Operator: Greetings, and welcome to the Columbus McKinnon Corporation First Quarter Fiscal Year 2022 Financial Results Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Deborah Pawlowski, Investor Relations. Please go ahead.

Deborah Pawlowski: Thanks, Carrie, and good morning, everyone. We certainly appreciate your time today and your interest in Columbus McKinnon. Here with me are David Wilson, our President and CEO, and Greg Rustowicz, our Chief Financial Officer.

You should have a copy of the first quarter fiscal 2022 financial results, which we released this morning before market. If not, you can access the release as well as the slides that will accompany our conversation today at our website, www.columbusmckinnon.com.

After our formal presentation, we will be opening the line for Q&A. We kindly ask that you ask only one question with a follow-up question, and then please get back in the queue to allow for continuous flow and adequate time.

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

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

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

David Wilson: Thanks, Deb, and hello everyone.

We have a lot of good things to discuss today. We started fiscal 2022 on an exciting note with the closing of Dorner, the largest acquisition in the Company's history. Our Blueprint for Growth 2.0 strategy has clearly defined our path forward and the Columbus McKinnon Business System, or CMBS as we refer to it, is driving our execution.

We delivered 24% organic growth in the quarter with record adjusted gross margin and we ended the quarter with record backlog, as all of our markets are demonstrating strong demand.

We acquired Dorner on April 7th and its performance in the quarter exceeded our expectations. Dorner adds precision conveying systems, expanding our intelligent motion solutions for material handling. Additionally, it serves markets with secular trends that are demonstrating strength, such as e-commerce, food processing and life sciences.

We had sales of about $213 million in the quarter including $34 million from Dorner. Lifting revenue, which represents our organic or legacy business, was $179 million and we are

trending toward our pre-pandemic quarterly sales levels of around $200 to $210 million. We are optimistic about current trends, customer demand and our market position.

Demand came from all markets, but was especially encouraging in the heavy industrial, offshore oil & gas production, e-commerce and entertainment markets.

We believe that we are gaining ground as these markets recover with our recently launched products, including our integrated Crane Kits, Utility Lever Hoist, AquaGard and Edge-Roller Technology Conveyors as well as the expansion of our Compass CPQ tool.

I should note that our sales performance in the quarter would have been approximately $5 to $10 million better had it not been for challenges within the supply chain and labor shortages. It has been a constant battle to match available components, such as motors and electrical components, with production schedules to produce complete orders and service our ongoing demand. This has required us to juggle resources, balance loads and manage our production lines with a high degree of agility. Fortunately, we are making progress with our recruiting efforts, and we are systematically building select inventory and committed supplier capacity to buffer further impacts in the supply chain.

Despite these challenges, our first quarter margins improved nicely. Dorner's accretive margin profile elevated gross margins by 80 basis points to a record adjusted gross margin of 36.3%. Adjusted operating margin was 11.1%, a full point higher than the trailing fourth quarter, and adjusted EBITDA margin expanded 210 basis points to 16% compared with the fourth quarter.

We have many initiatives underway to drive our 2.0 strategy and deliver outsized growth. To ensure that we execute successfully, we are enhancing CMBS, establishing enterprise-wide standards and discipline for processes, accountability, and scalability.

Turning to **Slide 4**, I am pleased to report that we published our inaugural Corporate Social Responsibility Report in June. This was an extensive enterprise initiative that prioritized the material factors that were most relevant to both our business and our stakeholders. We organized our report in compliance with GRI Core Standards and aligned our priorities with the relevant UN Sustainable Development Goals. We have established metrics around several key factors, such as employee health & safety, training and leadership development and diversity and inclusion. We have also identified environmental sustainability targets around energy consumption, emissions and waste reduction. We have established Green Teams at each global operation and are encouraged with the level of engagement within the organization. These initiatives and metrics are integrated into our business at every level.

You can see our priorities by category on this slide and I hope you take the time to review our report, which can be found on the home page of our website.

Turning to **Slide 5**, we announced earlier this week the launch of Intelli-Connect Mobile+, which further advances our Intelli-product offerings with even greater intelligence and information management for our customers. Intelli-Connect Mobile+ provides an intelligent solution that targets the secular drivers of automation, digitization and the Internet of Things.

A direct secured wi-fi connection between your mobile device and our products provides access to the tracking and data feature sets that enable informed decision-making regarding production processes and maintenance requirements. This offering will increase our direct to end-user

access, improve the customer experience and drive pull-through equipment and aftermarket revenue for Columbus McKinnon.

The capabilities of our intelligent products for lifting also apply to conveying. We are sharing our technology, talents and skills across the organization to identify further opportunities to create compelling offerings for our customers.

Looking more broadly, new products introduced by Columbus McKinnon within the last three years, or our N-3 revenue for the quarter, grew 19% year over year.

With that, I'll hand it over to Greg. Greg?

Greg Rustowicz: Thank you, David, and good morning, everyone.

On **Slide 6**, net sales in the first quarter were $213.5 million, up 53.5% from a year ago, which was the quarter most heavily impacted by the pandemic. This sales level was near the mid-point of our guidance for first quarter revenue of approximately $212 million to $217 million. While we continue to see demand improving sequentially, like many other industrial companies, we experienced supply chain delays which impacted revenue levels in the quarter. This was also the first quarter that the Dorner acquisition is included in our results.

As David mentioned, Dorner exceeded our expectations, delivering over $34 million of revenue in a truncated quarter, given that we closed the acquisition on April 7. Looking at our sales bridge, sales volume was up $31 million, or 22.5%. We also realized positive pricing as we saw year over year pricing improve by 1.4%. Foreign currency remains a tailwind and increased sales by 5% or $6.9 million.

Let me provide a little color on sales by region. For the first quarter, we saw sales volume increase in the U.S. by nearly 28%. We realized 90 basis points of pricing. As a reminder, we have not yet benefited from the second price increase that we announced the last week of June as many of our shipments in the quarter were sitting in backlog at the start of the quarter. Outside of the U.S., sales volume was up approximately 16% and pricing was up 2%. By region, sales volume was up 51% in Canada, up 39% in Latin America, up 12% in EMEA and up 7% in APAC.

We are monitoring inflationary pressures globally and have announced additional price increases in the U.S. and Canada, effective in August. In addition, we are looking at additional surcharges in Europe later in the quarter.

On **Slide 7**, we saw our gross margin improve sequentially to 34.7%, which compares with 34.4% in the fiscal fourth quarter. We achieved a record adjusted gross margin of 36.3%. This quarter, we incurred $3 million of inventory step-up expense and $500 thousand of acquisition deal and integration costs that hit cost of sales. As part of purchase accounting, we valued Dorner assets and liabilities at fair market value. The $3 million of inventory step-up expense represents the difference between the fair market value of Dorner's inventory and the actual inventoriable cost. This amount is then expensed based on inventory turns, which was all recognized in our first quarter and won't impact future quarters.

Overall, Dorner was 80 basis points accretive to adjusted gross margin this quarter. In addition to Dorner, adjusted gross margins reflected the operating leverage from higher sales volumes,

which led to favorable year-over-year productivity in our factories. This was partially offset by the negative impact of supply chain challenges. We are still benefiting from our 80/20 process, which contributed approximately $1.3 million of incremental year-over-year gross profit expansion in the quarter largely from factory closure savings. We are focused on product line simplification this year and are making good progress with SKU and component reductions. Unfortunately, this part of the 80/20 process takes longer to realize benefits, but will pay dividends over a longer horizon.

Let's now review the quarter's gross profit bridge. First quarter gross profit of $74.1 million was up $29.3 million compared with the prior year. This was driven by several factors. First, Dorner contributed $14 million of gross profit. Sales volume added $11.6 million to gross profit compared with a year ago. We also saw positive productivity net of other cost changes of $2.9 million despite some supply chain challenges that I referenced. Foreign currency translation added $2.4 million to gross profit. Pricing net of raw material inflation was positive $700 thousand, which was offset by higher tariffs on products coming from China of $1 million.

In the prior year quarter, we had factory closure and business realignment costs which did not repeat. This quarter, we incurred $0.5 million of acquisition integration costs and inventory step-up expense of $3.0 million, and, as I previously mentioned, the inventory step-up expense will not reoccur in the future.

As shown on **Slide 8**, RSG&A costs were $57.2 million in the quarter or 26.8% of sales. Included in this total were $8.7 million of Dorner acquisition related costs and $600 thousand of business realignment costs, which we have included as pro-forma items in our adjusted operating income, adjusted EBITDA and adjusted EPS calculations. Excluding these one-time costs, RSG&A costs would have been $47.9 million or 22.4% of sales. I would point out that this number also has an incremental $5.9 million of RSG&A costs from the Dorner acquisition. This means that legacy CMCO incurred $42 million of RSG&A costs which was comparable with $42.3 million recorded in Q4, excluding acquisition deal costs and business realignment costs incurred in Q4.

For the fiscal second quarter, we are increasing our Q2 estimate for RSG&A to $52 million, which includes the full impact of the Dorner acquisition. This includes additional investments in strategic growth initiatives as well as higher variable selling costs which reflect a higher level of sales in Q2 compared with Q1.

Turning to **Slide 9**, adjusted operating income was $23.6 million. Adjusted operating margin was 11.1% of sales, up 750 basis points from the prior year. This margin expansion is driven by the operating leverage in the business, incremental pricing and the Dorner acquisition. At current FX rates, we expect total amortization expense of $6.3 million per quarter with Dorner.

As you can see on **Slide 10**, we recorded a GAAP loss per diluted share for the quarter of $0.27 cents. Adjusted earnings per diluted share were $0.69 cents, which were up substantially from $0.17 per share in the prior year and up $0.09 cents per share sequentially. I want to highlight that, for this quarter and going forward, we are adding back amortization expense from the income statement on a tax effected basis to our adjusted earnings per diluted share calculation. In Q1, this added $0.18 to adjusted earnings per diluted share. All periods on this

chart have been restated for this. We feel that this is a better indicator of the true cash earnings performance of the Company as we intend to be programmatic with our M&A strategy.

On a GAAP basis, we recorded the cost of debt refinancing this quarter of $14.8 million and acquisition deal and integration costs of $9.2 million. We also had the inventory step-up expense that I previously discussed. With the new financing that we completed in May, we expect interest expense of approximately $4.7 million in the second quarter and our diluted shares outstanding are anticipated to average 29 million shares in the second quarter as well. Our tax rate on a GAAP basis is expected to be in a range of 21 to 23% and we will continue to use 22% as our tax rate for our non-GAAP adjusted earnings per share.

On **Slide 11**, our Adjusted EBITDA margin continues to increase and was 13.7% on a trailing twelve-month basis. In the first quarter, with Dorner, adjusted EBITDA margin was 16%.

Dorner was accretive to our Adjusted EBITDA margin by 190 basis points. Our Return on Invested Capital also continues to improve and was 7.8% in Q1, which slightly exceeded our current WACC. We continue to target a 19% EBITDA margin and expect our ROIC to be double digits in FY23, excluding the impact of future acquisitions. We remain highly confident that our strategy will enable us to drive profitable growth and achieve these objectives.

Moving to **Slide 12**, we used $11 million of free cash flow this quarter, which included a cash outflow of $10.9 million related to acquisition deal costs that were paid in the quarter. As sales have increased, we have also increased our working capital investment by approximately $26 million, which included additional investments in inventory to meet rising demand. Our working capital as a percent of sales was 12.5% of sales, which was in line with what we were expecting. CapEx was $3.6 million in the quarter. We expect CapEx of $20 to $25 million for the full year.

Turning to **Slide 13**, as we discussed in May, we refinanced the capital structure post Dorner acquisition, which included a bridge loan, an equity offering and a new term loan B. The new $450 million term loan B carries an interest rate of LIBOR plus 2.75% with a 50-basis point LIBOR floor. This gives us a low cost, flexible capital structure that will serve us well for the coming years. As of June 30, on a pro-forma basis, which includes Dorner's June LTM adjusted EBITDA but excludes expected cost synergies, our net leverage ratio was approximately 3.0x. We expect to hit our target leverage ratio of 2.0x within two years, excluding any additional acquisitions. Finally, our liquidity, which includes our cash on hand and Revolver availability, remains strong and was approximately $170 million at the end of June.

Please advance to **Slide 14** and I will turn it back over to David.

David Wilson: Thanks, Greg. As we mentioned, we have had strong demand across all of our markets and Columbus McKinnon's book to bill ratio was a solid 1.17 in the quarter. Dorner contributed $36 million in orders and had backlog of $40.5 million at the end of the quarter.

Lifting solutions had 2.4% sequential growth in the quarter, driven by 5% growth in our short cycle business, while the project business, which tends to be lumpy, was flat compared with the trailing fourth quarter. This sequential organic growth in our first quarter is noteworthy given the typical seasonality of our business. Our fiscal fourth quarter tends to be boosted by the combination of orders being placed ahead of price increases, promotional sales and the

availability of new customer budgets. This quarter's increase bucks this historical trend and demonstrates the momentum of the economic recovery.

We achieved record backlog of $247 million at the end of the quarter, including Dorner. Excluding the acquisition, we had a record organic backlog of $207 million. We are pleased with this progress and the foundation this provides as we advance through fiscal 2022. Approximately $140 million of our backlog is available to ship in the second fiscal quarter.

Turning to **Slide 15**, we are expecting sales to range between $225 and $230 million for the second quarter. At the mid-point of the range, this is about a 7% sequential increase over the first quarter.

Demand across all markets, as I noted earlier, is strong. In heavy processing applications, such as steel production, demand for retrofit, modernization and new capacity projects is strong and quote activity is gaining momentum. In the pulp and paper market, where equipment capacity has been heavily utilized, we are now seeing requests for upgrades and repair parts.

Offshore oil & gas projects are also coming back to life. Our explosion-protected STAHL products are particularly well suited for these applications. We provide unique solutions that address special lifting requirements and help to solve challenging engineering problems. We also provide industrial products for drilling platforms and have seen a nice improvement in demand there.

We saw a resurgence in the entertainment market as many COVID restrictions have been lifted, opening up traveling concerts, sporting events and festivals. This market, which was coming off a dead standstill, had the biggest resurgence for us.

Conveying solutions had some notable Q1 wins in e-commerce, food processing and life sciences. Demand for our unique conveying solution for autonomous mobile robots has grown and we see even further potential in the e-commerce space. We also had strong demand in food services and in life sciences. We won a large order from a frozen food company to provide a specialty conveying solution that automates processes, increases up-time and improves product flow. We were also awarded a large life sciences project where our precision conveyors are embedded into equipment that is used for blood analysis. In fact, all of Dorner's markets are demonstrating strength.

As I mentioned, while demand has been strong, we continue to carefully navigate the challenges associated with the global supply chain and U.S. staffing shortages. This is requiring a great deal of agility on everyone's part as we respond with as much flexibility as possible to meet increasing demand. I'm proud of how our team is rising to this set of challenges.

We remain highly focused on Columbus McKinnon's organic growth and acquisitive development and are advancing several projects aligned with our core growth framework and acquisition pipeline.

With that, Carrie, we can open the line for questions.

Operator: [Operator Instructions] Our first question is from Matt Summerville with D.A. Davidson.

Will Jellison: This is Will Jellison on for Matt Summerville this morning. First question is just a quick follow-up on the supply chain you already spoke about. Could you provide a little bit more color about the way freight played into the constraints and what potentially you could do to counter those?

David Wilson: We've seen significant cost increases associated with freight charges and we have been navigating that relatively successfully. We've been securing containers in a more normal fashion over the last couple of months as the container position around the world has seemed to have stabilized. That has been helpful. We're also making sure that we're routing containers through the right ports to make sure that we're avoiding any congestion. With the freight price or cost increases as well as material cost increases in this inflationary environment, we've been working hard to make sure, as we have historically, to offset those costs with appropriate price increases, and we feel like we've been effective at positioning ourselves to ensure that, as we go through the year, we are able to offset the costs that we've seen.

Will Jellison: Great. A quick follow-up to that, sticking on supply chain constraints. With your recruiting efforts for new talent, do you expect that your labor costs could be meaningfully higher from things like higher wages or benefits that that new labor pool might demand?

David Wilson: Obviously, the labor markets have been pretty tight and we've been working to attract and retain the best talent. We feel like we have a great team and we're attracting and developing great new talent within the organization. To do that, we've made sure that our pay is market competitive. We did have an annual merit increase that we implemented this year. That was part of our budget planning process and part of what's factored into the way that we've been managing and communicating about the business. The current environment is one that's challenging and we've had to provide appropriate incentives for people to join, but nothing that materially affects the compensation or labor costs within our business.

Operator: The next question is from Chris Howe of Barrington Research.

Chris Howe: Another question on that supply chain. You mentioned the $5 million to $10 million that could have been better if we excluded some of the constraints that you experienced this quarter. If we think about that in the context of some of the continuing challenges in this market, I would assume that $5 million to $10 million still sits as potential revenue further down the line as this environment starts to loosen. So, perhaps this could lead to top line potential if we look a little bit further down the road past this pressured environment?

David Wilson: Yes, for sure. As you saw with our record backlog, we have a substantial position in our backlog, a nice position in short-term as well as long-term as we've communicated. The $5 million to $10 million impact could have been better. Certainly, we were gunning to do better than what we did. We wanted to exceed that top line position. We're pleased with where we ended up, but we think that you're right. We have that $5 million to $10 million still in the backlog, ready to go, and it will go as we manage through material availability and the constraints that are out there.

We do have a number of actions that are underway in our supply chain and with our vendors to make sure that we secure capacity for materials, whether it's in actual parts or blanket order, secured capacity over a period of time. We are increasing inventory in select areas to make sure that, for more standard products, less specific engineered-to-order products, we have the

available materials to meet the rising demand. However, we're encouraged with the progress that we're making, although challenged like most are in this environment, to make sure that we're getting materials in that we need specifically for the demand that's coming in.

As I indicated in my prepared remarks, it's been a constant challenge to remain agile and shift resources and keep up with what has been very encouraging, rising demand. Greg, I don't know if there's anything else you'd add to that.

Greg Rustowicz: Chris, the $5 million to $10 million is going to ship this quarter. As we've added inventory to the system, we've added $11 million more inventory on a cash basis. That will start to alleviate some of the supply chain challenges we've had as we've locked up additional capacity. Having said that, I think it's going to be another quarter or so while this plays itself out.

Chris Howe: I think that points to the long-term sustainability and the growth that you see in the underlying business. David mentioned in some of the prepared remarks about that 19% target and the gross margin potential that you see in the business. Thinking in line with this target, that points to the potential perhaps to go beyond this target as we look at the company more on a run rate basis. There seems to be good margin potential there, especially when considering the other initiatives that you have, such as product line simplification, that will flow through later down the line.

David Wilson: Exactly, Chris. We have a 19% target that had been previously communicated. We're obviously very focused on making sure that we achieve that and we're communicating a level of confidence around our ability to get there. We believe that the earnings potential of the business goes beyond that. We're certainly focused on taking it to that next level. There are a number of opportunities within the business as it relates to continued growth opportunity as well as improved leverage on that growth. We remain encouraged and positive about where that next level is, so I think you're thinking about the business the right way. Greg, what would you add to that?

Greg Rustowicz: Chris, if you recall, the 19% EBITDA margin target was based on legacy Columbus McKinnon. This quarter, Dorner was 190 basis points accretive, so as we continue to recover from a COVID environment, there is that potential. The 19% target with Dorner is actually going to accelerate achieving this goal a year earlier from what we had previously thought with the downturn with COVID; this year being a recovery year, next year being kind of back to pre-COVID levels, so, absolutely, there's upside potential to the 19%.

Operator: Next question is from Jon Tanwanteng of CJS Securities.

Peter Lukas: It's Lukas for Jon. You answered most of my specific questions. That was a very detailed presentation. Appreciate that and congrats on the quarter. Just one big picture question for me. From a strategic standpoint, are you looking at more M&A or is debt pay down the immediate priority? How are you thinking about that in the balance sheet at the moment?

David Wilson: We're remaining actively attentive to what's happening in the markets, making sure that we're keeping our ear to the ground and staying engaged around attractive opportunities for Columbus McKinnon to continue to grow through acquisition, but we're also very acutely focused on ensuring that we de-lever, and we have an expectation that we'll be

able to do that rapidly. Knowing that deals take a little bit of time to develop, we obviously want to make sure that we're in the mix when the right opportunities present themselves. We're going to be disciplined, thoughtful and strategic about where we invest, but we do intend, as indicated in our prepared remarks, to be programmatic with the work we do to develop and grow the company.

Greg Rustowicz: The pro forma net leverage ratio today is 3.0x and that includes a full twelve months of Dorner results. On a financial covenant basis, which is what we report to the banks, it's actually going to be below the 3.0x. The equity offering basically gives us the ability to get back in the market sooner. Size obviously matters from an M&A perspective, so I think we're well positioned today to do bolt-on's without any trouble at all.

David Wilson: As I mentioned, the Dorner deal is going incredibly well. They have a terrific management team. They participate in great markets and the opportunity to expand their participation in those markets, and we're really encouraged by developments and potential there. We're mindful of making sure we execute well with what we've done. I want to be careful to make sure that it's clear, we're focused on what's right in front of us and execution, but we're also maintaining our focus on executing the Blueprint for Growth 2.0 strategy that we've developed, which is an ambitious one.

Operator: The next question is from Michael McGinn of Wells Fargo.

Michael McGinn: Nice quarter. I wanted to switch to the cash flow. Last quarter, we saw the step-up in CapEx with the addition of Dorner and that being a private equity run business, presumably with a nice wish list of investment items. Is there any update on the low-hanging fruit to improved Doner's throughput and maybe how that ties into your overall synergy assumptions?

Greg Rustowicz: From a CapEx perspective, we're anticipating $20 million to $25 million for Columbus McKinnon, and I think $3 million to $4 million with Dorner, which is close to their historical level, maybe a little bit higher. However, in general, it's what I would call an asset-light business; there is some CNC machining, but it's mostly assembling. We have actually gotten additional space for them, because their business is growing so rapidly, and we're also in the process of adding a second shift to take advantage of what's in front of them. CapEx-wise, I think the $20 million to $25 million is a good number to use going forward and I would say that there isn't really a large capital project that they brought forward as soon as the ownership changed hands.

David Wilson: We've said we want to invest in growth. There are opportunities for us to make select investments, targeted investments that are appropriate in terms of size to continue to invest and scale the business. We feel that there are many synergies between the businesses that will enable growth that are outside of specific onetime CapEx investments.

Michael McGinn: Going back to one of your end markets, which is food processing, David, one of your predecessor firms received an outside bid and food processing was highlighted as a key growth area. I was wondering where Columbus McKinnon operates best within the food space, meat, poultry, seafood, et cetera? When you see bids like this in the market, how does that make you think about your own company's valuation prospects?

David Wilson: We're thrilled with the markets we've entered with this acquisition. We feel like we're playing in some very attractive and fast-growing secular markets, which was an objective of the acquisition as we pivot Columbus McKinnon to participate in those more attractive, higher growth markets. We participate in the markets you just mentioned, seafood, meat, poultry, bakeries with the products we produce. We participate in those and others. Life science and e-commerce markets are very attractive, but also the general automation space more broadly. We feel like we're well positioned. We feel like there is a lot of value out there for us to develop and create for Columbus McKinnon, and we're executing on that strategy I mentioned and feel like the runway is pretty long for us.

Operator: The next question comes from Greg Palm of Craig-Hallum Capital Group.

Greg Palm: Following up on the revenue constraints in the quarter, was that specific to the core Columbus McKinnon business or was Dorner included in that as well as some level of constraint?

David Wilson: It's a bit of a mix. Obviously, we have a larger business within Columbus McKinnon. On a ratio basis, more of that would be skewed towards the Columbus McKinnon portfolio, but it's a mix. We are working collaboratively on all fronts to make sure that we're moving the constraints that exist in the current supply chain challenge.

Greg Palm: You mentioned that Dorner did exceed your expectations. Is there a certain end market or application that you think is driving the outsized growth? I would be curious to get your sense on how autonomous robots, that opportunity, is progressing?

David Wilson: There's a story within each of those end markets. As I said in my prepared remarks, we're particularly encouraged by developments in the e-commerce, life sciences and food processing space, where we receive notable wins in those orders. When we're talking to customers in that space, there's a pipeline of very interesting and attractive opportunities that lie ahead. As we continue to gain traction and build our reference installed base, that obviously grows after-market opportunities as well, and it grows the opportunity to leverage those very strong references to continue to build that part of the business with other customers that compete in those areas. We're excited and we feel good about developments in those specific markets. In sum, those are the areas where they saw the most opportunity in the quarter.

Operator: The next question is a follow-up from Chris Howe with Barrington Research.

Chris Howe: I just wanted to sneak one in before the call is up. I had a question about Dorner, some of which was highlighted in your previous comments with the question from Greg. As we think about the outperformance of Dorner versus your expectations in the quarter and as we think about this environment, it seems like the pandemic is having a slightly longer tail than we expected with the delta variance, can you comment or give context around this environment? Should we see it continue, then perhaps some of these secular trends like in e-commerce is deepening its penetration within this environment or is it rather taking market share in this environment that's benefiting Dorner?

David Wilson: It's an interesting thing to consider. We are continuing to see strong demand. The macro developments in the market associated with the pandemic have had an impact on future impacts, future use of e-commerce as an example. We're going to see mega

trends that will continue to drive a push in that direction, whether the tail is longer or is truncated, I think those are here to stay, and that's going to be positive for this for us. We're also doing a lot of work around our NPD initiatives, which is both within the core business and within Dorner. We're excited about the progress that we're making relative to the new product launches and the share we're gaining with the launches that we've put in place. We've been focused on innovation and on making sure that we can develop products that will compete effectively in the market. We're pleased that, as I mentioned in my prepared remarks, we've grown 19% with our N-3 revenue in the first quarter, which is inclusive of Dorner.

Greg Rustowicz: Another way to think about it, too, Chris, is that the Dorner end markets are growing 6% to 8%, and Dorner is well outpacing. If we go back to a year ago, even though we didn't own them on a year-over-year basis, their sales are up 50%. Now granted, they had a bit of an impact due to COVID, but that's very, very strong growth, 50% growth year-over-year.

Operator: The next question is a follow-up from Michael McGinn of Wells Fargo.

Michael McGinn: I want to just add some numbers and a finer point to the gross margin conversation and the price cost. If I'm looking at the deck, pricing net of material cost inflation was a $700,000 benefit versus the total pricing on the top line was $2 million. The flow-through rate was 35%, which is a touch below your blended gross margin. Is that number realizing that the price increases happened later in the quarter and you haven't seen the full benefit? Is that conversion rate going to ramp, decline or stay the same as some costs and labor constraints begin to creep into the business?

Greg Rustowicz: It's absolutely going to ramp. The $2 million of price and the price net of inflation of $700,000 implies $1.3 million of raw material inflation. As you know, we typically raise prices in the U.S., in the core business in the March time frame, so we take a lot of orders, pre-price increase. We did have some stocking orders we talked about in the last call in the neighborhood of just under $10 million in the U.S. so we had backlog in the quarter at old prices. On top of it, as I talked about in my prepared remarks, we had another price increase that was implemented at the end of June, and none of that is reflected in the sales in the quarter to any extent. Now we've got another price increase that's effective in August. Absolutely, price increases are going to ramp going forward and the amount of price that we see. Just given this last price increase, it's really going to be the October to December quarter where we see the full impact, because for existing backlog, we don't reprice it.

Operator: This concludes our question-and-answer session. I would now like to turn the conference back over to Mr. Wilson for any closing remarks.

David Wilson: Great. Thank you very much. I appreciate it, Carrie.

Thank you for your time today, everyone. We're pleased with our start to fiscal 2022 and we're seeing strong demand across all of our markets. Backlog is at record levels and we are decisively navigating the challenges associated with supply chain constraints and labor shortages.

Margins are expanding with improving volume, the addition of Dorner and as we focus on achieving operational excellence through CMBS. Finally, the Dorner acquisition is exceeding expectations and we are pursuing opportunities to expand this platform further.

I hope you're as excited as I am about Columbus McKinnon's positive momentum and the long-term value creation potential that we have. I hope you all have a terrific day. Thank you.

Operator: This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.