

REFINITIV

# DELTA REPORT

## 10-Q

NOVT - NOVANTA INC

10-Q - SEPTEMBER 27, 2024 COMPARED TO 10-Q - JUNE 28, 2024

The following comparison report has been automatically generated

**TOTAL DELTAS 722**

█ CHANGES 360

█ DELETIONS 171

█ ADDITIONS 191

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 28, September 27, 2024**

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 001-35083

**NOVANTA INC.**

(Exact name of registrant as specified in its charter)

New Brunswick, Canada

98-0110412

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

125 Middlesex Turnpike, Bedford, Massachusetts, USA

01730

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (781) 266-5700

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value	NOVT	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

As of **July 30, 2024** **October 29, 2024**, there were **35,904,106** **35,921,328** of the Registrant's common shares, no par value, issued and outstanding.

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NOVANTA INC.

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## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements

		June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 98,468	\$ 105,051	\$ 92,690	\$ 105,051	
Accounts receivable, net of allowance of \$718 and \$571, respectively	145,025	139,410			
Accounts receivable, net of allowance of \$630 and \$571, respectively	164,502	139,410			
Inventories	160,042	149,371	154,021	149,371	
Prepaid income taxes and income taxes receivable	9,360	8,105	12,844	8,105	
Prepaid expenses and other current assets	11,896	13,360	12,877	13,360	
Total current assets	424,791	415,297	436,934	415,297	
Property, plant and equipment, net	114,758	109,449	119,596	109,449	
Operating lease assets	43,641	38,302	44,645	38,302	
Deferred tax assets	15,734	27,862	19,239	27,862	
Other assets	5,684	5,617	5,927	5,617	
Intangible assets, net	206,938	145,022	198,394	145,022	
Goodwill	587,028	484,507	594,088	484,507	
Total assets	\$ 1,398,574	\$ 1,226,056	\$ 1,418,823	\$ 1,226,056	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities					
Current portion of long-term debt	\$ 4,813	\$ 4,968	\$ 5,016	\$ 4,968	
Accounts payable	71,044	57,195	68,720	57,195	
Income taxes payable	13,226	7,767	15,414	7,767	
Current portion of operating lease liabilities	9,757	8,189	9,981	8,189	

Accrued expenses and other current liabilities	54,630	61,056	57,469	61,056
Total current liabilities	153,470	139,175	156,600	139,175
Long-term debt	477,113	349,404	452,502	349,404
Operating lease liabilities	41,279	37,345	42,672	37,345
Deferred tax liabilities	14,445	16,305	14,324	16,305
Income taxes payable	4,816	4,435	5,340	4,435
Other liabilities	5,459	5,932	5,190	5,932
Total liabilities	696,582	552,596	676,628	552,596
Commitments and contingencies (Note 15)				
Stockholders' equity:				
Preferred shares, no par value; Authorized shares: 7,000;				
No shares issued and outstanding	—	—	—	—
Common shares, no par value; Authorized shares: unlimited;				
Issued and outstanding: 35,895 and 35,814, respectively	423,856	423,856		
Common shares, no par value; Authorized shares: unlimited;				
Issued and outstanding: 35,916 and 35,814, respectively	423,856	423,856		
Additional paid-in capital	73,627	70,180	79,928	70,180
Retained earnings	231,893	203,462	251,085	203,462
Accumulated other comprehensive loss	(27,384)	(24,038)	(12,674)	(24,038)
Total stockholders' equity	701,992	673,460	742,195	673,460
Total liabilities and stockholders' equity	\$ 1,398,574	\$ 1,226,056	\$ 1,418,823	\$ 1,226,056

The accompanying notes are an integral part of these consolidated financial statements.

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NOVANTA INC.								
CONSOLIDATED STATEMENTS OF OPERATIONS								
(In thousands of U.S. dollars or shares, except per share amounts)								
(Unaudited)								
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Revenue	\$ 235,864	\$ 229,464	\$ 466,780	\$ 448,590	\$ 244,405	\$ 221,503	\$ 711,185	\$ 670,093
Cost of revenue	132,175	125,341	262,675	246,839	135,190	119,912	397,865	366,751
Gross profit	103,689	104,123	204,105	201,751	109,215	101,591	313,320	303,342
Operating expenses:								
Research and development and engineering	23,731	23,380	46,977	46,208	23,253	22,022	70,230	68,230
Selling, general and administrative	44,793	42,187	88,323	83,110	44,319	39,648	132,642	122,758
Amortization of purchased intangible assets	6,907	5,124	12,657	10,213	6,589	5,131	19,246	15,344
Restructuring, acquisition, and related costs	2,543	1,234	4,826	3,710	2,499	4,481	7,325	8,191
Total operating expenses	77,974	71,925	152,783	143,241	76,660	71,282	229,443	214,523
Operating income	25,715	32,198	51,322	58,510	32,555	30,309	83,877	88,819

Interest income (expense), net	(8,266)	(6,810)	(16,520)	(13,142)	(8,079)	(6,756)	(24,599)	(19,898)
Foreign exchange transaction gains (losses), net	(264)	74	(585)	(3)	(202)	(370)	(787)	(373)
Other income (expense), net	(55)	(191)	(171)	(357)	(49)	(189)	(220)	(546)
Income before income taxes	17,130	25,271	34,046	45,008	24,225	22,994	58,271	68,002
Income tax provision	3,375	4,392	5,615	5,864	5,033	1,771	10,648	7,635
Net income	<u>\$ 13,755</u>	<u>\$ 20,879</u>	<u>\$ 28,431</u>	<u>\$ 39,144</u>	<u>\$ 19,192</u>	<u>\$ 21,223</u>	<u>\$ 47,623</u>	<u>\$ 60,367</u>
Earnings per common share (Note 5):								
Basic	\$ 0.38	\$ 0.58	\$ 0.79	\$ 1.09	\$ 0.53	\$ 0.59	\$ 1.33	\$ 1.68
Diluted	\$ 0.38	\$ 0.58	\$ 0.79	\$ 1.09	\$ 0.53	\$ 0.59	\$ 1.32	\$ 1.68
Weighted average common shares outstanding—basic	35,946	35,851	35,930	35,830	35,959	35,856	35,940	35,839
Weighted average common shares outstanding—diluted	36,092	36,032	36,110	36,015	36,129	36,041	36,116	36,024

The accompanying notes are an integral part of these consolidated financial statements.

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NOVANTA INC.								
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)								
(In thousands of U.S. dollars)								
(Unaudited)								
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net income	\$ 13,755	\$ 20,879	\$ 28,431	\$ 39,144	\$ 19,192	\$ 21,223	\$ 47,623	\$ 60,367
Other comprehensive income (loss):								
Foreign currency translation adjustments, net of tax <sup>(1)</sup>	580	1,577	(3,816)	6,807	14,869	(8,786)	11,053	(1,980)
Pension liability adjustments, net of tax <sup>(2)</sup>	187	89	470	160	(159)	515	311	676
Total other comprehensive income (loss)	767	1,666	(3,346)	6,967	14,710	(8,271)	11,364	(1,304)
Total consolidated comprehensive income	<u>\$ 14,522</u>	<u>\$ 22,545</u>	<u>\$ 25,085</u>	<u>\$ 46,111</u>	<u>\$ 33,902</u>	<u>\$ 12,952</u>	<u>\$ 58,987</u>	<u>\$ 59,063</u>

- (1) The tax effect on this component of comprehensive income (loss) was nominal for all periods presented.
- (2) The tax effect on this component of comprehensive income (loss) was nominal for all periods presented. See Note 4 to the Consolidated Financial Statements for total amount of pension liability adjustments reclassified out of accumulated other comprehensive income (loss).

The accompanying notes are an integral part of these consolidated financial statements.

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**NOVANTA INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands of U.S. dollars or shares)  
(Uaudited)

	Additional						Accumulated				Additional						Accumulated			
	Common Shares		Paid-In	Retained	Other		Common Shares		Paid-In	Retained	Other		Common Shares		Paid-In	Retained	Other			
	# of	Shares	Amount	Capital	Earnings	Loss	Total	# of	Shares	Amount	Capital	Earnings	Loss	Total			Comprehensive	Comprehensive		
	Three Months Ended June 28, 2024												Three Months Ended September 27, 2024							
<b>Balance at March 29, 2024</b>	35,891	\$ 423,856	\$ 67,872	\$ 218,138	\$ (28,151)	\$ 681,715														
<b>Balance at June 28, 2024</b>	35,895	\$ 423,856	\$ 73,627	\$ 231,893	\$ (27,384)	\$ 701,992														
Net income	—	—	—	13,755	—	13,755		—	—	—	19,192	—	19,192							
Common shares issued under stock plans	7	—	—	—	—	—		23	—	—	—	—	—	—						
Common shares withheld for taxes on vested stock awards	(3)	—	(476)	—	—	(476)		(2)	—	(63)	—	—	(63)	—						
Share-based compensation	—	—	6,231	—	—	6,231		—	—	6,364	—	—	6,364	—						
Other comprehensive income (loss), net of tax	—	—	—	—	767	767		—	—	—	—	—	14,710	14,710						
<b>Balance at June 28, 2024</b>	35,895	\$ 423,856	\$ 73,627	\$ 231,893	\$ (27,384)	\$ 701,992														
<b>Balance at September 27, 2024</b>	35,916	\$ 423,856	\$ 79,928	\$ 251,085	\$ (12,674)	\$ 742,195														
Six Months Ended June 28, 2024												Nine Months Ended September 27, 2024								
<b>Balance at December 31, 2023</b>	35,814	\$ 423,856	\$ 70,180	\$ 203,462	\$ (24,038)	\$ 673,460		35,814	\$ 423,856	\$ 70,180	\$ 203,462	\$ (24,038)	\$ 673,460							
Consolidated net income	—	—	—	28,431	—	28,431														
Common shares issued under stock plans	136	—	—	—	—	—														
Common shares withheld for taxes on vested stock awards	(55)	—	(8,861)	—	—	(8,861)														
Share-based compensation	—	—	12,308	—	—	12,308														
Other comprehensive income (loss), net of tax	—	—	—	—	(3,346)	(3,346)														
<b>Balance at June 28, 2024</b>	35,895	\$ 423,856	\$ 73,627	\$ 231,893	\$ (27,384)	\$ 701,992														
Three Months Ended June 30, 2023																				
<b>Balance at March 31, 2023</b>	35,802	\$ 423,856	\$ 52,020	\$ 148,849	\$ (26,708)	\$ 598,017														
Net income	—	—	—	20,879	—	20,879		—	—	—	47,623	—	47,623							
Common shares issued under stock plans	9	—	—	—	—	—		159	—	—	—	—	—	—						
Common shares withheld for taxes on vested stock awards	(3)	—	(407)	—	—	(407)		(57)	—	(8,924)	—	—	(8,924)	—						
Share-based compensation	—	—	5,875	—	—	5,875		—	—	18,672	—	—	18,672	—						
Other comprehensive income (loss), net of tax	—	—	—	—	1,666	1,666		—	—	—	—	—	11,364	11,364						

<b>Balance at June 30, 2023</b>	35,808	\$ 423,856	\$ 57,488	\$ 169,728	\$ (25,042)	\$ 626,030	
<b>Balance at September 27, 2024</b>	35,916	\$ 423,856	\$ 79,928	\$ 251,085	\$ (12,674)	\$ 742,195	
<b>Six Months Ended June 30, 2023</b>						<b>Three Months Ended September 29, 2023</b>	
<b>Balance at December 31, 2022</b>	35,711	\$ 423,856	\$ 55,155	\$ 130,584	\$ (32,009)	\$ 577,586	
Consolidated net income	—	—	—	39,144	—	39,144	
<b>Balance at June 30, 2023</b>	35,808	\$ 423,856	\$ 57,488	\$ 169,728	\$ (25,042)	\$ 626,030	
Net income	—	—	—	21,223	—	21,223	
Common shares issued under stock plans	164	—	—	—	—	3	—
Common shares withheld for taxes on vested stock awards	(67)	—	(10,008)	—	—	(1)	—
Share-based compensation	—	—	12,341	—	—	6,037	—
Other comprehensive income (loss), net of tax	—	—	—	—	6,967	—	(8,271)
<b>Balance at June 30, 2023</b>	35,808	\$ 423,856	\$ 57,488	\$ 169,728	\$ (25,042)	\$ 626,030	
<b>Balance at September 29, 2023</b>	35,810	\$ 423,856	\$ 63,362	\$ 190,951	\$ (33,313)	\$ 644,856	
<b>Nine Months Ended September 29, 2023</b>							
<b>Balance at December 31, 2022</b>	35,711	\$ 423,856	\$ 55,155	\$ 130,584	\$ (32,009)	\$ 577,586	
Net income	—	—	—	60,367	—	60,367	
Common shares issued under stock plans	167	—	—	—	—	—	—
Common shares withheld for taxes on vested stock awards	(68)	—	(10,171)	—	—	(10,171)	—
Share-based compensation	—	—	18,378	—	—	18,378	—
Other comprehensive income (loss), net of tax	—	—	—	—	(1,304)	—	(1,304)
<b>Balance at September 29, 2023</b>	35,810	\$ 423,856	\$ 63,362	\$ 190,951	\$ (33,313)	\$ 644,856	

The accompanying notes are an integral part of these consolidated financial statements.

**NOVANTA INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In thousands of U.S. dollars)**  
**(Unaudited)**

	Six Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023
<b>Cash flows from operating activities:</b>				

**Cash flows from operating activities:**

Net income	\$ 28,431	\$ 39,144	\$ 47,623	\$ 60,367
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	27,045	23,668	41,200	35,065
Provision for inventory excess and obsolescence	5,741	3,678	7,325	6,563
<b>Impairment of assets</b>	<b>—</b>	<b>1,421</b>		
Share-based compensation	12,308	12,341	18,672	18,378
Deferred income taxes	(7,711)	(7,665)	(11,908)	(12,328)
Inventory acquisition fair value adjustments	2,777	—	2,777	—
Other	864	994	1,273	1,289
Changes in assets and liabilities which (used)/provided cash, excluding effects from business acquisitions:				
Accounts receivable	1,223	(6,564)	(16,087)	(6,371)
Inventories	(6,586)	1,177	416	5,619
Prepaid income taxes, income taxes receivable, prepaid expenses and other current assets	1,056	(163)	(2,378)	(3,444)
Accounts payable, income taxes payable, accrued expenses and other current liabilities	8,934	(29,283)	7,506	(24,759)
Other non-current assets and liabilities	(158)	(885)	531	(717)
Net cash provided by operating activities	<u>73,924</u>	<u>36,442</u>	<u>96,950</u>	<u>81,083</u>
<b>Cash flows from investing activities:</b>				
Cash paid for business acquisitions, net of working capital adjustments	(191,200)	—	(191,200)	—
Purchases of property, plant and equipment	(11,352)	(6,946)	(14,913)	(13,741)
Net cash used in investing activities	<u>(202,552)</u>	<u>(6,946)</u>	<u>(206,113)</u>	<u>(13,741)</u>
<b>Cash flows from financing activities:</b>				
Borrowings under revolving credit facilities	198,000	—	198,000	—
Repayments under term loan and revolving credit facilities	(67,344)	(30,498)	(95,983)	(82,047)
Payments of withholding taxes from share-based awards	(8,861)	(10,008)	(8,924)	(10,171)
Other financing activities	(355)	(313)	(534)	(565)
Net cash provided by (used in) financing activities	<u>121,440</u>	<u>(40,819)</u>	<u>92,559</u>	<u>(92,783)</u>
Effect of exchange rates on cash and cash equivalents	605	2,548	4,243	1,297
Decrease in cash and cash equivalents	(6,583)	(8,775)	(12,361)	(24,144)
Cash and cash equivalents, beginning of the period	105,051	100,105	105,051	100,105
Cash and cash equivalents, end of the period	<u>\$ 98,468</u>	<u>\$ 91,330</u>	<u>\$ 92,690</u>	<u>\$ 75,961</u>
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for interest	\$ 16,491	\$ 12,709	\$ 25,376	\$ 19,290
Cash paid for income taxes	\$ 8,035	\$ 21,316	\$ 18,807	\$ 28,684
Income tax refunds received	\$ 739	\$ 255	\$ 1,069	\$ 275

The accompanying notes are an integral part of these consolidated financial statements.

**NOVANTA INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 28, SEPTEMBER 27, 2024**  
**(Unaudited)**

**1. Basis of Presentation**

Novanta Inc. (collectively with its subsidiaries, referred to as "Novanta", the "Company", "we", "us", "our") is a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers ("OEMs") a competitive advantage. Novanta combines deep proprietary technology expertise and competencies in precision medicine and manufacturing, medical solutions and robotics and automation with a proven ability to solve complex technical challenges. This enables Novanta to engineer core components and sub-systems that deliver extreme precision and performance, tailored to the customers' demanding applications.

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in United States ("U.S.") dollars and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"), the instructions to Form 10-Q and the provisions of Regulation S-X pertaining to interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted. The interim consolidated financial statements and notes included in this report should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, these interim consolidated financial statements include all adjustments and accruals of a normal and recurring nature necessary to fairly state the results of the interim periods presented. The results for interim periods are not necessarily indicative of results to be expected for the full year or for any future periods.

The Company's unaudited interim consolidated financial statements are prepared for each quarterly period ending on the Friday closest to the end of the calendar quarter, with the exception of the fourth quarter which always ends on December 31.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates and assumptions are reviewed on an on-going basis and the effects of revisions are reflected in the period in which such revisions are deemed to be necessary. The Company evaluates its estimates based on historical experience, current conditions, and various other assumptions that it believes are reasonable under the circumstances. Actual results could differ significantly from these estimates.

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**NOVANTA INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 28, SEPTEMBER 27, 2024**  
**(Unaudited)**

**Recent Accounting Pronouncements**

The following table provides a brief description of recent Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"):

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
----------	-------------	----------------	-----------------------------------------------------------------

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280) -Improvements to Reportable Segment Disclosures."	ASU 2023-07 clarifies or improves financial reporting by requiring disclosure of incremental segment information. The amendments require disclosure, on an annual and interim basis for all public entities, of significant segment expenses included in segment profit or loss, an amount and description of "other segment items" included in segment profit or loss, and an explanation of how reported segment profit or loss is assessed and allocated.	The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.	The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statement disclosures.
In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740) - Improvements to Income Tax Disclosures."	ASU 2023-09 provides more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid.	The amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024. Early adoption is permitted.	The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statement disclosures.

## 2. Revenue

The Company accounts for its revenue transactions in accordance with **ASC Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers,"** which requires entities to recognize revenue in a way that depicts the transfer of control over goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company recognizes revenue when control of promised goods or services is transferred to the customer. The transfer of control generally occurs upon shipment when title and risk of loss pass to the customer. The vast majority of the Company's revenue is generated from the sale of distinct products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for such products, which is generally at contractually stated prices. Sales taxes and value added taxes collected concurrently with revenue generating activities are excluded from revenue.

### Performance Obligations

Substantially all of the Company's revenue is recognized at a point in time, upon shipment, rather than over time.

At the request of its customers, the Company may perform professional services, generally for the maintenance and repair of products previously sold to those customers and for engineering services. Professional services are typically short in duration and aggregate to less than 3% of the Company's consolidated revenue. Revenue is typically recognized at a point in time when control transfers to the customer upon completion of professional services. These services generally involve a single distinct performance obligation. The consideration expected to be received in exchange for such services is normally the contractually stated amount.

The Company occasionally sells separately priced non-standard/extended warranty services or preventative maintenance plans with the sale of products. The transfer of control over the service plans is over time. The Company recognizes the related revenue

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relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using the expected cost plus a margin.

***Shipping & Handling Costs***

The Company accounts for shipping and handling activities that occur after the transfer of control over the related goods as fulfillment activities rather than performance obligations. Shipping and handling fees charged to customers are recognized as revenue and the related costs are recorded in cost of revenue at the time of transfer of control.

***Warranties***

The standard warranty periods for the Company's products are typically 12 months to 36 months. The Company recognizes estimated liabilities associated with standard warranty periods for its products in accordance with the provisions of ASC 450, "Contingencies," as the Company has the ability to ascertain the likelihood of the liabilities and can reasonably estimate the amount of the liabilities. A provision for the estimated cost related to standard warranties is recorded as cost of revenue at the time revenue is recognized. The Company's estimate of the costs to service the warranty obligations is based on historical experience and expectations of future conditions. To the extent that the Company's experience in warranty claims or costs associated with servicing those claims differ from the original estimates, revisions to the estimated warranty liabilities are recorded at that time, with offsetting adjustments to cost of revenue.

***Practical Expedients and Exemptions***

The Company expenses incremental direct costs of obtaining a contract when incurred because the expected amortization period is typically one year or less. These costs are recorded within selling, general and administrative expenses in the consolidated statement of operations.

The Company does not adjust the promised amount of consideration for the effects of a financing component because the transfer of a promised good to a customer and the customer's payment for that good are typically one year or less. The Company does not disclose the value of the remaining performance obligation for contracts with an original expected length of one year or less.

***Contract Liabilities***

Contract liabilities consist of deferred revenue and advance payments from customers, including amounts that are refundable. These contract liabilities are classified as either current or long-term liabilities in the consolidated balance sheet based on the timing of when the Company expects to recognize the related revenue. As of **June 28, 2024** **September 27, 2024** and December 31, 2023, contract liabilities were **\$7.0** **\$8.3** million and \$5.8 million, respectively, and are included in accrued expenses and other current liabilities and other liabilities in the accompanying consolidated balance sheets. The increase in the contract liability balance during the **six** **nine** months ended **June 28, 2024** **September 27, 2024** is primarily due to cash payments received in advance of satisfying performance obligations, partially offset by **\$3.6** **\$4.5** million of revenue recognized during the period that was included in the contract liability balance as of December 31, 2023.

***Disaggregated Revenue***

See Note 16 for the Company's disaggregation of revenue by segment, geography and end market.

**3. Business Combinations**

On January 2, 2024, the Company completed the acquisition of Motion Solutions Parent Corp. ("Motion Solutions"), an Irvine, California-based provider of highly engineered integrated solutions, specializing in proprietary precision motion and advanced motion control solutions, for a total purchase price of \$192.0 million in cash, net of working capital adjustments. The acquisition was financed with borrowings under the Company's revolving credit facility. The addition of Motion

Solutions enhances the Company's product portfolio and further expands its presence in attractive medical and precision medicine spaces. Motion Solutions is included in the Medical Solutions reportable segment.

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**Allocation of Purchase Price**

The acquisition of Motion Solutions has been accounted for as a business combination. The purchase price is allocated based upon a valuation of the fair values of assets acquired and liabilities assumed. Assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the fair values of the acquired tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill. The fair values of identifiable intangible assets were based on valuations using an income approach, specifically the multi-period excess earnings method for customer relationships and the relief-from-royalty method for developed technologies. The process for estimating the fair values of identifiable intangible assets requires the use of significant estimates and assumptions, including revenue growth rates, customer attrition rates, royalty rates, discount rates, technology obsolescence curves, and EBITDA margins. The Company's estimates and assumptions in determining the estimated fair value of certain assets and liabilities are subject to change within the measurement period (up to one year from the acquisition date) as a result of additional information to be obtained with regard to facts and circumstances that existed as of the acquisition date.

Based upon the Company's preliminary valuation, the purchase price for Motion Solutions was allocated as follows (in thousands):

	Purchase Price Allocation	Purchase Price Allocation
Cash	\$ 776	\$ 776
Accounts receivable	8,515	8,515
Inventory	14,032	14,032
Property, plant and equipment	3,126	3,126
Operating lease assets	8,076	8,076
Intangible assets	83,000	83,000
Goodwill	106,430	106,569
Other assets	561	1,002
Total assets acquired	224,516	225,096
Accounts payable	5,305	5,305
Operating lease liabilities	8,514	8,514
Deferred tax liabilities	18,257	18,171
Other liabilities	464	1,130
Total liabilities assumed	32,540	33,120
Total assets acquired, net of liabilities assumed	191,976	191,976
Less: cash acquired	776	776
Purchase price, net of cash acquired	\$ 191,200	\$ 191,200

The purchase price allocation is preliminary as the Company is in the process of collecting additional information. The estimated purchase price allocation previously disclosed in the Form 10-Q for the period ended March 29, 2024 was revised during the second and third quarter of 2024 as new information was received

and analyzed resulting in an increase in **Inventory** of \$0.5 million, an increase in **Intangible assets** of \$2.6 million, an increase in **Other assets** of \$0.5 million, an increase in **Deferred tax liabilities** of \$0.6 million, an increase in **Other liabilities** of \$0.7 million and a decrease in **Goodwill** of \$2.4 million.

The fair value of intangible assets for Motion Solutions is comprised of the following:

	Estimated Fair Value (In thousands)	Estimated Fair	Amortization
			Period
Developed technologies	\$ 34,400		7 years
Customer relationships	43,100		13 years
Backlog	5,500		1 year
<b>Total</b>	<b>\$ 83,000</b>		

The preliminary purchase price allocation resulted in \$83.0 million of identifiable intangible assets and \$106.4 million of goodwill. As the Motion Solutions acquisition was structured as a stock acquisition for income tax purposes, the goodwill is not

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deductible. The goodwill recorded represents the anticipated incremental value of future cash flows potentially attributable to: (i) Motion Solution's ability to grow the business with existing and new customers, including leveraging the Company's customer base; (ii) Motion Solution's ability to grow the business through new product introductions; and (iii) cost improvements due to the integration of Motion Solution's operations into the Company's existing infrastructure.

The operating results of Motion Solutions were included in the Company's results of operations beginning January 2, 2024. Motion Solutions contributed revenues of \$41.5 million and a loss before income taxes of \$1.7 million to the Company's operating results for the six months ended June 28, 2024. The loss before income taxes from Motion Solutions for the period from the acquisition date through June 28, 2024 included amortization of inventory fair value adjustments of \$2.8 million and amortization of purchased intangible assets of \$6.5 million.

***Unaudited Pro Forma Information***

The pro forma information for all periods presented below includes the effect of business combination accounting resulting from the acquisition of Motion Solutions, including amortization of inventory fair value adjustments, amortization of intangible assets, interest expense on borrowings in connection with the acquisition, and the related tax effects, assuming that the acquisition had been consummated as of January 1, 2023. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisition had taken place on January 1, 2023.

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28,		June 30,		September 27,		September 29,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 235,864	\$ 251,838	\$ 466,780	\$ 489,692	\$ 244,405	\$ 244,686	\$ 711,185	\$ 734,378
Net income	\$ 14,061	\$ 16,281	\$ 31,181	\$ 28,396	\$ 19,003	\$ 17,159	\$ 50,184	\$ 45,555

***Acquisition Costs***

Acquisition costs are included in restructuring and acquisition related costs in the consolidated statements of operations. Acquisition-related costs for Motion Solutions was \$1.11.0 million for the six nine months ended June 28, 2024 September 27, 2024.

#### 4. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss were as follows (in thousands):

	Total Accumulated			Total Accumulated		
	Other	Cumulative	Pension	Other	Cumulative	Pension
	Comprehensive	Translation	Liability	Comprehensive	Translation	Liability
	Loss	Adjustments	Adjustments	Loss	Adjustments	Adjustments
Balance at December 31, 2023	\$ (24,038)	\$ (16,604)	\$ (7,434)	\$ (24,038)	\$ (16,604)	\$ (7,434)
Other comprehensive income (loss)	(3,781)	(3,816)	35	10,699	11,053	(354)
Amounts reclassified from accumulated other comprehensive loss	435	—	435	665	—	665
Balance at June 28, 2024	\$ (27,384)	\$ (20,420)	\$ (6,964)			
Balance at September 27, 2024	\$ (12,674)	\$ (5,551)	\$ (7,123)			

The amounts reclassified from accumulated other comprehensive loss were included in other income (expense) in the consolidated statements of operations.

#### 5. Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Fully vested restricted stock units and deferred stock units granted to members of the Company's Board of Directors are included in the calculation of weighted average number of common shares outstanding.

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For diluted earnings per common share, the denominator includes the dilutive effect of outstanding common share equivalents. The dilutive effects of outstanding common share equivalents, including outstanding service-based restricted stock units, stock options and performance-based restricted stock units, are determined using the treasury stock method. Performance-based restricted stock units are considered contingently issuable shares, the vesting of which may be based on achievement of specified company financial performance metrics ("attainment-based PSUs"), certain market conditions ("market-based PSUs") or a hybrid of company financial performance metrics and market conditions ("hybrid PSUs"). The dilutive effects of market-based PSUs are included in the weighted average common share calculation based on the number of shares, if any, that would be issuable as of the end of the reporting period, assuming the end of the reporting period is also the end of the performance period. The dilutive effects of attainment-based and hybrid PSUs are included in the weighted average common share calculation based on the cumulative achievement against the performance targets only when the performance targets have been achieved as of the end of the reporting period.

The following table sets forth the computation of basic and diluted earnings per common share (amounts in thousands, except per share data):

Numerators:	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28,	June 30,	June 28,	June 30,	September 27,	September 29,	September 27,	September 29,
	2024	2023	2024	2023	2024	2023	2024	2023
Net income	\$ 13,755	\$ 20,879	\$ 28,431	\$ 39,144	\$ 19,192	\$ 21,223	\$ 47,623	\$ 60,367

<b>Denominators:</b>	35,946	35,851	35,930	35,830	35,959	35,856	35,940	35,839
Weighted average common shares outstanding— basic	35,946	35,851	35,930	35,830	35,959	35,856	35,940	35,839
Dilutive common share equivalents	146	181	180	185	170	185	176	185
Weighted average common shares outstanding— diluted	36,092	36,032	36,110	36,015	36,129	36,041	36,116	36,024
Antidilutive common share equivalents excluded from above	166	141	119	127	102	49	113	101

  

<b>Earnings per Common Share:</b>	\$ 0.38	\$ 0.58	\$ 0.79	\$ 1.09	\$ 0.53	\$ 0.59	\$ 1.33	\$ 1.68
Basic	\$ 0.38	\$ 0.58	\$ 0.79	\$ 1.09	\$ 0.53	\$ 0.59	\$ 1.33	\$ 1.68
Diluted	\$ 0.38	\$ 0.58	\$ 0.79	\$ 1.09	\$ 0.53	\$ 0.59	\$ 1.32	\$ 1.68

For the three and **six** nine months ended **June 28, 2024** **September 27, 2024**, **177** **174** thousand shares of attainment-based PSUs and hybrid PSUs were excluded from the calculation of the denominator because they were considered contingently issuable shares and the related performance targets had not been achieved as of **June 28, 2024** **September 27, 2024**.

For the three and **six** nine months ended **June 30, 2023** **September 29, 2023**, **148** **143** thousand shares of attainment-based PSUs and hybrid PSUs were excluded from the calculation of the denominator because they were considered contingently issuable shares and the related performance targets had not been achieved as of **June 30, 2023** **September 29, 2023**.

## 6. Fair Value Measurements

ASC 820, "Fair Value Measurements," establishes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the third is considered unobservable:

- Level 1: Quoted prices for identical assets or liabilities in active markets which the Company can access
- Level 2: Observable inputs other than those described in Level 1
- Level 3: Unobservable inputs

### Current Assets and Liabilities

The Company's cash equivalents are highly liquid investments with original maturities of three months or less, which represent assets measured at fair value on a recurring basis. The Company determines the fair value of cash equivalents using a market approach based on quoted prices in active markets. The fair values of cash equivalents, accounts receivable, income taxes receivable, accounts payable, income taxes payable and accrued expenses and other current liabilities approximate their carrying values because of their short-term nature.

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### Foreign Currency Contracts

The Company addresses market risks from changes in foreign currency exchange rates through a risk management program that includes the use of derivative financial instruments to mitigate certain balance sheet foreign currency transaction exposures. The Company uses foreign currency forward contracts as a part of its strategy to manage exposures related to foreign currency denominated monetary assets and liabilities. The fair value of these foreign currency forward contracts is reported either in other current assets or in other current liabilities as of the end of the period.

### Summary by Fair Value Hierarchy

The following table summarizes the fair values of the Company's assets and liabilities measured at fair value on a recurring basis as of **June 28, 2024** **September 27, 2024** (in thousands):

	Significant						Significant							
	Quoted Prices in Active Markets			Other			Quoted Prices in Active Markets			Other				
	for		Significant Other	Unobservable	for		Significant Other	Unobservable	for		Significant Other	Unobservable		
	Observable			Identical Assets			Observable			Identical Assets				
	Inputs			Inputs			Inputs			Inputs				
	Fair	Value	(Level 1)	(Level 2)	(Level 3)		Fair	Value	(Level 1)	(Level 2)	(Level 3)			
<b>Assets</b>														
Cash equivalents	\$ 623	\$ 623	\$ —	\$ —	\$ —									
Prepaid expenses and other current assets:														
Foreign currency forward contracts	1	—	1	—	—	\$ 14	\$ —	\$ 14	\$ —	\$ 14	\$ —			
	<b>\$ 624</b>	<b>\$ 623</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ 14</b>	<b>\$ —</b>			
<b>Liabilities</b>														
Accrued expenses and other current liabilities:														
Contingent considerations - Current	\$ 46	\$ —	\$ —	\$ —	\$ 46	\$ 48	\$ —	\$ —	\$ —	\$ —	\$ 48			
Foreign currency forward contracts	406	—	406	—	—	250	—	—	250	—	—			
Other liabilities:														
Contingent considerations - Long-term	301	—	—	—	301	313	—	—	—	—	313			
	<b>\$ 753</b>	<b>\$ —</b>	<b>\$ 406</b>	<b>\$ 347</b>	<b>\$ 611</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 250</b>	<b>\$ —</b>	<b>\$ 361</b>	<b>\$ —</b>			

The following table summarizes the fair values of the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

	Quoted Prices in						Significant Other					
	Active Markets for			Significant Other			Unobservable					
	Identical Assets		Observable Inputs			Inputs						
	Fair Value	(Level 1)	(Level 2)	(Level 3)		(Level 1)	(Level 2)	(Level 3)				
<b>Assets</b>												
Cash equivalents	\$ 1,392	\$ 1,392	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Prepaid expenses and other current assets:												
Foreign currency forward contracts	379	—	—	—	—	379	—	—	379	—	—	
	<b>\$ 1,771</b>	<b>\$ 1,392</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Liabilities</b>												
Accrued expenses and other current liabilities:												
Contingent considerations - Current	\$ 48	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 48	
Foreign currency forward contracts	312	—	—	—	—	312	—	—	312	—	—	
Other liabilities:												
Contingent considerations - Long-term	311	—	—	—	—	311	—	—	311	—	—	
	<b>\$ 671</b>	<b>\$ —</b>	<b>\$ 312</b>	<b>\$ 312</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 359</b>	<b>\$ —</b>	<b>\$ 359</b>	

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Changes in the fair value of Level 3 contingent considerations during the **six** **nine** months ended **June 28, 2024** **September 27, 2024** were as follows (in thousands):

	Amount	Amount
Balance at December 31, 2023	\$ 359	\$ 359
Payments	—	—
Fair value adjustments	—	—
Effect of foreign exchange rates	(12)	2
<b>Balance at June 28, 2024</b>	<b>\$ 347</b>	
<b>Balance at September 27, 2024</b>	<b>\$ 361</b>	

See Note 10 to Consolidated Financial Statements for a discussion of the estimated fair value of the Company's outstanding debt.

## 7. Foreign Currency Contracts

The Company addresses market risks from changes in foreign currency exchange rates through a risk management program that includes the use of derivative financial instruments to mitigate certain foreign currency transaction exposures from future settlement of non-functional currency monetary assets and liabilities as of the end of a period. The Company does not enter into derivative transactions for speculative purposes. Gains and losses on these derivative financial instruments substantially offset losses and gains on the underlying hedged exposures and are included in foreign exchange transaction gains (losses) in the consolidated statements of operations. Furthermore, the Company manages its exposures to counterparty risks on derivative instruments by entering into contracts with a diversified group of major financial institutions and by actively monitoring outstanding positions.

As of **June 28, 2024** **September 27, 2024**, the aggregate notional amount and fair value of the Company's foreign currency forward contracts was **\$191.4** **\$187.9** million and a net loss of **\$0.4** **0.2** million, respectively. As of December 31, 2023, the aggregate notional amount and fair value of the Company's foreign currency forward contracts was \$172.3 million and a net gain of \$0.1 million, respectively.

The Company recognized an aggregate net gain of **\$1.0** **\$2.1** million and **\$2.2** **\$4.3** million for the three and **six** **nine** months ended **June 28, 2024** **September 27, 2024**. The Company recognized an aggregate net loss of **\$0.2** million and an aggregate net gain of **\$2.1** million and **\$2.7** **\$2.5** million for the three and **six** **nine** months ended **June 30, 2023** **September 29, 2023**. These amounts were included in foreign exchange transaction gains (losses) in the consolidated statements of operations.

## 8. Goodwill and Intangible Assets

### Goodwill

Goodwill is recorded when the consideration paid for a business combination exceeds the fair value of net tangible and identifiable intangible assets acquired. The Company tests its goodwill balances for impairment annually as of the beginning of the second quarter or more frequently if indicators are present or changes in circumstances suggest that an impairment may exist. The Company performed the most recent annual goodwill and indefinite-lived intangible asset impairment test as of the beginning of the second quarter of 2024 and noted no impairment.

The following table summarizes changes in goodwill during the **six** **nine** months ended **June 28, 2024** **September 27, 2024** (in thousands):

	Amount	
Balance at beginning of the period	\$ 484,507	\$ 484,507
Goodwill acquired from Motion Solutions acquisition	106,430	106,569
Effect of foreign exchange rate changes	(3,909)	3,012

Balance at end of the period	\$ 587,028	\$ 594,088
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Goodwill by reportable segment as of **June 28, 2024** **September 27, 2024** was as follows (in thousands):

	Reportable Segment				Reportable Segment				
	Precision Medicine and Manufacturing		Medical Solutions	Robotics and Automation	Total	Precision Medicine and Manufacturing		Medical Solutions	Robotics and Automation
Goodwill	\$ 209,878	\$ 274,035	\$ 254,344	\$ 738,257	\$ 213,407	\$ 276,676	\$ 255,234	\$ 745,317	
Accumulated impairment of goodwill	(102,461)	(31,722)	(17,046)	(151,229)	(102,461)	(31,722)	(17,046)	(151,229)	
Total	\$ 107,417	\$ 242,313	\$ 237,298	\$ 587,028	\$ 110,946	\$ 244,954	\$ 238,188	\$ 594,088	

Goodwill by reportable segment as of December 31, 2023 was as follows (in thousands):

	Reportable Segment			
	Precision Medicine and Manufacturing		Medical Solutions	Robotics and Automation
Goodwill	\$ 211,380	\$ 169,738	\$ 254,618	\$ 635,736
Accumulated impairment of goodwill	(102,461)	(31,722)	(17,046)	(151,229)
Total	\$ 108,919	\$ 138,016	\$ 237,572	\$ 484,507

#### Intangible Assets

Intangible assets as of **June 28, 2024** **September 27, 2024** and December 31, 2023, respectively, are summarized as follows (in thousands):

	June 28, 2024			December 31, 2023			September 27, 2024			December 31, 2023		
	Gross	Accumulated	Net	Gross	Accumulated	Net	Gross	Accumulated	Net	Gross	Accumulated	Net
	Carrying	Amortization	Carrying	Carrying	Amortization	Carrying	Carrying	Amortization	Carrying	Carrying	Amortization	Carrying
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Amortizable intangible assets:												
Patents and developed technologies	\$ 220,075	\$ (152,662)	\$ 67,413	\$ 187,092	\$ (146,342)	\$ 40,750	\$ 223,048	\$ (158,765)	\$ 64,283	\$ 187,092	\$ (146,342)	\$ 40,750
Customer relationships	266,544	(150,671)	115,873	225,183	(142,478)	82,705	270,286	(158,032)	112,254	225,183	(142,478)	82,705
Customer backlog	5,500	(2,750)	2,750	—	—	—	5,500	(4,125)	1,375	—	—	—

Trademarks and trade names	23,491	(15,616)	7,875	23,628	(15,088)	8,540	23,861	(16,406)	7,455	23,628	(15,088)	8,540
Amortizable intangible assets	515,610	(321,699)	193,911	435,903	(303,908)	131,995	522,695	(337,328)	185,367	435,903	(303,908)	131,995
Non-amortizable intangible assets:												
Trade names	13,027	—	13,027	13,027	—	13,027	13,027	—	13,027	13,027	—	13,027
Total intangible assets	\$ 528,637	\$ (321,699)	\$ 206,938	\$ 448,930	\$ (303,908)	\$ 145,022	\$ 535,722	\$ (337,328)	\$ 198,394	\$ 448,930	\$ (303,908)	\$ 145,022

All definite-lived intangible assets are amortized either on a straight-line basis or an economic benefit basis over their remaining estimated useful life. Amortization expense for patents and developed technologies is included in cost of revenue in the accompanying consolidated statements of operations. Amortization expense for customer relationships and definite-lived trademarks, trade names and other intangibles is included in operating expenses in the accompanying consolidated statements of operations. Amortization expense for the three and **six** **nine** months ended **June 28, 2024** **September 27, 2024** and **June 30, 2023** **September 29, 2023**, respectively, was as follows (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28,	June 30,	June 28,	June 30,	September 27,	September 29,	September 27,	September 29,
	2024	2023	2024	2023	2024	2023	2024	2023
Amortization expense – cost of revenue	\$ 3,685	\$ 3,046	\$ 7,377	\$ 6,068	\$ 3,708	\$ 3,051	\$ 11,086	\$ 9,119
Amortization expense – operating expenses	6,907	5,124	12,657	10,213	6,589	5,131	19,246	15,344
Total amortization expense	\$ 10,592	\$ 8,170	\$ 20,034	\$ 16,281	\$ 10,297	\$ 8,182	\$ 30,332	\$ 24,463

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As of **June 28, 2024** **September 27, 2024**, estimated amortization expense for each of the five succeeding years and thereafter was as follows (in thousands):

Year Ending December 31,	Operating			Operating		
	Cost of Revenue	Expenses	Total	Cost of Revenue	Expenses	Total
2024 (remainder of year)	\$ 7,360	\$ 12,631	\$ 19,991	\$ 3,727	\$ 6,620	\$ 10,347
2025	14,286	22,372	36,658	14,425	22,544	36,969
2026	13,430	20,069	33,499	13,533	20,209	33,742
2027	10,598	15,936	26,534	10,669	16,032	26,701
2028	8,861	12,853	21,714	8,917	12,917	21,834
Thereafter	12,878	42,637	55,515	13,012	42,762	55,774

Total	\$ 67,413	\$ 126,498	\$ 193,911	\$ 64,283	\$ 121,084	\$ 185,367
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## 9. Supplementary Balance Sheet Information

The following tables provide the details of selected balance sheet items as of the periods indicated (in thousands):

### Inventories

	June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
Raw materials	\$ 104,147	\$ 104,643	\$ 98,731	\$ 104,643
Work-in-process	26,148	21,010	26,581	21,010
Finished goods	29,354	23,311	28,344	23,311
Demo and consigned inventory	393	407	365	407
Total inventories	\$ 160,042	\$ 149,371	\$ 154,021	\$ 149,371

### Accrued Expenses and Other Current Liabilities

	June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
Accrued compensation and benefits	\$ 25,431	\$ 32,703	\$ 27,511	\$ 32,703
Accrued warranty	5,039	5,292	4,982	5,292
Contract liabilities, current portion	7,144	5,553	8,342	5,553
Finance lease obligations	738	718	749	718
Other	16,278	16,790	15,885	16,790
Total	\$ 54,630	\$ 61,056	\$ 57,469	\$ 61,056

### Accrued Warranty

	Six Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023
Balance at beginning of the period	\$ 5,292	\$ 5,127	\$ 5,292	\$ 5,127
Provision charged to cost of revenue	595	1,075	888	1,837
Warranty liabilities acquired from acquisitions	76	—	76	—
Use of provision	(913)	(1,001)	(1,322)	(1,467)
Foreign currency exchange rate changes	(11)	51	48	1
Balance at end of the period	\$ 5,039	\$ 5,252	\$ 4,982	\$ 5,498

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#### Other Long-Term Liabilities

	June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
Finance lease obligations	\$ 3,559	\$ 3,934	\$ 3,369	\$ 3,934
Accrued contingent considerations and earn-outs	301	311	313	311
Other	1,599	1,687	1,508	1,687
<b>Total</b>	<b>\$ 5,459</b>	<b>\$ 5,932</b>	<b>\$ 5,190</b>	<b>\$ 5,932</b>

#### 10. Debt

Outstanding debt consisted of the following (in thousands):

	June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
Senior Credit Facilities – term loan	\$ 4,835	\$ 4,994	\$ 5,037	\$ 4,994
Less: unamortized debt issuance costs	(22)	(26)	(21)	(26)
<b>Total current portion of long-term debt</b>	<b>\$ 4,813</b>	<b>\$ 4,968</b>	<b>\$ 5,016</b>	<b>\$ 4,968</b>
Senior Credit Facilities – term loan	\$ 69,865	\$ 74,655	\$ 71,518	\$ 74,655
Senior Credit Facilities – revolving credit facility	410,325	278,404	383,772	278,404
Less: unamortized debt issuance costs	(3,077)	(3,655)	(2,788)	(3,655)
<b>Total long-term debt</b>	<b>\$ 477,113</b>	<b>\$ 349,404</b>	<b>\$ 452,502</b>	<b>\$ 349,404</b>
<b>Total Senior Credit Facilities</b>	<b>\$ 481,926</b>	<b>\$ 354,372</b>	<b>\$ 457,518</b>	<b>\$ 354,372</b>

#### Senior Credit Facilities

On December 31, 2019, the Company entered into an amended and restated credit agreement (the "Third Amended and Restated Credit Agreement") with existing lenders for an aggregate credit facility of \$450.0 million, consisting of a \$100.0 million U.S. dollar equivalent euro-denominated (approximately €90.2 million) 5-year term loan facility and a \$350.0 million 5-year revolving credit facility (collectively, the "Senior Credit Facilities"). The Third Amended and Restated Credit Agreement had an original maturity date of December 31, 2024.

On March 27, 2020, the Company entered into an amendment (the "First Amendment") to the Third Amended and Restated Credit Agreement and exercised a portion of the uncommitted accordion option. The First Amendment increased the revolving credit facility commitment **under the Third Amended and Restated Credit Agreement** by \$145.0 million, from \$350.0 million to \$495.0 million, and reset the uncommitted accordion option to \$200.0 million for potential future expansion.

On October 5, 2021, the Company entered into an amendment (the "Fourth Amendment") to the Third Amended and Restated Credit Agreement to exercise the accordion option. The Fourth Amendment increased the revolving credit facility commitment **under the Third Amended and Restated Credit Agreement** by \$200.0 million, from \$495.0 million to \$695.0 million, and reset the uncommitted accordion option to \$200.0 million for potential future expansion.

On March 10, 2022, the Company entered into an amendment (the "Fifth Amendment") to the Third Amended and Restated Credit Agreement to extend the maturity date from December 31, 2024 to March 10, 2027, update the pricing grid, replace LIBOR with SOFR as the reference rate for U.S. dollar borrowings, and increase the uncommitted accordion option from \$200 million to \$350 million.

The outstanding principal balance under the term loan facility is payable in quarterly installments of €1.1 million that began in March 2020, with the remaining balance due upon maturity. The Company may make additional principal payments at any time, which will reduce the next quarterly installment payment due. Borrowings under the revolving credit facility may be repaid at any

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time until maturity. The Company made principal payments of €2.3 3.4 million (\$2.4 3.7 million) towards its term loan and \$64.9 92.3 million towards its revolving credit facility during the six nine months ended June 28, 2024 September 27, 2024.

The Company is required to satisfy certain financial and non-financial covenants under the Third Amended and Restated Credit Agreement. The Third Amended and Restated Credit Agreement also contains customary events of default. The Company was in compliance with these covenants as of June 28, 2024 September 27, 2024.

**Liens**

The Company's obligations under the Senior Credit Facilities are secured, on a senior basis, by a lien on substantially all of the assets of Novanta Inc.

**Fair Value of Debt**

As of June 28, 2024 September 27, 2024 and December 31, 2023, the outstanding balance of the Company's debt approximated its fair value based on current rates available to the Company for debt of similar maturities. The fair value of the Company's debt is classified as Level 2 under the fair value hierarchy.

**11. Leases**

Most leases held by the Company expire between 2024 and 2036. In the U.K., where longer lease terms are more common, the Company has a land lease that extends through 2078. Certain leases include one or more options to renew the lease terms from one to ten years and options to terminate the leases within one year. The exercise of lease renewal or termination options is at the Company's sole discretion; therefore, the majority of renewal options to extend the lease terms are not included in the Company's right-of-use assets and operating lease liabilities as they are not reasonably certain of being exercised. The Company regularly evaluates the renewal options and includes the renewal periods in the lease term when they are reasonably certain of being exercised. The depreciable lives of the right-of-use assets and leasehold improvements are limited to the expected lease terms.

The following table summarizes the components of lease costs (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Operating lease cost	\$ 2,834	\$ 2,639	\$ 5,801	\$ 5,277	\$ 3,466	\$ 2,639	\$ 9,267	\$ 7,916
Finance lease cost								
Amortization of right-of-use assets	150	151	301	301	151	150	452	452
Interest on lease liabilities	60	69	122	140	58	68	180	208
Variable lease cost	342	325	593	561	303	227	895	787
Total lease cost	<u>\$ 3,386</u>	<u>\$ 3,184</u>	<u>\$ 6,817</u>	<u>\$ 6,279</u>	<u>\$ 3,978</u>	<u>\$ 3,084</u>	<u>\$ 10,794</u>	<u>\$ 9,363</u>

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The following table provides additional details of balance sheet information related to the Company's leases (in thousands, except lease term and discount rate):

	June 28, 2024	December 31, 2023	September 27, 2024	December 31, 2023
<b>Operating leases</b>				
Operating lease right-of-use assets	\$ 43,641	\$ 38,302	\$ 44,645	\$ 38,302
Current portion of operating lease liabilities	\$ 9,757	\$ 8,189	\$ 9,981	\$ 8,189
Operating lease liabilities	41,279	37,345	42,672	37,345
Total operating lease liabilities	<u>\$ 51,036</u>	<u>\$ 45,534</u>	<u>\$ 52,653</u>	<u>\$ 45,534</u>
<b>Finance leases</b>				
Property, plant and equipment, gross	\$ 9,582	\$ 9,582	\$ 9,582	\$ 9,582
Accumulated depreciation	(6,573)	(6,272)	(6,724)	(6,272)
Finance lease assets included in property, plant and equipment, net	<u>\$ 3,009</u>	<u>\$ 3,310</u>	<u>\$ 2,858</u>	<u>\$ 3,310</u>
Accrued expenses and other current liabilities	\$ 738	\$ 718	\$ 749	\$ 718
Other liabilities	3,559	3,934	3,369	3,934
Total finance lease liabilities	<u>\$ 4,297</u>	<u>\$ 4,652</u>	<u>\$ 4,118</u>	<u>\$ 4,652</u>
<b>Weighted-average remaining lease term (in years):</b>				
Operating leases	7.4	7.6	7.5	7.6
Finance leases	5.0	5.5	4.8	5.5
<b>Weighted-average discount rate:</b>				
Operating leases	4.73 %	4.84 %	4.78 %	4.84 %
Finance leases	5.54 %	5.54 %	5.54 %	5.54 %

The following table provides additional details of cash flow information related to the Company's leases (in thousands):

	Six Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023
<b>Cash paid for lease liabilities:</b>				
Operating cash outflows related to finance leases	\$ 122	\$ 140	\$ 180	\$ 208
Operating cash outflows related to operating leases	\$ 4,314	\$ 3,966	\$ 6,723	\$ 5,916
Financing cash outflows related to finance leases	\$ 355	\$ 313	\$ 534	\$ 484
<b>Supplemental non-cash information:</b>				
Right-of-use assets obtained in exchange for new operating lease liabilities <sup>(1)</sup>	\$ 9,623	\$ 3,186	\$ 12,733	\$ 3,893

<sup>(1)</sup>The amount for the **six** nine months ended **June 28, 2024** **September 27, 2024** includes \$8.1 million of right-of-use assets acquired as part of the Motion Solutions acquisition.

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Future minimum lease payments under operating and finance leases expiring subsequent to **June 28, 2024** **September 27, 2024**, including operating leases associated with facilities that have been vacated as a result of the Company's restructuring actions, are summarized as follows (in thousands):

Year Ending December 31,	Operating Leases		Finance Leases		Operating Leases		Finance Leases	
2024 (remainder of year)	\$	5,822	\$	477	\$	1,866	\$	238
2025		11,448		954		11,888		954
2026		9,571		979		10,445		979
2027		8,199		1,003		8,949		1,003
2028		5,538		1,003		6,204		1,003
Thereafter		21,344		501		25,183		503
Total minimum lease payments		61,922		4,917		64,535		4,680
Less: Interest		(10,886)		(620)		(11,882)		(562)
Present value of lease liabilities	\$	51,036	\$	4,297	\$	52,653	\$	4,118

## 12. Preferred and Common Shares and Share-Based Compensation

### Preferred Shares

In May 2021, the Company's shareholders approved a special resolution to amend the Company's articles to authorize up to 7.0 million preferred shares for future issuance. The Company's Board of Directors is authorized to designate and issue one or more series of preferred shares, fix the rights, preferences and designation, as deemed necessary or advisable, relating to the preferred shares, provided that no shares of any series may be entitled to more than one vote per share. As of **June 28, 2024** **September 27, 2024**, no preferred shares had been issued and outstanding.

### Common Share Repurchases

In February 2020, the Company's Board of Directors approved a share repurchase plan (the "2020 Repurchase Plan"), authorizing the repurchase of \$50.0 million worth of the Company's common shares. During 2022, the Company repurchased 4 thousand shares under the 2020 Repurchase Plan for an aggregate purchase price of \$0.5 million and an average price of \$116.95 per share. During the **six** **nine** months ended **June 28, 2024** **September 27, 2024**, the Company did not repurchase any shares. As of **June 28, 2024** **September 27, 2024**, the Company had \$49.5 million available for future share repurchases under the 2020 Repurchase Plan.

### Share-Based Compensation Expense

The table below summarizes share-based compensation expense recorded in the consolidated statements of operations (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024		June 30, 2023		September 27, 2024		September 29, 2023	
	2024	2023	2024	2023	2024	2023	2024	2023
Selling, general and administrative	\$ 5,552	\$ 4,871	\$ 10,649	\$ 10,402	\$ 5,357	\$ 5,229	\$ 16,006	\$ 15,631
Research and development and engineering	601	542	1,160	985	636	510	1,796	1,495
Cost of revenue	78	462	499	954	371	298	870	1,252
Total share-based compensation expense	<u>\$ 6,231</u>	<u>\$ 5,875</u>	<u>\$ 12,308</u>	<u>\$ 12,341</u>	<u>\$ 6,364</u>	<u>\$ 6,037</u>	<u>\$ 18,672</u>	<u>\$ 18,378</u>

Share-based compensation expense reported in selling, general and administrative expenses included expenses related to restricted stock units and deferred stock units granted to the members of the Company's Board of Directors of **\$1.51.6** million and **\$0.91.2** million during the **six nine** months ended **June 28, 2024** September 27, 2024 and **June 30, 2023** September 29, 2023, respectively.

#### **Restricted Stock Units**

The Company's restricted stock units ("RSUs") have generally been issued with vesting periods ranging from zero to five years and vest based solely on service conditions. Accordingly, the Company recognizes compensation expense on a straight-line basis

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over the requisite service period. The Company reduces the compensation expense by an estimated forfeiture rate which is based on anticipated forfeitures and historical forfeiture experience.

The table below summarizes activities relating to RSUs issued and outstanding under the Company's Amended and Restated 2010 Incentive Plan during the **six nine** months ended **June 28, 2024** September 27, 2024:

	Shares (In thousands)	Weighted Average Grant Date Fair Value	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2023	206	\$ 143.97	206	\$ 143.97
Granted	97	\$ 158.99	102	\$ 159.52
Vested	(97)	\$ 140.29	(102)	\$ 140.93
Forfeited	(7)	\$ 151.54	(10)	\$ 152.90
<b>Unvested at June 28, 2024</b>	<b>199</b>	<b>\$ 152.83</b>		
<b>Expected to vest as of June 28, 2024</b>	<b>178</b>			
<b>Unvested at September 27, 2024</b>	<b>196</b>	<b>\$ 153.16</b>		
<b>Expected to vest as of September 27, 2024</b>	<b>178</b>			

The total fair value of RSUs that vested during the **six nine** months ended **June 28, 2024** September 27, 2024 was **\$15.916.2** million based on the market price of the underlying shares on the date of vesting.

#### **Performance Stock Units**

The Company typically grants PSUs that are based on the Company's financial performance metrics, market conditions, or a hybrid of company financial performance metrics and market conditions. These PSUs generally cliff vest on the first day following the end of the specified performance period.

The number of common shares to be issued upon settlement following vesting of attainment-based PSUs is determined based on the Company's financial performance metrics over the specified performance period against the targets established by the Company's Board of Directors at the time of grant and will be in the range of zero to 200% of the target number of shares. The Company recognizes the related compensation expense ratably over the performance period based on the number of shares that are deemed probable of vesting at the end of the specified performance period. This probability assessment is performed quarterly and the cumulative effect of a change in the estimated compensation expense, if any, is recognized in the consolidated statement of operations in the period in which such determination is made.

The number of common shares to be issued upon settlement following vesting of market-based PSUs is determined based on the relative market performance of the Company's common stock compared to the Russell 2000 Index over the specified performance period using a payout formula established by the Company's Board of Directors at the time of grant and will be in the range of zero to 200% of the target number of shares. The Company recognizes the related compensation expense based on the fair value of the market-based PSUs, determined using the Monte-Carlo valuation method as of the grant date, on a straight-line basis from the grant date to the end of the specified performance period. Compensation expense on market-based PSUs will not be affected by the number of shares that will ultimately vest at the end of the specified performance period.

The number of common shares to be issued upon settlement following vesting of PSU awards that are based on the achievement of a hybrid of company financial performance metrics and market conditions ("Hybrid PSUs") is determined based on the Company's financial performance metrics achieved over the specified performance period against the targets established by the Company's Board of Directors at the time of grant and a market-based multiplier based on the percentile ranking of the relative market performance of the Company's common stock compared to the Russell 2000 Index companies. The payout will be in the range of zero to 260% of the target number of shares. The Company determines the fair value of these Hybrid PSUs using the Monte-Carlo valuation method as of the grant date. The Company recognizes compensation expense associated with the Hybrid PSUs ratably over the performance period based on the fair value of the PSUs as of the grant date and the number of shares that are deemed probable of vesting based on the estimated achievement of the pertinent company financial performance metrics at the end of the specified performance period. The probability assessment is performed quarterly and the cumulative effect of a change in the estimated compensation expense, if any, is recognized in the consolidated statement of operations in the period in which such determination is made.

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The table below summarizes the activities relating to the performance-based awards issued and outstanding under the Company's Amended and Restated 2010 Incentive Plan during the **six nine** months ended **June 28, 2024** **September 27, 2024**:

	Shares (In thousands)	Weighted		Shares (In thousands)	Weighted	
		Average Grant- Date Fair Value	Date Fair Value		Average Grant- Date Fair Value	Date Fair Value
Unvested at December 31, 2023	205	\$ 160.24	160.24	205	\$ 160.24	160.24
Granted	80	\$ 177.06	177.06	80	\$ 177.06	177.06
Performance adjustments <sup>(1)</sup>	16	\$ 166.64	166.64	16	\$ 166.64	166.64
Vested	(45)	\$ 168.60	168.60	(45)	\$ 168.60	168.60
Forfeited	(8)	\$ 166.22	166.22	(11)	\$ 168.05	168.05
<b>Unvested at June 28, 2024</b>	<b>248</b>	<b>\$ 165.12</b>				
Expected to vest as of June 28, 2024	231					
<b>Unvested at September 27, 2024</b>	<b>245</b>	<b>\$ 165.03</b>				
Expected to vest as of September 27, 2024	228					

<sup>(1)</sup> The amount shown represents performance adjustments related to the performance-based awards vested during the **six nine** months ended **June 28, 2024** **September 27, 2024**.

The unvested PSUs are shown at target payout levels in the table above. As of **June 28, 2024** **September 27, 2024**, the maximum number of common shares that could be earned under these PSU grants was approximately **473,470** thousand shares.

The total fair value of PSUs that vested during the **six nine** months ended **June 28, 2024** **September 27, 2024** was \$7.5 million based on the market price of the underlying common shares on the date of vesting.

The grant-date fair value per unit of the hybrid PSUs granted during the **six** **nine** months ended **June 28, 2024** **September 27, 2024** was estimated using the Monte Carlo valuation method with the following assumptions:

	Three Months Ended		Nine Months Ended	
	June 28, 2024		September 27, 2024	
Grant-date stock price	\$	157.48	\$	157.48
Expected volatility		36.90 %		36.90 %
Risk-free interest rate		4.35 %		4.35 %
Expected annual dividend yield		—		—
Fair value	\$	180.98	\$	180.98

#### Stock Options

In February 2024, the Company granted 53 thousand nonqualified stock options to certain members of the executive management team to purchase common shares of the Company at a strike price equal to the closing market price on the date of grant. The stock options vest ratably over three years on the anniversary of the date of grant and expire on the seventh anniversary of the date of grant. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The Company recognizes compensation expense related to the stock options on a straight-line basis over the vesting period in the consolidated statement of operations.

The table below summarizes the activities relating to stock options issued and outstanding under the Company's Amended and Restated 2010 Incentive Plan during the **six** **nine** months ended **June 28, 2024** **September 27, 2024**:

	Shares		Weighted		Shares		Weighted	
	(In thousands)	Average Exercise Price						
Outstanding as of December 31, 2023	132	\$ 102.86			132	\$ 102.86		
Granted	53	\$ 157.48			53	\$ 157.48		
Exercised	—	\$ —			(15)	\$ 14.13		
Forfeited or expired	—	\$ —			—	\$ —		
<b>Outstanding as of June 28, 2024</b>	<b>185</b>	<b>\$ 118.57</b>						
Exercisable as of June 28, 2024	87							
Expected to vest as of June 28, 2024	98							
<b>Outstanding as of September 27, 2024</b>	<b>170</b>	<b>\$ 128.03</b>						
Exercisable as of September 27, 2024	72							
Expected to vest as of September 27, 2024	98							

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The aggregate Black-Scholes fair value of \$3.3 million for the stock options granted during the **six** **nine** months ended **June 28, 2024** **September 27, 2024** was estimated using the following assumptions as of the grant date:

	Six Nine Months Ended June 28, September 27, 2024
Expected option term in years	4.5
Expected volatility	40.3 %
Risk-free interest rate	4.2 %
Expected annual dividend yield	—

The expected option term was calculated using the simplified method permitted under Codification of Staff Accounting Bulletins Topic 14, "Share-Based Payment". The expected volatility was determined based on the historical volatility of the Company's common shares over the expected option term. The risk-free interest rate was based on treasury instruments whose terms were six months longer than the expected option term. The expected annual dividend yield is zero as the Company does not have plans to issue dividends.

### 13. Income Taxes

The Company determines its estimated annual effective tax rate at the end of each interim period based on full year forecasted pre-tax income and facts known at that time. The estimated annual effective tax rate is applied to the year-to-date pre-tax income at the end of each interim period with the cumulative effect of any changes in the estimated annual effective tax rate being recorded in the period in which the changes are determined. The tax effect of significant unusual items is reflected in the period in which they occur. Since the Company is incorporated in Canada, it is required to use Canada's statutory tax rate of 29.0% in the determination of the estimated annual effective tax rate.

The Company maintains a valuation allowance on **balances of deferred tax assets associated with** certain U.S. state net operating losses, credits and certain non-U.S. tax attributes that the Company has determined are not more likely than not to be realized. A valuation allowance is required when, based upon an assessment of various factors, including recent operating loss history, anticipated future earnings, and prudent and reasonable tax planning strategies, it is more likely than not that some portion of the deferred tax assets will not be realized. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company continuously reassesses the possibility of adding a new or additional valuation allowance or releasing the valuation allowance currently in place on its deferred tax assets.

The Company's effective tax rate of **19.7** 20.8% for the three months ended **June 28, 2024** September 27, 2024 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions and R&D tax credits, partially offset by disallowed compensation deductions, uncertain tax position accruals, and Pillar Two inclusion.

The Company's effective tax rate of **16.5** 18.3% for the **six** nine months ended **June 28, 2024** September 27, 2024 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, R&D tax credits, and windfall tax benefits upon vesting of share-based compensation awards, partially offset by disallowed compensation deductions, uncertain tax position accruals, and Pillar Two inclusion. For the **six** nine months ended **June 28, 2024** September 27, 2024, the tax benefits upon vesting of certain share-based compensation awards had a benefit of **3.5** 3.1% on the Company's effective tax rate.

The Company's effective tax rate of **17.4** 7.7% for the three months ended **June 30, 2023** differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, and R&D tax credits, partially offset by disallowed compensation deductions and uncertain tax position accruals.

The Company's effective tax rate of 13.0% for the six months ended **June 30, 2023** September 29, 2023 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, R&D tax credits, and windfall tax benefits upon vesting of **certain** share-based compensation awards, partially offset by disallowed compensation deductions and uncertain tax position accruals.

The Company's effective tax rate of 11.2% for the nine months ended **September 29, 2023** differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, R&D tax credits, and windfall tax benefits upon vesting of share-based compensation awards, partially offset by disallowed compensation deductions and uncertain tax position accruals. For the **six** nine months ended **June 30, 2023** September 29, 2023, the tax benefits upon vesting of certain share-based compensation awards had a benefit of **4.0** 4.5% on the Company's effective tax rate.

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**14. Restructuring, Acquisition, and Related Costs**

The following table summarizes restructuring, acquisition, and related costs in the accompanying consolidated statements of operations (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
2024 restructuring	\$ 2,523	\$ —	\$ 3,071	\$ —	\$ 1,919	\$ —	\$ 4,990	\$ —
2022 restructuring	—	677	—	2,874	—	2,450	—	5,324
2020 restructuring	—	459	—	733	—	1,880	—	2,613
Total restructuring charges	2,523	1,136	3,071	3,607	1,919	4,330	4,990	7,937
Acquisition and related charges	20	98	1,755	103	580	151	2,335	254
Total restructuring, acquisition, and related costs	<b>\$ 2,543</b>	<b>\$ 1,234</b>	<b>\$ 4,826</b>	<b>\$ 3,710</b>	<b>\$ 2,499</b>	<b>\$ 4,481</b>	<b>\$ 7,325</b>	<b>\$ 8,191</b>

**2024 Restructuring**

As a result of the Company's acquisitions and ongoing integration activities, the Company initiated the 2024 restructuring program in the first quarter of 2024 in order to reduce operating complexity. During the three and **six** nine months ended **June 28, 2024** **September 27, 2024**, the Company recorded **\$2.5**2.0 million and **\$3.1**5.0 million, respectively, in severance, facility related and other charges in connection with the 2024 restructuring program. As of **June 28, 2024** **September 27, 2024**, the Company had incurred cumulative costs of **\$3.1**5.0 million related to this restructuring program. The Company anticipates substantially completing the 2024 restructuring program by the end of 2024 and expects to incur additional restructuring charges of **\$3.0**1.0 million to **\$4.0**2.0 million related to the 2024 restructuring program.

The following table summarizes restructuring costs associated with the 2024 restructuring program by reportable segment (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	\$ 1,853	\$ —	\$ 1,888	\$ —	\$ 795	\$ —	\$ 2,683	\$ —
Medical Solutions	151	—	357	—	785	—	1,142	—
Robotics and Automation	166	—	410	—	266	—	676	—
Unallocated Corporate and Shared Services	353	—	416	—	73	—	489	—
Total	<b>\$ 2,523</b>	<b>\$ —</b>	<b>\$ 3,071</b>	<b>\$ —</b>	<b>\$ 1,919</b>	<b>\$ —</b>	<b>\$ 4,990</b>	<b>\$ —</b>

**Rollforward of Accrued Expenses Related to Restructuring**

The following table summarizes the accrual activities, by component, related to the Company's restructuring plans recorded in the accompanying consolidated balance sheets (in thousands):

	Total	Employee Related	Facility Related	Other	Total	Employee Related	Facility Related	Other
Balance at December 31, 2023	\$ 2,850	\$ 1,038	\$ 1,680	\$ 132	\$ 2,850	\$ 1,038	\$ 1,680	\$ 132
Restructuring charges	3,071	2,231	659	181	4,990	3,007	1,786	197
Cash payments	(2,447)	(992)	(1,163)	(292)	(4,241)	(2,229)	(1,687)	(325)

Non-cash write-offs and other adjustments	(40)	(12)	(32)	4	(584)	10	(598)	4
Balance at June 28, 2024	\$ 3,434	\$ 2,265	\$ 1,144	\$ 25				
Balance at September 27, 2024	\$ 3,015	\$ 1,826	\$ 1,181	\$ 8				

#### **Acquisition and Related Charges**

Acquisition costs in connection with business combinations, including finders' fees, legal, valuation, and other professional or consulting fees, totaled less than \$0.10.6 million and \$1.82.3 million for the three and six months ended June 28, 2024 September 27, 2024, respectively, and \$0.10.2 million and \$0.3 million for both the three and six months ended June 30, 2023 September 29, 2023. The majority of acquisition and related costs for the three and six months ended June 28, 2024 September 27, 2024 and the three and six months ended June 30, 2023 September 29, 2023 were included in the Company's unallocated Corporate and Shared Services reportable segment.

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### **NOVANTA INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 28, SEPTEMBER 27, 2024**

**(Unaudited)**

#### **15. Commitments and Contingencies**

##### **Purchase Commitments**

There have been no material changes to the Company's purchase commitments since December 31, 2023.

##### **Legal Contingencies**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company reviews the status of each significant matter and assesses the potential financial exposure on a quarterly basis. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available as of the date of the consolidated balance sheet. As additional information becomes available, the Company reassesses the potential liability related to any pending claims and litigation and may revise its estimates. When a material loss contingency is considered reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the potential loss or a range of potential losses, if such an estimate can be reasonably made. Legal fees are expensed as incurred. The Company does not believe that the outcome of outstanding claims will have a material adverse effect on its consolidated financial statements but there can be no assurance that any such claims, or any similar claims, would not have a material adverse effect on its consolidated financial statements.

##### **Guarantees and Indemnifications**

In the normal course of its operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, sale of assets, sale of products, and operating leases. Additionally, the by-laws of the Company require it to indemnify certain current or former directors, officers, and employees of the Company against expenses incurred by them in connection with each proceeding in which they are involved as a result of serving or having served in certain capacities. Indemnification is not available with respect to a proceeding as to which it has been adjudicated that the person did not act in good faith in the reasonable belief that the action was in the best interests of the Company. Certain of the Company's officers and directors are also a party to indemnification agreements with the Company. These indemnification agreements provide, among other things, that the director or officer shall be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such director or officer in connection with any proceeding by reason of their relationship with the Company. In addition, the indemnification agreements provide for the advancement of expenses incurred by such director or officer in connection with any proceeding covered by the indemnification agreement, subject to the conditions set forth therein

and to the extent such advancement is not prohibited by law. The indemnification agreements also set out the procedures for determining entitlement to indemnification, the requirements relating to notice and defense of claims for which indemnification is sought, the procedures for enforcement of indemnification rights, the limitations on and exclusions from indemnification, and the minimum levels of directors and officers liability insurance to be maintained by the Company.

## **16. Segment Information**

### ***Reportable Segments***

The Company's Chief Operating Decision Maker ("CODM") utilizes certain financial information to make decisions about allocating resources and assessing performance for the entire Company. The Company evaluates the performance of and allocates resources to its segments based on revenue, gross profit and operating profit. The Company's reportable segments have been identified based on commonality and adjacency of technologies, applications and customers amongst the Company's individual product lines. The Company determined that disclosing revenue by specific product is impracticable due to the highly customized and extensive portfolio of technologies offered to customers.

Based upon the information provided to the CODM, the Company has determined that it operates in three reportable segments: Precision Medicine and Manufacturing, Medical Solutions, and Robotics and Automation. The reportable segments and their principal activities are described below.

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### **NOVANTA INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 28, SEPTEMBER 27, 2024**

**(Unaudited)**

#### *Precision Medicine and Manufacturing*

The Precision Medicine and Manufacturing segment designs, manufactures and markets photonics-based solutions, including laser scanning, laser beam delivery, CO2 laser, solid state laser, ultrafast laser, and optical light engine products to customers worldwide. The segment serves highly demanding photonics-based applications for advanced industrial processes, medical and life science imaging, DNA sequencing, and medical laser procedures, particularly ophthalmology applications. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

#### *Medical Solutions*

The Medical Solutions segment designs, manufactures and markets a range of medical grade technologies, including medical insufflators, pumps and related disposables; visualization solutions; wireless technologies, video recorder and video integration technologies for operating room integrations; optical data collection and machine vision technologies; radio frequency identification technologies; thermal chart recorders; spectrometry technologies; embedded touch screen solutions; and high precision customized subsystems. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

#### *Robotics and Automation*

The Robotics and Automation segment designs, manufactures and markets optical and inductive encoders, precision motors, servo drives and motion control solutions, integrated stepper motors, intelligent robotic end-of-arm technology solutions, and air bearing spindles to customers worldwide. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

#### ***Reportable Segment Financial Information***

Revenue, gross profit, gross profit margin, operating income (loss), and depreciation and amortization expenses by reportable segment were as follows (in thousands, except percentage data):

Revenue	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	\$ 63,952	\$ 74,333	\$ 129,186	\$ 143,861	\$ 60,595	\$ 71,277	\$ 189,781	\$ 215,138
Medical Solutions	104,525	83,322	206,977	160,962	103,783	83,378	310,760	244,340
Robotics and Automation	67,387	71,809	130,617	143,767	80,027	66,848	210,644	210,615
<b>Total</b>	<b>\$ 235,864</b>	<b>\$ 229,464</b>	<b>\$ 466,780</b>	<b>\$ 448,590</b>	<b>\$ 244,405</b>	<b>\$ 221,503</b>	<b>\$ 711,185</b>	<b>\$ 670,093</b>

Gross Profit	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	\$ 30,580	\$ 36,513	\$ 62,364	\$ 70,846	\$ 27,048	\$ 36,208	\$ 89,412	\$ 107,054
Medical Solutions	40,364	34,257	79,755	66,143	42,373	34,027	122,128	100,170
Robotics and Automation	33,388	34,909	63,937	67,724	40,569	32,652	104,506	100,376
Unallocated Corporate and Shared Services	(643)	(1,556)	(1,951)	(2,962)	(775)	(1,296)	(2,726)	(4,258)
<b>Total</b>	<b>\$ 103,689</b>	<b>\$ 104,123</b>	<b>\$ 204,105</b>	<b>\$ 201,751</b>	<b>\$ 109,215</b>	<b>\$ 101,591</b>	<b>\$ 313,320</b>	<b>\$ 303,342</b>

Gross Profit Margin	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	47.8 %	49.1 %	48.3 %	49.2 %	44.6 %	50.8 %	47.1 %	49.8 %
Medical Solutions	38.6 %	41.1 %	38.5 %	41.1 %	40.8 %	40.8 %	39.3 %	41.0 %
Robotics and Automation	49.5 %	48.6 %	48.9 %	47.1 %	50.7 %	48.8 %	49.6 %	47.7 %
<b>Total</b>	<b>44.0 %</b>	<b>45.4 %</b>	<b>43.7 %</b>	<b>45.0 %</b>	<b>44.7 %</b>	<b>45.9 %</b>	<b>44.1 %</b>	<b>45.3 %</b>

**NOVANTA INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 28, SEPTEMBER 27, 2024**  
**(Unaudited)**

Operating Income (Loss)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	\$ 12,744	\$ 19,611	\$ 28,488	\$ 36,295	\$ 11,879	\$ 18,508	\$ 40,367	\$ 54,803
Medical Solutions	12,276	10,083	24,265	19,924	12,421	11,050	36,686	30,974
Robotics and Automation	14,648	15,248	26,864	27,248	22,086	12,208	48,950	39,456
Unallocated Corporate and Shared Services	(13,953)	(12,744)	(28,295)	(24,957)	(13,831)	(11,457)	(42,126)	(36,414)
<b>Total</b>	<b>\$ 25,715</b>	<b>\$ 32,198</b>	<b>\$ 51,322</b>	<b>\$ 58,510</b>	<b>\$ 32,555</b>	<b>\$ 30,309</b>	<b>\$ 83,877</b>	<b>\$ 88,819</b>

Depreciation and Amortization Expenses	June 28,	June 30,	June 28,	June 30,	September 27,	September 29,	September 27,	September 29,
	2024	2023	2024	2023	2024	2023	2024	2023
Precision Medicine and Manufacturing	\$ 2,453	\$ 2,661	\$ 4,815	\$ 5,257	\$ 2,806	\$ 2,644	\$ 7,621	\$ 7,901
Medical Solutions	7,235	4,044	13,325	8,017	6,891	3,860	20,216	11,877
Robotics and Automation	3,994	4,917	7,995	9,762	4,015	4,705	12,010	14,467
Unallocated Corporate and Shared Services	434	315	910	632	443	188	1,353	820
<b>Total</b>	<b>\$ 14,116</b>	<b>\$ 11,937</b>	<b>\$ 27,045</b>	<b>\$ 23,668</b>	<b>\$ 14,155</b>	<b>\$ 11,397</b>	<b>\$ 41,200</b>	<b>\$ 35,065</b>

#### Revenue by Geography

The Company aggregates geographic revenue based on the customer locations where products are shipped to. Revenue by geography was as follows (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28,		June 30,		September 27,		September 29,	
	2024	2023	2024	2023	2024	2023	2024	2023
United States	\$ 123,391	\$ 107,594	\$ 240,472	\$ 211,436	\$ 124,328	\$ 110,462	\$ 364,800	\$ 321,898
Germany	31,919	32,097	65,100	66,959	33,559	33,263	98,659	100,222
Rest of Europe	32,528	34,537	63,499	63,902	30,584	34,257	94,083	98,159
China	19,014	20,854	36,085	38,652	24,623	15,679	60,708	54,331
Rest of Asia-Pacific	25,334	27,390	52,590	55,501	27,147	24,060	79,737	79,561
Other	3,678	6,992	9,034	12,140	4,164	3,782	13,198	15,922
<b>Total</b>	<b>\$ 235,864</b>	<b>\$ 229,464</b>	<b>\$ 466,780</b>	<b>\$ 448,590</b>	<b>\$ 244,405</b>	<b>\$ 221,503</b>	<b>\$ 711,185</b>	<b>\$ 670,093</b>

The majority of revenue from Precision Medicine and Manufacturing, Medical Solutions and Robotics and Automation segments is generated from sales to customers within the United States and Europe. Each segment also generates revenue across the other geographies, with no significant concentration of any segment's remaining revenue.

#### Revenue by End Market

The Company primarily operates in two end markets: the medical market and the advanced industrial market. Revenue by end market was approximately as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28,		June 30,		September 27,		September 29,	
	2024	2023	2024	2023	2024	2023	2024	2023
Medical	58%	53%	57%	53%	54%	57%	56%	54%
Advanced Industrial	42%	47%	43%	47%	46%	43%	44%	46%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The majority of revenue from the Precision Medicine and Manufacturing and Robotics and Automation segments is generated from sales to customers in the advanced industrial market. The majority of revenue from the Medical Solutions segment is generated from sales to customers in the medical market.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and Notes included in Item 1 of this Quarterly Report on Form 10-Q. The MD&A contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, but are not limited to, our financial results and our financial condition; our belief that the Purchasing Managers Index ("PMI") may provide an indication of the impact of general economic conditions on our sales into the advanced industrial end market; our strategy; anticipated financial performance; expected liquidity and capitalization; drivers of revenue growth and our growth expectations in various markets; management's plans and objectives for future operations, expenditures and product development, and investments in research and development; business prospects; potential of future product releases and expansion of our product and service offerings; industry trends; market conditions; our competitive positions; changes in economic and political conditions, including supply chain disruptions and constraints and inflationary pressures; changes in accounting principles; changes in actual or assumed tax liabilities and tax law; expectations regarding tax exposures; anticipated reinvestment of future earnings and dividend policy; anticipated expenditures in regard to our benefit plans; future acquisitions and integration and anticipated benefits from acquisitions and dispositions; anticipated economic benefits and expected costs of restructuring programs; our ability to repay our indebtedness; our intentions regarding the use of cash; expectations regarding legal and regulatory requirements, including environmental requirements, and our compliance thereto; and other statements that are not historical facts.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various important factors, including, but not limited to, the following: economic and political conditions and the effects of these conditions on our customers' businesses, capital expenditures and level of business activities; risks associated with epidemics, pandemics or other public health crises; our dependence upon our ability to respond to fluctuations in product demand; our ability to continuously innovate, introduce new products in a timely manner, and manage transitions to new product innovations effectively; customer order timing and other similar factors; disruptions or breaches in security of our or our third-party providers' information technology systems; risks associated with our operations in foreign countries; our increased use of outsourcing in foreign countries; risks associated with increased outsourcing of components manufacturing; our exposure to increased tariffs, trade restrictions or taxes on our products; violations of our intellectual property rights and our ability to protect our intellectual property against infringement by third parties; risk of losing our competitive advantage; our failure to successfully integrate recent and future acquisitions into our business; our ability to attract and retain key personnel; our restructuring and realignment activities; product defects or problems integrating our products with other vendors' products; disruptions in the supply of certain key components and other goods from our suppliers; our failure to accurately forecast component and raw material requirements leading to additional costs and significant delays in shipments; production difficulties and product delivery delays or disruptions; our exposure to extensive medical device regulations, which may impede or hinder the approval, certification or sale of our products and, in some cases, may ultimately result in an inability to obtain approval or certification of certain products or may result in the recall or seizure of previously approved or certified products; potential penalties for violating foreign and U.S. federal and state healthcare laws and regulations; impact of healthcare industry cost containment and healthcare reform measures; changes in governmental regulations related to our business or products; actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards, and other requirements; our failure to implement new information technology systems successfully; changes in foreign currency rates; our failure to realize the full value of our intangible assets; our reliance on original equipment manufacturer customers; increasing scrutiny and changing expectations from investors, customers, governments and other stakeholders and third parties with respect to corporate sustainability policies and practices; the effects of climate change and related regulatory responses; our exposure to the credit risk of some of our customers and in weakened markets; being subject to U.S. federal income taxation even though we are a non-U.S. corporation; changes in tax laws and fluctuations in our effective tax rates; any need for additional capital to adequately respond to business challenges or opportunities and repay or refinance our existing indebtedness, which may not be available on acceptable terms or at all; our existing indebtedness limiting our ability to engage in certain activities; volatility in the market price for our common shares; and our failure to maintain appropriate internal controls in the future. Other important risk factors that could affect the outcome of the events set forth in these statements and that could affect the Company's operating results and financial condition are discussed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 under the heading "Risk Factors", as updated in our other filings with the Securities and Exchange Commission.

In this Quarterly Report on Form 10-Q, the words "expects," "intends," "anticipates," "estimates," "believes," "future," "plans," "aims," "would," "could," "should," "potential," "continues," and similar words or expressions (as well as other words or expressions referencing future events, conditions, or circumstances) identify forward-looking statements. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Management and the Company disclaim any obligation to publicly update or revise any such forward-looking statements to reflect any changes in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those contained in the forward-looking statements, except as required under applicable law.

## **Accounting Period**

The interim consolidated financial statements of Novanta Inc. (the "Company", "Novanta", "we", "us", "our") are prepared for each quarterly period ending on the Friday closest to the end of the calendar quarter, except for the fourth quarter which always ends on December 31.

## **Business Overview**

We are a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers ("OEMs") a competitive advantage. We combine deep proprietary technology expertise and competencies in precision medicine and manufacturing, medical solutions, and robotics and automation with a proven ability to solve complex technical challenges. This enables us to engineer core components and sub-systems that deliver extreme precision and performance, tailored to our customers' demanding applications.

## **Reportable Segments**

We operate in three reportable segments: Precision Medicine and Manufacturing, Medical Solutions, and Robotics and Automation. The reportable segments and their principal activities are summarized below.

### *Precision Medicine and Manufacturing*

Our Precision Medicine and Manufacturing segment designs, manufactures and markets photonics-based solutions, including laser scanning, laser beam delivery, CO2 laser, solid state laser, ultrafast laser, and optical light engine products to customers worldwide. The segment serves highly demanding photonics-based applications for advanced industrial processes, medical and life science imaging, DNA sequencing, and medical laser procedures, particularly ophthalmology applications. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

### *Medical Solutions*

Our Medical Solutions segment designs, manufactures and markets a range of medical grade technologies, including medical insufflators, pumps and related disposables; visualization solutions; wireless technologies, video recorder and video integration technologies for operating room integrations; optical data collection and machine vision technologies; radio frequency identification ("RFID") technologies; thermal chart recorders; spectrometry technologies; embedded touch screen solutions; and high precision customized subsystems. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

### *Robotics and Automation*

Our Robotics and Automation segment designs, manufactures and markets optical and inductive encoders, precision motors, servo drives and motion control solutions, integrated stepper motors, intelligent robotic end-of-arm technology solutions, and air bearing spindles to customers worldwide. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

## **End Markets**

We primarily operate in two end markets: the medical market and the advanced industrial market.

### *Medical Market*

For the ~~six~~nine months ended ~~June 28, 2024~~September 27, 2024, the medical market accounted for approximately ~~57%~~56% of our revenue. Revenue from our products sold to the medical market is generally affected by hospital and other healthcare provider capital spending, growth rates of surgical procedures, changes in regulatory requirements and laws, aggregation of purchasing by healthcare networks, changes in technology requirements, timing of OEM customers' product development and new product launches, changes in customer or patient preferences, and general demographic trends.

## Advanced Industrial Market

For the ~~six~~nine months ended ~~June 28, 2024~~ September 27, 2024, the advanced industrial market accounted for approximately ~~43%~~44% of our revenue.

Revenue from our products sold to the advanced industrial market is affected by several factors, including changing technology requirements and preferences of our customers, productivity or quality investments in a manufacturing environment, financial conditions of our customers, changes in regulatory requirements and laws, and general economic conditions. We believe that the PMI on manufacturing activities specific to different regions around the world may provide an indication of the impact of general economic conditions on our sales into the advanced industrial market.

## Strategy

Our strategy is to drive sustainable, profitable growth through short-term and long-term initiatives, including:

- disciplined focus on our diversified business model of providing functionality to long life-cycle OEM customer platforms in attractive medical and advanced industrial niche markets;
- improving our business mix to increase medical sales as a percentage of total revenue by:
  - introducing new products aimed at attractive medical applications, such as minimally invasive and robotic surgery, ophthalmology, patient monitoring, drug delivery, clinical laboratory testing and life science equipment;
  - deepening our key account management relationships with and driving cross selling of our product offerings to leading medical equipment manufacturers; and
  - pursuing complementary medical technology acquisitions;
- increasing our penetration of high growth advanced industrial applications, such as laser materials processing, intelligent end-of-arm robotic technology solutions, robotics, laser additive manufacturing, automation and metrology, by working closely with OEM customers to launch application specific products that closely match the requirements of each application;
- broadening our portfolio of enabling proprietary technologies and capabilities through increased investment in new product development, and investment in application development to further penetrate existing customers, while expanding the applicability of our solutions to new markets;
- broadening our product and service offerings through the acquisition of innovative and complementary technologies and solutions in medical and advanced industrial technology applications;
- expanding sales and marketing channels to reach new target customers;
- improving our existing operations to expand profit margins and improve customer satisfaction by implementing lean manufacturing principles, strategic sourcing across our major production sites; and optimizing and limiting the growth of our fixed cost base; and
- attracting, retaining, and developing world-class talented, diverse, and motivated employees.

## Significant Events and Updates

### Acquisition of Motion Solutions

On January 2, 2024, we completed the acquisition of Motion Solutions Parent Corp. ("Motion Solutions"), an Irvine, California-based provider of highly engineered integrated solutions, specializing in proprietary precision motion and advanced motion control solutions, for a total purchase price of \$192.0 million in cash, net of ~~customary net~~ working capital adjustments. The acquisition was financed with borrowings under our revolving credit facility. The addition of Motion Solutions enhances our product portfolio and further expands our presence in attractive medical and precision medicine spaces. The Motion Solutions acquisition is included in our Medical Solutions reportable segment.

## Business Environment

### Inflationary Pressures

~~In~~ During the ~~first half of 2024~~, nine months ended September 27, 2024, we continued to experience higher than normal inflation of raw material and component prices and labor costs. We have generally been able to offset increases in these costs through various productivity cost reduction initiatives, as well as increasing our selling prices to pass through some of these higher costs to our customers. Given the timing of our actions compared to the timing of these inflationary pressures, there may be periods during which we are unable to fully ~~recover the increases~~.

recover the increases in our costs. Additionally, the inflationary pressures have given rise to significant increases in interest rates in recent periods as various governments used monetary policy to contain and reduce inflation. As a result, our year to date weighted average interest rate increased from approximately 5.8% 6.1% as of June 30, 2023 September 29, 2023 to approximately 6.6% 6.7% as of June 28, 2024 September 27, 2024. These higher interest rates have caused access to credit to be more expensive and have impacted demand from some of our OEM customers, as they see some of their end market customers deferring new capital equipment orders due to the higher interest rate environment.

#### Geopolitical Conflicts

In February 2022, Russian forces invaded Ukraine. In response, the U.S., the European Union ("EU"), and several other countries imposed economic and trade sanctions and other restrictions (collectively, "global sanctions") targeting Russia and Belarus. Russia then imposed retaliatory economic measures against the U.S., the EU, and several other countries. Our historical sales to Russia were not material. We also do not have any assets, employees or third-party contractors in Russia or Ukraine. However, the duration of the conflict and further sanctions could have further impact on the global economy and inflation.

In early October 2023, Israel declared war on Hamas. We are monitoring the social, political and economic environment in Israel and in the region for any impact on our businesses. Our historical sales to Israel were around 1% of our total sales. We do not have any assets, employees, or third-party contractors in Israel. Due to the uncertainty around the duration of the conflict, future impacts are unknown to our businesses.

#### Results of Operations for the Three and Six Months Ended June 28, 2024 September 27, 2024 Compared with the Three and Six Months Ended June 30, 2023 September 29, 2023

##### Overview of Financial Results

Total revenue of \$235.9 million \$244.4 million for the three months ended June 28, 2024 September 27, 2024 increased \$6.4 million \$22.9 million, or 2.8% 10.3%, from the prior year period primarily due to revenue from the Motion Solutions acquisition. The effect of our Motion Solutions acquisition resulted in an increase in revenue of \$21.1 million, or 9.5%. In addition, foreign currency exchange rates favorably impacted our revenue by \$1.8 million, or 0.8%, for the three months ended September 27, 2024.

Total revenue of \$711.2 million for the nine months ended September 27, 2024 increased \$41.1 million, or 6.1%, from the prior year period primarily due to revenue from the Motion Solutions acquisition, partially offset by decreased demand in our advanced industrial end markets including Motion Solutions end markets. The effect of our Motion Solutions acquisition resulted in an increase in revenue of \$20.3 million \$62.6 million, or 8.9% 9.3%. In addition, foreign currency exchange rates unfavorably impacted our revenue by \$1.7 million, or 0.8%.

Operating income of \$32.6 million for the three months ended June 28, 2024.

Total revenue of \$466.8 million for the six months ended June 28, 2024 September 27, 2024 increased \$18.2 million \$2.2 million, or 4.1% 7.4%, from the prior year period primarily due to period. This increase was attributable to revenue from the Motion Solutions an increase in gross profit of \$7.6 million and a decrease in restructuring, acquisition and related charges of \$2.0 million, partially offset by decreased demand in our advanced industrial end markets. The effect of our Motion Solutions acquisition resulted in an increase in revenue selling, general and administrative expenses of \$41.5 million \$4.7 million, or 9.3%. In addition, foreign currency exchange rates unfavorably impacted our revenue by \$1.8 million an increase in amortization expense of \$1.5 million, or 0.4%, for the six months ended June 28, 2024 and an increase in research and development expenses of \$1.2 million.

Operating income of \$25.7 million \$83.9 million for the three nine months ended June 28, 2024 September 27, 2024 decreased \$6.5 million \$4.9 million, or 20.1% 5.6%, from the prior year period. This decrease was attributable to an increase in selling, general and administrative expenses of \$2.6 million \$9.9 million, an increase in amortization expense of \$1.8 million \$3.9 million, and an increase in restructuring, acquisition, research and related charges of \$1.3 million.

Operating income of \$51.3 million for the six months ended June 28, 2024 decreased \$7.2 million, or 12.3%, from the prior year period. This decrease was attributable to an increase in selling, general and administrative development expenses of \$5.2 million, an increase in amortization expense of \$2.4 million, and an increase in restructuring, acquisition, and related charges of \$1.1 million \$2.0 million, partially offset by an increase in gross profit of \$2.4 million \$10.0 million and a decrease in restructuring, acquisition and related charges of \$0.9 million.

Basic earnings per common share ("Basic EPS") of \$0.38 \$0.53 for the three months ended June 28, 2024 September 27, 2024 decreased \$0.20 \$0.06 from the prior year period. Diluted earnings per common share ("Diluted EPS") of \$0.38 \$0.53 for the three months ended June 28, 2024 September 27, 2024 decreased

\$0.20 \$0.06 from the prior year period. The decreases were primarily due to an increase in interest expense and an increase in income tax provision, partially offset by an increase in operating income.

Basic EPS of \$1.33 for the nine months ended September 27, 2024 decreased \$0.35 from the prior year period. Diluted EPS of \$1.32 for the nine months ended September 27, 2024 decreased \$0.36 from the prior year period. The decreases were primarily due to a decrease in operating income, an increase in interest expense, and an increase in interest expense.

Basic EPS of \$0.79 for the six months ended June 28, 2024 decreased \$0.30 from the prior year period. Diluted EPS of \$0.79 for the six months ended June 28, 2024 decreased \$0.30 from the prior year period. The decreases were primarily due to a decrease in operating income and an increase in interest expense.

## Revenue

The following tables set forth external revenue by reportable segment for the periods noted (dollars in thousands):

	Three Months Ended				Three Months Ended			
	June 28, 2024	June 30, 2023	Increase (Decrease)	Percentage Change	September 27, 2024	September 29, 2023	Increase (Decrease)	Percentage Change
Precision Medicine and Manufacturing	\$ 63,952	\$ 74,333	\$ (10,381)	(14.0)%	\$ 60,595	\$ 71,277	\$ (10,682)	(15.0)%
Medical Solutions	104,525	83,322	21,203	25.4%	103,783	83,378	20,405	24.5%
Robotics and Automation	67,387	71,809	(4,422)	(6.2)%	80,027	66,848	13,179	19.7%
Total	\$ 235,864	\$ 229,464	\$ 6,400	2.8%	\$ 244,405	\$ 221,503	\$ 22,902	10.3%

	Six Months Ended				Nine Months Ended			
	June 28, 2024	June 30, 2023	Increase (Decrease)	Percentage Change	September 27, 2024	September 29, 2023	Increase (Decrease)	Percentage Change
Precision Medicine and Manufacturing	\$ 129,186	\$ 143,861	\$ (14,675)	(10.2)%	\$ 189,781	\$ 215,138	\$ (25,357)	(11.8)%
Medical Solutions	206,977	160,962	46,015	28.6%	310,760	244,340	66,420	27.2%
Robotics and Automation	130,617	143,767	(13,150)	(9.1)%	210,644	210,615	29	0.0%
Total	\$ 466,780	\$ 448,590	\$ 18,190	4.1%	\$ 711,185	\$ 670,093	\$ 41,092	6.1%

### Precision Medicine and Manufacturing

Precision Medicine and Manufacturing segment revenue for the three months ended June 28, 2024 September 27, 2024 decreased \$10.4 million \$10.7 million, or 14.0% 15.0%, versus the prior year period, primarily due to weaker demand in our advanced industrial end markets. market and our precision medicine end market.

Precision Medicine and Manufacturing segment revenue for the six nine months ended June 28, 2024 September 27, 2024 decreased \$14.7 million \$25.4 million, or 10.2% 11.8%, versus the prior year period, primarily due to weaker demand in our advanced industrial end markets. market and our precision medicine end market.

### Medical Solutions

Medical Solutions segment revenue for the three months ended June 28, 2024 September 27, 2024 increased \$21.2 million \$20.4 million, or 25.4% 24.5%, versus the prior year period, primarily due to \$20.3 million \$21.1 million of revenue contributions from the current year acquisition and an increase in sales of our

minimally invasive surgery and detection and analysis products, partially offset by a decrease in revenue from visualization solutions products as a result of exiting the product line.

Medical Solutions segment revenue for the six nine months ended June 28, 2024 September 27, 2024 increased \$46.0 million \$66.4 million, or 28.6% 27.2%, versus the prior year period, primarily due to \$41.5 million \$62.6 million of revenue contributions from the current year acquisition, an increase in sales of our detection and analysis products and an increase in sales of minimally invasive surgery and detection and analysis products, partially offset by a decrease in revenue from visualization solutions products as a result of exiting the product line.

#### *Robotics and Automation*

Robotics and Automation segment revenue for the three months ended June 28, 2024 September 27, 2024 decreased \$4.4 million increased \$13.2 million, or 6.2% 19.7%, versus the prior year period, primarily due to a decrease an increase in demand in our from advanced industrial end markets.

Robotics and Automation segment revenue for the six nine months ended June 28, 2024 September 27, 2024 decreased \$13.2 million, or 9.1%, was flat versus the prior year period, primarily due to a decrease in demand in our advanced industrial end markets period.

#### **Gross Profit and Gross Profit Margin**

The following table sets forth the gross profit and gross profit margin for each of our reportable segments for the periods noted (dollars in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Gross profit:</b>								
Precision Medicine and Manufacturing	\$ 30,580	\$ 36,513	\$ 62,364	\$ 70,846	\$ 27,048	\$ 36,208	\$ 89,412	\$ 107,054
Medical Solutions	40,364	34,257	79,755	66,143	42,373	34,027	122,128	100,170
Robotics and Automation	33,388	34,909	63,937	67,724	40,569	32,652	104,506	100,376
Unallocated Corporate and Shared Services	(643)	(1,556)	(1,951)	(2,962)	(775)	(1,296)	(2,726)	(4,258)
<b>Total</b>	<b>\$ 103,689</b>	<b>\$ 104,123</b>	<b>\$ 204,105</b>	<b>\$ 201,751</b>	<b>\$ 109,215</b>	<b>\$ 101,591</b>	<b>\$ 313,320</b>	<b>\$ 303,342</b>
<b>Gross profit margin:</b>								
Precision Medicine and Manufacturing	47.8%	49.1%	48.3%	49.2%	44.6%	50.8%	47.1%	49.8%
Medical Solutions	38.6%	41.1%	38.5%	41.1%	40.8%	40.8%	39.3%	41.0%
Robotics and Automation	49.5%	48.6%	48.9%	47.1%	50.7%	48.8%	49.6%	47.7%
<b>Total</b>	<b>44.0%</b>	<b>45.4%</b>	<b>43.7%</b>	<b>45.0%</b>	<b>44.7%</b>	<b>45.9%</b>	<b>44.1%</b>	<b>45.3%</b>

Gross profit and gross profit margin can be influenced by a number of factors, including product mix, pricing, volume, manufacturing efficiencies and utilization, costs for raw materials and outsourced manufacturing, trade tariffs, freight costs, headcount, inventory excess and obsolescence, and warranty expenses.

#### *Precision Medicine and Manufacturing*

Precision Medicine and Manufacturing segment gross profit for the three months ended June 28, 2024 September 27, 2024 decreased \$5.9 million \$9.2 million, or 16.2% 25.3%, versus the prior year period, primarily due to a decrease in both revenue and gross profit margin. Precision Medicine and Manufacturing segment gross profit margin was 47.8% 44.6% for the three months ended June 28, 2024 September 27, 2024, versus a gross profit margin of 49.1% 50.8% for the prior year period. The decrease in gross profit margin was primarily attributable to lower factory utilization due to a decline in production volumes. volumes and unfavorable product mix.

Precision Medicine and Manufacturing segment gross profit for the six nine months ended June 28, 2024 September 27, 2024 decreased \$8.5 million \$17.6 million, or 12.0% 16.5%, versus the prior year period, primarily due to a decrease in both revenue and gross profit margin. Precision Medicine and Manufacturing segment gross profit margin was 48.3% 47.1% for the six nine months ended June 28, 2024 September 27, 2024, versus a gross profit margin of 49.2% 49.8% for the prior year period. The decrease in gross profit margin was primarily attributable to lower factory utilization due to a decline in production volumes, volumes, and unfavorable product mix.

#### Medical Solutions

Medical Solutions segment gross profit for the three months ended June 28, 2024 September 27, 2024 increased \$6.1 million \$8.3 million, or 17.8% 24.5%, versus the prior year period, primarily due to an increase in revenue. Medical Solutions segment gross profit margin was 38.6% 40.8% for the three months ended June 28, 2024 September 27, 2024, which was unchanged from the prior year period. Gross profit margins were favorably impacted by higher factory productivity in our minimally invasive surgery and detection and analysis products, fully offset by the dilutive effect of the Motion Solutions acquisition on gross profit margin.

Medical Solutions segment gross profit for the nine months ended September 27, 2024 increased \$22.0 million, or 21.9%, versus the prior year period, primarily due to an increase in revenue. Medical Solutions segment gross profit margin was 39.3% for the nine months ended September 27, 2024, versus a gross profit margin of 41.1% 41.0% for the prior year period. The decrease was primarily due to an inventory related charge associated with our visualization solutions product line closure, which resulted in a 2.4 percentage point reduction in gross profit margin, and higher amortization expense on intangible assets primarily from the current year acquisition, which resulted in a 0.9 percentage point reduction in gross profit margin. Improved factory utilization in our minimally invasive surgery and detection and analysis products, partially offset by the dilutive effect of Motion Solution acquisition on gross profit margin, resulted in a 0.8 percentage point increase in gross profit margin.

Medical Solutions segment gross profit for the six months ended June 28, 2024 increased \$13.6 million, or 20.6% versus the prior year period, primarily due to an increase in revenue. Medical Solutions segment gross profit margin was 38.5% for the six months ended June 28, 2024, versus a gross profit margin of 41.1% for the prior year period. The decrease was primarily due to an inventory related charge associated with our visualization solutions product line closure, which resulted in a 1.2 percentage point reduction in gross profit margin, and higher amortization expense on intangible assets and inventory fair value adjustments primarily from the current year acquisition, which resulted in a 2.2% 2.1 percentage point reduction in gross profit margin. Improved efficiency in factory utilization productivity in our minimally invasive surgery and detection and analysis products, partially offset by the dilutive effect of the Motion Solution Solutions acquisition on gross profit margin, resulted in a 0.8% 1.2 percentage point increase in gross profit margin.

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#### Robotics and Automation

Robotics and Automation segment gross profit for the three months ended June 28, 2024 September 27, 2024 decreased \$1.5 million increased \$7.9 million, or 4.4% 24.2%, versus the prior year period, primarily due to a decrease an increase in revenue, both revenue and gross profit margin. Robotics and Automation segment

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gross profit margin was 49.5% 50.7% for the three months ended June 28, 2024 September 27, 2024, versus 48.6% 48.8% for the prior year period. The increase in gross profit margin was primarily attributable to improved factory efficiency.

Robotics and Automation segment gross profit for the six nine months ended June 28, 2024 September 27, 2024 decreased \$3.8 million increased \$4.1 million, or 5.6% 4.1%, versus the prior year period, primarily due to a decrease an increase in revenue, both revenue and gross profit margin. Robotics and Automation segment gross profit margin was 48.9% 49.6% for the six nine months ended June 28, 2024 September 27, 2024, versus 47.1% 47.7% for the prior year period. The increase in gross profit margin was primarily attributable to improved factory efficiency.

### Unallocated Corporate and Shared Services

Unallocated corporate and shared services costs primarily represent costs of corporate and shared services functions that are not allocated to the operating segments. These costs for the three months ended June 28, 2024 decreased \$0.9 million versus the prior year period.

Unallocated corporate and shared services costs for the six months ended June 28, 2024 decreased \$1.0 million versus the prior year period.

### Operating Expenses

The following table sets forth operating expenses for the periods noted (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Research and development and engineering	\$ 23,731	\$ 23,380	\$ 46,977	\$ 46,208	\$ 23,253	\$ 22,022	\$ 70,230	\$ 68,230
Selling, general and administrative	44,793	42,187	88,323	83,110	44,319	39,648	132,642	122,758
Amortization of purchased intangible assets	6,907	5,124	12,657	10,213	6,589	5,131	19,246	15,344
Restructuring, acquisition, and related costs	2,543	1,234	4,826	3,710	2,499	4,481	7,325	8,191
Total	\$ 77,974	\$ 71,925	\$ 152,783	\$ 143,241	\$ 76,660	\$ 71,282	\$ 229,443	\$ 214,523

#### Research and Development and Engineering Expenses

Research and Development and Engineering ("R&D") expenses are primarily comprised of employee compensation related expenses and cost of materials for R&D projects. R&D expenses were \$23.7 million \$23.3 million, or 10.1% 9.5% of revenue, during the three months ended June 28, 2024 September 27, 2024, versus \$23.4 million \$22.0 million, or 9.9% of revenue, during the prior year period. The increase in R&D expenses in terms of total dollars was primarily due to an increase in costs from the current year acquisition.

R&D expenses were \$70.2 million, or 9.9% of revenue, during the nine months ended September 27, 2024, versus \$68.2 million, or 10.2% of revenue, during the prior year period.

The increase in R&D expenses were \$47.0 million, or 10.1% in terms of revenue, during total dollars was primarily due to an increase in cost from the six months ended June 28, 2024, versus \$46.2 million, or 10.3% of revenue, during the prior current year period acquisition.

#### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses include costs for sales and marketing, sales administration, finance, human resources, legal, information systems, and executive management functions. SG&A expenses were \$44.8 million \$44.3 million, or 19.0% 18.1% of revenue, during the three months ended June 28, 2024 September 27, 2024, versus \$42.2 million \$39.6 million, or 18.4% 17.9% of revenue, during the prior year period. The increase in SG&A expenses, both in terms of total dollars and as a percentage of revenue, was primarily due to increases in compensation related expenses driven by officer transition costs, higher recruiting expenditures, and discretionary spending, mostly as a result of increased costs from the current year acquisition.

SG&A expenses were \$88.3 million \$132.6 million, or 18.9% or 18.7% of revenue, during the six nine months ended June 28, 2024 September 27, 2024, versus \$83.1 million \$122.8 million, or 18.5% 18.3% of revenue, during the prior year period. The increase in SG&A expenses, increased both in terms of total dollars and as a percentage of revenue, was primarily due to driven by officer transition costs, higher compensation related expenses recruiting expenditures, and discretionary spending, mostly as a result of increased costs from the current year acquisition.

#### Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets, excluding amortization of developed technologies which is included in cost of revenue, was \$6.9 million \$6.6 million, or 2.9% 2.7% of revenue, during the three months ended June 28, 2024 September 27, 2024, versus \$5.1 million, or 2.2% 2.3% of revenue,

during the prior year period. The increase in terms of total dollars and as a percentage of revenue was the result of more acquired intangible assets from the current year acquisition.

Amortization of purchased intangible assets, excluding amortization of developed technologies which is included in cost of revenue, was \$12.7 million \$19.2 million, or 2.7% of revenue, during the six nine months ended June 28, 2024 September 27, 2024, versus \$10.2 million \$15.3 million, or 2.3% of revenue, during the prior year period. The increase in terms of total dollars and as a percentage of revenue was the result of more acquired intangible assets from the current year acquisition.

#### *Restructuring, Acquisition, and Related Costs*

We recorded restructuring, acquisition, and related costs of \$2.5 million during the three months ended June 28, 2024 September 27, 2024, versus \$1.2 million \$4.5 million during the prior year period. The increase decrease in restructuring, acquisition and related costs is was primarily due to expenses related to the 2024 a decrease in our restructuring plan. programs.

We recorded restructuring, acquisition, and related costs of \$4.8 million \$7.3 million during the six nine months ended June 28, 2024 September 27, 2024, versus \$3.7 million \$8.2 million during the prior year period. The increase decrease in restructuring, acquisition and related costs was primarily due to a \$1.7 million increase decrease in acquisition and related expenses related to the current year acquisition. our restructuring programs.

#### *Operating Income (Loss) by Segment*

The following table sets forth operating income (loss) by segment for the periods noted (in thousands):

Operating Income (Loss)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Precision Medicine and Manufacturing	\$ 12,744	\$ 19,611	\$ 28,488	\$ 36,295	\$ 11,879	\$ 18,508	\$ 40,367	\$ 54,803
Medical Solutions	12,276	10,083	24,265	19,924	12,421	11,050	36,686	30,974
Robotics and Automation	14,648	15,248	26,864	27,248	22,086	12,208	48,950	39,456
Unallocated Corporate and Shared Services	(13,953)	(12,744)	(28,295)	(24,957)	(13,831)	(11,457)	(42,126)	(36,414)
<b>Total</b>	<b>\$ 25,715</b>	<b>\$ 32,198</b>	<b>\$ 51,322</b>	<b>\$ 58,510</b>	<b>\$ 32,555</b>	<b>\$ 30,309</b>	<b>\$ 83,877</b>	<b>\$ 88,819</b>

#### *Precision Medicine and Manufacturing*

Precision Medicine and Manufacturing segment operating income was \$12.7 million \$11.9 million, or 19.9% 19.6% of revenue, during the three months ended June 28, 2024 September 27, 2024, versus \$19.6 million \$18.5 million, or 26.4% 26.0% of revenue, during the prior year period. The decrease in operating income was primarily due to a decrease in gross profit of \$5.9 million \$9.2 million, partially offset by a decrease in R&D expenses of \$1.5 million and an increase a decrease in restructuring, acquisition and related costs of \$1.3 million \$0.8 million.

Precision Medicine and Manufacturing segment operating income was \$28.5 million \$40.4 million, or 22.1% 21.3% of revenue, during the six nine months ended June 28, 2024 September 27, 2024, versus \$36.3 million \$54.8 million, or 25.2% 25.5% of revenue, during the prior year period. The decrease in operating income was primarily due to a decrease in gross profit of \$8.5 million \$17.6 million, partially offset by a decrease in R&D expenses of \$1.0 million \$2.5 million.

#### *Medical Solutions*

Medical Solutions segment operating income was \$12.3 million \$12.4 million, or 11.7% 12.0% of revenue, during the three months ended June 28, 2024 September 27, 2024, versus \$10.1 million \$11.1 million, or 12.1% 13.3% of revenue, during the prior year period. The increase in operating income was primarily

due to an increase in gross profit of **\$6.1 million** **\$8.3 million**, partially offset by an increase in R&D expenses of **\$1.1 million** **\$2.6 million**, an increase in SG&A expenses of **\$1.9 million** and an increase in amortization expense of **\$2.3 million** **\$2.0 million** as a result of the current year acquisition.

Medical Solutions segment operating income was **\$24.3 million** **\$36.7 million**, or **11.7%** **11.8%** of revenue, during the **six** **nine** months ended **June 28, 2024** **September 27, 2024**, versus **\$19.9 million** **\$31.0 million**, or **12.4%** **12.7%** of revenue, during the prior year period. The increase in operating income was primarily due to an increase in gross profit of **\$13.6 million** **\$22.0 million**, partially offset by an increase in R&D expenses of **\$2.9 million** **\$5.5 million**, an increase in SG&A expenses of **\$2.4 million** **\$4.3 million** and an increase in amortization expense of **\$3.5 million** **\$5.4 million** as a result of the current year acquisition. Additionally, restructuring, acquisition and related costs increased **\$1.0 million** compared to the prior year period.

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#### *Robotics and Automation*

Robotics and Automation segment operating income was **\$14.6 million** **\$22.1 million**, or **21.7%** **27.6%** of revenue, during the three months ended **June 28, 2024** **September 27, 2024**, versus **\$15.2 million** **\$12.2 million**, or **21.2%** **18.3%** of revenue, during the prior year period. The **decrease** **increase** in operating income was primarily due to a **decrease** **an increase** in gross profit of **\$1.5 million**, partially offset by **\$7.9 million** and a decrease in R&D expenses **restructuring, acquisition and related costs** of **\$0.7 million** **\$1.8 million**.

Robotics and Automation segment operating income was **\$26.9 million** **\$49.0 million**, or **20.6%** **23.2%** of revenue, during the **six** **nine** months ended **June 28, 2024** **September 27, 2024**, versus **\$27.2 million** **\$39.5 million**, or **19.0%** **18.7%** of revenue, during the prior year period. The **decrease** **increase** in operating income was primarily due to a **decrease** **an increase** in gross profit of **\$3.8 million**, partially offset by a decrease in R&D expenses of **\$1.4 million** **\$4.1 million**, a decrease in restructuring, acquisition and related costs of **\$3.1 million**, a decrease in R&D expenses of **\$1.4 million**, and a decrease in amortization expense of **\$0.8 million** due to certain intangible assets being fully amortized in 2023. **\$1.2 million**.

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#### *Unallocated Corporate and Shared Services*

Unallocated corporate and shared services costs primarily represent costs of corporate and shared services functions that are not allocated to the operating segments, including certain restructuring and most acquisition costs. These costs for the three months ended **June 28, 2024** **September 27, 2024** increased **\$1.2 million** versus the prior year period. The increase in operating loss was primarily due to an increase in compensation related expenses.

Unallocated corporate and shared services costs for the six months ended June 28, 2024 increased **\$3.3 million** **\$2.4 million** versus the prior year period. The increase in operating loss was primarily due to an increase in SG&A expenses of **\$2.5 million**, **\$2.7 million**.

Unallocated corporate and shared services costs for the nine months ended September 27, 2024 increased **\$5.7 million** versus the prior year period. The increase in operating loss was primarily due to an increase in restructuring, acquisition and related SG&A expenses of **\$1.6 million** **\$5.3 million**.

#### *Other Income and Expense Items*

The following table sets forth other income and expense items for the periods noted (in thousands):

Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023

Interest income (expense), net	\$ (8,266)	\$ (6,810)	\$ (16,520)	\$ (13,142)	\$ (8,079)	\$ (6,756)	\$ (24,599)	\$ (19,898)
Foreign exchange transaction gains (losses), net	\$ (264)	\$ 74	\$ (585)	\$ (3)	\$ (202)	\$ (370)	\$ (787)	\$ (373)
Other income (expense), net	\$ (55)	\$ (191)	\$ (171)	\$ (357)	\$ (49)	\$ (189)	\$ (220)	\$ (546)

#### *Interest Income (Expense), Net*

Net interest expense was **\$8.3 million** **\$8.1 million** for the three months ended **June 28, 2024** **September 27, 2024**, versus \$6.8 million for the prior year period. The increase in net interest expense was primarily due to an increase in average debt levels to fund the Motion Solutions acquisition and an increase in the weighted average interest rate on our senior credit facilities, partially offset by an increase in interest income. The weighted average interest rate on our senior credit facilities was **6.74%** **6.83%** during the three months ended **June 28, 2024** **September 27, 2024**, versus **6.14%** **6.68%** during the prior year period.

Net interest expense was **\$16.5 million** **\$24.6 million** for the **six** **nine** months ended **June 28, 2024** **September 27, 2024**, versus **\$13.1 million** **\$19.9 million** for the prior year period. The increase in net interest expense was primarily due to an increase in average debt levels to fund the Motion Solutions acquisition and an increase in the weighted average interest rate on our senior credit facilities, partially offset by an increase in interest income. The weighted average interest rate on our senior credit facilities was **6.64%** **6.68%** during the **six** **nine** months ended **June 28, 2024** **September 27, 2024**, versus **5.84%** **6.12%** during the prior year period.

#### *Foreign Exchange Transaction Gains (Losses), Net*

Foreign exchange transaction gains (losses) were nominal for both the three and **six** **nine** months ended **June 28, 2024** **September 27, 2024** and the three and **six** **nine** months ended **June 30, 2023** **September 29, 2023**.

#### *Other Income (Expense), Net*

Net other expense was nominal for both the three and **six** **nine** months ended **June 28, 2024** **September 27, 2024** and the three and **six** **nine** months ended **June 30, 2023** **September 29, 2023**.

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#### *Income Tax Provision (Benefit)*

Our effective tax rate for the three months ended **June 28, 2024** **September 27, 2024** was **19.7%** **20.8%**, versus **17.4%** **7.7%** for the prior year period. Our effective tax rate of **19.7%** **20.8%** for the three months ended **June 28, 2024** **September 27, 2024** differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions and R&D tax credits, partially offset by disallowed compensation deductions, uncertain tax position accruals, and Pillar Two inclusion.

Our effective tax rate of **17.4%** for the three months ended **June 30, 2023** differs from the Canadian statutory tax rate **September 29, 2023** of **29.0%** primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, and R&D tax credits, partially offset by disallowed compensation deductions and uncertain tax position accruals.

Our effective tax rate for the **six** months ended **June 28, 2024** was **16.5%**, versus **13.0%** for the prior year period. Our effective tax rate of **16.5%** for the **six** months ended **June 28, 2024** **7.7%** differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, R&D tax credits, and windfall tax benefits upon vesting of share-based compensation awards, partially offset by disallowed compensation deductions and uncertain tax position accruals.

Our effective tax rate for the **nine** months ended **September 27, 2024** was **18.3%**, versus **11.2%** for the prior year period. Our effective tax rate of **18.3%** for the **nine** months ended **September 27, 2024** differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible

Income, U.K. patent box deductions, R&D tax credits, and windfall tax benefits upon vesting of share based compensation awards, partially offset by disallowed compensation deductions, uncertain tax position accruals, and Pillar **two** Two inclusion. For the **six** nine months ended **June 28, 2024** September 27, 2024, the **windfall** tax benefits upon vesting of certain share-based compensation awards had a benefit of **3.5%** **3.1%** on our effective tax rate.

Our effective tax rate of **13.0%** **11.2%** for the **six** nine months ended **June 30, 2023** September 29, 2023 differs from the Canadian statutory tax rate of 29.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, estimated deductions for Foreign Derived Intangible Income, U.K. patent box deductions, R&D tax credits and windfall tax benefits upon vesting of **certain share-based** **share based** compensation awards, partially offset by disallowed compensation deductions and uncertain tax position accruals. For the **six** nine months ended **June 30, 2023** September 29, 2023, the tax benefits upon vesting of certain share-based compensation awards had a benefit of **4.0%** **4.5%** on our effective tax rate.

On December 12, 2022, the EU member states agreed to implement the Organization for Economic Co-operation and Development's ("OECD") Pillar Two Model Rules. These rules, which impose a global corporate minimum income tax rate of 15%, have been enacted or introduced in proposed legislation in **45** **35** countries. Additional countries are actively considering changes to their tax laws to adopt certain parts of the OECD's proposals. We have estimated the impact of this minimum tax in our effective tax rate analysis, **which did and it does** not have a material impact on our financial results in the current period. We continue to **closely** monitor **developments and anticipate further the progression of legislative activity in 2024.** **activities.**

#### **Liquidity and Capital Resources**

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements are funding operations, capital expenditures, investments in businesses, and repayment of our debt and related interest payments. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We believe our future operating cash flows will be sufficient to meet our future operating and capital expenditure cash needs for the foreseeable future, including at least the next 12 months. The availability of borrowing capacity under our revolving credit facility provides another potential source of liquidity for any future capital expenditures and other liquidity needs. In addition, we have the ability to expand our borrowing capacity by up to \$350.0 million by exercising the accordion option under our revolving credit agreement. We may also seek to raise additional capital, which could be in the form of bonds, convertible debt or preferred or common equity, to fund business development activities or other future investing cash requirements, subject to approval by the lenders in the Third Amended and Restated Credit Agreement (as amended, the "Credit Agreement"). There is no assurance that such capital will be available on reasonable terms or at all.

Significant factors affecting the management of our ongoing cash requirements are the adequacy of available bank lines of credit and our ability to attract long term capital with satisfactory terms. The sources of our liquidity are subject to all of the risks of our business and could be adversely affected by, among other factors, risks associated with events outside of our control, such as economic consequences of geopolitical conflicts, monetary policy changes in the U.S. and other countries and their impact on the global financial markets, a decrease in demand for our products, our ability to integrate current and future acquisitions, deterioration in certain financial ratios, availability of borrowings under our revolving credit facility, and other market changes in general. See "Risks Relating to Our Common Shares and Our Capital Structure" included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Our cash requirements primarily consist of principal and interest payments associated with our Senior Credit Facilities (as defined below), operating and finance leases, purchase commitments, and pension obligations. Such contractual obligations are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to

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Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Through **June 28, 2024** September 27, 2024, we have not entered into any other material new or modified contractual obligations since December 31, 2023.

Our ability to make payments on our indebtedness and to fund our operations may be dependent upon the operating income and the distribution of funds from our subsidiaries. However, as local laws and regulations and/or the terms of our indebtedness restrict certain of our subsidiaries from paying dividends and transferring assets to us, there is no assurance that our subsidiaries will be permitted to provide us with sufficient dividends, distributions or loans when necessary.

As of **June 28, 2024** **September 27, 2024**, **\$58.6 million** **\$55.9 million** of our **\$98.5 million** **\$92.7 million** cash and cash equivalents was held by subsidiaries outside of Canada and the U.S. Generally, our intent is to use cash held in these foreign subsidiaries to fund our local operations or acquisitions by those local subsidiaries and to pay down borrowings under our Senior Credit Facilities. Approximately **\$95.0 million** **\$93.8 million** of our outstanding term loan and revolver borrowings under our Senior Credit Facilities were held in our subsidiaries outside of Canada and the U.S. as of **June 28, 2024** **September 27, 2024**. Additionally, we may use intercompany loans to address short-term cash flow needs for various subsidiaries.

#### Senior Credit Facilities

In December 2019, we entered into the Third Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement"), originally consisting of a \$100.0 million U.S. dollar equivalent euro-denominated (approximately €90.2 million) 5-year term loan facility and a \$350.0 million 5-year revolving credit facility (collectively, the "Senior Credit Facilities"). The Senior Credit Facilities had an original maturity date of December 2024 and included an uncommitted accordion option pursuant to which the commitments under the revolving credit facility may be increased by an additional \$200.0 million in aggregate, subject to certain customary conditions. The term loan facility requires quarterly scheduled principal repayments of approximately €1.1 million beginning in March 2020 with the remaining principal balance due upon maturity. We may make additional principal payments at any time, which will reduce the next quarterly installment payment due. We may pay down outstanding borrowings under our revolving credit facility with cash on hand and cash generated from future operations at any time.

On March 27, 2020, we entered into an amendment (the "First Amendment") to the Credit Agreement and exercised a portion of the uncommitted accordion option. The First Amendment increased the revolving credit facility commitment under the Credit Agreement by \$145.0 million, from \$350.0 million to \$495.0 million, and reset the uncommitted accordion option to \$200.0 million for potential future expansion.

On October 5, 2021, we entered into an amendment (the "Fourth Amendment") to the Credit Agreement to exercise the accordion option. The Fourth Amendment increased the revolving credit facility commitment under the Credit Agreement by \$200.0 million, from \$495.0 million to \$695.0 million, and reset the uncommitted accordion option to \$200.0 million for potential future expansion.

On March 10, 2022, we entered into an amendment (the "Fifth Amendment") to the Credit Agreement to extend the maturity date thereof from December 31, 2024 to March 10, 2027, update the pricing grid, replace LIBOR with SOFR as the reference rate for U.S. dollar borrowings, and increase the uncommitted accordion option from \$200 million to \$350 million.

As of **June 28, 2024** **September 27, 2024**, we had **\$74.7 million** **\$76.6 million** term loan and **\$410.3 million** **\$383.8 million** revolver borrowings outstanding under our Senior Credit Facilities. The borrowings outstanding under the Senior Credit Facilities bear interest at rates based on (a) the Base Rate, as defined in the Credit Agreement, plus a margin ranging between 0.00% and 0.75% per annum, determined by reference to our consolidated leverage ratio, or (b) the Term SOFR Screen Rate, the Alternative Currency Daily Rate or the Alternative Currency Term Rate, as defined in the Credit Agreement, plus a margin ranging between 0.75% and 1.75% per annum, determined by reference to our consolidated leverage ratio. In addition, we are obligated to pay a commitment fee on the unused portion of the revolving credit facility, ranging between 0.20% and 0.30% per annum, determined by reference to our consolidated leverage ratio. As of **June 28, 2024** **September 27, 2024**, we had outstanding borrowings under the Credit Agreement denominated in Euro and U.S. dollars of **\$95.0 million** **\$93.8 million** and **\$390.0 million** **\$366.5 million**, respectively.

The Credit Agreement contains various covenants that we believe are usual and customary for this type of agreement, including a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio (as defined in the Credit Agreement). The following table summarizes these financial covenants and our compliance therewith as of **June 28, 2024** **September 27, 2024**:

	Requirement	Actual	Requirement	Actual
Maximum consolidated leverage ratio <sup>(1)</sup>	3.50	2.21	3.50	2.08
Minimum consolidated fixed charge coverage ratio	1.50	4.32	1.50	4.29

<sup>(1)</sup>Maximum consolidated leverage ratio shall be increased to 4.00 for four consecutive quarters following a designated acquisition, as defined in the Fifth Amendment.

### Share Repurchase Plans

Our Board of Directors may approve share repurchase plans from time to time. Under these repurchase plans, shares may be repurchased at our discretion based on ongoing assessment of the capital needs of the business, the market price of our common shares, and general market conditions. Shares may also be repurchased through an accelerated share purchase agreement, on the open market or in privately negotiated transactions in accordance with applicable federal securities laws. Repurchases may be made under certain SEC regulations, which would permit common shares to be repurchased when we would otherwise be prohibited from doing so under insider trading laws. While the share repurchase plans are generally intended to offset dilution from equity awards granted to our employees and directors, the plans do not obligate us to acquire any particular amount of common shares. No time limit is typically set for the completion of the share repurchase plans, and the plans may be suspended or discontinued at any time. We expect to fund share repurchases through cash on hand and cash generated from operations.

In February 2020, our Board of Directors approved a share repurchase plan (the "2020 Repurchase Plan") authorizing the repurchase of \$50.0 million worth of common shares. Share repurchases have been made under the 2020 Repurchase Plan pursuant to

Rule 10b-18 under the Securities Exchange Act of 1934. We did not repurchase any shares during the **six nine** months ended **June 28, 2024** **September 27, 2024**. We had \$49.5 million available for share repurchases under the 2020 Repurchase Plan as of **June 28, 2024** **September 27, 2024**.

### Cash Flows for the **Six Nine** Months Ended **June 28, 2024** **September 27, 2024** and **June 30, 2023** **September 29, 2023**

The following tables summarize our cash flows, cash and cash equivalents, and unused and available funds under our revolving credit facility for the periods indicated (in thousands):

	Six Months Ended		Nine Months Ended	
	June 28,		September 27,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 73,924	\$ 36,442	\$ 96,950	\$ 81,083
Net cash used in investing activities	\$ (202,552)	\$ (6,946)	\$ (206,113)	\$ (13,741)
Net cash provided by (used in) financing activities	\$ 121,440	\$ (40,819)	\$ 92,559	\$ (92,783)
	As of		September 27,	
	June 28,		December 31,	
	2024	2023	2024	2023
Cash and cash equivalents	\$ 98,468	\$ 105,051	\$ 92,690	\$ 105,051
Unused and available funds under the revolving credit facility	\$ 284,675	\$ 416,596	\$ 311,228	\$ 416,596

### Operating Cash Flows

Cash provided by operating activities was **\$73.9 million** **\$97.0 million** for the **six nine** months ended **June 28, 2024** **September 27, 2024**, versus **\$36.4 million** **\$81.1 million** for the prior year period. Cash provided by operating activities for the **six nine** months ended **June 28, 2024** **September 27, 2024** increased from the prior year period primarily as a result of **better net working capital management**, less cash paid for income taxes.

#### *Investing Cash Flows*

Cash used in investing activities was \$202.6 million \$206.1 million for the six nine months ended June 28, 2024 September 27, 2024, primarily driven by the Motion Solutions acquisition. We paid \$191.2 million cash consideration, of \$191.2 million, net of cash acquired and net working capital adjustments. adjustments for the Motion Solutions acquisition. We also paid \$11.4 million \$14.9 million for capital expenditures.

Cash used in investing activities was \$6.9 million \$13.7 million for the six nine months ended June 30, 2023 September 29, 2023, all related to capital expenditures.

We expect to use an aggregate of approximately \$20 million \$18 million to \$25 million \$20 million in 2024 for capital expenditures related to investments in new property, plant and equipment for our existing businesses, which includes a significant one-time facility buildout project in the U.K. that began in 2023 with a target completion date in 2024. businesses.

#### *Financing Cash Flows*

Cash provided by financing activities was \$121.4 million \$92.6 million for the six nine months ended June 28, 2024 September 27, 2024, primarily driven by \$198.0 million of borrowings under our revolving credit facility to fund the Motion Solutions acquisition, partially offset by \$67.3 million \$96.0 million of term loan and revolving credit facility repayments and \$8.9 million of payroll tax payments upon vesting of share-based compensation awards.

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Cash used in financing activities was \$40.8 million \$92.8 million for the six nine months ended June 30, 2023 September 29, 2023, primarily due to \$30.5 million \$82.0 million of term loan and revolving credit facility repayments and \$10.0 million \$10.2 million of payroll tax payments upon vesting of share-based compensation awards.

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#### **Critical Accounting Policies and Estimates**

The critical accounting policies that we believe impact significant judgments and estimates used in the preparation of our consolidated financial statements presented in this periodic report on Form 10-Q are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates through June 28, 2024 September 27, 2024 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Recent Accounting Pronouncements**

See Note 1 to Unaudited Interim Consolidated Financial Statements.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risk exposures are foreign currency exchange rate fluctuations and interest rate sensitivity. During the three months ended June 28, 2024 September 27, 2024, there have been no material changes to the information included under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Item 4. Controls and Procedures**

## Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934 (the "Exchange Act"), our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of **June 28, 2024** **September 27, 2024**, the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of **June 28, 2024** **September 27, 2024**.

## Changes in Internal Control Over Financial Reporting

There has been no change to our internal control over financial reporting during the fiscal quarter ended **June 28, 2024** **September 27, 2024** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business. We do not believe that the outcome of these claims will have a material adverse effect upon our financial condition or results of operations but there can be no assurance that any such claims, or any similar claims, would not have a material adverse effect upon our financial condition or results of operations.

### Item 1A. Risk Factors

Our risk factors are described in Part I, Item 1A, "Risk Factors", of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes in our risk factors as included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

a) *Disclosure in lieu of reporting on a Current Report on Form 8-K*

None.

b) *Material changes to the procedures by which security holders may recommend nominees to the board of directors.*

None.

c) *Rule 10b5-1 Trading Plans*

**No** The adoption or termination of contracts, instructions or written plans for the purchase or sale of our securities by our Section 16 officers and directors during the three months ended September 27, 2024, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1 Plan"), are summarized below.

Name	Title	Action	Date	Total Shares to Be Sold	Expiration Date
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Matthijs Glastra <sup>(1)</sup>	Chair of the Board of Directors and Chief Executive Officer	Adoption	August 29, 2024	26,000	December 31, 2025
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<sup>(1)</sup>This written plan was adopted through a trust for which Mr. Glastra's spouse is a trustee.

None of our officers or directors adopted, modified, and/or terminated a "Rule 10b5-1 trading agreement" or a "non-Rule 10b5-1 trading arrangement,"<sup>(2)</sup> as defined in Item 408 of Regulation S-K, during the three months ended June 28, 2024. S-K.

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## Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1†	<a href="#">Securities Purchase Agreement, dated November 14, 2023, by and between Novanta Corporation, Motion Solutions Holdings LLC and Motion Solutions Parent Corp., including Amendment to Securities Purchase Agreement dated January 1, 2024 by and between by the parties thereto.</a>	10-K	001-35083	2.3	2/28/2024	
3.1	<a href="#">Certificate and Articles of Continuance of the Registrant, dated March 22, 1999</a>	S-3	333-202597	3.1	03/09/2015	
3.2	<a href="#">By-Laws of the Registrant, as amended</a>	10-K	001-35083	3.2	03/01/2021	
3.3	<a href="#">Articles of Reorganization of the Registrant, dated July 23, 2010</a>	8-K	000-25705	3.1	07/23/2010	
3.4	<a href="#">Articles of Amendment of the Registrant, dated May 26, 2005</a>	10-K	001-35083	3.4	3/1/2023	
3.5	<a href="#">Articles of Amendment of the Registrant, dated December 29, 2010</a>	8-K	000-25705	3.1	12/29/2010	
3.6	<a href="#">Articles of Amendment of the Registrant, dated May 11, 2016</a>	8-K	001-35083	10.1	05/12/2016	
3.7	<a href="#">Articles of Amendment of the Registrant, dated April 29, 2022</a>	10-Q	001-35083	3.6	05/10/2022	
31.1	<a href="#">Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					*
31.2	<a href="#">Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					*

32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	**
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	**
101.INS	Inline eXtensible Business Reporting Language (XBRL) Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	*

† Certain schedules or appendices to this exhibit have been omitted pursuant to Regulation S-K Item 601(a)(5). A copy of any omitted schedule will be furnished to the Securities and Exchange Commission or its staff upon request.

\* Filed herewith

\*\* Furnished herewith

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#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

#### Novanta Inc. (Registrant)

Name	Title	Date
/s/ Matthijs Glastra <b>Matthijs Glastra</b>	Chair of the Board of Directors and Chief Executive Officer	August 6, November 5, 2024
/s/ Robert J. Buckley <b>Robert J. Buckley</b>	Chief Financial Officer	August 6, November 5, 2024

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Exhibit 31.1

#### CERTIFICATION PURSUANT TO

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REFINITIV 

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**  
**CERTIFICATIONS**

I, Matthijs Glastra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novanta Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (or the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, November 5, 2024

/s/ Matthijs Glastra

Matthijs Glastra

*Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**  
**CERTIFICATION**

I, Robert J. Buckley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novanta Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (or the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, November 5, 2024

/s/ Robert J. Buckley

Robert J. Buckley

*Chief Financial Officer*

Exhibit 32.1

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Novanta Inc. (the "Company") on Form 10-Q for the period ended **June 28, 2024** **September 27, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthijs Glastra, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, November 5, 2024

/s/ Matthijs Glastra

Matthijs Glastra

*Chief Executive Officer*

Exhibit 32.2

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Novanta Inc. (the "Company") on Form 10-Q for the period ended **June 28, 2024** **September 27, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Buckley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**August 6, November 5, 2024**

*/s/ Robert J. Buckley*

Robert J. Buckley

*Chief Financial Officer*

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