



# The Eastern Company

NASDAQ: EML

**Investor Presentation**

September 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.

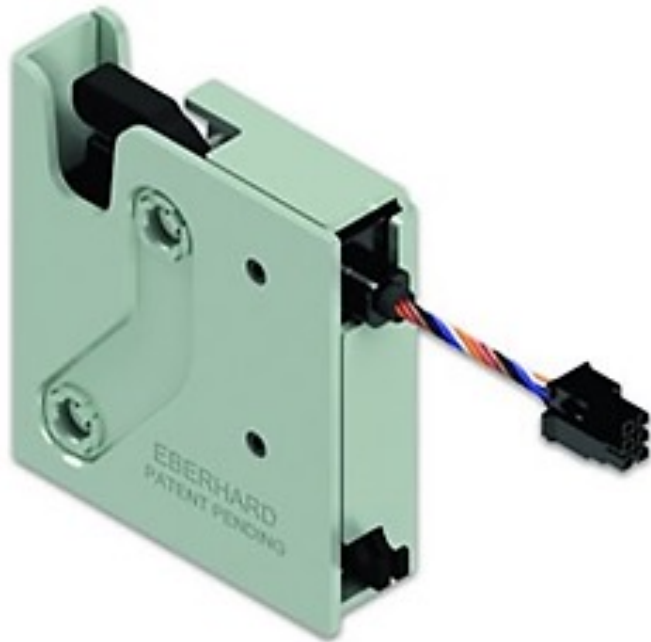
Executing four-pronged plan to restore consistent, sustainable profitability and make value-adding acquisitions.

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.

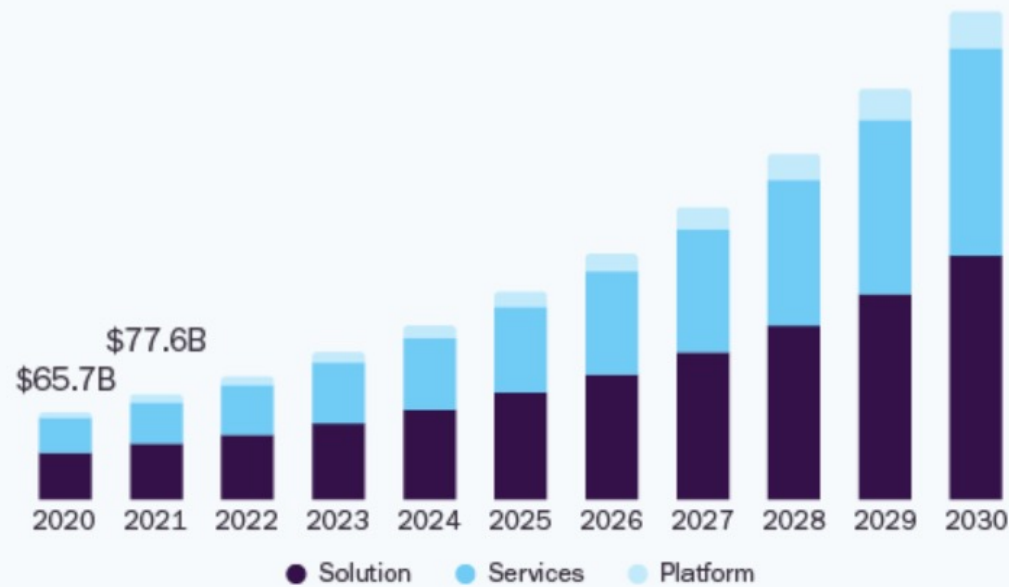


**EM Electronic Rotary Latch**

- 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

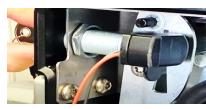


Bluetooth

Actuators



Locks and latches



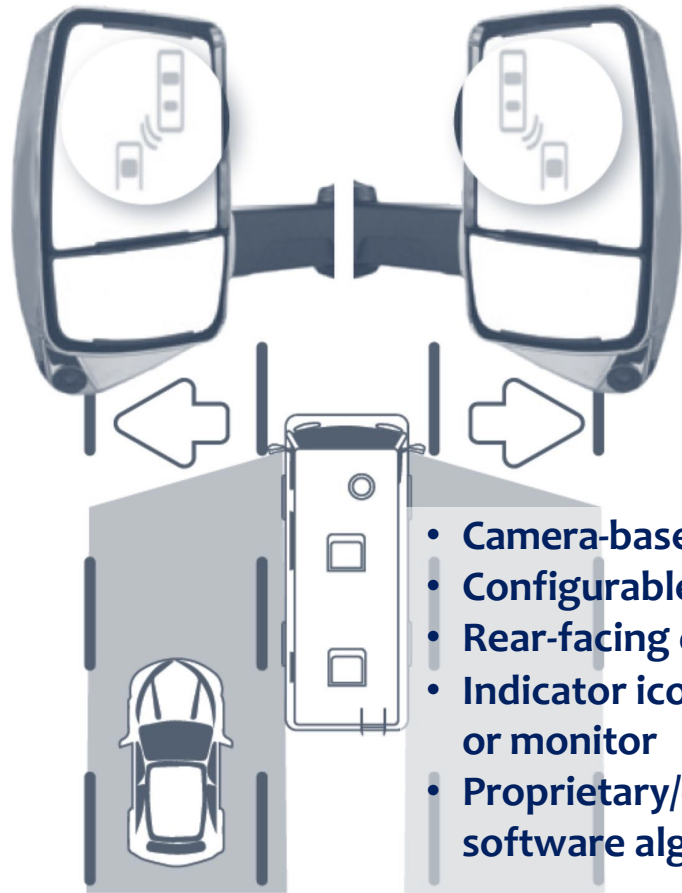
Accessories



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

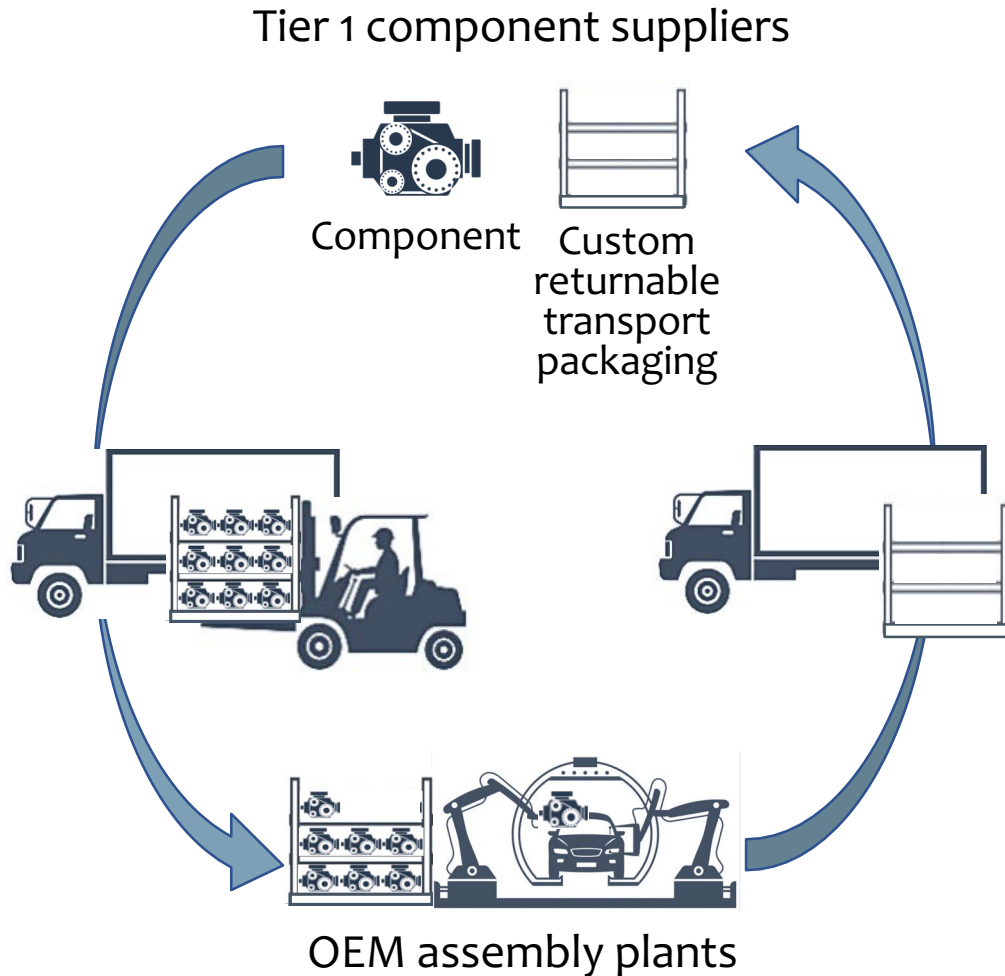


Medium duty chassis



Heavy duty trucks

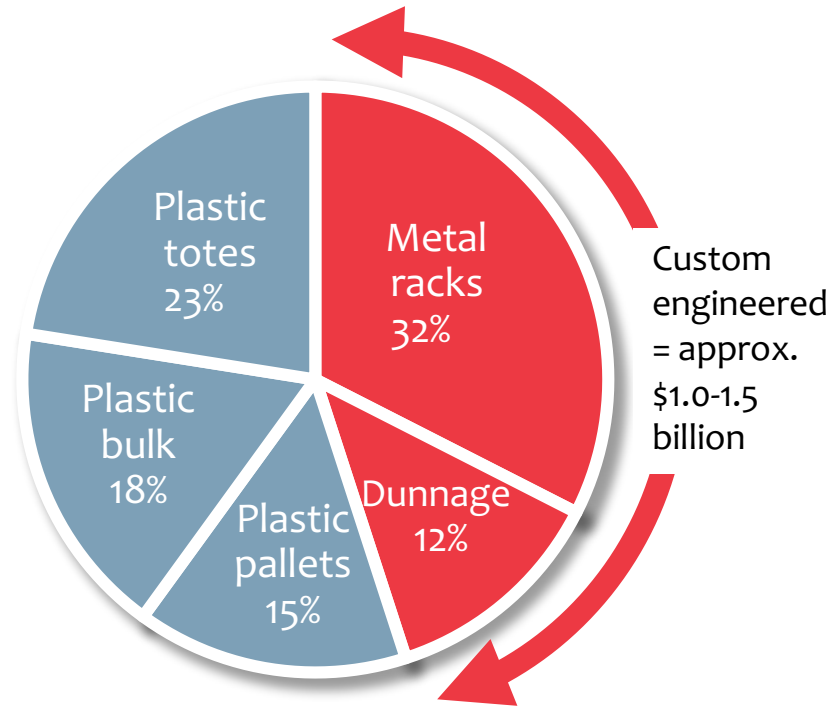
# Big 3 Precision Products Returnable Packaging



- 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.
- Manufacturing automation requires integrated material handling systems.
- Environmental concerns shifting demand from single use, disposable industrial packaging to returnable packaging.

# 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

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

# 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

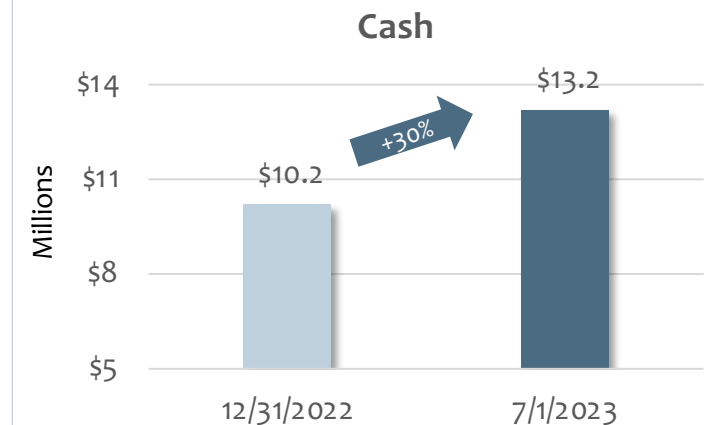
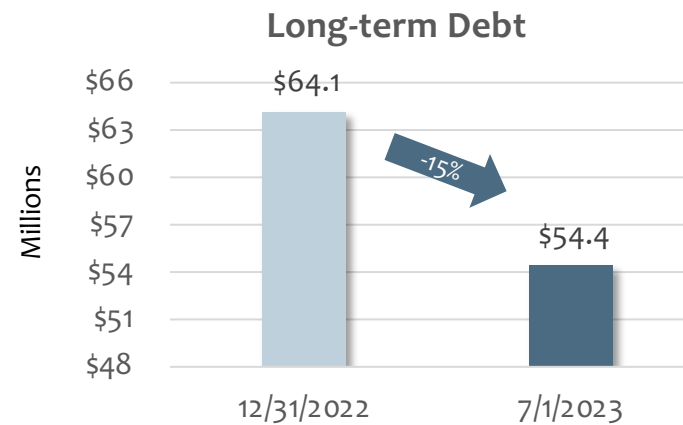
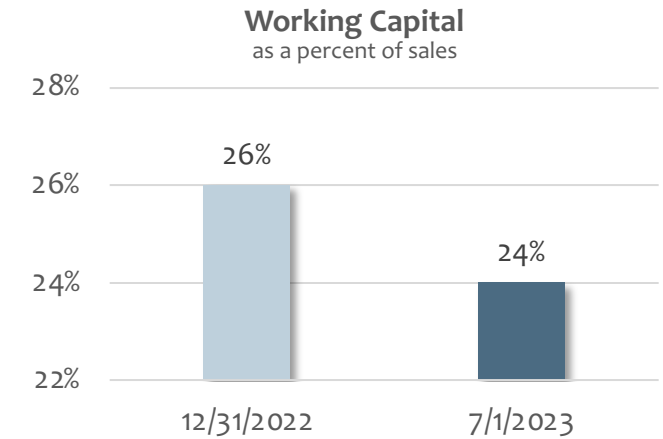
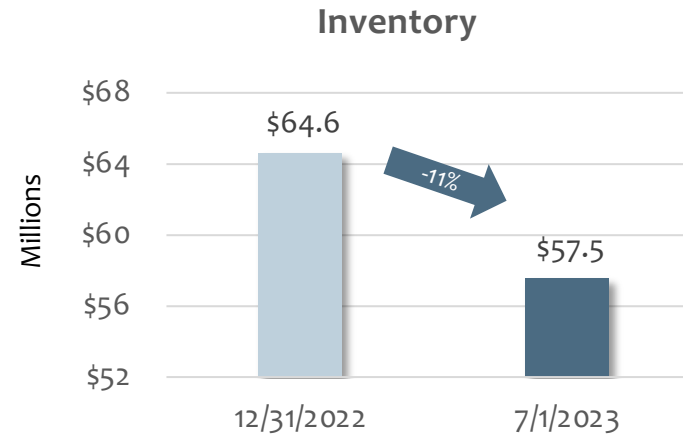
## Value – Adding Acquisitions

- 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 transformational plan already visible in 1Q 2023 financial results.

# Financial Performance – 1H23 Improvements

- Net sales from continuing operations up 2% YOY.
- Net cash provided by operating activities improved \$16.1 million YOY.
- Inventory down 11% versus year-end 2022.
- Working capital as a percent of sales 23.7% versus 26.1% at YE 2022.
- Long-term debt down \$9.8 million.
- Cash up \$3 million to \$13.2 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 under certain circumstances.



## 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



Restore margins



Pay down debt



Innovation-led organic growth



Strategic acquisitions  
(bolt-on or stand-alone)

**2023 performance priorities**

**Capitalize on industry growth trends:  
electrification, digitization & automation**

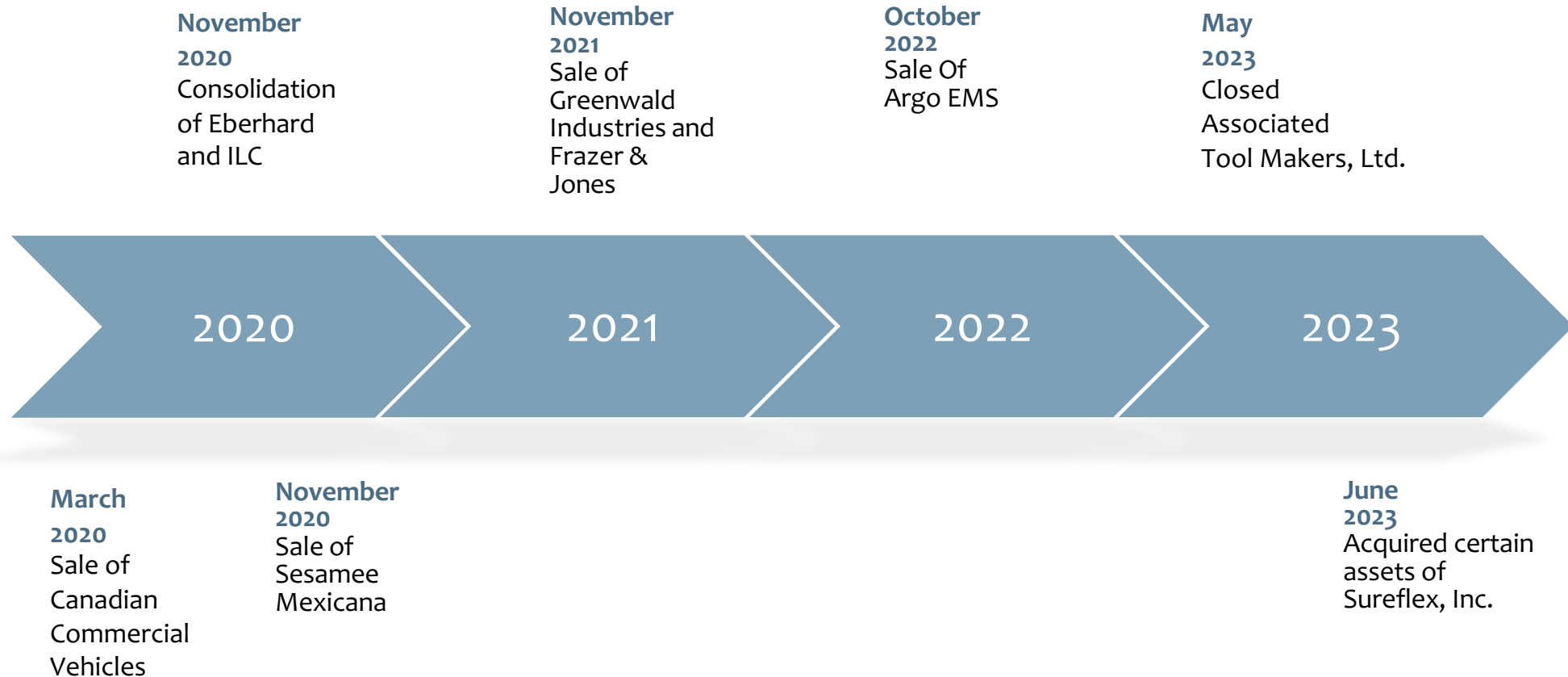
# Appendix

# 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		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
<b>Net sales</b>	\$ 68.3	\$ 69.5	\$ 140.8	\$ 138.6
Gross margin	15.1	16.0	30.6	30.6
Product development expense	(1.4)	(1.0)	(2.8)	(2.2)
Selling and administrative expenses	(11.3)	(10.1)	(23.2)	(20.0)
Restructuring costs				
Operating profit	\$ 2.4	\$ 4.9	\$ 4.6	\$ 8.4
Interest expense	(0.8)	(0.5)	(1.5)	(0.9)
Other income	0.3	0.5	(0.4)	1.0
<b>Income from continuing operations before income taxes</b>	<b>1.9</b>	<b>4.9</b>	<b>2.7</b>	<b>8.5</b>
Income taxes	(0.5)	(1.2)	(0.7)	(2.1)
<b>Net income from continuing operations</b>	<b>\$ 1.4</b>	<b>\$ 3.7</b>	<b>\$ 2.0</b>	<b>\$ 6.4</b>
<b>Diluted earnings per share from continuing operations</b>	<b>\$ 0.22</b>	<b>\$ 0.59</b>	<b>\$ 0.32</b>	<b>\$ 1.02</b>

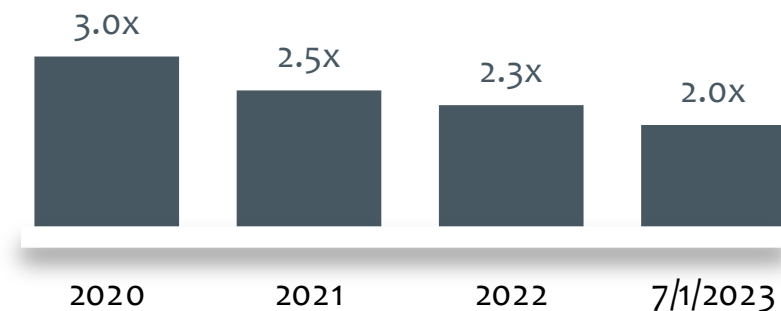
# Balance Sheet

\$ in millions

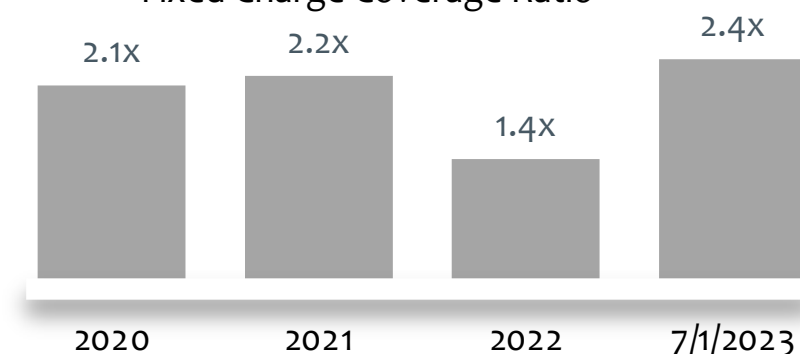
	July 1, 2023 (unaudited)	December 31, 2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13.2	\$ 10.2
Accounts receivable, net	42.0	42.9
Inventories	57.5	64.6
Other current assets	6.3	7.6
<b>Total Current Assets</b>	<b>119.1</b>	<b>125.3</b>
<b>Property, Plant and Equipment, net</b>	<b>26.1</b>	<b>26.1</b>
Goodwill	70.8	70.8
Trademarks	5.5	5.5
Patents and other intangibles	17.1	18.8
Other	18.0	15.0
<b>Total Other Assets</b>	<b>111.4</b>	<b>110.1</b>
<b>TOTAL ASSETS</b>	<b>\$ 256.5</b>	<b>\$ 261.5</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 27.0	\$ 27.6
Accrued compensation	3.8	3.3
Other accrued expenses	3.7	3.9
Current portion of operating lease liability	3.6	3.1
Current portion of finance lease liability	0.2	-
Current portion of long-term debt	3.0	9.0
<b>Total Current Liabilities</b>	<b>41.2</b>	<b>47.0</b>
<b>Long-term debt, less current portion</b>	<b>51.4</b>	<b>55.1</b>
<b>Accrued pension and other post-retirement benefits</b>	<b>23.1</b>	<b>22.8</b>
<b>Other</b>	<b>14.6</b>	<b>9.9</b>
<b>Total Liabilities</b>	<b>130.3</b>	<b>134.9</b>
<b>Total Shareholders' Equity</b>	<b>126.2</b>	<b>126.6</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 256.5</b>	<b>\$ 261.5</b>

## Bank Covenant Metrics

### Net Debt / Adjusted EBITDA



### Fixed Charge Coverage Ratio



# Adjusted EBITDA Reconciliation

\$ in millions	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income from continuing operations	\$1.4	\$3.7	\$2.0	\$6.4
Interest expense	0.8	0.5	1.5	0.9
Provision for income taxes	0.5	1.2	0.7	2.1
Depreciation and amortization	1.8	1.8	3.6	3.6
Loss on sale of Wheeling, IL building	-	-		<b>0.3 A</b>
Severance and accrued compensation, net of tax			<b>1.8 B</b>	
Greenwald final sale adjustment			<b>0.4 C</b>	
Associated Toolmakers, Ltd. Closure	<b>1.4 D</b>		<b>1.4 D</b>	
<b>Adjusted EBITDA from continuing operations (Non-GAAP)</b>	<b>\$5.9</b>	<b>\$7.2</b>	<b>\$11.5</b>	<b>\$13.3</b>

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

B) 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

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

D) Associated Toolmakers, Ltd. closure costs

# Adjusted Earnings Reconciliation

\$ in millions (except earnings per share)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income from continuing operations	\$1.4	\$3.7	\$2.0	\$6.4
Diluted earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	0.22	0.59	0.32	1.02
Adjustments:				
Loss on sale of Wheeling, IL building, net of tax	-	-		0.2 A
Severance and accrued compensation, net of tax			1.3 B	
Greenwald final sale adjustment			0.3 C	
Associated Toolmakers, Ltd. closure, net of tax	1.1 D		1.1 D	
Adjusted net income from continuing operations	<u>\$2.5</u>	<u>\$3.7</u>	<u>\$4.7</u>	<u>\$6.6</u>
<b>Diluted adjusted earnings per share from continuing operations (Non-GAAP):</b>	<b>\$0.40</b>	<b>\$0.59</b>	<b>\$0.76</b>	<b>\$1.05</b>

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

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