



NEWS RELEASE

Novanta Announces Financial Results for the Third Quarter 2023

11/7/2023

- Third Quarter 2023 GAAP Revenue of \$222 million
- Third Quarter 2023 GAAP Net Income of \$21 million
- Third Quarter 2023 GAAP Diluted Earnings Per Share of \$0.59
- Third Quarter 2023 Adjusted Earnings Per Share of \$0.85
- Third Quarter 2023 Adjusted EBITDA of \$52 million

BEDFORD, Mass.--(BUSINESS WIRE)-- Novanta Inc. (Nasdaq: NOVT) ("Novanta" or the "Company"), a trusted technology partner to medical and advanced technology equipment manufacturers, today reported financial results for the third quarter 2023.

Financial Highlights

(In millions, except per share amounts)

	Three Months Ended	
	September 29, 2023	September 30, 2022
GAAP		
Revenue	\$ 221.5	\$ 223.0
Operating Income	\$ 30.3	\$ 28.7
Consolidated Net Income	\$ 21.2	\$ 22.5
Diluted EPS	\$ 0.59	\$ 0.63
Non-GAAP*		
Adjusted Operating Income	\$ 43.0	\$ 40.0
Adjusted Diluted EPS	\$ 0.85	\$ 0.81
Adjusted EBITDA	\$ 52.2	\$ 49.4

*Reconciliations of GAAP to non-GAAP financial measures, as well as definitions for the non-GAAP financial measures included in this press release and the reasons for their use, are presented below.

“Novanta delivered strong operational results in the third quarter. Margin growth, profit growth, and cash flow were all at or above our expectations with continued strong growth in medical end-markets,” said Matthijs Glastra, Chair and Chief Executive Officer of Novanta. “In the quarter, our teams successfully utilized the Novanta Growth System to achieve these solid financial results, as well as by maintaining rigorous discipline around our operating costs. In the quarter, we also achieved significant milestones with exciting new customer wins, in robotics, minimally invasive surgery, next-generation lithography, and life science applications, which are all experiencing strong secular growth. Because of this, Novanta continues to invest with confidence now, and we believe our long-term organic growth framework is firmly intact.”

Third Quarter

During the third quarter of 2023, Novanta generated GAAP revenue of \$221.5 million, a decrease of \$1.5 million, or 0.7%, versus the third quarter of 2022. The Company’s acquisition activities resulted in an increase in revenue of \$1.3 million, or 0.6%, compared to the third quarter of 2022. Changes in foreign currency exchange rates year over year favorably impacted our revenue by \$4.6 million, or 2.0%, during the third quarter of 2023. Our year-over-year Organic Revenue Growth, which excludes the impact of acquisitions and changes in foreign currency exchange rates, was a decrease of 3.3% for the third quarter of 2023 (see “Organic Revenue Growth” in the non-GAAP reconciliations below).

In the third quarter of 2023, GAAP operating income was \$30.3 million, compared to \$28.7 million in the third quarter of 2022. GAAP net income was \$21.2 million in the third quarter of 2023, compared to \$22.5 million in the third quarter of 2022. GAAP diluted earnings per share (“EPS”) was \$0.59 in the third quarter of 2023, compared to \$0.63 in the third quarter of 2022.

Adjusted Diluted EPS was \$0.85 in the third quarter of 2023, compared to \$0.81 in the third quarter of 2022. The Company ended the third quarter of 2023 with 36.0 million diluted weighted average shares outstanding. Adjusted EBITDA was \$52.2 million in the third quarter of 2023, compared to \$49.4 million in the third quarter of 2022.

Operating cash flow for the third quarter of 2023 was \$44.6 million, compared to \$14.8 million for the third quarter of 2022. The Company completed the third quarter of 2023 with approximately \$352.6 million of total debt and \$76.0 million of total cash. Net Debt, as defined in the non-GAAP reconciliation below, was \$280.6 million.

Financial Guidance

“The impact from higher interest rates is delaying capital purchases from our customers, particularly in industrial,

microelectronics, and life sciences markets. These dynamics are impacting end-market demand in the Fourth Quarter. However, we remain firm with our investment plans, and stay laser focused on launching new platforms with multiple significant customers, that ramp up in late 2024 and beyond,” said Matthijs Glastra. “These exciting new innovations and impressive design wins with leading customers will accelerate our expansion in high growth applications. Our confidence in our future growth continues to build, as evident in the tremendous support and confidence our customers have placed in our people and our business.”

For the fourth quarter of 2023, the Company expects GAAP revenue of approximately \$208 million to \$212 million. The Company expects Adjusted EBITDA to be in the range of \$42 million to \$45 million and Adjusted Diluted EPS to be in the range of \$0.59 to \$0.66. The Company’s guidance assumes no significant changes in foreign exchange rates.

For the full year 2023, the Company expects GAAP revenue of approximately \$878 million to \$882 million. The Company expects Adjusted Gross Profit Margin to be approximately 46.6% to 46.8%. The Company expects Adjusted EBITDA to be in the range of \$193 million to \$196 million and Adjusted Diluted EPS to be in the range of \$2.98 to \$3.05. The Company’s guidance assumes no significant changes in foreign exchange rates.

Novanta provides earnings guidance on a non-GAAP basis and does not provide earnings guidance on a GAAP basis, with the exception of GAAP revenue guidance. A reconciliation of the Company’s forward-looking Adjusted Gross Profit Margin, Adjusted EBITDA and Adjusted Diluted EPS guidance to the most directly comparable GAAP financial measures is not provided because of the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations, including future changes in the fair value of contingent considerations; significant discrete income tax expenses (benefits); divestitures and related expenses; acquisitions and related expenses; impact of purchase price allocations for recently completed acquisitions; gains and losses from sale of real estate assets; costs related to product line closures; intangible asset impairment charges and related asset write-offs; future restructuring expenses; foreign exchange gains/(losses); benefits or expenses associated with the completion of tax audits; and other charges reflected in the Company’s reconciliation of historical non-GAAP financial measures, the amounts of which, based on past experience, could be material. For additional information regarding Novanta’s non-GAAP financial measures, see “Use of Non-GAAP Financial Measures” below.

Conference Call Information

The Company will host a conference call on Tuesday, November 7, 2023 at 10:00 a.m. ET to discuss these results and to provide a business update. To access the call, please dial (888) 346-3959 prior to the scheduled conference call time. Alternatively, the conference call can be accessed online via a live webcast on the Events & Presentations page of the Investor Relations section of the Company’s website at www.novanta.com.

A replay of the audio webcast will be available approximately three hours after the conclusion of the call in the Investor Relations section of the Company's website at www.novanta.com. The replay will remain available until Monday, January 1, 2024.

Use of Non-GAAP Financial Measures

The non-GAAP financial measures used in this press release are Organic Revenue Growth, Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Adjusted Operating Margin, Adjusted Income Before Income Taxes, Adjusted Income Tax Provision/(Benefit) and Effective Tax Rate, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Free Cash Flow as a Percentage of Net Income, and Net Debt.

The Company believes that these non-GAAP financial measures provide useful and supplementary information to investors regarding the operating performance of the Company. It is management's belief that these non-GAAP financial measures would be particularly useful to investors because of the significant changes that have occurred outside of the Company's day-to-day business in accordance with the execution of the Company's strategy. This strategy includes streamlining the Company's existing operations through site and functional consolidations, strategic divestitures and product line closures, expanding the Company's business through significant internal investments, and broadening the Company's product and service offerings through acquisitions of innovative and complementary technologies and solutions. The financial impact of certain elements of these activities, particularly acquisitions, divestitures, and site and functional restructurings, is often large relative to the Company's overall financial performance and can adversely affect the comparability of its operating results and investors' ability to analyze the business from period to period.

The Company's Adjusted EBITDA, Organic Revenue Growth and Adjusted Gross Margin are used by management to evaluate operating performance, communicate financial results to the Board of Directors, benchmark results against historical performance and the performance of peers, and evaluate investment opportunities, including acquisitions and divestitures. In addition, Adjusted EBITDA, Organic Revenue Growth and Adjusted Gross Margin are used to determine bonus payments for senior management and employees. The Company also uses Adjusted Diluted EPS and Adjusted EBITDA as performance targets for certain performance-based restricted stock units. Accordingly, the Company believes that these non-GAAP financial measures provide greater transparency and insight into management's method of analysis.

Non-GAAP financial measures should not be considered as substitutes for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on the Company's reported results and, therefore, should not be relied upon as the sole financial measures to evaluate the Company's financial results. The non-GAAP financial measures are meant to supplement,

and to be viewed in conjunction with, GAAP financial measures. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying this press release.

Safe Harbor and Forward-Looking Information

Certain statements in this release are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements contained in this news release that do not relate to matters of historical fact should be considered forward-looking statements, and are generally identified by words such as “expect,” “intend,” “anticipate,” “estimate,” “believe,” “future,” “could,” “should,” “plan,” “aim,” and other similar expressions. These forward-looking statements include, but are not limited to, statements regarding anticipated financial performance and financial position, including our financial outlook for the fourth quarter and full year 2023; expectations for our end markets and market position; our competitive position, including our positioning for long-term growth; expectations regarding our ability to navigate difficult macroeconomic conditions and other statements that are not historical facts.

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including, but not limited to, the following: economic and political conditions and the effects of these conditions on our customers’ businesses, capital expenditures and level of business activities; risks associated with epidemics or pandemics and other events outside our control; our dependence upon our ability to respond to fluctuations in product demand; our ability to continually innovate, introduce new products timely, and successfully commercialize our innovations; failure to introduce new products in a timely manner; customer order timing and other similar factors may cause fluctuations in our operating results; cyberattacks, disruptions or other breaches in security of our and our third-party providers’ 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; 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; the continuing impact of “Brexit”; 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; impact of healthcare industry cost containment and healthcare reform measures; changes in governmental regulations affecting our business or products; our failure to implement new information technology systems and software successfully; our failure to realize the full value of our intangible assets; increasing scrutiny and changing expectations from investors, customers, and governments with respect to Environmental, Social and Governance policies and practices; our reliance on original equipment manufacturer customers; 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; our exposure to the credit risk of some of our customers and in weakened markets; 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, 2022, as updated by our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 and other subsequent filings with the Securities and Exchange Commission. Such statements are based on the Company's beliefs and assumptions and on information currently available to the Company. The Company disclaims any obligation to publicly update or revise any such forward-looking statements as a result of developments occurring after the date of this document except as required by law.

About Novanta

Novanta is a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers a competitive advantage. We combine deep proprietary technology expertise and competencies in precision medicine and manufacturing, medical solutions, and robotics and automation 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 our customers' demanding applications. The driving force behind our growth is the team of innovative professionals who share a commitment to innovation and customer success. Novanta's common shares are quoted on Nasdaq under the ticker symbol "NOVT."

More information about Novanta is available on the Company's website at www.novanta.com. For additional information, please contact Novanta Investor Relations at (781) 266-5137 or InvestorRelations@novanta.com.

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

	Three Months Ended	
	September 29, 2023	September 30, 2022
Revenue	\$ 221,503	\$ 222,958
Cost of revenue	119,912	124,550
Gross profit	101,591	98,408
Operating expenses:		
Research and development and engineering	22,022	21,349
Selling, general and administrative	39,648	40,301
Amortization of purchased intangible assets	5,131	6,472
Restructuring, acquisition, and related costs	4,481	1,625
Total operating expenses	71,282	69,747
Operating income	30,309	28,661
Interest income (expense), net	(6,756)	(4,062)
Foreign exchange transaction gains (losses), net	(370)	2,086
Other income (expense), net	(189)	87
Income before income taxes	22,994	26,772
Income tax provision (benefit)	1,771	4,282
Consolidated net income	\$ 21,223	\$ 22,490
Earnings per common share:		
Basic	\$ 0.59	\$ 0.63
Diluted	\$ 0.59	\$ 0.63
Weighted average common shares outstanding—basic	35,856	35,729
Weighted average common shares outstanding—diluted	36,041	35,928

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

	September 29, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75,961	\$ 100,105
Accounts receivable, net	143,086	137,697
Inventories	153,809	167,997
Prepaid expenses and other current assets	18,466	14,720
Total current assets	391,322	420,519
Property, plant and equipment, net	103,323	103,186
Operating lease assets	40,527	43,317
Intangible assets, net	151,096	175,766
Goodwill	477,642	478,897
Other assets	30,367	19,527
Total assets	\$ 1,194,277	\$ 1,241,212
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 4,736	\$ 4,800
Accounts payable	63,983	75,225
Accrued expenses and other current liabilities	69,670	84,497
Total current liabilities	138,389	164,522
Long-term debt	347,879	430,662
Operating lease liabilities	38,577	40,808

Other long-term liabilities	24,576	27,634
Total liabilities	549,421	663,626
Stockholders' Equity:		
Total stockholders' equity	644,856	577,586
Total liabilities and stockholders' equity	\$ 1,194,277	\$ 1,241,212

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

	Three Months Ended	
	September 29, 2023	September 30, 2022
Cash flows from operating activities:		
Consolidated net income	\$ 21,223	\$ 22,490
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	11,397	13,143
Share-based compensation	6,037	5,954
Deferred income taxes	(4,663)	(5,124)
Other	4,601	410
Changes in assets and liabilities which (used)/provided cash, excluding effects from business acquisitions:		
Accounts receivable	193	(16,817)
Inventories	4,442	(13,043)
Other operating assets and liabilities	1,411	7,746
Net cash provided by (used in) operating activities	44,641	14,759
Cash flows from investing activities:		
Cash paid for business acquisition, net of working capital adjustments	—	(22,385)
Purchases of property, plant and equipment	(6,795)	(3,282)
Net cash provided by (used in) investing activities	(6,795)	(25,667)
Cash flows from financing activities:		
Borrowings under revolving credit facilities	—	69,941
Repayments under term loan and revolving credit facilities	(51,549)	(24,958)
Payment of contingent consideration related to acquisitions	(81)	(45,879)
Payments of withholding taxes from share-based awards	(163)	(149)
Repurchases of common shares	—	—
Other financing activities	(171)	(151)
Net cash provided by (used in) financing activities	(51,964)	(1,196)
Effect of exchange rates on cash and cash equivalents	(1,251)	(3,805)
Increase (decrease) in cash and cash equivalents	(15,369)	(15,909)
Cash and cash equivalents, beginning of period	91,330	100,489
Cash and cash equivalents, end of period	\$ 75,961	\$ 84,580

NOVANTA INC.
Revenue by Reportable Segment
(In thousands of U.S. dollars)
(Unaudited)

	Three Months Ended	
	September 29, 2023	September 30, 2022
Revenue		
Precision Medicine and Manufacturing	\$ 71,277	\$ 70,799
Medical Solutions	83,378	73,345
Robotics and Automation	66,848	78,814
Total	\$ 221,503	\$ 222,958

NOVANTA INC.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands of U.S. dollars)
(Unaudited)

Adjusted Gross Profit and Adjusted Gross Profit Margin by Reportable Segment (Non-GAAP):

	Three Months Ended	
	September 29, 2023	September 30, 2022
Precision Medicine and Manufacturing		
Gross Profit (GAAP)	\$ 36,208	\$ 34,699
Gross Profit Margin (GAAP)	50.8%	49.0%
Amortization of intangible assets	585	593
Adjusted Gross Profit (Non-GAAP)	<u>\$ 36,793</u>	<u>\$ 35,292</u>
Adjusted Gross Profit Margin (Non-GAAP)	51.6%	49.8%
Medical Solutions		
Gross Profit (GAAP)	\$ 34,027	\$ 28,201
Gross Profit Margin (GAAP)	40.8%	38.4%
Amortization of intangible assets	1,070	1,204
Adjusted Gross Profit (Non-GAAP)	<u>\$ 35,097</u>	<u>\$ 29,405</u>
Adjusted Gross Profit Margin (Non-GAAP)	42.1%	40.1%
Robotics and Automation		
Gross Profit (GAAP)	\$ 32,652	\$ 36,832
Gross Profit Margin (GAAP)	48.8%	46.7%
Amortization of intangible assets	1,396	1,450
Adjusted Gross Profit (Non-GAAP)	<u>\$ 34,048</u>	<u>\$ 38,282</u>
Adjusted Gross Profit Margin (Non-GAAP)	50.9%	48.6%
Unallocated Corporate and Shared Services		
Gross Profit (GAAP)	\$ (1,296)	\$ (1,324)
Adjusted Gross Profit (Non-GAAP)	<u>\$ (1,296)</u>	<u>\$ (1,324)</u>
Novanta Inc.		
Gross Profit (GAAP)	\$ 101,591	\$ 98,408
Gross Profit Margin (GAAP)	45.9%	44.1%
Amortization of intangible assets	3,051	3,247
Adjusted Gross Profit (Non-GAAP)	<u>\$ 104,642</u>	<u>\$ 101,655</u>
Adjusted Gross Profit Margin (Non-GAAP)	47.2%	45.6%

NOVANTA INC.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Amounts in thousands except per share amounts)
(Unaudited)

Adjusted Operating Income and Adjusted Diluted EPS (Non-GAAP):

	Three Months Ended September 29, 2023						
	Operating Income	Operating Margin	Income Before Income Taxes	Income Tax Provision / (Benefit)	Effective Tax Rate	Consolidated Net Income	Diluted EPS
GAAP results	<u>\$ 30,309</u>	<u>13.7%</u>	<u>\$ 22,994</u>	<u>\$ 1,771</u>	<u>7.7%</u>	<u>\$ 21,223</u>	<u>\$ 0.59</u>
Non-GAAP Adjustments:							
Amortization of intangible assets	8,182	3.7%	8,182				
Restructuring costs	4,330	2.0%	4,330				
Acquisition and related costs	151	(0.0)%	151				
Foreign exchange transaction (gains) losses, net			370				
Tax effect on non-GAAP adjustments				2,700			
Non-GAAP tax adjustments				770			
Total non-GAAP adjustments	<u>12,663</u>	<u>5.7%</u>	<u>13,033</u>	<u>3,470</u>		<u>9,563</u>	<u>0.26</u>

Adjusted results (Non-GAAP)	<u>\$ 42,972</u>	<u>19.4%</u>	<u>\$ 36,027</u>	<u>\$ 5,241</u>	<u>14.5%</u>	<u>\$ 30,786</u>	<u>\$ 0.85</u>
Weighted average shares outstanding - Diluted							<u>36,041</u>

NOVANTA INC.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Amounts in thousands except per share amounts)
(Unaudited)

Adjusted Operating Income and Adjusted Diluted EPS (Non-GAAP):

Three Months Ended September 30, 2022							
	Operating Income	Operating Margin	Income Before Income Taxes	Income Tax Provision / (Benefit)	Effective Tax Rate	Consolidated Net Income	Diluted EPS
GAAP results	<u>\$ 28,661</u>	<u>12.9%</u>	<u>\$ 26,772</u>	<u>\$ 4,282</u>	<u>16.0%</u>	<u>\$ 22,490</u>	<u>\$ 0.63</u>
Non-GAAP Adjustments:							
Amortization of intangible assets	9,719	4.3%	9,719				
Restructuring costs	1,776	0.8%	1,776				
Acquisition and related costs	(151)	(0.1)%	(151)				
Foreign exchange transaction (gains) losses, net			(2,086)				
Tax effect on non-GAAP adjustments				2,205			
Non-GAAP tax adjustments				521			
Total non-GAAP adjustments	<u>11,344</u>	<u>5.0%</u>	<u>9,258</u>	<u>2,726</u>		<u>6,532</u>	<u>0.18</u>
Adjusted results (Non-GAAP)	<u>\$ 40,005</u>	<u>17.9%</u>	<u>\$ 36,030</u>	<u>\$ 7,008</u>	<u>19.5%</u>	<u>\$ 29,022</u>	<u>\$ 0.81</u>
Weighted average shares outstanding - Diluted							<u>35,928</u>

NOVANTA INC.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands of U.S. dollars)
(Unaudited)

Adjusted EBITDA (Non-GAAP):

Three Months Ended		
	September 29, 2023	September 30, 2022
Consolidated Net Income (GAAP)	<u>\$ 21,223</u>	<u>\$ 22,490</u>
Consolidated Net Income Margin	9.6%	10.1%
Interest (income) expense, net	6,756	4,062
Income tax provision (benefit)	1,771	4,282
Depreciation and amortization	11,397	13,143
Share-based compensation	6,037	5,954
Restructuring, acquisition and related costs	4,481	1,625
Other, net	559	(2,173)
Adjusted EBITDA (Non-GAAP)	<u>\$ 52,224</u>	<u>\$ 49,383</u>
Adjusted EBITDA Margin (Non-GAAP)	23.6%	22.1%

Organic Revenue Growth (Non-GAAP):

Three Months Ended September 29, 2023

	Compared to Three Months Ended September 30, 2022
Reported Revenue Growth/(Decline) (GAAP)	(0.7)%
Less: Change attributable to acquisitions	0.6%
Plus: Change due to foreign currency	(2.0)%
Organic Revenue Growth/(Decline) (Non-GAAP)	(3.3)%

Net Debt (Non-GAAP):

	September 29, 2023	December 31, 2022
Total Debt (GAAP)	\$ 352,615	\$ 435,462
Plus: Deferred financing costs	3,971	4,843
Gross Debt	356,586	440,305
Less: Cash and cash equivalents	(75,961)	(100,105)
Net Debt (Non-GAAP)	\$ 280,625	\$ 340,200

Free Cash Flow (Non-GAAP):

	Three Months Ended	
	September 29, 2023	September 30, 2022
Net Cash Provided by Operating Activities (GAAP)	\$ 44,641	\$ 14,759
Less: Purchases of property, plant and equipment	(6,795)	(3,282)
Plus: Proceeds from sale of property, plant and equipment	—	—
Free Cash Flow (Non-GAAP)	\$ 37,846	\$ 11,477
Consolidated Net Income (GAAP)	\$ 21,223	\$ 22,490
Net Cash Provided by Operating Activities as a Percentage of Consolidated Net Income	210.3%	65.6%
Free Cash Flow as a Percentage of Consolidated Net Income	178.3%	51.0%

Non-GAAP Financial Measures

The following provides additional explanations for non-GAAP financial measures used by the Company, including explanations for certain non-GAAP adjustments that may not be present in the quarterly disclosures included in the current earnings release but have been used by the Company in the two most recent fiscal years. See the tables above for the calculations of the non-GAAP financial measures used in this earnings release.

Organic Revenue Growth

The Company defines the term “organic revenue” as revenue excluding the impact from business acquisitions, divestitures, product line discontinuations, and the effect of foreign currency translation. The Company uses the related term “organic revenue growth” to refer to the financial performance metric of comparing current period organic revenue with the reported revenue of the corresponding period in the prior year. The Company believes that this non-GAAP financial measure, when taken together with our GAAP financial measures, allows the Company and its investors to better measure the Company’s performance and evaluate long-term performance trends.

Organic revenue growth also facilitates easier comparisons of the Company's performance with prior and future periods and relative comparisons to its peers. The Company excludes the effect of foreign currency translation from these measures because foreign currency translation is subject to volatility and can obscure underlying business trends. The Company excludes the effect of acquisitions and divestitures because these activities can vary dramatically between reporting periods and between the Company and its peers, which the Company believes makes comparisons of long-term performance trends difficult for management and investors. Organic Revenue Growth is also used as a performance metric to determine bonus payments for senior management and employees.

Adjusted Gross Profit and Adjusted Gross Profit Margin

The calculation of Adjusted Gross Profit and Adjusted Gross Profit Margin excludes amortization of acquired intangible assets and inventory fair value adjustments related to business acquisitions because: (i) the amounts are non-cash; (ii) the Company cannot influence the timing and amount of future expense recognition; and (iii) excluding such expenses provides investors and management better visibility into the underlying trends and performance of our businesses. The Company also excludes inventory related charges associated with product line closures as these costs occurred outside of the Company's day-to-day business for the reasons described above in the introductory paragraphs of the "Use of Non-GAAP Financial Measures." Additionally, the Company excluded costs directly related to employee COVID-19 testing as these costs are unique to the COVID-19 pandemic and had a significant impact on the Company's operating results.

Adjusted Operating Income and Adjusted Operating Margin

The calculation of Adjusted Operating Income and Adjusted Operating Margin excludes amortization of acquired intangible assets, amortization of inventory fair value adjustments related to business acquisitions, inventory related charges associated with product line closures, and costs directly related to employee COVID-19 testing for the reasons described for Adjusted Gross Profit and Adjusted Gross Profit Margin above. The Company also excludes restructuring and acquisition-related costs due to the significant changes that have occurred outside of the Company's day-to-day business for the reasons described above in the introductory paragraphs of the "Use of Non-GAAP Financial Measures."

Adjusted Income Before Income Taxes

The calculation of Adjusted Income Before Income Taxes excludes amortization of acquired intangible assets, amortization of inventory fair value adjustments related to business acquisitions, inventory related charges associated with product line closures, costs directly related to employee COVID-19 testing, and restructuring and acquisition-related costs for the reasons described for Adjusted Operating Income and Adjusted Operating Margin

above. The Company excludes write-off of unamortized deferred financing costs because they only arise in certain specific situations when the Company's existing credit agreement is terminated or modified. The Company also excludes foreign exchange transaction gains (losses) from the calculation of Adjusted Income Before Income Taxes as the Company cannot fully influence the timing and amount of foreign exchange transaction gains (losses).

Non-GAAP Income Tax Provision/(Benefit) and Effective Tax Rate

Non-GAAP Income Tax Provision/(Benefit) and Effective Tax Rate are calculated based on the Adjusted Income Before Income Taxes by jurisdiction, the applicable tax rates currently in effect for the respective jurisdictions and the income tax effect of non-GAAP adjustments discussed above. In addition, the Company excludes significant discrete income tax expenses (benefits) related to releases of valuation allowances and uncertain tax positions, tax audits or amendments to prior year returns, certain changes in tax laws, and acquisition related tax planning actions on the Company's effective tax rate.

Adjusted Net Income

Because Income Before Income Taxes is included in determining Net Income, the calculation of Adjusted Net Income also excludes amortization of acquired intangible assets, amortization of inventory fair value adjustments related to business acquisitions, inventory related charges associated with product line closures, costs directly related to employee COVID-19 testing, restructuring costs, acquisition-related costs, write-off of unamortized deferred financing costs, and foreign exchange transaction gains (losses) for the reasons described for Adjusted Income Before Income Taxes. In addition, the Company excludes (i) significant discrete income tax expenses (benefits) related to releases of valuation allowances and uncertain tax positions, tax audits or amendments to prior year returns, certain changes in tax laws, and acquisition related tax planning actions on the Company's effective tax rate; and (ii) the income tax effect of non-GAAP adjustments discussed above.

Adjusted Diluted EPS

Because Net Income is used in the calculation of diluted EPS, Adjusted Diluted EPS excludes: (i) amortization of acquired intangible assets; (ii) amortization of inventory fair value adjustments related to business acquisitions; (iii) inventory related charges associated with product line closures; (iv) costs directly related to employee COVID-19 testing; (v) restructuring costs, acquisition and related costs; (vi) write-off of unamortized deferred financing costs; (vii) foreign exchange transaction gains (losses); (viii) significant discrete income tax expenses (benefits) related to releases of valuation allowances and uncertain tax positions, tax audits or amendments to prior year returns, certain changes in tax laws, and acquisition related tax planning actions on the Company's effective tax rate; and (ix) the income tax effect of non-GAAP adjustments for the reasons described above for Adjusted Net Income.

Adjusted EBITDA and Adjusted EBITDA Margin

The Company defines Adjusted EBITDA as income before deducting interest (income) expense, income tax provision (benefit), depreciation, amortization, non-cash share-based compensation, costs directly related to employee COVID-19 testing, restructuring, acquisition and related costs, acquisition fair value adjustments, inventory related charges associated with product line closures, other non-operating (income) expense items, including foreign exchange transaction (gains) losses, write-off of unamortized deferred financing costs, and net periodic pension costs of the Company's frozen U.K. defined benefit pension plan for the reasons described above in the introductory paragraphs of the "Use of Non-GAAP Financial Measures."

Adjusted EBITDA Margin is defined as Adjusted EBITDA as a percentage of Revenue.

In evaluating Adjusted EBITDA and Adjusted EBITDA Margin, you should be aware that in the future the Company may incur expenses that are the same as, or similar to, some of the adjustments in this presentation.

Free Cash Flow and Free Cash Flow as a Percentage of Net Income

The Company defines Free Cash Flow as net cash provided by operating activities less cash paid for purchases of property, plant and equipment and plus cash proceeds from sales of property, plant and equipment. Free Cash Flow as a Percentage of Net Income is defined as Free Cash Flow divided by Net Income. Management believes these non-GAAP financial measures are important indicators of the Company's liquidity as well as its ability to service its outstanding debt and to fund future growth.

Net Debt

The Company defines Net Debt as its total debt as reported on the consolidated balance sheet plus unamortized deferred financing costs and less its cash and cash equivalents as of the end of the period presented. Management uses Net Debt to monitor the Company's outstanding debt obligations that could not be satisfied by its cash and cash equivalents on hand.

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