Columbus McKinnon Corporation

NASDAQ:CMCO

Investor & Analyst Day

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COLUMBUS MCKINNON EXECUTIVE MANAGEMENT

UNLOCKING CMCO'S POTENTIAL

David Wilson – President and CEO

Greg Rustowicz – Executive Vice President and CFO

Bert A. Brant – Senior VP, Global Manufacturing Operations

Appal S. K. Chintapalli – President, EMEA & APAC

Alan S Korman – Senior VP, Corp Development, General Counsel and Secretary

Mark R. Paradowski – Senior VP & Chief Digital Officer

Mario Y. Ramos – Senior VP Global Product Development

Terry J. Schadeberg – President, Americas

Adrienne M. Williams – Senior VP & CHRO

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Presentation

Deborah Pawlowski
Investor Relations

Good morning and welcome to the Columbus McKinnon's 2022 Investor and Analyst Day. We are very pleased to have all of you here in the room, as well as those of you that are participating via the webcast. I'm Deborah Pawlowski, Investor Relations for Columbus McKinnon

SLIDE 2:
Let me first make note that we may make some forward-looking statements during this presentation, as well as during the Q&A that are covered by the Safe Harbor statement noted on this slide. We will also be mentioning some non-GAAP financial measures. The reconciliation of those non-GAAP financial measures to GAAP measures are included in the slide deck that will be posted on the website as supplemental slides.

SLIDE 3:
Now, let me introduce you to the management team that is here with us today. We have David Wilson, our President and CEO; Greg Rustowicz, our Chief Financial Officer; Bert Brant, our Senior Vice President of Global Manufacturing Operations; Appal Chintapali, who is our President of EMEA and APAC, newly appointed to that position, by the way; Alan Korman, our Senior Vice President of Corporate Development and General Counsel; Mark Paradowski, Senior Vice President and Chief Digital Officer; Mario Ramos, our Senior Vice President of Global Product Development and Marketing; Terry Schadeberg, our President of Americas, also a new position; and Adrienne Williams, the Senior Vice President and Chief Human Resources Officer. You will be hearing from most of these management team members today as we go through the agenda that you will note here.

SLIDE 4:
We will be taking a break roughly around 10:15, so for those on the webcast, you know that's about when we will go to a music hold. We should get to our question-and-answer session around 11:30 or so.
We will be rearranging the room for the Q&A, so again, for those on the web, there will probably be a five-minute pause while we get the room settled. We will finish around 12:30 today and, for those that are in the room, I do hope you will join us for lunch and, those of you on the webcast, you're missing out.

VIDEO:

Narrator: Columbus McKinnon is in the midst of a transformation from a cyclical industrial company into the world's leading designer, manufacturer and marketer of intelligent motion solutions for material handling. Our transformation is built on a strong foundation as both the second-largest hoist and lifting company in the world and a leader in precision conveying. Our solutions convey, lift, position and secure materials for a broad variety of industries and our new precision conveying platform serves higher growth markets with strong secular tailwinds. We are growing our leadership position in the food and beverage industry and experiencing strong growth in life sciences and eCommerce. A growing number of companies are counting on Columbus McKinnon to help accelerate and automate their supply chains and solve the toughest material handling and process automation challenges.

David Wilson: President & CEO: After conducting a comprehensive strategic review of the company, we charted a new course to become the leading intelligent motion solutions company in the world.

Narrator: Our strategy starts with the Columbus McKinnon Business System, or CMBS, which is based on the principles of being market-led, customer-centric, operationally excellent and, at the center, people- and values-driven. CMBS is helping us develop differentiated core competencies, instill the discipline necessary to execute our strategy and create an infrastructure enabling us to strengthen, grow, expand, and reimagine our core. We are driving operational excellence as we move Columbus McKinnon forward to also deliver top-tier financial performance.

Greg Rustowicz: Executive VP of Finance & CFO: We are executing our strategy to grow the business, deliver top-tier margins and drive strong cash generation, which has been a hallmark of Columbus McKinnon.

Narrator: We believe customers don't buy what you do, they buy why you do it. We are a company of many brands and cultures that share a single purpose, creating intelligent motion solutions that move the world forward and improve lives.



David Wilson:
President & CEO
Unlocking the Potential of CMCO – Moving Beyond the Blueprint

SLIDE 6:
Great. Good morning, everyone, and welcome. It's been great to see many of you here this morning and, also, I know we have a large audience online. I'm thrilled to be here with members of my management team to share the exciting things that are happening at Columbus McKinnon as we advance our transformation of the business and unlock the significant value creation potential we have as a company. When I joined Columbus McKinnon in June 2020, we were just into the early innings of the COVID-19 pandemic. Needless to say, it was a challenging time to join a new company and also for an organization to take on a new leader. Now, two years into the change, I couldn't be more pleased with or proud, I should say, with how the team has responded. Not only have we navigated the significant disruptions brought on by the pandemic, we've built a stronger and more agile business in the process. Over the past year, we've achieved several new quarterly firsts for the company, including achieving record orders, record sales and record gross margins, while facing some of the most challenging macro environments in our lifetimes. Overall, in fiscal year '22, we executed to deliver 40% growth in revenue, 75% growth in operating income and 81% growth in adjusted EBITDA. We also significantly advanced Columbus McKinnon strategy and have taken several significant actions to transform the business, including the development of our Columbus McKinnon business system or CMBS, our core growth framework, and the completion of two transformative acquisitions.

While all of this has improved the business and our position among our motion control peer group, what is more important is how it has positioned us to progress even further, unlocking the potential Columbus McKinnon has to be the global leader in intelligent motion solutions for material handling and to advance beyond what we have defined as our blueprint for growth, emerging as a leader among our motion control peer set.

SLIDE 7:
I want to begin today's session with a bit of a background on how we went about advancing Columbus McKinnon's strategy. What you see on the screen is the strategic planning framework that we established within our Columbus McKinnon business system. This framework defines our disciplined approach to strategic planning. This process begins with an assessment of internal factors, like who we are as a company, our strengths, our weaknesses, etc. and is then paired with an assessment of the external factors,

things such as market macro trends, competitive landscape, customers, adjacencies and so forth. You can think of this as a comprehensive SWOT analysis of sorts. The framework then advances to defining our purpose, our values and our vision, and then, transitions to strategy clarification, and deployment, leveraging Hoshin Kanri methodologies, and concludes with cascaded personal objectives. All of this sits on and is supported by a foundation that includes the appropriate talent development initiatives, organizational structure, the Columbus McKinnon business system, change management capabilities and good governance practices.

SLIDE 8:
Critically important to our success is Columbus McKinnon's culture and the engagement of our global employees.

Leveraging our strategic planning framework, we spent the last year working with hundreds of associates from around the world to clarify Columbus McKinnon's purpose and refreshed our core values, vision and mission. As a collection of acquired companies, it was important that we clarify our why, a purpose that would unite the company around a single reason for existence, a purpose that employees and customers could connect with emotionally and one that would build a sense of loyalty with the company. For nearly 150 years, Columbus McKinnon products have been used to lift, position and secure materials and, over the last few years, we've added capabilities that enable intelligent motion and integrate controls and automation technologies into our offerings.

Our customers benefit from the safety, productivity and uptime improvements these offerings enable and the interconnectivity, control and diagnostic information that our intelligent motion solutions provide. Ultimately, the products that are produced within the processes that leverage Columbus McKinnon technologies advanced the world and the end users of these products benefit significantly. That's the connection that led our team to define and align around Columbus McKinnon's purpose statement, which is, together, we create intelligent motion solutions that move the world forward and improve lives.

SLIDE 9:
Each month, I host a Global Leadership Communications meeting with the top leaders from around our company. I now begin those meetings with an example of what we call our purpose in motion. It’s a bit of a play on words, but that's what we call it. We call it our purpose in motion, and, to do this, I leverage a slide that might look similar to this that shares images and a summary that's specific to the project that we're highlighting, and that information illustrates our purpose in motion.

On this slide, you see a number of images and I'll give you a little clarity on some of them. Those images are examples of a purpose in motion and you can see the use of our precision conveyance equipment to automate the production of COVID-19 vaccines, the use of our actuators to precisely and safely lift and service advanced transportation systems, the use of our precision conveyance equipment to automate eCommerce fulfillment and the use of our entertainment hoists and rigging equipment to support traveling crane systems at the National Aquatic Center for the Summer Olympics.

Our solutions do make a true difference in the lives of the people around the world that use them day after day in critical applications that move the world forward. These are exciting times for Columbus McKinnon and the customers that we serve, and we're thrilled about the future that we're creating.

SLIDE 10:
Following our assessment of internal and external factors and the development of our purpose, values and vision statements, we clarified our strategy, which is to transform Columbus McKinnon from a legacy cyclical

industrial company to a top tier secular growth intelligent motion solutions company. We'll do this by executing on our strategic priorities, which are highlighted on the slide I'll just cover them quickly.

We're going to strengthen and build upon Columbus McKinnon's core. We're going to invest in high growth, high margin platforms. We're going to increase our exposure to high growth, secular end markets. We're focused on creating an exceptional customer experience for our customers and we're targeting achieving top tier performance in comparison to the motion control peer set, leveraging CMBS and our core growth framework. We believe that this approach will transform Columbus McKinnon into a top tier motion control enterprise.

SLIDE 11:
Underpinning the strategy is our strategic framework, and this is a visual depiction of that framework. It begins with the Columbus McKinnon Business System, which is represented by the circular graphic on the left. Here you see the key principles of our entire strategic framework, those of being market-led, customer-centric, operationally excellent and, at our center, people and values-driven. All of that is encompassed by an ongoing cycle of innovation. The Columbus McKinnon Business System, which leverages elements of Columbus McKinnon's prior earnings power acceleration system or EPAS and incorporates 80-20 methodology, is the key to strengthening core competencies, enabling scale and creating sustainable competitive advantage.

Moving to the right, you'll see a graphic that depicts our core growth framework. This framework emphasizes strengthening the core, growing and expanding, as well as reimagining that core for Columbus McKinnon. It defines our balanced and disciplined approach to prioritizing driving and delivering organic and inorganic growth across the enterprise. We're confident that leveraging this framework as we execute on our strategy will deliver attractive growth, financial performance and shareholder value while transforming Columbus McKinnon into a higher value intelligent motion enterprise.

SLIDE 12:
As I mentioned earlier, CMBS leverages the foundational elements of EPAS and 80-20 and expands upon them with a broader set of core competencies, key processes and tools that establish a stronger enterprise foundation and a Columbus McKinnon way, if you will, for enabling growth and in creating scalability. The key principles of CMBS are rooted again in being market-led, customer-centric and operationally excellent with people and values at the center. This required a shift for us as a company as we embarked on the journey to adopt those core principles, and it required us to alter our orientation and our perspective to be more outside-in focused.

Being market-led and customer-centric meant that we had to establish a deeper and more institutionalized understanding of the markets that we serve, the competitive landscape that we engage in and the opportunities as well as strategic adjacencies available. This perspective sharpened our outside-in focus and our insight into what drives customer behaviors, why they buy, what they buy and how they buy. We're improving our knowledge of how we are perceived and that's enabling us to align internally to improve our customer's experience. Double clicking on the Columbus McKinnon Business System reveals these ten core competencies that are embedded within the framework, and these are the competencies that we're focused on strengthening to really enable the scale and create sustainable competitive advantage within Columbus McKinnon.

SLIDE 13:
Drilling down further into the CMBS framework, you can see that our level one market lead framework element cascades to level two competencies, which cascade to level three key processes and sub processes

and then level four tools and enablers. In this example, we're highlighting programmatic M&A as a core competency with level three key processes, including strategic alignment, target identification, screening and outreach, due diligence, valuation modeling and integration. So, these would be key processes where we have playbooks around how we operate as Columbus McKinnon as we pursue those elements. And then, down to level four tools and enablers that include our M&A pipeline tools, due diligence checklists, valuation models, third party management of resources and tools used to do that, integration tracking tools, etc. Leveraging the system that we establish around this to strengthen core competencies through the use of standardized best practices and tools is really increasing clarity, ownership, measurability and accountability within the organization, which is improving our sustainable performance and enabling us to develop competitive advantages over time.

SLIDE 14:
Here you can see that we're on a journey and where we are on that journey. Our ten core competencies cascade into over 300 sub processes and key processes. Of these, just under two thirds are either complete in terms of defining documenting and establishing best practices or they're in the alignment phase for that activity.

We expect to complete the remainder of that work this year as we establish a CMBS office to both strengthen our effort and accelerate returns. Cascading, training and our disciplined approach to execution in these areas will establish a consistent Columbus McKinnon playbook or multiple playbooks for each of these core competency elements with defined processes, templates, tools, metrics, and reporting for each core competency area. Like the development of any execution-related differentiated advantage, getting to greatness or great performance really requires relentless repetition and execution coupled with continuous improvement and innovation just over and over and over and over again.

As you do something that's a best practice over and over and over and over and over again, you build muscle, you build strength and you build competitive advantage over time, and that's exactly what we're trying to do as we move from being a more fragmented organization to one that's more combined and focused on these best practices that we can leverage as core competencies for Columbus McKinnon.

We're in the early innings of this progression, but we see bright spots across the organization, and we're pleased with how things are advancing. This approach, we believe, will ultimately lead to differentiated competitive advantage for our company.

SLIDE 15:
As with CMBS, I'd like to go a bit deeper on our core growth framework, which, again, emphasizes strengthening, growing, expanding and re-imagining the core of Columbus McKinnon and defines our balanced and disciplined approach to prioritizing driving and delivering organic and inorganic growth across the enterprise. Strengthening the core is a foundational path that's focused on initiatives that will strengthen competencies and improve our competitive position within our existing share of the SAM or our serviceable addressable market. Growing the core is a path that is focused on taking greater market share within the markets we currently serve or, again, our SAM.

Expanding the core is a path that's focused on expanding beyond our SAM into the broader TAM or total addressable market and reimagining the core as a more transformational path that rethinks our current TAM and targets strategic expansion beyond that current TAM. Like in the other framework categories, this growth can be achieved both organically and through acquisition, leveraging innovative approaches and the application of Columbus McKinnon technologies in markets that extend beyond today's TAM. We have

detailed plans for each of the categories of our core growth framework. Mario will speak more to that when he speaks to you in a moment about our growth initiatives across the enterprise.

SLIDE 16:
As we initiate our assessment of the industrial automation and technology landscape and considered opportunities for growth, we identified several megatrends in the areas of automation and digitization, as you see on the screen - E-commerce and the modernization of infrastructure. These are driving what we believe will be both attractive and sustainable vertical market growth in material handling, life sciences and food and beverage, among others. Given these trends, we initiated organic growth initiatives focused on growing within and/or gaining access to these markets.

SLIDE 17:
We also initiated a thorough review of the global industrial automation landscape to clarify our strategic growth or M&A priorities. This review began with an assessment of the entire $1. 8 trillion industrial automation landscape. We then applied filters that allowed us to screen that landscape for the best CMCO opportunities. Those filters included the size of the market segment and its expected growth rate, the propensity for automation and applied intelligence within that segment, the profitability and defense ability of the segment, and, ultimately, CMCO's right to play in that segment, given proximity, core competencies, etc.

This led us to narrow that list of attractive industrial automation opportunities into what we're calling micro-segments. Those micro-segments totaled about $30 billion, so we went from the $1.8 trillion space to about 30 billion that we identified as attractive to Columbus McKinnon.

SLIDE 18:
Here you can see a summary of the micro-segments that our analysis identified as attractive for growth. These segments are situated within a chart that highlights operating margin on the vertical axis and market growth rates along the horizontal axis. The market for Columbus McKinnon's core lifting segment is also included for reference.

Before we talk further about these micro-segments, I'd like to go back and take a closer look at Columbus McKinnon's portfolio as a starting point.

SLIDE 19:
Let's start with how the portfolio is defined in fiscal year '21 when the entire portfolio for Columbus McKinnon was characterized as "lifting. " A few things that you'll notice from this chart include the fact that we defined TAM for Columbus McKinnon's Market as $11 billion, and that included broader elements of our portfolio than simply hoists and lifts or hoists and cranes. Again, those elements were ultimately considered or characterized as lifting, but this highlights the broader market for those.

Columbus McKinnon's operating margin was approximately 2% to 3% higher than the level shown on the prior slide, so our operating income performance was about 2 to 3 points ahead of where the market was for lifting equipment. Columbus McKinnon's growth rate was approximately 1.5% below the market growth rate shown on the prior slide for lifting, so we're performing better at the margin line, but growing slower than the market, and we're also grouping things together and characterizing them as lifting.

Note that the growth rates that I'm highlighting and that are footnoted on the slide are for the three years prior to the pandemic, so we're speaking about a more normalized period of performance.

SLIDE 20:
Jumping to slide 20, you'll see that a deeper analysis of Columbus McKinnon's portfolio in fiscal '22 revealed this picture. So, in addition to our lifting platform, we identified that we also had higher growth, higher margin positions in linear motion and controls and automation. These are more attractive pieces of the portfolio that were embedded and buried within the characterization of lifting. These additional positions were losing focus when aggregated within the broadly characterized lifting label and that aggregation also masked the lack of growth within our true lifting business.

Now, increasing our focus on these individual positions, including lifting, has led to improved performance across the business and prioritization of our initiatives, which is driving better overall focus and execution within the business.

This analysis also identified about $3 billion worth of additional TAM for the business. So, you'll see that the sum of these TAMs adds up to $14 billion versus the $11 billion that we'd previously targeted, including about $1 billion for linear motion and about $2 billion for controls and automation.

SLIDE 21:
Building upon this refreshed view of the business and considering the results of our industrial automation market assessment, we narrowed our focus on M&A on the on-specialty conveyor micro-segment and transformed the portfolio with the addition of two highly attractive acquisitions. This view shows the current portfolio situated with a chart that highlights CMCO's operating margin on the vertical axis and our growth rates along the horizontal axis. These are Columbus McKinnon growth rates, not the market growth rates. On the right-hand side of the chart, you see a table that summarizes McKinsey's assessment of the long-term growth projections for these markets.

As you can see, we now have a much more attractive portfolio as we leverage CMBS initiatives within our core growth framework and are now growing our lifting platform at rates that exceed market rates.

SLIDE 22:
Today, we have a business that's just over $900 million in revenue and serving addressable markets that total just over $6 billion. So, this is our SAM in this case. We have a strong concentration in North America and leading positions within each product category. Our global market share is approximately 15% and we have tremendous opportunities across the portfolio. Note that the revenue figures on this page include an estimate for the full year of Garvey ownership. They're also rounded, so they will not tie to the other financial figures or to our reported financial figures exactly

SLIDE 23:
With the benefit of our improved portfolio, CMBS, our core growth framework and the investments we're making in enablers. We're targeting growth of approximately $600 million over the next five years to $1. 5 billion, an EBITDA margin that improves to 21%.

We've planned for a balanced distribution of growth, driven by organic initiatives and programmatic M&A, that will deliver revenue growth at a CAGR that exceeds 10% over the five-year period. This growth targets attractive vertical markets with recurring revenue prospects supported by secular market growth trends.

SLIDE 24:
Our organic revenue growth plans deliver $250 million, as just stated, over the five-year period.

SLIDE 25:
This organic growth builds upon recent improvements in our organic growth results, which you'll hear from Mario about later, and will be delivered through a balance of new product and commercial development initiatives. Not only Mario, but Mark and Terry will also speak about key initiatives that underpin our organic growth expectations later in the presentation.

Our M&A efforts will be programmatic and focused on the priorities highlighted here, and we expect our programmatic approach to deliver $325 million of growth over the five-year period. We're cultivating an active and growing pipeline of opportunities that are focused on advancing our leadership in key technology areas while improving and increasing our exposure to high-growth secular markets.

They're also focused on improving customer intimacy and recurring revenue streams as well as on increasing our automation, remote monitoring, diagnostic and aftermarket support capabilities within the overall intelligent motion ecosystem.

SLIDE 26:
In addition to the growth initiatives just highlighted, we're advancing our core competencies with a select group of key enablers within our CMBS framework. These enablers underpin future growth and increase Columbus McKinnon's earnings power. Here, I've highlighted four such site enablers in the quadrants of this chart.

First, in the upper left is our revised regional organization and go-to-market structure, which we are implementing now. This is simplifying our approach to the market, improving our customer alignment, all while reducing structural cost within the business, and driving approximately 100 to 150 basis points of SG&A improvement.

Second, in the upper right is our end-to-end digital investments. which are generating demand, increasing transactional efficiency, improving analysis and decision making, enabling shared services, as well as reducing risk within the business. You'll hear more about this from Mark next in our presentation.

In the lower left, you see operational excellence initiatives, which Bert will talk more about later in the presentation. These are improving customer experience, simplifying our footprint and improving our working capital efficiency, which, along with pricing actions, are expected to drive approximately 400 basis points of gross margin expansion over the strategic planning period. You'll hear more about that, as I said, from Bert in just a minute.

And then, in the lower right are the people and values initiatives that are evolving our talent population and attracting top talent to the organization, increasing employee engagement, developing global bench strength and executive succession candidates, while driving higher retention rates across the company. You'll hear more about that from Adrienne when she speaks about our overall talent focus. So, we're making good progress on each of these critical enabler areas, and I expect that these are going to underpin and accelerate the transformation of the company.

SLIDE 27:
Finally, as I wrap up my prepared remarks, I'd like to reiterate how proud I am of our team and the great work that they're doing. We've significantly advanced Columbus McKinnon and our strategic framework, as well as completing the two transformative acquisitions. We also built a stronger and more agile business in the process. Now, we're accelerating our transformation and I am confident that, with our focus in these areas, we'll successfully execute on our strategy, leveraging the Columbus McKinnon framework for strategy and

substantially advance our underlying portfolio along the way to achieve our financial targets. I'll now turn the presentation over to Mark Paradowski, our Senior Vice President and Chief Digital Officer, who will discuss our digital enablement initiatives. Thank you.



Mark Paradowski:
Senior VP & Chief Digital Officer
Digital Enablement

SLIDE 28:
Thanks, David. As David said, my name is Mark Paradowski, I am the Senior Vice President of Information Services and Chief Digital Officer. I have been with Columbus McKinnon for nearly 25 years. Before joining Columbus McKinnon, I was with Electronic Data Systems and Oracle Corporation. When I joined Columbus McKinnon, it was largely in a technical role and, through the years of additional responsibilities, eventually getting into leadership and management. A little over eight-plus years ago, I took over and started building and leading our global IS function. During the last few years, I've been given the opportunity to drive forward our digital transformation, specifically a lot of our digital enablement activities, and that's what I'd like to talk about to everybody this morning.

SLIDE 29:
Back in 2019, I had the opportunity to speak at the investor conference and I talked about three foundational digital initiatives that we had embarked upon, the first one being Compass. Now, Compass is just the name of our configure price "tool" or our configuration tool. Compass originally was kicked off to help our customers configure our hoists, our electric chain and wire rope hoists, and develop crane kits. For those that don't know, a crane kit is essentially a bunch of our components in electrification, trolleys, and trucks and hoist. They get put together into a kit or system that we then sell to our channel and our channel then installs for our end customer. That was the original focus of Compass that we launched into in 2019.

Also kicked off was our PAM Initiative. PAM stands for Product Information Management, which is essentially just a database specifically constructed with all of our product information, which can be based off resources, around videos, pictures, so on and so forth. It is kind of a foundational element that companies who embark upon externally facing initiatives put together, so it was a foundational element for us.

And finally, our global website redesign. Years ago, we had many websites well over 30. I think 37, 38 is the number that sticks in my head. Obviously, not the best experience for our customers. They want to learn more about our products, platforms and solutions, so we kicked off an initiative to create a single global website based out of a single content management system.

Now, single website doesn't mean a single website. Single website really means we can still provide the degree of personalization, localization and regionalization that's necessary, but still drawing out of that single content management system. So, kind of, again, another foundational element as we move into that digital space. All of those projects have done extremely well over the last couple of years and, in many cases, especially around our configuration tools, we went from what was really a follower in the industry to now a market leader, which then brings me to today.

We continue to focus on many of our external customer-facing activities, specifically Compass. Compass continues to advance, and I'll talk more about that in a minute, but now we also have D-Tools. D-Tools is our configuration tool for our precision conveyance group, allowing customers to come in and configure

conveyance systems directly online. Those two products then all wrap up into a project we call Partner Portal, and I'll touch upon that in a couple of minutes.

Looking more internally, our digital transformation now has embraced our internal stakeholders as well. We've launched our global HRAS platform, which gives us greater visibility to our human capital across the globe. We're also about to launch a new global intranet. Now, that may not sound that important, but it is really a modern tool to help us advance our performance culture, engage all of our associates and, with our acquisitions, help us onboard those associates into the Columbus McKinnon family a bit faster.

A bit more on the system side, we're moving forward with our customer and lead management or really what I like to call a CRM-plus. Many of our customers buy across our platforms, but we need to give our customer service teams and sales teams the visibility they need of all interactions we have with those customers. This solution allows us to do that across platforms, across regions and, most importantly, across multiple ERP systems, so they can see everything, the full engagement of that customer.

Finally, there's our global ERP rollout, where we're rolling out a single global ERP platform to all of our facilities, and I'll talk about that as well a little bit more.

SLIDE 30:
As we map these initiatives through their customer journey, they start to touch every point of that journey, starting at the beginning with demand generation; moving on to that global website I talked about; then through our configuration tools, where they can configure price "and order;" driving into that global ERP platform where we can drive our facilities to perform that ease of intercompany activity; and, ultimately, through fulfillment, but it doesn't stop there. We, then, move on to post-sales and, using the intelligent motion control diagnostic and monitoring utilities, we can engage our customers digitally even after the sale. Now, sitting under all that is the data. We realize how important that data is, so we are advancing our analytics and data analysis capabilities and grabbing data through every step of that journey. By doing this, we can better understand how to better engage our customers, convert more quotes to sales to improve our operations and post-sale support, and even feed that data to our product development team, so they can move on to the next generation of our products. Let me jump into a couple of these initiatives just a bit more.

SLIDE 31:
Let's talk about demand generation. Certainly, demand generation is a critical component for us, especially in the digital space. That doesn't mean our sales and customer service teams aren't important. They are an integral part of us working with our channel partners and then customers. But, utilizing demand generation tools, we can drive engagement, educate our customers, help them to design solutions all online and we can collect every one of those touchpoints. Every time we touch a customer through social media, or they visit our website is an opportunity for us, a lead. Those leads all get pushed down into our CRM system that we're building. That CRM system allows us, then, to nurture those leads into opportunities, move those opportunities into sales. In some cases, those leads will be serviced by our channel partner, and that's where Partner Portal comes in again, and again. I'll expand on that in a little bit.

SLIDE 32:
Moving on to Compass. As I mentioned, Compass was originally designed to be a configuration tool for crane kits and hoists, but, as we rolled it out to our channel, we realized it could be so much more. We advanced it forward and it is no longer just a simple configure price quote tool; it is a true e-commerce platform. Shown up here on the screen is the product families or a sampling of the product families that are currently available in Compass. No longer is it just configured product. It's configured product; it's what we call pre-configured product, which is configure product bought in very repetitive standard configurations; and

then, our full suite of standard products. Right now, we have nearly 7,000 standard or configured parts in Compass and that will soon be 9,000 parts as we'll be launching Compass into Germany in the coming months.

Additionally, the tool will help design 3D models. Up on the left, there is a single girder underhung crane kit. That kit was designed on Compass. In minutes, they designed the kit, they added their electrification, their trolleys, their potential intelligent motion solutions. It produces then a 3D model. That 3D model, then, can be downloaded and integrated into the channel partner or end customer's 3D model. That whole process, what used to take days, now takes, actually, minutes.

Also shown up there is a configured Lodestar and then, a freestanding work center with a Columbus wicket and hoist on it. All these tools are really enabling our channel to be more engaged with us when they want to be engaged with us. Additionally, they can take that quote and turn it into an order, and that order will flow seamlessly into our ERP systems, eliminating all that manual activity. We are really enabling our channel partners to engage with us in that digital space.

SLIDE 33:
Now, the adoption of Compass continues to grow. More than 50% of our customer base is utilizing Compass every month. With the A customers, which is a classification out of our 80-20 process, we're over 80%. In this fiscal year, we'll cross over the 40% revenue coverage or what we call our Compassable revenue, meaning products that can be purchased configured through Compass, and we are already starting to really realize the benefits from this. I've already talked about some of them from the channel partner perspective, specifically, they can quote when they want. That is often what we hear from them. We want to quote when we want to quote; we quote on the weekends, we quote at night. Well, now, we've enabled them, so they can quote whenever they want and do it in minutes. No longer is there just an hour a day. They can also then, like I said, convert those directly into orders. They press a button, put their information in and it goes right into our ERP system. That also helps us internally. No longer are we use utilizing our internal resources doing quoting or manual order entry, which allows us to redeploy our resources into more value-added activities.

There's also the analytics here or the data I talk about. We can see what they're buying, what they quote and what they don't buy. That information is very important for us to understand what is happening with our channel partners and our customers as they look at and quote products. Many times, they do a quote multiple different ways, looking at pricing, looking at lead times. We have all that analytical data to better understand what our channel partners are looking at. Ultimately, this tool now moves us further along and, to be an industry leader with our configuration capabilities, it creates a real stickiness with them, because we are so easy to do business with.

SLIDE 34:
Which brings me to Partner Portal. Columbus McKinnon, today, has multiple portals that our customers have to log into to engage with us. A lot of that is a bit of legacy through our acquisition process, but it creates a bit of a disjointed process as our customers engage us every day. If they want to look up an order, they may have to log into one portal and, if they want to place an order, they may have to look up another. That's what Partner Portal is fixing. Partner Portal is collapsing all of these different portals into a single unified portal experience. Now, it's just not moving all that functionality into a single portal. We're also taking the power of Compass and, eventually, D-Tools and rolling that up into that partner portal, so they'll be able to configure order, order management, everything they used to do in the old portals and Compass all into that single unified solution.

We're also adding some new functionality that we didn't have before. The first one I'd like to talk about is the lead integration. Earlier, when I talked about the demand generation activities and how we're tracking and managing leads, I mentioned that sometimes those leads get pushed out to our channel partners. That will be done through Partner Portal. We will push that lead to Partner Portal and have visibility on how our channel manages that lead, how they follow up on it, how they convert it to a quote and, ultimately, into an order. That lead management activity also helps our channel partner, because no longer are we just sending them an email saying, "Hey, contact this person, they contacted us." We have full visibility, and they have a tool now to better manage their lead activities.

Also, we're adding something we call case management. I think we've all seen, over the last couple of years, that we engage in the digital space first. We rarely pick up the phone and actually call anybody anymore. We just want to go to a website, go to some social media and ask a question. This two-way case management functionality that we're building out in Partner Portal will enable us to interact with our customers and our channel partners through the digital space, giving our customer service team just another tool that they can use to better engage our channel. Again, all this, Partner Portal with those configuration capabilities, in our space, truly is an industry-leading development on how to digitally engage in enable your channel.

SLIDE 35:
Moving on to our ERP business system roadmap. As I mentioned before, we are on a bit of a journey of implementing all of our facilities onto a single ERP system. We have completed 18 facilities so far. Most recently, we went live with our Künzelsau Germany facility at the beginning of May and, currently, we have an active implementation going on for our Mexico and Panama entities. Through our planning horizon here, we have additional implementations planned, which will drive us up above that 90% of our revenue on that single platform. With every implementation, we start to realize even more efficiencies through shared services, better visibility of our operations and, for the facilities that are on that system, the intercompany material flow improves vastly.

In summary, you can see how many of these external-facing digital initiatives really enable us to better engage our end customer and our channel partners, giving them the tools through Compass, D-Tools and Partner Portal to truly drive our revenue growth in a larger wallet share with them, and many of our internal activities around CRM and ERP and HRAS enable our internal teams to be more efficient and drive forward daily the charter of Columbus McKinnon.

Now, I would like to introduce Bert Brant, our Senior Vice President of Global Manufacturing Operations.



Bert Brant:
SVP Global Marketing Operations
Operational Excellence

SLIDE 36:
Thank you, Mark. Good morning. As Mark said, I'm Bert Brant. I have been the Global Operations leader for Columbus McKinnon for about four and a half years now. This past April, I actually began the 41st year of my career in operational leadership positions, including roles with Denzel Manufacturing, Emerson Electric and several companies within the Danaher Family.

SLIDE 37:
Our operational strategy continues to focus on three important areas of improvement, the overall customer experience, improving factory performance and usage of working capital. Over the past year, disruptions in the overall supply chain have forced us to add a focus on daily supply chain management to regain our pre-pandemic position on delivery. Other priorities continue to be footprint optimization, capital investment to improve our Tier one factories, and advancing our sales, inventory and operation planning process to better utilize our working capital and continue improving deliveries.

SLIDE 38:
Over the past four years, we've improved gross margin by 220 basis points, despite the COVID setback in fiscal year '21. Our plan would drive a net of 390 basis point improvement through to 40% gross margin target, which we have set forth in this planning period. The largest lever for driving this margin improvement continues to be the simplification of our product and our processes where our plants manufacture our product. This simplification also allows us to draw material savings by procuring fewer, less complex components from fewer suppliers and to better align our factory footprints to improve the utilization of both direct labor and overhead. All the levers continue to be priced and activities were needed to offset inflationary pressures and continued accretive acquisitions.

SLIDE 39:
This chart compares on-time delivery to incoming order rates in millions of dollars. Over the two years prior to COVID, you see that the team actually improved our on-time delivery from a baseline of 77% to 93%, which was something the team worked extremely hard on for the first few years to set that baseline. During COVID, we struggled to match our capacity with dropping order books and our delivery performance dropped approximately 20 points. Once we stabilized our plants and our warehouses, we quickly regained ten points of that back. You can see that, over the past 12 months, another decline in delivery performance has come, based on order rates coming back quicker than planned and a global supply chain that continues to struggle with recovery.

Constraints. We have worked very closely with our customers to better understand their needs. We are improving our communication and information flow to them and, as you can see, for the past several months, we've been at a level of historic orders. With continued improvements in communication, quick accurate information, and a continued improvement in the supply chain, we will return to our delivery levels and then continue on with a path to best-in-class delivery. We truly see the short-term setback as an opportunity to improve and get better.

SLIDE 40:
As stated earlier, our operations strategy continues to focus on reducing the cost of goods by improving our direct labor productivity through factory simplification and investing in equipment to reduce the amount of labor required, optimize your factories to reduce overhead cost per unit produced, and reduce the material cost by eliminating SKUs and consolidating vendors. These improvements are a direct result from our continued product line simplification efforts, along with new platforming work, which Mario will explain in a few minutes. The simplification process is also aiding in our regional localization process, which will allow better support and faster lead times to our customers.

SLIDE 41:
Over the past four years, the team has generated over $28 million in material savings through tactical negotiations and vendor selections. About $10 million of savings has come from VAV and strategic processes. As we all know, over the past year, inflationary pressures have eroded some of the tactical savings opportunities we see in the future. Fortunately, our strategy is to shift our focus to VAV and strategic

versus tactical. These are [inaudible] [53:52] reductions feature simplifications, which allows a sourcing team to place more business with fewer, more capable suppliers. Examples of these would be motors, controls and castings, which are areas that, today, we continue to struggle with pricing and supply issues.

SLIDE 42:
Much of our gross margin enhancement of the past four years has come from improvements in the areas of overhead and direct labor utilization, which makes up about 37% of our total cost of goods. As a total percent of COGS, we have reduced 6%, from 43 to 37, and these improvements represent about $30 million of improvements. These savings were generated by a simplification of factory footprint, better alignment of product to plants and overall consolidations. Over the next five years, we are planning another 9% reduction in labor and overhead costs to 28% of our COGS. These improvements will be facilitated by continued footprint simplification and increased capital spend on modernizing our production equipment.

SLIDE 43:
Taking a deeper look into our footprint simplification. You can see that, over the past four years, we have reduced seven factories from the baseline of 22. Three of these factories were through divestitures and four were through consolidations, and these consolidations were, again, through plant and product simplification. Through three acquisitions, we've added five factories, three in North America, one in APAC and one in Europe. We have strategic plans to reduce another four factories over the next few years, which would reduce the original 22 to 11 for 50% reduction in our baseline plants. We were in the period where a total of 16 plants globally, including the five we've added. These consolidation activities allow us to focus our resources, both human resources and capital resources, on fewer, more utilized facilities.

SLIDE 44:
As we continue consolidating our global footprint, we also plan to increase our capital expenditure as a percentage of revenue. The footprint simplification process will allow us to focus capital spend on fewer, much more utilized factories as we align product within these factories regionally and, based on complexity, we will establish what we call centers of excellence, an example being a highly engineered plant versus a plant doing a more standard product; and then, we will invest in these facilities accordingly to their set up. After a higher investment period planned for fiscal '23, we would level off to an under two and a half percent spend level going forward.

SLIDE 45:
Here are a few examples of the types of equipment we are procuring for our factories. We are replacing very manual labor-intensive machines with modern CNC equipment, which are multi-functional and also allow one operator to run various machines. Now, these technologies are not new, but we are placing these orders and bringing the equipment in as we consolidate, so we can improve utilization and, at the same time, have a much greater return on investment.

SLIDE 46:
Moving for a minute to take a look at what we're doing from working capital, as we discussed earlier, we have invested quite a bit on inventory over the past year to support our customers from a lead time delivery standpoint. In the future, we want to continue improving our ability to utilize this inventory and, as a result, have a best-in-class inventory turn and also on-time delivery process. We are projecting our inventory turns to be somewhere in the area of five turns with on-time delivery at 95% and better. To accomplish this, we've added a very experienced sales, inventory and operation planning team whose responsibility is to drive and improve the forecasting process, allowing us to better align our future requirements with the inventories we hold and supporting shorter lead times and faster deliveries. We have also invested in a software planning

tool called Demand Solutions to facilitate the forecasting and planning process between the sales and operations teams globally.

To close our brief recap, our operations strategy is a continuation of the three focal points we discussed in our last investor meeting in 2019: improving the customer experience, improving our factory performance and improving our uses of inventories. Material overhead and direct labor savings to date have generated 220 basis points of gross margin. Future strategic material savings and factory improvements, based on investing in fewer, better-utilized factories, will bridge the remaining gaps to our 4% gross margin goal which we have set for this planning period. Thank you.

I would like to introduce Mario Ramos, our Senior Vice President of Product Development and Marketing.



Mario Ramos:
SVP Global Product Development & Marketing
Innovation & Organic Growth

SLIDE 47:
Thank you, Bert. All right. Good morning, everyone. I'm very pleased to be here with you today. Just to give you a little bit of my background, I have been leading R&D product management strategy marketing functions for the past 25 years and, over the past four years, I've had the pleasure to be working here at Columbus McKinnon. Actually, June of 2018 was when I joined Columbus McKinnon. I'm very happy to be here for these four years.

SLIDE 48:
All right. Let me start with our presentation about innovation and organic growth. In this first slide, you will see that we have four major platforms in our portfolio. We have automation, lifting, linear motion and conveyance solutions. In the past, when I joined the company, our automation strategy was focused on lifting automation. Today, we are leveraging all the competencies and capabilities that we have in automation to serve all our platforms, so we're working on lifting solutions, linear motion, and conveyance solutions, and we are really taking advantage of those competencies.

Our strategic initiatives are divided into two major areas. We have product development activities, and we have commercial development activities. If you think about our strategy, the next generation platforms that we are developing in our products are really leveraging new technologies that we have, new materials that exist today that didn't exist 30 years ago when we first designed these platforms, and, by leveraging that technology, we're able now to address specific new needs in the market, number one.

Number two, we have learned from the past about what are the key features that are needed in the market and what are the things that are not relevant anymore, so we continue to advance these next generation solutions in all the different platforms that we have. The second part of our product strategy is around introducing some of these solutions into strategic vertical markets that will help us to move from a highly cyclical markets into more secular growth markets that offer additional opportunities for us to grow.

The other part is in automation. We are really now engaging all of the different platforms that we had in the past that were, I will call them, more dummy platforms into a true intelligent motion strategy, where we are leveraging our automation capabilities, including adding monitoring capabilities and diagnostic capabilities that allow us to work closely with our end users, understand how they use the product and how many times

they have to do certain activities with the product, so we can learn and, in the next generation of products, be more purposeful about what the key areas are that we need to address.

In terms of commercial development, we have been working, as well, in aligning our strategy to develop a stronger access to strategic segments that will offer us a higher growth rate over time. We are looking into how we create a pull strategy from an end user perspective, creating value specifically to end users, so they can start requesting and asking for specific solutions that we can offer.

Finally, we're advancing our digital tools, as Mark mentioned, to continue creating a better customer experience. I'm going to give you a few more details later in the presentation.

SLIDE 49:
This is a very important chart and I know it's a little bit busy, but I hope you will appreciate everything we have here. First of all, part of accelerating our organic growth and improving our returns starts with how we invest our money. How much money do we invest in innovation, R&D and product development? As you can see, we have been cautious on the initial investment, because probably if you were here four years ago when we had this same presentation, you may recall that the first step I took when I joined the company was to stop a lot of low value-added projects. After that, we had to really invest in our voice of the customer activities to understand what really creates value in the different markets that we serve. Now, as you can see in the second chart in the middle, the returns on product development have been increasing significantly during the last four years.

We started at 56% and we are at 106% today, so what is this metric? This is a metric that reflects a benchmark that Deloitte developed a few years back to distinguish between low performers, medium performance and high performance in R&D. What you can see in here is that we take our new product development profits for products that were introduced over the past three years, plus our margin expansion through VAVE activities, and we divide that by the total investment that we have in R&D in a given year. That gives us a ratio that tells you how efficient you are with your solutions developed by product development. The right-hand side is probably the most important part of this chart. When we started our journey four years back, we have in fiscal year ‘18, we reported about $4 million of incremental growth from strategic initiatives. As we down select the most critical opportunities and then we create a strong roadmap for growth, you can see in that chart that we have continuously improve our results. Last year, we achieved $31 million of incremental growth year over year, so versus prior year, so this is net incremental growth through these growth initiatives.

SLIDE 50:
I have a couple of examples of our success story before we jump into what is our plan for the future, but part of this is building the muscle and creating opportunities to really understand what the value proposition is that we have for our customers. On the left-hand side, you will see a tandem hoist. The tandem hoist is something that, in the past, we used to offer as part of our ETL, so engineer-to-order type of business, but we discovered that many customers have a lot of frustration around that, because they were not experts in the solution, so we took the task to, in fact, investigate what were the most needed solutions in the market. We created standard solutions, configurable solutions, that they can go, now, through our Compass tool and very easily say, okay, this is how much I need to lift, these are the speeds that I need and this is the level of automation that I need, and we can build packages, modular solutions that will build this tandem hoist. This can be done now in minutes, as Mark said, where, before, it would take several weeks before you could get a quote. Now, you can do it in minutes. We can have the full package of documentation ready, we can have your pricing ready, and you can place an order right there once you identify exactly what you need. The success story here is that we forecasted a certain amount of incremental sales once we implemented and

defined these new configurable solutions and, in reality, we were able to exceed that by two times. It was an amazing success. It was a great lesson learned on how we can continue to improve that experience.

The second thing that we have towards the right is our linear actuator with the Intelli-Motion that we just recently launched, and this is also another success story. We do invoice of the customer. We identify an opportunity on the rapidly expanding automation-ready market for actuators. We identify the opportunity, work with some customers and redefine how these types of products work. Not only by introducing variable speed drive control into the product, but by doing that, we were actually able to increase and be best in class in terms of our ability to serve that market with much higher ratings, and this rating is what really reflects the duty cycle. Our duty cycle is better than the competition now by having these solutions and this automation-ready product that you can program right at the point of views, make changes very quickly and create diagnostic capabilities depending on what application you have. This is a great success story. We have a lot of quotes right now, ongoing since we launched this product, and we're working with some OEMs to introduce this into their platforms.

SLIDE 51:
David introduced this chart before. This is our bridge for growth over the next five years. I'm going to be specifically explaining to you how we're going to achieve this $250 million of growth over the next five years.

SLIDE 52:
The number one thing is that our Columbus McKinnon business system has three basic principles, market-led, customer-centric and operationally excellent. This chart is covering two of those elements, our market-led and customer-centric elements. In the first column that you have here, we have developed standard processes and practices to understand the market dynamics, understand market sizes, how much they are growing and what the strategic vertical markets are where we want to focus our initiatives. We are looking at the competitive landscape and understand the competitors' moves and why they are making those moves, whether they have successes or whether they fail. How do we learn from that and how do we integrate that into our strategy?

Then, the megatrends, things are changing. Of the megatrends that we had probably three years ago, 50% of them are still valid, but another 50% are new and we need to be agile, adapt and understand what the strategic impacts are that we have in the business.

The second column actually talks about the voice of the customer focus on products and solutions. We have developed best practices where our product management team is now involved into voice of the customer activities, where we invite the strategic customers to come and be part of the design cycles and learn with them about what we need to do differently. The last part is about the customer experience. We have and are developing further tools that we will use to better understand the customer experience and continue to advance our applications, tools and engagements, facilitating things so we can be easier to do business with over time.

SLIDE 53:
As we move forward now into our roadmap for growth, there has to be intentionality about how we want to grow our business. In the past, most of our investments were in general industrial, and that's a segment that is growing pretty much at GDP levels. We are changing that by creating opportunities through new product development, as well as channel initiatives that are focused strategically on high growth secular markets that will allow us to be less cyclical over time. Our solutions or the new approaches that we are putting together in product solutions and commercial activities are aligned to these new strategic segments in industrial

automation, metals and mining, food and beverage, pharma or life sciences, e-commerce, infrastructure, and we are leveraging all of that to really unleash the potential to grow for Columbus McKinnon.

SLIDE 54:
Let me walk you through three examples of some of the activities that we are working on right now that will create a lot of opportunity for us to grow: Intelli-Connect. Many of you, I'm sure, have heard or read some of the recent product launches that we have around Intelli-Connect. Intelli-Connect is our connecting platforms that allow products to be connected where we can provide to customers diagnostic capabilities and remote monitoring capabilities. We launched this originally for our electric chain hoists a couple of months back, when we launched the first electric hoist in the world with monitoring and diagnostic capabilities. We are the first ones to implement that in this product line and we continue to advance that to our linear actuators as well as to our convenience solutions elements. As we expand these capabilities, we are focused on improving safety, productivity and uptime. Why? Because these are, the areas that customers care about and they are willing to pay for those types of solutions when you improve safety, productivity and uptime.

As we continue advancing these solutions, the next step is to continue making it easier for our customer, also to understand what spare parts they need. As we connect our products, we know exactly what the catalog number is and, if you need to replace something, let's say you need to replace a component, we know exactly how that product was built and we can tell you with one click, you can order spare parts, and you can get that in your factory right away. That's for the future and we are also going to enable enterprise asset management. This is fleet management systems for factories that have a multiple of our products and these systems have to be easily integrated to their maintenance department, so they can provide maintenance to these products.

SLIDE 55:
As we continue, our electric chain hoist 2. 0 modular platform. These products have been designed for more than 30 years and they serve a purpose in the market. With the new technologies, we can, number one, through voice of the customer, identify new opportunities that are underserved today with existing platforms. Second, each one of these platforms has a unique value proposition, but we are developing now a modular solution that will enable our ability to serve all those value propositions with a single platform and, by economies of scale, we're going to be able to also be more cost-effective. This is about profitable growth, and we believe that by addressing those specific new needs that are underserved today, we're going to be able to capture a higher degree of market share.

Now, as Bert mentioned, over the past year, we also use new product development to help us simplify our internal operations, to simplify our complexity with some of these multiple platforms that we have. Last year, we reduced about 10,000 SKUs from the existing SKUs that we have in Columbus McKinnon and this new platform will enable also a lower number of SKUs that will serve the same and even more applications in the market. This is going to help us to have better manufacturability, a standard of subassemblies that we can reduce over time and, over time, to create different modular, configurable solutions for our customers and this is how we're planning to grow in this area.

SLIDE 56:
This last example is about Aqua Proof, which was recently launched. This is our sanitary conveyor solution that we just launched a few months back. This product is very particular, because we already have a sanitary solution in the market, but this allows us to learn more from the customer and understand what the true value proposition was and where they needed additional features and help. We can identify that by creating a new solution that allows them to very easily clean these systems, because they have to clean these systems at the end of every shift, sometimes more often than that, so we create a higher level of sanitation on these

product lines, eliminating any of those elements that could eventually be difficult to clean. We also create patterns around them. We are developing a new technology and our customers are really excited about it. When they saw the first products that we were putting in front of them and showing them the new features, they were really excited. Our sales are just starting to ramp up after the launch of this product and we're very excited. We see that this is going to be growing very fast in the coming months.

SLIDE 57:
Finally, here on the commercial development side, we are developing the strategies to really have a business development team for strengthening and developing further our channel access to strategic vertical markets like pharma, food, beverages, infrastructure and warehouse automation. Beyond that, our geographic expansion is focused on where we have the right to play. We have products that can serve and feed the purpose of applications in other regions, so we have strategically selected to go to the West of the US, where we don't have as strong a presence as we have on the East Coast and the Midwest, so we're going to move some of our efforts there. We have the right products. We are getting channel access. We are signing up new channel partners in that region and we're planning to expand and grow similar to how the EMEA is expanding beyond Germany. We have very strong presence in Germany, in particular, but we're expanding beyond Germany, putting emphasis on how we grow these other markets and the Southeast Asia region. Last, but not least, our channel expansion and digital tools. As Mark mentioned, we are on a journey to continue enhancing the different digital touching points that we have with customers and, by doing so, we're also improving our customer experience, making it easier for them to do business with us, and they can see us as a true partner by creating these tools. What enabled them to really have a very easy way to configure products, select those products, create quotes and place orders and, I think, by closing that cycle, the next step is how do we serve aftermarket as Mark mentioned.

In summary, we have a very strong roadmap of product development activities and commercial activities that are going to help us unleash the potential of Columbus McKinnon to achieve our growth objectives. Thank you very much for your attention today. We're going to go to a break now. Thank you.

VIDEO:

Narrator: For nearly 150 years, Columbus McKinnon products have been trusted to lift, position, convey and secure businesses assets. Now, we're building on that foundation and transforming into the leading manufacturer of intelligent motion solutions. Our precision, high speed and highly accurate conveying solutions are expediting the supply chains of companies competing in the world's fastest-growing industries. We're combining equipment used to move materials with industry-leading control and automation software to enable faster, smarter and more efficient supply chains. The result is innovative, intelligent solutions that put real-time information at our customer's fingertips and drive unparalleled equipment interconnectivity at a time when companies are facing unprecedented supply chain challenges.

Our lifting solutions include manual, electric chain and wire rope hoists that can lift all sorts of objects that can range from less than an eighth of a ton to more than 150 tons. Our unique aluminum rail material handling solutions enable rapid assembly of vehicles, including the most anticipated electric trucks. Columbus McKinnon's Linear Motion Solutions include highly engineered actuators that can synchronously lift a train the length of a football field within tight tolerance requirements of just millimeters and elevate heavy turrets in weapon systems.

Our conveyors are accelerating e-commerce worldwide from automated mobile robot-mounted conveyors to high-speed sortation in pharmaceutical fulfillment systems. Our conveyors and accumulators increase throughput and controlled package delivery. Automated solutions are also helping the retail industry navigate the tight labor market.

In food and beverage, Columbus McKinnon products meet stringent regulatory requirements and provide solutions needed for easy cleaning, durability and ease of use. We are bringing speed, precision and quality to life sciences that meet stringent hygienic requirements and space constraints by combining the best from our past and present. Columbus McKinnon is solving the industry's toughest challenges in ways that move the world forward and improve people's lives today and into the future.



Terry Schadeberg:
President Americas
Platform Spotlight: Precision Conveyance

Slide 60:
That looked pretty good. I'm Terry Schadeberg. I was recently named President of the Americas for Columbus McKinnon. I had the pleasure for over nine years before that to be CEO of Dorner Manufacturing, so, obviously, I joined the company about a year ago through that acquisition. I've spent about 25 of the past years leading companies in the industrial automation marketplace in a high-growth environment.

What I'm here today to talk to you about, actually, is to introduce our precision conveyance platform.

Slide 61:
What I'd like to do is, first, start off with, as Columbus McKinnon started to think about expanding their core as part of their blueprint for growth, why they picked precision conveyance. I think the answer to that is actually pretty simple. There are two reasons. The first reason relates to the markets that precision conveyance plays in and then, the second, is related to the specifics of the platform that we chose to acquire.

When you think about the market, there are three great characteristics associated with it. First off, it's large, $4 billion TAM, one and a half-billion dollars SAM, right? Second, it's a growing market. It's growing, actually, at a faster rate than most other markets out there are growing. Third, it's also highly fragmented, which means there are a lot of opportunities for us for both organic and inorganic growth. Then, certainly, there's a side benefit, which is that many of the end markets that we're dealing in tend to be less cyclical than maybe some of the traditional Columbus McKinnon or industrial markets that we play in.

On the platform-specific side, what we liked about it first off is that it has a proven track record of double-digit growth for an extended period of time. We have management teams in place who know how to grow in this environment. The second thing is that our products have differentiation, most of which, by the way, are patent protected. That allows us to create higher value for our customers. Third, we combine that product differentiation with an overall value proposition that allows us to provide that overall greater value and, on top of that, provide higher than normal financial returns as a result.

Slide 62:
That's kind of the why, but the question I most often get from people is, well, what the heck is precision conveyance? Everybody knows what a conveyor is, but, when most people think about what a conveyor is, they think of a big, ugly roller conveyor in a warehouse or a distribution center that's probably moving a box from point A to point B. If you think about that and then flip it 180 degrees, that is really what precision conveyance is and what we do at Columbus McKinnon. Instead of making big conveyors, we actually make thousands and thousands of relatively small conveyors. They can be as narrow as two inches wide. They can be as short as six inches long. Instead of moving large boxes, we're typically moving individual pieces and parts, right? Something maybe as small as the lead wire to a pacemaker all the way up to, for us, a big

thing might be a £20 bag of sugar or a £40 block of cheese. That's the range we play in and, instead of really being focused on the warehouse and distribution side of businesses, we're on the other side of the wall. We actually focus on the process and packaging side of businesses. If you think about it, what we really sell is productivity and we help our customers improve productivity one of two ways, either by helping them automate processes that currently aren't automated or by improving the throughput on already automated processes.

If you think about what an automated process looks like, it's a series of OEM pieces of equipment. It might have a vision system, a robot or some other processing equipment. Eventually, it feeds into a high-speed packing machine. What's happened to each one of those pieces of equipment over the last five, 10, 15, 20 years? Their capabilities have exploded. If you think about what a robot can do today versus what it could do five years ago, much less 10 or 20 years ago, it's absolutely amazing. When you look at the throughput, the throughput used to be, well, I just look at the slowest machine within my automated line and that's going to tell me how much I'm going to get out of it, but that's not the case anymore. The limiting factor, now, is how you bring the product into, through and out of each one of those pieces of equipment, the material handling system. If I can bring that product, make sure that it shows up at the exact right place, at the exact right time and, quite frankly and just as importantly, in the exact right orientation, and I do that consistently 100% of the time, now, that vision system or that robot doesn't have to search. You can actually speed it up to be closer to its full capabilities and, as a result, get higher throughput and higher productivity out of your overall system. That's really what precision conveyance is what Columbus McKinnon does and we do it better than anybody else does in the world.

Slide 63:
What we thought we'd do if it comes up here, there we go, is show you just a little bit of a video of something that we're doing in the real world. This is actually a case where we're moving coins. We have 22 precision move conveyors that are interfacing with 13 different vision-guided robots, moving thousands and thousands of coins a day. Each one of those conveyors can index up to 100 times per second. They have a precision of plus or minus a half of a millimeter in terms of location and orientation. The great thing about this, by the way, is that all of those conveyors are standard. You can go online, and you can configure those yourself. There's no engineering involved. You can do it all online. This same application, while we're dealing with coins here, actually fits thousands and thousands and thousands of other applications that we do every single day. That's a little bit about what precision conveyance looks like.

Slide 64:
Then, what I want to do is take just a minute to talk about Garvey, our most recent acquisition. They make accumulation tables and, very often, we get a lot of questions about, well, really, what is accumulation and why do people need it? What accumulation really is? It's a tool for line balancing. You have an automated production line. They all have different capacities and capabilities. You use accumulation to balance those lines. I thought the easiest way for me to be able to describe this to you is actually to go through a real-life example. If you look at the top of the screen here, this is an example of a typical filling line. It could be bottling, but it also could be cosmetics. It could be yogurt, whatever. Start with a depalletizer, which is just taking all your containers, breaking them up, feeding them onto a conveyor, and then, they’re going to go to a filler. The filler is going to put whatever needs to go into it. From the filler, it goes to some kind of capping machine and, after it's been capped, it goes to a labeler. From the labeler, it goes to a packing machine. Pretty simple process. You'll see it in thousands and thousands of manufacturing plants all around the country.

Now, the first thing you look at, at the top above the name of each one of those machines, is the capacity of each one of those machines, its theoretical capacity. You can see they're not balanced. The packing

machine has up to 300 bottles per minute and your low end is your filling machine, which is about 180 bottles per minute. The problem is that those are the theoretical rates that you can get, but no machine actually runs at 100% efficiency. Actually, if you go to any one of those manufacturers, in their literature, they'll tell you what the real efficiency is. In this situation, which is pretty normal, the efficiencies range anywhere from 92 to 96% for each one of those machines. You might think when you look at this from a theoretical standpoint and say, oh, I can probably get 180 bottles per minute, but then, when you factor that efficiency in, you might go, Oh, I can only get 92%, because my lowest efficiency is 8%. The problem is that lack of efficiency, that downtime that's created. It's not synchronized. It happens at all different times. In reality, that efficiency loss is actually multiplicative, right? If you look at it and you follow what happens through that production line, instead of getting 180 bottles per minute or even 167 bottles per minute, which would be your low-end efficiency, you're only getting 130 bottles per minute.

Now, what you do is, insert the accumulation tables. Go to our bottom example. What we've done here is, we've actually put some type of buffering or accumulation system between each one of the pieces of equipment. What this allows you to do is build a backlog in front of each machine, so that, in this case, if the filter were to go down, you don't have to stop the depalletizer. It can continue to run, because you have a place for this product to accumulate. The same thing holds true, quite frankly, if the depalletizer goes down; you don't have to shut the filler and everything else on the line down as well. As a result, you can see, as it flows through, you actually do get the 167 bottles per minute, which is the minimum machine capacity based on its efficiency rate. You're able to drive a 28% increase in efficiency in a production line with what amounts to a relatively inexpensive investment in accumulation.

Slide 65:
Here, what we're looking at is a video of what is actually a very large accumulation table for us. There were two of them in the system, I think, a total of about $1. 2 million. We're moving our favorite clear beverage, which happens to be vodka. This is such a large table; it can actually hold six tons of vodka bottles when filled as we go along. We were actually doing two things here, by the way, accumulation and sortation. What we're doing is we're going from one filler that's running at about 310 bottles per minute and we're taking it to two labelers that are running at 210 bottles per minute. Pre-accumulation, we were getting 296 bottles per minute; post-accumulation, we were getting 343 bottles per minute running through this entire system. By the way, this system runs two shifts a day, six days a week. We were able to produce 13 million more bottles of vodka in a year as a result of this $1.2 million investment. When you think about that, do a payback analysis in your own head and go, "Hey, listen, if we make $1 profit on every one of those incremental bottles that we produce - and, by the way, with what these guys charge, they're making more than one $1 on it – imagine the payback. We're not talking about months. We're talking about weeks of a payback for these types of systems. It can be really powerful in terms of what we do.

Slide 66:
We talked a little bit about precision conveyance, what it is, and I talked a little bit about accumulation. Now, let's take a look at our overall product portfolio. This is really a big deal, because most conveyor companies, when you look out there, typically tend to make one, maybe two different types of conveyor technology. The Columbus McKinnon network has really five full platforms, plus a pretty robust aftermarket platform. What that allows us to do is provide the customer with both a full solution, but also the right solution. Now, in addition to it, which is really probably most important, is that, with our 27 active patents, we fully cover over 40% of the revenue that we drive within our sale, so it really creates a stickiness and a value for our customers.

Slide 67:
Now, we wanted to go over two different case studies for you. The first one will be more related to what would have been the traditional Dorner-style precision conveyance; and then, the next one will be on accumulation. I love this first one.

First off, just look at that. That's flipping cool. We're moving meat pies. Actually, Jamaican meat pies is what we're actually moving. The process is really super simple. You have a former and what it does is, it takes raw dough, sticks meat inside of it, and then, crimps it down to make it look like a pie. Then, it comes out on a conveyor. At this point, they used to have four employees who would manually pick these things up off the conveyor, turnaround and set them on a tray. Well, that had some problems with it. First off, think about just the repetitive motion issues, right? They were concerned from a safety issue that this was going to be a problem. The second issue with it was that employees hated this job, so there was high turnover. The third problem was that they had variances in productivity. They couldn't keep a steady flow of product going through there, because, if one of the employees was having a bad day or if they started talking about a football game or anything else, much less if they happen to be out on vacation or sick, it distracted them and your productivity would go up and go down based on that. They had a really hard time creating a steady production line. Then, finally, they also had high waste, because you're dealing with a raw meat pie, right? These guys are picking them by hand and, very often, they would create what they call bleeders, because they would break the cross; and then, by the time it gets through the cooker, all of sudden all the stuff is oozing out and it doesn't look good, and they have to throw it all away.

What we did was create a very simple system and this is truly what I love about it. This is the example of most of what we do. We always talk about our big projects, but really what we do are these very small things that solve individual problems within a plan. This is a two-conveyor system, right? All we have is on the bottom. We have this all-sanitary conveyor, so it can be washed down very easily, but we have an indexing conveyor that will deliver a new tray every 1.5 seconds. Then, on top, we have a servo-driven retractable tail conveyor, so all we're doing is pulling back and dropping those on, so we fill a tray every 1.5 seconds. Obviously, the return for the customer was great. It had an 11-month payback. First off, it eliminated almost all waste. It not only increased productivity, but it had a consistent productivity for the customer and, quite frankly, it also improved employee morale, because they no longer had to try to rotate employees through it. This is really the power of what we do and the cool things that we get to do at Columbus McKinnon in our Precision Conveyance Group.

Slide 68:
This next one is not nearly as cool but is more impactful from a customer's perspective. We put an accumulation system into a wine-producing facility. Greg, actually, I don't know why Greg travels with a bottle of wine, but Greg actually gave me one of his bottles of wine to describe this a little bit. A big challenge in accumulation is that, very often, you're dealing with products that are not easy to move. This is a reverse taper bottle, and the problem is, when you move this at speed, especially when it's full, it's going to want to tip. Now think about what happens when you have a whole bunch of bottles ramming into this, right? They're going to break. You're going to have a mess. You're going to shut down your whole production line. You're probably going to have to throw out, if not all of the conveyors, you're going to throw out all of the belting and everything that goes along with it. By the way, this was a five-machine line and the bottleneck in this situation was between the filler and the corker. I've always wanted to sell a machine that was called a corker. I don't know why, but I thought that would be really cool. Unfortunately, I can't yet, but maybe with our M&A activity, we can buy one. We put in an accumulation system. They were getting 161 bottles per minute before; after that, we got a 15 and a half percent, almost 16% increase in productivity, up to 186 bottles per minute. We added 12,000 bottles of production per shift to this. By the way, people drink a lot of wine, so with 12,000 bottles per shift, this had a payback of five weeks. Again, these are very simple things

to justify for companies to put in. It's an exciting product and we're very excited to have it as a part of our portfolio.

Slide 69:
Here's a little bit about our end markets. These are really the five primary end markets that we play in: food and beverage, life sciences, CPG, e-commerce and general industrial. There are a lot of things that we like about these end markets. First, they're very diverse, so we're not over-rotated to any one of these five, so as things change within industries or within the economy, we're not overexposed to any one. They all, as you can see, have really higher than normal growth rates, which is very exciting for us, and tend to be a little bit less cyclical than maybe your general industrial. What's really exciting for us too is that, quite frankly, many of them are still in the early stages of their automation journey. If you think about food, food is really in its infancy in terms of automation, because there has always been limiting factors that you can't get a fully hygienic robot or vision system, but that's changing now. The robotic manufacturers are developing more and more and, while we've been playing in this market for many years, we do think that, once more hygienic automation tools become available, greater automation is going to take place. In life sciences, particularly at pharma fulfillment centers, I think manufacturers have figured out that it's not very effective, both from a cost and a quality standpoint, to have pharmacists fill individuals' prescriptions by hand. You can automate that process, so that is exploding from a market perspective. Even e-commerce: we were talking this morning with someone about how you can start to see that maybe there's a little bit of headwind out there, but then, you have to think about what we really do in e-commerce. The major guys, the Honeywell's and the people like that, do the 90, 95% that goes into a warehouse and distribution center, and they do it exceptionally well. We don't play in that world, but that remaining 5% are still one-off challenges that require the level of automation and sortation that we can do for them. While maybe there's a little bit of headwind there from an overall standpoint, we are still very bullish on the future for eCommerce as a part of our market makeup going forward.

Slide 70:
Finally, I want to talk a little bit about growth and growth strategies, which are the things that I find the most fun. On this next slide, I'll give you the overview of the total six, but I want to highlight two that we think are really important as a part of what we're doing. First is a multichannel sales strategy. Back in 2016, 2017, when we were pre-Columbus McKinnon, we realized that we were heavily dominated by selling through automation and material handling distributors. They were good partners for us, but the problem is, there was a lot of white space within our market that they could not reach. In particular, we were very excited about our ability to sell through OEMs and integrators. Our name was already well known; we just needed a little bit of a change to our go-to-market strategy to take advantage of it. What's exciting is, we started to implement that and, again, it was probably back in '18 when we really fully started to implement that and, by the end of fiscal year 2022, we were able to drive that from 10% to 20% of our total sales, while distribution sales went from 60% to 41%. In that same window of time, distribution sales overall grew 50%. We're not making this shift at the expense of any category. All three categories are growing at above average rates.

The second thing is M&A. We have a really strong M&A pipeline. There are four real characteristics that we look for when we're looking at M&A candidates. First and foremost, it's always about the technology, right? If they have a technology that can drive superior value to our customers, hopefully somehow protected with IP, it's something that we're always very interested in bringing into the fold, especially if it can integrate well with their existing product lines. Second, if it can move us into some of the attractive markets that we just talked about or if they can help us take our existing products and move deeper into life sciences or food or other markets like that, we find that very interesting and exciting. We already have a somewhat robust aftermarket program within the Precision Conveyance Group, but it could be enhanced dramatically. If there's a candidate out there who can help us move forward with our aftermarket activities, we'd be very interested

there as well. We also know that far too much of our sales is located in North America, and so, we would be interested in finding someone who can help us expand our value reach. We know our value proposition is just as important, particularly, in Europe as it is in the United States, because it's all driven by labor costs and labor availability. We should be successful there. We just need a little help to get there.

Slide 71:
Those are two of the key ones that we wanted to focus on, but really what we have are six strategies that we're moving forward on.

A couple of things excite me. First off, the fact that, with six strategies, we're not dependent upon any one strategy to win or fail. Right? We have a number of irons in the fire that we're successful on. Second thing is, almost all of these growth initiatives have been underway for a period of time, so we're not just starting out and hoping. We're already seeing traction on almost every single one of them. Third thing, if you look at many of these, which is why we're excited to be part of Columbus McKinnon, is that the Columbus McKinnon Organization can help us leverage their resources to advance all of these. If you look at geographic expansion, you heard about Apollo taking over Europe and Asia. I think he can do wonders for us there. Probably the most exciting thing for me was that one of the limiting factors of our precision conveyance platform today is really the fact that we are still fairly mechanical oriented. We didn't have the electrical and the controls capabilities that were necessary and, goodness, 20 minutes from our main conveyor plant, we have a $100 million-plus controls business that we can integrate into the precision conveyance business and really multiply and grow that business.

Then, we talk about linear motion. Linear motion is an industrial automation product. With a little bit of enhancement to those products, a little bit of tweaking to them, we can start taking those from where they have been being sold through your general industrial distributors and start taking those to the automation places and really develop a robust industrial automation platform for us going forward. New product technology is also important. We've had a history of being the most innovative company in our industry, but now we're accelerating that, because we're actually leveraging resources from Mario's new product development team to be able to enhance and bring products to the market faster. We talked about multichannel sales strategy. We've also talked about high-growth sectors and M&A. We're just really excited and, by the way, M&A is also a big benefit for us, because now we have a dedicated team who can help us source and close deals. The addition of Columbus McKinnon as part of our process is really very exciting. In summary, I've given you a little bit of an overview of what precision conveyance is. I could talk about this for two days instead of 15 minutes, because I do love it, but I do think not only is having this precision conveyance going to be accelerated by being a part of Columbus McKinnon, but I also think the Precision Conveyance Group can accelerate the transformation of Columbus McKinnon itself. We're excited to be a part of it, we're really looking forward to the future, and thank you for your time. Now, I will introduce Adrian Williams, our Senior Vice President and Chief Human Resource Officer. There you go.



Adrienne Williams:
SVP & Chief Human Resources Officer
Linking Talent & Culture to Strategy

Slide 72:
Thank you, Terry. All right. Good morning. I am very glad to speak to you all today about how we are linking our people strategy to our overall Columbus McKinnon Enterprise strategy. As Terry mentioned, my name is Adrian Williams. I started with Columbus McKinnon last June. Prior to that, I had 15 years in the hospitality industry and about five years in the health care industry. When I came to Columbus McKinnon,

one of the things that I spoke with David and the rest of the team about was the amount of growth and transformation that the company was experiencing and anticipating. I knew we'd have to create different solutions to help the company meet the business need and I really wanted to lend my expertise and be a part of that transformation. Again, I'm very glad to be here.

Slide 73:
Over the last year, we spent some considerable time evolving our people talent culture framework to better align with that enterprise strategy, because, ultimately, if we want to unlock the potential of intelligent motion solutions, we have to be able to unlock the potential of our talent. David shared with you the Columbus McKinnon business system earlier and at the heart of that is our people and values. We created an HR framework that supports this Columbus McKinnon business system with five key pillars that attract, develop, engage, retain and rewarding our people. I'll go into all these in a little bit more depth.

When we talk about attract, what we really mean is we're looking for and focusing on that bench strength and getting next-generation leaders, because they won't just come from our internal talent. We're attracting top talent with the critical knowledge, skills and abilities to close those competency gaps.

For develop. We're looking at growing cross-functional leaders, giving our team members different experiences and opportunities, and providing them with stretch projects to help them grow and learn. We've also spent a lot of time focused on developing our commercial teams.

For engage and retain. What we were hearing from our teams was that they wanted more consistent and better communication. We conducted an engagement survey, which we hadn't done for quite some time, last August and we created some action planning to address what we learned. At the same time, we were still feeling the effects of the pandemic, which resulted in the great resignation, and an extremely competitive labor market. We're consistently evaluating our compensation packages and our internal pay equity to ensure we remain competitive in the market.

That leads me to rewards. We are focused on our base and incentive pay upon hire, as well as a pay for performance philosophy for established team members, to ensure that we are rewarding our top performers; and then, we also have competitive health, wellness and retirement plans. Under that, everything that we're doing, we are being very intentional about integrating newly acquired businesses into our people, culture and values framework.

Slide 74:
When we talk about attract, what we're really talking about is getting the right people into the right roles and we've identified four competency areas that we believe are going to be most needed to enable the company's transformation. For project management, as you've seen today, we have some exciting things going on in the business and we're building a project management team to help deliver solutions across the entire enterprise, focused on efficiency and effectiveness through our lean processes. Things are changing very rapidly, so it's important that we can remain nimble and lead through all these new experiences. We've hired a number of experts in our digital marketing and demand generation, and we're continuing to attract firmware, software and control engineers to continue advancing the intelligent motion solutions. Mark talked about our IT platforms, so we're looking for people that, literally, speak that language. Operationally, Bert talked about what we're experiencing there. We've hired experts in continuous improvement, supply chain sales, operations, inventory and planning, all working together to create solutions to optimize the product delivery. Terry just mentioned, with our commercial teams, we're focused on expanding those vertical markets into the food and beverage, life sciences and e-commerce. We're really tailoring our talent profiles, because what we needed 12 to 18 months ago has significantly changed to what we need today.

Slide 75:
We can't approach development as a one size fits all mentality. There are common themes throughout our talent needs, but people are individuals, so therefore, they have individual needs. We use some talent assessments, not just at the hiring process, but Caliper and our Hogan assessments, which highlight development gaps and what that does is that gives us the capability to start having those development conversations with our people day one. You'll see later in the presentation that career growth is critical to our engagement and our retention strategies, so we're really defining career progression or building individual development plans, and we're providing coaching and mentoring to support our next generation leaders. Many of us on the executive team have mentees that we're partnered with, because many companies talk about giving exposure to that next-generation leader, but they really don't give them a platform to do that. We're being very intentional about giving our people platforms for that exposure and experience.

On the leadership development side, I'm really excited about a new tiered leadership program that we're on the cusp of launching. It's a series that considers an employee's current role, as well as their experience. It's going to focus on everything from first-time supervisor training to those more established, experienced leaders, such as those competencies of leadership change, executive presence, setting expectations, and the like.

We've graduated 16 from our E-Cornell certification program and we have another five that are currently enrolled. With our succession planning, we are digging deeper into the organization to develop successors for the executive team as well as that next level down, because, if we do need that success or we want someone else ready to go that next level down, that can succeed that person. We're just looking at it more holistically and not just one layer.

Slide 76:
I mentioned earlier that we hadn't done an engagement survey for some time. It had been about seven years, so we decided to conduct an engagement survey to really understand what our people felt and thought about leadership and the company. We partnered with Workforce Science Associates, and we had a very good participation. Good participation is 70%. We reached 75% participation rates, so we feel like it's a really good representation of what our people actually think. We started developing and executing on action plans based on what we heard and what we learned. Engagement, though, is not a one-time a year thing, so on the left-hand side of that screen, you'll see just some of the other opportunities we have that we're engaging our people through. I won't drain that portion of it, but just highlight a few on onboarding. About two months ago I was reading an article that talked about how good onboarding can improve retention by 82%, but 88% of companies don't do it well. If we want to be an employer of choice, this is a way that we can differentiate ourselves in the market. We've created a cross-functional project team to update our onboarding processes.

We are investing in our people through learning and growth opportunities. We've talked a little bit about that and doing consistent ongoing communication. There's a lot going on in the organization, so we're not just talking about what's going on, but the why behind the decisions being made. Then, David talked about the new purpose statement centered around purpose in motion and the conversations we have with our management team every month on that. What that does is, it helps our employees connect what they do with the purpose of the company, and I think that's a very powerful message.

Beyond the engagement surveys on the right-hand side, everything that we're doing is going to fit more broadly into those four categories. With career growth, we're doing more on cross-training and conducting hourly performance evaluations. For work environments, some examples there would be supporting work-life

balance, flex scheduling and developing recognition activities. For our leadership, and we've talked a little bit about this, we're spending a lot of time developing our people and having effective and ongoing communication. For pay and benefits, in addition to our rewards platform, which I'll talk about in just a bit, we're aligning our vacation policies across our sites, and we've increased our shift premiums in markets where we weren't as competitive.

The results this far, we have been able to decrease our turnover from Q1 of this year to Q1 of last year by 8%.

Slide 77:
For our total rewards, we do look at that as a four-pronged platform. We have a complete health and wellness package and we're working consistently with our carriers and our vendors to ensure that we are giving solutions to our employees that they find effective. We also spend a lot of time educating our employees so they can make the best decisions regarding the appropriate level of coverage for their situations. Again, everything that we're doing here, we are focused on integrating into our new business. Dorner is fully integrated into our rewards plans and Garvey is targeted for January, because we want to make sure we're capitalizing on those costs and time efficiencies.

We also have a foundation of education with our wellness programs as well, and it's all about helping our employees understand how to take steps to improve their health. We have different health care incentives that encourage them to take action, such as getting your physical, taking the health risk assessments; and then, we enhanced our wellness plan by changing our long-term disability benefits from being 100% employee paid to 100% employer-paid, because the reality is you're going to need your disability benefits more likely than you'll use your life benefits.

It is important that we remain competitive in the marketplace, so before we post a position, we do ensure that we have up-to-date market analysis to give insight on base salary and short and long-term incentives. We have an employer-matching retirement plan and even if an employee doesn't participate, we will still contribute to their retirement account.

Then, finally, we have resources focused on HR technology. We just partnered with the IS team on launching an HR IS system that will give us access to data that we just hadn't had before. Next steps are to interface that with Power BI, so we'll be able to do some root calls analysis to help drive solutions within the business.

Slide 78:
How does all that support our enterprise strategy? We did some modeling on what we anticipate the workforce to look like by the end of the strategic plan and we're anticipating some significant shifts in resources. As we generate efficiencies and become more productive, we anticipate seeing a decrease in our employee mix for the manufacturing and professional personnel and an increase in our technical employees that's going to help drive that strategy. In Manufacturing, we anticipate moving from about 60% to 54% of the population, but those are going to be more lean technology-driven manufacturing roles versus the manual, labor-intensive resources that we have today.

For the professional employee we'll see a slight decrease there and I mentioned on one of the previous slides, we're targeting those vertical markets, digital generation technology, project management and customer-facing capabilities, and those are going to focus on increasing that product demand versus order entry.

Then finally, on the technology professionals, we are looking at hardware, software engineers, digital demand resources, and those are going to drive the growth within the organization. For that employee mix, we would be looking at 15 to 22%. As we become more effective and efficient, with the shift in employee mix, we believe we'll see about a 23% increase in sales per employee.

Slide 79:
I can't end without talking about our efforts in diversity, equity and inclusion, which support the entire HR framework. In fiscal '22, we put goals in place to support our values and to address any gaps that we were seeing in the workforce. One of our goals was to have 100% of our salary professional positions require a diverse slate of candidates and I'm happy to say that we did meet that goal. We also had a goal of 50% hires for diverse candidates. In the US, we did hit 53%; globally, we were slightly below our goal, but, of course, that's measured differently in the US versus globally. Then, we're also continuing to improve our diversity within our leadership roles.

We also can hire diverse candidates, but to truly retain that talent, our leaders need to be trained on how to lead diverse teams. We also had a goal to solve that issue as well. We provided our employees, director level and above, with a three-part DEI training series. The first two parts were instructor-led virtual, and it was all based on how to identify and mitigate unconscious bias. Then, we had a capstone training session during our leadership summit this past April on how to lead inclusive teams. We've made some really good progress over the last year in our HR framework under the pillars of attract, develop, engage, retain and reward and a lot of opportunities still remain. I'm looking forward to continuing to drive the business solutions throughout the HR functions. With that, I will introduce our CFO, Greg Rustowicz.



Greg Rustowicz:
SVP of Finance & CFO
Financial Strategy & Targets

Slide 80:
Columbus McKinnon. I've been CFO for about 11 years, and, like Bert, I have almost four decades of experience. Some people would probably say, you must be really seasoned, and I guess we are.

Slide 81:
We've seen a lot over 40 years of a work career, but I'm really excited though to talk about the transformation that Columbus McKinnon has been undergoing, the progress that we've made, as well as where we expect to end five years from now.

With that, let me launch into the presentation. In my section of the presentation, I'm going to review our financial targets, which we have set for fiscal '27, but let me begin with a review of the key financial assumptions underpinning our new targets. Our new targets have sales growing at a CAGR in excess of 10%. This is comprised of 5% organic growth and 6% inorganic growth. The organic growth is driven by our go-to-market strategy, which David has covered, as well as the strategic initiatives that Mario talked about. Inorganic growth includes acquired revenue of $325 million, including growth on that acquired revenue under CMCO ownership. We are also assuming no material changes to current market conditions. From a COGS perspective, we expect to expand gross margins to 40% with a number of key 80/20 initiatives. This includes factory footprint simplification and productivity improvements adding $30 Million to gross profit by fiscal year '27. Product line simplification, material productivity and VAVE will expand gross profit by $9 Million by fiscal year '27.

We are assuming raw material inflation normalizes and we are able to more than cover raw material inflation with price increases as we have consistently demonstrated over the last ten years. From an RSG&A perspective, we are going to be reducing our RSG&A as a percentage of sales to approximately 20% by the end of fiscal year '27. We're reflecting the cost savings from the new go-to-market structure as well as shared services from our SAP implementation driving cost savings. We also expect that additional investments in digital enablement and higher sales will improve our leverage and scale our current SG&A spend.

Slide 82:
Our new financial targets call for sales of $1.5 billion and adjusted EBITDA margins of 21%. We expect that the acquired revenue of $325 million will generate approximately 25% EBITDA margins, which will be accretive to our overall margin target. This is in line with the EBITDA margins realized on the Dorner and Garvey acquisitions. We will also improve gross margins to approximately 40%, which, as you can see, is a 400-basis point increase from where we finished fiscal year '22. We will reduce estimates of cost as a percentage of sales as we reduce structural costs, as David has covered, and leverage our SG&A spend with digital investments and scale. We expect that the depreciation add back will be about one and one-half percent of margin uplift. This will result in about $315 million of EBITDA by fiscal year '27.

Slide 83:
This slide covers our revenue bridge from fiscal '22 to the $1.5 billion revenue targets. From our FY-22 actual revenue of $907 million, we will benefit from a full year of the Garvey acquisition, which will add $18 million of revenue in fiscal year '23. That reflects eight more months of the acquisition as we closed on that deal December 1, 2021.

In addition, we expect organic revenue to grow at a CAGR of 5.3%, adding about $250 million of revenue over the five-year time frame. The acquisitions will add $325 million of revenue, which includes revenue acquired in the first year under CMCO ownership as well as the growth on that revenue over the five-year time frame. This means that the revenue on the acquisitions completed in the early years of the five-year time frame will see sales compound with both market growth and revenue synergies. We're showing a category for divestitures with nothing assumed. I do want to mention that we regularly review our business portfolio as part of our strategic planning process and, if a business is worth more to a third party than it is to us, it will be considered for divestiture. While a divestiture would impact our sales target, we would expect to use the proceeds to invest in faster growing, more profitable businesses that are aligned with our portfolio transformation. We do not believe that the divestitures would impact our 21% EBITDA margin target.

Slide 84:
This slide shows how we are going to obtain our original 19% EBITDA margin goal and then grow to 21% over the next five years. As we are all aware, the COVID-19 pandemic has impacted our ability to achieve our original 19% EBITDA margin goal. We have seen order rates and backlog at record levels, but supply chain challenges have impacted our ability to deliver. Bringing backlog down to more normal levels will give us two benefits: fixed cost absorption benefits in our factories as well as SG&A scale, which we believe will add two points to our margins. We also expect margins to go up 1% with pricing and freight recovery actions. We still have substantial backlog that does not reflect the latest market pricing in it.

Finally, with the cost actions we are taking in SG&A this year, we expect the annualized impact to result in a half a percent reduction in our cost base, and that's net of inflation on SG&A costs. This will get us to the original 19% EBITDA margin target that we set. From there, we expect that acquisitions will be accretive to EBITDA margin by about one and half points. Growth in scale will add two and a half points to our new margin target but will partially be offset by an incremental investment in new product development of about a

half a point. Factory simplification and net material productivity together will add two and half points to our target. We are also including other cost inflation assumed to be negatively impacting margins by about 4%. This excludes inflation on materials which will be offset with price increases.

Slide 85:
Now, let me take a minute to speak about our capital allocation priorities. Our capital allocation priorities are in line with what we have previously discussed. Our first priority is to fund our growth initiatives. We expect to fund growth initiatives and new product development and strategic CapEx resulting from our factory simplification plans. These growth investments will be accretive to our margin targets. In addition, programmatic M&A is part of our strategy, but we will remain disciplined in our approach to drive value creation.

From a balance sheet perspective, our net leverage increased with the Dorner and Garvey acquisitions but is currently at a manageable 2.7 times as of March 31st. We expect to manage our capital structure responsibly and, while we may increase leverage temporarily for acquisitions, we have a proven track record of delivering. We also plan to fund our US pension plans at the same level as in fiscal year '22, which is about a million and a half dollars. With our LDI or liability-driven investment approach, we were 100% funded in one of our legacy plans and about 95% funded in the other as of March 31st. We expect to terminate these plans in the near to medium term.

Lastly, we will look to return excess capital to our shareholders by adhering to our dividend policy of paying a consistent dividend that grows over time and we'll consider share repurchases opportunistically.

Slide 86:
With the strategy that we have outlined, we expect to generate substantial free cash flow. By fiscal year '27, we expect to be at a run rate of about $160 million, significantly higher than the historical free cash flow levels that we have realized. This equates to about 100% free cash flow conversion rate. From a leverage perspective, you can see that after the Stahl acquisition, which was completed in January 2017, we delivered very quickly to well below our target of two times net leverage. This speaks to the cash generation capabilities of Columbus McKinnon, one of our hallmarks. While we have recently increased net debt substantially with the Dorner and Garvey acquisitions, we are still only 2.7 times levered as of March 31st, our most recent fiscal year-end. Long-term with our programmatic M&A strategy, while net debt levels are expected to increase, we can still manage to a two times net leverage ratio over the long term. We are very confident in our ability to manage our capital structure as we have demonstrated over my tenure with the company.

Slide 87:
Finally, we thought it would make sense to show the financial progress we have made to date with our transformation. On this slide, we are comparing year-over-year sales growth, gross margin, adjusted EBITDA margin and current trading multiples with the average of two peer groups. The first group is a legacy industrial peer group that includes our direct competitors as well as other industrial companies that many of you benchmark us against. The second group is a motion control peer group that we believe should be the new comparison group. As you can see, we are outpacing both peer groups on sales growth and gross margin. We are significantly ahead of the legacy peer group on adjusted EBITDA margin and closing the gap with the motion control peer group, but still trading at a discount to this peer group. As we advance our transformation with the financial targets that we have outlined, we expect to outperform the motion control peer group.

Let me now turn it back over to David to wrap up.



David Wilson:
President & CEO
Key Takeaways: Beyond the Blueprint

Slide 88:
Great. Thank you, Greg.

Slide 89:
As we conclude our prepared remarks, I just want to recap quickly on our strategic plan and cover a few quick points as we talk about moving beyond the blueprint. We talked about our strategy.

Our strategy is to transform Columbus McKinnon from a legacy cyclical industrial company to a top-tier secular, growth-oriented, intelligent motion solutions company. We're going to do that by focusing on the strategic priorities you see outlined here. We're going to also unlock Columbus McKinnon's potential with a focus on Columbus McKinnon's business system and the great work we're doing to advance our efforts there.

Slide 90:
Leveraging the core growth framework that builds from strengthening the core to growing the core, expanding the core and re-imagining the core, and, ultimately, through that process, evolve the company in a way that transforms Columbus McKinnon into that intelligent motion solutions enterprise that's leading amongst its motion control peers.

Slide 91:
We believe that that transformation will look something like this. We've already dramatically advanced the underlying portfolio of Columbus McKinnon over the last year and we believe that, as we advance with the specific initiatives that we've talked about today, both organic and acquisitive growth, as well as our efficiency efforts and underlying enabling work, we can get to a future portfolio that looks like this and achieve those bottom-line improvements that get us to the 21% EBITDA.

Slide 92:
As you can see, these are the outcomes that we think we can achieve as we move beyond the blueprint and transform Columbus McKinnon into the global intelligent motion enterprise that we're targeting. We're going to move to $1.5 billion in revenue and $315 million in EBITDA in fiscal ‘27, evolving the enterprise to be a leader in the Intelligent Motion Solutions space and deliver $250 million of organic growth and $325 million of M&A growth.

We believe that we'll do that by leveraging improvements in our Columbus McKinnon business system, increasing our digital capabilities, as Mark Paradowski outlined, and improving stickiness and reducing risk and driving customer intimacy, as well as improving customer experience along the way. We're going to drive simplification in our factory footprint, unlocking further value through our 80/20 initiatives there and, ultimately, as Adrienne just outlined, strengthening the talent and sustainability of the organization with our investments in talent and succession planning.

With that, we're going to conclude our prepared remarks and move into a question-and-answer period. For those of you on the webcast, we will be taking about five minutes to get ourselves resituated, so if you could be patient with us, we'll be right back. Thank you.

Question & Answer

Slide 93:
Okay, great. We're going to open up the Q&A session. If someone has a question in the audience here, please feel free to ask. Sean has a microphone. We'd like to capture it so the webcast participants can hear as well, and we'll go from there. I think we have an hour scheduled and we're looking forward to taking as many questions as we can. Thanks.

Deborah Pawlowski:
I'll start with some questions that we did get through our Web audience. Are we actually seeing much in the way of on shoring of manufacturing and operations yet by our customers or is that still an expectation that has yet to really play out?

David Wilson:
Okay. Great question. I'll just take that to begin with and comment that we are absolutely seeing onshoring business or reshoring business pick up. I won't speak to specific examples and customers, but I would target an industry and say we're seeing a lot of them in the metals industry. I will also cite a few statistics. Manufacturing PMI was up again in April in the latest data that I saw, inching up from March and still above 50; and then, what we're seeing is nine out of ten export countries have PMI indexes that are up as well. Nine out of ten up there. Then manufacturing construction projects in the United States are at peak levels in the trends that I've seen going back as far as I can get the data. Looking at the latest chart I saw from the National Association of Manufacturers, construction spending was over $96 billion as of the April data, and that was up over March, and it was at a record over that period of time. What we're seeing is a lot of manufacturing, construction and capacity being brought online as PMI is high.

Deborah Pawlowski:
Another from the Web audience. Do you see warehouse and e-commerce to continue to be a strong growth vertical over the next few years? A related question on that is, does the Dorner customer mix have to change due to the overexpansion by the large e-commerce packaged delivery company that we all know?

David Wilson:
I'll start, and then I'll ask Terry if he wants to comment a little bit further. What I would say is that, yes, e-commerce is going to remain a growth vertical for us. There is a lot of demand for the e-commerce delivery activities. It's a much more efficient model to get product and goods to people than the traditional approach. There's so much business capacity for more transactional activity that will move through e-commerce, and we are seeing shifts in large customers' demand patterns at the moment as they're reassessing their strategic investments again, but we're in the early innings of what we've been doing to help build out capacity for that customer and others. This is something that we see as being a bit of a temporary change for that particular customer, but also something that speaks to the opportunity more broadly in the marketplace, where we are in a low penetration level and where we're gaining access to do more in an environment where, I think, when you look at the demand trends over the longer period of time, it's undeniable that there'll be more, not less, e-commerce execution requirements and delivery requirements. Terry, is there anything you'd add to that?

Terry Schadeberg:
No. Other than adding that thinking about what we do and how we do it, we're less dependent upon capacity expansion per se than we are in terms of going in and being able to solve specific bottleneck issues within existing facilities. Like you said that capacity reduction or constraint right now may impact the short term, but long term, I don't think it has a real impact on what we do in the e-commerce market.

David Wilson:
Thank you.

In-Room Analyst:
Maybe just to start out on organic growth, you showed a slide with market growth rates by the different verticals, I guess, you're exposed to, whether that's lifting or automation or linear, etcetera. When you weight those market growth rates by your sales, it kind of builds to like a four and a half percent type of a growth rate, which is what your organic target, I think, is.

David Wilson:
It's slightly larger than that.

In-Room Analyst:
And then, you talked about how you had underperformed, I guess, prior versus the market for a period of time for whatever reason. Is the plan to move that from underperformance to something like growing with the market, with all the organic initiatives you talked about, whether that's product development, commercial development, etcetera, and why not grow above the market?

David Wilson:
Sure. Our goal is to grow above it and we are targeting slightly above that market growth, but in our targets that we've put out there, we've hedged back that growth expectation a little from a market perspective. Those are longer-term market growth rates that we had from Mackenzie. They were published prior to any discussion of recession. We're assuming not a material adjustment in those, but we're assuming that they are hedged back a bit and we're expecting to outgrow market with our organic initiatives. If you think about that core growth framework that we outlined, when you talk about strengthening the core, which is clearly a focus as we build this foundation, we need to do that to grow with the market. That's about making sure you maintain your share of the serviceable addressable market. There's a fair chunk of what we're working on that allows us to maintain and grow with that market growth and ensure that we're targeting, but there's also a lot of opportunity to grow and expand from there. We've set targets that we think are reasonable and achievable and that's what's reflected in that $250 million and your math is exactly right as it relates to those numbers.

Greg Rustowicz:
Just to add on, so part of the -1% that we saw in that time frame, which is just a very limited time frame, was also as a result of 80/20, where we shed the bottom 25% of our customers and that costs us about 1% of revenue. I would argue that we were flatter than anything, but yet offer to in the market growing at that GDP level of a couple percent, roughly 2% over that time frame. Yeah.

David Wilson:
The assumption is a catch-up and then, getting to above-market growth.

Mario Ramos:
With our strategic growth initiative, 70% of the growth that we are projecting is in more high-growth markets or vertical markets that we've identified. Those solutions and access channel activities that we have are focused on are going to help us, of course, to be ahead of the market

In-Room Analyst:

I just want to be clear., How much cushion have you built into those long-term numbers for a recession, whether it be short or extended or deep or particularly shallow?

Greg Rustowicz:
Yes, sure. Recessions can be very tricky to predict, both the timing as well as the magnitude of it. When we talked about having current market conditions, that's assuming that we're where we are today. Depending on when and if there is a recession, when it would occur, how deep, if it was just a short-term recession in the next year, I think we could recover pretty quickly, and we would typically see almost a V-shaped recovery like we have with the pandemic-induced recession. What was different this time around was the whole supply chain constraints, because, as we talked about on our last quarter call and David's opening comments, we're booking at a $1 billion plus revenue level and we have almost $100 million more backlog in our legacy Columbus McKinnon, so, excluding the precision conveyance backlog, $100 Million more than our historical levels. It's not because customers have said, Oh, we'll put the order in, and then, we'll delay it. Basically, we just can't get the one golden widget we need to ship the product and that's really been the issue. If it's early on, I don't think it's going to have much of an impact. If you tell me that, "Hey, there is a recession in fiscal year '27, the last year of it, then, obviously, that would have a significant impact but depending on how deep."

In-Room Analyst:
Thank you. The second question for me, I was just wondering if you could describe the M&A opportunity that's out there. You have a $325 million target. Have you identified those companies that could help you get there? Is there a list of specific opportunities that you're looking for and, if there is, what is the timeline? Do you have to acquire them earlier or later in that timeframe to get there?

David Wilson:
What I would say, John, is that, yes, absolutely. We have a very active dialogue ongoing with a number of companies in the space. We participate, as we showed you, in a very large and fragmented total addressable market. When you think about the $30 billion market landscape that we narrowed the $1.8 trillion industrial automation space down to, and then, you go deeper within those areas that we're really targeting within precision actuation or precision linear motion, and then, specialty conveyors, in addition to the legacy core of our business, you can see a lot of fragmentation and opportunity. There's a very specific list of target candidates that were engaged in discussion with and those discussions that were engaged in take various forms and turns along the way. I think, as you've all experienced in your careers, as you watch how these things evolve, they're not very predictable. We're also being very thoughtful about where we are in a cycle, where we are with our decisions around capital allocation, where we are with the execution requirements we have and the backlog we have. We have a lot of opportunity in our organic runway that we need to make sure we're prepared to execute and deliver on and that's really where we're laser-focused right now, while we maintain our commitment to be programmatic with M&A in a disciplined fashion to develop and grow the business. What we want to be is in a position to act when we think we have the right opportunity, but not to be leaning too far in on that in a way that would be detrimental in a period where it might not make as much sense.

Greg Rustowicz:
To add, I talked about $325 million of acquired revenue, including revenue synergies and the growth on that, with earlier acquisitions being able to compound at the market growth rates that David's shown. The number is roughly $250 million of acquired revenue that, then, with the growth and revenue synergies, gets to the $325 million. The idea here is that this is a programmatic approach with roughly round numbers, $50 million of acquired revenue each year over the five years. It's not one deal the size of a Dorner deal, which was $485 million. These are bolt-ons that we add to our existing. Alan, maybe you can speak to what you're seeing today in the marketplace from a multiples perspective.

Alan Korman:
Sure. To add on to what David and Greg mentioned, I would say that, as part of our Columbus McKinnon business system, we do have a very strong cadence around our M&A process and procedure with defined criteria that we use against screening a very active funnel of opportunities. We continue to see these opportunities regularly. We're, obviously, looking for the right company with the right fit and, based on opportunities around areas that we talked about in terms of precision, conveyance and linear motion, we're constantly looking in those areas and, when the right deal comes around, then we'll be in the market to talk about it.

In-Room Analyst:
Thank you for the presentation and all the details. I wanted to go back to the precision conveyance multichannel model and just get a little more color there. There are multiple ways to go to market through an integrator, distributor or direct sale. I just wanted to kind of gauge whether the integrator distributor is an entry into a part of the market and then, the direct sale is a larger existing relationship; and really taking this to the next level, do you eventually move up that scale to that direct sell model to capture a greater portion of the parts and aftermarket content or any major variation between those customer types?

David Wilson:
Terry, let me just say a couple of things and then ask you to fill it in. We have an opportunity, I personally believe, to expand our reach to our end-user community, the people who use our products. We are very pleased with the work that we do with our distribution channel partners and, we believe, that we can grow further with them, as Terry demonstrated that he did even when he went with a multichannel strategy. As the channel activity that he was managing shrunk as a percentage of his total between, I think it was, 2016 and 2022, he actually grew it. Yes, it went from 60% to 41% between ‘16 and ‘22, but actually that 41% represented 50% more absolute dollars going through that channel than we had in 2016; yet it was 20% less of the total. We believe there's a big market out there for us to access and we believe that we can advance through multi-channels to be successful at expanding our share of that total market. Terry, I'll let you talk about what you're thinking there.

Terry Schadeberg:
I think that, when you think about those different activities, typically, if it's a direct end-user opportunity, it's because we're able to provide the entire solution. Where the integrator and the OEM come into play and, at times, a distributor is when the solution involves conveyance, but it also involves robotics or multiple other applications that, quite frankly, we don't want to go down that approach, because the margin profile of an integrator is significantly less than a margin profile of a machine manufacturer. That's where we see the OEM and the integrator being very valuable to us as we go along.

Now, getting that direct end-user control, though, that's really where our marketing department and our sales activity come into play, so that, yes, you are selling to and through the OEM or the integrator or, quite frankly, even the distributor, but you're building and maintaining relationships at the end-user, so they're driving preference for your product that, then, obviously, allows you to maintain greater control and pricing and everything that goes along with that. I think the direct-to-end user touch is there no matter what channel we go through, whether we do that through our marketing activities or whether we do that through our sales activities.

David Wilson:
Just to add, that gets back to the demand generation initiatives that we have underway through our digital processes that Mark talked about earlier too.

In-Room Analyst:
Great. Just as a follow-up, so this has been a quite a journey. I believe you shed three or four businesses with negative or no earnings as a PE [2:34:30] implementation, more facility rationalizations. I was just trying to gauge the level of disruption potentially or heavy lifting relative to the prior actions versus the current ones; and then; within that four facility rationalization, assuming that's all organic or if you bring on new businesses, does that number go up, down, better gross margins so you can keep those facilities intact? Any color around those kinds of anecdotes?

David Wilson:
Mike, what we've done is, we've identified the critical initiatives to execute on this strategy and the project-oriented heavy lifts associated with that; and then, we've mapped them out from a timeline perspective, looked at where those phase and thought about the resources that need to be allocated to working through those activities, because we are concerned about the same thing. We're going to be very mindful about what's happening in the macro environment at the same time that we're working to advance all of these activities, but the resource capacity is well thought through as we think about who needs to work on what to be able to achieve those actions that are outlined in the strategy. I'd love to hear from the management team relative to the prior heavy lifts, because I certainly didn't live through them previously, but I would say that what we have to do to execute on this next five years is manageable within the framework that we've outlined. It is not inclusive of M&A in terms of footprint additions. Those would be incremental and potentially change that framework that Bert outlined. I think that we believe we're confident that we can execute on that to be able to deliver the results that we're talking about. Greg or any of the others.

Greg Rustowicz:
To the earlier part of your question, the divestitures were relatively easy. I mean, it was corporate development finance lawyers involved in that, so that wasn't hard. The hard part, and Bert will comment on it, is when we went to simplify our existing footprint. Two of them were relatively easy, because one, we had two in China that were very close together, with the same management team, so putting those together went actually very well. Another one was relatively small. It was in France and that went to Germany. We handled that okay. The two Ohio closures, the first one and, I think, the second one, proved to be more challenging. The second one was because it was right at the beginning of COVID when we were in the process of moving, so that actually created some challenges for us from a consolidation perspective. I would mention, and Bert can comment on it, that, as we look at the $30 million of savings coming from simplification and the net reduction of four factories, that is going to be the number in the last year of the plan. It's not like it's going to be spread evenly. It is going to start small and ramp-up to the $30 million by the last year, because we're starting with the smaller, simpler ones first before we move to the more complex ones, but the good news is, it's not the first time that Bert and his team have consolidated factories. You want to jump in?

Bert Brant:
I think the one-piece, as David talked about, is, as we build our CMBS process and also our PMO office, we're adding those to a process. We've actually just recruited a PMO expert to help us with the process to be more thoughtful, so we're bringing more team members on to add more of the hard processes as we continue to grow. As Greg said, no one wants to close a facility during COVID. I can tell you that's a pretty difficult situation. The model learning we took away from that is what's going to help us be better going forward.

Greg Rustowicz:
There's just one other point. There's a couple of enablers to doing this well. One Mario owns and that's the product platforming. It's absolutely critical that that gets taken care of. The other one, Mark Paradowski has on the IT side. You don't want to move into a new facility on an old system, right? SAP has to be

implemented in the factories that are going to be moving and we also have to simplify the product mix, because the one thing we did learn is, while you have your bills and materials and your bombs on paper, what actually happens is maybe slightly different and that's where you can run amuck, where the operators say, well, it doesn't exactly work that way. I'm going to change the dial on the machine to this, because I know that this will get me the whatever the specification is and, if that's not written down, when you go to make that handoff, that's where you really see the problem show up.

David Wilson:
Right. Just to come back to that quickly, under CMBS, we have playbooks around how we would handle this kind of work and that includes sending and receiving teams and that includes work that's done in advance of stage gates that need to be done, validation of routing, validation of bills of materials, validation of steps in the process, validation of supply chain capability to support whatever the change might be and, to the point that Greg made earlier, we found ourselves in a position where we weren't able to validate all of that in the latest move that happened during the pandemic. On a go forward basis, you can rest assured that we're going to have a disciplined process around how that happens, and we're going to make sure that we execute the playbook to ensure that it's done, and it's done responsibly. The other thing that you can also count on is that, if we have to pump the brakes, we're going to pump the brakes. We're going to be mindful of what's happening in the environment and make the right decisions for the enterprise, evaluating priorities and determining what the right answers are in a dynamic environment.

In-Room Analyst:
I have just a couple of questions. First, can you talk about the aftermarket opportunity in legacy lifting versus conveyance as we think about parts, service and monitoring, and how you think about the criticality of recurring revenues? And then, I have a follow-up.

David Wilson:
It's a great question and we think of it as being highly critical and it represents too small a portion of the business. Within the legacy lifting business, it's in the low double digits 10% to 15% and that portion of the business we think should be pushing up on double that size. We have done some things recently with technology that we're excited about that we think can give us more customer intimacy and get us more visibility into the aftermarket product requirement needs. Mario talked about our intelligent motion solutions and our Intelli-Connect remote monitoring solutions. With our legacy Columbus McKinnon cranes and hoists, we now have the ability to understand usage, understand wear parts, understand fault codes, understand lifting loads, all remotely for us and for our channel partners. We can do that for one unit or multiple units and, if you're someone who manages a region as a channel partner or as a salesperson or as a business leader, you can look at that portfolio of installed base and understand where there are issues, where there's a service requirement, where there's a risk, where someone's at an end of life state and really start to push that service and aftermarket solution in a way that actually engages the channel to support you, because they are getting the same visibility. It's not that you're working around an existing partner, you're working in concert with that partner to make sure that you can provide the solution and grow that piece of the business by providing value-added solutions to the end-user as well as the channel partners. I'm excited about that and, I think, Matt, that we can do a better job. We're also, as we talked about as we consider M&A opportunities, thinking about recurring revenue and aftermarket to not only improve the cycle attributes of the business, but to just build in that base of customer connectedness that leads to perhaps that next OEM sale opportunity as well.

In-Room Analyst:
Got it. Then, as a follow-up, can you maybe walk through a little bit more of the detail? I apologize. I can't remember who gave the presentation, but it was talking about how, from 2018 to 2022, you reduced labor

and overhead by six percentage points and now, for the go-forward planning period, I think the number is 900, which is an acceleration. What is actually driving that acceleration?

David Wilson:
Bert, do you want to take that?

Bert Brant:
Sure. A lot is what we just spoke of, the continued consolidation processes and, you remember, we also talked about, in the past few years, we minimized capital spend, because we needed to get these facilities somewhat centralized and, now, as we invest in those new facilities, we'll take a lot of labor out as we put it into equipment. It's really a combination of the leverage you get from more volume and the increase in technology it allows to become more productive. That's the biggest piece of what we continue to say day to day improvements on material savings, productivity, and just really taking a hard look at the overhead cost and making sure we're being very thoughtful about where we spend those dollars.

Deborah Pawlowski:
There's a number of questions still from the Web. Considering the $250 million of incremental revenue attributable to organic growth, how would you characterize the different scenarios or challenges across the strategic vertical markets or the risk-reward scenarios, which offers lower barriers to gaining market share, more fragmentation, and which would require a more inorganic assessment to gain market share? I think just some granularity regarding the various vertical markets for growth.

David Wilson:
I'll start and then, maybe, Mario, I can pitch it up to you. We've been very deliberate about where we're trying to grow the business organically. As we said, we're going to be market-led as a company. That's one of the underpinnings of the business system; we start there. We look at where we want to grow for very deliberate reasons and we're managing organic and inorganic activities to try to target those specific markets. The areas where we have most channel coverage or most historic success, obviously, are easier for us to access organically, but we also, through our acquisition of Dorner and Garvey, now have a broader reach for products that haven't necessarily been successful in certain markets. Terry referenced earlier the linear motion products we have, the actuation products we have that are very specific to automation requirements to conveying solutions or advanced industrial technology needs. With slight modifications to the portfolio, we can be very successful with those products and those markets. There are some barriers to entry, but they're not insurmountable and what we've done is, we factored that into the organic growth plans that we've put together for this five-year strategy. What you saw in Mario's chart was a trajectory of growth that started on the left-hand side with our legacy industrial markets and then, moved to the right. The biggest chunk of growth individually in an individual market logically came from the industrial markets, because we have a bigger base there and so that organic ratio of growth on that bigger base is going to result in more absolute dollars, but, on a percentage basis, we're growing faster and more deliberately in the targeted markets that are faster growing like life sciences and food and beverage and pharmaceuticals and electric vehicles and so forth. Mario, maybe you can comment a little further.

Mario Ramos:
Yes, absolutely. As David mentioned, we spent a lot of time on the market-led, customer-centric type of approach. We identified those markets that are growing fast, but we also identified what is our right to play, meaning how much access do we have in those channels? What type of products do we already have playing in those channels? How can we extend our solutions and expand our market share reach or our market reach in those areas? As we were developing those exercises, then, we identify about 100 different opportunities within our framework, and then, we have to deselect and really look into what are those high

growth, really less risk type of opportunities. By leveraging our current footprint, the access that we have in the strategic regions as well as channels, we are going to be able to really penetrate these markets with the new solutions that we're going to prepare. That's how we're planning to achieve that, minimizing the risk in one hand and optimizing the investment on the other hand that we have on these strategic vertical markets.

In-Room Analyst:
One thing that jumped out to me, I think, in the presentation and we talked about this earlier, was the degree of gross margin improvement you expect when you look at how the underlying business has performed since 2018, I think it was a 34-ish% type of a gross margin. This past year, probably, if you exclude Dorner and Garvey, you maybe got to 35% gross margin and you had all of these initiatives in place over those years. You took down facilities, you simplified product line, you had material productivity, savings, etcetera. I'm just curious, what were the offsets over that period? Because I'm sure there were offsets. Maybe inflation is one of them, and then, what gives you confidence with these initiatives in play that you will get 400 basis points over this planned period?

David Wilson:
I think a lot of what has to be understood as we talk about that expansion is the fixed factory costs that exist in the footprint of our portfolio today and the leverage you get on the volume. The legacy portion of the business is still running in what we've delivered in revenue behind pre-COVID levels. Although our order rates have gotten back to pre-COVID levels, our shipment rates have not gotten back to pre-COVID levels as it relates to that legacy portion of the business. That's the challenge, because when you don't produce at levels that are that high in those factories, some of the fixed cost absorption challenges you have in those factories erode that gross margin. There's that erosion, then there's clearly an inflationary aspect that has hit us and we've gone after price, but when you increase price and cost at the same rate, you erode margin as a percentage. I think those are the two primary headwinds that I would speak to.

What you saw in Greg's bridge that bridges us back to the 19% is that, simply by tackling that backlog and being in a position to execute with the support of the supply chain, which is why that is such a variable for us in getting back to that level or to the level that we've targeted at 19%, is that unleashing that backlog, getting it through our factories, getting the absorption, getting the benefits of that activity, we believe we have about 200 basis points of expansion; and then, on top of that, we've done work around price already and, on top of that, we have the actions we're implementing as we speak around the new go-to-market model and the regional realignment, which we believe adds on the SG&A side to the bottom line returns. We believe we have a nice gross margin trajectory with the first couple of items and then, on the second, we believe that we have an EBITDA expansion to the 19%.

Greg Rustowicz:
Maybe just to add on, so in Q2 and Q3 and Q3 is typically our seasonally worst quarter just because of shipping days, we had record gross margins in those quarters. Now, granted, that was with Garvey and the Dorner acquisitions or one month of Garvey in the December quarter. It's not that much of a stretch to say, hey, you're almost at that 37% rate. Now, we all know that supply chain challenges have really impacted our ability to deliver and have created inefficiencies in our factory operations. The point, though, I would add, is the legacy gross margins for the entire year were 35%. They didn't go down, they went up from the previous year and we see that there are opportunities, because a good bit of the consolidation and simplification that is going to take place is going to be on the legacy side of the business.

In-Room Analyst:
That makes a ton of sense. Thanks for the extra color. Then as a follow up, can you help us frame when you expect to get to that 19% now? You said not this year, I think, but is there a time frame you have in mind for when you might hit that initial bogey?

David Wilson:
Sure. We have a management plan that, with the ability to execute on our backlog and our supply chain, gets us to that level at the exit point of this year, but we don't believe at this point, based on everything we know, that that still holds, if you will. It really is dependent on the ability for that supply chain to begin to flow again. If that does happen, we could see that happening in fiscal '24, probably calendar year 2023, but, at this point, we don't see that happening in this year, given the dynamics that are in the marketplace. Again, I want to emphasize what we're focused on is our own ability to control what we can control, and we have a management plan. We're executing on actions that we know are driving a healthier backlog, that are driving additional costs out of the system, that are giving us greater degrees of freedom as it relates to being prepared if there is a recession, to advance even further with our recession actions, planning actions. We feel very good about that being able to happen in the near term once we get out of the constraint period that we're in relative to the supply chain. Yes, Mike.

In-Room Analyst:
I just want to go back to the pricing commentary. One of the slides had pricing to 2% inflation long term and I think we just came off a quarter of four and a half percent price. I just want to get some color on the timing versus front end versus back end. How you're managing that and is there's another step up or 450 bps right now seems to be where we should be?

Greg Rustowicz:
Are you referring to the EBITDA margin bridge where we showed pricing and freight recovery adding one point of margin to get to the 19%?

In-Room Analyst:
Yeah, that might be it.

Greg Rustowicz:
It's basically adding one point to the overall target and that's really, as I talked about in my commentary, we instituted significant price increases last year and this year and we've had to, just given what we've seen with material inflation going up substantially, so our backlog isn't at current pricing. That needs to get flushed out and, once it does and assuming that raw material or material inflation moderates and doesn't have the volatility that it has, our pricing will catch up. That's where we're going to see that incremental one point impact on EBITDA margins, but it's not a 1% price increase.

In-Room Analyst:
Understood. Then, regarding the automation investments and for the incremental labor overhead savings, I'm just trying to understand if, near term, there is an SG&A for CapEx swap happening and, with that CapEx investment, how front end loaded? Are there recurring items, because, historically, during the last four years, you've been running less than 2% of CapEx sales. Now, you're trending closer to 3%. I'm just trying to figure out how transitory that is.

Greg Rustowicz:
Yeah. The current CapEx guidance is $30 Million for fiscal year '23 and, you're right, it's more than double what it was last year, and it's largely tied to one primary item and a secondary item. The primary item is the

simplification efforts. You saw the chart that Bert showed on a number of the machining pieces of equipment that we are in the process of buying as part of our simplification efforts. That's the single largest part. The secondary part is, there are several million dollars and, Bert had it in his chart, I think it was a $3 million number for IT initiatives, the SAP implementations, the CRM's, all of the items that Mark Paradowski presented, but there is a pie chart in the presentation that breaks down the CapEx.

David Wilson:
I would just add that the investments in those pieces of equipment, when you think about it and if you've had experience or all the touch points you have in manufacturing environments, you understand this moving from manual CNC equipment or manual lathes to multi-axis, fully automated machining tools drives a tremendous amount of productivity improvement and capacity increases and the labor savings and that, coupled with the ability to leverage that investment in a machining center across multiple facilities, allows you to really drive benefit that's material to the business. Those investments are necessary now, but I do think that, as we go forward, with what Greg has modeled in his cash flow model and the way that we invest, is a level of CapEx that's slightly above those historic levels.

Greg Rustowicz:
The other part I would add on is, much like we have seen material constraints, we are also seeing CapEx constraints too. There is equipment that has been ordered that was expected to be received in fiscal year '22, that is six months delayed, three months delayed. I don't know if there's anything else, Bert, that you want to add to that.

Bert Brant:
I think that's right. There's a lot of capital equipment that is delayed, but, again, the beauty of it is consolidation on top of the spending at capital money. The timing is perfect and that's where a lot of the savings come from.

Deborah Pawlowski:
Let me just take another question from the Web audience. What is the optimal global revenue mix for conveyance systems? How quickly can you grow that business organically in international markets, or would an acquisition make global expansion easier?

David Wilson:
That business today, and Terry chime in here, is roughly 85% North American or US centric. You may have even closer to 90% US. We have a small piece of business in Europe, roughly call it 5%, a small piece of business in Latin America and Mexico, call it 5%, and then, a small piece of business in Malaysia, call it another 5%. That business is spread out in a way where we have a penetration into global markets, but a very small penetration into those markets. If you think about, as Terry said earlier, the size of the global markets for these products, Europe, you could argue, is every bit as big as America, perhaps even bigger. You could easily say that we should be as big there as we are here; and then, Asia should be even larger than that. So, I think an ideal distribution for that business would be weighted such that America might be the smaller piece of it, and you have a global presence that's considerably larger. We have opportunities to grow that business organically that we are actively pursuing. We have scale and reach outside of Terry's business that we're leveraging, but we also have great opportunity as we look at the M&A landscape to continue to develop and grow that business through M&A actions globally. I'll let Terry add to those comments.
Terry Schadeberg: Great answer. Nothing to elaborate.

David Wilson:
Great. Thanks.

In-Room Analyst:
I have two more questions. The first one, with your plans to consolidate facilities as well as your suppliers, as you simplify your SKUs, how much resiliency are you actually building into your network after we've seen two and half years of really tight supply chains, shipping, freight, logistics, disasters, basically? Are you trying to run a leaner model or is there still going to be flexibility, redundancy to be able to respond to challenges like we've seen in these last couple of years?

David Wilson:
I'll start and then, maybe, Bert, you finish. We're very deliberate about product line simplification, not only because we have too much complexity in the current portfolio, but also because of the fragmentation that drives in our supply chain and the lack of leverage that we have with vendors, because we're buying one Z of this and two Z of that and it's difficult to really get scale and leverage and influence with the network of vendor partners. That's a deliberate set of actions that you mentioned we can leverage to drive resiliency and improve resiliency, which is absolutely a focus of what we're doing. The same is true as we concentrate in our own footprint and make sure that we're in geographies that enable us to have longer term confidence in the availability of labor resources, the availability of the best talent, the availability to have scale and create an attractive environment to recruit into with the best equipment and so forth. We are being thoughtful about how we're investing, why we're investing and the sustainability of what we're doing over the long term, despite what might happen with cycles or challenges that are introduced, just like we're facing right now. Bert, is there something that you like to add?

Bert Brant:
I think, as Dave says, two things… One is leverage and that's the big game for us, but the other is, we're using this opportunity with the new regional structure to in-source that product in region for regions. In the Americas, we want to be procuring movers. In Europe and Asia-Pac, we want to have a local more localized route. Can we use that opportunity simplification plus the new structure to really allow us to do this? Those two-working hand in hand is really where that process will give us the benefits.

In-Room Analyst:
Okay. Great. Then the second question, just a simple one for Greg. How much of that 5% organic CAGR, that annual, is price?

Greg Rustowicz:
The assumption is, is that pricing will be moderated, that it won't be at the current levels where we have gone out with multiple price increases, darn near double-digit; and so, it's in that 1% to 2% range, but, in essence, we're getting enough price to not have margin degradation. It's not about that we're just covering material inflation, but we're covering more than it so our margins aren't impacted negatively, but the assumption is a relatively small number.

Deborah Pawlowski:
One more question here from the Web audience. Within conveying solutions, if we consider your market position, value proposition and customer payback, can you talk about the consolidation of these factors in developing an appropriate pricing strategy in the current market towards a customer or within a specific end market? As we think of a loosening of the supply chain challenges, how do you anticipate this dynamic to positively impact demand for your products as more products flow through the customer material handling process?

David Wilson:
Interesting. Terry, do you want to take a run at that?

Terry Schadeberg:
Yes, absolutely. I'll answer the second one first, because I may need clarification on the first one. Certainly, we have seen that supply chain has had a dampening impact on demand for our product currently, not because there's a lack of demand, it's just that the lead time to get the equipment that we're interfacing with has gotten so long that they don't need the conveyors for a little bit longer. That's had a bit of a dampening impact on us and, certainly, as that starts to free up, we expect this to flow and restore a more normalized flow of activity. On the first question, can you elaborate on that just a little bit or reread it for me?

Deborah Pawlowski:
Oh, I'll translate. The question really is related to the very quick paybacks that you're able to achieve for your customers, so then, from a pricing strategy perspective, with the value proposition we're providing, are we pricing for it?

Terry Schadeberg:
That's a good question. It's a great question, actually, and there are always opportunities to become more sophisticated in our pricing activities. I would say that, in many cases, we do get it, but, in many cases, we don't. Sometimes, that's just a factor of our path to market, which is why direct path to market is better, because you have more control over that versus an OEM or an integrator or even a distributor who's taken advantage of the value you're creating, but dampening maybe a little bit of the price that you can get for it. There are certainly opportunities for price improvement within our businesses and, as we continue to move forward with product development, I think we can enhance that even more.

Deborah Pawlowski:
Are there any more questions from the audience?

In-Room Analyst:
I think I was asking you about this earlier, and you might have gotten a number on just the restructuring you expect over the planned period for the actions that you are taking in manufacturing or headcount or whatever.

Greg Rustowicz:
From a factory simplification perspective, it's going to be roughly $8 million and, from an SG&A perspective, it's just under a one-year payback. It's just under probably $8 million, as well as $7 million or $8 million.

In-Room Analyst:
$8 million for the factory stuff you said.

Greg Rustowicz:
Yes, because the go-to-market savings are closer to $10 million of savings.

David Wilson:
I think what you're saying, Greg, is, in total, it would be the combined number and that's over the plan period based on the cost that we've included to extract.

Greg Rustowicz:
So, it's not all fiscal ‘23.

David Wilson:
That's what's included in the five-year frame to take out the costs that we've identified from a human resource perspective, restructuring perspective

In-Room Analyst:
Got it. Okay. Thank you.

Deborah Pawlowski:
Anyone else?

David Wilson:
Did we answer all the online questions, Deb?

Deborah Pawlowski:
Yes, we have.

David Wilson:
Okay, great. Well, I certainly appreciate everyone's attention today and what I hope is an increasing level of interest in Columbus McKinnon. We were thrilled to be here with you. We're really excited about the future we're creating. I'd like to end the way I started, which is basically to thank my team and tell them how proud I am of them for the great work that they're doing. We're making great changes within what is a terrific foundation and a business that we think has tremendous transformation capabilities. We've significantly advanced the Columbus McKinnon strategic framework. We transformed the business through two transformative acquisitions. We also built a stronger, more agile business, as we talked about, in the process. Now, we're accelerating that transformation and I'm confident that we'll successfully execute on our strategy while leveraging our strategic framework to substantially advance the underlying portfolio and achieve our long-term financial plans. I want to wish you all a safe trip home and I appreciate your attendance and questions, both here and online. We look forward to seeing you all very soon. Thanks.

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