



The Eastern Company

NASDAQ: EML

Investor Presentation

November 2023

Forward-Looking Statements

Statements in this document about our future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the Securities and Exchange Commission. Any statements that are not statements of historical fact, including statements containing the words "believes," "intends," "continues," "reflects," "plans," "anticipates," "expects," "recovering" and similar expressions, should also be considered to be forward-looking statements. Readers should not place undue reliance on these forward-looking statements, which are based upon management's current beliefs and expectations. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements. The risks and uncertainties that could cause actual results or events to differ materially from those indicated by such forward-looking statements include the impact of the COVID-19 pandemic and resulting economic effects, including supply chain disruptions, cost inflation, rising interest rates, delays in delivery of our products to our customers, impact on demand for our products, reductions in production levels, increased costs, including costs of raw materials, the impact on global economic conditions, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, the potential impact of bank failures on our ability to access financing or capital markets, and the impact of market conditions on pension plan funded status. We undertake no obligation to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise.

Statement on Non-GAAP Financial Measures

This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles ("GAAP") such as Adjusted Earnings Per Share and Adjusted EBITDA. Adjusted EBITDA is net income before interest, taxes, depreciation and amortization and non-recurring costs and expenses. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that the presentation of these measures may not be comparable to similarly-titled measures used by other companies. We believe (i) these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends; and (ii) that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in and in comparing financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. We believe this information is useful to investors as we use it to evaluate our financial performance for ongoing planning purposes, including a continuous assessment of our financial performance in comparison to budgets and internal projections.



Global manufacturer and designer of access hardware systems, providing custom-engineered industrial, vehicular and specialty hardware to a wide variety of industries.



Innovator in vision systems and components to truck, recreational and specialty vehicle OEMs and 4,000+ aftermarket distribution locations in North America.



Leading provider of engineered turn-key packaging as well as blow mold and injection blow mold tooling serving diverse markets, including truck, automotive, packaged consumer goods and pharmaceuticals.

Manages businesses that design, manufacture and sell unique engineered solutions to industrial markets.

Investment Highlights

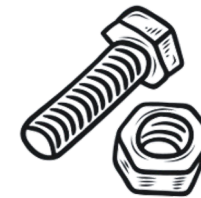
Well positioned to capitalize on industry trends to electrification, digitization and automation.

New CEO and CFO implementing rapid financial and operational improvements.

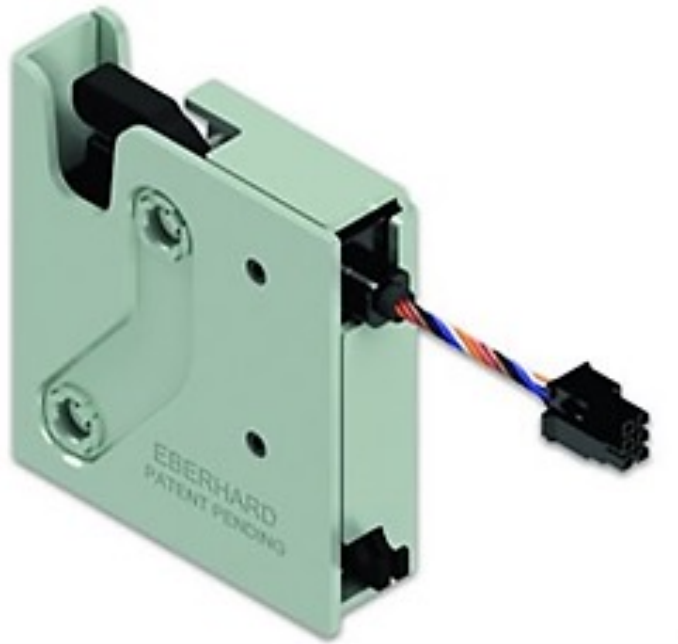
Executing four-pronged plan to restore consistent, sustainable profitability and make value-adding acquisitions.

Strong and consistent dividend payment -- \$0.44 annually since 2013.

Solid capital position to support future growth.



Top priority for 2023: optimize operations, restore consistent profitability, and begin scaling the business.



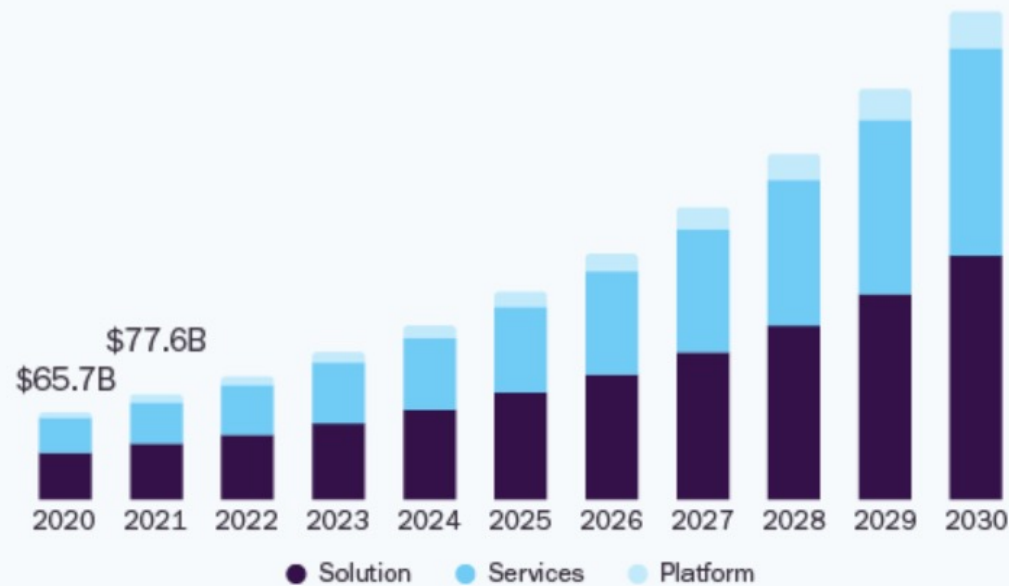
EM Electronic Rotary Latch

- Industry leader in hardware solutions for domestic commercial vehicle and vehicle accessory manufacturers.
- Strong recurring sales from participation in leading OEM programs.
- Highly engineered, value-added product offering, supported by one of industry's largest hardware engineering teams.
- Increasing adoption of electronics and digitization in access control accelerating new product and service growth.

IOT Drives Demand for Electro-Mechanical Devices

U.S. Industrial Internet Of Things Market

size, by component, 2020 - 2030 (USD Billion)



GRAND VIEW RESEARCH

18.6%
U.S. Market CAGR,
2023 - 2030

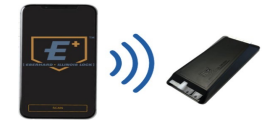
Source:
www.grandviewresearch.com

Eberhard End-to-End Electro-Mechanical Solutions

Control systems



RFID



Bluetooth

Actuators



Locks and latches



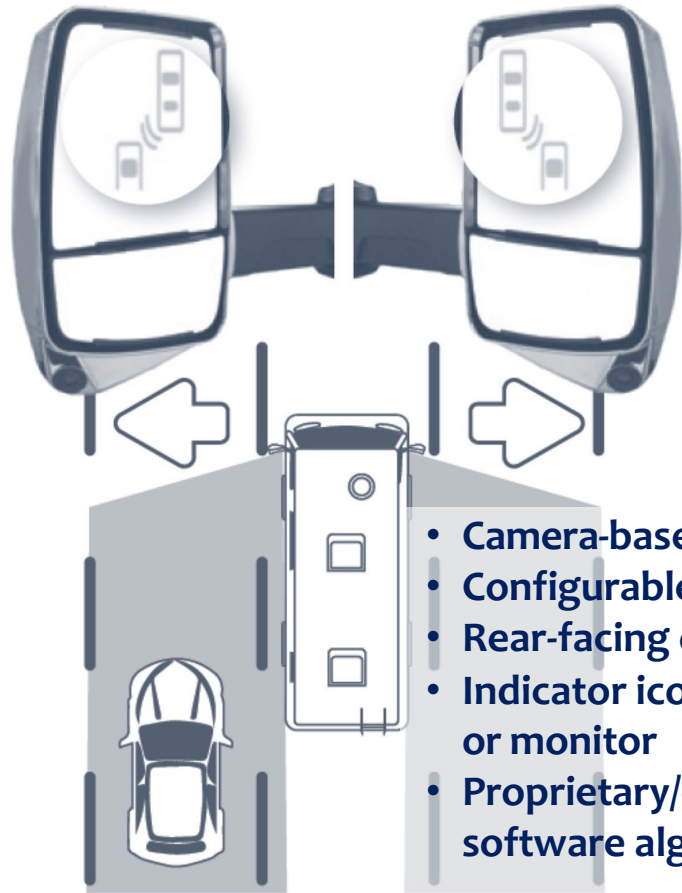
Accessories



Source: Grandview Research, Inc. *Industrial IoT Market Size & Share Report - 2023*



- Leader in commercial vehicle vision system design and production.
- Strong recurring sales to very long-term commercial vehicle programs – average program life 10+ years.
- Well positioned to continue to grow and consolidate vision system opportunities.
- New electric truck expanding the market for vision systems.
- First to market with vision-based blind spot detection in RV industry.
- Integration of cameras and vision technology creating significant new product opportunities.



Target Markets



Motorhomes



Cut-away vans

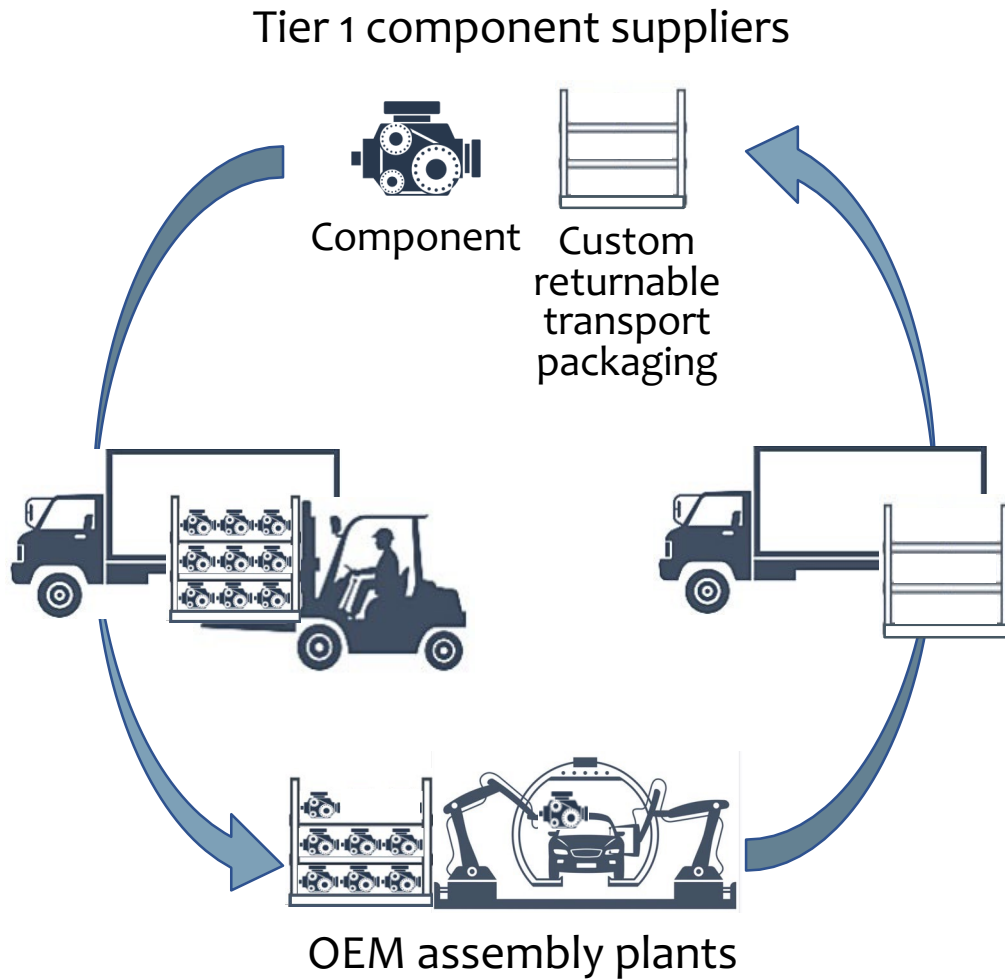


Medium duty chassis



Heavy duty trucks

Big 3 Precision Products Returnable Packaging

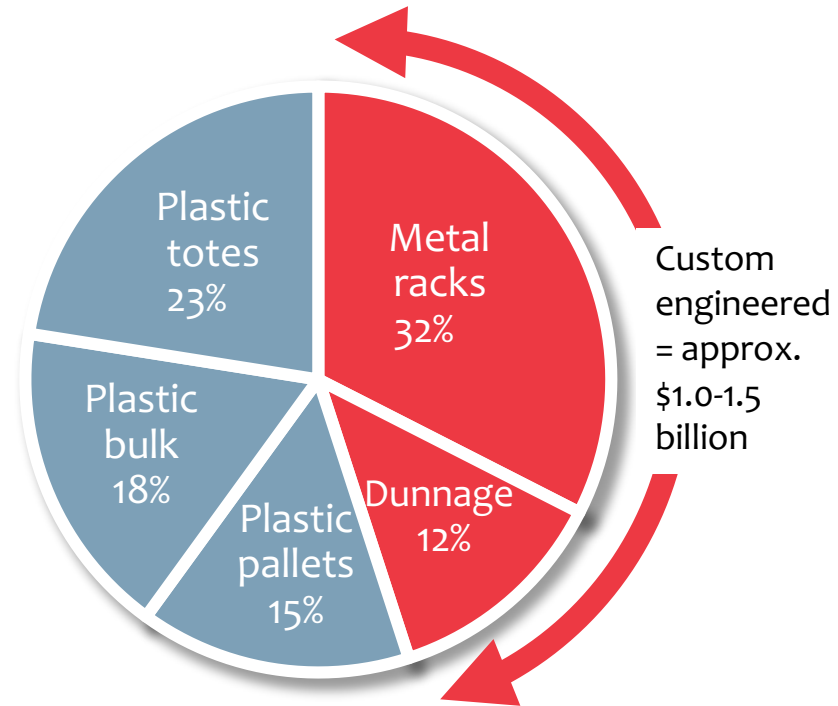


- Industry leader in ~\$1.0-1.5 billion market for *custom returnable* packaging solutions for supply chain applications.
- Highly engineered, value-added, and turn-key product offering, including design, metal fabrication, dunnage, and program management.
- Low fixed cost business model, with low working capital and maintenance capex requirements.
- New vehicle launches, including electric vehicles, driving demand growth.
- Environmental concerns shifting demand from single use, disposable industrial packaging to returnable packaging.

New management team recently brought on to leverage growth opportunities.

Large, Diverse Custom Returnable Packaging Market

Returnable Packaging Market – North America
100% = approximately \$4 billion



Primary End-Markets



- Automotive



- Commercial vehicles



- Other industrial



- Aerospace

Source: Returnable Packaging Association; Eastern estimates - 2022



Mark Hernandez
*Chief Executive Officer
and Board Member*

- 30+ years of experience in commercial vehicle business
- Joined EML as Board member in June 2022; named CEO in January 2023
- Previously EVP of Navistar Inc., with responsibility for global manufacturing, supply chain and logistics (2018-2023)
- Experienced Practice Expert (Manufacturing and Commercial Vehicles) at McKinsey & Company (2016-2018)
- Daimler AG and Daimler Trucks North America (1994-2016)



Nick Vlahos
*Vice President and
Chief Financial Officer*

- 19 years of finance and business experience
- Previously VP of Finance, Treasurer and Secretary of Eastern (2022-2023)
- Joined Eastern as Treasurer (2017)
- Director of Finance, Accounting and Human Resources at Fisher Technology, Inc. (2013-2017)

Change agents committed to accelerating operational and financial improvements.

Pillars of Value-Creation Strategy

1

Disciplined
Operations

2

Optimum Capital
Utilization

3

Focused
Commercial
Business

4

Value-Adding
Acquisitions

Creating a bigger, better and more profitable company.

Operational Transformation Plan Underway

Disciplined Operations

- Ensuring COGS and operating expenses meet profitability targets
- Addressing supply chain inefficiencies
- Leveraging near-shoring capabilities and Mexico operations
- Cutting non-essential expenses and realizing cost synergies across three businesses

Effective Capital Allocation and Utilization

- Instilling discipline in working capital management process
- Allocating cap ex to projects that generate highest ROI
- Reducing and optimizing inventory
- Strengthening management of accounts receivable and payables

Strong Commercial Business Focus

- Improving ROIC through pricing actions and margin discipline
- Engaging in conversations with customers about contract terms
- Shifting to real-time pricing models
- New business must meet strict ROIC and return-on-sales targets

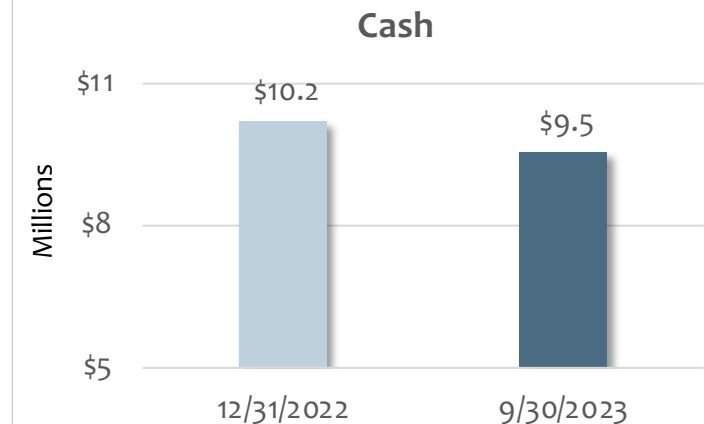
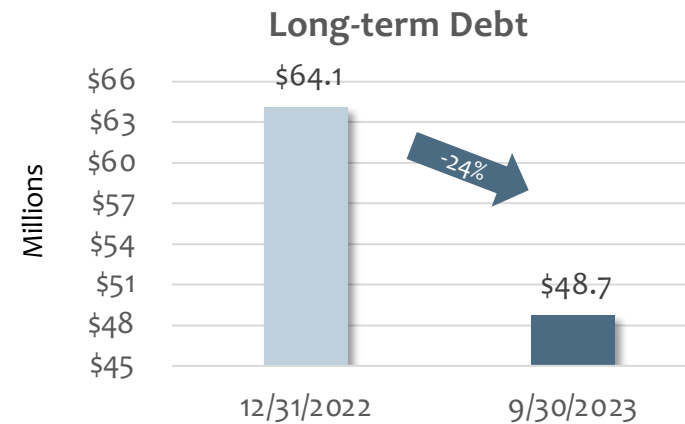
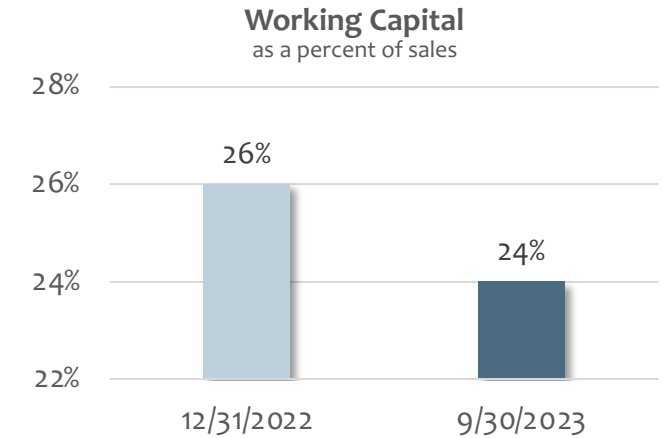
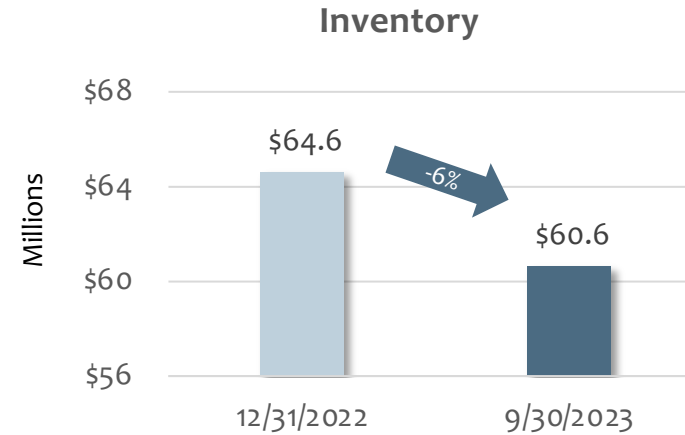
Value – Adding Acquisitions

- Acquire companies that can be absorbed into existing division or operated separately at the Eastern level
- Strict standards for income, EBITDA augmentation as well as ROCE, ROIC

Initial benefits of transformation plan already visible in first 9 months of 2023 financial results.

Financial Performance – First 9 Months of 2023 Improvements

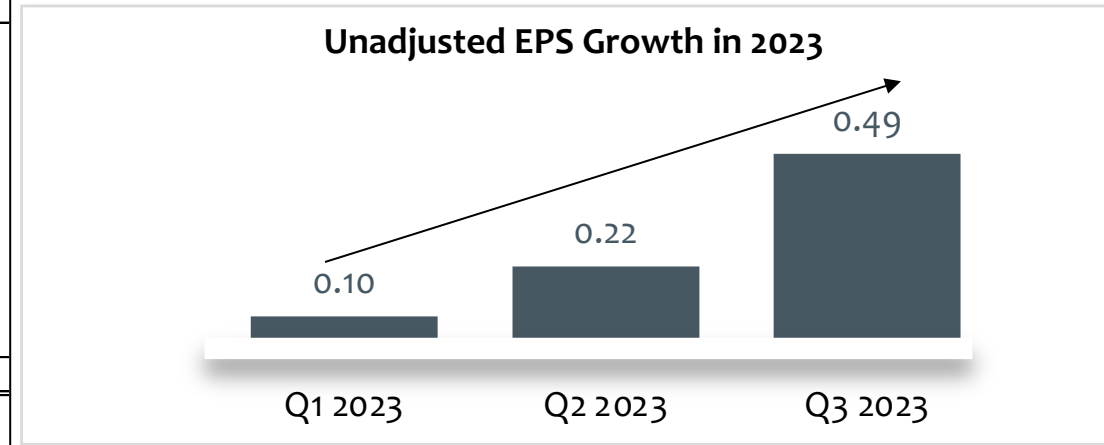
- Net cash provided by operating activities improved \$19.6 million YOY.
- Inventory down 6% versus year-end 2022.
- Working capital as a percent of sales 24.2% versus 26.1% at YE 2022.
- Long-term debt down \$15.6 million.
- New \$90M 5-year senior secured credit facility - June 2023.
 - Includes \$60M senior term loan, \$30M revolving facility and option to borrow additional \$75M for acquisitions.



Adjusted EPS Growth in 2023

	Three Months Ended		
	Q1	Q2	Q3
	April 1, 2023	July 1, 2023	September 30, 2023
Net income from continuing operations	0.6	1.4	3.1
Diluted earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	0.10	0.22	0.49
Adjustments:			
Severance and accrued compensation, net of tax	1.3 A		
Greenwald final sale adjustment	0.3 B		
Associated Toolmakers, Ltd. closure, net of tax		1.1 C	
Restructuring costs, net of tax			
Adjusted net income from continuing operations	\$2.2	\$2.5	\$3.1
Diluted adjusted earnings per share from continuing operations (Non-GAAP):	\$0.36	\$0.40	\$0.49

A) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer
 B) Final settlement of working capital adjustment associated with Greenwald sale
 C) Associated Toolmakers, Ltd. closure costs



Sound foundation established for consistent earnings from continuing operations.

Industry Trends

Electrification of Automobiles and Commercial Vehicles

- New Models
- New Components
- Charging Infrastructure

Sustainability

- Increased MPG – less weight and wind resistance
- Lower Carbon Emissions
- Renewable Energy Solutions
- Sustainable Supply Chains

Digitization and IoT

- Convenient Solutions
- Secure Solutions
- Connected Solutions

Eastern Capabilities

Core Competencies

- Lightweight Solutions
- Sustainable Solutions
- Infrastructure Development
- Electromechanical Solutions
- Precision Machining

Added Strategies

- New Product Development
- Acquisitions

Focusing on solutions that leverage favorable industry trends and enable customers to become more efficient, productive and sustainable.



Disciplined operations and capital allocation



Strong margin focus and measured SG&A spend



Pay down debt



Innovation-led organic growth



Strategic acquisitions
(bolt-on or stand-alone)

Near-term performance priorities

Capitalize on industry growth trends: electrification, digitization & automation

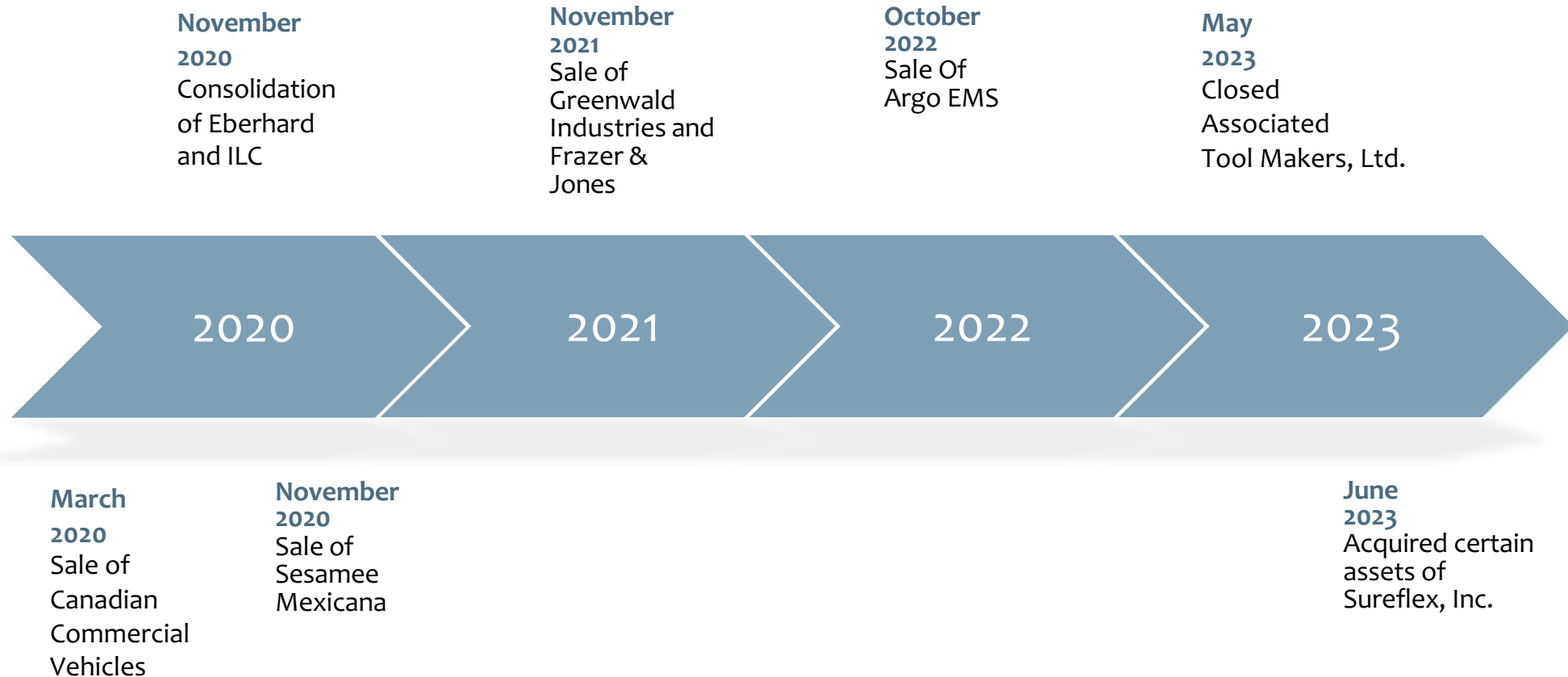
Appendix

Top Ten Institutional Holders

Institution	EML Shares	% S/O
1 Barington Companies Investors, LLC	630,100	10.10
2 Forager Capital Management, LLC	553,527	8.87
3 GAMCO Asset Management, Inc.	546,407	8.76
4 Minerva Advisors, LLC	413,176	6.62
5 Dimensional Fund Advisors, L.P. (U.S.)	386,886	6.20
6 Teton Advisors, Inc.	295,000	4.73
7 The Vanguard Group, Inc.	263,629	4.23
8 BlackRock Investment Management (U.K.), LTD	244,301	3.92
9 Russell Investment Management, LLC	217,018	3.48
10 Gabelli Funds, LLC	175,100	2.81

Source: Ipreo | as of June 30, 2023

Streamlined Portfolio of Businesses



Focused on three core businesses to accelerate growth and strengthen operating margins.

Statement of Operations

\$ in millions (except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	\$ 65.6	\$ 71.6	\$ 206.5	\$ 210.2
Gross margin	16.4	16.6	47.0	47.1
Product development expense	(1.4)	(1.0)	(4.3)	(3.2)
Selling and administrative expenses	(9.7)	(10.1)	(32.9)	(30.1)
Restructuring costs				
Operating profit	\$ 5.2	\$ 5.4	\$ 9.8	\$ 13.8
Interest expense	(1.1)	(0.6)	(2.6)	(1.6)
Other income	(0.1)	1.1	(0.5)	2.1
Income from continuing operations before income taxes	4.0	5.9	6.7	14.4
Income taxes	(1.0)	(1.4)	(1.7)	(3.5)
Net income from continuing operations	\$ 3.1	\$ 4.5	\$ 5.1	\$ 10.9
Diluted earnings per share from continuing operations	\$ 0.49	\$ 0.72	\$ 0.81	\$ 1.74

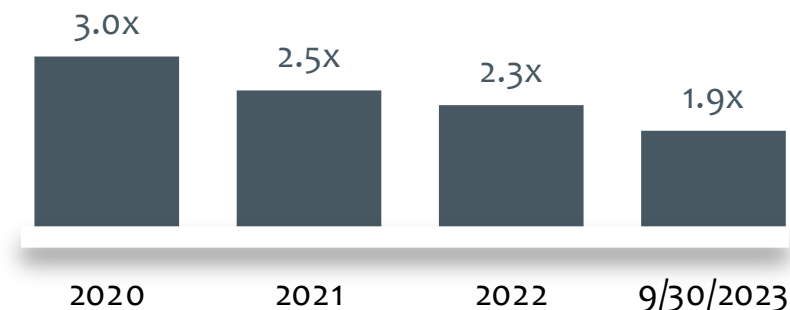
Balance Sheet

\$ in millions

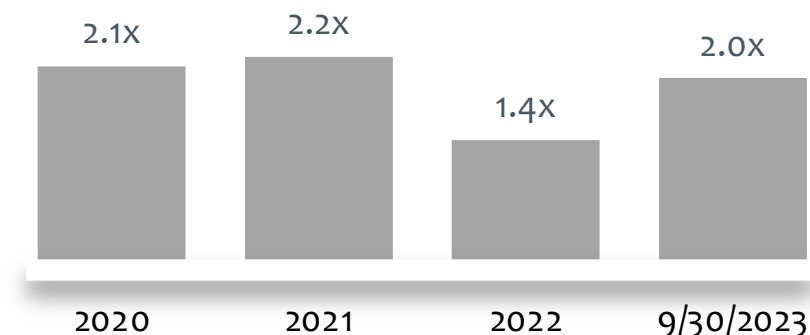
	September 30, 2023 (unaudited)	December 31, 2022
Current Assets		
Cash and cash equivalents	\$ 9.5	\$ 10.2
Accounts receivable, net	42.8	42.9
Inventories	60.6	64.6
Other current assets	6.4	7.6
Total Current Assets	119.5	125.3
Property, Plant and Equipment, net	28.0	26.1
Goodwill	70.8	70.8
Trademarks	5.5	5.5
Patents and other intangibles	16.1	18.8
Other	16.9	15.0
Total Other Assets	109.3	110.1
TOTAL ASSETS	\$ 256.7	\$ 261.5
Current Liabilities		
Accounts payable	\$ 30.3	\$ 27.6
Accrued compensation	4.2	3.3
Other accrued expenses	4.8	3.9
Current portion of operating lease liability	3.5	3.1
Current portion of finance lease liability	0.2	-
Current portion of long-term debt	3.0	9.0
Total Current Liabilities	46.0	47.0
Long-term debt, less current portion	45.7	55.1
Accrued pension and other post-retirement benefits	22.6	22.8
Other	13.8	9.9
Total Liabilities	128.1	134.9
Total Shareholders' Equity	128.6	126.6
Total Liabilities & Shareholders' Equity	\$ 256.7	\$ 261.5

Bank Covenant Metrics

Net Debt / Adjusted EBITDA



Fixed Charge Coverage Ratio



Adjusted Earnings Reconciliation

\$ in millions (except earnings per share)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income from continuing operations	3.1	4.5	5.1	10.9
Diluted earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	0.49	0.72	0.81	1.74
Adjustments:				
Loss on sale of Wheeling, IL building, net of tax				0.2 A
Gain on sale of Eastern corporate office building, net of tax		(0.5) B		(0.5) B
Severance and accrued compensation, net of tax			1.3 C	
Greenwald final sale adjustment			0.3 D	
Associated Toolmakers, Ltd. closure, net of tax			1.1 E	
Adjusted net income from continuing operations	<u>\$3.1</u>	<u>\$4.0</u>	<u>\$7.8</u>	<u>\$10.6</u>
Diluted adjusted earnings per share from continuing operations (Non-GAAP):	\$0.49	\$0.65	\$1.24	\$1.70

A) Loss on sale of ILC building in Wheeling, IL

B) Gain on sale of Eastern corporate office building

C) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer

D) Final settlement of working capital adjustment associated with Greenwald sale

E) Associated Toolmakers, Ltd. closure costs

Adjusted EBITDA Reconciliation

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income from continuing operations	\$3.1	\$4.5	\$5.1	\$10.9
Interest expense	1.1	0.6	2.6	1.6
Provision for income taxes	1.0	1.4	1.7	3.5
Depreciation and amortization	1.9	1.8	5.5	5.4
Loss on sale of Wheeling, IL building				0.3 A
Gain on sale of Eastern corporate office building		(0.6) B		(0.6) B
Severance and accrued compensation, net of tax			1.8 C	
Greenwald final sale adjustment			0.4 D	
Associated Toolmakers, Ltd. Closure			1.4 E	
Adjusted EBITDA from continuing operations (Non-GAAP)	\$7.0	\$7.7	\$18.4	\$21.0

A) Loss on sale of building in Wheeling, IL

B) Gain on sale of Eastern corporate office building

C) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer

D) Final settlement of working capital adjustment associated with Greenwald sale

E) Associated Toolmakers, Ltd. closure costs

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