Operator: Greetings, and welcome to the Columbus McKinnon Corporation Second 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, Alex, and good morning, everyone. We certainly appreciate your time today and your interest in Columbus McKinnon. Herewith me are David Wilson, our President and CEO, and Greg Rustowicz, our Chief Financial Officer.

You should have a copy of the second 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 David and Greg's formal discussion, we will then open the line for Q&A. We kindly ask that you ask one question with a follow-up question, and then 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. As you know, 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 in 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: Thank you, Deb, and good morning, everyone.

We delivered strong results in the quarter even as we navigated the challenges the world is facing with global supply constraints. Despite leaving approximately $15 million dollars of planned Q2 shipments behind due to shortages in our supply chain, we delivered sales growth of 42% year-over-year with strength in all geographic regions. I should point out, as well, that the growth was driven by robust demand across all of our targeted markets.

Margins also expanded nicely. In fact, we achieved new records for both GAAP and adjusted gross margin of 36.3% and 36.7% respectively. Improved margin in the quarter reflected the benefits of our 80/20 process, operational restructuring, and an improved product portfolio including the addition of Dorner. The Columbus McKinnon Business System, or CMBS, provides the processes and tools to deliver improved profitability as we execute on our Blueprint for Growth 2.0 strategy.

We believe our results continue to demonstrate the evolution of Columbus McKinnon into a high value, intelligent motion enterprise.

Through the Core Growth Framework of our strategy, we are focused on strengthening, growing and expanding our core as we establish combined offerings, innovate with new products, expand channels and deepen our presence in a more attractive set of targeted markets. One example of this is the combination of our legacy automation solutions with our conveying solutions, enhancing our value proposition for customers in attractive markets. This is a nice example of our strategy at work.

Earlier this year, we reimagined Columbus McKinnon and acquired Dorner. Then, with precision conveying solutions as a new growth platform, we began to focus on growth that could be created through the combination of our competencies and increased product innovation. We are gaining early traction and the customers that are part of this conveyor automation pilot program are excited to be working with us.

Dorner continues to deliver well. While performance in the quarter was also impacted by supply chain constraints and the timing of inflation and pricing impacts, we are excited about the opportunities this business continues to generate. In fact, orders for our conveyor solutions were a very healthy $34.7 million dollars in the quarter.

This contributed to our record backlog of $256 million dollars at the end of September.

On **Slide 4**, I'd like to talk through how we are evolving Columbus McKinnon. We are rethinking and bringing further clarity to how we look at the key elements of our portfolio. Looking at the business through this new lens highlights that our automation and linear motion products made up 27% of our portfolio. This is important because these product lines tend to grow at mid-to-high single digit rates and serve less cyclical markets. Now, with the addition of our precision conveying platform, which is growing in the double digits, we have nearly 40% of our total revenue serving highly attractive growth markets. Today, Columbus McKinnon has a much better mix of business and a higher growth profile than what we had just one year ago.

And, as you might imagine, we are engaged with an active and growing pipeline of attractive M&A prospects and we expect to further transform our portfolio mix to serve higher growth, more secularly driven end markets. We are focused on building a higher-value Columbus McKinnon.

Turning to **Slide 5**, I am happy to share that we will soon be announcing our most recent addition to our series of Intelli-Motion product offerings. Our organic growth strategy is focused on driving innovation and growth through new product development. Here, we have applied our automation capabilities to our linear actuator solutions. We have integrated our custom controls and drives directly into our actuator offering. This provides improved fit, form, function, and performance for a variety of variable lifting applications that require precision movement. In addition to advanced control and positioning feedback, the integrated solution reduces installation costs and streamlines the footprint of this equipment. We are excited to be accelerating our new product development and launch processes for automated, intelligent motion offerings that are targeting attractive growth opportunities.

With that, let me turn it to Greg to review the financials in more detail. Greg?

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

On **Slide 6**, net sales in the second quarter were $223.6 million dollars, up 41.7% from the prior-year period, which was heavily impacted by the pandemic. While we saw revenue improve almost 5% sequentially, like other industrial companies, we continue to experience supply chain challenges. As David mentioned earlier, we estimate that revenue in the quarter was impacted by approximately $15 million because of supply chain constraints, putting us slightly below the lower end of our guidance for the quarter.

This was also the second quarter that the Dorner acquisition is included in our results. Dorner delivered almost $34 million of revenue in the quarter. Supply chain constraints had about a $3 million impact to Dorner's sales this quarter. Looking at our sales bridge, sales volume was a major driver of growth with volume up $26 million, or 16.7%. We also realized positive pricing, as we saw year-over-year pricing improve by 2.5%. In addition to our typical price increases implemented at the start of our fiscal year, we also raised prices at the end of June and again in August. Our pricing actions resulted in $4 million of year-over-year price, up from the $2 million of year-over-year price we reported last quarter. Foreign currency was a tailwind and contributed $1.9 million, or 1.2%, to sales.

Let me provide a little color on sales by region. For the second quarter, we had significant strength in the U.S. with sales volume up nearly 20%. We also improved pricing 2.4%, up 150 basis points from the first quarter levels. Outside of the U.S., sales volume was up approximately 13% as volume strengthened in all regions, increasing 34% in Latin America, 23% in Canada and 11% in both EMEA and APAC. We also improved pricing internationally by 2.7%. This was up over first quarter levels by 70 basis points. The measurable contribution of pricing over the trailing first quarter demonstrates how quickly our pricing actions can mitigate inflationary pressures. With continued raw material inflation globally, we are taking more pricing actions in the fiscal third quarter. We recently announced additional price increases for Dorner and an additional surcharge in Europe, which are both effective this quarter. With the actions we have taken, we expect to stay out in front of current inflationary pressures.

On **Slide 7**, gross margin expanded to a record 36.3% as a result of the many actions we have taken over the last few years to strengthen our earnings power, including the 80/20 Process, facility rationalizations and improvements in our product portfolio. We achieved a record adjusted gross margin of 36.7% as well, up 40 basis points over the trailing first quarter.

Overall, Dorner was 50 basis points accretive to our adjusted gross margin this quarter. In addition to the impact of Dorner, adjusted gross margins reflected operating leverage from higher sales volumes and favorable year-over-year productivity in our factories. With the addition of Dorner, margins expanded to pre-COVID levels even as our legacy operations are not yet back to pre-COVID volumes.

Let me point out a few highlights on our gross profit bridge for the quarter. Second quarter gross profit increased $25.1 million compared with the prior year and was driven by several factors. The major contributors were first Dorner, which provided $13.3 million of gross profit. Second was the strong sales volume we just discussed, which added $8.2 million to gross profit. And third was a $5.5 million contribution to gross profit from year-over-year productivity increases, even in the face of supply chain challenges. It's important to note that our pricing strategy has

more than offset raw material inflation. In addition, we incurred $900 thousand of business realignment costs in the quarter as we continue to find ways to improve our cost structure and drive profitability.

As shown on **Slide 8**, RSG&A costs were $51.2 million in the quarter or 22.9% of sales. Dorner added $7.0 million of RSG&A costs in the quarter. Included in this total was $900 thousand of Dorner integration costs and 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 $50.3 million or 22.5% of sales.

For the fiscal third quarter, we are increasing our estimate for RSG&A expense to ~$53 million. This includes additional investments in strategic growth initiatives as well as higher stock compensation costs related to a rising stock price and higher annual incentive plan costs.

Turning to **Slide 9**, adjusted operating income was $25.5 million. Adjusted operating margin was 11.4% of sales, up 250 basis points from the prior year. This margin expansion is driven by the operating leverage in the business and strategic pricing.

As you can see on **Slide 10**, we recorded GAAP earnings per diluted share for the quarter of $0.53 cents. Adjusted earnings per diluted share were $0.74 cents, which were up substantially from $0.44 per share in the prior year, and up 5 cents per share sequentially. I want to reiterate that, starting last quarter and going forward, we are adding back amortization expense on a tax effected basis to our adjusted earnings per diluted share calculation. In Q2, this added $0.17 to adjusted earnings per diluted share. All periods on this chart have been restated for this change. 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.

With the new financing that we completed in May, we expect interest expense of approximately $4.5 million in the third quarter and our diluted shares outstanding are anticipated to average 29.2 million shares in the third 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 14.4% on a trailing twelve-month basis. In the second quarter, our adjusted EBITDA margin improved to 16.1%.

Dorner was accretive to our Adjusted EBITDA margin by 100 basis points. Our Return on Invested Capital also continues to improve and was 7.9% on a TTM basis. We continue to target a 19% EBITDA margin and expect our ROIC to be double digits in FY23 excluding the impact of future acquisitions.

Moving to **Slide 12**, we generated $22 million of cash in the second quarter and, year to date, we have generated $11.2 million. On a year-to-date basis, we incurred $13.5 million of cash outflows related to acquisition deal costs. As sales have increased, we have also increased our working capital investment by approximately $31 million, which included additional investments in inventory to meet rising demand. Our working capital as a percent of sales was 14.4%, which was in line with what we were expecting. CapEx was $3.1 million in the quarter. We expect CapEx of $18 to $22 million for the full year.

Turning to **Slide 13**, we refinanced the capital structure post Dorner acquisition, which included 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 September 30th, on a pro-forma basis, which includes Dorner's September LTM adjusted EBITDA but excludes expected cost synergies, our net leverage ratio was 2.64x. We are making great progress toward our target leverage ratio of 2.0x, which we expect to easily achieve within fiscal 23, barring any additional acquisitions. Finally, our liquidity, which includes our cash on hand and revolver availability, remains strong, and was approximately $188 million at the end of September.

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

David Wilson: Thanks, Greg. **Slide 14** shows the continued strength of demand as our markets recover the success of our efforts to grow our market share and the impact of the Dorner acquisition.

Excluding the benefit of FX and the Dorner acquisition, orders for our short cycle business were up 19% over last year and project business orders were up nearly 14%.

Our book-to-bill ratio was, again, nicely greater than 1 and helped to drive our record backlog. Both short cycle and project backlog has grown. We have $145 million dollars in backlog that is scheduled to ship in the third quarter.

Through the first three weeks of October, our order rates are up 3% versus Q2's rates and up 9% sequentially versus September's rates. The pipeline of opportunities we are pursuing remains quite robust.

Please turn to **Slide 15** and I will provide an update on our near-term expectations.

We expect revenue to be approximately $215 million dollars for our third fiscal quarter ending December 31st. This level of activity takes into account our typical seasonality, which includes three fewer production and shipping days than our second quarter and the impact of the year-end holidays. We also assume that supply chain constraints will continue at levels similar to Q2.

Regarding the supply chain, it has been a daily drill of triage, expediting and adjustments at all of our operational sites. We remain in constant communication with our key suppliers and are remaining agile while working to stay ahead of demand where possible. There has been no shortage of surprises, however, as our suppliers are dealing with disruption as well. On a positive note, we are improving Sales, Inventory and Operations Planning, or SIOP, processes and have improved both demand visibility and secured capacity within the supply chain. We are actively working with all suppliers to prioritize needs and are establishing qualified alternatives where appropriate.

As mentioned earlier, we are seeing strong demand across all of our markets. Demand has been growing in the aerospace market, with production rates for the Boeing 737 Max increasing as well as in the business jet industry, given order strength there. Automotive remains strong, with electric vehicles driving most of the expansion. Globally, the energy and metals processing markets are also quite robust.

E-Commerce is growing rapidly. This is not only being driven by increased demand from our flagship customer, but also from the addition of new customers. This industry is continuously looking for ways to automate and drive efficiencies. We believe our engineering expertise – combined with our responsiveness – provides us a competitive advantage.

In addition, we have seen increasing demand for our sanitary line of products in the food and beverage space as manufacturers are expanding their production capacity to meet increasing demand. Life sciences is also growing as the pharmaceutical marketplace is building out capabilities for the direct delivery of prescriptions.

We are investing in new product development and launched our new AquaPruf line of sanitary conveyors to serve these markets in September. These advanced conveyor solutions not only bring new technology to the market, but they were also designed to be environmentally friendly and sustainable, reducing the amount of water and chemicals required to clean and maintain our customers' hygienic work environment.

Also, as you would expect, we continue to advance our Blueprint for Growth 2.0 strategy and the longer-term performance objectives that will drive continued growth and a better margin profile for Columbus McKinnon.

Important to success in this area is our culture and the engagement of our global employees. With this in mind, we spent the last year working with hundreds of associates from around the world to clarify Columbus McKinnon's purpose as an organization. As a collection of acquired companies, it was important that we uncover our WHY, a purpose that would unite the Company around a single reason for existence; a purpose that employees and customers could emotionally connect with 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. Over the last few years, we have added capabilities that enable intelligent motion and integrate control and automation technologies into our offerings. Our customers benefit from the safety, productivity and up-time improvements these offerings enable and the interconnectivity, control and diagnostic information that our intelligent motion solutions provide. Ultimately, the products produced by processes that utilize Columbus McKinnon's technologies advance the world and the end-users of these products benefit significantly. This connection led our team to define and align around Columbus McKinnon's purpose statement as follows: Together, we create intelligent motion solutions that move the world forward and improve lives.

Examples of our purpose in motion include the use of our specialty conveyors to precisely transport vials of blood and deliver efficient and accurate results within Abbott's laboratory test equipment, the use of our actuators to service NASA's space shuttle Orbiter, and the use of our entertainment hoists and rigging equipment to support the traveling crane system at the National Aquatic Center throughout the Summer Olympics. Our solutions make a true difference and are used day after day in critical applications that move the world forward and improve lives.

These are exciting times for Columbus McKinnon and the customers we serve. We are thrilled about the future we are creating.

Alex lets open the line for questions now.

Operator: [Operator Instructions] Our first question comes from the line of Matt Summerville with D.A. Davidson.

Will Jellison: This is Will on for Matt. I had a question for you about pricing on that gross profit bridge. Was it your expectation going into the quarter that pricing would exceed cost inflation by that amount, or did that come ahead of your expectation?

Greg Rustowicz: We did anticipate that that would happen. We have been pretty consistent. In my 10 years, that has always been the case. We have a lot of pricing power in the business and, as we monitor inflation, we try to stay out in front of it, so we're able to maintain margins and perhaps even grow margins.

Will Jellison: Understood. And then, sticking to the bridge, I noticed that the benefits you received from productivity were more or less doubled than what they were in your fiscal first quarter. I was wondering if you had any color as to what drove that increase and whether or not that kind of movement is sustainable in the coming quarters.

Greg Rustowicz: A large driver of the productivity is related to the incremental volumes that we're producing. We're comparing it with the second quarter a year ago, which was a COVID quarter. It wasn't the worst COVID quarter, that was the quarter ended in June, but hats off to our operations team for all the good work they're doing despite all of the constant changes that are going on with supply chain challenges that David talked about. So, it's about our operational excellence programs. We're benefiting from the plant consolidations that we've done over the last several years and we anticipate that, going forward, when volumes do return to pre-COVID levels in our legacy business, we should continue to see a ramp in gross margins.

Operator: Thank you our next question comes from Jon Tanwanteng with CJS Securities.

Peter Lukas: Pete Lukas for John this morning. I just have one question. Is the $53 million RSG&A run rate something that we should normalize going into 2022 or is that including some one-time items that should step back down?

Greg Rustowicz: There are some one-time items in there that should step down, but it's going to be in that ZIP code, in that $51 million to $52 million neighborhood. There can be variability. For instance, this quarter, our stock compensation costs increased because of the rising stock price in Q2 relative to where we were on June 30th . We hope to drive that further, which will result in incremental expense for the company, but having said that, that's probably the right ZIP code, the $52 million, $53 million level. The way to think about it is, legacy Columbus McKinnon was typically a $45 million per quarter run rate. Dorner is about a $7 million run rate. We have made improvements in our RSG&A costs, but we're also investing more in the business for new product development and some other growth initiatives. A lot of our digital initiatives as well would be in that category.

Peter Lukas: Great. Helpful. Thanks. And then, in terms of how orders are trending through October, I just want to make sure I heard you. Did you say up 3% versus Q2?

Greg Rustowicz: Yes, up 3% versus Q2 and up 9% sequentially versus September. If I were to look at that by short-cycle, project and Dorner, short-cycle business is up 2% sequentially versus September, project business is up 10% versus September and our Dorner business is

up 33% versus September. Yes. And obviously, projects and the Dorner business have a level of lumpiness in there.

Peter Lukas: Do you think that's more a function of lead times increasing or are you continuing to see strong organic demand?

Greg Rustowicz: I would say it's the latter. We're continuing to see strong organic demand.

Peter Lukas: Great very helpful thank you.

Operator: Thank you our next question comes from Michael McGinn with Wells Fargo.

Michael McGinn: My question is on gross margin. I think you mentioned that Dorner contributed $13 million and change to the gross profit. If I'm doing some back of the envelope math, that puts them almost close to a 40% gross margin rate, which is higher than historically what that business has run. Is this a function of them having more inelasticity and then the pricing for your legacy businesses kind of rolls into the back half of this year? Any color on the cadence of gross margin, maybe Dorner versus legacy?

Greg Rustowicz: Dorner has historically seen 40% to 45% gross margins. It's going to depend on the mix of engineered-to-order versus build-to-order business. Margins on the build-to-order tend to be higher. In general, I would say that they're probably 500 basis points north of legacy Columbus McKinnon today, but clearly, we're continuing to be, on the legacy side, impacted by lower volumes but we do expect to drive our gross margins over time to closer to that 40% level.

David Wilson: Absolutely. And I would just add, Mike, that Dorner also, like the rest of our business, had phasing challenges as it relates to inflationary pressures and price increases. In the aggregate, we outpaced our pricing to inflation ratio, if you will. But, if you think about this on a line-by-line basis, Dorner was more negatively impacted in the period by the timing of inflation versus pricing impacts. And so, that had an impact on their results in this period, and we expect to catch up on those as we go forward.

Greg Rustowicz: And one other point to make, Mike, is that we don't reprice our backlog. And so, to the extent we have backlog from pre-price increase periods, we're not benefiting from price. Incrementally, there should be more pricing coming through in the December quarter, just given the fact that our backlog is at record levels and doesn't reflect all of the latest price increases in there.

Michael McGinn: Got it. And then, just trying to square my model here, 3 less selling days and RSG&A trending towards $53million, is the 3 less selling days sequentially or year-over-year, because I'm presuming you have the same amount of payroll days and that would have some sort of SG&A leverage effect? Any comment on the payroll days and how that's impacting your SG&A?

Greg Rustowicz: On Page 8 of our release, we give you the shipping days per quarter in the U.S. and. in Q3, it's going to be 61days, whereas Q2 was 64 days. That's about a 5% decline. Last year, it was the same number, 61 days versus 61 days this year. Now granted, outside of the U.S., for instance in Europe, which is our next biggest market, we do have longer holiday periods, which results in less production days. While we will maintain warehouse personnel to ship product, there's just less cost absorption in the quarter. So, one important point to note is

that, if you look over the last 3 years at our gross margins, they typically drop about 100 basis points sequentially because of the impact of the lower shipping days.

Michael McGinn: I'm going to sneak one more in here. With oil at $85 and Alcoa kind of making some draconian statements about China's magnesium supply and the impacts of aluminum, have you seen any uptick in some of your legacy, less sexy businesses that give you confidence heading into calendar 2023 here?

David Wilson: We have. In fact, in our energy markets more broadly, oil and gas as well, we've seen increases in project demand globally. We've secured a few nice orders in the second quarter, but we're seeing our front log develop further. And obviously, the metals markets are also responding in the same way. So, we're seeing a nice demand increase across the markets that we serve, and we believe that that is having an impact.

Operator: Our next question comes from Chris Howe with Barrington Research

Chris Howe: About Slide 4 and looking at how Columbus McKinnon has evolved over time and now with this conveying solutions platform, if we look from a top-down basis, how do you anticipate this evolving with the growth trends that you see in each section of the pie? Perhaps what I'm getting at is, how do you see a steady state mix of the business from a general perspective looking further out?

David Wilson: Good question, Chris, and it's, obviously, a heavy focus of ours as we are strategically working to transition the business into a higher value enterprise. We do see growth across all of the segments of our business and anticipate we'll grow our core lifting platform as we head out over our 5-year strategic window, and we think we can grow it, frankly, materially. But, we think, in the total, from a percentage perspective, lifting as a percentage of the total business reduces. As we grow the business beyond this year into the next and through our 2027 strategic planning process, we see the business evolving to one that has a majority contribution from those elements of the business that are serving higher growth, higher value areas. And so, we think we become less cyclical and more secularly oriented, and we have a more attractive mix of business in the portfolio as we go forward. Clearly, that has an impact on our ability to grow margins and expand beyond the EBITDA targets that we've established for the business.

Chris Howe: Okay. And my next question, it's a conversation on every call with the supply chain and logistical challenges that continue to persist in this environment. Can you comment on how you place this challenge into context? Some companies have reported that, perhaps by the summer of calendar 2022, we will see some improvements while others have placed a more conservative outlook on the supply chain challenges. How do you anticipate the duration?

David Wilson: I would say that we anticipate this to be a problem that will continue into calendar 2022 and we certainly have anticipated that it continues through this Q3 period. We anticipate that it's not something that's going away as we exit Q3 and will continue into calendar '22. I don't have a crystal ball on how that will play out, but clearly, we're focusing on advancing our business, advancing our strategy and controlling what we can control. So, we're executing our playbook, we're improving the business, we're improving our sales inventory operations and planning processes, we're getting increased secured capacity with our key vendors, improving the connectivity there, and identifying appropriate alternatives where possible. And we think

we're positioning the business well despite what will likely be a persisting set of challenges in that environment.

Chris Howe: Okay. Great. My last question is on the growing M&A pipeline. If I could ask this quickly. Can you comment on the evolution of this pipeline? What size of businesses are you seeing? What type of ownership structure? Are some of these family-owned businesses? I would assume that capital allocation will continue to be prudent and strategically placed. How should we think about these different opportunities in the pipeline?

David Wilson: I would say, first, that you're absolutely right. Capital allocation will be responsible and prudent and disciplined, and we'll continue to execute thoughtfully there. The pipeline has expanded as we pursued the expansion of our business into more attractive micro-segments as we define them in previous conversations, including specialty conveyance, and we were successful at acquiring the Dorner business. That increased our aperture for opportunities. Clearly, that business, as we've talked about previously, plays in a fragmented landscape and that fragmented landscape is very attractive. They have about $1.5 billion worth of served addressable market and about a $4 billion total TAM globally. We see a nice pipeline of opportunities to continue to develop in addition to our linear motion products and automation products in the portfolio. That provides us with a pretty broad runway and a lot of opportunity that ranges, if you will, in terms of ownership structure, from privately held, independent companies that you can build relationships with over time and have a more exclusive negotiation in terms of a potential transaction to companies that are more mature and have more of a private equity or public company ownership structure that might be more transactional processes that would run through a bank or more of a formal process. And so, we have good relationships that we're establishing with the participants in those markets. We're continuing to stay close to those relationships and to the market to learn more. I would say that, from a sizing standpoint, we're looking at companies that would be in that, say, $50 million to $200 million or so in total revenue value. We would be certainly open to transactions that might be slightly smaller than that or slightly larger than that, depending on what they would bring and how well they fit with our strategy.

Operator: Our next question comes from Steve Ferazani with Sidoti.

Steve Ferazani: I want to follow-up on the supply chain issues. David, did you quantify the impact on timing of deliveries in the quarter in terms of supply chain issues?

David Wilson: Yes. $15 million worth of impact in the quarter for us, Steve. That was product that we had been committed to receive materials that we had included in what we would shift, and it was ready to go had we received the materials that we were anticipating.

Steve Ferazani: And so, when I think about how you provide guidance for sales, how do you incorporate those supply chain challenges into that number, which I imagine is very difficult?

David Wilson: We've anticipated that the challenges will persist throughout Q3 at a level that's similar to the level we've seen in Q2. We're working very hard, obviously, to improve on that, but we're anticipating that the challenges will persist at levels similar to what we saw in Q2.

Steve Ferazani: And then, the other question, which hasn't come up a lot on this call, is, on the labor front, given the growth at Dorner, and I think you noted the huge growth you saw even in

October, how are you keeping up on the labor and capacity front, particularly in the case of Dorner?

David Wilson: We've made progress, Steve, throughout Q2 in our recruiting efforts. Our team has done a really nice job of getting creative and creating opportunities for people to join the firm that have added value. We have, unfortunately, had turnover as well as I think most companies have seen as people have been moving. The net effect to us is that, at the end of the quarter, we've had 79 open positions in the U.S. We're, obviously, continuing our work to fill those and, obviously, flexing and working overtime to compensate, but that's the current status.

Greg Rustowicz: And I would say, Steve, that that's probably a lesser issue than the supply chain right now.

Steve Ferazani: Do you think it is holding you back on the revenue side or is its purely the supply chain that maybe is causing some?

David Wilson: I guess it'd be naive to say that it's not holding us back, because there is a potential impact there, but I think you can flex there a lot more capably given that we're not working at full capacity in all of our factories with 3 shifts running perpetually. And so, we're able to work some overtime and work in creative ways to compensate for those shortages, but I think that, when we get to a point where the supply chain is flowing better, that needs to be resolved, because then that will become a gating item for us.

Greg Rustowicz: One other piece of color on the labor shortage, it's really a U.S. issue for us. It's not an international issue by and large.

Operator: Our next question comes from Greg Palm with Craig-Hallum Capital Group.

Greg Palm: Just to circle back a little bit on pricing, I want to tie that into maybe the competitive environment a little bit. Are you seeing similar actions from most of your competitors and, just kind of curious, how do you view your competitive positioning overall from a supply chain procurement standpoint? Anything to note there?

David Wilson: I think our competitors have remained disciplined. We've been focused on what we need to do, and we've been moving rapidly to do that. I think we've been leaders as it relates to that and price increases, but I also think, as Greg indicated earlier, we have a level of pricing power, and we haven't seen a lack of discipline in the channel as it relates to our competitive landscape.

Greg Palm: That makes sense. And then, just one quick follow-up on the December quarter guidance. My assumption is, with orders trending up nicely sequentially and I'm not sure if it's your sense that that will continue for the entirety of the quarter, is the lower sequential guide just a byproduct of the continuation in supply chain and the lower shipping days? Anything else we should be aware of there?

David Wilson: No. That's really it in a nutshell. We have strong demand. We have a record level of backlog. We're executing as well as we possibly can in this environment and using self-help methods to improve further, but we're in a position where simply that capacity constraint and the limiting effect of the supply chain is the gating item.

Operator: Our next question is a follow-up from Will Jellison with D.A. Davidson.

Will Jellison: David, forgive me if I missed it in your prepared remarks talking about the end market mix, but I was wondering what you're seeing in your entertainment markets, because I know that, last quarter, it was pretty definitively the laggard. How is that progressing?

David Wilson: It has been relatively stable. It's obviously impacted by the Delta variant increasing in its infection rates throughout the second quarter. And so, what we saw is an increasing rate of demand that got us to maybe 50% of pre-COVID demand as we entered the second quarter; and then, kind of stabilized there given the fact that there became more questions around indoor venue availability for entertainment activity. It's still a very bullish outlook in terms of activity and good discussions that are underway relative to that market, but just in terms of absolute realized demand, I'd say that it was relatively stable at a rate that's pretty diminished compared with pre-pandemic levels.

And just to emphasize, that's a business that, at its peak, was about 3% of our total sales level. Although it's an exciting and nice opportunity for us, it's not a material piece of the overall business, and something that we think will come back as the markets recover even further.

Operator: Ladies and gentlemen, we have reached the end of the question-and-answer session. I will now turn the call over to David Wilson for closing remarks.

David Wilson: Thank you, Alex. I want to thank all of our global associates for the great work that they're doing to execute well in this dynamic environment. We're seeing strong demand across our markets and are focused on improving our business and controlling what we can control. We're executing our playbook while actively addressing inflation and supply chain challenges. We're advancing our 2.0 strategy and enterprise transformation initiatives to create a high-value, intelligent motion, industrial technology company.

Thanks to everybody for your attention and I hope you all have a great day.

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