



The Eastern Company

NASDAQ: EML

Investor Presentation

April 2024

Forward-Looking Statements

Statements contained in this Document of the Company that are not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as “would,” “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intend,” “continue,” “plan,” “potential,” “opportunities,” or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company’s business and the results of its operations and that may cause the actual results of operations in future periods to differ materially from those currently expected or anticipated. These factors include: the impact of higher raw material and component costs and cost inflation, supply chain disruptions and shortages, particularly with respect to steel, plastics, scrap iron, zinc, copper, and electronic components; delays in delivery of our products to our customers; the impact of global economic conditions and rising interest rates, and more specifically conditions in the automotive, construction, aerospace, energy, oil and gas, transportation, electronic, and general industrial markets, including the impact, length and degree of economic downturns on the customers and markets we serve and demand for our products, reductions in production levels, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, the potential impact of bank failures on our ability to access financing or capital markets, and the impact of market conditions on pension plan funded status; restrictions on operating flexibility imposed by the agreement governing our credit facility; risks associated with doing business overseas, including fluctuations in exchange rates and the inability to repatriate foreign cash, the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs and the impact of political, economic, and social instability; the inability to achieve the savings expected from global sourcing of materials; lower-cost competition; our ability to design, introduce and sell new or updated products and related components; market acceptance of our products; the inability to attain expected benefits from acquisitions or the inability to effectively integrate acquired businesses and achieve expected synergies; costs and liabilities associated with environmental compliance; the impact of climate change, natural disasters, geopolitical events, and public health crises, including pandemics (such as COVID-19) and epidemics, and any related Company or government policies or actions; military conflict (including the Russia/Ukraine conflict, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and geopolitical consequences) or terrorist threats and the possible responses by the U.S. and foreign governments; failure to protect our intellectual property; cyberattacks; and materially adverse or unanticipated legal judgments, fines, penalties, or settlements.

The Company is also subject to other risks identified and discussed in Item 1A, Risk Factors, and in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of the 2023 Form 10-K, and that may be identified from time to time in our quarterly reports on Form 10-Q, current reports on Form 8-K and other filings we make with the SEC.

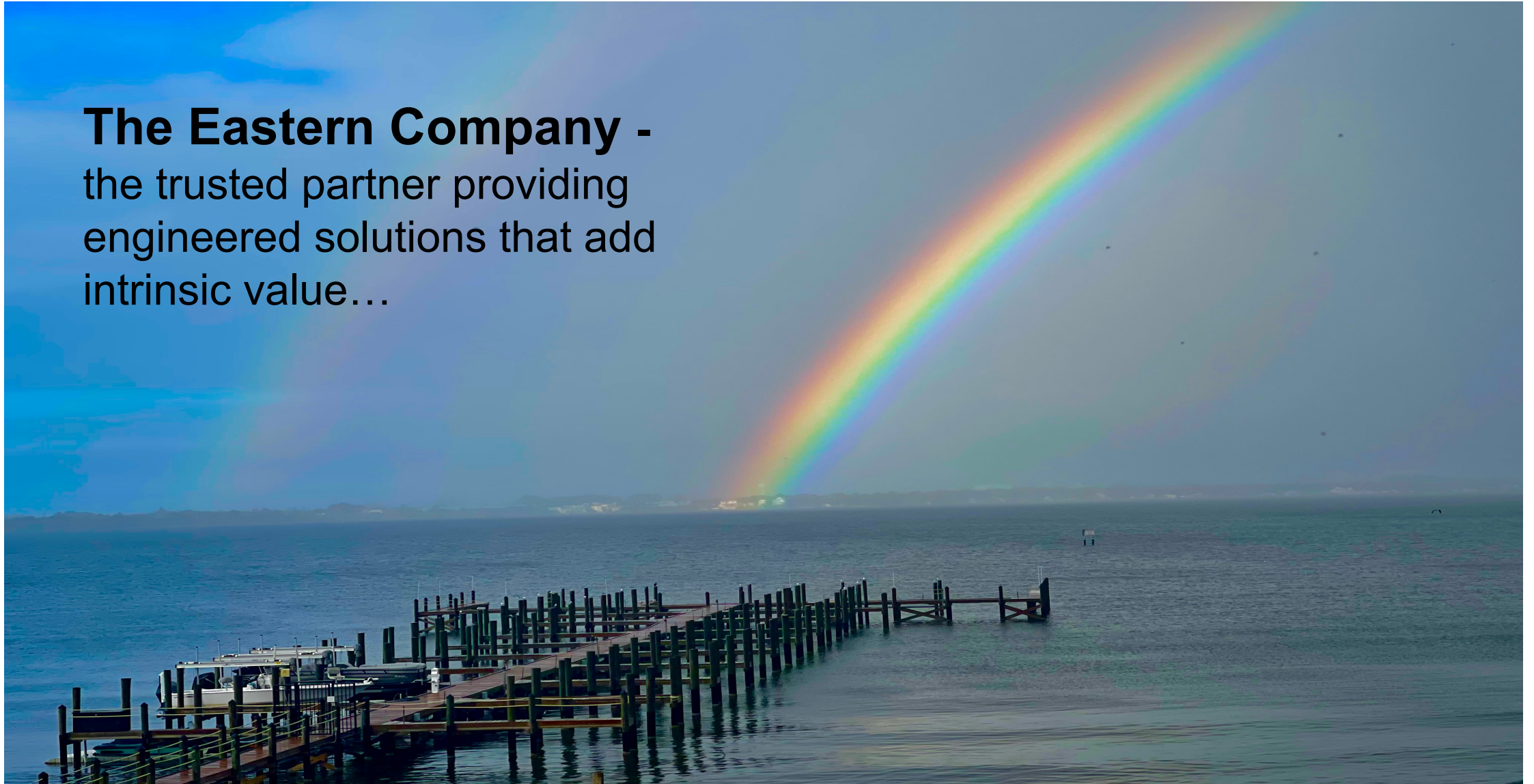
Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted, and the Company may alter its business strategies to address changing conditions. Also, the Company makes estimates and assumptions that may materially affect reported amounts and disclosures. These relate to valuation allowances for accounts receivable and excess and obsolete inventories, accruals for pensions and other postretirement benefits (including forecasted future cost increases and returns on plan assets), provisions for depreciation (estimating useful lives), uncertain tax positions, and, on occasion, accruals for contingent losses. The Company undertakes no obligation to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise, except as required by law.

Statement on Non-GAAP Financial Measures

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

Who is The Eastern Company ?

The Eastern Company -
the trusted partner providing
engineered solutions that add
intrinsic value...



Our Mission: Provide Engineered Solutions that Add Intrinsic Value to Our Shareholders, Customers and Employees

Continuously implementing rapid financial and operational improvements to prioritize stabilization across Divisions and deliver robust cashflow

Strong operational strength across our leadership team stemming down to each Division to execute on cost savings metrics and vertical integration

Executing on a “One Eastern” philosophy of working together to create supply chain optimization and efficiency and leverage internal manufacturing capabilities across the entire company

Strong capital allocation & strategic investments being made to continue driving growth using net present value, IRR, and short payback periods

Strong and consistent dividend payment – 334 quarterly dividends, over 83 years

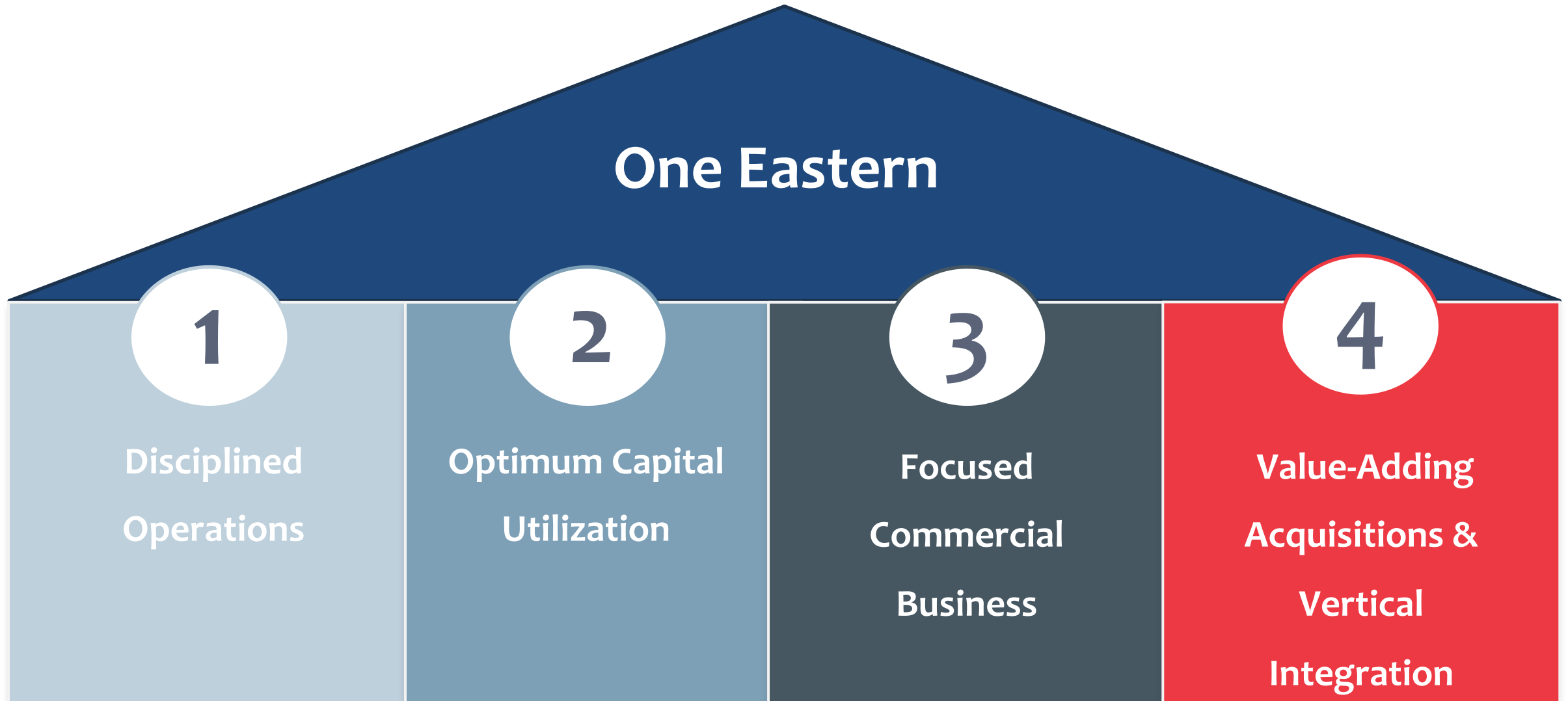
Global Tier 1 Supplier

- Expanding globally with locations in Asia, Mexico, Canada, and the U.S.
- Customer focused, with locations strategically near customers’ manufacturing plants and a skilled logistics strategy

Executing Under New Leadership

- 2023 Revenue: \$273M
- 2023 Adj. EBITDA: \$25.6M
- 2023 CapEx Investments: \$6.4M

Top priority for 2024: Add value through organic activities by standardization, capital investments, and strategic acquisitions



Creating a bigger, better and more profitable company

One Eastern

Maximize return
on footprint in
Asia and Mexico

Centralized
Synergies
HR/IT

Procurement
Cube
DM/IDM/EXP

Creating a bigger, better and more profitable company

Disciplined Operations

- Standard workflows across organizations by sharing operational knowledge and capabilities
- Centralization of common departments such as HR & IT to increase employee engagement, focused disciplined training, and security

Optimum Capital Utilization

- Standard systems across the company allow for continuous flow of information and real-time analytics
- Strategic expansions and rationalizations within emerging markets with SKU rationalization
- Utilization of manufacturing strategic bases in Reynosa Mexico and China

Focused Commercial Business

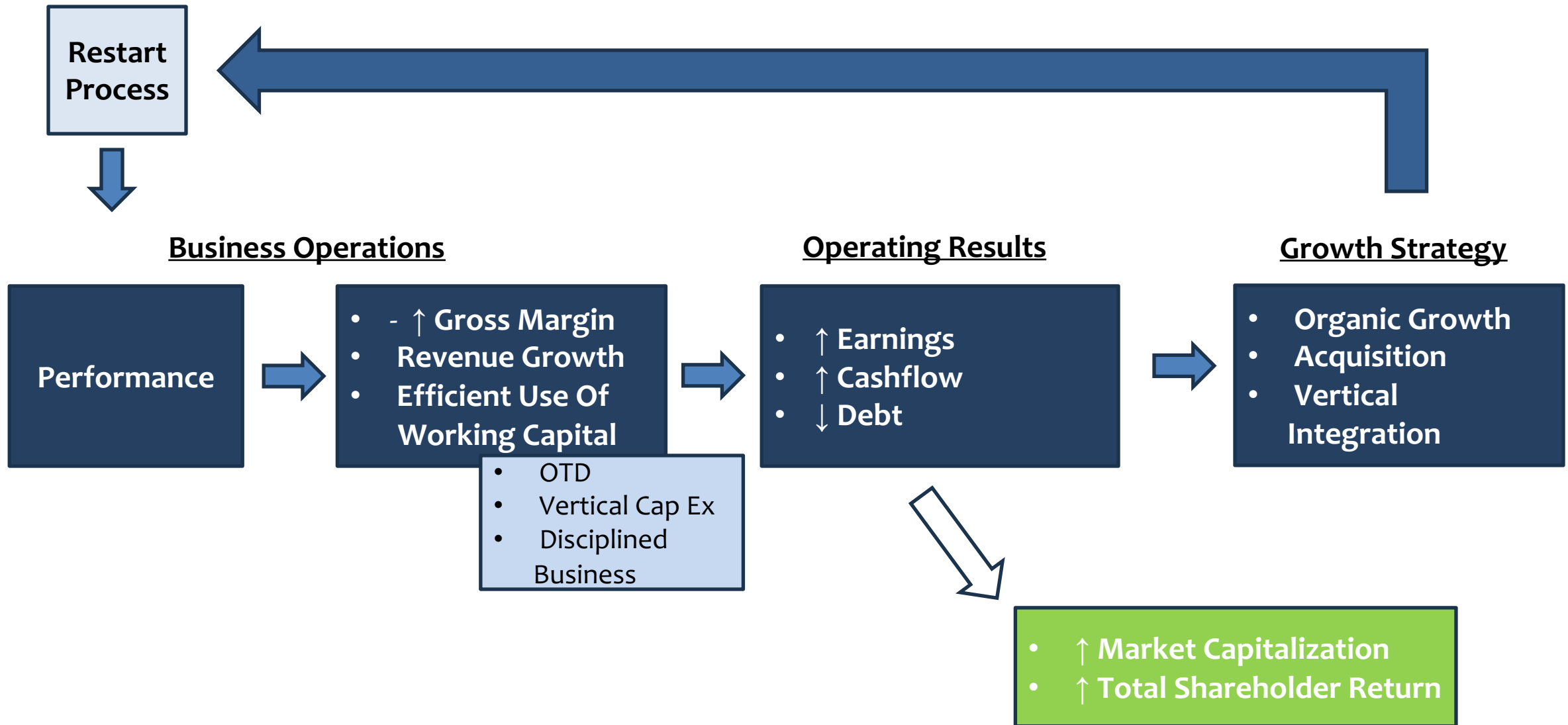
- Leverage each employee's strength and knowledge across organizations to organically expand
- Consolidate spend activities and utilize world class manufacturing processes in Asia and North America

Value-Adding Acquisitions and Vertical Integration

- Focused on vertical integration acquisitions
- Increase return by exploiting manufacturing excellence centers in Reynosa & China
- Centralized on-boarding process and standard training
- Cross-functionally integrated IT systems

Initial benefits of One-Eastern philosophy already visible in the 2023 financial results

Shareholder Value Creation Cycle



Industry Trends

Electrification of Automobiles and Commercial Vehicles

- New Models
- New Components
- Charging Infrastructure

Sustainability

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

Digitization and IoT

- Convenient Solutions
- Secure Solutions
- Connected Solutions

Eastern Capabilities

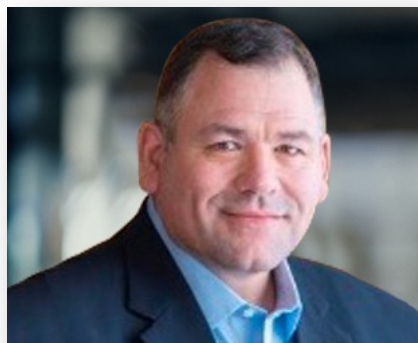
Core Competencies

- Precision Machining
- Advanced Manufacturing
- Lean Benchmark Assembly
- Metal Fabrication
- Electromechanical Solutions
- Solution based Engineering

Added Strategies

- New Product Development
- Acquisitions - Accreditive and Vertical
- Vertical Integration investment

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



Mark Hernandez
*Chief Executive Officer
and Board Member*

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



Nick Vlahos
*Vice President and
Chief Financial Officer*

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

Change agents committed to accelerating operational and financial improvements



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



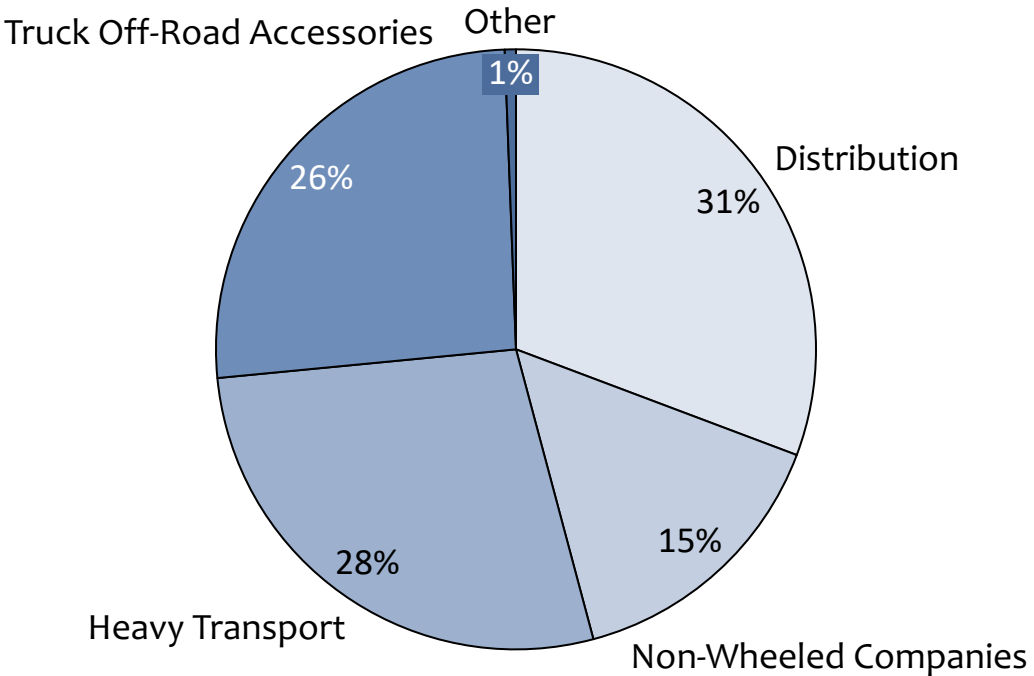
Innovator in vision systems and components to truck, recreational and specialty vehicle OEMs and 4,000+ aftermarket distribution locations in North America.



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

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

FY23 % of Revenue by Market



Manufacturing Capabilities

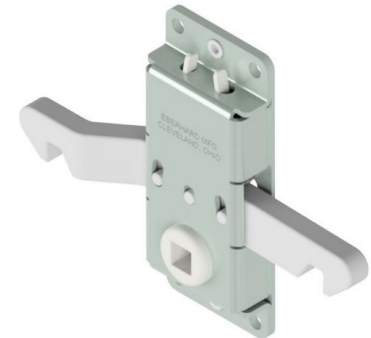
Electromechanical solutions

Lightweight solutions

Dual-Sourcing locations

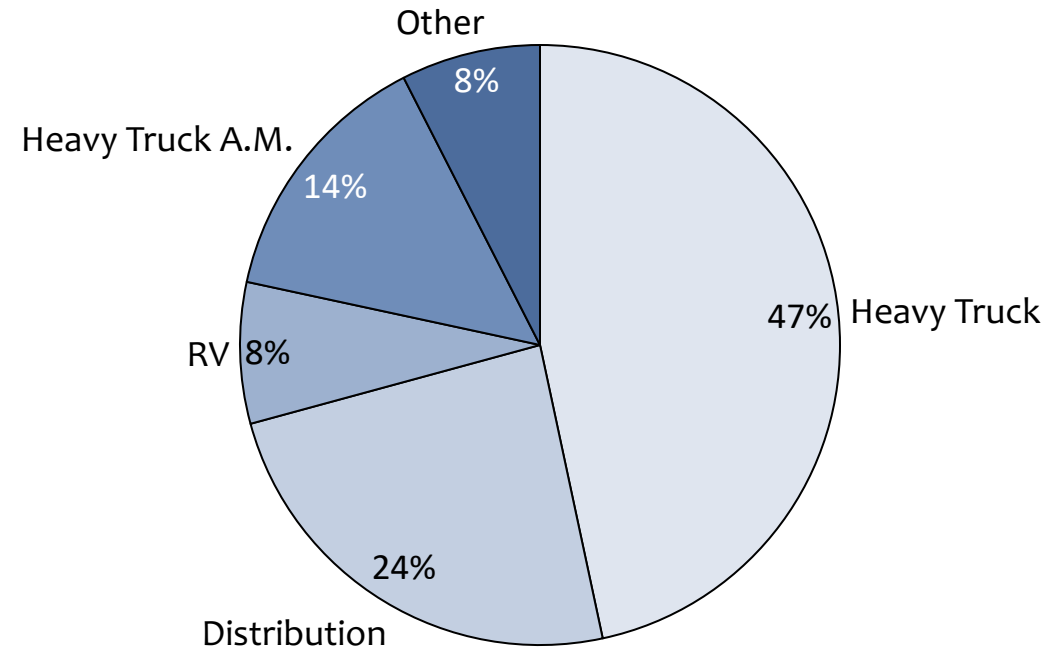
Stamping & Skilled Assembly

Engineered solutions & designing



Eberhard grew manufacturing capabilities while also prioritizing improvements on ROS, inventory reduction, and revenue growth into new markets

FY23 % of Revenue by Market



Manufacturing Capabilities

Infrastructure development

Skilled logistic planning

Skilled assembly & welding

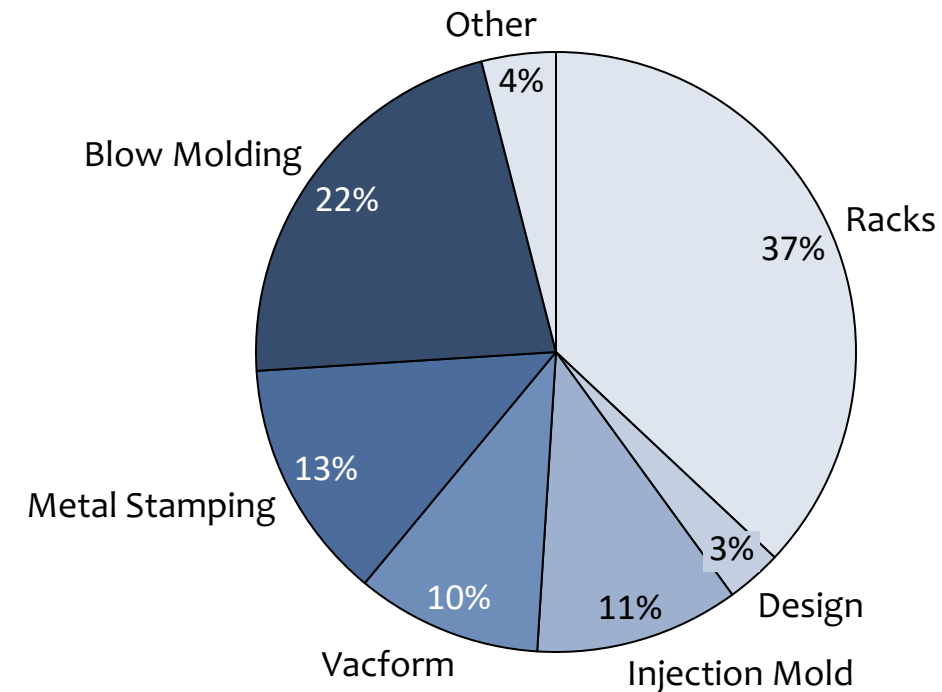
Tier 1 Heavy Truck & RV solutions

LEAN focused

Velvac prioritizes being a business partner versus simply a Tier 1 supplier. Key initiative in 2024, after successful operational turnaround in 2023, is growing manufacturing capabilities with skilled infrastructure development

Big 3 Capabilities

FY23 % of Revenue by Market



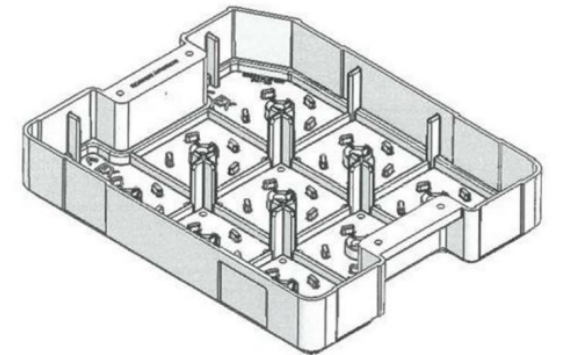
Manufacturing Capabilities

Precision Machining

Injection Molding solutions

Rack fabrication and design

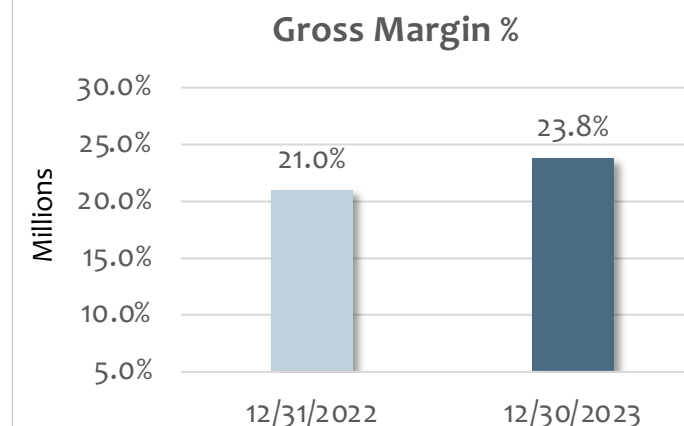
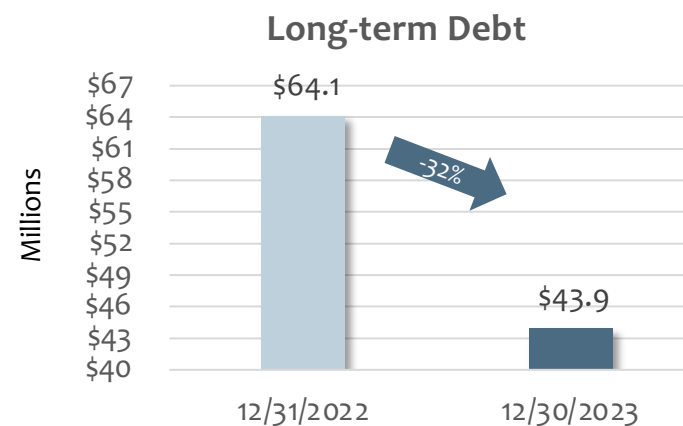
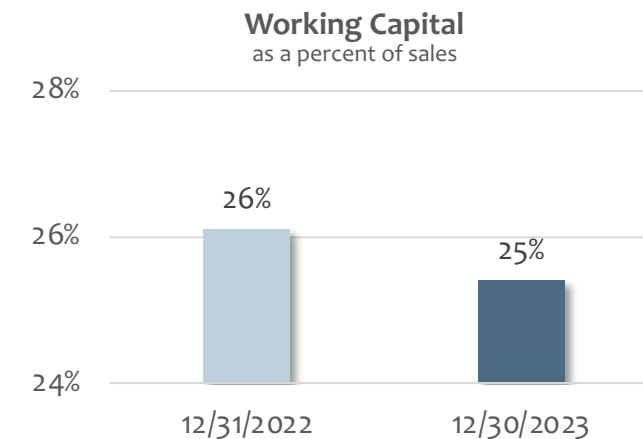
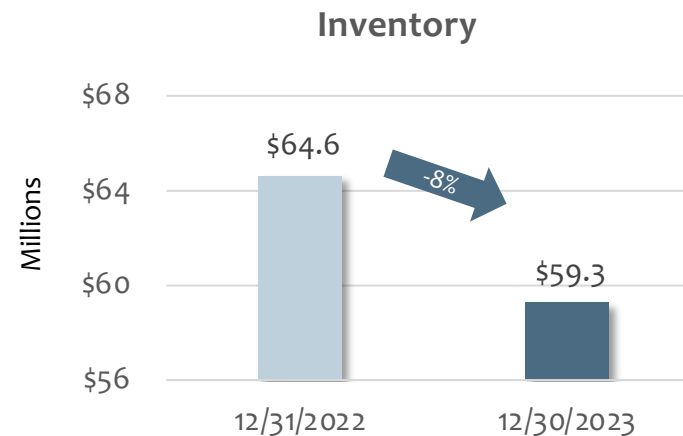
Thermoforming Designs



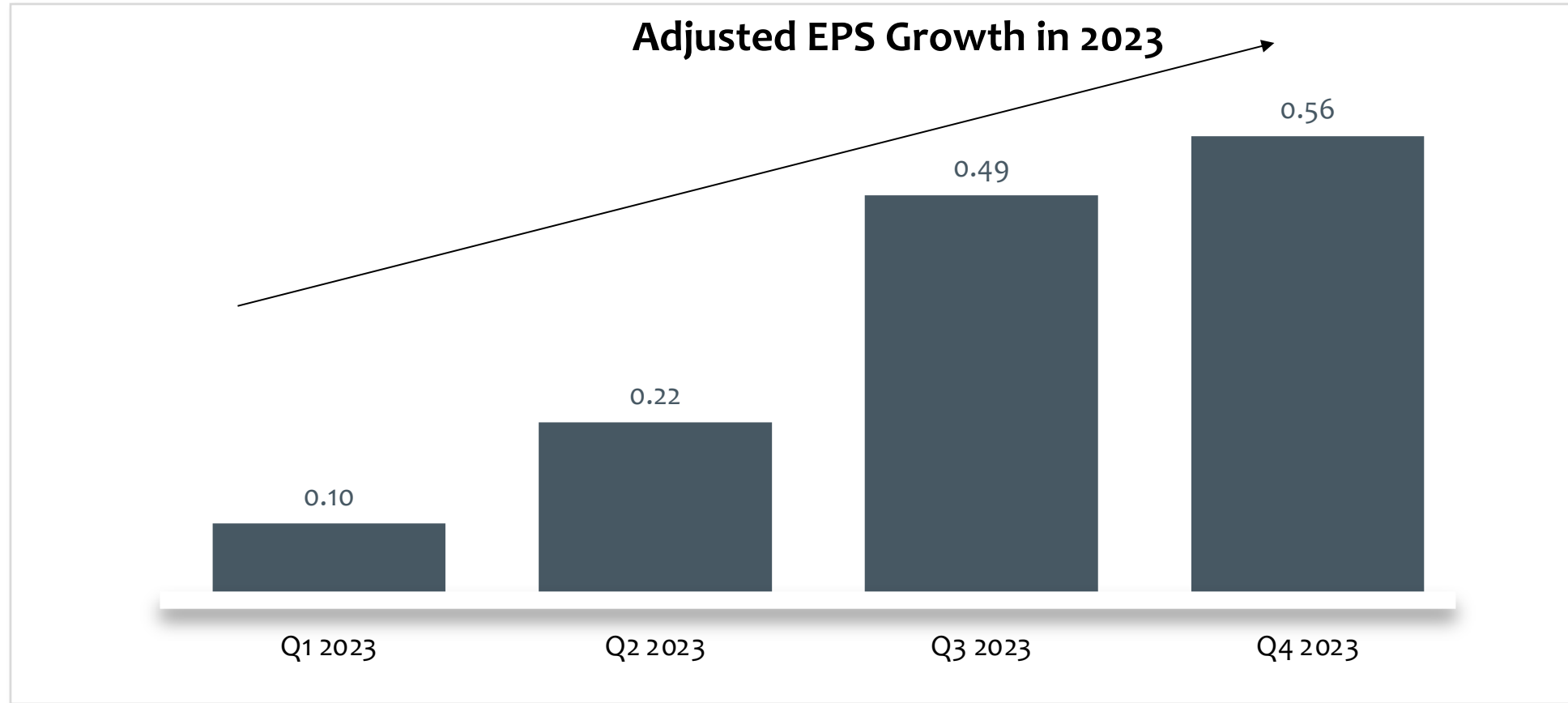
Big 3 prioritized operational stability and standardization of its processes across multiple locations in 2023. Cost management and strategic onboarding of a new management team will propel the business forward

Financial Performance – 2023 Improvements

- Net cash provided by operating activities improved \$19 million YOY.
- Inventory down 8% versus year-end 2022.
- Working capital as a percent of sales 25.4% versus 26.1% at YE 2022.
- Long-term debt down \$20.2 million.
- Gross Margin increased 2.8% YOY



Adjusted EPS Growth in 2023 by Quarter



* See Slide 22 for detail by quarter

2023 – A year of alignment and improvement for Eastern

Appendix

Top Ten Institutional Holders

** Institution	EML Shares	% S/O
1 GAMCO Investors, Inc.	972,955	15.7%
2 Barington Capital Group LP	630,100	10.2%
3 Minerva Advisors LLC	493,844	7.9%
4 Forager Capital Management LLC	466,534	7.5%
5 Dimensional Fund Advisors LP	377,976	6.1%
6 Equitable Holdings Inc	270,887	4.4%
7 The Vanguard Group, Inc.	264,398	4.3%
8 Russell Investment Management LLC	217,018	3.5%
9 North Star Investment Management Corp.	165,321	2.7%
10 Wells Fargo & Co	141,001	2.3%

**Holdings as of March 18, 2024*

Statement of Operations

CONSOLIDATED STATEMENTS OF INCOME

\$ in millions (except per share data)

	Year Ended	
	December 30, 2023	December 31, 2022
Net sales	\$ 273.5	\$ 279.3
Gross margin	65.0	58.6
Product development expense	(5.6)	(4.2)
Selling and administrative expenses	(44.2)	(39.5)
Restructuring costs	-	(0.7)
Operating profit	\$ 15.2	\$ 14.2
Interest expense	(3.5)	(2.3)
Other income	(0.7)	2.5
Income from continuing operations before income taxes	11.0	14.4
Income taxes	(2.4)	(3.4)
Net income from continuing operations	\$ 8.6	\$ 11.1
Diluted earnings per share from continuing operations	\$ 1.37	\$ 1.77
Gain (loss) per share from discontinued operations:		
Basic	\$ -	\$ 0.20
Diluted	\$ -	\$ 0.20
Total earnings per share:		
Basic	\$ 1.38	\$ 1.98
Diluted	\$ 1.37	\$ 1.97
Cash dividends per share:	\$ 0.44	\$ 0.44

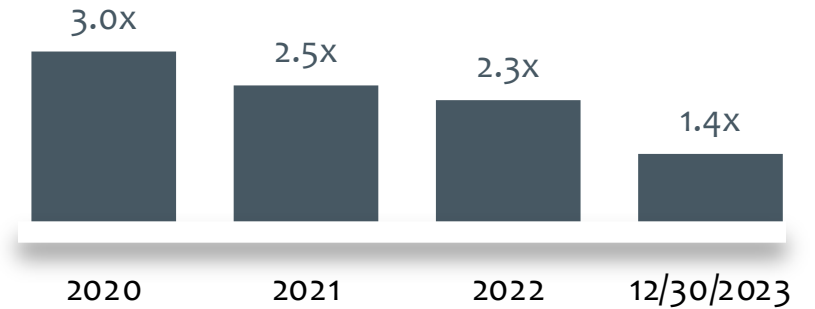
Balance Sheet

\$ in millions

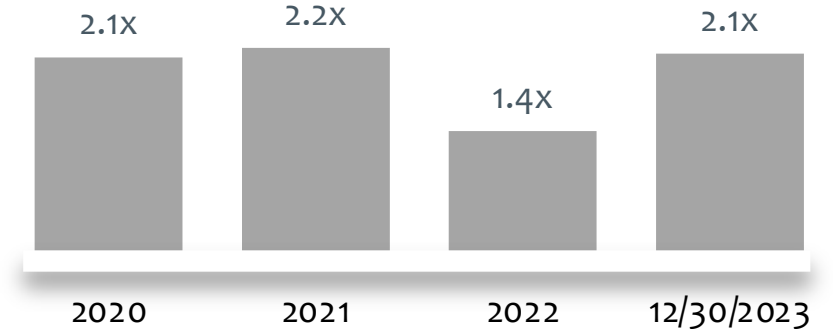
	December 30, 2023	December 31, 2022
Current Assets		
Cash and cash equivalents	\$ 9.3	\$ 10.2
Accounts receivable, net	37.1	42.9
Inventories	59.3	64.6
Other current assets	6.6	7.6
Total Current Assets	112.2	125.3
Property, Plant and Equipment, net	28.3	26.1
Goodwill	70.8	70.8
Trademarks	5.5	5.5
Patents and other intangibles	15.3	18.8
Other	19.9	15.0
Total Other Assets	111.5	110.1
TOTAL ASSETS	\$ 252.0	\$ 261.5
Current Liabilities		
Accounts payable	\$ 25.3	\$ 27.6
Accrued compensation	5.4	3.3
Other accrued expenses	4.6	3.9
Current portion of operating lease liability	4.4	3.1
Current portion of finance lease liability	0.2	-
Current portion of long-term debt	2.9	9.0
Total Current Liabilities	42.7	47.0
Long-term debt, less current portion	41.1	55.1
Accrued pension and other post-retirement benefits	21.6	22.8
Other	14.2	9.9
Total Liabilities	119.6	134.9
Total Shareholders' Equity	132.5	126.6
Total Liabilities & Shareholders' Equity	\$ 252.0	\$ 261.5

Bank Covenant Metrics

Net Debt / Adjusted EBITDA



Fixed Charge Coverage Ratio



Adjusted Earnings Reconciliation

\$ in millions (except earnings per share)				
	Three Months Ended		Twelve Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net income from continuing operations	3.5	0.2	8.6	11.1
Diluted earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	0.56	0.03	1.37	1.77
Adjustments:				
Loss on sale of Wheeling, IL building				0.3
Gain on sale of corporate office building				(0.6)
Restructuring costs		0.7 C		0.7
Severance and accrued compensation			1.8 D	
Greenwald final sale adjustment			0.4 E	
Business closure costs			1.4 F	
Non-GAAP tax impact of adjustments (1)		(0.2)	(0.9)	(0)
Adjusted net income from continuing operations	<u>\$3.5</u>	<u>\$0.7</u>	<u>\$11.3</u>	<u>\$11.3</u>
Diluted adjusted earnings per share from continuing operations (Non-GAAP):	\$0.56	\$0.11	\$1.81	\$1.81
(1) Estimate the tax effect of the items identified to determine a non-GAAP annual effective tax rate applied to the pretax amount in order to calculate the non-GAAP provision for income taxes				
A) Loss on sale of ILC building in Wheeling, IL				
B) Gain on sale of Eastern corporate office building				
C) Restructuring costs associated with warehouse consolidation into Eberhard				
D) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer				
E) Final settlement of working capital adjustment associated with Greenwald sale				
F) Associated Toolmakers, Ltd. closure costs				

Adjusted EPS By Quarter

\$ in millions (except earnings per share)				
	Three Months Ended			
	Q1	Q2	Q3	Q4
	April 1, 2023	July 1, 2023	September 30, 2023	December 30, 2023
Net income from continuing operations	0.6	1.4	3.1	3.5
Diluted earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):	0.10	0.22	0.49	0.56
Adjustments:				
Severance and accrued compensation, net of tax	1.3 A			
Greenwald final sale adjustment	0.3 B			
Associated Toolmakers, Ltd. closure, net of tax		1.1 C		C
Restructuring costs, net of tax				
Adjusted net income from continuing operations	\$2.2	\$2.5	\$3.1	\$3.5
Diluted adjusted earnings per share from continuing operations (Non-GAAP):	\$0.36	\$0.40	\$0.49	\$0.56
A) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer				
B) Final settlement of working capital adjustment associated with Greenwald sale				
C) Associated Toolmakers, Ltd. closure costs				

Adjusted EBITDA Reconciliation

\$ in millions

	Three Months Ended		Twelve Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net income from continuing operations	\$3.5	\$0.2	\$8.6	\$11.1
Interest expense	0.9	0.7	3.5	2.3
Provision for income taxes	0.7	(0.1)	2.4	3.4
Depreciation and amortization	2.0	1.8	7.5	7.2
Loss on sale of Wheeling, IL building	-	-	-	0.3 A
Gain on sale of Eastern corporate office building	-	-	-	(0.6) B
Restructuring Costs	-	0.7 C	-	0.7 C
Severance and accrued compensation, net of tax	-	-	1.8 D	-
Greenwald final sale adjustment	-	-	0.4 E	-
Business closure costs	-	-	1.4 F	-
Adjusted EBITDA from continuing operations (Non-GAAP)	\$7.2	\$3.3	\$25.6	\$24.3

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

B) Gain on sale of Eastern corporate office building

C) Restructuring costs associated with warehouse consolidation into Eberhard

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

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

F) Associated Toolmakers Limited closure costs

The logo for The Eastern Company is a horizontal rectangle with a grey border. It is divided into three sections: a blue section on the left containing the text 'THE EASTERN' in white serif font, a red section on the right containing the text 'COMPANY' in white serif font, and a black rectangular block at the bottom right.

THE EASTERN COMPANY

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