



# The Eastern Company

Continuous quarterly dividend since 1940

NASDAQ: EML

Sidoti May Micro Cap Conference  
May 11-12, 2022

# 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. Among the risks and uncertainties that could cause actual results or events to differ materially from those indicated by such forward-looking statements include, but are not limited to, the impact of the ongoing COVID-19 pandemic, including the impact of shutdowns and other restrictions imposed in response to COVID-19 on our supply chain and production and consumer demand for our products, changing customer preferences, lack of success of new products, loss of customers, cybersecurity breaches, changes in competition in our markets, and increased prices for raw materials resulting from tariffs on imported goods or otherwise. There are important, additional factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including those set forth in our reports and filings with the Securities and Exchange Commission. 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 Measures

This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles (“GAAP”) such as Adjusted Earnings Per Share, Adjusted EBITDA, and Free Cash Flow and certain ratios and other metrics derived there from. 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. This presentation also includes both GAAP and non-GAAP financial measures presented on a last twelve-month (“LTM”) basis for the period ended April 2, 2022. 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. Please see our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for the relevant periods for the historical amounts used to calculate the LTM information presented.

# Eastern at a Glance

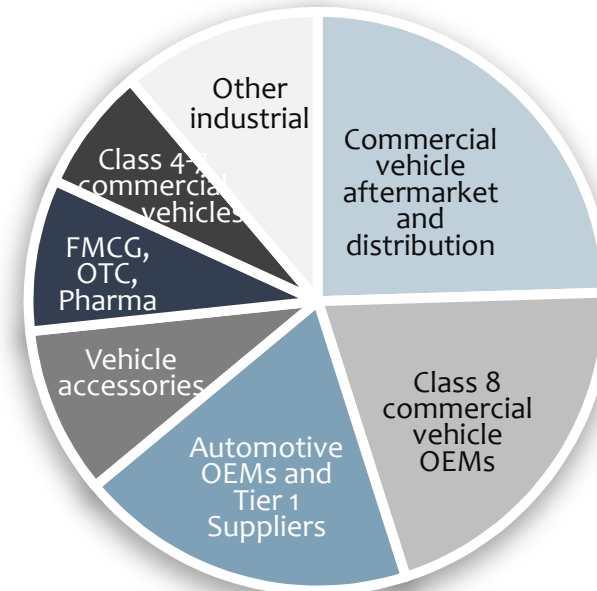
LTM 2022 sales \$254 Million

LTM 2022 Adjusted EBITDA\* \$25 million

Market capitalization \$140 million

Net debt to adjusted EBITDA 2.8x

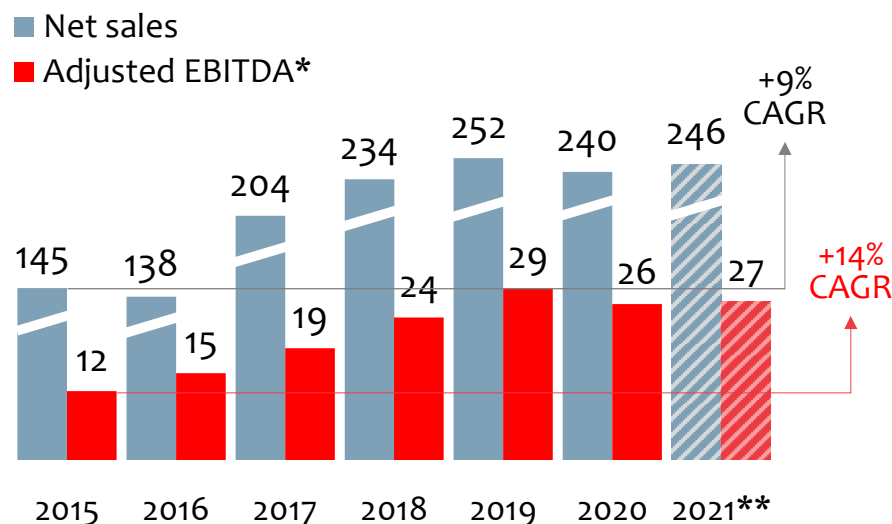
## Our end-markets



- See Statement on Non-GAAP Measures on page 3 and reconciliation on page 22.  
Note: LTM figures as of April 2, 2022.

# A Track Record of Strong Sales and EBITDA Growth

Net Sales and Adjusted EBITDA  
(\$ millions)



2015-2021 Sales growth  
(Percent of growth)



\* See Statement on Non-GAAP Measures on page 3 and reconciliation on page 22.

\*\* 2021 net sales and EBITDA include only continuing operations and exclude discontinued operations (Greenwald Industries, Frazer & Jones, and Argo EMS). 2015-2020 net sales and EBITDA include both continuing and discontinued operations.

\*\*\* Organic sales represent the sum of the year-over-year change in sales of all businesses owned by Eastern at the beginning of each fiscal year for the period 2016-2021.

# Long term shareholder value creation



Innovation-led  
organic growth



Strategic bolt-on  
acquisitions

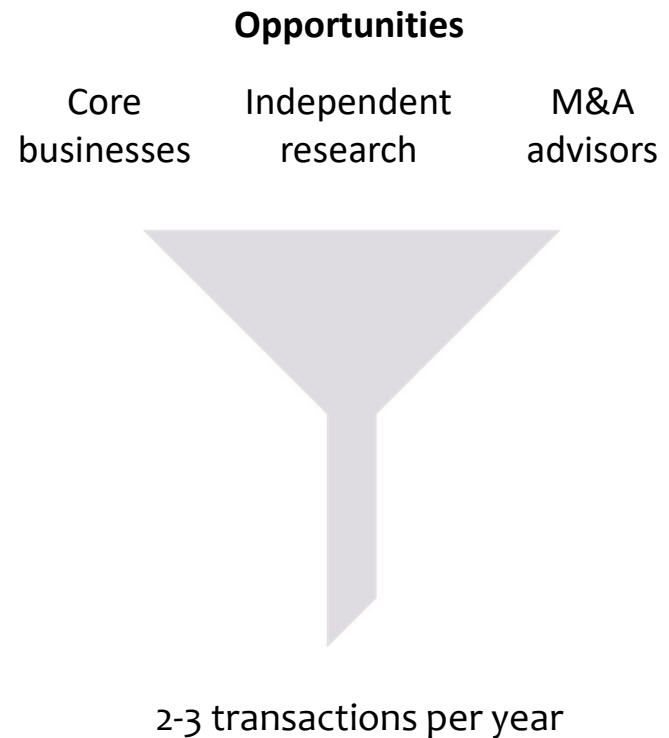


Disciplined  
capital allocation

← Capitalize on growth trends **Electrification, digitization, and automation** →

## Acquisition criteria

- ✓ **Good fit**
  - Product, market, customer overlap
  - Engineering-driven
  - Strong cost discipline
- ✓ **Value Creation Potential**
  - Accelerated market access
  - Access to high-priority markets
  - Cost synergies
- ✓ **Strong Financials**
  - ROIC greater than 12%
  - Gross margins greater than 25%
  - EBITDA margins greater than 15%
- ✓ **Sustainable Business Model**
  - Recurring revenue
  - Critical products
  - Strong intellectual property
- ✓ **Committed Talent**
  - High-performing and committed talent



# A Portfolio of Scalable Core Businesses



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.



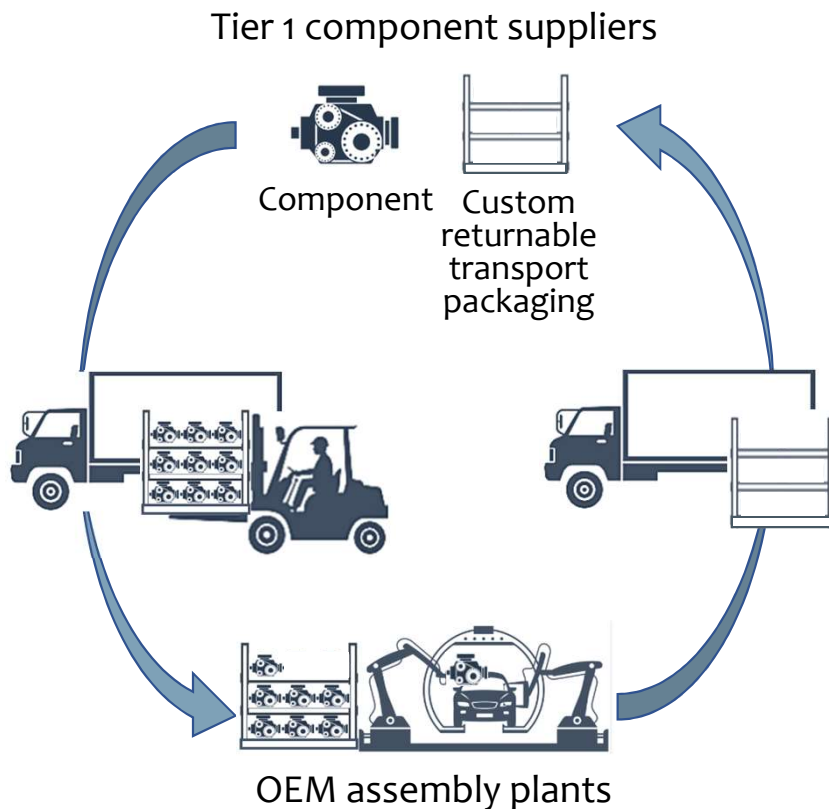
Global manufacturer and designer of access hardware systems, providing custom-engineered industrial, vehicular and specialty hardware to a wide variety of industries.



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



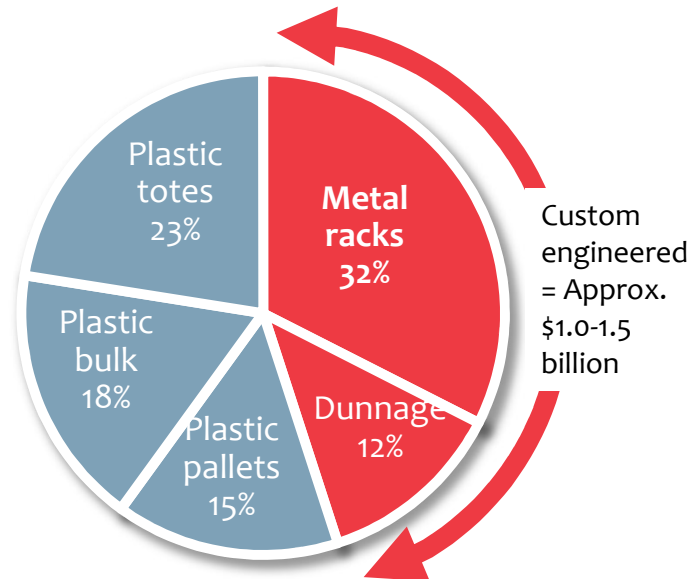
# Big 3 Precision Returnable Packaging



- Industry leader in the approximately \$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.
- Frequency of new vehicle launches, including electric vehicles, is driving demand growth.
- Manufacturing automation requires integrated material handling systems.
- Environmental concerns shifts 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

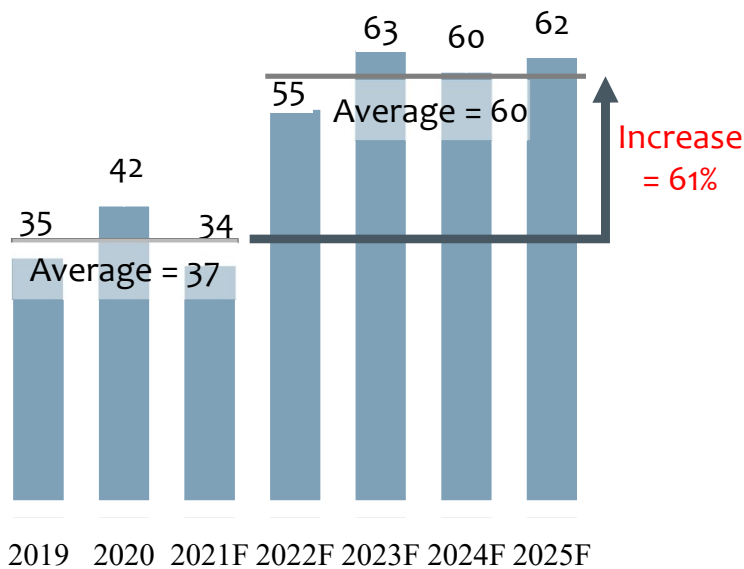


- Aerospace

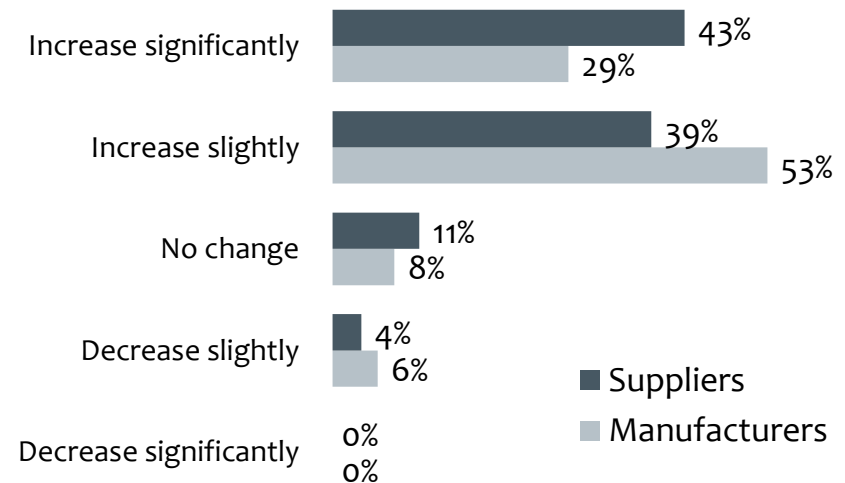
Source: Returnable Packaging Association; Eastern estimates

# Strong, Secular Returnable Packaging Demand Growth

Number of planned new vehicle launches in North America



Future use of returnable transport packaging Percent of respondents



Source: BofA Global Research; Returnable Packaging Association, *State of the Industry Report 2020*

# Eberhard Manufacturing Electrifying Vehicular Hardware

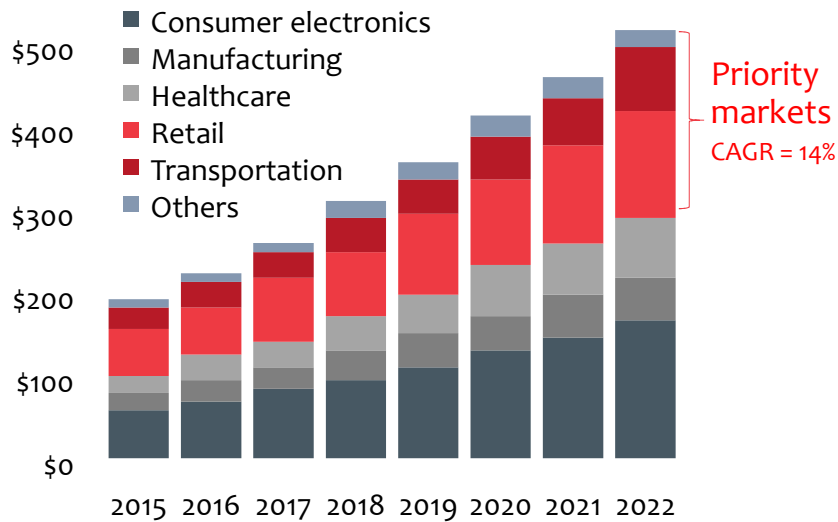
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- Industry leader in domestic vehicular hardware solutions for commercial vehicle and vehicle accessory manufacturers.
- Strong recurring sales from participation in leading OEM programs.
- Highly engineered, value-added product offering, supported by one of the largest hardware engineering teams in the industry.
- Increasing adoption of electronics and digitization in access control are accelerating new product and service growth.
- Goal to generate one-third of total sales from electro-mechanical and software-enabled products by 2025.

# IOT Drives Demand for Electro-Mechanical Devices

North America IoT market by application, 2015 – 2022  
\$ Billion



Source: Grandview Research, Inc. IoT Market Analysis And Forecasts

## Eberhard end-to-end electro-mechanical solutions

Control Systems



Actuators



Locks and latches



Accessories



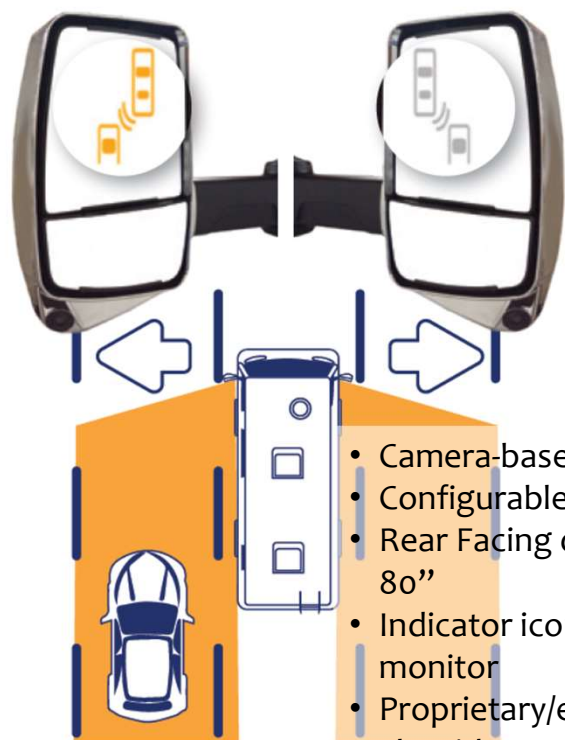
# Velvac Leading Vision for Commercial Vehicles

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- Leader in commercial vehicle vision system design and production.
- Strong recurring sales to very long-term commercial vehicle programs – average program life more than 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 is creating significant new product opportunities.

# Vision-based blind spot detection



- Camera-based object detection
- Configurable detection zone
- Rear Facing detection up to 80"
- Indicator icon in the mirror or monitor
- Proprietary/exclusive software algorithms

## Target markets



Motorhomes



Cut-away vans

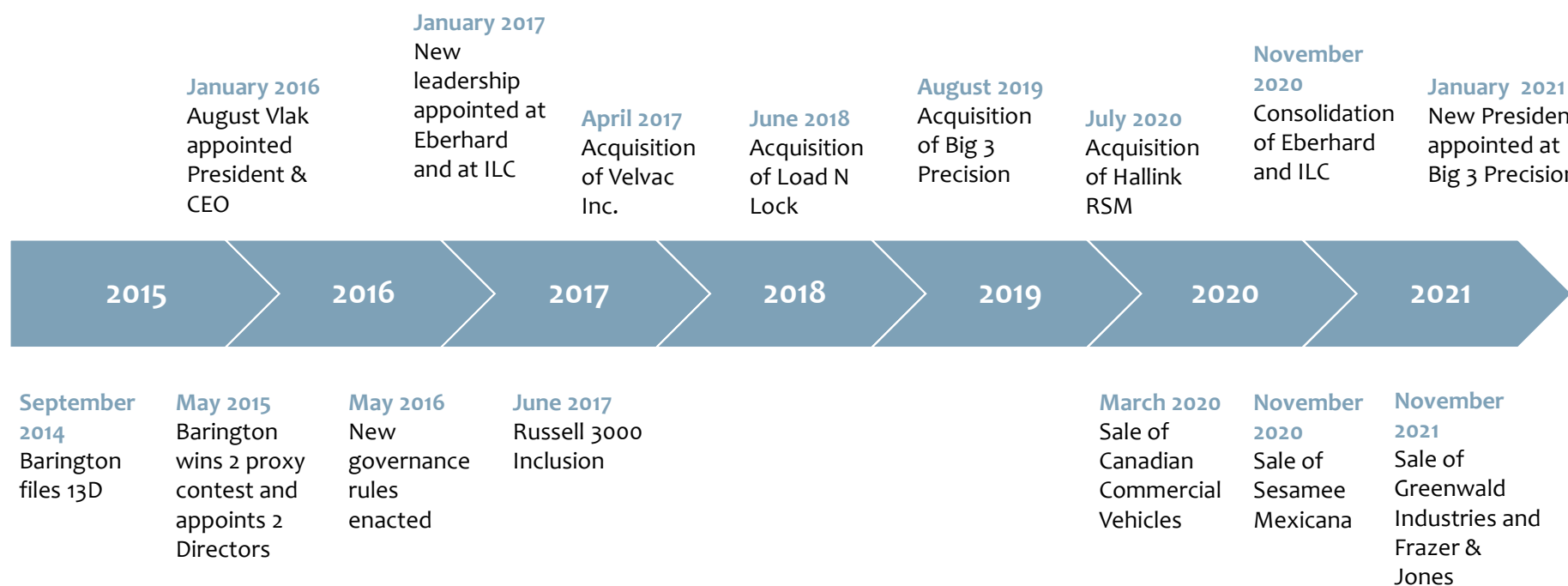


Medium duty chassis



Heavy duty trucks

# A Bias For Action

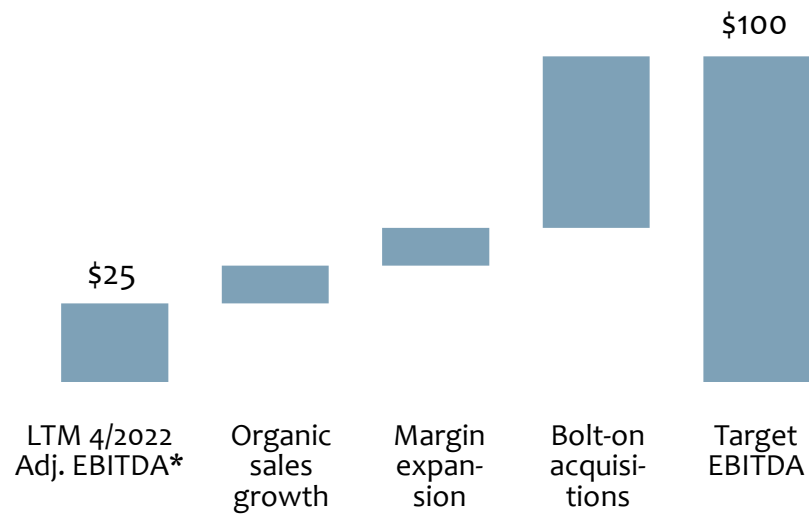




# Next Steps for Eastern

- 1 Build scale at Big 3 Precision and at Eberhard.
- 2 Ramp up organic growth by taking advantage of favorable market trends and digitization.
- 3 Invest in compelling M&A opportunities by converting bolt-on acquisition pipeline.
- 4 Accelerate debt paydown.
- 5 Sustain communications with the investment community.

## Path to becoming a \$100 million EBITDA company \$ millions



\* Reflects continuing operations only. See Statement on Non-GAAP Measures on page 3 and reconciliation on page 18.

# Statement of Operations

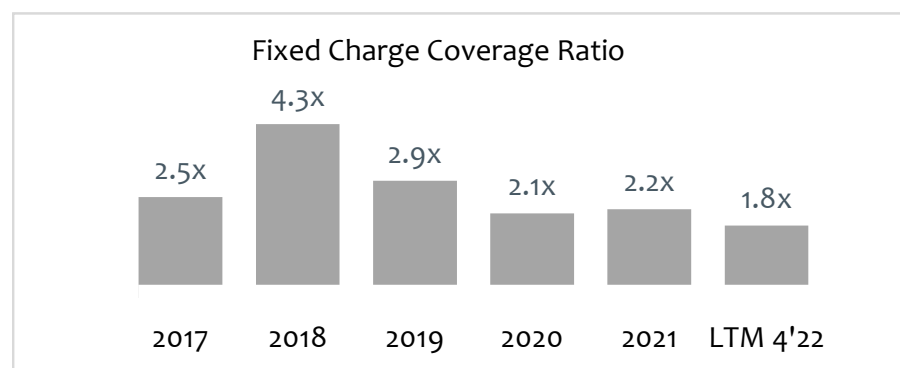
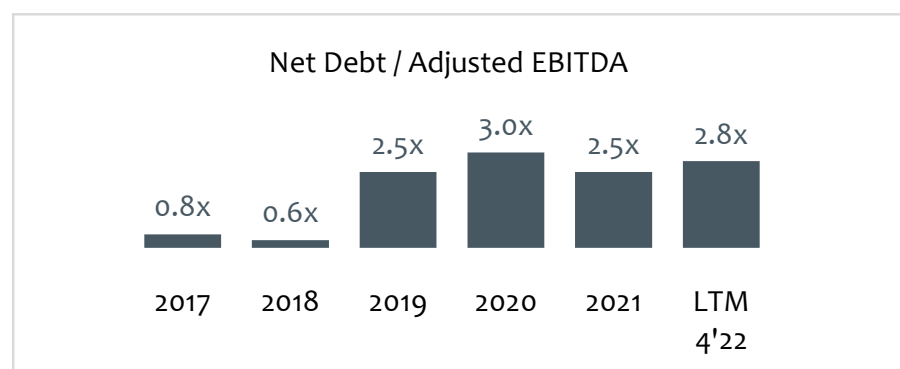
\$ in millions (except per share data)

	<u>Twelve Months Ended</u>	
	<u>April 2, 2022</u>	<u>April 3, 2021</u>
Net Sales	\$253.8	\$207.5
Gross Margin	<u>\$55.8</u>	<u>\$50.7</u>
Product Development expense	(\$4.3)	(\$2.8)
Selling & Administrative expenses	(\$36.1)	(\$30.9)
Goodwill impairment loss		(\$1.0)
Restructuring costs		<u>(\$0.7)</u>
Operating Profit	\$15.4	\$15.3
Interest expense	(\$1.7)	(\$2.0)
Other income	<u>\$1.4</u>	<u>\$3.9</u>
<b>Income from continuing operations before income taxes</b>	<b>\$15.2</b>	<b>\$15.4</b>
Income taxes	<u>(\$2.0)</u>	<u>(\$3.1)</u>
<b>Net income from continuing operations</b>	<b>\$13.2</b>	<b>\$14.1</b>
<b>Earnings per share from continuing operations:</b>	<b>\$2.10</b>	<b>\$2.24</b>

# Balance Sheet

	<u>April 2, 2022</u>
<b>Current Assets</b>	
Cash and cash equivalents	5.1
Accounts receivable, net	47.0
Inventories	67.8
Other current assets	13.5
<b>Total Current Assets</b>	<u>\$133.4</u>
<b>Property, Plant and Equipment, net</b>	<b>\$26.6</b>
<b>Goodwill</b>	72.2
<b>Trademarks</b>	5.5
<b>Patents and other intangibles</b>	21.9
<b>Other</b>	14.0
<b>Total Other Assets</b>	<u>\$113.6</u>
<b>TOTAL ASSETS</b>	<u>\$273.5</u>
<b>Current Liabilities</b>	
Accounts payable	33.7
Accrued compensation	2.6
Other accrued expenses	2.5
Current portion long term debt	7.5
Other current liabilities	3.9
<b>Total Current Liabilities</b>	<u>\$50.2</u>
<b>Long-term debt, less current portion</b>	67.0
<b>Accrued pension &amp; other postretirement</b>	27.9
<b>Other</b>	10.6
<b>Total Liabilities</b>	<u>\$155.6</u>
<b>Total Shareholders' Equity</b>	<u>\$117.9</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<u>\$273.5</u>

## Bank Covenant Metrics



# Adjusted EBITDA Reconciliation

\$ in millions

	Last twelve months ending			
	April 2, 2022	April 3, 2021		
Reported Net income from continuing operations	\$13.2	\$14.1		
Interest expense	\$1.7	\$2.0		
Provision for income taxes	\$1.9	\$3.1		
Depreciation and amortization	\$7.3	\$7.0		
Gain on Sale of Eberhard Hardware Ltd Building		(\$1.8)	A	
Loss on sale of Wheeling, IL building	\$0.3		B	
Goodwill impairment loss		\$1.0	C	
Factory relocation	\$0.1	\$0.7	D	E
Factory start-up costs	\$0.4		F	
Restructuring Costs		\$0.7	G	
Transaction Expenses		\$0.3	H	
<b>Adjusted EBITDA from continuing operations</b>	<b>\$24.7</b>	<b>\$26.9</b>		

- A) Gain on sale of Eberhard Hardware Ltd building
- B) Loss on sale of ILC building in Wheeling, IL
- C) Goodwill Impairment
- D) Costs incurred on relocation of ILC facility in Wheeling, IL
- E) Cost incurred on relocation of Velvac factory in Reynosa, MX
- F) Costs incurred on start-up of Eberhard factory in Reynosa, MX
- G) Costs incurred on announced reorganization of Eberhard Hardware
- H) Costs incurred on relocation of ILC facility in Wheeling, IL

# Adjusted Earnings Reconciliation

\$ in millions

	Last twelve months ending			
	April 2, 2022	April 3, 2021		
Reported Net income from continuing operations	\$13.2	\$14.1		
Diluted Earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	\$2.10	\$2.24		
Adjustments				
Gain on Sale of Eberhard Hardware Ltd Building (net of tax)		(\$1.4)	A	A) Gain on sale of Eberhard Hardware Ltd building
Loss on sale of Wheeling, IL building (net of tax)	\$0.2		B	B) Loss on sale of ILC building in Wheeling, IL
Goodwill impairment loss (net of tax)		\$0.7	C	C) Goodwill Impairment
Factory relocation (net of tax)	\$0.0	\$0.5	D	D) Costs incurred on relocation of ILC facility in Wheeling, IL
Factory start-up costs (net of tax)	\$0.3		F	E) Cost incurred on relocation of Velvac factory in Reynosa, MX
Restructuring Costs (net of tax)		\$0.5	G	F) Costs incurred on start-up of Eberhard factory in Reynosa, MX
Transaction Expenses		\$0.3	H	G) Costs incurred on announced reorganization of Eberhard Hardware
<b>Adjusted net income from continuing operations</b>	<b>\$13.7</b>	<b>\$14.7</b>		H) Costs incurred on relocation of ILC facility in Wheeling, IL
<b>Adjusted earnings per share from continuing operations (Non-GAAP):</b>	<b>\$2.19</b>	<b>\$2.35</b>		

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