-in-process	15,406	15,487
Finished goods	20,442	20,234
Demo and consigned inventory	1,344	1,359
Total inventories	<u>\$ 89,944</u>	<u>\$ 92,737</u>

***Accrued Expenses and Other Current Liabilities***

	April 2, 2021	December 31, 2020
Accrued compensation and benefits	\$ 16,399	\$ 12,510
Accrued warranty	4,514	4,919
Contract liabilities, current portion	5,292	6,173
Finance lease obligations	574	9,720
Accrued earn-out and contingent considerations	11,094	10,796
Other	10,788	9,662
Total	<u>\$ 48,661</u>	<u>\$ 53,780</u>

***Accrued Warranty***

	Three Months Ended	
	April 2, 2021	April 3, 2020
Balance at beginning of the period	\$ 4,919	\$ 5,756
Provision charged to cost of revenue	324	496
Use of provision	(690)	(535)
Foreign currency exchange rate changes	(39)	(102)
Balance at end of the period	<u>\$ 4,514</u>	<u>\$ 5,615</u>

***Other Long Term Liabilities***

	April 2, 2021	December 31, 2020
Finance lease obligations	\$ 5,760	\$ 5,908
Accrued pension liabilities	1,132	1,511
Accrued contingent considerations	4,999	7,276
Other	2,445	2,471
Total	<u>\$ 14,336</u>	<u>\$ 17,166</u>

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**9. Debt**

Debt consisted of the following (in thousands):

	April 2, 2021	December 31, 2020
Senior Credit Facilities – term loan	\$ 5,308	\$ 5,545
Less: unamortized debt issuance costs	(35)	(37)
Total current portion of long-term debt	\$ 5,273	\$ 5,508
Senior Credit Facilities – term loan	\$ 93,940	\$ 99,534
Senior Credit Facilities – revolving credit facility	96,300	99,761
Less: unamortized debt issuance costs	(4,095)	(4,368)
Total long-term debt	\$ 186,145	\$ 194,927
Total Senior Credit Facilities	\$ 191,418	\$ 200,435

**Senior Credit Facilities**

On December 31, 2019, the Company entered into an amended and restated credit agreement (the “Third Amended and Restated Credit Agreement”) with existing lenders for an aggregate credit facility of \$450.0 million, consisting of a \$100.0 million U.S. dollar equivalent euro-denominated (approximately €90.2 million) 5-year term loan facility and a \$350.0 million 5-year revolving credit facility (collectively, the “Senior Credit Facilities”). The Senior Credit Facilities mature in December 2024 and includes an uncommitted “accordion” feature pursuant to which the commitments under the revolving credit facility may be increased by an additional \$200.0 million in aggregate, subject to certain customary conditions.

On March 27, 2020, the Company entered into an amendment (the “First Amendment”) to the Third Amended and Restated Credit Agreement and exercised a portion of the uncommitted accordion feature. The First Amendment increased the revolving credit facility commitment under the Third Amended and Restated Credit Agreement by \$145.0 million, from \$350.0 million to \$495.0 million and reset the uncommitted accordion feature to \$200.0 million for potential future expansion.

The outstanding principal balance under the term loan facility is payable in quarterly installments of €1.1 million beginning in March 2020, with the remaining balance due upon maturity. The Company may make additional principal payments at any time, which will reduce the next quarterly installment payment due. Borrowings under the revolving credit facility may be repaid at any time through December 2024. The Company repaid €1.1 million (\$1.3 million) of its term loan during the three months ended April 2, 2021.

The Company is required to satisfy certain financial and non-financial covenants under the Third Amended and Restated Credit Agreement. The Third Amended and Restated Credit Agreement also contains customary events of default. The Company was in compliance with these covenants as of April 2, 2021.

**Liens**

The Company’s obligations under the Senior Credit Facilities are secured, on a senior basis, by a lien on substantially all of the assets of Novanta Inc.

**Fair Value of Debt**

As of April 2, 2021 and December 31, 2020, the outstanding balance of the Company’s debt approximated its fair value based on current rates available to the Company for debt of similar maturities. The fair value of the Company’s debt is classified as Level 2 under the fair value hierarchy.

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**10. Leases**

Most leases held by the Company expire between 2021 and 2034. In the U.K., where longer lease terms are more common, the Company has a land lease that extends through 2078. Certain leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years, and options to terminate the leases within one year. The exercise of lease renewal or termination options is at the Company's sole discretion; therefore, the majority of renewals to extend the lease terms are not included in the Company's right-of-use assets and operating lease liabilities as they are not reasonably certain of being exercised. The Company regularly evaluates the renewal options and includes the renewal periods in the lease term when they are reasonably certain of being exercised. The depreciable lives of the right-of-use assets and leasehold improvements are limited to the expected lease terms.

The following table summarizes the components of lease costs (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Operating lease cost	\$ 1,831	\$ 2,037
Finance lease cost		
Amortization of right-of-use assets	150	248
Interest on lease liabilities	87	110
Variable lease cost	235	379
Total lease cost	\$ 2,303	\$ 2,774

The following table provides additional details of balance sheet information related to the Company's leases (in thousands, except lease term and discount rate):

	April 2, 2021	December 31, 2020
<b>Operating leases</b>		
Operating lease right-of-use assets	\$ 31,642	\$ 34,444
Current portion of operating lease liabilities	\$ 5,895	\$ 6,188
Operating lease liabilities	30,934	32,802
Total operating lease liabilities	\$ 36,829	\$ 38,990
<b>Finance leases</b>		
Property, plant and equipment, gross	\$ 9,583	\$ 19,819
Accumulated depreciation	(4,617)	(4,934)
Finance lease assets included in property, plant and equipment, net	\$ 4,966	\$ 14,885
Accrued expenses and other current liabilities	\$ 574	\$ 9,720
Other liabilities	5,760	5,908
Total finance lease liabilities	\$ 6,334	\$ 15,628
<b>Weighted-average remaining lease term (in years)</b>		
Operating leases	9.4	9.3
Finance leases	8.3	3.5
<b>Weighted-average discount rate</b>		
Operating leases	5.49%	5.50%
Finance leases	5.54%	3.00%

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The following table provides additional details of cash flow information related to the Company's leases (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Cash paid for amounts included in lease liabilities:</b>		
Operating cash flows from finance leases	\$ 87	\$ 110
Operating cash flows from operating leases	\$ 1,348	\$ 2,258
Financing cash flows from finance leases	\$ 8,883	\$ 369
<b>Supplemental non-cash information:</b>		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 155	\$ 1,331

During the three months ended April 2, 2021, the Company paid \$8.7 million upon the exercise of an option to purchase a building under a finance lease agreement in Germany. The cash payment is presented as a cash outflow from financing activities in the consolidated statement of cash flows.

Future minimum lease payments under operating and finance leases expiring subsequent to April 2, 2021, including operating leases associated with facilities that have been vacated as a result of the Company's restructuring actions, are summarized as follows (in thousands):

Year Ending December 31,	Operating Leases	Finance Leases
2021 (remainder of year)	\$ 5,650	\$ 680
2022	6,706	907
2023	5,370	930
2024	4,583	954
2025	4,571	954
Thereafter	22,037	3,486
Total minimum lease payments	48,917	7,911
Less: Interest	(12,088)	(1,577)
Present value of lease liabilities	\$ 36,829	\$ 6,334

## 11. Common Shares and Share-Based Compensation

### Common Share Repurchases

In October 2018, the Company's Board of Directors approved a share repurchase plan (the "2018 Repurchase Plan") authorizing the repurchase of \$25.0 million worth of the Company's common shares. In February 2020, the Company's Board of Directors approved a new share repurchase plan (the "2020 Repurchase Plan") authorizing the repurchase of an additional \$50.0 million worth of the Company's common shares. As of April 2, 2021, the Company had \$59.5 million available for future share repurchases under the 2018 and 2020 Share Repurchase Plans.

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**Share-Based Compensation Expense**

The table below summarizes share-based compensation expense recorded in the consolidated statements of operations (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Selling, general and administrative	\$ 4,929	\$ 2,798
Research and development and engineering	727	193
Cost of revenue	988	208
Total share-based compensation expense	\$ 6,644	\$ 3,199

Share-based compensation expense reported in selling, general and administrative expenses included expenses related to restricted stock units and deferred stock units granted to the members of the Company's Board of Directors of \$1.1 million and \$0.9 million during the three months ended April 2, 2021 and April 3, 2020, respectively.

**Restricted Stock Units and Deferred Stock Units**

The Company's restricted stock units ("RSUs") have generally been issued with vesting periods ranging from zero to five years and vest based solely on service conditions. Accordingly, the Company recognizes compensation expense on a straight-line basis over the requisite service period. The Company reduces the compensation expense by an estimated forfeiture rate which is based on anticipated forfeitures and historical forfeiture experience.

Deferred stock units ("DSUs") are granted to the members of the Company's Board of Directors. Compensation expense associated with the DSUs is recognized in full on the date of grant, as the DSUs are fully vested and non-forfeitable upon grant. There were 171 thousand and 162 thousand DSUs outstanding as of April 2, 2021 and December 31, 2020, respectively, which were included in the calculation of weighted average basic shares outstanding for the respective periods.

The table below summarizes activities relating to RSUs and DSUs issued and outstanding under the Company's Amended and Restated 2010 Incentive Plan during the three months ended April 2, 2021:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2020	625	\$ 58.79
Granted	91	\$ 130.76
Vested	(283)	\$ 75.06
Forfeited	(4)	\$ 88.18
Unvested at April 2, 2021	429	\$ 63.05
Expected to vest as of April 2, 2021	405	

The total fair value of RSUs and DSUs that vested during the three months ended April 2, 2021 was \$39.9 million based on the market price of the underlying shares on the date of vesting.

**Performance Stock Units**

The Company typically grants two types of performance-based stock awards to certain members of the executive management team: non-GAAP EPS performance-based restricted stock units ("EPS-PSUs") and relative total shareholder return performance-based restricted stock units ("TSR-PSUs"). Both types of performance-based restricted stock units generally cliff vest on the first day following the end of the three-year performance period.

The number of common shares to be issued upon settlement following vesting of the EPS-PSUs is determined based on the Company's cumulative non-GAAP EPS over a three-year performance period against the performance targets established by the Company's Board of Directors at the time of grant and will be in the range of zero to 200% of the target number of shares. The

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Company recognizes compensation expense ratably over the performance period based on the number of shares that are deemed probable of vesting at the end of the three-year performance cycle. This probability assessment is performed quarterly and the cumulative effect of a change in the estimated compensation expense, if any, is recognized in the consolidated statement of operations in the period in which such determination is made.

The number of shares to be issued upon settlement following vesting of the TSR-PSUs is determined based on the relative market performance of the Company's common shares compared to the Russell 2000 Index over a three-year performance period using a payout formula established by the Company's Board of Directors at the time of grant and will be in the range of zero to 200% of the target number of shares. The Company recognizes the related compensation expense based on the fair value of the TSR-PSUs, determined using the Monte Carlo valuation model as of the grant date, on a straight-line basis from the grant date to the end of the three-year performance period. Compensation expense will not be affected by the number of TSR-PSUs that will actually vest at the end of the three-year performance period.

In February 2021, the Company granted operating cash flow performance-based restricted stock units ("OCF-PSUs") to certain members of the executive management team. Upon completion of the requisite service periods, the OCF-PSUs will vest in two tranches if the Company achieves the cumulative operating cash flow performance target for fiscal years 2021 through 2023 as approved by the Company's Compensation Committee as of the date of grant. The first fifty percent of the OCF-PSU grant will vest at the end of the four-year service period from the date of grant and the remaining fifty percent of the OCF-PSU grant will vest at the end of the five-year service period from the date of grant. The Company recognizes compensation expense ratably over the requisite service period based on the expectation that 100 percent of the OCF-PSUs are deemed probable of vesting. This probability assessment is performed quarterly and the cumulative effect of a change in the estimated compensation expense, if any, is recognized in the consolidated statement of operations in the period in which such determination is made.

The table below summarizes the activities relating to the performance-based awards issued and outstanding under the Company's Amended and Restated 2010 Incentive Plan during the three months ended April 2, 2021:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2020	142	\$ 88.99
Granted	67	\$ 150.89
Performance adjustment	28	\$ 67.72
Vested	(75)	\$ 64.25
Forfeited	—	\$ —
Unvested at April 2, 2021	162	\$ 122.26
Expected to vest as of April 2, 2021	136	

The unvested PSUs are shown at target in the table above. As of April 2, 2021, the maximum number of shares to be earned under these PSU grants was approximately 286 thousand shares.

The performance adjustment shares and vested shares shown in the table above are for performance-based awards granted on February 22, 2018. These awards vested at 160% of target number of shares during the three months ended April 2, 2021 based on the achievement of cumulative Non-GAAP EPS and applicable relative TSR performance conditions during the performance period of fiscal years 2018 through 2020.

The total fair value of PSUs that vested during the three months ended April 2, 2021 was \$9.3 million based on the market price of the underlying shares on the date of vesting.

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The fair value of the TSR-PSUs at the date of grant was estimated using the Monte Carlo valuation model with the following assumptions:

	Three Months Ended April 2, 2021	
Grant-date stock price	\$	138.23
Expected volatility		42.44%
Risk-free interest rate		0.22%
Expected annual dividend yield		—
Fair value	\$	166.64

**Stock Options**

No stock options were granted during the three months ended April 2, 2021. There were 60 thousand fully-vested stock options outstanding as of April 2, 2021.

**12. Income Taxes**

The Company determines its estimated annual effective tax rate at the end of each interim period based on full-year forecasted pre-tax income and facts known at that time. The estimated annual effective tax rate is applied to the year-to-date pre-tax income at the end of each interim period with the cumulative effect of any changes in the estimated annual effective tax rate being recorded in the fiscal quarter in which the change is determined. The tax effect of significant unusual items is reflected in the period in which they occur. Since the Company is incorporated in Canada, it is required to use Canada's statutory tax rate of 29.0% in the determination of the estimated annual effective tax rate.

The Company maintains a valuation allowance on balances of certain U.S. state net operating losses and certain non-U.S. tax attributes that the Company has determined are more likely than not to be realized. A valuation allowance is required when, based upon an assessment of various factors, including recent operating loss history, anticipated future earnings, and prudent and reasonable tax planning strategies, it is more likely than not that some portion of the deferred tax assets will not be realized. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company continuously reassesses the possibility of releasing the valuation allowance currently in place on its deferred tax assets.

The Company's effective tax rate of (20.8)% for the three months ended April 2, 2021 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, other tax credits, and windfall tax benefits upon vesting of certain share-based compensation awards during the period. For the three months ended April 2, 2021, the windfall tax benefits upon vesting of certain share-based compensation awards had a benefit of 35.9% on the Company's effective tax rate.

The Company's effective tax rate of (0.3)% for the three months ended April 3, 2020 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions and other tax credits and windfall tax benefits upon vesting of certain share-based compensation awards during the period. For the three months ended April 3, 2020, the windfall tax benefits upon vesting of certain share-based compensation awards had a benefit of 19.8% on the Company's effective tax rate.

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**13. Restructuring, Acquisition, and Related Costs**

The following table summarizes restructuring, acquisition, and related costs in the accompanying consolidated statements of operations (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
2020 restructuring	\$ 1,338	\$ —
2019 restructuring	208	569
2018 restructuring	—	86
Total restructuring charges	1,546	655
Acquisition and related charges	2,185	1,006
Total restructuring, acquisition, and related costs	\$ 3,731	\$ 1,661

**2020 Restructuring**

As a result of the Company's ongoing evaluations and efforts to reduce its operating costs, while improving efficiency and effectiveness, the Company initiated the 2020 restructuring program in the third quarter of 2020. This program is focused on reducing operating complexity in the Company, including reducing infrastructure costs and streamlining the Company's operating model to better serve its customers. In addition, the program will be focused on cost reduction actions that improve gross margins for the overall company. During the three months ended April 2, 2021, the Company recorded \$1.3 million in severance and other costs in connection with the 2020 restructuring program. As of April 2, 2021, the Company had incurred cumulative costs related to this restructuring plan totaling \$4.1 million. The Company anticipates substantially completing the 2020 restructuring program in the fourth quarter of 2021 and expects to incur additional restructuring charges of \$6.0 million to \$7.0 million related to the 2020 restructuring program in the next twelve months.

The following table summarizes restructuring costs associated with the 2020 restructuring program by reportable segment (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Photonics	\$ 295	\$ —
Vision	422	—
Precision Motion	621	—
Unallocated Corporate and Shared Services	—	—
Total	\$ 1,338	\$ —

**2019 Restructuring**

During the fourth quarter of 2018, the Company implemented a restructuring plan intended to realign operations, reduce costs, achieve operational efficiencies and focus resources on growth initiatives (the "2019 restructuring plan"). During the three months ended April 2, 2021, the Company recorded \$0.2 million in severance and related costs in connection with the 2019 restructuring plan. These costs were reported in the Vision reportable segment. As of April 2, 2021, the Company incurred cumulative costs related to this restructuring plan totaling \$9.0 million. The 2019 restructuring program was completed in the first quarter of 2021.

**2018 Restructuring**

During the second quarter of 2018, the Company initiated a program to integrate manufacturing operations as a result of acquisition activities (the "2018 restructuring plan"). The Company did not incur any costs related to the 2018 restructuring plan during the three months ended April 2, 2021. As of April 2, 2021, the Company incurred cumulative costs related to this restructuring plan totaling \$3.6 million. The 2018 restructuring program was completed in 2020.



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**Rollforward of Accrued Expenses Related to Restructuring**

The following table summarizes the accrual activities, by component, related to the Company's restructuring plans recorded in the accompanying consolidated balance sheets (in thousands):

	Total	Severance	Facility	Other
Balance at December 31, 2020	\$ 1,800	\$ 1,681	\$ 116	\$ 3
Restructuring charges	1,546	1,061	382	103
Cash payments	(638)	(490)	(45)	(103)
Non-cash charges and other adjustments	(201)	12	(213)	—
Balance at April 2, 2021	<u>\$ 2,507</u>	<u>\$ 2,264</u>	<u>\$ 240</u>	<u>\$ 3</u>

**Acquisition and Related Charges**

Acquisition costs in connection with business combinations, including finders' fees, legal, valuation, and other professional or consulting fees, totaled \$0.2 million and \$0.1 million for the three months ended April 2, 2021 and April 3, 2020, respectively. During the three months ended April 2, 2021, the Company incurred \$0.9 million in legal costs related to a dispute involving a company that was acquired in 2019. Acquisition and related costs recognized under earn-out agreements in connection with acquisitions totaled \$1.0 million and \$0.9 million for the three months ended April 2, 2021 and April 3, 2020, respectively. The majority of acquisition and related costs for the three months ended April 2, 2021 were included in the Company's Precision Motion and Vision reportable segments. The majority of acquisition and related costs for the three months ended April 3, 2020 were included in the Company's Precision Motion and Unallocated Corporate and Shared Services reportable segments.

**14. Commitments and Contingencies**

**Purchase Commitments**

There have been no material changes to the Company's purchase commitments since December 31, 2020.

**Legal Contingencies**

In April 2020, the Company received notification of an arbitration demand filed with the American Arbitration Association against a business acquired by the Company in June 2019. The arbitration demand was filed by a contract counterparty to a joint product development agreement entered into by the business before Novanta acquired it. The arbitration demand alleges breach of contract and other claims arising out of allegations that the business failed to engage in required marketing activities for the product developed under the joint product development agreement. The claimant is seeking compensatory and punitive damages, lost profits and other relief. The Company believes that the claims are without merit and no amount has been accrued for in the consolidated financial statements.

The Company is subject to various other legal proceedings and claims that arise in the ordinary course of business. The Company reviews the status of each significant matter and assesses the potential financial exposure on a quarterly basis. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available as of the date of the consolidated balance sheet. As additional information becomes available, the Company reassesses the potential liability related to any pending claims and litigations and may revise its estimates. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. The Company does not believe that the outcome of these claims will have a material adverse effect on its consolidated financial statements but there can be no assurance that any such claims, or any similar claims, would not have a material adverse effect on the consolidated financial statements.

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***Guarantees and Indemnifications***

In the normal course of its operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, sale of assets, sale of products and operating leases. Additionally, the by-laws of the Company require it to indemnify certain current or former directors, officers, and employees of the Company against expenses incurred by them in connection with each proceeding in which they are involved as a result of serving or having served in certain capacities. Indemnification is not available with respect to a proceeding as to which it has been adjudicated that the person did not act in good faith in the reasonable belief that the action was in the best interests of the Company. Certain of the Company's officers and directors are also a party to indemnification agreements with the Company. These indemnification agreements provide, among other things, that the director and officer shall be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such officer or director in connection with any proceeding by reason of his or her relationship with the Company. In addition, the indemnification agreements provide for the advancement of expenses incurred by such director or officer in connection with any proceeding covered by the indemnification agreement, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law. The indemnification agreements also set out the procedures for determining entitlement to indemnification, the requirements relating to notice and defense of claims for which indemnification is sought, the procedures for enforcement of indemnification rights, the limitations on and exclusions from indemnification, and the minimum levels of directors' and officers' liability insurance to be maintained by the Company.

**15. Segment Information**

***Reportable Segments***

The Company's Chief Operating Decision Maker ("CODM") utilizes financial information to make decisions about allocating resources and assessing performance for the entire Company. The Company evaluates the performance of, and allocates resources to, its segments based on revenue, gross profit and operating profit. The Company's reportable segments have been identified based on commonality and adjacency of technologies, applications and customers amongst the Company's individual product lines. The Company determined that disclosing revenue by specific product was impracticable due to the highly customized and extensive portfolio of technologies offered to customers.

Based upon the information provided to the CODM, the Company has determined that it operates in three reportable segments: Photonics, Vision, and Precision Motion. The reportable segments and their principal activities consist of the following:

***Photonics***

The Photonics segment designs, manufactures and markets photonics-based solutions, including laser scanning, laser beam delivery, CO2 laser, solid state laser, ultrafast laser, and optical light engine products to customers worldwide. The segment serves highly demanding photonics-based applications for advanced industrial processes, metrology, medical and life science imaging, DNA sequencing, and medical laser procedures. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

***Vision***

The Vision segment designs, manufactures and markets a range of medical grade technologies, including medical insufflators, pumps and related disposables; visualization solutions; wireless, recorder and video integration technologies for operating room integrations; optical data collection and machine vision technologies; radio frequency identification ("RFID") technologies; thermal chart recorders; spectrometry technologies; and embedded touch screen solutions. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

***Precision Motion***

The Precision Motion segment designs, manufactures and markets optical and inductive encoders, precision motor and motion control sub-assemblies, servo drives, air bearings, and air bearing spindles to customers worldwide. The vast majority of the

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segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

**Reportable Segment Financial Information**

Revenue, gross profit, gross profit margin, operating income (loss), and depreciation and amortization expenses by reportable segment were as follows (in thousands, except percentage data):

	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Revenue</b>		
Photonics	\$ 58,493	\$ 55,140
Vision	67,636	69,008
Precision Motion	36,455	31,320
<b>Total</b>	<b>\$ 162,584</b>	<b>\$ 155,468</b>
	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Gross Profit</b>		
Photonics	\$ 28,109	\$ 24,661
Vision	26,926	26,575
Precision Motion	16,077	13,908
Unallocated Corporate and Shared Services	(2,372)	(699)
<b>Total</b>	<b>\$ 68,740</b>	<b>\$ 64,445</b>
	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Gross Profit Margin</b>		
Photonics	48.1%	44.7%
Vision	39.8%	38.5%
Precision Motion	44.1%	44.4%
<b>Total</b>	<b>42.3%</b>	<b>41.5%</b>
	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Operating Income (Loss)</b>		
Photonics	\$ 12,395	\$ 8,915
Vision	3,366	5,634
Precision Motion	7,446	6,538
Unallocated Corporate and Shared Services	(12,108)	(7,837)
<b>Total</b>	<b>\$ 11,099</b>	<b>\$ 13,250</b>
	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Depreciation and Amortization Expenses</b>		
Photonics	\$ 2,898	\$ 2,649
Vision	5,275	5,277
Precision Motion	1,607	1,353
Unallocated Corporate and Shared Services	69	51
<b>Total</b>	<b>\$ 9,849</b>	<b>\$ 9,330</b>

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**Revenue by Geography**

The Company aggregates geographic revenue based on the customer location where products are shipped to. Revenue from these customers was as follows (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
United States	\$ 59,230	\$ 59,205
Germany	22,363	23,233
Rest of Europe	35,575	33,085
China	22,551	15,404
Rest of Asia-Pacific	20,747	21,700
Other	2,118	2,841
Total	\$ 162,584	\$ 155,468

The majority of revenue from our Photonics, Vision and Precision Motion segments is generated from sales to customers within the United States and Europe. Each segment also generates revenue across the other geographies, with no significant concentration of any segment's remaining revenue.

**Revenue by End Market**

The Company primarily operates in two end markets: the medical market and advanced industrial market. Revenue by end market was approximately as follows:

	Three Months Ended	
	April 2, 2021	April 3, 2020
Medical	55%	58%
Advanced Industrial	45%	42%
Total	100%	100%

The majority of revenue from the Photonics and Precision Motion segments is generated from sales to customers in the advanced industrial market. The majority of revenue from the Vision segment is generated from sales to customers in the medical market.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and Notes included in Item 1 of this Quarterly Report on Form 10-Q. The MD&A contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, but are not limited to the anticipated impacts of the COVID-19 pandemic on our business, our financial results and our financial condition; our belief that the Purchasing Managers Index ("PMI") may provide an indication of the impact of general economic conditions on our sales into the advanced industrial end market; our strategy; anticipated financial performance; expected liquidity and capitalization; drivers of revenue growth and our growth expectations in various markets; management's plans and objectives for future operations, expenditures and product development and investments in research and development; business prospects; potential of future product releases and expansion of our product and service offerings; anticipated revenue performance; industry trends; market conditions; our competitive positions; changes in economic and political conditions; changes in accounting principles; changes in actual or assumed tax liabilities; expectations regarding tax exposures; anticipated reinvestment of future earnings and dividend policy; anticipated expenditures in regard to the Company's benefit plans; future acquisitions; integration and anticipated benefits from acquisitions and dispositions; anticipated economic benefits, costs and timelines of restructuring programs; ability to repay our indebtedness; our intentions regarding the use of cash; expectations regarding legal and regulatory environmental requirements and our compliance thereto; and other statements that are not historical facts. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various important factors, including, but not limited to, the following: economic and political conditions and the effects of these conditions on our customers' businesses and level of business activities; our significant dependence upon our customers' capital expenditures, which are subject to cyclical market fluctuations; our dependence upon our ability to respond to fluctuations in product demand; our ability to continually innovate and successfully commercialize our innovations; failure to introduce new products in a timely manner; customer order timing and other similar factors beyond our control; disruptions or breaches in security of our information technology systems; our failure to comply with data privacy regulations; changes in interest rates, credit ratings or foreign currency exchange rates; risks associated with our operations in foreign countries; risks associated with the COVID-19 pandemic and other events outside our control; our increased use of outsourcing in foreign countries; risks associated with increased outsourcing of components manufacturing; our exposure to increased tariffs, trade restrictions or taxes on our products; negative effects on global economic conditions, financial markets and our business as a result of the United Kingdom's withdrawal from the European Union; violations of our intellectual property rights and our ability to protect our intellectual property against infringement by third parties; risk of losing our competitive advantage; our failure to successfully integrate recent and future acquisitions into our business; our ability to attract and retain key personnel; our restructuring and realignment activities and disruptions to our operations as a result of consolidation of our operations; product defects or problems integrating our products with other vendors' products; disruptions in the supply of certain key components or other goods from our suppliers; our failure to accurately forecast component and raw material requirements leading to excess inventories or delays in the delivery of our products; production difficulties and product delivery delays or disruptions; our exposure to medical device regulations, which may impede or hinder the approval or sale of our products and, in some cases, may ultimately result in an inability to obtain approval of certain products or may result in the recall or seizure of previously approved products; potential penalties for violating foreign, U.S. federal, and state healthcare laws and regulations; changes in governmental regulations affecting our business or products; our compliance, or failure to comply, with environmental regulations; our failure to implement new information technology systems and software successfully; our failure to realize the full value of our intangible assets; our exposure to the credit risk of some of our customers and in weakened markets; our reliance on third party distribution channels; being subject to U.S. federal income taxation even though we are a non-U.S. corporation; changes in tax laws, and fluctuations in our effective tax rates; any need for additional capital to adequately respond to business challenges or opportunities and repay or refinance our existing indebtedness, which may not be available on acceptable terms or at all; our existing indebtedness limiting our ability to engage in certain activities; volatility in the market price for our common shares; and our failure to maintain appropriate internal controls in the future. Other important risk factors that could affect the outcome of the events set forth in these statements and that could affect the Company's operating results and financial condition are discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 under the heading "Risk Factors" as updated in our other filings with the Securities and Exchange Commission. In this Quarterly Report on Form 10-Q, the words "anticipates," "believes," "expects," "intends," "future," "could," "estimates," "plans," "would," "should," "potential," "continues," and similar words or expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Management and the Company disclaim any obligation to publicly update or revise any such statement to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those contained in the forward-looking statements, except as required under applicable law.

## Accounting Period

The interim financial statements of Novanta Inc. and its subsidiaries (collectively referred to as the “Company”, “we”, “us”, “our”) are prepared for each quarterly period ending on the Friday closest to the end of the calendar quarter, with the exception of the fourth quarter which always ends on December 31.

## Business Overview

We are a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers (“OEMs”) a competitive advantage. We combine deep proprietary technology expertise and competencies in photonics, vision and precision motion with a proven ability to solve complex technical challenges. This enables us to engineer core components and sub-systems that deliver extreme precision and performance, tailored to our customers’ demanding applications.

## Reportable Segments

We operate in three reportable segments: Photonics, Vision, and Precision Motion. The reportable segments and their principal activities consist of the following:

### *Photonics*

Our Photonics segment designs, manufactures and markets photonics-based solutions, including laser scanning, laser beam delivery, CO2 laser, solid state laser, ultrafast laser, and optical light engine products to customers worldwide. The segment serves highly demanding photonics-based applications for advanced industrial processes, metrology, medical and life science imaging, DNA sequencing, and medical laser procedures. The vast majority of the segment’s product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

### *Vision*

Our Vision segment designs, manufactures and markets a range of medical grade technologies, including medical insufflators, pumps and related disposables; visualization solutions; wireless, recorder and video integration technologies for operating room integrations; optical data collection and machine vision technologies; radio frequency identification (“RFID”) technologies; thermal chart recorders; spectrometry technologies, and embedded touch screen solutions. The vast majority of the segment’s product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

### *Precision Motion*

Our Precision Motion segment designs, manufactures and markets optical and inductive encoders, precision motor and motion control sub-assemblies, servo drives, air bearings, and air bearing spindles to customers worldwide. The vast majority of the segment’s product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

## End Markets

We primarily operate in two end markets: the medical market and the advanced industrial market.

### *Medical Market*

For the three months ended April 2, 2021, the medical market accounted for approximately 55% of our revenue. Revenue from our products sold to the medical market is generally affected by hospital and other healthcare provider capital spending, growth rates of surgical procedures, changes in regulatory requirements and laws, aggregation of purchasing by healthcare networks, changes in technology requirements, timing of OEM customers’ product development and new product launches, changes in customer or patient preferences, and general demographic trends.

### *Advanced Industrial Market*

For the three months ended April 2, 2021, the advanced industrial market accounted for approximately 45% of our revenue. Revenue from our products sold to the advanced industrial market is affected by a number of factors, including changing technology requirements and preferences of our customers, productivity or quality investments in a manufacturing environment, the financial

condition of our customers, changes in regulatory requirements and laws, and general economic conditions. We believe that the Purchasing Managers Index (PMI) on manufacturing activities specific to different regions around the world may provide an indication of the impact of general economic conditions on our sales into the advanced industrial market.

## Strategy

Our strategy is to drive sustainable, profitable growth through short-term and long-term initiatives, including:

- disciplined focus on our diversified business model of providing components and sub-systems to long life-cycle OEM customer platforms in attractive medical and advanced industrial niche markets;
- improving our business mix to increase medical sales as a percentage of total revenue by:
  - introducing new products aimed at attractive medical applications, such as minimally invasive and robotic surgery, ophthalmology, patient monitoring, drug delivery, clinical laboratory testing and life science equipment;
  - deepening our key account management relationships with and driving cross selling of our product offerings to leading medical equipment manufacturers; and
  - pursuing complementary medical technology acquisitions;
- increasing our penetration of high growth advanced industrial applications, such as laser materials processing, robotics, laser additive manufacturing, automation and metrology, by working closely with OEM customers to launch application specific products that closely match the requirements of each application;
- broadening our portfolio of enabling proprietary technologies and capabilities through increased investment in new product development, and investments in application development to further penetrate existing customers, while expanding the applicability of our solutions to new markets;
- broadening our product and service offerings through the acquisition of innovative and complementary technologies and solutions in medical and advanced industrial technology applications, including increasing our recurring revenue streams such as services, spare parts and consumables;
- expanding sales and marketing channels to reach new target customers;
- improving our existing operations to expand profit margins and improve customer satisfaction by implementing lean manufacturing principles, strategic sourcing across our major production sites; and optimizing and limiting the growth of our fixed cost base; and
- attracting, retaining, and developing world-class talented and motivated employees.

## Significant Events and Updates

### *Impact of COVID-19 on Our Business*

In response to the COVID-19 pandemic, we have taken proactive, aggressive actions to protect the health and safety of our employees. We established steering committees at both the corporate level and at each of our facilities to provide leadership for and manage our COVID-19 risk mitigation actions and countermeasures. We have provided frequent employee communications that include guidance and updates to our employees with regards to COVID-19 safety procedures and status. We established rigorous safety measures in all of our facilities, including implementing social distancing protocols, requiring working from home for those employees that do not need to be physically present on the manufacturing floor or in our facilities to perform their work, suspending travel, spreading production over more shifts, implementing temperature checks at the entrances to our facilities, frequently disinfecting our workspaces, and providing masks to those employees who must be physically present in our facilities. We expect to continue these measures until we determine that the COVID-19 pandemic is adequately contained for purposes of our business. In connection with our COVID-19 remediation actions, we have incurred additional costs to protect the health of our employees, including investments in technologies and monitoring equipment and weekly testing for COVID-19 at certain locations. We expect such costs to continue to be significant to our cost of operations. We may take further actions as government authorities require or recommend or as we determine to be in the best interest of our employees.

The outbreak has significantly increased economic and demand uncertainty. The spread of COVID-19 has caused a global economic slowdown and a global recession. Even as governmental restrictions are relaxed and economies gradually, partially or fully, reopen, the ongoing economic impacts and health concerns associated with COVID-19 may continue to affect customer demand.

Through April 2, 2021, we experienced limited disruptions to our supply chain as a result of the COVID-19 pandemic. We regularly monitor the manufacturing output of companies in our supply chain. Disruptions on our suppliers or sub-suppliers caused by the COVID-19 pandemic and the recent electronics and other material shortages could cause further challenges in our ability to obtain raw materials or components required to manufacture our products, adversely affecting our operations.

To mitigate the risk of any potential supply interruptions from the COVID-19 pandemic and electronics and other material shortages, we are identifying alternative suppliers, sourcing raw materials from different supplier locations, modifying our designs to allow for alternative components to be used without compromising quality or performance, and taking other actions to ensure our supply of raw materials. Although we are mitigating potential supply interruptions from the COVID-19 pandemic and electronics and other material shortages, if certain suppliers cannot produce a key part or component for us, or if the receipt of certain materials is otherwise delayed, we may miss our scheduled shipment deadlines and our relationship with customers may be harmed.

Additionally, restrictions on or disruptions of transportation, such as reduced availability of air transports, port closures and increased border controls or closures, have resulted in higher costs and delays, both for obtaining raw materials from suppliers and for shipping finished products to customers.

COVID-19 has caused inflation pressures on the market prices for certain of our primary raw materials as well as increases in the costs of freight, packaging, energy and other consumables that are used in our manufacturing processes. We have generally been able to offset increases in these costs through various productivity and cost reduction initiatives, as well as adjusting our selling prices to pass through some of these higher costs to our customers; however, our ability to raise our selling prices depends on market conditions and competitive dynamics. Given the timing of our actions compared to the timing of these inflationary pressures, there may be periods during which we are unable to fully recover increases in our costs.

#### Results of Operations for the Three Months Ended April 2, 2021 Compared with the Three Months Ended April 3, 2020

The following table sets forth our unaudited results of operations as a percentage of revenue for the periods indicated:

	Three Months Ended	
	April 2, 2021	April 3, 2020
Revenue	100.0%	100.0%
Cost of revenue	57.7	58.5
Gross profit	42.3	41.5
Operating expenses:		
Research and development and engineering	11.5	9.9
Selling, general and administrative	19.5	19.8
Amortization of purchased intangible assets	2.2	2.2
Restructuring, acquisition, and related costs	2.3	1.1
Total operating expenses	35.5	33.0
Operating income	6.8	8.5
Interest income (expense), net	(0.9)	(1.1)
Foreign exchange transaction gains (losses), net	(0.2)	0.2
Other income (expense), net	(0.0)	0.1
Income before income taxes	5.7	7.7
Income tax provision	(1.2)	(0.0)
Consolidated net income	6.9%	7.7%



## Overview of Financial Results

Total revenue of \$162.6 million for the three months ended April 2, 2021 increased \$7.1 million, or 4.6%, from the prior year period primarily due to increased demand in the advanced industrial market related to microelectronics and as a result of increases in industrial manufacturing spending, partially offset by a decrease in demand in the medical market as a result of deferrals of elective surgical procedures during COVID-19 pandemic. In addition, foreign currency exchange rates positively impacted our revenue by \$5.4 million, or 3.5%, for the three months ended April 2, 2021.

Operating income of \$11.1 million for the three months ended April 2, 2021 decreased \$2.2 million, or 16.2%, from the prior year period. This decrease was primarily attributable to an increase in Research and Development and Engineering ("R&D") expense of \$3.3 million and restructuring, acquisition, and related cost of \$2.1 million, partially offset by an increase in gross profit of \$4.3 million primarily attributable to higher revenue.

Basic earnings per common share ("Basic EPS") of \$0.32 for the three months ended April 2, 2021 decreased \$0.02 from the prior year period. Diluted earnings per common share ("Diluted EPS") of \$0.32 for the three months ended April 2, 2021 decreased \$0.02 from the prior year period. The decreases were primarily attributable to a decrease in operating income, offset by a decrease in income tax expense.

## Revenue

The following table sets forth external revenue by reportable segment for the periods noted (dollars in thousands):

	Three Months Ended		Increase (Decrease)	Percentage Change
	April 2, 2021	April 3, 2020		
Photonics	\$ 58,493	\$ 55,140	\$ 3,353	6.1%
Vision	67,636	69,008	(1,372)	(2.0)%
Precision Motion	36,455	31,320	5,135	16.4%
Total	\$ 162,584	\$ 155,468	\$ 7,116	4.6%

## Photonics

Photonics segment revenue for the three months ended April 2, 2021 increased by \$3.4 million, or 6.1%, versus the prior year period, primarily due to increased demand in the advanced industrial market as a result of increases in industrial manufacturing spending.

## Vision

Vision segment revenue for the three months ended April 2, 2021 decreased by \$1.4 million, or 2.0%, versus the prior year period, primarily due to a decrease in revenue from our minimally invasive surgery ("MIS") products as a result of deferrals of elective surgical procedures during the COVID-19 pandemic.

## Precision Motion

Precision Motion segment revenue for the three months ended April 2, 2021 increased by \$5.1 million, or 16.4%, versus the prior year period, primarily due to increased demand in advanced industrial market as a result of an increase in industrial manufacturing spending.

### Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and gross profit margin for each of our reportable segments for the periods noted (dollars in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Gross profit:		
Photonics	\$ 28,109	\$ 24,661
Vision	26,926	26,575
Precision Motion	16,077	13,908
Unallocated Corporate and Shared Services	(2,372)	(699)
Total	<u>\$ 68,740</u>	<u>\$ 64,445</u>
Gross profit margin:		
Photonics	48.1%	44.7%
Vision	39.8%	38.5%
Precision Motion	44.1%	44.4%
Total	42.3%	41.5%

Gross profit and gross profit margin can be influenced by a number of factors, including product mix, pricing, volume, manufacturing efficiencies and utilization, costs for raw materials and outsourced manufacturing, trade tariffs, freight costs, headcount, inventory obsolescence and warranty expenses.

#### Photonics

Photonics segment gross profit for the three months ended April 2, 2021 increased \$3.4 million, or 14.0%, versus the prior year period, primarily due to an increase in both revenue and gross profit margin. Photonics segment gross profit margin was 48.1% for the three months ended April 2, 2021, versus a gross profit margin of 44.7% for the prior year period. The increase in gross profit margin was primarily attributable to higher factory utilization associated with higher production volumes.

#### Vision

Vision segment gross profit for the three months ended April 2, 2021 increased \$0.4 million, or 1.3%, versus the prior year period. Vision segment gross profit margin was 39.8% for the three months ended April 2, 2021, versus a gross profit margin of 38.5% for the prior year period. The increase in gross profit and gross profit margin were primarily attributable to improvements to factory productivity and lower cost of poor quality.

#### Precision Motion

Precision Motion segment gross profit for the three months ended April 2, 2021 increased \$2.2 million, or 16.0%, versus the prior year period, primarily due to an increase in revenue. Precision Motion segment gross profit margin was 44.1% for the three months ended April 2, 2021, versus a gross profit margin of 44.4% for the prior year period.

#### Unallocated Corporate and Shared Services

Unallocated corporate and shared services costs primarily represent costs of corporate and shared services functions that are not allocated to the operating segments. These costs for the three months ended April 2, 2021 increased by \$1.7 million versus the prior year period primarily due to COVID-19 testing costs for employees of \$1.4 million.

## Operating Expenses

The following table sets forth operating expenses for the periods noted (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Research and development and engineering	\$ 18,682	\$ 15,334
Selling, general and administrative	31,653	30,755
Amortization of purchased intangible assets	3,575	3,445
Restructuring, acquisition, and related costs	3,731	1,661
<b>Total</b>	<b>\$ 57,641</b>	<b>\$ 51,195</b>

### Research and Development and Engineering Expenses

R&D expenses are primarily comprised of employee compensation related expenses and cost of materials for R&D projects. R&D expenses were \$18.7 million, or 11.5% of revenue, during the three months ended April 2, 2021, versus \$15.3 million, or 9.9% of revenue, during the prior year period. R&D expenses increased in terms of total dollars and as a percentage of revenue primarily due to higher compensation related expense as a result of higher headcount and higher R&D project spending.

### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses include costs for sales and marketing, sales administration, finance, human resources, legal, information systems, and executive management functions. SG&A expenses were \$31.7 million, or 19.5% of revenue, during the three months ended April 2, 2021, versus \$30.8 million, or 19.8% of revenue, during the prior year period. SG&A expenses increased in terms of total dollars primarily due to higher share-based compensation expense and higher variable compensation expense as a result of re-establishment of 2021 cash bonuses, partially offset by lower travel costs and other discretionary spending.

### Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets, excluding the amortization of developed technologies that is included in cost of revenue, was \$3.6 million, or 2.2% of revenue, during the three months ended April 2, 2021, versus \$3.4 million, or 2.2% of revenue, during the prior year period.

### Restructuring, Acquisition, and Related Costs

We recorded restructuring, acquisition, and related costs of \$3.7 million during the three months ended April 2, 2021, versus \$1.7 million during the prior year period. The increase in restructuring, acquisition, and related costs versus the prior year period was primarily due to an increase in restructuring cost related to the 2020 restructuring plan and legal fees related to a dispute involving a company we acquired in 2019.

## Operating Income (Loss) by Segment

The following table sets forth operating income (loss) by segment for the periods noted (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
<b>Operating Income (Loss)</b>		
Photonics	\$ 12,395	\$ 8,915
Vision	3,366	5,634
Precision Motion	7,446	6,538
Unallocated Corporate and Shared Services	(12,108)	(7,837)
<b>Total</b>	<b>\$ 11,099</b>	<b>\$ 13,250</b>

#### *Photonics*

Photonics segment operating income was \$12.4 million, or 21.2% of revenue, during the three months ended April 2, 2021, versus \$8.9 million, or 16.2% of revenue, during the prior year period. The increase in operating income was primarily due to an increase in gross profit of \$3.4 million and a decrease in SG&A spending of \$0.9 million, offset by an increase in R&D spending of \$0.7 million.

#### *Vision*

Vision segment operating income was \$3.4 million, or 5.0% of revenue, during the three months ended April 2, 2021, versus \$5.6 million, or 8.2% of revenue, during the prior year period. The decrease in operating income was primarily due to an increase in R&D spending of \$2.0 million, and an increase in restructuring, acquisition, and related charges of \$1.1 million, partially offset by a decrease in SG&A spending of \$0.6 million.

#### *Precision Motion*

Precision Motion segment operating income was \$7.4 million, or 20.4% of revenue, during the three months ended April 2, 2021, versus \$6.5 million, or 20.9% of revenue, during the prior year period. The increase in operating income was primarily due to an increase in gross profit of \$2.2 million, partially offset by an increase in restructuring, acquisition, and related charges of \$0.7 million, and R&D spending of \$0.6 million.

#### *Unallocated Corporate and Shared Services*

Unallocated corporate and shared services costs primarily represent costs of corporate and shared services functions that are not allocated to the operating segments, including certain restructuring and most acquisition costs. These costs for the three months ended April 2, 2021 increased by \$4.3 million versus the prior year period primarily due to costs related to COVID-19 testing for employees of \$1.4 million included in costs of goods sold, and an increase in SG&A spending of \$2.4 million related to stock-based compensation and the re-establishment of 2021 cash bonuses.

#### **Other Income and Expense Items**

The following table sets forth other income and expense items for the periods noted (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Interest income (expense), net	\$ (1,408)	\$ (1,678)
Foreign exchange transaction gains (losses), net	\$ (257)	\$ 254
Other income (expense), net	\$ (70)	\$ 83

#### *Interest Income (Expense), Net*

Net interest expense was \$1.4 million for the three months ended April 2, 2021, versus \$1.7 million in the prior year period. The decrease in net interest expense was primarily due to a decrease in average debt levels and a decrease in the weighted average interest rate on our senior credit facilities. The weighted average interest rate on our senior credit facilities was 2.02% during the three months ended April 2, 2021, versus 2.39% during the three months ended April 3, 2020.

#### *Foreign Exchange Transaction Gains (Losses), Net*

Foreign exchange transaction gains (losses) were \$(0.3) million net losses for the three months ended April 2, 2021, versus \$0.3 million net gains in the prior year period. The decrease in net gains was primarily due to changes in the value of the U.S. Dollar against the British Pound and the Euro and lower net realized gains from foreign currency contracts.

#### *Other Income (Expense), Net*

Net other expense was nominal for both the three months ended April 2, 2021 and the three months ended April 3, 2021.

### ***Income Tax Provision***

Our effective tax rate for the three months ended April 2, 2021 was (20.8)%, versus (0.3)% for the prior year period. Our effective tax rate of (20.8)% for the three months ended April 2, 2021 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, other tax credits, and windfall tax benefits upon vesting of certain stock-based compensation awards during the period. For the three months ended April 2, 2021, the windfall tax benefits upon vesting of certain stock-based compensation awards had a benefit of 35.9% on our effective tax rate.

Our effective tax rate of (0.3)% for the three months ended April 3, 2020 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, other tax credits, and windfall tax benefits upon vesting of certain stock-based compensation awards during the period. For the three months ended April 3, 2020, the windfall tax benefits upon vesting of certain stock-based compensation awards had a benefit of 19.8% on our effective tax rate.

### **Liquidity and Capital Resources**

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements are funding operations, capital expenditures, investments in businesses, and repayment of debt and related interest payments. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We believe our future operating cash flows will be sufficient to meet our future operating and capital expenditure cash needs for the foreseeable future, including at least the next 12 months. The availability of borrowing capacity under our revolving credit facility provides another potential source of liquidity for acquisitions. We may also seek to raise additional capital, which could be in the form of bonds, convertible debt or equity, to fund business development activities or other future investing cash requirements, subject to approval by the lenders in the Third Amended and Restated Credit Agreement. There is no assurance that such capital will be available on reasonable terms or at all.

Significant factors affecting the management of our ongoing cash requirements are the adequacy of available bank lines of credit and our ability to attract long term capital with satisfactory terms. The sources of our liquidity are subject to all of the risks of our business and could be adversely affected by, among other factors, risks associated with events outside our control, such as the economic consequences of the COVID-19 pandemic, a decrease in demand for our products, our ability to integrate current and future acquisitions, deterioration in certain financial ratios, availability of borrowings under our revolving credit facility, and market changes in general. See “Risks Relating to Our Common Shares and Our Capital Structure” included in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Our ability to make payments on our indebtedness and to fund our operations may be dependent upon the earnings and the distribution of funds from our subsidiaries. Local laws and regulations and/or the terms of our indebtedness restrict certain of our subsidiaries from paying dividends and transferring assets to us. There is no assurance that the applicable laws and regulations and/or the terms of our indebtedness will permit our subsidiaries to provide us with sufficient dividends, distributions or loans when necessary.

As of April 2, 2021, \$87.0 million of our \$113.6 million cash and cash equivalents was held by subsidiaries outside of Canada and the United States. Generally, our intent is to use cash held in these foreign subsidiaries to fund our local operations or acquisitions by those local subsidiaries and to pay down borrowings under our Senior Credit Facilities (as defined below). Approximately \$176.5 million of our outstanding term loan and revolver borrowings under our Senior Credit Facilities were held in our subsidiaries outside of Canada and the United States. Additionally, we may use intercompany loans to address short-term cash flow needs for various subsidiaries.

We deferred certain U.S. payroll tax payments in 2020 in accordance with relief provisions under the CARES Act. As of April 2, 2021, we had \$2.8 million in such deferred U.S. payroll tax payments under the CARES Act. As permitted under the CARES Act, we expect to pay half of the deferred U.S. payroll tax payments by December 31, 2021 and the remaining half by December 31, 2022.

### ***Senior Credit Facilities***

In December 2019, we entered into the Third Amended and Restated Credit Agreement, consisting of a \$100.0 million U.S. dollar equivalent euro-denominated 5-year term loan facility (approximately €90.2 million) and a \$350.0 million 5-year revolving credit facility (collectively, the “Senior Credit Facilities”). The Senior Credit Facilities mature in December 2024 and included an uncommitted “accordion” feature pursuant to which the commitments under the revolving credit facility may be increased by an additional \$200.0 million in aggregate, subject to certain customary conditions. The term loan facility requires quarterly scheduled principal repayments of approximately €1.1 million beginning in March 2020 with the remaining principal balance due upon maturity.

We may make additional principal payments at any time, which will reduce the next quarterly installment payment due. We may pay down outstanding borrowings under our revolving credit facility with cash on hand and cash generated from future operations at any time.

In March 2020, we entered into an amendment (the “First Amendment”) to the Third Amended and Restated Credit Agreement and exercised a portion of the uncommitted accordion feature. The First Amendment increased the revolving credit facility commitment under the Third Amended and Restated Credit Agreement by \$145.0 million, from \$350.0 million to \$495.0 million, and reset the uncommitted accordion feature to \$200.0 million for potential future expansion.

As of April 2, 2021, we had \$99.2 million term loan and \$96.3 million revolver borrowings outstanding under our Senior Credit Facilities. The borrowings outstanding under the Senior Credit Facilities bear interest at rates based on (a) the Base Rate, as defined in the Third Amended and Restated Credit Agreement, plus a margin ranging between 0.25% and 1.25% per annum, determined by reference to our consolidated leverage ratio, or (b) the Eurocurrency Rate, as defined in the Third Amended and Restated Credit Agreement, plus a margin ranging between 1.25% and 2.25% per annum, determined by reference to our consolidated leverage ratio. In addition, we are obligated to pay a commitment fee on the unused portion of the revolving credit facility, ranging between 0.20% and 0.40% per annum, determined by reference to our consolidated leverage ratio. As of April 2, 2021, we had outstanding borrowings under the Third Amended and Restated Credit Agreement denominated in Euro and U.S. Dollars of \$176.5 million and \$19.0 million, respectively.

The Third Amended and Restated Credit Agreement contains various covenants that we believe are usual and customary for this type of agreement, including a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio (as defined in the Third Amended and Restated Credit Agreement). The following table summarizes these financial covenants and our compliance therewith as of April 2, 2021:

	Requirement	Actual
Maximum consolidated leverage ratio	3.50	1.35
Minimum consolidated fixed charge coverage ratio	1.50	10.95

#### *Share Repurchase Plans*

Our Board of Directors may approve share repurchase plans from time to time. Under these repurchase plans, shares may be repurchased at our discretion based on ongoing assessment of the capital needs of the business, the market price of our common shares, and general market conditions. Shares may also be repurchased through an accelerated share purchase agreement, on the open market or in privately negotiated transactions in accordance with applicable federal securities laws. Repurchases may be made under certain SEC regulations, which would permit common shares to be repurchased when we would otherwise be prohibited from doing so under insider trading laws. While the share repurchase plans are generally intended to offset dilution from equity awards granted to our employees and directors, the plans do not obligate us to acquire any particular amount of common shares. No time limit is typically set for the completion of the share repurchase plans, and the plans may be suspended or discontinued at any time. We expect to fund share repurchases through cash on hand and cash generated from operations.

In October 2018, our Board of Directors approved a share repurchase plan (the “2018 Repurchase Plan”) authorizing the repurchase of \$25.0 million worth of common shares. Share repurchases have been made under the 2018 Repurchase Plan pursuant to Rule 10b-18 under the Securities Exchange Act of 1934. We had \$9.5 million available for share repurchases under the 2018 Repurchase Plan as of April 2, 2021.

In February 2020, our Board of Directors approved a new share repurchase plan (the “2020 Repurchase Plan”) authorizing the repurchase of an additional \$50.0 million worth of common shares. We expect that share repurchases will be made under the 2020 Repurchase Plan after the 2018 Repurchase Plan is completed. No shares have been repurchased under the 2020 Repurchase Plan to date.

### Cash Flows for the Three Months Ended April 2, 2021 and April 3, 2020

The following table summarizes our cash flows, cash and cash equivalents, and unused and available funds under our revolving credit facility for the periods indicated (in thousands):

	Three Months Ended	
	April 2, 2021	April 3, 2020
Net cash provided by operating activities	\$ 23,268	\$ 17,755
Net cash used in investing activities	\$ (5,468)	\$ (5,101)
Net cash used in financing activities	\$ (28,935)	\$ (16,045)

  

	April 2, 2021	December 31, 2020
Cash and cash equivalents	\$ 113,562	\$ 125,054
Unused and available funds under revolving credit facility	\$ 398,700	\$ 395,239

#### Operating Cash Flows

Cash provided by operating activities was \$23.3 million for the three months ended April 2, 2021, versus \$17.8 million for the prior year period. Cash provided by operating activities for the three months ended April 2, 2022 increased from the prior year period primarily due to working capital improvements resulting in an increase in cash flows from inventory and substantially no bonus payout in 2021 as a result of the elimination of our 2020 annual bonus plan, offset by an increase in accounts receivable due to increases in revenue.

Cash provided by operating activities for the three months ended April 2, 2021 was positively impacted by an increase in our inventory turnover ratio from 3.7 at December 31, 2020 to 4.1 at April 2, 2021 and an increase in our days payables outstanding which increased from 45 days at December 31, 2020 to 51 days at April 2, 2021, offset by an increase in accounts receivable as a result of increased revenue.

Cash provided by operating activities for the three months ended April 3, 2020 was positively impacted by an increase in our inventory turnover ratio from 3.1 at December 31, 2019 to 3.2 at April 3, 2020 and a decrease in accounts receivable, offset by a decrease in our days payables outstanding which decreased from 53 days at December 31, 2019 to 50 days at April 3, 2020. During the three months ended April 3, 2020, we paid the 2019 annual employee bonuses which had been accrued for as of December 31, 2019.

#### Investing Cash Flows

Cash used in investing activities was \$5.5 million for the three months ended April 2, 2021, primarily driven by capital expenditures of \$3.3 million and a contingent consideration payment of \$2.2 million related to our 2016 asset acquisition of video signal processing and management technologies.

Cash used in investing activities was \$5.1 million for the three months ended April 3, 2020, primarily related to capital expenditures of \$2.3 million and a contingent consideration payment of \$2.6 million related to our 2016 asset acquisition of video signal processing and management technologies.

We have no material commitments to purchase property, plant, and equipment as of April 2, 2021. We expect to use an aggregate of approximately \$21 million to \$23 million in fiscal 2021 for capital expenditures related to investments in new property, plant and equipment for our existing businesses.

#### Financing Cash Flows

Cash used in financing activities was \$28.9 million for the three months ended April 2, 2021, primarily due to \$18.3 million of payroll tax payments upon vesting of share-based compensation awards, \$8.7 million of payment made for the purchase of a building under a finance lease, and \$1.3 million of term loan repayments.

Cash used in financing activities was \$16.0 million for the three months ended April 3, 2020, primarily due to \$1.3 million of term loan repayments, \$1.3 million of fees paid in connection with the First Amendment to our Third Amended and Restated Credit Agreement, \$7.8 million of payroll tax payments upon vesting of share-based compensation awards, and \$5.5 million of repurchases of common shares.

## **Off-Balance Sheet Arrangements, Contractual Obligations**

### ***Contractual Obligations***

Our contractual obligations primarily consist of the principal and interest payments associated with our Senior Credit Facilities, operating and finance leases, purchase commitments, pension obligations, deferred cash considerations associated with acquisitions, contingent considerations and earn-outs. Such contractual obligations are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. As of April 2, 2021, we have not entered into any other material new or modified contractual obligations since December 31, 2020.

### ***Off-Balance Sheet Arrangements***

Through April 2, 2021, we have not entered into any other off-balance sheet arrangements or material transactions with any unconsolidated entities or other persons.

### **Critical Accounting Policies and Estimates**

The critical accounting policies that we believe impact significant judgments and estimates used in the preparation of our consolidated financial statements presented in this periodic report on Form 10-Q are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. There have been no material changes to our critical accounting policies and estimates through April 2, 2021 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

### **Recent Accounting Pronouncements**

See Note 1 to Consolidated Financial Statements.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Our primary market risk exposures are foreign currency exchange rate fluctuations and interest rate sensitivity. During the three months ended April 2, 2021, there have been no material changes to the information included under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934 (the "Exchange Act"), our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of April 2, 2021, the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of April 2, 2021.

### **Changes in Internal Control over Financial Reporting**

There has been no change to our internal control over financial reporting during the fiscal quarter ended April 2, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

In April 2020, the Company received notification of an arbitration demand filed with the American Arbitration Association against a business acquired by the Company in June 2019. The arbitration demand was filed by a contract counterparty to a joint product development agreement entered into by the business before Novanta acquired it. The arbitration demand alleges breach of contract and other claims arising out of allegations that the business failed to engage in required marketing activities for the product developed under the joint product development agreement. The claimant is seeking compensatory and punitive damages, lost profits and other relief. The Company believes that the claims are without merit and no amount has been accrued for in the consolidated financial statements.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company does not believe that the outcome of these claims will have a material adverse effect upon its financial condition or results of operations but there can be no assurance that any such claims, or any similar claims, would not have a material adverse effect upon its financial condition or results of operations.

### **Item 1A. Risk Factors**

The Company's risk factors are described in Part I, Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. There have been no material changes in our risk factors as included in our Annual Report.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

None.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Certificate and Articles of Continuance of the Registrant, dated March 22, 1999</a>	S-3	333-202597	3.1	03/09/15	
3.2	<a href="#">By-Laws of the Registrant, as amended</a>	10-K	001-35083	3.2	03/1/21	
3.3	<a href="#">Articles of Reorganization of the Registrant, dated July 23, 2010</a>	8-K	000-25705	3.1	07/23/10	
3.4	<a href="#">Articles of Amendment of the Registrant, dated December 29, 2010</a>	8-K	000-25705	3.1	12/29/10	
3.5	<a href="#">Articles of Amendment of the Registrant, dated May 11, 2016</a>	8-K	001-35083	10.1	05/12/16	
10.1	<a href="#">Novanta Inc. 2010 Incentive Award Plan (Amended and Restated Effective February 24, 2021), as amended</a>	8-K	001-35083	10.1	04/16/21	
10.2	<a href="#">Form of Restricted Stock Unit Award Grant Notice and Agreement</a>					*
10.3	<a href="#">Form of Operating Cash Flow Performance Stock Unit Award Grant Notice and Agreement</a>					*
31.1	<a href="#">Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					*
31.2	<a href="#">Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					*
32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					**
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					**
101.INS	Inline eXtensible Business Reporting Language (XBRL) Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

\* Filed herewith

\*\* Furnished herewith

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### Novanta Inc. (Registrant)

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Matthijs Glastra</u> <b>Matthijs Glastra</b>	Director, Chief Executive Officer	May 11, 2021
<u>/s/ Robert J. Buckley</u> <b>Robert J. Buckley</b>	Chief Financial Officer	May 11, 2021

**NOVANTA INC.  
2010 INCENTIVE AWARD PLAN  
RESTRICTED STOCK UNIT AWARD GRANT NOTICE**

Novanta Inc., a company organized under the laws of the Province of New Brunswick, Canada (together with any successor thereto, the “**Company**”), pursuant to its 2010 Incentive Award Plan, as amended from time to time (the “**Plan**”), hereby grants to the holder listed below (“**Participant**”), an award of restricted stock units (“**Restricted Stock Units**”). Each Restricted Stock Unit represents the right to receive one share of Common Stock (as defined in the Plan) upon vesting of such Restricted Stock Unit. This award of Restricted Stock Units is subject to all of the terms and conditions set forth herein and in the Restricted Stock Unit Award Agreement attached hereto as Exhibit A [and the Additional Terms for Participants Providing Services Outside the United States attached hereto as Exhibit D] (the “**Restricted Stock Unit Award Agreement**”) and the Plan, each of which are incorporated herein by reference.

**Participant:**

**Total Number of Restricted Stock Units:**

**Vesting Schedule**

Participant agrees not to disclose the terms of this Grant Notice to any entity or person unless the Company agrees to such disclosure in advance and in writing; *provided* that Participant may, without such permission, (a) make such disclosures as are required by applicable law, including disclosures to taxing agencies and pursuant to federal or state securities law, and (b) disclose the terms of this Grant Notice to his or her attorney(s), accountant(s) and tax advisor(s), as reasonably necessary, and to members of his or her immediate family; *provided, further*, that Participant instructs such person(s) that the terms of this Grant Notice are strictly confidential and are not to be revealed to anyone else except as required by applicable law.

By his or her signature and the Company’s signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Unit Award Agreement, this Grant Notice, that certain Employee Patent and Proprietary Information Utilization, and Non-Solicitation Agreement in the form attached hereto as Exhibit C (the “**Employee Agreement**”). Participant has reviewed the Restricted Stock Unit Award Agreement, the Plan, this Grant Notice and the Employee Agreement in their entirety and fully understands all provisions of this Grant Notice, the Restricted Stock Unit Award Agreement, the Plan, the Employee Agreement, and if Participant is providing service outside of the United States, Exhibit D “**Additional Terms for Participants Providing Service Outside the United States**”. Participant shall sign and return a written copy of the Employee Agreement to the Company as soon as practicable following [DATE]. If Participant is married, his or her spouse has signed the Consent of Spouse attached to this Grant Notice as Exhibit B.

**NOVANTA INC.:**

**PARTICIPANT:**

By:

By:

Print Name:

Name:

Title:

Address:

Address:

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE**

**NOVANTA INC. RESTRICTED STOCK UNIT AWARD AGREEMENT**

Pursuant to the Restricted Stock Unit Award Grant Notice (the “**Grant Notice**”) to which this Restricted Stock Unit Award Agreement (this “**Agreement**”) is attached, Novanta Inc., a company organized under the laws of the Province of New Brunswick, Canada (the “**Company**”), has granted to Participant an award of restricted stock units (“**Restricted Stock Units**” or “**RSUs**”) under the Novanta Inc. 2010 Incentive Award Plan, as amended from time to time (the “**Plan**”).

**ARTICLE 1.**

**GENERAL**

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Grant Notice or the Plan. As used herein, the term “stock unit” shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment as provided in Article 13 of the Plan) solely for purposes of the Plan and this Agreement. The Restricted Stock Units shall be used solely as a device for the determination of the payment to eventually be made to Participant if such Restricted Stock Units vest pursuant to Section 2.3 hereof. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any conflict between the provisions of this Agreement and the Plan, the terms of the Plan shall control.

**ARTICLE 2.**

**GRANT OF RESTRICTED STOCK UNITS**

2.1 Grant of RSUs. In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of [DATE] (the “**Grant Date**”), the Company grants to Participant an award of RSUs as set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement, subject to adjustments as provided in Article 13 of the Plan.

2.2 Company’s Obligation to Pay. Each RSU has a value equal to the Fair Market Value of a share of Common Stock on the date it becomes vested. Unless and until the RSUs will have vested in the manner set forth in Article 2 hereof, Participant will have no right to payment of any such RSUs. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2.3 Vesting Schedule.

(a) Subject to Sections 2.3(b), 2.5 and 2.6 hereof, the RSUs awarded by the Grant Notice will, subject to Participant’s continued employment or services through the

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vesting date, vest and become nonforfeitable with respect to the RSUs on date(s) in accordance with the Vesting Schedule as specified in the Grant Notice (the “**Vesting Date**”, and such period between the Grant Date and the Vesting Date, the “**Vesting Period**”). Except as set forth in Section 2.3(b) or Section 2.5, unless otherwise determined by the Administrator, partial employment or service, even if substantial, during the vesting period will not entitle Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a Termination of Service as provided in Section 2.6 hereof or under the Plan.

(b) Notwithstanding Section 2.3(a) hereof, the RSUs will become fully vested and nonforfeitable with respect to all shares of Common Stock covered thereby upon the date of Participant’s Termination of Service by the Company without Cause if such Termination of Service occurs on or within twelve (12) months following a Change in Control. For purposes of this Agreement, “**Cause**” shall have the meaning of “Cause” (or similar term) set forth in Participant’s written employment or similar agreement or, if no such written employment or similar agreement (or no definition of “Cause” or similar term therein), shall mean (i) Participant’s willful failure to substantially perform his or her duties; (ii) Participant’s willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Board (or his or her supervisor); (iii) Participant’s commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; or (iv) Participant’s unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or any of its Subsidiaries or while performing Participant’s duties and responsibilities for the Company or any of its Subsidiaries.

2.4 Consideration to the Company. As a condition precedent to the grant of the award of RSUs by the Company, Participant shall have executed and delivered to the Company an Employee Patent and Proprietary Information Utilization and Non-Solicitation Agreement (or similar agreement) in the Company’s then-applicable form. In further consideration of the grant of the award of RSUs by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without good cause, in accordance with applicable laws, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

2.5 Certain Terminations. Notwithstanding any contrary provision of this Agreement, upon Participant’s Termination of Service by the Company without Cause (as defined below), a prorated portion of the then unvested RSUs subject to this Agreement will become fully vested and nonforfeitable with respect to all shares of Common Stock covered thereby (based on the ratio of the number of days of employment of Participant during the Vesting Period to the total number of days in the Vesting Period), and will be payable as set forth in Section 2.7.

For purposes of this Agreement, the Company shall have “**Cause**” to terminate Participant’s employment hereunder upon: (a) Participant’s willful failure to substantially perform Participant’s material duties (other than any such failure resulting from Participant’s disability or

any inability to engage in any substantial gainful activity that could reasonably be expected to result in disability) which is not remedied within 30 days after receipt of written notice from the Company specifying such failure, (b) Participant's willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of Participant's supervisor, which is not remedied within 30 days after receipt of written notice from the Company specifying such failure, (c) Participant's commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; or (d) Participant's unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises or while performing Participant's duties and responsibilities under this Agreement or any employment agreement by and between the Company and Participant.

2.6 Forfeiture. Notwithstanding any contrary provision of this Agreement, upon Participant's Termination of Service for any reason other than by the Company without Cause, all then unvested RSUs subject to this Agreement will thereupon be automatically forfeited, terminated and cancelled, as of the applicable termination date without payment of any consideration by the Company, and the Participant, or Participant's beneficiary or personal representative, as the case may be, shall have no further rights hereunder.

2.7 Payment.

(a) To the extent the RSUs granted hereunder have become vested on or prior to the Vesting Date, the RSUs will be paid in shares of Common Stock as soon as administratively practicable on or after the Vesting Date but in no event later than sixty (60) days after such vesting date.

(b) Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)), provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

(c) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment by Participant of any sums required by applicable law to be withheld with respect to the grant of RSUs or the issuance or delivery of shares of Common Stock. Such payment shall be made by deduction from other compensation payable to Participant or in the following other form of consideration:

(i) Cash or check;

(ii) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the RSUs (including the issuance or delivery of shares of Common Stock), with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested shares of Common Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the maximum

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statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(iii) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the RSUs (including the issuance or delivery of shares of Common Stock), with the consent of the Administrator, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale;

(iv) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the RSUs (including the issuance or delivery of shares of Common Stock), with the consent of the Administrator, surrender of shares of Common Stock (including, without limitation, shares of Common Stock otherwise issuable under the RSUs) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery not greater than the aggregate amount required to be withheld based on the maximum statutory withholding rates in Participant's applicable jurisdiction for federal, state, local and foreign income tax and payroll tax purposes;

(v) In any combination of the foregoing.

The Company shall not be obligated to deliver any new certificate representing shares of Common Stock to Participant or Participant's legal representative or enter such share of Common Stock in book entry form unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable to the taxable income of Participant resulting from the grant of the RSUs or the issuance of shares of Common Stock.

(d) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.7(c)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Common Stock then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of the RSUs constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.7(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Common Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, *provided* that no payment shall be delayed under this Section 2.7(c) if such delay will result in a violation of Section 409A.

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(e) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of shares of Common Stock. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

2.8 Conditions to Delivery of Common Stock. Subject to Section 11.4 of the Plan, the shares of Common Stock deliverable hereunder, or any portion thereof, may be either previously authorized but unissued shares of Common Stock or issued shares of Common Stock which have then been reacquired by the Company. Such shares of Common Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Common Stock deliverable hereunder or portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares of Common Stock to listing on all stock exchanges on which such Common Stock is then listed;
- (b) The completion of any registration or other qualification of such shares of Common Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and
- (d) The lapse of such reasonable period of time following the vesting of any Restricted Stock Units as the Administrator may from time to time establish for reasons of administrative convenience.

2.9 Rights as Stockholder. The holder of the RSUs shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the RSUs and any shares of Common Stock underlying the RSUs and deliverable hereunder unless and until such shares of Common Stock shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Common Stock are issued, except as provided in Section 13.2 of the Plan.

### ARTICLE 3.

#### OTHER PROVISIONS

3.1 Administration. The Administrator shall have the power to interpret the Plan, this Agreement and the Grant Notice and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good

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faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the RSUs.

3.2 Grant is Not Transferable. During the lifetime of Participant, the RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the RSUs have been issued, and all restrictions applicable to such shares of Common Stock have lapsed. Neither the RSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Binding Agreement. Subject to the limitation on the transferability of the RSUs contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.4 Adjustments Upon Specified Events. The Administrator may accelerate payment and vesting of the Restricted Stock Units in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Common Stock contemplated by Article 13 of the Plan (including, without limitation, an extraordinary cash dividend on such Common Stock), the Administrator shall make such adjustments the Administrator deems appropriate in the number of Restricted Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Restricted Stock Units. Participant acknowledges that the RSUs are subject to amendment, modification and termination in certain events as provided in this Agreement and Article 13 of the Plan.

3.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or similar foreign entity.

3.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.7 Governing Law. The laws of the Commonwealth of Massachusetts shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.8 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities

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Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and foreign and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.9 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board; *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

3.10 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 3.2 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

3.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.12 Entire Agreement. The Plan, the Grant Notice and this Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

3.13 Section 409A (applicable to U.S. participants only). The RSUs are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “**Section 409A**”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the RSUs (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the RSUs to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.14 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on

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the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to RSUs, as and when payable hereunder.

3.15 Account Administration. The Company may from time to time appoint a broker to administer the awards under the Plan. To the extent the Company appoints such a broker, Participant agrees that he or she shall, upon request by the Company, open an employee brokerage services account at such broker. In the event of any broker-assisted sale of shares of Common Stock in connection with the payment of withholding taxes as provided in Section 2.7(c)(ii) or Section 2.7(c)(iii): (A) any shares of Common Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Common Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company's or the applicable Subsidiary's withholding obligation.

3.16 Additional Terms for Participants Providing Services Outside the United States. To the extent Participant provides services to the Company or a Subsidiary in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as shall be set forth in Exhibit D attached hereto. If Participant relocates to one of the countries included in Exhibit D during the life of the RSUs, Exhibit D, including the provisions for such country, shall apply to Participant and the RSUs, to the extent the Company determines that the application of such provisions is necessary or advisable in order to comply with applicable law or facilitate the administration of the Plan. In addition, the Company reserves the right to impose other requirements on the RSUs and the shares of Common Stock issued upon vesting of the RSUs, to the extent the Company determines it is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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**EXHIBIT B**  
**TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE**

**CONSENT OF SPOUSE**

I, \_\_\_\_\_, spouse of \_\_\_\_\_, have read and approve the foregoing Novanta Inc. Restricted Stock Unit Award Agreement (the “*Agreement*”). In consideration of issuing to my spouse the shares of the common stock of Novanta Inc. set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares of the common stock of Novanta Inc. issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Spouse

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**EXHIBIT C**  
**TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE**

**EMPLOYEE PATENT AND PROPRIETARY  
INFORMATION UTILIZATION  
AND NON-SOLICITATION AGREEMENT**

This Employee Patent And Proprietary Information Utilization and Non-Solicitation Agreement is made by and between me and Novanta Inc., a company organized under the laws of the Province of New Brunswick, Canada (together with any of its subsidiaries and Affiliates as may employ me from time to time and their respective successors and assigns, the "Company").

1. Consideration. This Agreement is in consideration of the equity incentive award granted to me pursuant to that certain Restricted Stock Unit Award Grant Notice by and between the Company and me (together with any related documents referenced therein, the "RSU Agreement") to which this Agreement is an exhibit, and other valuable consideration, to which I hereby acknowledge I would not otherwise be entitled, including my continued employment with the Company.

2. Proprietary Information.

(a) I understand and agree that my employment with the Company may involve access to information, whether or not in tangible form, which is the exclusive property of the Company and which is not known generally by the public, and to information which is identified as proprietary and/or confidential by the Company or which I have reason to believe is being maintained in confidence, whether embodied in memoranda, manuals, drafts, letters, drawings or other documents, computer disks, tapes or other information storage devices or any other media ("Proprietary Information"). Proprietary Information includes, among other things, Inventions (as defined below), Third Party Information (as defined below), Records (as defined below), all plans regarding, and results, intermediate and final, of, the Company's research activities in which I may participate or of which I may obtain knowledge during my employment, business, manufacturing and research methods, product designs and specifications, manufacturing procedures and tolerances, research tools, test procedures, prices and pricing formulae, cost and other financial information, customers' special materials and product specifications and requirements, information concerning suppliers, sales records, sales reports, employee and personnel information and other human resources data, customer lists, customer contact reports, customer records, unreleased products and services, market analyses, technical notebooks, manuals and documentation, development plans, marketing and business plans, agreements with third parties, budgets, information regarding the skills and compensation of Company employees and contractors, and other non-public information regarding the Company available to me during the term of my employment. I agree to treat Proprietary Information as confidential both during my employment and thereafter and shall recognize and protect the property rights of the Company in its Proprietary Information.

(b) I agree that all materials or media containing Proprietary Information, whether created by me or others, which comes into my custody, possession or control, are the

exclusive property of the Company to be used by me only in the performance of my duties for the Company. I will take all necessary steps to maintain the confidentiality of such information. I will not copy or remove such materials or media or copies thereof from the Company premises except in the pursuit of the business of the Company.

(c) I also agree to maintain in confidence information disclosed to the Company by third parties, whether or not in tangible form, which is identified as confidential or proprietary under a non-disclosure or confidentiality agreement or which I have reason to believe is being maintained in confidence, or which is information of the type that would be expected to be held in confidence, whether embodied in memoranda, manuals, drafts, letters, drawings or other documents, computer disks, tapes or other information storage devices or any other media ("Third Party Information"). I agree not to use Third Party Information except in the furtherance of my duties as an employee of the Company and consistent with the Company's agreement with the applicable third party.

(d) I also represent and agree that I will not improperly use or disclose, in connection with my employment by the Company, information obtained from others, which I know to be confidential or proprietary, including information from prior employment or consulting arrangements. I further represent that my employment with the Company will not constitute a violation of any contractual agreement with a former employer or third party, including any agreement regarding that party's confidential or proprietary information. I will not disclose to the Company, use in the performance of my work for the Company, or induce the Company to use, any Inventions, confidential or proprietary information, or other material belonging to any previous employer or to any other party in violation of any obligation of confidentiality to such party or in violation of such party's proprietary rights.

(e) I shall promptly notify my supervisor or any officer of the Company if I learn of any possible unauthorized use or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce its rights in such information.

3. Patents and Inventions.

(a) I assign to the Company, waive all claims to moral rights to, will hold for the Company's exclusive benefit, and will confirm assignment of in writing without compensation, unless otherwise stipulated and required by law (e.g. the German employee invention law) , my entire right, title and interest in any inventions, discoveries, techniques, processes, devices, improvements, refinements, modifications, methods, ideas, concepts, know-how, trade secrets or Works of Authorship (as defined below) conceived, made and/or reduced to practice by me, either solely or jointly with others, and whether patentable or not ("Inventions"), during my employment with the Company and which fall within the scope of the Company's actual or anticipated business or research and development, whether made within or outside of my usual work hours, and whether on or off Company premises ("Employee Inventions"). Notwithstanding the foregoing, I understand that this agreement does not require assignment of any Invention to the extent such Invention qualifies for protection under Section 2870 of the California Labor Code, Section 49.44.140 of the Revised Code of Washington, 765 Illinois Compiled Statutes 1060, Section 44- 130 of the Kansas Statutes, or Section 181.78 of the 2010 Minnesota

Statutes, the current text of each which is attached hereto as Attachment A (such laws, the "Invention Laws"). Inventions include, without limitation, software (in any form including source code and object code), algorithms, application programming interfaces (APIs), apparatus, circuit designs and assemblies, technical and business data, databases and data collections, designs, diagrams, documentation, Records, drawings, flow charts, formulae, gate arrays, materials, development plans, designs and brand elements, models, network configurations and architectures, photomasks, procedures, protocols, schematics, semiconductor devices, specifications, subroutines, techniques, test vectors, tools, user interfaces, developments and derivative works with respect to any of the foregoing, and any other forms of technology.

(b) I will make prompt and full disclosure of Employee Inventions to the Company and maintain records of creative or inventive activities related thereto ("Records") and deliver the Records to the Company at termination of employment or as requested by the Company. In addition, I will promptly disclose to the Company all Inventions that I conceive, make, or reduce to specific form, either alone or jointly with others, during the period of my employment by the Company that I believe qualify under the Invention Laws, or any similar laws (each such Invention, a "Restricted Invention"). At the time of disclosure of a Restricted Invention I will provide to the Company in writing evidence to substantiate the belief that such Invention qualifies as a Restricted Invention. I understand that the Company will keep in confidence any non-public information disclosed in writing to the Company by me pursuant to this Agreement relating to Restricted Inventions.

(c) The term "Prior Inventions" shall mean any Inventions which I have, alone or jointly with others, conceived, developed or reduced to specific form or caused to be conceived, developed or reduced to specific form prior to the commencement of my employment with the Company that relate to the current or planned conduct of the Company. Without limiting my obligations under Paragraph 2(d), if I use a Prior Invention in the course of my employment or incorporate a Prior Invention in any product, service or other offering of the Company, to the extent permitted by applicable law, I hereby grant Company a non-exclusive, royalty-free, perpetual and irrevocable, worldwide right to make, use, sell, import, reproduce, distribute, modify, display, perform and sublicense such Prior Invention for the purpose of developing, manufacturing, marketing, selling, supporting, and distributing Company products, services, and other Company offerings worldwide either directly or through multiple tiers of distribution.

(d) During and after my employment with the Company, I will assist the Company, at the Company's expense and without cost to me, in applying for, obtaining, perfecting, maintaining, enforcing, licensing, or transferring the Company's rights in any and all countries with respect to Employee Inventions or other Inventions assigned by me to the Company, or which I am bound to assign to the Company (or any proprietary rights related thereto), and for that purpose, I will sign all documents which the Company may deem necessary or desirable. I understand the Company may provide, by mutual agreement, legal representation to me at the Company's expense and without cost to me, concerning issues associated with litigation involving third parties regarding any Inventions, which become the subject of this Agreement. The mutual agreement by each of the Company and me regarding such legal representation will not be unreasonably withheld. I further agree that



if the Company is unable, after reasonable effort, to secure my signature on any documents which the Company may deem necessary or desirable in applying for, obtaining, perfecting, maintaining, enforcing, licensing or transferring the Company's rights in any and all countries with respect to Employee Inventions or other Inventions assigned by me to the Company, or which I am bound to assign to the Company (or any proprietary rights related thereto), any executive officer of the Company shall be entitled to execute any such documents as my agent and attorney-in-fact, and I hereby irrevocably designate and appoint each executive officer of the Company as my agent and attorney-in-fact to execute any such documents on my behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Employee Invention or other Invention assigned by me to the Company, or which I am bound to assign to the Company (or any proprietary rights related thereto), under the conditions described in this sentence. I hereby waive and irrevocably assign to the Company any and all claims which I now or hereafter have for infringement of any and all proprietary rights assigned to the Company under this Agreement.

4. Works of Authorship. I acknowledge and agree that all writings or works of authorship, including, without limitation, software program codes and/or documentation ("Works of Authorship"), produced or authored by me in the course of performing services for the Company, together with any copyrights on those Works of Authorship, are "works made for hire" and the exclusive property of the Company. To the extent that any of the above-referenced Works of Authorship may not, by operation of law, be works made for hire, this Agreement shall constitute an irrevocable assignment by me to the Company of ownership of, and all rights of copyright in, such items, and the Company shall have the right to obtain in its own name rights of copyright, copyright registrations and similar protections which may be available in the Works of Authorship. I agree to give the Company at its expense all assistance reasonably required to perfect such rights, including the entitlement to execute necessary documents as my agent and attorney-in-fact, as described in Paragraph 3(d) above.

5. Non-Solicitation; Non-Disparagement.

(a) I hereby agree that I shall not, at any time during the Restricted Period, directly or indirectly, either for myself or on behalf of any other Person, (i) recruit or otherwise solicit or induce any customer or supplier of the Company to terminate its agreement or arrangement with the Company, or otherwise change its relationship with the Company, (ii) recruit or otherwise solicit or induce any employee of the Company to terminate his or her employment or arrangement with the Company, or otherwise change his or her relationship with the Company, or (iii) hire, or cause to be hired, any person who was employed by the Company at any time during the twelve (12)-month period immediately prior to the termination of my employment or who thereafter becomes employed by the Company.

(b) Upon termination of my employment, the Company shall instruct its then-current members of the Company's board of directors (the "Board"), executive officers and authorized Company representatives speaking on behalf of the Company to not, except as required in connection with any legal dispute between the parties hereto or as required by applicable law or legal process, willfully make (or direct anyone else to make) any Disparaging remarks, comments or statements about me to any other person or entity. During the Restricted Period and thereafter, I shall not, except as required in connection with any legal dispute between the parties hereto or as required by

applicable law or legal process, willfully make (or direct anyone else to make) any Disparaging remarks, comments or statements about the Company (including, without limitation, its directors, officers, agents, representatives, partners, members, equity holders or Affiliates) to any other person or entity. For purposes hereof, "Disparaging" written or oral remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

(c) In the event the terms of this Paragraph 5 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. Except with respect to employees whose principal place of business as of the date of termination of employment is California, any breach or violation by me of the provisions of this Paragraph 5 shall toll the running of the Restricted Period for the duration of any such breach or violation.

(d) For purposes of this Paragraph 5, (i) "Restricted Period" shall mean (A) with respect to employees whose principal place of business as of the date of termination of employment is California, (x) for the purposes of Paragraph 5(b)(ii), the period of employment with the Company and the one year period immediately after termination of employment for any reason and (y) for all other purposes under this Agreement, the period of employment with the Company and (B) with respect to employees whose principal place of business as of the date of termination of employment is any jurisdiction other than California, the period of employment with the Company and the one year period immediately after termination of employment for any reason, and (ii) "Person" shall mean any individual, natural person, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), incorporated or unincorporated association, governmental authority, firm, society or other enterprise, organization or other entity of any nature.

6. Company Documents. I agree that, upon the earlier of (a) a request by the Company and (b) the termination of my employment with the Company, I will deliver to the Company (and will not keep in my possession, reproduce or deliver to any third party) any and all Proprietary Information, Inventions, and other documents or property, or reproductions of any of the foregoing that belong to the Company (including, without limitation, any materials or media (or copies thereof) described in Paragraph 2(b)). I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. In the event of the termination of

my employment with the Company for any reason, I agree to sign and deliver the “Termination Certification” attached here to as Attachment B.

7. Notification to Other Parties. In the event that I leave the employ of the Company, I hereby consent to notification by the Company to my new employer or any other party for whom I work about my rights and obligations under this Agreement.
8. Duty of Loyalty. While employed by the Company, I agree to devote all of my business time, attention, skill and effort to the performance of my duties for the Company, and to promoting the interests and business of the Company, and I acknowledge that I owe a duty of loyalty to the Company and agree not to engage in, or contract with others to engage in, directly or indirectly, any business or other activity which is in competition with or may reasonably result in competition with the Company or which may result in other employees or other third parties terminating their relationships with the Company.
9. Claw-Backs.
  - (a) In the event I breach any of my obligations under Paragraphs 2, 5(a), 5(b) or 5(c), as determined in good faith by the Board, I shall, in addition to any other remedy which may be available (i) at law or in equity, (ii) pursuant to Paragraph 13, or (iii) pursuant to the RSU Agreement, be required to pay to the Company an amount equal to all Financial Gain that I have received during the 12-month period immediately preceding (or at any time after) the date that I first breach such obligation(s). In addition all restricted stock units granted pursuant to the RSU Agreement (the “RSUs”) that have not become vested prior to the date of such breach shall thereupon be forfeited.
  - (b) For purposes of this Paragraph 9, “Financial Gain” with respect to any specified period of time shall mean the product of (i) the number of shares of common stock of the Company subject to the RSUs that first become vested during such period and (ii) the fair market value per share of common stock of the Company as of the date the RSUs first become vested, as determined by the Board in its good faith discretion.
10. Affiliates of the Company. An Affiliate of the Company shall have the same rights as the Company under this Agreement and my obligations owed to the Company under this Agreement (including, without limitation, under Paragraph 5 hereof) shall be owed to its Affiliates in the same manner as they are owed to the Company. “Affiliates” of the Company shall mean (a) any Person directly or indirectly controlling, controlled by, or under common control with, the Company where “control” shall have the meaning given such term under Rule 405 of the Securities Act of 1933, as amended from time to time and (b) any other parent, affiliated or related entity and/or direct or indirect subsidiary of the Company. This Agreement shall be binding on and inure to the benefit of the parties hereto, their legal representatives, successors and assigns; provided, that my obligations under this Agreement are personal and shall not be assigned.
11. No contract of employment. I acknowledge and agree that this Agreement is not a contract of employment for any stated term. Accordingly, my employment can be terminated, without Cause or notice, at my option or the Company’s option. However, my execution of this Agreement and adherence to its provisions are a condition of my employment and

continued employment. This Agreement supersedes and is hereby substituted for any and all existing agreements, either verbal or written, which I have entered into with the Company relating generally to the same subject matter.

12. Governing Law, Forum and Jurisdiction. This Agreement shall be governed, construed, interpreted and enforced in accordance with the substantive laws of the Commonwealth of Massachusetts, without giving effect to any principles of conflicts of law, whether of the Commonwealth of Massachusetts or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction. With respect to disputes and claims hereunder, each of the parties irrevocably submits to the exclusive jurisdiction of any court of competent jurisdiction sitting in Middlesex County, Massachusetts, for the purposes of any suit, action or other proceeding arising out of this Agreement, any related agreement or any transaction contemplated hereby or thereby. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, any related document or the transactions contemplated hereby and thereby in any court of competent jurisdiction sitting in Middlesex County, Massachusetts, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.
13. Employee Acknowledgement and Equitable Remedies. I acknowledge and agree that the restrictions and obligations contained in this Agreement are necessary for the protection of the business of the Company, and I consider these restrictions and obligations to be reasonable for such purpose. I agree that any breach of this Agreement by me is likely to cause the Company and its goodwill substantial and irrevocable damage, the exact amount of which will be difficult or impossible to ascertain, and that a breach of this Agreement would entail inevitable wrongful use or disclosure of Proprietary Information. Therefore, I agree that, upon receiving notice of any actual or threatened breach of this Agreement, the Company may seek relief in the form of specific performance, temporary or permanent injunctions or restraining orders, in each case which may mandate compliance with or prohibit violation of this Agreement, and I waive any requirement for the security or posting of any bond in connection with any such remedy. Such remedies shall not be the exclusive remedies for breach of this Agreement but shall be in addition to all other remedies available at law or in equity to the Company.
14. Amendment; Waiver. No modification or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. The waiver by any party hereto expressed or implied, or any breach hereunder shall not be deemed a continuing waiver or consent to a subsequent breach. The failure of any party hereto at any time to require performance of any provision hereof shall in no way effect the right to require performance at any time thereafter. The waiver of any party to a breach of any provision hereof shall not be a waiver of the enforceability of such provision itself.
15. Interpretation. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or, if any such provision is held invalid by

a court with jurisdiction over the parties to this Agreement, unless otherwise provided in Paragraph 5(d), such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the remainder of this Agreement shall remain in full force and effect.

16. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect or impair the validity or enforceability of any other provision of this Agreement.
17. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. Any subsequent change or changes in my duties, obligations, rights or compensation will not affect the validity or scope of this Agreement. The provisions of this Agreement shall survive the termination of my employment with the Company for any reason and the assignment of this Agreement by the Company to any successor in interest or other assignee. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. I ACKNOWLEDGE THAT, IN EXECUTING THIS AGREEMENT, I HAVE HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL AND I HAVE READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.

*[signature page follows]*

The parties have executed this Agreement on the first date set forth above:

**NOVANTA INC.**

Name:

Title:

**Attachment A**

**Section 2870 of the California Labor Code**

As of the date of this Agreement, Section 2870 of the California Labor Code is as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement<sup>1</sup> purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

**Section 49.44.140 of the Revised Code of Washington**

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*Signature Page to Employee Patent and Proprietary Information Utilization,  
and Non-Solicitation Agreement*

As of the date of this Agreement, 49.44.140 of the Revised Code of Washington is as follows:

(1) A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) directly to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.

(2) An employer shall not require a provision made void and unenforceable by subsection (1) of this section as a condition of employment or continuing employment.

(3) If an employment agreement entered into after September 1, 1979, contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) directly to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed [performed] by the employee for the employer.



**765 Illinois Compiled Statutes 1060**

As of the date of this Agreement, 765 Illinois Compiled Statutes 1060 is as follows:

(1) A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this State and is to that extent void and unenforceable. The employee shall bear the burden of proof in establishing that his invention qualifies under this subsection.

(2) An employer shall not require a provision made void and unenforceable by subsection (1) of this Section as a condition of employment or continuing employment. This Act shall not preempt existing common law applicable to any shop rights of employers with respect to employees who have not signed an employment agreement.

(3) If an employment agreement entered into after January 1, 1984, contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer.

**Section 44-130 of the Kansas Statutes**

As of the date of this Agreement, Section 44-130 of the Kansas Statutes is as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer shall not apply to an invention for which no equipment, supplies, facilities or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless:

- (1) The invention relates to the business of the employer or to the employer's actual or demonstrably anticipated research or development; or
- (2) the invention results from any work performed by the employee for the employer.

(b) Any provision in an employment agreement which purports to apply to an invention which it is prohibited from applying to under subsection (a), is to that extent against the public policy of this state and is to that extent void and unenforceable. No employer shall require a provision made void and unenforceable by this section as a condition of employment or continuing employment.

(c) If an employment agreement contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer shall provide, at the time the agreement is made, a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless:

- (1) The invention relates directly to the business of the employer or to the employer's actual or demonstrably anticipated research or development; or
- (2) the invention results from any work performed by the employee for the employer.

(d) Even though the employee meets the burden of proving the conditions specified in this section, the employee shall disclose, at the time of employment or thereafter, all inventions being developed by the employee, for the purpose of determining employer and employee rights in an invention.

**Section 181.78 of the 2010 Minnesota Statutes**

As of the date of this Agreement, Section 181.78 of the 2010 Minnesota Statutes is as follows:

**Subdivision 1. Inventions not related to employment.**

Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer shall not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.

**Subd. 2. Effect of subdivision 1.**

No employer shall require a provision made void and unenforceable by subdivision 1 as a condition of employment or continuing employment.

**Subd. 3. Notice to employee.**

If an employment agreement entered into after August 1, 1977 contains a provision requiring the employee to assign or offer to assign any of the employee's rights in any invention to an employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the employer.

**Attachment B**

**Termination Certification**

This is to certify that I do not have in my possession, nor have I failed to return, any records, data, software, equipment, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, technical notebooks, charts, materials, equipment, other documents or property, or copies or reproductions of any of the foregoing items belonging to Novanta Inc., its subsidiaries, affiliates, successors, or assigns (collectively the “Company”) or the Company’s customers, suppliers or business partners.

I further certify that I have complied with all the terms of the Company’s Employee Patent and Proprietary Information Utilization, and Non-Solicitation Agreement signed by me (the “Agreement”), including the reporting of any Inventions (as defined therein) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all Proprietary Information (as defined therein) after the termination of my employment with the Company.

I further agree that, in compliance with the Agreement, for the Restricted Period (as defined in the Agreement), I have and will comply with the provisions of Paragraph 5 thereof.

Date: \_\_\_\_\_

*(Employee’s Signature)*

*(Type/Print Employee’s Name)*

## EXHIBIT D

### TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

#### ADDITIONAL TERMS FOR PARTICIPANTS PROVIDING SERVICES OUTSIDE THE UNITED STATES

This Exhibit D includes (i) additional terms and conditions applicable to a Participant who provides services to the Company outside the United States, and (ii) additional terms applicable to a Participant who provides services to the Company in the countries identified below. These terms and conditions are in addition to those set forth in the Grant Notice and Exhibit A and to the extent there are any inconsistencies between these terms and conditions and those set forth in the Grant Notice or Exhibit A, these terms and conditions shall prevail. Any capitalized term used in this Exhibit D without definition shall have the meaning ascribed to such term in the Plan, the Grant Notice or Exhibit A, as applicable.

For Participant's convenience and information, the Company has provided certain general information regarding some of the tax and/or exchange control requirements that may apply to Participant in certain of the countries identified in Article II below. Such information is subject to change and the Company undertakes no obligation to update any such information and does not ensure that it is complete or correct. This information may not apply to Participant's individual situation, and may not be current as of any particular date in the future. The absence of any information on tax or foreign exchange requirements for any particular country should not be regarded as an indication that no such requirements apply in that country. The laws, rules and regulations of any country regarding the holding of securities may be subject to frequent change.

**Participant is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in Participant's country may apply to Participant's individual situation.**

## ARTICLE I.

### GLOBAL PROVISIONS APPLICABLE TO PARTICIPANTS IN ALL COUNTRIES OTHER THAN THE UNITED STATES

1. General Acknowledgements and Agreements: Participant further acknowledges and agrees that:

(a) No Guarantee of Continued Service. THE VESTING OF THE RSUS PURSUANT TO THE VESTING SCHEDULE WILL OCCUR ONLY IF PARTICIPANT CONTINUES AS A DIRECTOR, CONSULTANT OR EMPLOYEE (AS APPLICABLE) TO THE COMPANY OR A SUBSIDIARY THROUGH THE APPLICABLE VESTING DATE. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A DIRECTOR, CONSULTANT OR EMPLOYEE FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY OR ANY

SUBSIDIARY TO EFFECT A TERMINATION OF SERVICES AT ANY TIME, WITH OR WITHOUT CAUSE, IN COMPLIANCE WITH APPLICABLE LAWS NOR SHALL IT BE CONSTRUED TO AMEND OR MODIFY THE TERMS OF ANY CONSULTANCY, DIRECTORSHIP, EMPLOYMENT OR OTHER SERVICE AGREEMENT BETWEEN PARTICIPANT AND THE COMPANY OR ANY SUBSIDIARY.

- (b) The Plan is discretionary in nature and that, subject to the terms of the Plan, the Company can amend, cancel or terminate the Plan at any time.
- (c) The grant of the RSUs under the Plan is voluntary and occasional and does not give Participant any contractual or other right to receive RSUs or benefits in lieu of RSUs in the future, even if Participant has received RSUs repeatedly in the past.
- (d) All determinations with respect to any future awards, including, but not limited to, the times when awards under the Plan shall be granted and the terms thereof, including the time or times when any RSUs may vest, will be at the sole discretion of the Company.
- (e) Participant's participation in the Plan is voluntary.
- (f) The value of the RSUs is an extraordinary item of compensation that is outside of the scope of Participant's directorship, consultancy or employment contract or relationship.
- (g) The RSUs are not part of normal or expected compensation or salary for any purpose, including, without limitation, calculating severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or similar payments.
- (h) The RSUs shall expire, terminate and be forfeited upon Participant's Termination of Services for any reason, except as otherwise explicitly provided in this Agreement and/or the Plan.
- (i) The future value of the Shares that may be issued upon vesting of the RSUs is unknown and cannot be predicted with any certainty.
- (j) If Participant is not an employee of the Company as of the Grant Date, the grant of the RSUs shall in no event be understood or interpreted to mean that the Company is Participant's employer or that Participant has an employment relationship with the Company.
- (k) No claim or entitlement to compensation or damages arises from the expiration, termination or forfeiture of the RSUs or any portion thereof. Participant irrevocably releases the Company, its parent(s) and Subsidiaries from any such claim. Such a claim will not constitute an element of damages in the event of a Termination of Services for any reason, even if the termination is in violation of an obligation of the Company or any Subsidiary, to Participant.
- (l) Neither the Company nor any Subsidiary has provided Participant, and nor will they provide Participant, with any specific tax, legal or financial advice with respect to the RSUs, the Shares issuable upon vesting of the RSUs, this Agreement or the Plan. Neither the Company nor any Subsidiary is making nor have they made any recommendations relating to

Participant's participation in the Plan, the receipt of the RSUs or the acquisition or sale of Shares upon vesting of the RSUs.

(m) Participant shall bear any and all risk associated with the exchange of currency and the fluctuation of currency exchange rates in connection with this Award, including without limitation in connection with the sale of any Shares issued upon vesting of the RSUs ("**Currency Exchange Risk**"), and Participant hereby waives and releases the Company and its Subsidiaries from any claims arising out of Currency Exchange Risk.

(n) Participant agrees that it is Participant's responsibility to comply, and Participant shall comply, with any and all exchange control requirements applicable to the RSUs and the sale of Shares issued upon vesting of the RSUs and any resulting funds including, without limitation, reporting or repatriation requirements.

(o) Neither the Company nor any Subsidiary is responsible for Participant's legal compliance requirements relating to the RSUs or the ownership and possible sale of any Shares issued upon vesting of the RSUs, including, but not limited to, tax reporting, the exchange of U.S. dollars into or from Participant's local currency, the transfer of funds to or from the United States, and the opening and use of a United States brokerage account.

(p) If this Agreement, the Plan, any website or any other document related to the RSUs is translated into a language other than English, and if the translated version is different from the English version, the English language version will take precedence. Participant confirms having read and understood the documents relating to the Plan and the RSUs, including, without limitation, this Agreement, which were provided to Participant in English, and waive any requirement for the Company to provide these documents in any other language.

(q) Participant's right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the effective date of Participant's Termination of Service (whether or not in breach of local labor laws), or (2) the date Participant is no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under Applicable Laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when Participant is no longer actively providing service for purposes of the RSUs.

(r) To the extent Participant is providing services in a country identified in Article II of this Exhibit D, Participant understands and agrees that the provisions for such country apply and are incorporated into the Agreement.

2. Consent to Personal Data Processing and Transfer. In addition to any Personnel Privacy notice Participant received in connection with Participant's service with the Company; The Company, its Subsidiaries and their respective affiliates (the "**Company Entities**") may hold, and by accepting the RSUs Participant consents to their holding, Participant's personal information, including Participant's name, home address, telephone number, date of birth, social security number or other employee tax identification number, national identification number, passport number, employment history and status, salary, nationality, job title, and information about any equity compensation grants or Shares awarded, cancelled, purchased, vested, unvested or outstanding in Participant's favor (the "**Data**").

The Company Entities use the Data for the purpose of implementing, managing and administering the Plan and for compliance and financial reporting purposes (the “**Purpose**”).

The Company Entities may transfer, and by accepting the RSUs Participant consents to any such transfer of, the Data to other Company Entities, to certain third party entities to assist the Company Entities in the Purpose. The Company Entities may also make the Data available to public authorities where required by law or regulation. The third parties and public authorities may be located in the United States, the European Economic Area, or elsewhere, including in territories where data protection laws may not be as protective as in Participant’s jurisdiction of residence.

If Participant has any questions, or wishes to withdraw Participant’s consent to any activities described herein, Participant should contact Participant’s local talent management representative or the Company’s data protection officer. Please note that if Participant withdraws Participant’s consent, the Company may not be able to administer this Award, which may result in the cancelation of this Award.

**Participant agrees that the Company Entities and third parties may process Data as described above, including transfer to and use in countries in which data protection laws may not be as protective as in Participant’s jurisdiction of residence.**

## ARTICLE II.

### COUNTRY SPECIFIC PROVISIONS APPLICABLE TO PARTICIPANTS WHO PROVIDE SERVICES IN THE IDENTIFIED COUNTRIES

#### CHINA

Settlement of Restricted Share Units and Sale of Shares. The following provisions supplement Section 2.7 of the Agreement.

Sale of Shares May be Required. The Company may, in its sole discretion, require Participant to sell at, or any time following, vesting, the Shares Participant receives when Participant’s RSUs vest. Participant authorizes the Company or a brokerage firm designated by the Company to perform this transaction for Participant, and agrees that applicable commissions and fees due in connection with the sale may be deducted from Participant’s proceeds. Participant acknowledges that such Shares will be sold at prevailing market prices and waives any claim based on the timing of the sale or the price received for the Shares.

The award agreements for some restricted shares units granted to Participant in the past (if any), whether under the Plan or any other Company equity incentive plan (collectively, the “**Prior RSUs**”) may have required that whenever such Prior RSUs vest, all Shares issued as a result of such vesting must be sold. Participant agrees that, with respect to the Prior RSUs (if any), the Company or a brokerage firm designated by the Company may sell that number of Shares determined in accordance with this Agreement to satisfy any resulting tax withholding obligations of the Company when Prior RSUs vest and allow Participant to hold the remaining Shares, subject to compliance with these country provisions for China. The award agreements covering Participant’s Prior RSUs (if any) will be deemed amended to the extent necessary to reflect this paragraph.



If Sale of Shares is not Required at Vest. When Participant's RSUs vest, if the Company does not require the immediate sale of the Shares Participant is entitled to receive, the Company may require that Participant retain those Shares in Participant's account at a brokerage firm designated by the Company until Participant sells the Shares, even if Participant stops providing services for the Company or a Subsidiary.

Following Participant's Termination of Services, the Company may restrict Participant's ability to sell or transfer any Shares remaining in Participant's account and sell those Shares at a time determined by the Company in its sole discretion. Participant agrees not to bring any claim against the Company, any Subsidiary or such brokerage firm designated by the Company (as applicable) based on the timing of any such sale or the price at which any such Shares are sold.

Without limiting the foregoing, all the Shares issued in respect of Participant's RSUs or Participant's Prior RSUs (if any) must be sold within six (6) months following Participant's Termination of Services. The Company may, in its sole discretion, require Participant to sell at any time during this six (6)-month period, such Shares. Any Shares issued in respect of Participant's RSUs or Participant's Prior RSUs (if any) that remain in Participant's account at a brokerage firm during the last two (2) weeks of such six (6)-month period may be automatically sold by such agent as designated by the Company during such two (2) week period, with the actual date of such sale determined by the Company or such agent in its sole discretion.

Neither the Company nor such agent will guarantee the sale price for any such sale and Participant shall be solely responsible for fluctuations in the value of the Shares until sale. The award agreements covering Participant's Prior RSUs (if any) will be deemed amended to the extent necessary to reflect this paragraph.

Payment of Sale Proceeds. Participant understands and agrees that, pursuant to exchange control requirements in China, Participant may be required to repatriate to China the cash proceeds from the sale of the Shares issued upon the settlement of the RSUs and that the Company may be required to effect that repatriation through a special exchange control account established by the Company or a Subsidiary. Participant agrees that any proceeds from the sale of any Shares Participant acquires may be transferred to such special account prior to being delivered to Participant. Participant also understands that there may be significant delays in delivering the funds to Participant due to exchange control requirements in China and agree not to make any claim against the Company or any Subsidiary as a result of the amount of time it takes to deliver the funds to Participant.

Proceeds may be paid to Participant in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to Participant in U.S. dollars, Participant will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to Participant in local currency, the Company is under no obligation to obtain any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions.

Further Actions. Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

## **CZECH REPUBLIC**

**Exchange Control Information.** The Czech National Bank may require Participant to fulfill certain notification duties in relation to the RSUs and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult Participant's personal legal advisor prior to the vesting of the RSUs to ensure compliance with current regulations. It is Participant's responsibility to comply with applicable Czech exchange control laws.

## **GERMANY**

**Insider Trading.** By accepting the RSUs, Participant acknowledges that it may be subject to insider trading rules, which may affect the sale of Shares acquired upon vesting of the RSUs. German securities laws prohibit insider trading according to Article 14 of the Market Abuse Regulation (VO (EU) 596/2014) if the shares are traded, admitted or for which admission on trading has been requested on a trading venue in the European Union.

**Exchange Control Information.** Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If Participant receives cross-border payments in excess of €12,500 in connection with the sale of securities (including Shares acquired under the Plan) or the receipt of dividends paid on such Shares, Participant must report by the fifth day of the month following the month in which the payment was received. The report must be filed electronically. The form of report can be accessed via the German Federal Bank's website at [www.bundesbank.de](http://www.bundesbank.de) and is available in both German and English.

**Participants with tax nexus in Germany.** Each Participant who is either (i) resident for tax purposes in Germany or (ii) otherwise subject to German income tax and/or social security contributions in respect of earnings received from the Company or any Affiliate shall be obliged to notify his or her employing entity (the "**Employer**") of the granting, vesting or payment of RSUs. The Employer shall have the authority and the right to deduct or withhold, or require the Participant to remit to the Employer, an amount sufficient to satisfy any Tax Liability required by law to be withheld including, without limitation, the authority to deduct such amounts from other compensation payable to the Participant by the Employer. A "**Tax Liability**" shall be any liability for income tax, wage tax, solidarity surcharge or social security contributions arising as a result of the RSUs or otherwise under this Agreement. The Participant understands that he may suffer adverse tax consequences as a result of the RSUs. Neither the Company nor the Employer or any Affiliate makes any representation or undertaking regarding the treatment of any tax withholding in connection with the granting, vesting or payment of the RSUs. The Company and its Subsidiaries do not commit and are under no obligation to structure the Plan to reduce or eliminate Participant's tax liability. The Participant represents that they have had the opportunity to consult with any tax consultants they deem advisable in connection with the Plan and that they are not relying on the Company or the Employer for any tax advice. The Participant is relying solely on such advisors and not on any statements or representations of the Company, the Employer or any of their agents.

## **ITALY**

**Authorization to Release and Transfer Necessary Personal Information.** The following supplements Section 2 of Part I of this **Exhibit D.**

Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage Participant's participation in the Plan or for compliance or financial reporting purposes. Participant understands that pursuant to art.7 of D.lgs 196/2003, Participant has rights, including but not limited to, the right to access, delete, update, request the rectification of Participant's Data and cease the Data processing and to object, in whole or in part, on legitimate grounds, to the processing of Participant's Data, even though they are relevant to the purpose of collection. Furthermore, Participant is aware that Participant's Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local HR representative. If Participant requests that the Company cease processing Participant's personal data, Participant must do so by writing to the Company's Stock Administration Department, [Novanta Human Resources Department, 125 Middlesex Turnpike, Bedford, MA 01730], or sending an email to [rich.coose@novanta.com]. If Participant requests that the Company cease processing Participant's Data, the Company will not be able to administer this award. Accordingly, if Participant requests that the Company cease processing Participant's Data, this Award will be cancelled when Participant's withdrawal is received.

Furthermore, having read and understood the information given on the processing of the Data and being acquainted of the rights set forth in art. 7 of D.lgs. 196/2003, Participant expressly and specifically consents according to art. 23 of D.lgs. 196/2003, to the processing of any Data as reported in the Plan and the Agreement, including the clauses "Consent to Personal Data Processing and Transfer" in Section 2 of Part I of this Exhibit D and "Authorization to Release and Transfer Necessary Personal Information" and further expressly and specifically consents, according to art. 43 and art. 44 of D.lgs. 196/2003 to the transfer of the Data, even sensitive data, in foreign Countries outside the European Union.

**Exchange Control Information.** Participant is required to report in Participant's annual tax return: (a) any transfers of cash or Shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; and (b) any foreign investments or investments (including proceeds from the sale of Shares acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to income in Italy. Participant are exempt from the formalities in clause (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on Participant's behalf.

## **JAPAN**

**No Registration.** The RSUs will be offered in Japan by a private placement to small number of subscribers (*shoninzu muke kanyu*), as provided under Article 23-13, Paragraph 4 of the Financial Instruments and Exchange Law of Japan ("*FIEL*"), and accordingly, the filing of a securities registration statement pursuant to Article 4, Paragraph 1 of the FIEL has not been made, and such the RSUs may not be assigned or transferred by Participant.

Exchange Control Information. If a Participant acquires Shares valued at more than ¥100,000,000 in a single transaction, such Participant must file a Securities Acquisition Report with the Ministry of Finance (“**MOF**”) through the Bank of Japan within 20 days of the settlement of the RSUs. The precise reporting requirements vary depending on whether the relevant payment is made through a bank in Japan.

## **NETHERLANDS**

By accepting the RSUs, Participant acknowledges that it is his or her responsibility to be aware of the Dutch insider trading rules, which may affect the sale of Shares acquired upon vesting of the RSUs. In particular, Participant understands and acknowledge that (i) Participant has reviewed the summary of the Dutch insider trading rules and (ii) Participant may be prohibited from effecting certain transactions in Shares if Participant has insider information regarding the Company. Participant acknowledges and understands that he or she has been advised to read the discussion carefully to determine whether the insider rules could apply to Participant. If participant is uncertain whether the insider rules apply to Participant or his or her situation, Participant acknowledges that the Company recommends that Participant consult with a legal advisor. Participant acknowledges and agrees that the Company cannot be held liable if Participant violates the Dutch insider trading rules. Participant acknowledges and agrees that Participant is responsible for ensuring his or her own compliance with these rules.

### **Summary of Dutch Prohibition Against Insider Trading**

Dutch securities laws prohibit insider trading. The regulations are based upon the European Market Abuse Directive and are stated in section 5:56 of the Dutch Financial Supervision Act (Wet op het financieel toezicht or Wft) and in section 2 of the Market Abuse Decree (Besluit marktmisbruik Wft). For further information, see the website of the Authority for the Financial Markets (AFM); <http://www.afm.nl/~media/Files/brochures/2012/insider-dealing.ashx>.

## **SPAIN**

### ***Terms and Conditions***

#### **Nature of Grant.**

By accepting this grant of RSUs, the Participant consents to participation in the Plan and acknowledges that the Participant has received a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously, and in its sole discretion decided to grant RSUs under the Plan to Employees, Consultants and Directors throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any Subsidiary or other affiliate of the Company, other than to the extent set forth in this Agreement. Consequently, the Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any shares of Common Stock acquired at settlement of the RSUs are not part of any employment or service agreement (either with the Company or any Subsidiary or other affiliate of the Company, including the entity for which the Participant renders services), and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or

any other right whatsoever. In addition, the Participant understands that this grant of RSUs would not be made but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any award of or right to the RSUs shall be null and void.

Further, the Participant understands that the Participant will not be entitled to continue vesting in any RSUs once Participant experiences a Termination of Service. This will be the case, for example, even in the event of a termination of the Participant's employment by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause, individual or collective dismissal or objective grounds, whether adjudged or recognized to be without cause, material modification of the terms of employment or service under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Company or, if different, the Subsidiary or other affiliate of the Company for which the Participant renders services and under Article 10.3 of the Royal Decree 1382/1985. The Participant acknowledges that the Participant has read and specifically accepts the conditions referred to in Sections 2.5 and 2.6 of the Award Agreement and Article I of this Exhibit D.

Special Tax Consequences. In relation to Participants resident for tax purposes in Spain:

(a) The Participant agrees that the Participant is liable to, and undertakes to indemnify and keep indemnified the Company, any Subsidiary and her employing company (the "**Employer**"), from and against any liability for or obligation to pay any Tax Liability (a "**Tax Liability**" being any liability for income tax, withholding tax and any other employment related taxes and social security contributions) that is attributable to (1) the grant, vesting or settlement of, or any benefit derived by the Participant from, the RSUs, (2) the Participant's acquisition of Shares upon vesting of the RSUs, or (3) the disposal of any Shares. The Participant hereby covenants to pay all such Tax Liabilities as and when requested by the Company, a Subsidiary, the Employer or by the relevant Spanish tax authorities (or any other authority empowered to impose or collect taxes).

(b) Without prejudice to the provisions set forth under Exhibit A, the RSUs cannot be settled until the Participant has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting and settlement of the RSUs and/or the Participant's acquisition of the Shares, imposed on the Company, any Subsidiary or the Employer, as the case may be. The Company shall not be required to issue, allot or transfer Shares until the Participant satisfies this obligation. The Company, any Subsidiary or the Employer shall have the authority and the right to deduct or withhold, or require the Participant to remit to the Employer, an amount sufficient to satisfy any Tax Liability required by law to be withheld, including, without limitation, the authority to deduct such amounts from other compensation payable to the Participant by the Employer.

(c) The Participant understands that she may suffer adverse tax consequences as a result of the RSUs. Neither the Company nor any Subsidiary nor the Employer makes any representation or undertaking regarding the treatment of any tax withholding in connection with the granting, vesting or payment of the RSUs. The Company and its Subsidiaries do not commit

and are under no obligation to structure the Plan to reduce or eliminate a Participant's tax liability. The Participant represents that they have had the opportunity to consult with any tax consultants they deem advisable in connection with the Plan and that they are not relying on the Company or the Employer for any tax advice. The Participant is relying solely on such advisors and not on any statements or representations of the Company, any Subsidiary, the Employer or any of their agents.

### ***Notifications***

**Securities Law Information.** No "offer to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the RSUs. The Plan, this Agreement, and any other documents evidencing this grant of RSUs have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (the Spanish securities regulator), and none of those documents constitutes a public offering prospectus.

**Exchange Control Information.** The Participant must declare the acquisition of shares of Common Stock to the *Spanish Dirección General de Comercio e Inversiones* (the "**DGCI**"), the Bureau for Commerce and Investments, which is a department of the Ministry of Industry, Trade and Tourism. The Participant must also declare ownership of any shares of Common Stock by filing a Form D-6 with the *Dirección General de Comercio Internacional e Inversiones* ("**DGCII**") each January while the shares of Common Stock are owned. If Participant acquires the shares of Common Stock through the use of a Spanish financial institution, that institution will automatically make the declaration to the DGCII for Participant; otherwise, Participant will be required make the declaration by filing the appropriate form with the DGCII. Generally, the declaration must be made in January for shares of Common Stock acquired or sold during (or owned as of December 31 of) the prior year; however, if the value of shares of Common Stock acquired or sold exceeds €1,502,530 (or Participant is a member of the governing body of the Company, holds 10% or more of the shares capital of the Company or such other amount that would entitle Participant to join the Company's board of directors), the declaration must be filed within one month of the acquisition or sale, as applicable. In addition, if Participant wishes to import the share certificates into Spain, Participant must declare the importation of such securities to the DGCII.

When receiving foreign currency payments derived from the ownership of shares of Common Stock (e.g., dividends or sale proceeds), Participant must inform the financial institution receiving the payment of the basis upon which such payment is made. Upon prior request, Participant will need to provide the institution with the following information; Participant's name; address; and fiscal identification number; the name and corporate domicile of the Company; the amount of payment; the currency used; the country of origin; the reasons for the payment; and required information.

In addition, the Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (e.g., shares of Common Stock) and any transactions with non-Spanish residents (including any payments of cash or shares of Common Stock made to the Participant by the Company or any U.S. brokerage account) if the balances in such accounts together with the value of such instruments as of December 31, or the volume of transactions with non-Spanish residents during the prior or current year, exceed €1 million but are below €100 million. Different thresholds and deadlines to file this declaration apply. However, if neither such transactions during the immediately preceding year

nor the balances / positions as of December 31 exceed EUR 1 million, no such declaration must be filed unless expressly required by the Bank of Spain. If any of such thresholds were exceeded during the current year, the Participant may be required to file the relevant declaration corresponding to the prior year, however, a summarized form of declaration may be available.

The Participant should consult his or her personal advisor in relation to applicable exchange control information obligations from time to time. The Company does not assume any responsibility therefor.

**Foreign Asset/Account Reporting Information.** To the extent the Participant holds shares of Common Stock and/or has bank accounts outside Spain with a value in excess of €50,000 (for each type of asset) as of December 31 of each calendar year, the Participant will be required to report information on such assets on tax form 720 (tax form to report the ownership of certain assets located overseas) for such year. After such shares of Common Stock and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously reported shares or accounts increases by more than €20,000. The Participant should consult his or her personal advisor in this regard and in relation to the tax implications derived from the award, holding or disposal of RSUs and shares of Common Stock (including, as the case may be, the potential applicability of Net Wealth Tax (*Impuesto sobre el Patrimonio*)), and from the tax implications that may arise, as the case may be, as a consequence of a Participant's potential relocation to any other jurisdiction. The Company does not assume any responsibility therefor.

## **UNITED KINGDOM**

### **Definitions**

The definition of "Termination of Services" shall be replaced in its entirety by the following definition:

"**Termination of Services**" shall mean Participant's Termination of Employment.

The definition of "Termination of Employment" shall be replaced in its entirety by the following definition:

"**Termination of Employment**" shall mean the time when the employee-employer relationship between Participant and the Company or any Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where there is a simultaneous reemployment or continuing employment of Participant by the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment.

### **Participants**

The Restricted Stock Unit Award Agreement as amended pursuant to this Exhibit D forms the rules of the employee share scheme applicable to the United Kingdom based Participants of the Company and any Subsidiaries. Only employees of the Company or any subsidiary of the

Company are eligible to be granted RSUs or be issued Shares under the Restricted Stock Unit Award Agreement. Other service providers (including Consultants or non-employee Directors) who are not employees are not eligible to receive RSUs under the Restricted Stock Unit Award Agreement in the United Kingdom. Accordingly, all references in the Restricted Stock Unit Award Agreement to the Participant's service or termination of service shall be interpreted as references to the Participant's employment or Termination of Employment.

The following provision replaces Section 3.11 of the Restricted Stock Unit Award Agreement in its entirety:

3.11 Not a Contract of Employment. Nothing in this Restricted Stock Unit Award Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee of the Company or any of its Subsidiaries and the grant of an RSU does not form part of the Participant's entitlement to remuneration or benefits in terms of his employment with the Company or any Subsidiary.

Terms and Conditions

Special Tax Consequences. In relation to United Kingdom based Participants only:

(d) You agree to indemnify and keep indemnified the Company, any Subsidiary and your employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "**Tax Liability**" being any liability for income tax, withholding tax and any other employment related taxes, employee's national insurance contributions or employer's national insurance contributions or equivalent social security contributions in any jurisdiction) that is attributable to (1) the grant or settlement of, or any benefit derived by you from, the RSUs, (2) your acquisition of Shares upon vesting of the RSUs, or (3) the disposal of any Shares.

(e) the RSUs cannot be settled until you have made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting and settlement of the RSUs and/or your acquisition of the Shares. The Company shall not be required to issue, allot or transfer Shares until the you have satisfied this obligation.

(f) at the discretion of the Company, the RSUs cannot be settled until you have entered into an election with the Company (or your employer) (as appropriate) in a form approved by the Company and Her Majesty's Revenue & Customs (a "**Joint Election**") under which any liability of the Company and/or the employer for employer's national insurance contributions arising in respect of the granting, vesting, settlement of or other dealing in the RSUs, or the acquisition of Shares on the settlement of the RSUs, is transferred to and met by you.

Tax and National Insurance Contributions Acknowledgment. You agree that if you do not pay or your employer (the "**Employer**") or the Company does not withhold from you, the full amount of all taxes applicable to the taxable income resulting from the grant of the RSUs, the vesting of the RSUs, or the issuance of Shares (the "**Tax-Related Items**") that you owe due to the vesting of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "**Taxable Event**") by 90 days after the end of the tax year in which the Taxable Event occurred, then the amount that should have been withheld shall constitute a loan owed by you to your employer, effective 90 days after the end of the tax year in



which the Taxable Event occurred. You agree that the loan will bear interest at the HMRC's official rate and will be immediately due and repayable by you, and the Company and/or the employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the employer, by withholding in Shares issued upon vesting and settlement of the RSUs or from the cash proceeds from the sale of Shares or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any Shares to you unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In the event that you are an officer or executive director and Tax-Related Items are not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected Tax-Related Items may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in Section 2.6 of the Restricted Stock Unit Award Agreement.

References to "withholding tax" in Sections 2.7 and 3.15 of the Restricted Stock Unit Award Agreement shall include social security contributions including primary and secondary class 1 national insurance contributions.

**NOVANTA INC.  
2010 INCENTIVE AWARD PLAN**

**PERFORMANCE STOCK UNIT AWARD GRANT NOTICE**

Novanta Inc., a company organized under the laws of the Province of New Brunswick, Canada (the “**Company**”), pursuant to its 2010 Incentive Award Plan, as amended from time to time (the “**Plan**”), hereby grants to the holder listed below (“**Participant**”) an award of performance stock units (the “**Performance Stock Units**”). Each Performance Stock Unit represents the right to receive a number of shares of Common Stock (as defined in the Plan) equal to the Settlement Amount (as described below) upon the achievement of certain performance goals. This award of Performance Stock Units is subject to all of the terms and conditions set forth herein and in the Performance Stock Unit Award Agreement attached hereto as Exhibit A (the “**Performance Stock Unit Award Agreement**”) and the Plan, each of which is incorporated herein by reference.

**Participant:**

**Grant Date:**

**Number of Performance Stock Units:**

**Performance Goals**

**Cumulative Total Operating Cash Flow Performance Goal:**

•Target -Year Cumulative Total Operating Cash Flow:

**Performance Years:** Fiscal years ending December 31,

**Settlement Amount:** “Settlement Amount” means the aggregate number of shares of Common Stock received in settlement of the Performance Stock Units (as defined below) as described below:

The Performance Stock Units shall settle in a number of shares of Common Stock equal to 100% of the number of vested Performance Stock Units if the Actual Cumulative Total Operating Cash Flow equals or exceeds the Target Cumulative Total Operating Cash Flow.

By his or her signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Performance Stock Unit Award Agreement and this Grant Notice. Participant has reviewed the Performance Stock Unit Award Agreement, the Plan and this Grant Notice in their

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entirety, and fully understands all provisions of this Grant Notice, the Performance Stock Unit Award Agreement and the Plan.

**NOVANTA INC.:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**PARTICIPANT:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

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**EXHIBIT A**  
**TO PERFORMANCE STOCK UNIT AWARD GRANT NOTICE**

**PERFORMANCE STOCK UNIT AWARD AGREEMENT**

Pursuant to the Performance Stock Unit Award Grant Notice (the “**Grant Notice**”) to which this Performance Stock Unit Award Agreement (this “**Agreement**”) is attached, Novanta Inc., a company organized under the laws of the Province of New Brunswick, Canada (the “**Company**”), has granted to Participant performance stock units (the “**Performance Stock Units**”) under the Novanta Inc. 2010 Incentive Award Plan, as amended from time to time (the “**Plan**”).

**ARTICLE 1.**

**GENERAL**

1.1 **Defined Terms.** Capitalized terms not specifically defined herein shall have the meanings specified in the Grant Notice and the Plan.

(a) “**Actual Cumulative Total Operating Cash Flow**” shall mean the Company’s aggregate total Operating Cash Flow achieved over the Performance Period, as determined on an annualized basis with respect to the Company’s [\_\_\_\_\_] fiscal years.

(b) “**Cause**” shall have the meaning of “Cause” (or similar term) set forth in Participant’s written employment agreement or, if no such written employment agreement (or no definition of “Cause” or similar term therein), shall mean (i) Participant’s willful failure to substantially perform the duties set forth in any written employment agreement (other than any such failure resulting from Participant’s Disability); (ii) Participant’s willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Board (or his or her supervisor); (iii) Participant’s commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; or (iv) Participant’s unlawful use (including being under the influence) or possession of illegal drugs on the Company’s premises or while performing Participant’s duties and responsibilities for the Company.

(c) “**Determination Date**” means [\_\_\_\_\_].

(d) “**Operating Cash Flow**” shall mean “Cash provided by (used in) operating activities” as reported in the Company’s Audited Consolidated Statement of Cash Flows for each of the fiscal years in the Performance Period, minus “Purchases of property, plant and equipment” and plus “Proceeds from sale of property, plant and equipment”, both as reported on the Company’s Audited Consolidated Statement of Cash Flows for each of the fiscal years in the Performance Period.

(e) “**Performance Period**” means the period commencing on [\_\_\_\_\_] and ending on [\_\_\_\_\_].

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(f) “**Performance Year**” means each of the 12-month periods starting on January 1 and ending on December 31 within the Performance Period.

(g) “**Target Cumulative Total Operating Cash Flow**” shall mean the Company’s aggregate sum of the Operating Cash Flow of \$[\_\_\_\_], which amount is set forth in the Grant Notice.

1.2 **Incorporation of Terms of Plan.** The Performance Stock Units are subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between the provisions of this Agreement and the Plan, the terms of the Plan shall control.

## ARTICLE 2.

### PERFORMANCE STOCK UNITS

2.1 **Grant of Performance Stock Units.** In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date, the Company grants to Participant an award of Performance Stock Units as set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement, subject to adjustments as provided in Article 14 of the Plan.

2.2 **Company’s Obligation to Pay.** Each Performance Stock Unit is a unit of measurement based on the Fair Market Value of a share of Common Stock that may entitle Participant to receive a payment in shares of Common Stock following the date it becomes vested. Unless and until the Performance Stock Units will have vested in the manner set forth in Article 2 hereof, Participant will have no right to payment of any such Performance Stock Units. Prior to actual payment in respect of any vested Performance Stock Units, such Performance Stock Units will represent the unconditional obligation of the Company to issue the equivalent number of shares of Common Stock, subject to applicable withholding requirements.

2.3 **Vesting.** Subject to Sections 2.4 and 2.5 hereof, 50% of the Settlement Amount, if any, will vest and become nonforfeitable on [\_\_\_\_] (the “**First Vesting Date**”), and the remaining 50% of the Settlement Amount will vest and become nonforfeitable on [\_\_\_\_] (the “**Second Vesting Date**”), subject to Participant’s continued employment or services through the applicable vesting date, and shall be subject to settlement with respect to the number of shares of Common Stock as described on the Grant Notice and at the time set forth in Section 2.6. Unless otherwise determined by the Administrator, no Performance Stock Units will become vested unless the Actual Cumulative Total Operating Cash Flow equals or exceeds the Target Cumulative Total Operating Cash Flow.

2.4 **Change of Control and Termination.** Notwithstanding the Grant Notice or the provisions of Sections 2.3 and 2.5 hereof, the Performance Stock Units will become fully vested and nonforfeitable with respect to all shares of Common Stock covered thereby upon the date of Participant’s Termination of Service by the Company without Cause if such Termination of Service occurs on or within twelve (12) months following a Change in Control. For purposes of this Agreement, “Cause” shall have the meaning of “Cause” (or similar term) set forth in Participant’s written employment or similar agreement or, if no such written employment or

similar agreement (or no definition of “Cause” or similar term therein), shall mean (i) Participant’s willful failure to substantially perform his or her duties; (ii) Participant’s willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Board (or his or her supervisor); (iii) Participant’s commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; or (iv) Participant’s unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or any of its Subsidiaries or while performing Participant’s duties and responsibilities for the Company or any of its Subsidiaries.

2.5 Forfeiture, Termination and Cancellation. Notwithstanding any contrary provision of this Agreement:

(a) Except as otherwise set forth in Section 2.4 or as otherwise determined by the Administrator consistent with the Plan, upon Participant’s Termination of Service for any or no reason, all then unvested Performance Stock Units subject to this Agreement will thereupon be automatically forfeited, terminated and cancelled as of the date of Termination of Service without payment of any consideration by the Company, and Participant, or Participant’s beneficiary or personal representative, as the case may be, shall have no further rights hereunder.

2.6 Payment Following Vesting.

(a) As soon as administratively practicable on or following the end of the Performance Period or, if earlier, the date of Termination of Service by the Company without Cause within 12 months following a Change in Control (but in no event later than the Determination Date or, if earlier, the date of a Change in Control) (for the avoidance of doubt, this deadline is intended to comply with the “short-term deferral” exemption from Section 409A of the Code), the Company shall determine the extent to which the Performance Goal has been satisfied. Following the First Vesting Date and/or the Second Vesting Date, as applicable (or, if earlier, the date of Termination of Service by the Company without Cause within 12 months following a Change in Control), the Company shall deliver to Participant (or any transferee permitted under Section 3.2 hereof) a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Company in its sole discretion) equal to the applicable Settlement Amount in accordance with Section 2.3, unless such Performance Stock Units terminate prior to the given vesting date pursuant to Section 2.5 hereof. Notwithstanding anything to the contrary contained herein, the exact date of issuance of shares of Common Stock in respect of the Performance Stock Units during the period set forth in this Section 2.6(a) shall be determined by the Company in its sole discretion (and Participant shall not have a right to designate the time of payment). Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of Performance Stock Units if it reasonably determines that such payment or distribution will violate Federal securities laws or any other applicable law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), if applicable to Participant, and *provided further* that no payment or distribution shall be delayed under this Section 2.6(a) if such delay will result in a violation of Section 409A of the Code, if applicable to Participant.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment by Participant of any sums required by applicable law to be withheld with respect to the grant and/or vesting of Performance Stock Units or the issuance of shares of Common Stock. Such payment shall be made by deduction from other compensation payable to Participant or in the following other form(s) of consideration (as determined appropriate by the Administrator):

(i) Cash or check;

(ii) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the Performance Stock Units, with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested shares of Common Stock otherwise issuable pursuant to the Performance Stock Units having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(iii) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the Performance Stock Units, with the consent of the Administrator, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the Performance Stock Units, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale;

(iv) With respect to any withholding taxes arising in connection with the distribution or other taxable event with respect to the Performance Stock Units, with the consent of the Administrator, surrender of shares of Common Stock (including, without limitation, shares of Common Stock otherwise issuable under the Performance Stock Units) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery not greater than the aggregate amount required to be withheld based on the maximum statutory withholding rates in Participant's applicable jurisdiction for federal, state, local and foreign income tax and payroll tax purposes; or

(v) In any combination of the foregoing.

The Company shall not be obligated to deliver any new certificate representing shares of Common Stock to Participant or Participant's legal representative or enter such share of Common Stock in book entry form unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the grant of the Performance Stock Units or the issuance of

shares of Common Stock. To the extent that any Federal Insurance Contributions Act tax withholding obligations arise in connection with the Performance Stock Units prior to the applicable vesting or payment date, the Administrator may accelerate the payment in respect of a portion of the award of Performance Stock Units sufficient to satisfy (but not in excess of) such tax withholding obligations and any tax withholding obligations associated with any such accelerated payment, and the Administrator shall withhold such amounts in satisfaction of such withholding obligations.

(c) In the event any tax withholding obligation arising in connection with the Performance Stock Units will be satisfied under Section 2.6(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Common Stock then issuable to Participant pursuant to the Performance Stock Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of the Performance Stock Units constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.6(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Common Stock in settlement of the Performance Stock Units to Participant until the foregoing tax withholding obligations are satisfied, *provided* that no payment shall be delayed under this Section 2.6(c) if such delay will result in a violation of Section 409A.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the Performance Stock Units, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Performance Stock Units. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the Performance Stock Units or the subsequent sale of shares of Common Stock. The Company and the Subsidiaries do not commit and are under no obligation to structure the Performance Stock Units to reduce or eliminate Participant's tax liability.

2.7 Conditions to Delivery of Common Stock. Subject to Section 12.4 of the Plan, the shares of Common Stock deliverable hereunder, or any portion thereof, may be either previously authorized but unissued shares of Common Stock or issued shares of Common Stock which have then been reacquired by the Company. Such shares of Common Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Common Stock deliverable hereunder or portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares of Common Stock to listing on all stock exchanges on which such Common Stock is then listed;
- (b) The completion of any registration or other qualification of such shares of Common Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;



(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The lapse of such reasonable period of time following the end of the Performance Period or the date of a CIC Qualifying Termination, as applicable, as the Administrator may from time to time establish for reasons of administrative convenience (provided that delivery of shares of Common Stock shall in all events comply with the “short-term deferral” exemption from Section 409A of the Code).

2.8 Rights as Stockholder. The holder of the Performance Stock Units shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the Performance Stock Units and any shares of Common Stock underlying the Performance Stock Units and deliverable hereunder unless and until such shares of Common Stock shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Common Stock are issued, except as provided in Section 14.2 of the Plan.

### **ARTICLE 3.**

#### **OTHER PROVISIONS**

3.1 Administration. The Administrator shall have the power to interpret the Plan, this Agreement and the Grant Notice and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator (including, without limitation, determinations, interpretations and assumptions with respect to the performance goals) in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Performance Stock Units.

3.2 Grant is Not Transferable. During the lifetime of Participant, the Performance Stock Units may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the Performance Stock Units have been issued, and all restrictions applicable to such shares of Common Stock have lapsed. Neither the Performance Stock Units nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Binding Agreement. Subject to the limitation on the transferability of the Performance Stock Units contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.4 Adjustments Upon Specified Events. The Administrator may accelerate payment and vesting of the Performance Stock Units in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Common Stock contemplated by Section 14.2 of the Plan (including, without limitation, an extraordinary cash dividend on such Common Stock), the Administrator shall make such adjustments the Administrator deems appropriate in the number of Performance Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Performance Stock Units. Participant acknowledges that the Performance Stock Units are subject to amendment, modification and termination in certain events as provided in this Agreement and Article 14 of the Plan.

3.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or similar foreign entity.

3.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.7 Governing Law. The laws of the Commonwealth of Massachusetts shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.8 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and foreign and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Performance Stock Units are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.9 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board; *provided that*, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Performance Stock Units in any material way without the prior written consent of Participant.

3.10 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 3.2 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

3.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Performance Stock Units and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.12 Not a Contract of Service. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an Employee, Director, Consultant or other service provider of the Company or any of its Subsidiaries or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

3.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all exhibits thereto, if any) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and its Subsidiaries and Participant with respect to the subject matter hereof.

3.14 Section 409A. The Performance Stock Units are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “**Section 409A**”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the Performance Stock Units (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the Performance Stock Units to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Performance Stock Units, and rights no

greater than the right to receive the Common Stock as a general unsecured creditor with respect to Performance Stock Units, as and when payable hereunder.

3.16 Account Administration. The Company may from time to time appoint a broker to administer the awards under the Plan. To the extent the Company appoints such a broker, Participant agrees that he or she shall, upon request by the Company, open an employee brokerage services account at such broker. In the event of any broker-assisted sale of shares of Common Stock in connection with the payment of withholding taxes as provided in Section 2.6(a)(ii) or Section 2.6(a)(iii): (A) any shares of Common Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Common Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company's or the applicable Subsidiary's withholding obligation.

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
CERTIFICATIONS**

I, Matthijs Glastra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novanta Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 11, 2021

/s/ Matthijs Glastra

Matthijs Glastra

Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION**

I, Robert J. Buckley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novanta Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 11, 2021

/s/ Robert J. Buckley

Robert J. Buckley

Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Novanta Inc. (the "Company") on Form 10-Q for the period ended April 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthijs Glastra, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthijs Glastra  
Matthijs Glastra  
*Chief Executive Officer*

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May 11, 2021

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Novanta Inc. (the "Company") on Form 10-Q for the period ended April 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Buckley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Buckley  
Robert J. Buckley  
*Chief Financial Officer*

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May 11, 2021