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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

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 number: 001-33209

ALTRA INDUSTRIAL MOTION CORP.
(Exact name of registrant as specified in its charter)

Delaware	**61-1478870**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
300 Granite Street, Suite 201 Braintree, MA	**02184**
(Address of principal executive offices)	***(Zip Code)***

Registrant's telephone number, including area code:
(781) 917-0600

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**AIMC**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 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, or 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant based on the closing price (as reported by the NASDAQ Global Market) of such common stock on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2022) was approximately $2.7 billion.

As of February 28, 2023, there were 65,357,328 shares of Common Stock, $0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following document are incorporated herein by reference into the Part of the Form 10-K indicated.

Document	Part of Form 10-K into which Incorporated
Altra Industrial Motion Corp. Proxy Statement for the 2023 Annual Meeting of Stockholders	Part III

Auditor Firm Id: 34	Auditor Name: Deloitte & Touche LLP	Auditor Location: Boston, Massachusetts

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PART I

Item 1. *Business*

Our Company

We are a leading global designer, producer and marketer of a wide range of electromechanical power transmission motion control ("PTMC") products. Our technologies are used in various motion related applications and across a wide variety of high-volume manufacturing and non-manufacturing processes in which reliability and precision are critical to avoid costly down time and enhance the overall efficiency of operations.

We market our products under well recognized and established brands, which have been in existence for an average of over 90 years. We serve a diversified group of customers comprised of over 1,000 direct original equipment manufacturers ("OEMs") including GE, Honeywell and Siemens, and also benefit from established, long-term relationships with leading industrial distributors, including Applied Industrial Technologies, Grainger, and Motion Industries. Many of our customers operate globally across a large number of industries, ranging from transportation, turf and agriculture, energy and mining to factory automation, medical and robotics. Our relationships with these customers often span multiple decades, which we believe reflects the high level of performance, quality and service we deliver, supplemented by the breadth of our offering, vast geographic footprint and our ability to rapidly develop custom solutions for complex customer requirements.

Our product lines involve a large number of unique parts, are generally delivered in small order quantities with short lead times and require varying levels of technical support and responsive customer service. Many of our OEM customers incorporate our products into their designs of their equipment, helping to generate high switching costs and foster brand preference. As a result of these characteristics, the essential nature of our products and the wear to which many are subjected, we generate a significant amount of recurring revenue with repeat customers. Our large installed base generates significant aftermarket replacement demand, which we estimate accounted for approximately 35% of revenues in 2022.

We seek to offer products and services guided by what we call the Voice of the Customer ("VOC"). We employ an integrated sales and marketing strategy that is focused on both key industries and individual product lines. We believe this dual "vertical" market and "horizontal" product-oriented approach distinguishes us in the marketplace by allowing us to quickly identify trends and customer growth opportunities and deploy resources accordingly.

We believe our geographic footprint and portfolio of strong brands provides a platform from which to extend our leading market positions. Our expansive global footprint comprised of 46 manufacturing facilities, 17 service sales/engineering centers and approximately 9,300 employees enables us to serve global customers on a local basis. In 2022, approximately 54% of our revenues were generated from customers in North America, 29% were generated in Europe and 17% in Asia Pacific and the rest of the world. The diversification of our revenues on a geographical, end-market, business mix and customer basis are outlined below for the 2022 fiscal year.

In this Annual Report on Form 10-K, the terms "Altra", "Altra Motion," "the Company," "we," "us" and "our" refer to Altra Industrial Motion Corp. and its subsidiaries, except where the context otherwise requires or indicates.

Our website is www.altramotion.com. By following the link "Investor Relations" and then "Financials" and then "SEC Filings" on our website, we make available, free of charge, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after such forms are filed with or furnished to the Securities and Exchange Commission. We are not including information contained on or available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Pending Transaction

On October 26, 2022, we entered into an Agreement and Plan of Merger (the "Regal Rexnord Merger Agreement") with Regal Rexnord Corporation, a Wisconsin corporation ("Regal Rexnord"), and Aspen Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Regal Rexnord ("Merger Sub"), pursuant to which, and upon the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Regal Rexnord (the "Regal Rexnord Merger"). Under the Regal Rexnord Merger Agreement, at the closing of the Regal Rexnord Merger, each issued and outstanding share of our common stock (other than (i) shares owned by the Company, any subsidiary of the Company, Regal Rexnord, Merger Sub or any other subsidiary of Regal Rexnord, (ii) shares owned by stockholders of the Company who have validly exercised their statutory rights of appraisal under the General Corporation Law of the State of Delaware ("DGCL") and (iii)

Company Restricted Shares (as defined in the Regal Rexnord Merger Agreement) will be converted into the right to receive $62.00 in cash, without interest and subject to any required withholding of taxes. As announced in our Current Report on Form 8-K filed with the SEC on January 18, 2023, the Regal Rexnord Merger was approved by our shareholders.

The consummation of the Regal Rexnord Merger is subject to customary closing conditions and is expected to occur in the first half of 2023 and potentially in the first quarter of 2023. If the Regal Rexnord Merger Agreement is terminated under specified circumstances, we will be required to pay Regal Rexnord a termination fee of $100 million. The Regal Rexnord Merger Agreement also provides that, in connection with the termination of the Regal Rexnord Merger Agreement under specified antitrust or foreign direct investment related circumstances, Regal Rexnord will be required to pay us a "reverse termination fee" of $200 million.

The Regal Rexnord Merger is described more fully below under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview" and in our Current Report on Form 8-K filed with the SEC on October 27, 2022. This description is qualified in its entirety by reference to the Regal Rexnord Merger Agreement, which is attached as Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 27, 2022 and is incorporated by reference herein.

History and Acquisitions

Formation of Altra

Although Altra was incorporated in Delaware in 2004, much of our current business has its roots with the prior acquisition by Colfax Corporation, or "Colfax", of the MPT (mechanical power transmission) group of Zurn Technologies, Inc. in December 1996. Colfax subsequently acquired Industrial Clutch Corp. in May 1997, Nuttall Gear Corp. in July 1997 and the Boston Gear and Delroyd Worm Gear brands in August 1997 as part of Colfax's acquisition of Imo Industries, Inc. In February 2000, Colfax acquired Warner Electric, Inc., which sold products under the Warner Electric, Formsprag Clutch, Stieber, and Wichita Clutch brands. Colfax formed Power Transmission Holding, LLC or "PTH", in June 2004 to serve as a holding company for all of these power transmission businesses. Boston Gear was established in 1877, Warner Electric, Inc. in 1927, and Wichita Clutch in 1949.

On November 30, 2004, we acquired our original core business through the acquisition of PTH from Colfax. We refer to this transaction as the PTH Acquisition.

On October 22, 2004, The Kilian Company, or "Kilian", a company formed at the direction of Genstar Capital, then the largest stockholder of Altra, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for shares of our capital stock and (ii) Kilian and its subsidiaries were transferred to our former wholly owned subsidiary Altra Power Transmission, Inc.

Selected Past Acquisitions and Transactions

On November 22, 2013, we changed our legal corporate name from Altra Holdings, Inc. to Altra Industrial Motion Corp.

On December 31, 2014, Altra Power Transmission, Inc., our former wholly owned subsidiary, was merged into Altra Industrial Motion Corp.

On October 1, 2018 (the "A&S Closing Date"), Altra and Fortive Corporation ("Fortive") consummated the combination of Altra with four operating companies from Fortive's Automation & Specialty platform (excluding Fortive's Hengstler and Dynapar businesses) (the "A&S Business"). The A&S Business, consisting of four key brands, Kollmorgen, Portescap, Thomson and Jacobs Vehicle Systems, designs, manufactures, markets and sells electromechanical and electronic motion control products, including standard and custom motors, drives and controls; linear motion systems, ball screws, linear bearings, clutches/brakes, linear actuators and mechanical components; and through Jacobs Vehicle Systems, supplemental braking systems for commercial vehicles.

In accordance with the terms and conditions of the Agreement and Plan of Merger and Reorganization (the "A&S Merger Agreement"), dated March 7, 2018, among Altra, Fortive, McHale Acquisition Corp. ("A&S Merger Sub") and Stevens Holding Company, Inc. ("Stevens Holding"), and the Separation and Distribution Agreement, dated March 7, 2018, among Altra, Fortive and Stevens Holding (the "Distribution Agreement"), (1) Fortive transferred certain assets, liabilities and entities constituting a portion of the A&S Business to Stevens Holding, (2) Fortive distributed to its stockholders all of the issued and outstanding shares of Stevens Holding common stock held by Fortive by way of an exchange offer (the "Distribution") and (3) A&S Merger Sub merged with and into Stevens Holding and Stevens Holding became a wholly-owned subsidiary of Altra, and the issued and outstanding shares of Stevens Holding common stock converted into shares of Altra common stock (the "A&S Merger"). In addition, pursuant to the A&S Merger Agreement, prior to the effective time of the A&S Merger, Fortive transferred certain non-U.S. assets, liabilities and entities constituting the remaining portion of the A&S Business to certain subsidiaries of Altra, and the Altra subsidiaries assumed substantially all of the liabilities associated with the transferred assets (the "Direct Sales") (all of the foregoing, collectively, the

“Fortive Transaction”). Upon consummation of the Fortive Transaction, the shares of Stevens Holding common stock then outstanding were automatically converted into the right to receive 35.0 million shares of Altra common stock, which were issued by Altra on the Closing Date, and represented approximately 54% of the outstanding shares of Altra common stock, together with cash in lieu of fractional shares. Altra’s pre-Merger shareholders continued to hold the remaining approximately 46% of the outstanding shares of Altra common stock.

The aggregate purchase price for the A&S Business of approximately $2,855.7 million, subject to certain post-closing adjustments, consisted of $1,400.0 million of cash and debt instruments transferred to Fortive and shares of Altra common stock received by Fortive shareholders valued at approximately $1,455.7 million. The value of the common stock was based on the closing stock price on the last trade date prior to the A&S Closing Date of $41.59. The Fortive Transaction was consummated on October 1, 2018 and, accordingly, the results of operations of the A&S Business are included in our operating results from October 1, 2018 onward.

In connection with the Fortive Transaction, certain additional agreements were entered into, including, among others, an Employee Matters Agreement, dated March 7, 2018, among Altra, Fortive and Stevens Holding (the “Employee Matters Agreement”), a Tax Matters Agreement (the “Tax Matters Agreement”), a Transition Services Agreement (the “Transition Services Agreement”), in each case, dated October 1, 2018, among Altra, Fortive, and Stevens Holding, and an Intellectual Property Cross-License Agreement, dated October 1, 2018, between Altra and Fortive. In addition, effective October 1, 2018, we filed a Certificate of Amendment to our Articles of Incorporation to increase the number of authorized shares of Altra common stock from 90.0 million shares to 120.0 million shares.

On December 31, 2021, we acquired all of the issued and outstanding equity interests of Nook Industries, LLC (“Nook” or “Nook Industries”), a leader in the U.S. engineered linear motion industry. The acquisition expands our current portfolio of linear product offerings.

On April 8, 2022, the Company completed the previously announced sale of all of the issued and outstanding equity interests of the entities which collectively constitute its Jacobs Vehicle Systems (“JVS”) business segment to Cummins Inc., an Indiana corporation, for $325.0 million in cash subject to customary adjustments. The net cash consideration received was approximately $321.7 million.

Our Industry

Based on industry data provided by the Power Transmission Distributors Association in collaboration with MDM Analytics, we estimate that global industrial power transmission motion control products generated revenues of approximately $237 billion in 2022. These products are collectively used to generate, transmit, control and transform mechanical energy. Altra participates in portions of the motor, control, linear, gearing, clutch, brake, coupling, belted drive, and non-industrial bearing segments.

The global power transmission motion control industry in which we compete is highly fragmented, with over 1,000 small manufacturers and relatively few players of scale. While smaller companies tend to focus on regional niche markets with narrow product lines, larger players that generate annual revenue of over $100 million generally offer a broader range of products and provide global sales and service capabilities.

Buyers of power transmission motion control products tend to be broadly diversified and are often either OEMs, end users, or systems integrators operating across many end markets, including manufacturing, factory automation, aerospace and defense, food and beverage, metals and mining, energy, medical, robotics and other markets. These customers typically place a premium on factors such as quality and reliability, performance, pricing, distribution channel access, technology and innovation, application engineering and customer support, breadth of offering and brand name recognition. We believe the most successful industry participants are those that leverage their engineering expertise and specific industry knowledge, reputation for quality and reliability and technical support capabilities to maintain attractive margins and gain market share.

The global power transmission motion control market is driven by general macro-economic growth and secular trends such as the increasing concern for industrial safety, the continued emergence of the digitized factory and the Industrial Internet of Things, and rising demand for motion control in the medical, food and beverage, electrical, and machinery industries. The rapid pace of globalization and developments in the automation sector have also supported growth. Motion control products tend to be higher-margin than power transmission products due to a greater use of technology and leverage in end markets with more attractive secular trends.

Our Business Strategy

Capitalize on the Altra Business System to Drive Margin Expansion and Organic Growth. The Altra Business System ("ABS") is the framework embedded in our culture that enables us to drive sustainable competitive advantage. ABS incorporates a management philosophy with integrated practices that focus on employing best-in-class tools, knowledge and expertise to drive continuous improvement in lean manufacturing, leadership and growth objectives, further enhancing our ability to achieve our aggressive strategic objectives. We are applying ABS concepts to all areas of our business, including how we grow, how we create new products and how we develop people to ultimately drive strong results.

Collaborate with Customers to Create New Opportunities. We focus on developing new products across our business in direct response to customer requirements. Our extensive application-engineering know-how drives both new and repeat revenue opportunities, supported by a substantiated history of innovation, with over 500 patents granted and pending worldwide. We intend to continue to drive organic growth by investing in new technologies and manufacturing techniques to attain and sustain competitive leadership in the industries we serve. In addition, we also plan to expand our customer collaboration initiatives by continuing to move up the technology spectrum, providing more advanced product, software and service solutions.

Leverage Global Business Presence and Shared Services. We seek to foster the sharing of best practices throughout our organization, challenging our business leaders to work together to identify new markets, potential cross-selling opportunities and increase penetration with existing customers. By leveraging our global presence, our businesses can work together to identify cost-saving opportunities and improve our overall supply chain management. We believe that our business will benefit from our highly technical global customer service operations, cohesive marketing efforts and consolidated corporate support functions, increasing efficiency and reducing costs.

Focus on Key Niche End Markets to Increase Organic Growth. We emphasize strategic marketing to focus on new growth opportunities in key end-user and OEM markets. Through a systematic process that leverages our core brands and products, we seek to identify attractive markets and product niches, collect customer and industry data, identify market drivers, tailor product and service solutions to specific customer requirements and deploy resources to gain market share and drive future revenue growth.

Attract and Retain Talented Associates. We believe that our team of talented employees, united by a common culture in pursuit of continuous improvement, provides a significant competitive advantage. We will seek to continue to attract, develop and retain world-class leaders and associates globally and to drive their engagement with our customer-centric approach.

Realize Cost Savings by Leveraging Core Competencies. We believe we can continue to improve profitability through cost control, overhead rationalization, global process optimization, expanded implementation of lean manufacturing techniques and strategic pricing initiatives. Our operating plan, executed through our manufacturing centers of excellence and supported by ABS, provides additional opportunities to consolidate purchasing processes and reduce costs by sharing best practices across geographies and business lines.

Our Strengths

Superior financial profile with high margins and strong cash flow generation. We have an attractive financial profile highlighted by our diversified revenue stream across products and end markets, high margin profile and substantial cash flow. Net sales for the year ended December 31, 2022 grew by approximately 2.4% from $1,899.8 million to $1,945.5 million. Included in the net sales for the year ended December 31, 2021 are revenues of approximately $193.5 million related to the Jacobs Vehicle Systems business that was divested by the Company on April 8, 2022.

Our flexible cost structure and diversified end market and geographic exposure have allowed us to perform well throughout economic cycles. From 2008 through 2010, our business was able to generate higher cash flow through the strict management of working capital, enabling us to reduce our indebtedness and maintain a leverage ratio within our targeted range. Since the acquisition of the A&S Business, we have supported our plans for growth while also taking advantage of operating leverage and the benefits of our cost improvement initiatives, all of which allowed us to deliver sustainably strong cash flow. In 2022, we paid down approximately $365.0 million in debt. We have paid down approximately $830.0 million in debt since the A&S acquisition.

Scale and breadth combined with leading brands, technology and market position. We are a global player with significant scale, technological leadership and a broad product offering supported by leading brands, factors which we expect will contribute to a market share advantage over our competitors. The acquisition of the A&S Business moved our business up the power transmission, motion control and automation technology spectrum, increasing our presence in highly engineered products. These engineered products, although higher margin and exposed to high growth applications, are simultaneously complementary to our portfolio. For example, our engineered servo, stepper and specialty miniature motors, drives and controls, and linear automation systems capabilities will enable us to drive innovation across our offering and expand solutions for existing customers.

Broad geographic footprint and global reach. The capabilities and scale of our Company provides a broad global platform from which to drive growth. We are able to leverage our expansive global footprint comprised of 46 manufacturing facilities, 17 service sales/engineering centers and approximately 9,300 employees worldwide to serve our global customers with local resources. While we expect to build on our leading market positions and strong brands in North America, our broadened global platform also positions us to capitalize on key long-term growth opportunities in Europe and especially in emerging markets.

Diversified end-markets provide stability. With no end market comprising more than approximately 15% of our total revenue for the fiscal year ended December 31, 2022, our end-market exposure is diversified, which we expect will provide stability to our revenue streams and help to dampen potential volatility in any particular industry. We believe that the 2018 acquisition of the A&S Business significantly expanded our total addressable market, particularly in higher growth, higher margin end-markets like medical, advanced material handling, factory automation, food and beverages and robotics. The exposure to these attractive new end markets helps to diversify our relative potential exposure to more cyclical end markets like mining, renewable energy, and oil & gas.

Our business is also geographically diversified, with approximately 46% of revenue generated outside of North America in the year ended December 31, 2022. Finally, our products often facilitate movement which subjects them to wear and requires their periodic replacement. Our large installed base of products generates significant aftermarket replacement demand, which we estimate accounted for approximately 35% of revenue for the year ended December 31, 2022. Given the critical nature of many of our products and often high switching costs for our customers, we believe that this base of recurring revenue is stable.

Customer diversification with long-standing customer and distributor relationships. We have a strong, diversified customer base of over 1,000 OEMs and leading power transmission and motion control distributors which market our products via a diversified network of over 3,000 outlets globally. For the fiscal year ended December 31, 2022, there was no meaningful customer concentration among either our OEMs or distributor customers, the largest of which accounts for less than 7% of total revenue for the fiscal year ended December 31, 2022. Some of our largest OEM customers include Daimler AG, General Electric, John Deere, and Siemens, all of whom we have had relationships with for decades. We believe that these deep relationships exhibit our commitment to high levels of product quality and service, resulting in customer satisfaction and ultimately, retention.

Our scale, expansive product offering and end-user preference for our products make our product portfolio attractive to both large, multi-branch distributors and regional, independent distributors. We often participate in lengthy design and qualification processes with key customers for crucial components which ultimately become “spec’d-in” to our customers’ own designs. Further, many of our products involve a large number of unique parts, are delivered in small order quantities with short lead times and require varying levels of technical support, all of which help to drive high switching costs and generate significant recurring opportunities with repeat customers.

Aftermarket sales supported by large installed base. On average, our brands have been in operation for over 90 years and we believe we benefit from one of the largest installed customer bases in the industry. The moving, wearing nature of our products necessitates regular replacement and our large installed base of products generates significant aftermarket replacement demand. This has created a recurring revenue stream from a diversified group of end-user customers. For the fiscal year ended December 31, 2022, we estimate that approximately 35% of our revenues were derived from aftermarket sales.

Experienced management team. We are led by a senior management team with significant industry, manufacturing and acquisition integration experience which has implemented various initiatives that have contributed and will continue to contribute, to our operational and financial performance. The management team combines talent from both our Power Transmission Technologies and Automation & Specialty segments, with significant experience in power transmission, motion control and automation.

Business Segments

Our company consists of two business segments: Power Transmission Technologies (“PTT”) and Automation & Specialty (“A&S”).

- *Power Transmission Technologies - PTT.* This segment includes the following key product offerings:

  - o *Couplings, Clutches & Brakes.* Couplings are the interfaces which enable power to be transmitted from one shaft to another. Our various coupling products include gear couplings, high performance diaphragm and disc couplings, elastomeric couplings, miniature and precision couplings, as well as universal joints, mill spindles and shaft locking devices. These products are used in conveyor, energy, marine, medical, metals, mining, and other industrial machinery applications. Our key brands which provide couplings include Ameridrives, Bibby, Guardian, Huco, Lamiflex, Stromag and TB Wood’s. Clutches are devices which use mechanical, hydraulic, pneumatic, or friction connections to facilitate the engagement or disengagement of at least two rotating parts. These products are used in aerospace and defense, conveyor, energy, mining and other industrial machinery applications. Brakes are a combination of interacting parts that work to slow or stop moving machine parts. These products are used in heavy-duty industrial, mining, metals and energy applications. Our key brands which provide clutches and brakes include Industrial Clutch, Formsprag, Stieber, Stromag, Svendborg, Twiflex and Wichita.

- o *Electromagnetic Clutches & Brakes.* Electromagnetic clutches and brakes use electromagnetic friction connections to slow, stop, engage, or disengage equipment. These products are used in baggage handling, elevator, forklift, material handling, medical, lawn mower, mobile off-highway and other niche applications. Our key brands which provide electromagnetic clutches and brakes include Inertia Dynamics, Matrix, Stromag and Warner Electric.
- o *Gearing.* Gears reduce the output speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. These products are used in various industrial, material handling, mixing, transportation, food processing and other specialty niche applications. Our key brands which provide gears include Bauer Gear Motor, Boston Gear, Delroyd, and Nuttall.

- *Automation & Specialty – A&S.* Our Automation & Specialty segment consists of the following key brands:

- o *Kollmorgen:* Provides rotary precision motion solutions, including servo motors, stepper motors, high performance electronic drives and motion controllers and related software, and precision linear actuators. These products are used in advanced material handling, aerospace and defense, factory automation, medical, packaging, printing, semiconductor, robotic and other applications.
- o *Portescap:* Provides high-efficiency miniature motors and motion control products, including brush and brushless DC motors, can stack motors and disc magnet motors. These products are used in medical, industrial power tool and general industrial equipment applications.
- o *Thomson:* Provides systems that enable and support the transition of rotary motion to linear motion. Products include linear bearings, guides, glides, lead and ball screws, industrial linear actuators, resolvers and inductors. These products are used in factory automation, medical, mobile off-highway, material handling, food processing and other niche applications. Our key brands providing linear systems include Thomson and Nook.

See Note 17 to the consolidated financial statements for financial information about our segments.

Research and Development and Product Engineering

We closely integrate new product development with marketing, manufacturing and product engineering in meeting the needs of our customers and addressing emerging trends. We have global product engineering teams that work to enhance our existing products and develop new product applications for our growing base of customers that require custom solutions. We believe these capabilities provide a significant competitive advantage in the development of high quality power transmission, motion control and automation products. Our product engineering teams focus on:

- developing new products;
- redesigning existing product lines to enhance functionality, effectiveness, ease of use and reliability; and
- lowering the cost of manufacturing of our existing products.

Our continued investment in new product development is intended to help drive customer growth as we address key customer needs.

Sales and Marketing

We sell our products in over 100 countries to over 1,000 direct OEM customers and over 3,000 distributor outlets. We offer our products through our direct sales force comprised of approximately 500 company-employed sales engineers as well as a relatively small number of independent sales representatives. Our worldwide sales and distribution presence enables us to provide timely and responsive technical support and service to our customers, many of which operate globally, and to capitalize on growth opportunities in both developed and emerging markets around the world.

Our operating companies employ an integrated sales and marketing strategy concentrated on specific battlegrounds – the intersection of key industries, product lines and geographic regions where we believe we can offer differentiated solutions to our customers. We believe this focus on battlegrounds distinguishes us in the marketplace allowing us to quickly identify trends and customer growth opportunities and deploy resources accordingly. Within our battlegrounds, we market to OEMs, encouraging them to incorporate our products into their equipment designs, to distributors and to end-users, helping to foster brand preference. With this strategy, we are able to leverage our market experience, product technology and global reach to sell power transmission, motion control and automation solutions for a host of focused applications.

Distribution

Our products are either incorporated into end products sold by OEMs or sold through industrial distributors as aftermarket products to end users and smaller OEMs. We operate a geographically diversified business. For the year ended December 31, 2022, we derived approximately 54% of our net sales from customers in North America, 29% from customers in Europe and 17% from customers in Asia and the rest of the world. Our global customer base is served by an extensive global sales network comprised of our sales engineers as well as our network of over 3,000 distributor outlets.

Rather than serving as passive conduits for delivery of product, our industrial and high-tech distributors can be active participants in influencing product purchasing decisions. In addition, distributors play a critical role through stocking inventory of our products, which amplifies the accessibility of our products to aftermarket buyers. It is for this reason that distributor partner relationships are an important component of our route-to-market strategy. We enjoy strong established relationships with the leading distributors as well as a broad, diversified base of specialty and regional distributors.

Competition

While we believe that many of our businesses are leaders in many of our served markets, we operate in highly fragmented and very competitive industries within the power transmission motion control market. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, such as helical gear drives or standard servo motors, and some of our competitors are larger than us and have greater financial and other resources. In addition, with respect to certain of our products, we compete with divisions of our OEM customers. Competition in our business lines is based on a number of considerations including quality, reliability, performance, pricing, delivery speed, technology and innovation, design and application engineering support and brand name recognition. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, regular investment in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection is required. We may have to adjust the prices of some of our products to stay competitive. In addition, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. There is substantial and continuing pressure on major OEMs and larger distributors to reduce costs, including the cost of products purchased from outside suppliers such as us. As a result of cost pressures from our customers, our ability to compete depends in part on our ability to generate production cost savings and, in turn, find reliable, cost-effective outside component suppliers or manufacturers for our products. See *"Risk Factors — Risks Related to our Business and Industry— We operate in the highly competitive power transmission and motion control industries and if we are not able to compete successfully our business may be significantly harmed."*

Intellectual Property

We rely on a combination of patents, trademarks, copyright, and trade secret laws in the United States and other jurisdictions, as well as employee and third-party non-disclosure agreements, license arrangements, and domain name registrations to protect our intellectual property. We sell our products under a number of registered and unregistered trademarks, which we believe are widely recognized in the PTMC industry. Although in aggregate our intellectual property is important to our operations, we do not believe any single patent, trademark or trade name is material to our business as a whole with the exception of certain trademarks associated with our Bauer, Boston Gear, Kollmorgen, Portescap, Stromag, Svendborg, TB Wood's, Thomson and Warner Electric brands. Any issued patents that cover our proprietary technology and any of our other intellectual property rights may not provide us with adequate protection or be commercially beneficial to us and patents applied for may not be issued. The issuance of a patent is not conclusive as to its validity or its enforceability. Competitors may also be able to design around our patents. If we are unable to protect our patented technologies, our competitors could commercialize technologies or products which are substantially similar to ours.

With respect to proprietary know-how, we rely on trade secret laws in the United States and other jurisdictions and on confidentiality agreements. Monitoring the unauthorized use of our technology is difficult and the steps we have taken may not prevent unauthorized use of our technology. The disclosure or misappropriation of our intellectual property could harm our ability to protect our rights and our competitive position.

Some of our registered and unregistered trademarks include: Ameridrives, Bibby Transmissions, Bauer Gear Motor, Boston Gear, Delevan, Delroyd, Deltran, Formsprag, Huco Dynatork, Inertia Dynamics, Guardian Couplings, Industrial Clutch, Kilian, Kollmorgen, Marland, Matrix, Nook, Nuttall Gear, Portescap, PowerFlex, Stieber, Stromag, Svendborg Brakes, TB Wood's, Thomson, Twiflex, Warner Electric, and Wichita Clutch. From time to time, Altra engages in litigation to protect its intellectual property rights.

Human Capital Resources

Employee Demographics. As of December 31, 2022, we employed approximately 9,300 people on a full-time basis in 31 countries. Approximately 3,700 were employed in the United States and approximately 5,600 were employed outside of the United States. Certain demographics of our employee population are set forth by regional location, gender, and age within the following table:

	Number of Employees	Percentage
Region		
Americas	4,477	48.1 %
Asia Pacific	2,022	21.7 %
Europe, Middle East, Africa	2,815	30.2 %
Gender		
Female	3,016	32.4 %
Male	6,287	67.5 %
Undeclared	11	0.1 %
Age		
<30	1,532	16.4 %
30-50	4,970	53.4 %
>50	2,812	30.2 %

Within the United States, approximately 300 were hourly-rated, unionized employees. Outside the United States, we have government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils. The Company believes that its relationship with employees is good. See *"Risk Factors — Risks Related to Our Business and Industry — We may be subject to work stoppages at our facilities, or our customers may be subjected to work stoppages, which could seriously impact our operations and the profitability of our business."*

Diversity and Inclusion. We are committed to providing a secure workplace that develops and leverages the capabilities of our associates and encourages diversity of thought. Clear corporate policies support our endeavor to ensure a safe, harassment-free work environment led by principles of equality and fairness. To ensure that diversity, equity and inclusion is engrained within our culture, Altra maintains a Diversity, Equity and Inclusion Committee ("DE&I Committee") which guides, recommends, and supports efforts to further diversity, equity and inclusion ("DE&I") with the oversight of the Nominating and Corporate Governance Committee of Altra's Board of Directors. In 2022, we continued our unconscious bias training which will extend throughout our businesses to raise awareness and reduce how bias impacts all aspects of our work. We also launched our Inclusion Rep program, to further engage our associates in our DE&I initiatives. We have incorporated diversity analytics into our talent management tools to ensure we have representation across various programs. In addition, we expanded our recruitment toolkit to help us identify, recruit, hire and retain diverse candidates. We strive to build an ever-improving organization, anchored in a dedication to creating an inclusive environment which engages our global talent to enhance operational outcomes.

Employee Engagement. We prioritize employee engagement and value employee feedback. In 2022, approximately 83% of Altra team members responded to and participated in our employee engagement survey. The survey enables us to monitor engagement and results serve as a guide to establish initiatives aimed to enhance the employee experience and analyze efficacy of those initiatives year over year. In addition to our company-wide engagement survey, our businesses also conduct localized, periodic reviews and pulse surveys to gauge employee satisfaction, obtain employee feedback of specific issues on initiatives, and identify shortfalls and opportunities for improvement.

Talent Management. Our aim is to provide an environment that stimulates and fully develops the capabilities of our employees. We recognize that the success of our employees drives effective operational process, innovation, customer satisfaction, and long-term value creation for our stakeholders. We offer competitive compensation and benefit packages that include, depending on location and eligibility, annual bonuses, retirement plans with Company contributions, stock awards, health care and other benefits, paid time off, parental and family leave, and dependent care resources among many others.

At the core of our strategy and our human capital objectives is attracting, recruiting, and retaining, diverse and talented employees. Our talent management platform, *Talent In Motion*, is designed to support the business and our employees by providing robust tools and processes to enhance the employee experience. Talent In Motion focuses on the complete employee life cycle, including performance management, personally crafted professional development plans, succession planning, organizational assessment, and leadership development training. We evaluate employee performance through our performance management process where we provide opportunities for employees and managers to assess performance, deliver feedback, and craft development plans that act as roadmaps for long-term goal planning and sustained career satisfaction. Succession planning is a vital process that identifies internal talent for development to support our business and employees for future growth. We have developed a focused, collaborative program that results in employees advancing their career while staffing key roles with internal talent. Our organizational assessments examine human capital needs and the skills necessary for employees to deliver on strategic objectives and operational efficiencies. Finally, our leadership development programs cover a wide variety of topics, ranging from coaching and engaging the workforce, to diving into ABS tools. See *"Risk Factors — Risks Related to Our Business and Industry — We depend on the services of key executives, the loss of whom could materially harm our business."* See also *"Risk Factors — Risks Related to Our Business and Industry — If we lose certain of our key sales, marketing, skilled machinist or engineering personnel, our business may be adversely affected."*

Health, Safety and Pandemic Response. At Altra we recognize that safety is critical to our success. Altra maintains a comprehensive program to monitor, track, and evaluate safety across our global businesses. In 2022, we launched our Environmental Health & Safety Focus-20 initiative to zero-in on facilities requiring enhanced support and structure to deliver targeted improvements in safety performance, compliance, risk analysis and engagement. Our safety program includes but is not limited to tracking key metrics such as Total Recordable Case Rate, proactive identification of at-risk conditions and behaviors, and maintaining a comprehensive near miss program, to ensure continuous improvement of our safety performance. Our 2022 Employee Engagement Survey reflects our efforts to create a safe and comprehensive safety program, as approximately 84% of surveyed employees stated they were satisfied with Altra's efforts to maintain a safe and secure work environment. In response to COVID-19, Altra created a Pandemic Response Team to monitor, evaluate and manage our operations and compliance with safety protocols. Throughout the pandemic, Altra has remained focused on two core priorities: 1) safeguarding the health and safety of our associates; and 2) ensuring the continuity of supply for our customers.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources, generally from more than one supplier. Our suppliers and sources of raw materials are based in both the United States and other countries and we believe that our sources of raw materials are adequate for our needs for the foreseeable future. Our manufacturing operations employ a wide variety of raw materials, including aluminum, copper, electronic components, plastics, rare-earth magnets, and steel. We generally purchase our materials on the open market, where certain commodities such as steel and copper have fluctuated in price significantly in recent years. We have not historically engaged in hedging transactions for commodity suppliers.

Our ability, including manufacturing or distribution capabilities, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at facilities, excessive demand, raw material shortages, or other reasons, could impair our ability, and that of our suppliers, to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Seasonality

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, sales to OEMs are often stronger immediately preceding and following the launch of new products. In addition, we experience seasonality in our turf and garden business. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The June-through-November period is typically the low season for us and our customers in the turf and garden market. Seasonality is also affected by weather and the level of housing starts. However, as a whole, we are not subject to material seasonality.

Regulatory Matters

We face extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of our products. The following sections describe certain significant regulations to which our businesses are subject. There may be additional regulations that apply to our businesses.

Environmental Laws and Regulations

Our operations and properties are subject to laws and regulations relating to environmental protection, including those governing air emissions, water discharges and waste management, and workplace health and safety. See *"Risk Factors — Risks Related to Our Business and Industry — We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses."*

Export/Import Compliance

We are required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, impose license requirements on the export from the United States of defense articles and defense services (which are items specifically designed or adapted for a military application and/or listed on the United States Munitions List);
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export or reexport of certain dual-use goods, technology and software (which are items that potentially have both commercial and military applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection.

Other nations' governments have implemented similar export and import control regulations, which may affect our operations or transactions subject to their jurisdictions. See "*Risk Factors – Legal and Compliance Risks – Changes to U.S. trade policy, tariff and import/export regulations and foreign government regulations could adversely affect our business, operating results, foreign operations, sourcing and financial condition.*"

Working Capital

We maintain an adequate level of working capital to support the needs of our businesses. There are no unusual industry practices or requirements relating to working capital items. In addition, we believe our sales and payment terms are generally similar to those of our competitors.

Backlog

Our unfilled product orders were approximately $929.1 million and $820.8 million as of December 31, 2022 and 2021 respectively. We expect that the majority of the unfilled orders as of December 31, 2022 will have been delivered to customers within six months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of our products and the shortening of product life cycles, we believe that backlog is indicative of short-term revenue performance, but is not necessarily a reliable indicator of medium-term or long-term revenue performance.

Government Contracts

Although the substantial majority of our revenues in 2022 were from customers other than governmental entities, we do have agreements relating to the sale of products to government entities. As a result, we are subject to various statutes and regulations that apply to companies doing business with governments and government-owned entities.

International Operations

Altra's products are available worldwide, and our principal markets outside the United States are in Europe and Asia. We also have operations around the world, and this geographic diversity allows us to draw on the skills of a worldwide workforce, provide greater stability to our operations, drive economies of scale, provide revenue streams that may help offset economic trends that are specific to individual economies and offer an opportunity to access new markets for products. In addition, we believe that our future growth depends in part on our ability to continue developing products and sales models that successfully target high growth markets.

We estimate that annual revenue derived from customers outside the United States (based on geographic destination) as a percentage of total annual revenue was approximately 48% in 2022 and 51% in 2021.

The manner in which our products are sold outside the United States differs by business and by region. Most of our sales in non-U.S. markets are made by our subsidiaries located outside the United States, though we also sell directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, we generally sell through representatives and distributors.

Information about our Executive Officers

The following sets forth certain information with regard to our executive officers as of March 1, 2023 (ages are as of December 31, 2022):

Carl R. Christenson (age 63) has been our Chairman since April 2014, our Chief Executive Officer since January 2009, and a director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood's Incorporated and several positions at the Torrington Company. Mr. Christenson currently serves as a director at IDEX Corporation, a NYSE listed industrial manufacturer of highly engineered products. Mr. Christenson previously served as a director at Vectra Co., f/k/a OM Group, Inc., a NYSE listed technology-driven diversified industrial company, from 2014 to 2015. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic. In addition to more than twenty-five years of experience in manufacturing companies, Mr. Christenson brings vast knowledge of the Company's business, structure, history and culture to the Board and the CEO position.

Todd B. Patriacca (age 53) has been our Executive Vice President, Chief Financial Officer and Treasurer since February 2022. Prior to his current position, Mr. Patriacca served as our Vice President of Finance, Corporate Controller and Treasurer since February 2010, our Vice President of Finance, Corporate Controller and Assistant Treasurer since October 2008 and previous to that, as Vice President of Finance and Corporate Controller since May 2007 and as Corporate Controller since May 2005. Prior to joining us, Mr. Patriacca was Corporate Finance Manager at MKS Instruments Inc. ("MKS"), a publicly held semi-conductor equipment manufacturer since March 2002. Prior to MKS, Mr. Patriacca spent over ten years at Arthur Andersen LLP in the Assurance Advisory practice. Mr. Patriacca is a Certified Public Accountant and holds a B.A. in History from Colby College and an M.B.A. and an M.S. in Accounting from Northeastern University.

Glenn E. Deegan (age 56) has been our Chief Legal and Human Resources Officer since May 2021. Prior to his current position, Mr. Deegan served as our Executive Vice President since December 2019, our Vice President, Legal and Human Resources, General Counsel and Secretary since June 2009 and our General Counsel and Secretary since September 2008. From March 2007 to August 2008, Mr. Deegan served as Vice President, General Counsel and Secretary of Averion International Corp., a publicly held global provider of clinical research services. Prior to Averion, from June 2001 to March 2007, Mr. Deegan served as Director of Legal Affairs and then as Vice President, General Counsel and Secretary of MacroChem Corporation, a publicly held specialty pharmaceutical company. From 1999 to 2001, Mr. Deegan served as Assistant General Counsel of Summit Technology, Inc., a publicly held manufacturer of ophthalmic laser systems. Mr. Deegan previously spent over six years engaged in the private practice of law and also served as law clerk to the Honorable Francis J. Boyle in the United States District Court for the District of Rhode Island. Mr. Deegan holds a B.S. from Providence College and a J.D. from Boston College Law School.

Craig Schuele (age 59) has been our Executive Vice President since December 2019 and our Vice President of Marketing and Business Development since May 2007 and held the same position with our predecessor since July 2004. He is responsible for global marketing as well as coordinating Altra's merger and acquisition activity. Prior to his current position, Mr. Schuele was our Vice President of Marketing since March 2002, and previous to that he was our Director of Marketing. Mr. Schuele joined our predecessor in 1986 and holds a B.S. degree in Management from Rhode Island College.

Item 1A. Risk Factors

Risks Related to our Business and Industry

We operate in the highly competitive power transmission and motion control industries and if we are not able to compete successfully our business may be significantly harmed.

We operate in highly fragmented and very competitive markets in the power transmission and motion control industries. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, and some of our competitors are larger than us and have greater financial and other resources. With respect to certain of our products, we compete with divisions of our original equipment manufacturer customers. Competition in our business lines is based on several considerations, including quality, reliability, pricing, availability, and design and application engineering support. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, regular investment in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection is required. In the future, we may not have sufficient resources to continue to make such investments and may not be able to maintain a competitive position within each of the markets we serve. We may have to adjust the prices of some of our products to stay competitive.

Additionally, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. If we are not selected to become one of these preferred providers, we may lose market share in some of the markets in which we compete.

There is substantial and continuing pressure on major original equipment manufacturers and larger distributors to reduce costs, including the cost of products purchased from outside suppliers. As a result of cost pressures from customers, our ability to compete depends in part on their ability to generate production cost savings and, in turn, to find reliable, cost-effective outside suppliers to source components or manufacture their products. If we are unable to generate sufficient cost savings in the future to offset price reductions, then our gross margin could be materially adversely affected.

Our growth could suffer if the markets in which we sell our products and services experience cyclicality.

Our growth will depend in part on the growth of the markets which we serve and on the U.S. and global economies in general. Some of the markets Altra serves are highly cyclical, such as metals, mining and energy markets, including oil, gas and renewable energy. In such an environment, expected cyclical activity or sales may not occur or may be delayed and may result in significant quarter-to-quarter variability in our performance. Any of these factors could adversely affect our business, financial condition and results of operations in any given period.

We must continue to invest in new technologies and manufacturing techniques; however, our ability to develop or adapt to changing technology and manufacturing techniques is uncertain and our failure to do so could place us at a competitive disadvantage.

The successful implementation of our business strategy requires us to invest continuously in new technologies and manufacturing techniques to evolve our existing products and introduce new products to meet our customers' needs in the industries we serve and want to serve.

Our products are characterized by performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. We believe that our customers rigorously evaluate their suppliers on the basis of a number of factors, including product quality and availability; price competitiveness; technical expertise and development capability; reliability and timeliness of delivery; product design capability; manufacturing expertise; and sales support and customer service.

Our success depends on our ability to invest in new technologies and manufacturing techniques to continue to meet our customers' changing demands with respect to the above factors. We may not be able to make required capital expenditures and, even if we do so, we may be unsuccessful in addressing technological advances or introducing new products necessary to remain competitive within our markets. Furthermore, our own technological developments may not be able to produce a sustainable competitive advantage. If we fail to invest successfully in improvements to our technology and manufacturing techniques, our business may be materially adversely affected.

Our operations are subject to international risks including global commercial activities and production facilities, many of which may be located in jurisdictions that are subject to increased risks of disrupted production that could affect our operating results.

We operate businesses with manufacturing and other facilities worldwide, many of which are located outside the United States, including in Brazil, Canada, Chile, China, Czech Republic, Denmark, France, Germany, India, Mexico, Peru, Russia, Slovakia, St. Kitts, Sweden, Turkey and the United Kingdom. Our net sales to customers outside North America represented approximately 46% of our total net sales for the year ended December 31, 2022. In addition, we sell products to domestic customers for use in their products sold overseas. We also source a significant portion of our products and materials from overseas. As a result, our business is subject to risks associated with doing business internationally, and our future results could be materially adversely affected by a variety of factors, including fluctuations in currency exchange rates; capital or currency exchange rate controls; tariffs or other trade protection measures and import or export licensing requirements; potentially negative consequences from changes in tax laws; interest rates; low or negative economic growth rates; unexpected changes in regulatory requirements; changes in foreign intellectual property law; differing labor regulations; natural disaster, labor strike, military activity or war, political unrest, or terrorist activity; pandemic or other public health concerns; requirements relating to withholding taxes on remittances and other payments by subsidiaries; restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in various jurisdictions; potential political instability and the actions of foreign governments; and restrictions on our ability to repatriate dividends from our subsidiaries.

In addition, our international operations are governed by various U.S. laws and regulations, including the Foreign Corrupt Practices Act and other similar laws that prohibit us and our business partners from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could materially adversely affect our international operations and, consequently, our operating results.

We rely on distributors and the loss of these distributors could adversely affect our business.

In addition to our direct sales force and manufacturer sales representatives, we depend on the services of distributors to sell our products and provide service and aftermarket support to our customers. We support an extensive distribution network, with over 3,000 distributor locations worldwide. During the year ended December 31, 2022, approximately 27% of our net sales from operations were generated through distributors. Almost all of the distributors with whom we transact business offer competitive products and services to our customers. In addition, the distribution agreements we have are typically non-exclusive and cancelable by the distributor after a short notice period. The loss of any major distributor or a substantial number of smaller distributors or an increase in the distributors' sales of our competitors' products to our customers could materially reduce our sales and profits.

We rely on estimated forecasts of our OEM customers' needs, and inaccuracies in such forecasts could materially adversely affect our business.

We generally sell our products pursuant to individual purchase orders instead of under long-term purchase commitments. Therefore, we rely on estimated demand forecasts, based upon input from our customers, to determine how much material to purchase and product to manufacture. Because our sales are based on purchase orders, our customers may cancel, delay or otherwise modify their purchase commitments with little or no consequence to them and with little or no notice to us. For these reasons, we generally have limited visibility regarding our customers' actual product needs. The quantities or timing required by our customers for our products could vary significantly. Also, from time to time, our customers may experience a deterioration of their businesses and may not be able to accurately estimate demand forecast. Whether in response to changes affecting the industry or a customer's specific business pressures, any cancellation, delay, inability to fulfill customer obligations, or other modification in our customers' orders could significantly reduce our revenue, impact our working capital, cause our operating results to fluctuate from period to period and make it more difficult for us to predict our revenue. In the event of a cancellation or reduction of an order, we may not have enough time to reduce operating expenses to minimize the effect of the lost revenue on our business and we may purchase too much inventory and spend more capital than expected, which may materially adversely affect our business.

Disruption of our supply chain and COVID-19 related shutdowns of our suppliers' operations and our operations could have an adverse effect on our business, financial condition and results of operations.

Our ability, including manufacturing or distribution capabilities, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at our facilities, excessive demand, raw material shortages, semiconductor chip shortages, or other reasons could impair our ability, and that of our suppliers, to manufacture or sell our products. To the extent the current semiconductor chip shortage or other shortages continue, the production of our products may be impacted. If the Company or our suppliers are unable to obtain components from third parties in the quantities and of the quality that we require, on a timely basis and at acceptable prices, we may not be able to deliver our products on a timely or cost-effective basis to our customers. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Direct and indirect impacts from the ongoing COVID-19 pandemic may continue to result in disruptions to our, and our supplier's supply chain, operations, capacity, labor availability, and labor costs. These supply chain disruptions, reduced capacity operations, and work stoppages could have a material adverse effect on our results of operations and cash flows.

The materials used to produce our products are subject to price fluctuations and our ability to obtain those products and negotiate profitable agreements with our suppliers could increase costs of production and adversely affect our profitability.

The materials used to produce our products, especially aluminum, copper and steel, are sourced on a global or regional basis and the prices of those materials are susceptible to price fluctuations due to supply and demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. If we are unable to continue to pass a substantial portion of such price increases on to our customers on a timely basis, our future profitability may be materially adversely affected. In addition, passing through these costs to our customers may also limit our ability to increase our prices in the future.

Our ability to maintain and expand our business depends, in part, on our ability to continue to obtain raw materials and component parts on favorable terms from various suppliers. If we are required to purchase raw materials or component parts subject to agreements that provide less favorable terms, the costs of providing our products may increase, which could decrease our profitability and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to work stoppages at our facilities, or our customers may be subjected to work stoppages, which could seriously impact our operations and the profitability of our business.

As of December 31, 2022, we employed approximately 9,300 people on a full-time basis, of whom approximately 3,700 were employed in the United States and approximately 5,600 were employed outside of the United States. Of our United States employees, approximately 300 were hourly-rated, unionized employees. Outside the United States, we have government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils.

The Company believes that its relationship with employees is good. However, we are party to several U.S. and international collective bargaining arrangements and union contracts, and we may be unable to renew these agreements on terms that are satisfactory to us, if at all.

If our unionized workers or those represented by a works council were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. Such disruption could interfere with our ability to deliver products on a timely basis and could have other negative effects, including decreased productivity and increased labor costs. In addition, if a greater percentage of our work force becomes unionized, our business and financial results could be materially adversely affected. Moreover, many of our direct and indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are used and could cause cancellation of purchase orders with us or otherwise result in reduced revenues from these customers.

We depend on the services of key executives, the loss of whom could materially harm our business.

Our senior executives are important to our success because they are instrumental in setting our strategic direction, operating our business, maintaining and expanding relationships with distributors, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement could be found. We believe that our senior executives could not easily be replaced with executives of equal experience and capabilities, but we cannot prevent our key executives from terminating their employment with us. We do not maintain key person life insurance policies on any of our executives.

If we lose certain of our key sales, marketing, skilled machinist, or engineering personnel, our business may be adversely affected.

Our success depends on our ability to recruit, retain and motivate highly skilled sales, marketing, skilled machinist and engineering personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel in the event scarcity continues or increases. If we fail to recruit and retain the necessary personnel, our business and our ability to obtain new customers, develop new products and provide acceptable levels of customer service could suffer. If certain of these key personnel were to terminate their employment with us, we may experience difficulty replacing them, and our business could be harmed.

We may not be able to protect our intellectual property rights, brands or technology effectively, which could allow competitors to duplicate or replicate our technology and could adversely affect our ability to compete.

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions, as well as on license, non-disclosure, employee and consultant assignment and other agreements and domain name registrations in order to protect our proprietary technology and rights. Applications for protection of our intellectual property rights may not be allowed, and the rights, if granted, may not be maintained. In addition, third parties may infringe or challenge our intellectual property rights. In some cases, we rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. Further, in the ordinary course of our operations, we pursue potential claims from time to time relating to the protection of certain products and intellectual property rights, including with respect to some of our more profitable products. Such claims could be time-consuming, expensive and divert resources. If we are unable to maintain the proprietary nature of our technologies or proprietary protection of our brands, our ability to market or be competitive with respect to some or all of our products may be affected, which could reduce our sales and profitability. See *"Business— Intellectual Property"*.

Unplanned repairs or equipment outages could interrupt production and reduce income or cash flow.

Unplanned repairs or equipment outages, including those due to natural disasters, could result in the disruption of our manufacturing processes. Any interruption in our manufacturing processes would interrupt our production of products, reduce our income and cash flow and could result in a material adverse effect on our business and financial condition.

Our operations are highly dependent on information technology infrastructure, including Enterprise Resource Planning systems, and failures in such infrastructure and failure to comply with data privacy laws or regulations could significantly affect our business.

We depend on our information technology ("IT") infrastructure in order to achieve our business objectives both in our everyday business operations and during our integration efforts related to acquisitions. If we experience a problem that impairs this infrastructure, such as a cyber-attack, natural disaster, act of terrorism, electrical/telecommunications outage, an intentional disruption, tampering or manipulation of our IT systems, a problem with the functioning of an important IT application, or if our third party hardware or software vendors discontinue further development, support, or maintenance of our information systems, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could cause us to lose revenue, could harm our relationships with or cause us to lose customers or suppliers, and could require us to incur significant expense to eliminate these problems and address related security concerns.

IT security threats from cyber-attacks, social engineering, and other malicious internet-based activity continue to increase generally, and perpetrators may be able to develop and deploy ransomware, malware, and phishing or baiting attempts and other malicious software programs that target our IT infrastructure and our networks, and those of our suppliers. These cyber-attacks may expose us to a variety of risks, including a risk of theft of substantial assets, including cash. In addition, a cyber-attack may cause additional costs, such as investigative and remediation costs, the costs of providing our suppliers, customers or other potentially affected parties with notice of the breach, legal fees and the costs of any additional fraud detection activities required by law, a court or a third party.

Moreover, because the techniques used to obtain unauthorized access or to sabotage systems are increasingly sophisticated and generally not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We cannot be certain that advances in cyber-capabilities or other developments will not compromise or breach the technology protecting our IT infrastructure and networks or our industrial machinery, software or hardware, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches. If such events affect our systems or products, our reputation and brand names could be materially damaged and use of our products may decrease. Additionally, a portion of our workforce is working remotely, which may increase these risks.

We are also subject to an increasing number of evolving data privacy and security laws and regulations that impose requirements on us and our technology prior to certain transfer, storage, use, processing, or disclosure of data and prior to sale or use of certain technologies. Failure to comply with such laws and regulations could result in the imposition of fines, penalties and other costs and could disrupt our ability to sell products and solutions or use and transfer data because such activities may not be in compliance with applicable law in certain jurisdictions.

We are regularly in the process of implementing enhancements to our Enterprise Resource Planning systems and other business systems (collectively referred to as "ERP"), with the aim of enabling management to achieve better control across our business operations. If these critical enhancements are delayed, in whole or in part, our current ERP systems may not be sufficient to support our planned operations and certain ERP systems may become obsolete. There can be no assurance that the enhancements to our ERP systems will be successfully implemented and failure to do so could have a material adverse effect on our operations. The occurrence of any of these events or other unanticipated problems with our ERP systems could disrupt the management of, and have a material adverse effect on, our business operations.

If any one of these risks materializes, our business, financial condition, cash flows or results of operations could be materially and adversely affected.

Certain of our businesses are exposed to renewable energy markets which depend significantly on the availability and size of government subsidies and economic incentives.

Certain of our businesses sell products to customers within the renewable energy market, which among other energy sources includes wind energy and solar energy. This market is inherently cyclical and can be impacted by governmental policy, the comparative cost differential between various forms of energy, and the general macroeconomic climate. Lower demand or increased pricing pressure could adversely affect our business prospects and results of operations.

We may not be able to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement and other business optimization initiatives.

We have in the past undertaken and expect to continue to undertake various restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. We cannot assure you that we will be able to achieve all of the cost savings that we expect to realize from current or future activities and initiatives. Furthermore, in connection with these activities, we may experience a disruption in our ability to perform functions important to our strategy. Unexpected delays, increased costs, challenges with adapting our internal control environment to a new organizational structure, inability to retain and motivate employees or other challenges arising from these initiatives could adversely affect our ability to realize the anticipated savings or other intended benefits of these activities and could have a material adverse impact on our financial condition and operating results.

The ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and operating results.

On February 24, 2022, Russian military forces invaded Ukraine. This conflict has led and could continue to lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage. Moreover, it has also led to the implementation of global sanctions, export control and other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect the operations of our subsidiary in Russia as well as our business, financial condition and results of operations.

Financial Risks

Adverse conditions in the credit and capital markets may limit or prevent our and our customers' and suppliers' ability to borrow or raise capital, which could harm our operations and financial performance.

Adverse conditions in the credit and financial markets could prevent us from obtaining financing, if the need arises. Our ability to invest in our global business and refinance or repay maturing debt obligations could require access to the credit and capital markets and sufficient bank credit lines to support cash requirements. If we are unable to access the credit and capital markets on commercially reasonable terms, we could experience a material adverse effect on our business, financial position or results of operations.

Deterioration in financial markets and confidence in major economies could impair our ability to access credit markets and finance our operations. In addition, a tight credit market may adversely affect the ability of our customers to obtain financing for significant purchases and operations and could result in a decrease in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, a tight credit market may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. These conditions would harm our business by adversely affecting our sales, results of operations, profitability, cash flows, financial condition and long-term anticipated growth rate, which could result in potential impairment of certain long-term assets including goodwill.

Goodwill and indefinite-lived intangibles comprise a significant portion of our total assets, and if we determine that goodwill or indefinite-lived intangibles become impaired in the future, net income in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Due to the acquisitions we have completed historically, goodwill comprises a significant portion of our total assets. In addition, indefinite-lived intangibles, primarily tradenames and trademarks, comprise a significant portion of our total assets. We review goodwill and indefinite-lived intangibles annually for impairment, and any excess in carrying value over the estimated fair value is charged to the results of operations. Future reviews of goodwill and indefinite-lived intangibles could result in future reductions. Any reduction in net income resulting from the write down or impairment of goodwill and indefinite-lived intangibles could adversely affect our financial results. If economic conditions deteriorate we may be required to impair goodwill and indefinite-lived intangibles in future periods.

Our leverage could adversely affect our financial health and make us vulnerable to adverse economic and industry conditions.

As of December 31, 2022, we had approximately $655.0 million outstanding and $730.9 million available under our Revolving Credit Facility (as defined herein). In addition, as of December 31, 2022, we had approximately $383.7 million outstanding under the Notes (as defined herein). Our indebtedness has important consequences; for example, it could:

- make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital;
- increase our vulnerability to interest rate changes and general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to finance acquisitions and to fund working capital, capital expenditures, research and development efforts and other general corporate activities;
- make it difficult for us to fulfill our obligations under our credit and other debt agreements;
- require us to dispose of significant assets in order to satisfy our debt service and other obligations if we are not able to satisfy these obligations from cash from operations or other sources;
- limit our ability to buy back our common stock or pay cash dividends;
- limit our flexibility in planning for, or reacting to, changes in our business and our markets; and
- place us at a competitive disadvantage relative to our competitors that have less debt.

Substantially all of the domestic personal property of Altra and our domestic subsidiaries and certain shares of certain non-domestic subsidiaries have been pledged as collateral against any outstanding borrowings under the Altra Credit Agreement dated November 17, 2021 (as amended from time to time, the “Credit Agreement” or the "Altra Credit Agreement"), governing the Revolving Credit Facility. In addition, the Altra Credit Agreement requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt will depend on a range of economic, competitive and business factors, many of which are outside our control. There can be no assurance that our business will generate sufficient cash flow from operations to make these payments. If we are unable to meet our expenses and debt obligations, we may need to refinance all or a portion of our indebtedness before maturity, sell assets or issue additional equity. In the future, the then-current economic and credit market conditions may limit our access to additional capital, to the extent that the Altra Credit Agreement would otherwise permit additional financing, or may preclude our ability to refinance our existing indebtedness. There can be no assurance that there will not be a deterioration in the credit markets, a deterioration in the financial condition of our lenders or their ability to fund their commitments or, if necessary, that we will be able to find replacement financing, if need be, on similar or acceptable terms. An inability to access sufficient financing or capital could have an adverse impact on our operations and thus on our operating results and financial position.

The Altra Credit Agreement imposes significant operating and financial restrictions, which may prevent us from pursuing our business strategies or favorable business opportunities.

Subject to a number of important exceptions, under the Altra Credit Agreement we are subject to customary affirmative and negative covenants, such as limitations on debt and preferred stock; liens; mergers, consolidations, liquidations, dissolutions and asset sales; investments, loans, advances, guarantees and acquisitions; speculative swaps and hedging arrangements; dividends or other distributions on capital stock, redemptions and repurchases of capital stock and prepayments, redemptions and repurchases of junior lien secured and subordinated debt; transactions with affiliates; restrictions on liens and other restrictive agreements; amendments of the operative documents related to junior debt agreements and organizational documents; and changes in fiscal year.

The restrictions contained in the Altra Credit Agreement may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under the Altra Credit Agreement. If any such default occurs, the lenders under the Altra Credit Agreement may elect to declare all of the outstanding debt under the Altra Credit Agreement, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the Altra Credit Agreement also have the right in those circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the Altra Credit Agreement, the lenders under the Altra Credit Agreement will have the right to proceed against the collateral that secures the debt. If the debt under the Altra Credit Agreement were to be accelerated, we may not have the ability to refinance that debt, and if we can, the terms of such refinancing may be less favorable than the current financing terms under the Altra Credit Agreement. In the event that the indebtedness is accelerated, our assets may not be sufficient to repay in full all of our debt.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. There can be no assurance that we will be able to remain in compliance with these covenants. If we fail to comply with either of these covenants in a future period and are not able to obtain waivers from the lenders thereunder, we would need to refinance the Revolving Credit Facility. However, there can be no assurance that such refinancing would be available on terms that would be acceptable to us or at all.

Our exposure to variable interest rates, foreign currency exchange rates and swap counter party credit risk could materially and adversely affect our business, operating results and financial condition.

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and foreign currency exchange rate fluctuations. Some of our indebtedness bears interest at variable rates, generally linked to market benchmarks such as the London Interbank Offered Rate (“LIBOR”). Any increase in interest rates would increase our finance expenses relating to our variable rate indebtedness and increase the costs of refinancing our existing indebtedness and issuing new debt. In addition, LIBOR is expected to be phased out by the end of calendar year 2023. Any disruption in the financial markets, interest rate increases, changes that may result from the implementation of new benchmark rates that replace LIBOR could negatively impact our ability to access financial markets or increase our borrowing costs.

From time to time, we rely on interest rate swap contracts and cross-currency swap contracts and hedging arrangements to effectively manage our interest rate and currency risk. Failure to perform under derivatives contracts by one or more of our counterparties could disrupt our hedging operations, particularly if we were entitled to a termination payment under the terms of the contract that we did not receive, if we had to make a termination payment upon default of the counterparty, or if we were unable to reposition the swap with a new counterparty.

Changes in accounting standards could affect our financial results.

The Company’s accounting and financial reporting policies conform to U.S. generally accepted accounting principles (“GAAP”), which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, the Company is required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the Financial Accounting Standards Board (the “FASB”) and the Securities and Exchange Commission. Such new financial accounting standards may change the financial accounting or reporting standards that govern the preparation of the Company’s consolidated financial statements. Implementing changes required by new standards, requirements or laws require interpretation of rules and development of new accounting policies and internal controls that, if not appropriately applied, could result in financial statement errors and, deficiencies in internal control as well as significant costs to implement.

Legal and Compliance Risks

Changes to U.S. trade policy, tariff and import/export regulations and foreign government regulations could adversely affect our business, operating results, foreign operations, sourcing and financial condition.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business, as well as any negative sentiment toward the U.S. as a result of such changes, could adversely affect our business. Changes to tariffs and other changes in U.S. trade policy have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, operating results and financial condition. In addition, we cannot predict what changes to trade policy will be made in the future, including whether existing trade policies will be maintained or modified or whether the entry into new bilateral or multilateral trade agreements will occur, nor can we predict the effects that any conceivable changes would have on our business. Future quotas, duties, tariffs, and trade agreements may have a material adverse effect on our business, financial condition, and results of operations and could also provide our competitors with an advantage over us or increase our costs.

Our businesses are subject to risks generally associated with doing business abroad, including foreign governmental regulation in the countries in which several of our manufacturing sources and facilities are located, such as Brazil, Canada, Chile, China, Czech Republic, Denmark, France, Germany, India, Mexico, Slovakia, St. Kitts, Sweden, Turkey and the United Kingdom (the “U.K.”). We believe that the issue of foreign governmental regulations that would impact our arrangements with our foreign manufacturing sources is of particular concern with regard to countries such as China due to the less mature nature of the Chinese market economy and the historical involvement of the Chinese government in industry. If regulations were to render the conduct of business in a particular country undesirable or impracticable, if our current foreign manufacturing sources were for any other reason to cease doing business with us, or if we were in a position where we needed to relocate our manufacturing facilities due to regulations or other similar circumstances, such a development could have a material adverse effect on our product sales and on our supply, manufacturing, and distribution channels.

Our business is also subject to risks associated with U.S. and foreign legislation and regulations relating to imports, including quotas, duties, tariffs or taxes, and other charges or restrictions on imports, which could adversely affect our operations and our ability to import products at current or increased levels, and substantially all of our import operations are subject to customs duties on imported products imposed by the governments where our production facilities are located, including raw materials. We cannot predict whether additional U.S. and foreign customs quotas, duties (including antidumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, reporting obligations pertaining to “conflict minerals” mined from certain countries, additional workplace regulations, or other restrictions on our imports will be imposed upon the importation of our products in the future or adversely modified, or what effect such actions would have on our costs of operations. Future quotas, duties, or tariffs may have a material adverse effect on our business, financial condition, and results of operations. Future trade agreements could also provide our competitors with an advantage over us, or increase our costs, either of which could have a material adverse effect on our business, financial condition, and results of operations.

Product defects, quality issues, inadequate disclosures, misuse and potential product liability claims in relation to the products we manufacture or distribute could result in reputational harm and our having to expend significant time and expense to defend these claims and to pay material damages or settlement amounts.

Defects in, quality issues with respect to, or inadequate disclosure of risks relating to our products or the misuse of our products could lead to lost profits and other economic damage, property damage, personal injury or other liability resulting in third-party claims, criminal liability, significant costs, damage to our reputation and loss of business. Any of these factors could adversely affect our business, financial condition and results of operations.

We face a business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in injury or other adverse effects. We currently have several product liability claims against us with respect to our products. We may not be able to obtain product liability insurance on acceptable terms in the future, if at all, or obtain insurance that will provide adequate coverage against potential claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. An unsuccessful product liability defense could exceed any insurance that we maintain and could have a material adverse effect on our business, financial condition, results of operations or our ability to make payments under our debt obligations when due. In addition, we believe our business depends on the strong brand reputation we have developed. In the event that our reputation is damaged, we may face difficulty in maintaining our pricing positions with respect to some of our products, which would reduce our sales and profitability.

We also risk exposure to product liability claims in connection with products sold by businesses that we acquire. We cannot assure you that third parties that have retained responsibility for product liabilities relating to products manufactured or sold prior to our acquisition of the relevant business, or persons from whom we have acquired a business that are required to indemnify us for certain product liability claims subject to certain caps or limitations on indemnification, will in fact satisfy their obligations to us with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which we are obligated were not retained by third parties or are not subject to these indemnities, we could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liabilities or are required to indemnify us, significant claims arising from products that we have acquired could have a material adverse effect on our ability to realize the benefits from an acquisition, could result in our reducing the value of goodwill that we have recorded in connection with an acquisition, or could otherwise have a material adverse effect on our business, financial condition, or results of operations.

We may be subject to litigation for a variety of claims, which could adversely affect our business, financial condition or results of operations.

In addition to product liability claims and securities class action litigation, which has often been brought against a company following a decline in the market price of its securities, we and our directors and officers may be subject to claims arising from our normal business activities. These may include claims, suits, and proceedings involving stockholder and fiduciary matters, intellectual property, labor and employment, wage and hour, commercial and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation or settlement or other resolution of a legal matter could adversely affect our business, financial condition or results of operations, harm our reputation or otherwise negatively impact our business.

Changes in labor or employment laws could increase our costs and may adversely affect our business.

Various federal, state and international labor and employment laws govern our relationship with employees and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers' compensation rates paid, leaves of absence, mandated health and other benefits, and citizenship requirements. Significant additional government-imposed increases or new requirements in these areas could materially affect our business, financial condition, operating results or cash flow.

In the event our employee-related costs rise significantly, we may have to curtail the number of our employees or shut down certain manufacturing facilities. Any such actions would not only be costly but could also materially adversely affect our business.

We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses.

We are subject to a variety of federal, state, local, foreign and provincial environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and clean up contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. From time to time, our operations may not be in full compliance with the terms and conditions of our permits. The operation of manufacturing plants entails risks related to compliance with environmental laws, requirements and permits, and a failure by us to comply with applicable environmental laws, regulations, or permits could result in civil or criminal fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, including the installation of pollution control equipment or remedial actions. Moreover, if applicable environmental laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated.

Certain environmental laws in the United States, such as the federal Superfund law and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. As a practical matter, however, the costs of investigation and remediation generally are allocated among the viable responsible parties on some form of equitable basis. Liability also may include damages to natural resources. In addition, from time to time, we are notified that we are a potentially responsible party and may have liability in connection with off-site disposal facilities. There can be no assurance that we will be able to resolve pending and future matters relating to off-site disposal facilities at all or for nominal sums.

There is contamination at some of our current facilities, primarily related to historical operations at those sites, for which we could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of our current or former sites, based on historical uses of those sites. Our costs or liability in connection with potential contamination conditions at our facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, with respect to certain of our facilities, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, there may be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

We are being indemnified, or expect to be indemnified by third parties, subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. We cannot assure you that third parties who indemnify or who are expected to indemnify us for certain environmental costs and liabilities associated with certain owned or operated sites will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which we are obligated is not subject to these indemnities, we could become subject to significant liabilities.

We or our products could infringe on the intellectual property of others, which may cause us to engage in costly litigation and, if we are not successful, could cause us to pay substantial damages and prohibit us from selling our products.

Third parties may assert infringement or other intellectual property claims against us based on their patents or other intellectual property claims, and we may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that our products infringe. We may have to obtain a license to sell our products if it is determined that our products infringe upon another party's intellectual property. We might be prohibited from selling our products before we obtain a license, which, if available at all, may require us to pay substantial royalties. Even if infringement claims against us are without merit, defending these types of lawsuits takes significant time, may be expensive and may divert management attention from other business concerns.

Changes in our tax rates or exposure to additional income tax liabilities or assessments could significantly affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in numerous non-U.S. jurisdictions.

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof, the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities may be incorrect and our financial statements could be adversely affected. The impact of these factors referenced in the first sentence of this paragraph may be substantially different from period to period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities and our financial statements could be adversely affected. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could adversely affect our financial statements.

The market price of our common stock may fluctuate with market volatility.

The market price of our common stock has been volatile and may continue to fluctuate in response to a number of factors, some of which are beyond our control. The stock market in general, and the market prices of stocks of industrial companies in particular, have experienced significant price volatility that has adversely affected, and may continue to adversely affect, the market price of our common stock for reasons unrelated to our business or operating results. Broad market fluctuations could adversely affect the market price of our common stock, which in turn could cause impairment of goodwill that could materially and adversely impact our financial condition and results of operations.

It is not uncommon when the market price of a stock has been volatile for holders of that stock to institute securities class action litigation against the company that issues that stock. If any of our stockholders brought such a lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit beyond any insurance coverage which we may have for such risks. Such a lawsuit could also divert the time and attention of our management. Any of these events, as well as other circumstances discussed in these Risk Factors, may cause the market price of our common stock to fall.

Risks Related to the Regal Rexnord Merger

The pendency of our acquisition by Regal Rexnord could adversely affect our business, prospects, financial condition, and results of operations.

On October 26, 2022, we entered into the Regal Rexnord Merger Agreement with Regal Rexnord and Merger Sub, pursuant to which, and upon the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Regal Rexnord. Under the Regal Rexnord Merger Agreement, at the closing of the Regal Rexnord Merger, each issued and outstanding share of our common stock (other than (i) shares owned by the Company, any subsidiary of the Company, Regal Rexnord, Merger Sub or any other subsidiary of Regal Rexnord, (ii) shares owned by stockholders of the Company who have validly exercised their statutory rights of appraisal under the DGCL and (iii) Company Restricted Shares (as defined in the Regal Rexnord Merger Agreement)) will be converted into the right to receive $62.00 per share in cash, without interest and subject to any required withholding of taxes.

The pendency of the Regal Rexnord Merger could cause disruptions in and create uncertainty surrounding our business, which could have an adverse effect on our business, prospects, financial condition, and results of operations, regardless of whether the Regal Rexnord Merger is completed. These risks to our business include the following, all of which could be exacerbated by a delay in the completion of the Regal Rexnord Merger:

- the diversion of significant management time and resources towards the completion of the Regal Rexnord Merger;
- the impairment of our ability to attract, retain and motivate personnel, including our senior management;
- difficulties maintaining relationships with customers, distributors, suppliers and other business partners, who may defer decisions about working with us or seek to change existing business relationships with us;

- the inability to pursue alternative business opportunities or make appropriate changes to our business because of requirements in the Regal Rexnord Merger Agreement that we conduct our business in the ordinary course and not engage in certain kinds of transactions or business activities prior to the completion of the Regal Rexnord Merger; and
- litigation relating to the Regal Rexnord Merger and the costs and distractions related thereto.

The Regal Rexnord Merger may not be completed within the expected timeframe, or at all, and significant delay or the failure to complete the Regal Rexnord Merger could adversely affect our business and the market price of our common stock.

The consummation of the Regal Rexnord Merger remains subject to customary closing conditions, including, among other things, (i) the receipt of certain non-U.S. antitrust and foreign direct investment approvals, (ii) the absence of any judgment enacted, promulgated, issued, entered, amended or enforced by any governmental authority of competent jurisdiction or applicable law enjoining or otherwise prohibiting the consummation of the Regal Rexnord Merger, (iii) the absence of any law or judgment resulting in the imposition of or requiring any Burdensome Condition (as defined in the Regal Rexnord Merger Agreement) and (iv) certain other conditions set forth in the Regal Rexnord Merger Agreement.

Many of the conditions to consummation of the Regal Rexnord Merger are not within our control or the control of Regal Rexnord or Merger Sub, and we cannot predict when or if these conditions will be satisfied. There can be no assurance that our business, our relationships or our financial condition will not be adversely affected, as compared to the condition prior to the announcement of the Regal Rexnord Merger, if the Regal Rexnord Merger is not consummated within the expected timeframe, or at all. Failure to complete the Regal Rexnord Merger within the expected timeframe, or at all, could adversely affect our business and the market price of our common stock in a number of ways, including the following:

- if the Regal Rexnord Merger is not completed within the expected timeframe, or at all, the share price of our common stock will change to the extent that the current market price of our stock reflects assumptions regarding the completion of the Regal Rexnord Merger;
- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other costs in connection with the Regal Rexnord Merger, for which we may receive little or no benefit if the Regal Rexnord Merger is not completed. Many of these fees and costs will be payable by us even if the Regal Rexnord Merger is not completed and may relate to activities that we would not have undertaken other than to complete the Regal Rexnord Merger;
- failure to complete the Regal Rexnord Merger within the expected timeframe, or at all, may result in negative publicity and a negative impression of us in the investment community and may lead to subsequent offers to acquire our company at a lower price or otherwise on less favorable terms to us and our stockholders than contemplated by the Regal Rexnord Merger;
- the impairment of our ability to attract, retain and motivate personnel, including our senior management;
- difficulties maintaining relationships with customers, distributors, suppliers and other business partners; and
- upon termination of the Regal Rexnord Merger Agreement by Regal Rexnord under specified circumstances, we would be required to pay a termination fee of $100 million.

While the Regal Rexnord Merger Agreement is in effect, we are subject to restrictions on our business activities.

The Regal Rexnord Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Regal Rexnord Merger, generally requiring us to conduct our business in the ordinary course and, to the extent consistent therewith, use commercially reasonable efforts to preserve our relationships with customers, distributors, suppliers and others having material business dealings with us. In addition, we are subject to a variety of specified restrictions. Unless we obtain Regal Rexnord's prior written consent (which consent may not be unreasonably withheld, delayed or conditioned), except as specifically required by the Regal Rexnord Merger Agreement or required by applicable law or as set forth in the confidential disclosure letter delivered by us to Regal Rexnord, we may not, among other things and subject to certain exceptions, limitations and qualifications, incur additional indebtedness, issue additional shares of our common stock outside of our equity incentive plans, repurchase our common stock, pay dividends other than regular quarterly cash dividends consistent with past practice, acquire certain assets or securities, sell or dispose of certain properties or assets (including material intellectual property rights), enter into material contracts or make certain capital expenditures. We may find that these and other contractual restrictions in the Regal Rexnord Merger Agreement delay or prevent us from responding, or limit our ability to respond effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management believes they may be advisable. If any of these effects were to occur, it could materially and adversely impact our operating results, financial position, cash flows or the price of our common stock.

Risks Related to Strategic Transactions

***Our acquisition of businesses and strategic relationships, or our failure to successfully integrate such transactions into our business, could adversely affect our future results and the market price of our common stock*.**

As part of our growth strategy, we have made and expect to continue to make, acquisitions. Our continued growth may depend on our ability to identify and acquire companies that complement or enhance our business on acceptable terms. We may not be able to identify or complete future acquisitions. We may not be able to integrate successfully our recent and past acquisitions, including the acquisition of Nook and the Fortive Transaction, or any future acquisitions, operate any acquired companies profitably or realize the potential benefits from these acquisitions.

These acquisitions and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our future results and the market price of our common stock:

- any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable;
- we have in the past, and may in the future incur or assume significant debt in connection with our acquisitions or strategic relationships;
- acquisitions or strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term;
- pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period;
- acquisitions or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address;
- we could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers;
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition or strategic relationship;
- we may assume by acquisition or strategic relationship unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's activities. The realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations;
- in connection with acquisitions, we may enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results;
- in connection with acquisitions, we have recorded significant goodwill and other intangible assets on our balance sheet. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets; and
- we may have interests that diverge from those of strategic partners and we may not be able to direct the management and operations of the strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.

See *"Risk Factors – Risks Related to the Regal Rexnord Merger"*.

We continually assess the strategic fit of our existing businesses and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment, and we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected.

A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management focus and resources, which may divert our attention from other business operations. If we do not realize the expected benefits of any divestiture transaction, our consolidated financial position, results of operations and cash flows could be negatively impacted. In addition, divestitures of businesses involve a number of risks, including significant costs and expenses, the loss of customer relationships, and a decrease in revenues and earnings associated with the divested business. Furthermore, divestitures potentially involve significant post-closing separation activities, which could involve the expenditure of material financial resources and significant employee resources. In addition, we may in some cases agree to hold the other party harmless against certain losses arising from a breach of representations or covenants, including specified environmental matters and certain income taxes arising prior to the date of acquisition, which also could involve the expenditure of material financial resources. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of revenue associated with the divestiture, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition.

We are required to abide by potentially significant restrictions under the Fortive Transaction Tax Matters Agreement which could limit our ability to undertake certain corporate actions (such as the issuance of Altra common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.

To preserve the tax-free treatment to Fortive and/or its stockholders of the Distribution and certain related transactions, under the Tax Matters Agreement, we are restricted from taking certain actions that could prevent such transactions from being tax-free. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions, including using Altra common stock to make acquisitions and in connection with equity capital market transactions that might increase the value of our business.

General Risk Factors

We are subject to tax laws and regulations in many jurisdictions and the inability to successfully defend claims from taxing authorities related to our current or acquired businesses could adversely affect our operating results and financial position.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position. Moreover, changes to tax laws and regulations in the U.S. or other countries where we do business could have an adverse effect on our operating results and financial position.

Global economic changes or continued volatility and disruption in global financial markets could significantly impact our customers and suppliers, weaken the markets we serve and harm our operations and financial performance.

Global economic and financial market conditions have been weak and/or volatile in recent years, and those conditions have adversely affected our business operations and are expected to continue to adversely affect our business. The continued impact of the COVID-19 pandemic on the global economy and inflation as a whole will depend on future events. A weakening of current conditions or a future downturn may adversely affect our future results of operations and financial condition. Weak, challenging or volatile economic conditions in the end markets, businesses or geographic areas in which we sell our products could reduce demand for products and result in a decrease in sales volume for a prolonged period of time, which would have a negative impact on our future results of operations. The recent surges in COVID-19 cases due to new variants of the virus and the resurgence of inflation brought on by labor and supply shortages may have an adverse impact upon our business. Should these conditions persist for a prolonged period, this could result in a material adverse effect on our results of operations.

New or more stringent government regulations or standards designed to address climate change could increase our operational costs and severe weather associated with a changing climate could negatively impact our operations and those of our customers and suppliers.

We are subject to domestic and foreign regulations and standards governing emissions controls which are, in part, designed to address climate change. Due to increasing global concern over the effects of climate change, new or more stringent regulations and standards may be mandated. In addition, various stakeholders may demand additional controls beyond what is required by such regulations or standards. Such additional regulations, standards and demands may expose us to increased operational costs associated with compliance, data collection and disclosure, and raw material sourcing, our manufacturing operations, and the distribution of our products may be adversely affected. Further, tighter emissions controls as a result of these actions could increase our operational costs and could lead to disruptions in our operations as compliance is attained. Severe weather associated with a changing climate could also negatively impact our facilities, information systems and infrastructure, as well as those of our customers and suppliers. This could disrupt supply and customer demand and negatively affect our ability to fulfill orders, manufacture products and maintain operations. In addition, certain markets and industries which Altra serves may be negatively impacted by global trends and market adjustment in response to a changing climate which could have an adverse impact on our financial performance. There can be no assurance that our efforts to address these regulations, standards, or stakeholder demands will be successful or that any future investments we make in furtherance of achieving climate change targets and goals will meet investor expectations or any regulatory or legal standards regarding sustainability performance. If we fail to sufficiently address applicable regulations, standards and stakeholder demands or fail to achieve or improperly report on our progress toward achieving our goals and commitments to reduce our carbon footprint or address sustainability programs and initiatives, the results could have an adverse impact on our business, results of operations and financial condition.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The number, type, location and size of the materially important physical properties used by our operations as of December 31, 2022, are shown in the following charts, by segment.

	Number and Nature of Facilities			Square footage	
	Manufacturing	Corporate Support	Total	Owned	Leased
Power Transmission Technologies	29	8	37	1,658,940	1,272,185
Automation & Specialty	17	7	24	559,000	821,456
Corporate[1]	—	2	2	104,288	15,204

	Locations					Expiration dates of Leased Facilities (in years)	
	North America	Europe	Asia	Other	Total	Minimum	Maximum
Power Transmission Technologies	15	13	3	6	37	—	9
Automation & Specialty	13	8	2	1	24	—	25
Corporate[1]	2	—	—	—	2	4	4

(1) Corporate headquarters, shared services center, selective engineering functions and selective customer service functions.

We believe our owned and leased facilities are well-maintained and suitable for our operations.

Item 3. ***Legal Proceedings***

We are, from time to time, subject to a variety of litigation and other legal and regulatory claims incidental to our business. We cannot predict the outcome of these lawsuits, legal proceedings and claims with certainty. Based on our experience, current information and applicable law, we do not believe that these proceedings and claims will have a material adverse effect on our business, financial condition and results of operations.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our common stock trades on the NASDAQ Global Market under the symbol "AIMC". As of February 28, 2023, the number of holders on record of our common stock was approximately 96.

Dividends

The Company declared and paid dividends of $0.35 per share of common stock for the year ended December 31, 2022. The Company declared and paid dividends of $0.30 per share of common stock for the year ended December 31, 2021.

On February 1, 2023, the Company declared a dividend of $0.09 per share for the quarter ended March 31, 2023, payable on April 4, 2023 to stockholders of record as of March 16, 2023. See Note 18 to the consolidated financial statements. The dividend will only be payable if the Regal Rexnord Merger has not closed prior to the close of business on the record date.

Future declarations of quarterly cash dividends are subject to approval by the Board of Directors and to the Board's continuing determination that the declaration of dividends are in the best interest of the Company's stockholders and are in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information concerning our equity compensation plans:

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders[1]	1,377,474[2]	$ —	3,776,946
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	1,377,474	$ —	3,776,946

(1) The 2014 Omnibus Incentive Plan was approved by the Company's stockholders at its 2014 annual meeting.

(2) Represents stock options and the maximum number of shares that may be issued under performance share awards that are outstanding as of December 31, 2022 based on achievement of the highest level of each applicable performance obligation.

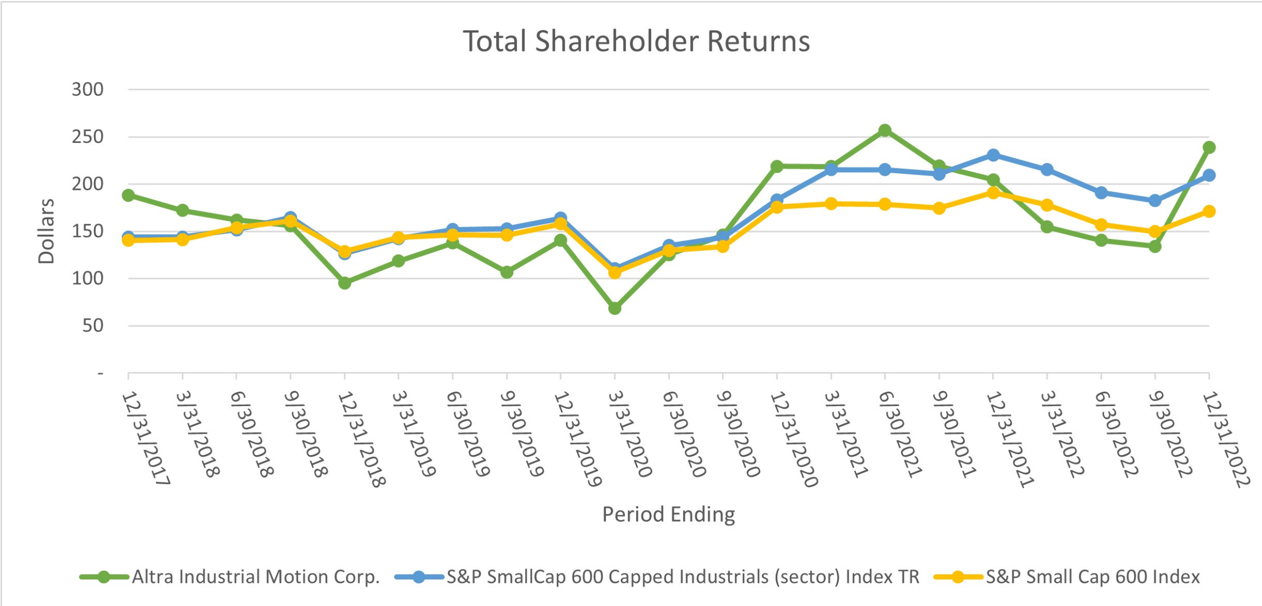
Issuer Repurchases of Equity Securities

On April 26, 2022, our Board of Directors approved a share repurchase program authorizing the buyback of up to $300 million of the Company's common stock through December 31, 2024. There was no share repurchase activity during the year ended December 31, 2022.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock for the 5-year period from December 31, 2017, through December 31, 2022, with the cumulative total return on shares of companies comprising the S&P Small

Cap 600 Index and the S&P Small Cap 600 Capped Industrials Index in each case assuming an initial investment of $100, assuming dividend reinvestment.



Item 6. ***Reserved***

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the Company's current estimates, expectations and projections about the Company's future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning the Company's possible future results of operations including revenue, costs of goods sold, gross margin, future profitability, future economic improvement, business and growth strategies, financing plans, expected leverage levels, the Company's competitive position and the effects of competition, the projected growth of the industries in which we operate, and the Company's ability to consummate strategic acquisitions and other transactions. In addition, all statements regarding the novel coronavirus, or COVID-19, pandemic and the responses thereto, including the pandemic's impact on general economic and market conditions, as well as on our business, customers, end markets, results of operations and financial condition, as well as other statements that are not strictly historic in nature are forward looking. Forward-looking statements include statements that are not historical facts and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "may," "should," "will," "would," "project," "forecast," and similar expressions or variations. These forward-looking statements are based upon information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company's actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Important factors that could cause the Company's actual results to differ materially from the results referred to in the forward-looking statements the Company makes in this report include the risks associated with:

- the effects of intense competition in the markets in which we operate;
- the cyclical nature of the markets in which we operate;
- the Company's ability to invest in new technologies and manufacturing techniques and to develop or adapt to changing technology and manufacturing techniques;
- political and economic conditions globally, nationally, regionally, and in the markets in which we operate;
- international operations, including currency risks;
- the loss of independent distributors on which we rely;
- the accuracy of estimated forecasts of OEM customers;
- the scope and duration of the COVID-19 global pandemic and its impact on global economic systems, our employees, sites, operations, customers, and supply chain, including the impact of the pandemic on manufacturing and supply capabilities throughout the world;
- disruption of our supply chain including the impact of the global semiconductor chip shortage;
- the disruption of the Company's production or commercial activities;
- natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, pandemics, including, but not limited to, the COVID-19 pandemic, and the ongoing military action between Russia and Ukraine, or other matters beyond the Company's control;
- fluctuations in the costs of raw materials used in our products;
- work stoppages and other labor issues involving the Company's facilities or the Company's customers;
- the Company's ability to retain key executives;
- the Company's ability to recruit, retain and motivate key sales, marketing or engineering personnel;
- the Company's ability to obtain or protect intellectual property rights and avoid infringing on the intellectual property rights of others;
- unplanned repairs or equipment outages;
- failure of the Company's operating equipment or information technology infrastructure, including cyber-attacks or other security breaches, and failure to comply with data privacy laws or regulations;
- the Company's ability to implement and maintain enhancements to its Enterprise Resource Planning (ERP) system;
- the Company's exposure to renewable energy markets;
- the Company's ability to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement, restructuring, plant consolidation and other business optimization initiatives;
- the Company's ability to achieve its business plans, including with respect to an uncertain economic environment;
- global economic changes and continued volatility and disruption in global financial markets;
- adverse conditions in the credit and capital markets limiting or preventing the Company's and its customers' and suppliers' ability to borrow or raise capital;
- changes in market conditions that would result in the impairment of goodwill, indefinite lived intangibles or other assets of the Company;
- any negative effects of the Company's leverage, which could adversely affect its financial health;
- the significant operating and financial restrictions imposed by the Credit Agreement;

- the Company’s exposure to variable interest rates and foreign currency exchange rates, including risks related to transitioning from LIBOR to a replacement alternative reference rate and risks related to the use of hedging arrangements to manage interest rate and currency risk;
- changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;
- changes to trade policies, legislation, treaties, regulations and tariffs both in and outside of the United States;
- exposure to United Kingdom political developments, including the effect of its withdrawal from the European Union, and the uncertainty surrounding the effect of Brexit and related negative developments in the European Union and elsewhere;
- defects, quality issues, inadequate disclosure or misuse with respect to our products and capabilities and related potential product liability claims;
- the outcome of litigation to which the Company is a party from time to time;
- changes in labor or employment laws;
- environmental laws and regulations and the Company’s failure to comply with such laws;
- tax laws and regulations in various jurisdictions to which the Company is subject and the inability to successfully defend claims from taxing authorities related to the Company’s current or acquired businesses;
- changes in the Company’s tax rates or exposure to additional income tax liabilities or assessments, as well as audits by tax authorities;
- changes in volatility of the Company’s stock price and the risk of litigation following a decline in the price of the Company’s stock;
- the Company’s ability to successfully execute, manage and integrate key acquisitions and mergers, including the Regal Rexnord Merger, the Nook acquisition and the Fortive Transaction;
- risks related to the Regal Rexnord Merger diverting management’s attention away from the Company’s ongoing business operations;
- the effect of the pendency of the Regal Rexnord Merger on the Company’s ability to retain and hire key personnel, its ability to maintain relationships with its customers, suppliers and others with whom it does business, its ability to respond effectively to competitive pressures, industry developments and future business opportunities, or its operating results and business generally;
- the risks associated with the Company’s ability to successfully divest or otherwise dispose of businesses that that are deemed not to fit with our strategic plan or are not achieving the desired return on investment;
- the Company’s debt and access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company’s debt obligations;
- restrictions relating to the tax free treatment of the Fortive Transaction; and
- other factors, risks, and uncertainties referenced in the Company’s filings with the Securities and Exchange Commission, including the “Risk Factors” set forth in this document.

ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS REPORT. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT ANY EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO US OR ANY PERSON ACTING ON THE COMPANY’S BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION AND IN OUR RISK FACTORS SET FORTH IN PART I, ITEM 1A OF THE COMPANY’S ANNUAL REPORT ON FORM 10-K AND IN OTHER REPORTS FILED WITH THE SEC BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Industrial Motion Corp. and its subsidiaries should be read together with the consolidated financial statements of Altra Industrial Motion Corp. and its subsidiaries and related notes included elsewhere in the this Annual Report on Form 10-K. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see “Forward-Looking Statements” and “Risk Factors”. Unless the context requires otherwise, the terms “Altra,” “Altra Industrial Motion Corp.,” “the Company,” “we,” “us” and “our” refer to Altra Industrial Motion Corp. and its subsidiaries.

The following generally discusses 2022 and 2021 items and year-to-year comparison between 2022 and 2021. Discussion of historical items and year-to-year comparisons between 2021 and 2020 that are not included in this discussion can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 28, 2022.

General

We are a leading global designer, producer and marketer of a wide range of electromechanical power transmission motion control (“PTMC”) products. Our technologies are used in various motion related applications and across a wide variety of high-volume manufacturing and non-manufacturing processes in which reliability and precision are critical to avoid costly down time and enhance the overall efficiency of operations.

We market our products under well recognized and established brands, which have been in existence for an average of over 90 years. We serve a diversified group of customers comprised of over 1,000 direct original equipment manufacturers ("OEMs") including GE, Honeywell and Siemens, and also benefit from established, long-term relationships with leading industrial distributors, including Applied Industrial Technologies, Grainger, and Motion Industries. Many of our customers operate globally across a large number of industries, ranging from transportation, turf and agriculture, energy and mining to factory automation, medical and robotics. Our relationships with these customers often span multiple decades, which we believe reflects the high level of performance, quality and service we deliver, supplemented by the breadth of our offering, vast geographic footprint and our ability to rapidly develop custom solutions for complex customer requirements.

On October 1, 2018, Altra consummated the Fortive Transaction and acquired the A&S Business for an aggregate purchase price of approximately $2,855.7 million, subject to certain post-closing adjustments, which consisted of $1,400.0 million of cash and debt instruments transferred to Fortive and shares of Altra common stock received by Fortive shareholders valued at approximately $1,455.7 million. The initial accounting for the Fortive Transaction (including the allocation of the purchase price to acquired assets and liabilities) was completed during the year ended December 31, 2019.

The Regal Rexnord Merger

On October 26, 2022, we entered into the Regal Rexnord Merger Agreement with Regal Rexnord and Merger Sub, pursuant to which, and upon the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Regal Rexnord. Under the Regal Rexnord Merger Agreement, at the closing of the Regal Rexnord Merger, each issued and outstanding share of our common stock (other than (i) shares owned by the Company, any subsidiary of the Company, Regal Rexnord, Merger Sub or any other subsidiary of Regal Rexnord, (ii) shares owned by stockholders of the Company who have validly exercised their statutory rights of appraisal under the DGCL and (iii) Company Restricted Shares (as defined in the Regal Rexnord Merger Agreement)) will be converted into the right to receive $62.00 in cash, without interest and subject to any required withholding of taxes. The Board of Directors of the Company has unanimously approved the Regal Rexnord Merger Agreement and, as announced in our Current Report on Form 8-K filed with the SEC on January 18, 2023, the Regal Rexnord Merger was approved by our shareholders. The consummation of the Regal Rexnord Merger is subject to customary closing conditions and is expected to occur in the first half of 2023 and potentially in the first quarter of 2023. If the Regal Rexnord Merger Agreement is terminated under specified circumstances, we will be required to pay Regal Rexnord a termination fee of $100 million. The Regal Rexnord Merger Agreement also provides that, in connection with the termination of the Regal Rexnord Merger Agreement under specified antitrust related circumstances, Regal Rexnord will be required to pay us a "reverse termination fee" of $200 million.

Critical Accounting Policies and Significant Accounting Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. The methods, estimates and judgments we use in applying our critical accounting policies have a significant impact on the results we report in our financial statements. We evaluate our estimates and judgments on an on-going basis. Our estimates are based upon historical experience and assumptions that we believe are reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates and different assumptions or estimates about the future could change our reported results.

Our significant accounting policies are discussed in Note 1 to the financial statements. We believe the following accounting policies and estimates are the most critical in that they are important to the financial statements and they require the most difficult, subjective or complex judgments in the preparation of the financial statements.

Inventory. Inventories are generally stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The cost of inventory includes direct materials, direct labor, and production overhead. We state inventories acquired through acquisitions at their fair value at the date of acquisition based on the replacement cost of raw materials, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts, and, for work-in-process, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts and costs to complete.

We periodically review our quantities of inventories on hand and compare these amounts to the historical and expected usage of each particular product or product line. We record as a charge to cost of sales any amounts required to reduce the carrying value of inventories to net realizable value.

We record an inventory excess and obsolescence reserve for obsolete, excess and slow-moving inventory. In calculating our inventory excess and obsolescence reserve, we analyze historical and projected data regarding customer demand within specific product categories and make assumptions regarding economic conditions within customer specific industries, as well as product changes. Our accounting estimate related to inventory excess and obsolescence is a critical accounting estimate because our assumptions are based on factors that can be variable and largely beyond our control, and changes in our reserve for inventory excess and obsolescence could materially affect our results of operations.

Business Combinations. Business combinations are accounted for at fair value. Acquisition costs are generally expensed as incurred and recorded in selling, general and administrative expenses. The accounting for business combinations is a critical accounting estimate because it requires estimates and judgment as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets and liabilities acquired. The fair value assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets.

Goodwill, Intangibles and other long-lived assets. In connection with our acquisitions, goodwill and intangible assets were identified and recorded at fair value. We recorded intangible assets for customer relationships, trade names and trademarks, product technology, patents, and goodwill. In valuing the customer relationships, trade names and trademarks and product technology, we utilized variations of the income approach. The income approach was considered the most appropriate valuation technique because the inherent value of these assets is their ability to generate current and future income. The income approach relies on historical financial and qualitative information, as well as assumptions and estimates for projected financial information. Projected financial information is subject to risk if our estimates are incorrect. The most significant estimate relates to our projected revenues and profitability. If we do not meet the projected revenues and profitability used in the valuation calculations then the intangible assets could be impaired. In determining the value of customer relationships, we reviewed historical customer attrition rates which were determined to be approximately 1% - 12% per year. Most of our customers tend to be long-term customers with very little turnover. While we do not typically have long-term contracts with customers, we have established long-term relationships with customers which make it difficult for competitors to displace us. Additionally, we assessed historical revenue growth within our industry and customers' industries in determining the value of customer relationships. The value of our customer relationships intangible asset could become impaired if future results differ significantly from any of the underlying assumptions. This could include a higher customer attrition rate or a change in industry trends such as the use of long-term contracts which we may not be able to obtain successfully. Customer relationships and product technology and patents are considered finite-lived assets, with estimated lives ranging from 4 to 29 years. The estimated lives were determined by calculating the number of years necessary to obtain 95% of the value of the discounted cash flows of the respective intangible asset.

Goodwill, trademarks and the majority of our trade names are considered indefinite lived assets. Our trade names and our trademarks identify us and differentiate us from competitors, and therefore competition does not limit the useful life of these assets. Additionally, we believe that our trade names and trademarks will continue to generate product sales for an indefinite period.

Accounting standards require that an annual goodwill impairment assessment be conducted at the reporting unit level using either a quantitative or qualitative approach. The Company has determined that its Power Transmission Technologies ("PTT") reporting segment is comprised of three reporting units. The Company has also determined that its A&S Business reporting segment is comprised of three reporting units.

In connection with the Company's annual impairment review, goodwill is assessed for impairment by comparing the fair value of the reporting unit to the carrying value. The Company's measurement date is October 31st. The Company determines the fair value of its reporting units using a combination of the discounted cash flow model as well as a market-based approach relying on the Company's market multiples. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples. The Company estimates future cash flows based upon historical results and current market projections, discounted at a market comparable rate. An impairment loss would be recognized to the extent that a reporting unit's carrying amount exceeded its deemed fair value.

Management believes the preparation of revenue and profitability growth rates for use in the long-range plan and the discount rate requires significant use of judgment. If any of our reporting units do not meet our forecasted revenue and/or profitability estimates, we could be required to perform an interim goodwill impairment analysis in future periods. In addition, if our discount rate increases, we could be required to perform an interim goodwill impairment analysis.

For our indefinite lived intangible assets, mainly trademarks, we estimate the fair value by first estimating the total revenue attributable to the trademarks. Second, we estimate an appropriate royalty rate using the return on assets method by estimating the required financial return on our assets, excluding trademarks, less the overall return generated by our total asset base. The return as a percentage of revenue provides an indication of our royalty rate. We compared the estimated fair value of the trademarks with the carrying value of the trademarks and did not identify any impairment as of the annual impairment date or for any of the periods presented.

Long-lived assets, including definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time.

Management continuously monitors for events and circumstances that could negatively impact the key assumptions in determining fair value. While management believes the judgements and assumptions used in the impairment tests are reasonable, management considers it a critical accounting estimate because different assumptions or changes in general industry and economic conditions could change the estimated fair values and, therefore, future impairment charges could be required, which could be material to the financial statements. Refer to Note 7 for additional discussion and results of the Company's annual impairment review.

Recent Accounting Standards

See the discussion of significant accounting policies in Note 1 of the consolidated financial statements for the year ended December 31, 2022.

Results of Operations.

Amounts in millions, except percentage data

	Years Ended December 31,		
	2022	2021	2020
Net sales	$ 1,945.5	$ 1,899.8	$ 1,726.0
Cost of sales	1,252.6	1,224.4	1,103.6
Gross profit	692.9	675.4	622.4
Gross profit percentage	35.6 %	35.6 %	36.1 %
Selling, general and administrative expenses	370.0	368.7	332.2
Impairment charges	13.2	142.4	147.5
Research and development expenses	64.1	63.9	57.8
Restructuring costs	5.2	3.0	7.4
Income from operations	240.4	97.4	77.5
Interest expense, net	51.5	94.5	72.1
Other non-operating (income) expense, net	(0.4)	(4.9)	1.4
Income before income taxes	189.3	7.8	4.0
(Benefit)/Provision for income taxes	62.3	(19.9)	29.5
Net income/(loss)	$ 127.0	$ 27.7	$ (25.5)

Segment Performance.

Amounts in millions, except percentage data

	Years Ended December 31,		
	2022	2021	2020
Net Sales:			
Power Transmission Technologies	$ 985.6	$ 924.8	$ 818.6
Automation & Specialty	965.5	979.0	911.8
Intra-segment eliminations	(5.6)	(4.0)	(4.4)
Net sales	$ 1,945.5	$ 1,899.8	$ 1,726.0
Income from operations:			
Segment earnings:			
Power Transmission Technologies	$ 136.8	$ 128.6	$ 97.5
Automation & Specialty	136.0	(8.3)	(10.4)
Corporate	(27.2)	(19.9)	(2.2)
Restructuring and consolidation costs	(5.2)	(3.0)	(7.4)
Income from operations	$ 240.4	$ 97.4	$ 77.5

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Net sales	$ 1,945.5	$ 1,899.8	$ 45.7	2.4%

Net Sales. The increase in net sales during the year ended December 31, 2022 when compared to the year ended December 31, 2021 is primarily due to strength across most end markets, especially the turf and garden, metals and mining, and factory automation end markets, surcharge revenue, the addition of approximately $46.2 million of sales from Nook and price, which had a favorable impact on net sales of $79.2 million. The increase in net sales was partially offset by the divestiture of the JVS business, which had an unfavorable impact of $141.7 million, along with changes in foreign exchange, which had an unfavorable impact of $71.9 million for the year ended December 31, 2022.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Gross profit	$ 692.9	$ 675.4	$ 17.5	2.6%
Gross profit as a percent of net sales	35.6%	35.6%		

Gross profit. Gross profit as a percentage of net sales during the year ended December 31, 2022 was flat when compared to the year ended December 31, 2021. Gross profit was negatively impacted by increasing costs associated with logistics, supply chain and labor as well as the impact from surcharge revenue used to recover these costs with no associated margin. In addition, changes in foreign exchange had an unfavorable impact of $28.4 million. These items were offset by price, which had a favorable impact of $79.2 million for the year ended December 31, 2022.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Selling, general and administrative expense (“SG&A”)	$ 370.0	$ 368.7	$ 1.3	0.4%
SG&A as a percent of net sales	19.0%	19.4%		

Selling, general and administrative expenses. The increase in SG&A during the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily driven by increased transaction costs, the addition of Nook Industries, and increases in general operating costs such as travel, headcount and merit increases. The increase in SG&A was partially offset by the JVS divestiture and the impact of foreign exchange of $14.1 million.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Research and development expenses (“R&D”)	$ 64.1	$ 63.9	$ 0.2	0.3%

Research and development expenses. The increase in R&D during the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily due to merit increases and backfilling open positions as well as the inclusion of R&D expenses from Nook of approximately $1.1 million. The increase in R&D expenses was partially offset by a foreign exchange impact of approximately $3.5 million and the JVS divestiture for the year ended December 31, 2022. Refer to Note 3 for further information on the sale of the JVS business. We expect R&D costs to be approximately 2.5% - 3.5% of sales in future periods.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Restructuring costs	$ 5.2	$ 3.0	$ 2.2	73.3 %

Restructuring costs. During the quarter ended September 30, 2017, we commenced a restructuring plan ("2017 Altra Plan") as a result of Altra's purchase of Stromag (the "Stromag Acquisition") and to rationalize our global renewable energy business. The actions taken pursuant to the 2017 Altra Plan included reducing headcount, facility consolidations and the elimination of certain costs. The total 2017 Altra Plan savings are in line with our expectations. In 2022 and 2021, we did not incur any costs as a result of the 2017 Altra Plan and we do not expect to incur any additional material costs as a result of the 2017 Altra Plan.

During 2019, we commenced a restructuring plan ("2019 Altra Plan") to drive efficiencies, reduce the number of facilities and optimize our operating margin. We have incurred and expect to incur expenses related to workforce reductions, lease termination costs and other facility rationalization costs. We expect to incur an additional $1.0 - $2.0 million in restructuring expenses under the 2019 Altra Plan over the next 2 years, primarily related to plant consolidation and headcount reductions. We achieved savings of $2.3 million during the year ended December 31, 2022 under the 2019 Altra Plan and estimate additional future savings to be approximately $4.0 - $5.0 million over the next 2 years. The cost savings for the year ended December 31, 2022 were recognized as improvements in SG&A and cost of sales of approximately $1.6 million and $0.7 million, respectively.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Interest expense, net	$ 51.5	$ 94.5	$ (43.0)	(45.5)%

Interest expense. The decrease in interest expense during the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily due to the impact of our debt refinancing in the prior year and current year debt paydowns, partially offset by higher interest rates. In 2021, in connection with our debt refinancing, we recorded $15.4 million of non-cash interest expense due to the write-off of debt issuance costs related to the extinguishment of the 2018 Term Loan Facility (as defined below). In addition, in 2021, we reclassified the remaining balance of the unrealized loss from the termination of the interest rate swap from accumulated other comprehensive income (loss) to interest expense of approximately $14.9 million of non-cash interest expense. We expect interest expense to increase in 2023 due to a higher interest rate environment partially offset by additional principal payments on our debt.

Amounts in millions, except percentage data	Years Ended December 31,			
	2022	2021	Change	%
Provision/(Benefit) for income taxes	$ 62.3	$ (19.9)	$ 82.2	(413.1)%
Provision/(Benefit) for income taxes as a percent of income before income taxes	32.9 %	(255.1)%		

Provision/(Benefit) for income taxes. The provision for income tax as a percentage of income before income taxes increased during the year ended December 31, 2022 when compared to the year ended December 31, 2021. Income tax as a percent of income before income taxes during the year ending December 31, 2021 was impacted by a $142.4 million non-cash impairment charge recorded related to the classification of the JVS business as an asset held for sale and by a $2.8 million provision related to disallowed executive compensation. The increase in the provision for income tax as a percent of income before income taxes for the year ended December 31, 2022 was mainly due to an expense of $10.2 million related to the JVS divestiture and a $4.1 million provision related to limited executive compensation deduction. We expect our provision for income taxes before discrete items to be approximately 22% to 24% in future periods.

Segment Performance

Power Transmission Technologies

Net sales in the Power Transmission Technologies segment were $985.6 million in the year ended December 31, 2022, an increase of approximately $60.8 million or 6.6%, from the year ended December 31, 2021. The increase was primarily due to the broad based strength across most of our end markets, especially the metals and mining, turf and garden and agriculture end markets, and price, which had a favorable impact on net sales for the year ended December 31, 2022 of $51.9 million. The increase in net sales was partially offset by changes in foreign exchange, which had an unfavorable impact on net sales of $39.0 million for the year ended

December 31, 2022. Segment operating income increased by approximately $8.2 million compared to the prior year, which was primarily driven by the increase in net sales. This increase was partially offset by increasing costs from logistics, supply chain and labor. In addition, there was a $3.0 million non-cash impairment charge recorded at the Company's facility in Dessau, Germany, during the third quarter of 2022 related to the expected sale of the building, as well as restructuring expenses related to severance costs associated with the facility closure.

Automation & Specialty

Net sales in the Automation & Specialty business segment were $965.5 million in the year ended December 31, 2022, a decrease of approximately $13.5 million from the year ended December 31, 2021. The decrease was primarily due to the loss of revenue as a result of the sale of the JVS business in April 2022 and unfavorable changes in foreign exchange. The sale of the JVS business had an unfavorable impact of $141.7 million and changes in foreign exchange had an unfavorable impact of $32.9 for the year ended December 31, 2022. The decrease in net sales was partially offset by continued strength in the factory automation end market, and the inclusion of sales from the newly acquired Nook business, which were approximately $46.2 million for the year ended December 31, 2022. Additionally, price and surcharges had a favorable impact on net sales of $76.9 million for the year ended December 31, 2022. Segment operating income increased by approximately $144.3 million compared to the prior year primarily due to the non-cash impairment charges recorded at the JVS reporting unit related to the held for sale classification of $10.2 million and $142.4 million during the years ended December 31, 2022 and 2021, respectively. Excluding the impact of these non-cash impairment charges in 2022 and 2021, income from operations would have increased by approximately $12.1 million for the year ended December 31, 2022 as compared to the prior year, primarily due to the addition of Nook as well as the impact from price, partially offset by the sale of the JVS business.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under the Revolving Credit Facility (as defined below). At December 31, 2022, we had the ability under the Revolving Credit Facility to borrow an additional $730.9 million subject to satisfying customary conditions. We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions, pensions, dividends and share repurchases.

We believe, based on current and projected levels of cash flows from operating activities, together with our ability to borrow under the Revolving Credit Facility (as defined herein), we have sufficient liquidity to meet our short-term and long-term needs to make required payments of interest on our debt, make amortization payments under the Credit Facilities (as defined herein), fund our operating needs, fund working capital and capital expenditure requirements and comply with the financial ratios in our debt agreements. In the event additional funds are needed for operations, we could attempt to obtain new debt and/or refinance existing debt, or attempt to raise capital in the equity markets. There can be no assurance, however, that additional debt or equity financing will be available on commercially acceptable terms, if at all.

Notes

On September 26, 2018, Stevens Holding Company, Inc., a wholly owned subsidiary of the Company ("Stevens Holding"), announced the pricing of $400 million aggregate principal amount of Stevens Holding's 6.125% senior notes due 2026 (the "Notes") in a private debt offering pursuant to Rule 144A and Regulation S under the Securities Act of 1933 (the "Private Placement"). On October 1, 2018, the Private Placement closed, and Stevens Holding sold $150 million aggregate principal amount of the Notes (the "Primary Notes") and an unaffiliated selling securityholder sold $250 million aggregate principal amount of the Notes (the "Selling Securityholder Notes"). The Notes will mature on October 1, 2026. Interest on the Notes accrues from October 1, 2018, and the first interest payment date on the Notes was April 1, 2019. The Notes may be redeemed at the option of Stevens Holding on or after October 1, 2023, in the manner and at the redemption prices specified in the indenture governing the Notes, plus accrued and unpaid interest thereon, if any, to, but excluding, the date of redemption. The Notes are guaranteed on a senior unsecured basis by Altra and certain of its domestic subsidiaries.

The unaffiliated selling securityholder received the Selling Securityholder Notes from Fortive prior to the closing of the Private Placement in exchange for certain outstanding Fortive debt held or acquired by the unaffiliated selling securityholder. Stevens Holding used the net proceeds of the Primary Notes to fund a dividend payment to Fortive prior to the consummation of the A&S Merger, and Stevens Holding did not receive any proceeds from the sale of the Selling Securityholder Notes.

2021 Altra Credit Agreement

On November 17, 2021, the Company entered into a new Credit Agreement (the “Credit Agreement” or the "Altra Credit Agreement") with certain subsidiaries of the Company (together with the Company, the “Borrowers”) , the lenders party to the Credit Agreement from time to time (collectively, the “Lenders”), Bank of Montreal as administrative agent (the “Administrative Agent”), as sustainability structuring agent and collateral agent thereunder, and under the security and guarantee documents for the Lenders, and BMO Capital Markets Corp., Citizens Bank, N.A., JPMorgan Chase Bank, N.A., and Wells Fargo Securities, LLC as joint lead arrangers and joint bookrunners. Pursuant to the Credit Agreement, the Lenders made available to the Borrowers a term loan facility of $400.0 million (the “Term Loan Facility” or "Term Loan" or “Term Loan A”) and a revolving credit facility of $1,000.0 million (the “Revolving Credit Facility” or "Revolver", and together with the Term Loan Facility, the “Credit Facilities”). The aggregate proceeds of the Credit Facilities were used to repay in full and extinguish all outstanding indebtedness for borrowed money under the 2018 Credit Agreement. The amounts available under the Credit Facilities are to be available for general corporate purposes and to repay existing indebtedness. The stated maturity of both of the Credit Facilities is November 17, 2026, and there are scheduled quarterly principal payments due on the outstanding amount of the Term Loan Facility.

The Credit Facilities are guaranteed on a senior secured basis by certain direct and indirect domestic subsidiaries of the Company (each a “Guarantor” and collectively the “Guarantors”; the Guarantors collectively with the Borrowers, the “Loan Parties”).

The amounts available under the Revolving Credit Facility may be drawn upon in accordance with the terms of the Credit Agreement. All amounts outstanding under the Credit Facilities are due on the stated maturity or such earlier time, if any, required under the Credit Agreement. The amounts owed under either of the Credit Facilities may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the Credit Facilities is calculated using either a Base Rate or Eurocurrency Rate, plus the applicable margin. The applicable margins for Eurocurrency Loans are between 1.000% to 1.750%, and for Base Rate Loans are between 0.000% and 0.750%. The amounts of the margins are calculated based on the Total Leverage Ratio (as defined in the Credit Agreement). A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The interest rate on the Credit Facilities was 5.446% at December 31, 2022.

Revolving borrowings and issuances of letters of credit under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the accuracy of representations and warranties and the absence of defaults.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Borrowers to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The obligations of the borrowers of the Credit Facilities under the Credit Agreement may be accelerated upon customary events of default, including non-payment of principal, interest, fees and other amounts, inaccuracy of representations and warranties, violation of covenants, cross default and cross acceleration, voluntary and involuntary bankruptcy or insolvency proceedings, inability to pay debts as they become due, material judgments, ERISA events, actual or asserted invalidity of security documents or guarantees and change in control.

Pursuant to the Credit Agreement, on November 17, 2021, the Loan Parties and the Administrative Agent entered into a Guarantee and Collateral Agreement (the “Guarantee and Collateral Agreement”), pursuant to which each Loan Party pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property, whether now owned by or owing to, or after acquired by or arising in favor of such Loan Party (including under any trade name or derivations), and whether owned or consigned by or to, or leased from or to, such Loan Party, and regardless of where located, except for specific excluded personal property identified in the Guarantee and Collateral Agreement (collectively, the “Collateral”). Notwithstanding the foregoing, the Collateral does not include, among other items, more than 65% of the capital stock of the first tier foreign subsidiaries of the Company. The Guarantee and Collateral Agreement contains other customary representations, warranties and covenants of the parties.

In connection with the Guarantee and Collateral Agreement, certain of the Loan Parties delivered a Patent Security Agreement and a Trademark Security Agreement in favor of the Administrative Agent pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties.

2018 Altra Credit Agreement

On October 1, 2018, the Company entered into a Credit Agreement (the “2018 Credit Agreement”) with certain subsidiaries of Altra, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and a syndicate of lenders. The 2018 Credit

Agreement provided for a seven-year senior secured term loan to the Company in an aggregate principal amount of $1,340.0 million (the "2018 Term Loan Facility") and a five-year senior secured revolving credit facility available to the Company and certain of its subsidiaries in an aggregate committed principal amount of $300.0 million (the "2018 Revolving Credit Facility" and together with the 2018 Term Loan Facility, the "2018 Credit Facilities"). The initial proceeds of the 2018 Term Loan Facility were used to (i) consummate the Direct Sales, (ii) repay in full and extinguish all outstanding indebtedness for borrowed money under the Company's previous credit agreement and (iii) pay certain fees, costs, and expenses in connection with the consummation of the Fortive Transaction. Any proceeds of the 2018 Term Loan Facility not so used could be used for general corporate purposes and the proceeds of the 2018 Revolving Credit Facility were used for working capital and general corporate purposes.

On November 17, 2021, in connection with the new Credit Agreement, the 2018 Credit Agreement was terminated and all outstanding indebtedness for borrowed money thereunder was repaid in full.

Borrowings

Below is a summary of borrowings as of December 31, 2022 and 2021, respectively:

	Amounts in millions Years Ended December 31, 2022	2021
Debt:		
Term loan	$ 390.0	$ 400.0
Revolver	265.0	605.0
Notes	383.7	400.0
Mortgages and other	7.2	9.2
Finance leases	0.3	0.1
Total gross debt	$ 1,046.2	$ 1,414.3

Below is a reconciliation of net debt for the year ended December 31, 2022 and 2021, respectively:

	Amounts in millions Years Ended December 31, 2022	2021
Total gross debt	$ 1,046.2	$ 1,414.3
Cash	(208.9)	(246.1)
Net Debt	$ 837.3	$ 1,168.2

Cash and Cash Equivalents

The following is a summary of our cash balances and cash flows (in millions) as of and for the years ended December 31, 2022 and 2021, respectively.

	2022	2021	Change
Cash and cash equivalents at the beginning of the year	$ 246.1	$ 254.4	$ (8.3)
Cash flows provided by operating activities	125.0	217.0	(92.0)
Cash flows provided by (used in) in investing activities	253.1	(163.6)	416.7
Cash flows used in financing activities	(395.7)	(52.5)	(343.2)
Effect of exchange rate changes on cash and cash equivalents	(19.6)	(9.2)	(10.4)
Cash and cash equivalents at the end of the year	$ 208.9	$ 246.1	$ (37.2)

Cash Flows for 2022

Net cash provided by operating activities was approximately $125.0 million for the year ended December 31, 2022, a decrease of approximately $92.0 million as compared to the prior year. The decrease in net cash provided was primarily due to unfavorable changes in trade receivables and accounts payable and accrued liabilities of approximately $73.0 million.

Net cash provided by investing activities was approximately $253.1 million for the year ended December 31, 2022, an increase of approximately $416.7 million as compared to the prior year. The increase in net cash provided was primarily due to cash received for the sale of the JVS business of $321.7 million in 2022 compared to cash paid for the purchase of Nook Industries for $125.2 million in 2021, partially offset by increased property, plant and equipment purchases, a noncontingent purchase price holdback of $8.2 million related to the acquisition of Nook Industries that was released in January 2022, as well as an additional investment in MTEK Industry AB.

Net cash used in financing activities was approximately $395.7 million for the year ended December 31, 2022, an increase of approximately $343.2 million as compared to the prior year. The increase in net cash used was primarily due to increased debt paydowns of approximately $226.4 million when compared to the prior year. The proceeds from the sale of the JVS business were primarily used for payments on our Revolving Credit Facility.

We intend to use our remaining cash and cash equivalents and cash flow from operations to provide for our working capital needs, to fund potential future acquisitions, to service our debt, including principal payments, for capital expenditures, for pension funding, and to pay dividends to our stockholders. As of December 31, 2022, we have approximately $161.1 million of cash and cash equivalents held by foreign subsidiaries. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our Altra Credit Facilities provide additional potential sources of liquidity should they be required.

Capital Expenditures

We made capital expenditures of approximately $55.9 million and $40.6 million in the years ended December 31, 2022 and 2021, respectively. The increase in capital expenditures during 2022 was primarily due to building improvements at several of our locations. These capital expenditures will support on-going business needs.

Long-Term Cash Requirements

Our cash requirements greater than twelve months include payments related to our debt obligations and operating and finance leases. Refer to Note 11 *Long-Term Debt* and Note 4 *Lease Accounting* in the Notes to Consolidated Financial Statements for further detail of our contractual obligations and the timing of expected future payments.

From time to time, we may have cash funding requirements associated with our pension plans. As of December 31, 2022, there were no funding requirements for 2023 to 2027. These amounts are based on actuarial assumptions and actual amounts could be materially different.

We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities.

Stock-based Compensation

The 2014 Omnibus Incentive Plan (the “2014 Plan”) was approved by the Company's stockholders at its 2014 annual meeting. The 2014 Plan provides for various forms of stock-based compensation to our directors, executive personnel and other key employees and consultants. Under the 2014 Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards (“Awards”) was originally 750,000. Shares of our common stock subject to Awards or grants awarded under our prior 2004 Equity Incentive Plan and outstanding as of the effective date of the 2014 Plan (except for substitute awards) that terminate without being exercised, expire, are forfeited or canceled, are exchanged for Awards that did not involve shares of common stock, are not issued on the stock settlement of a stock appreciation right, are withheld by the Company or tendered by a participant (either actually or by attestation) to pay an option exercise price or to pay the withholding tax on any Award, or are settled in cash in lieu of shares will again be available for Awards under the 2014 Plan. An amendment to the 2014 Plan to, among other things, make an additional 2,200,000 shares of common stock available for grant under the 2014 Plan was approved by the Company’s stockholders at the special meeting of stockholders on September 4, 2018. An additional amendment to the 2014 Plan to, among other things, make an additional 3,000,000 shares of common stock available for grant under the 2014 Plan was approved by the Company’s stockholders at its 2020 annual meeting of stockholders on April 28, 2020.

As of December 31, 2022, there were 562.1 thousand shares of unvested restricted stock outstanding under the 2014 Plan. The remaining compensation cost to be recognized through 2024 is $19.9 million. Based on the stock price at December 30, 2022, of $59.75 per share, the intrinsic value of these awards as of December 31, 2022, was $33.6 million.

Income Taxes

We are subject to taxation in multiple jurisdictions throughout the world. Our effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which we transfer funds between jurisdictions and repatriate income, and changes in law. Generally, the tax liability for each legal entity is determined either (a) on a non-consolidated and non-combined basis or (b) on a consolidated and combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated and non-combined affiliated entities. As a result, we may pay income taxes to some jurisdictions even though on an overall basis we incur a net loss for the period.

Seasonality

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, sales to OEMs are often stronger immediately preceding and following the launch of new products. In addition, we experience seasonality in our turf and garden business. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The June-through-November period is typically the low season for us and our customers in the turf and garden market. Seasonality is also affected by weather and the level of housing starts. However, as a whole, we are not subject to material seasonality.

Inflation

Inflation can affect the costs of goods and services we use. The majority of the countries that are of significance to us, from either a manufacturing or sales viewpoint, have experienced rising inflation, and there can be no assurance that inflation will moderate in future periods. The competitive environment in which we operate inevitably creates pressure on us to provide our customers with cost-effective products and services.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates and changes in commodity prices. At present, we do not utilize any other derivative instruments to manage these risks.

Currency translation. We are exposed to market risk from changes in foreign currency exchange rates primarily in connection with our foreign subsidiaries. The results of operations of our foreign subsidiaries are translated into U.S. Dollars at the average exchange rates for each period concerned. The balance sheets of foreign subsidiaries are translated into U.S. Dollars at the exchange rates in effect at the end of each period. Any adjustments resulting from the translation are recorded as other comprehensive income. For the year ended December 31, 2022, approximately 42.1% of our revenues and approximately 44.1% of our total operating income were denominated in foreign currencies.

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2022. As of December 31, 2022, the analysis indicated that such an adverse movement would cause our revenues and operating income to fluctuate by approximately 4.2% and 4.4%, respectively.

Currency transaction exposure. Currency transaction exposure arises where actual sales, purchases and financing transactions are made by a business or company in a currency other than its own functional currency. Any transactional differences at an international location are recorded in net income on a monthly basis. From time to time, the Company may enter into contractual derivative arrangements to manage changes in market conditions, related foreign currency exposure and occasionally on commodity prices.

Interest rate risk. We are subject to market exposure to changes in interest rates on some of our financing activities. This exposure relates to borrowings under our Altra Credit Facilities that are subject to variable interest rates. Interest on the amounts outstanding under the credit facilities is calculated using the Eurodollar rate, plus the applicable margin. As of December 31, 2022, we had $655.0 million in borrowings under our Altra Credit Facilities. A hypothetical change in interest rates of 1% on our outstanding variable rate debt would increase our annual interest expense by approximately $6.6 million.

Commodity price exposure. We have exposure to changes in commodity prices principally related to metals including steel, copper and aluminum. We primarily manage our risk associated with such increases through the use of surcharges or general pricing increases for the related products. We do not engage in the use of financial instruments to hedge our commodities price exposure.

Item 8. *Financial Statements and Supplementary Data*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Altra Industrial Motion Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Altra Industrial Motion Corp. and subsidiaries (the "Company") as of December 31, 2022, and 2021, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill —Portescap Reporting Unit — Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

The Company’s evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and for the Portescap reporting unit, the Company also used the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, and amortization (EBITDA) and revenue multiples. The goodwill balance was $1.5 billion as of December 31, 2022, of which $162 million was allocated to the Portescap reporting unit. The fair value of the Portescap reporting unit exceeded the carrying value by less than 10% as of the annual goodwill impairment date and, therefore, no impairment was recognized. All other reporting units had fair values that exceed their carrying value by 10% or more, as of the annual goodwill impairment date.

Given the significant estimates and assumptions management makes to estimate the fair value of the Portescap reporting unit and the sensitivity of Portescap operations to changes in certain markets, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenues, profit margins, EBITDA and revenue multiples, and the selection of the discount rate for Portescap required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenues, profit margins, and EBITDA and revenue multiples ("forecasts"), and the selection of the discount rate for the Portescap reporting unit included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of Portescap, such as controls related to management's forecasts and selection of the discount rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) external information.
- With the assistance of our fair value specialists, we evaluated the discount rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rate selected by management.
- With the assistance of our fair value specialists, we evaluated the EBITDA and revenue multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline companies.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
March 1, 2023

We have served as the Company's auditor since 2009.

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Balance Sheets
Amounts in millions, except share and per share amounts

	Years Ended December 31, 2022	Years Ended December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 208.9	$ 246.1
Trade receivables, less allowance for credit losses of $4.5 and $4.1 million at December 31, 2022 and 2021, respectively	244.6	224.5
Inventories	338.9	267.8
Income tax receivable	8.9	11.7
Assets held for sale	—	377.3
Prepaid expenses and other current assets	35.1	40.4
Total current assets	836.4	1,167.8
Property, plant and equipment, net	275.1	275.8
Intangible assets, net	970.4	1,057.2
Goodwill	1,524.5	1,564.0
Deferred income taxes	7.5	2.3
Other non-current assets	21.3	13.5
Operating lease right of use assets	41.4	50.0
Total assets	$ 3,676.6	$ 4,130.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 165.8	$ 173.3
Accrued payroll	67.9	81.8
Accruals and other current liabilities	88.4	77.0
Income tax payable	22.4	6.0
Current portion of long-term debt	20.4	11.1
Liabilities held for sale	—	53.0
Operating lease liabilities	12.4	14.3
Total current liabilities	377.3	416.5
Long-term debt, net of current portion	1,024.1	1,401.0
Deferred income taxes	216.8	250.5
Pension liabilities	17.3	29.9
Long-term taxes payable	1.8	2.7
Other long-term liabilities	6.3	7.3
Operating lease liabilities, net of current portion	30.6	37.6
Stockholders' equity:		
Common stock ($0.001 par value, 120,000,000 shares authorized, 65,279,961 and 64,923,539 shares issued and outstanding at December 31, 2022 and 2021, respectively)	0.1	0.1
Additional paid-in capital	1,727.6	1,718.4
Retained earnings	381.7	277.6
Accumulated other comprehensive loss	(107.0)	(11.0)
Total stockholders' equity	2,002.4	1,985.1
Total liabilities and stockholders' equity	$ 3,676.6	$ 4,130.6

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Operations
Amounts in millions, except per share data

	Years Ended December 31,		
	2022	2021	2020
Net sales	$ 1,945.5	$ 1,899.8	$ 1,726.0
Cost of sales	1,252.6	1,224.4	1,103.6
Gross profit	692.9	675.4	622.4
Operating expenses:			
Selling, general and administrative expenses	370.0	368.7	332.2
Impairment charges	13.2	142.4	147.5
Research and development expenses	64.1	63.9	57.8
Restructuring costs	5.2	3.0	7.4
	452.5	578.0	544.9
Income from operations	240.4	97.4	77.5
Other non-operating income and expense:			
Interest expense, net	51.5	94.5	72.1
Other non-operating (income)/expense, net	(0.4)	(4.9)	1.4
	51.1	89.6	73.5
Income before income taxes	189.3	7.8	4.0
Provision/(benefit) for income taxes	62.3	(19.9)	29.5
Net income/(loss)	$ 127.0	$ 27.7	$ (25.5)
Weighted average shares, basic	65.1	64.8	64.6
Weighted average shares, diluted	65.4	65.4	64.6
Net income/(loss) per share:			
Basic	$ 1.95	$ 0.43	$ (0.39)
Diluted	$ 1.94	$ 0.42	$ (0.39)
Cash dividend declared per share	$ 0.35	$ 0.30	$ 0.31

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Comprehensive Income
Amounts in millions, except per share data

	Years Ended December 31,		
	2022	2021	2020
Net income/(loss)	$ 127.0	$ 27.7	$ (25.5)
Other comprehensive income:			
Change in fair value of interest rate swap, net of tax	—	—	(11.9)
Reclassification of interest rate swap, net of tax	—	21.5	6.9
Pension & other postretirement benefit obligation adjustment, net of tax	7.4	3.3	(2.6)
Reclassification adjustment of pension plan, net of tax	0.1	0.6	0.4
Change in fair value of net investment hedge, net of tax	—	—	31.2
Foreign currency translation adjustment	(103.5)	(57.5)	87.0
Total other comprehensive (loss)/income:	(96.0)	(32.1)	111.0
Total comprehensive (loss)/income	$ 31.0	$ (4.4)	$ 85.5

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Stockholders' Equity
Amounts in millions, except per share data

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2020	$ 0.1	64.2	$ 1,696.7	$ 315.4	$ (89.9)	$ 1,922.3
Stock-based compensation and vesting of restricted stock	—	0.5	9.3	—	—	9.3
Net loss	—	—	—	(25.5)	—	(25.5)
Dividends declared, $0.31 per share	—	—	—	(20.4)	—	(20.4)
Total comprehensive income, net of tax	—	—	—	—	111.0	111.0
Balance at December 31, 2020	$ 0.1	64.7	$ 1,706.0	$ 269.5	$ 21.1	$ 1,996.7
Stock-based compensation and vesting of restricted stock	—	0.1	10.2	—	—	10.2
Issuance of common stock upon exercise of options	—	0.1	2.2	—	—	2.2
Net income	—	—	—	27.7	—	27.7
Dividends declared, $0.30 per share	—	—	—	(19.6)	—	(19.6)
Total comprehensive loss, net of tax	—	—	—	—	(32.1)	(32.1)
Balance at December 31, 2021	$ 0.1	64.9	$ 1,718.4	$ 277.6	$ (11.0)	$ 1,985.1
Stock-based compensation and vesting of restricted stock	—	0.4	9.2	—	—	9.2
Net income	—	—	—	127.0	—	127.0
Dividends declared, $0.35 per share	—	—	—	(22.9)	—	(22.9)
Total comprehensive loss, net of tax	—	—	—	—	(96.0)	(96.0)
Balance at December 31, 2022	$ 0.1	65.3	$ 1,727.6	$ 381.7	$ (107.0)	$ 2,002.4

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Cash Flows
Amounts in millions

	Years Ended December 31, 2022	2021	2020
Cash flows from operating activities			
Net income/(loss)	$ 127.0	$ 27.7	$ (25.5)
Adjustments to reconcile net income/(loss) to net cash flows:			
Depreciation	39.0	51.9	57.8
Amortization of intangible assets	55.2	70.4	69.8
Amortization of deferred financing costs	1.0	4.0	4.6
Loss on foreign currency, net	1.8	1.5	1.2
Accretion of debt discount	0.2	0.4	0.5
Non-cash amortization of interest rate swap expense	—	25.7	9.0
Impairment charges	13.2	142.4	147.5
Payment for interest rate swap settlement	—	—	(34.7)
Unrealized gain on investment in MTEK Industry AB	(0.7)	—	—
Loss (gain) on disposals and other	0.3	(0.3)	0.7
Loss on extinguishment of debt	—	15.4	—
Loss on debt redemption	0.1	—	—
Benefit for deferred taxes	(32.1)	(82.1)	(28.3)
Stock based compensation	15.3	15.7	13.2
Amortization of inventory fair value adjustment	2.4	—	—
Changes in assets and liabilities, net of assets acquired:			
Trade receivables	(37.6)	4.4	10.6
Inventories	(79.0)	(67.4)	19.0
Accounts payable and accrued liabilities	6.0	37.0	18.8
Other current assets and liabilities	19.5	(22.4)	(4.5)
Other operating assets and liabilities	(6.6)	(7.3)	2.8
Net cash provided by operating activities	125.0	217.0	262.5
Cash flows from investing activities			
Purchase of property, plant and equipment	(55.9)	(40.6)	(33.7)
Proceeds from sale of property	—	2.2	—
Proceeds from sale of JVS business	321.7	—	—
Proceeds from cross currency interest rate swap settlement	—	—	56.2
Investment in MTEK Industry AB	(4.6)	—	(5.0)
Acquisition of Nook Industries, net of cash acquired	(8.1)	(125.2)	—
A&S Business acquisition purchase price adjustment	—	—	(1.9)
Net cash provided by (used in) investing activities	253.1	(163.6)	15.6
Cash flows from financing activities			
Payments of debt issuance costs	—	(3.7)	—
Payments on Term Loan B Facility	—	(1,030.0)	(160.0)
Payments on Revolving Credit Facility	(355.0)	(5.0)	(100.0)
Payments on Term Loan A Facility	(10.0)	—	—
Borrowing under Term Loan A Facility	—	400.0	—
Borrowing under Revolving Credit Facility	15.0	610.0	100.0
Repurchase of Notes	(16.4)	—	—
Dividend payments	(22.3)	(18.3)	(27.8)
Payments of equipment, working capital notes, mortgages and other debt	(1.1)	(5.9)	(1.5)
Proceeds from equipment, working capital notes, mortgages and other debt	0.2	3.7	—
Shares surrendered for tax withholding	(6.1)	(5.5)	(3.9)
Proceeds from issuance of common stock upon exercise of options	—	2.2	—
Net cash used in financing activities	(395.7)	(52.5)	(193.2)
Effect of exchange rate changes on cash and cash equivalents	(19.6)	(9.2)	2.2
Net change in cash and cash equivalents	(37.2)	(8.3)	87.1
Cash and cash equivalents at beginning of year	246.1	254.4	167.3
Cash and cash equivalents at end of year	$ 208.9	$ 246.1	$ 254.4
Cash paid during the year for:			
Interest paid on borrowings	$ 50.4	$ 49.3	$ 58.1
Income taxes paid	85.1	82.3	61.7
Non-cash Financing and Investing:			
Nook Industries purchase price holdback	$ —	$ 8.2	$ —
Acquisition of property, plant and equipment included in accounts payable	2.7	6.8	4.3

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

Amounts in millions (unless otherwise noted)

1. Description of Business and Summary of Significant Accounting Policies

Basis of Preparation and Description of Business

Headquartered in Braintree, Massachusetts, Altra Industrial Motion Corp. (the “Company”) is a leading global designer, producer and marketer of a wide range of electro-mechanical power transmission motion control (“PTMC”) products. The Company brings together strong brands with production facilities in 17 countries. Altra’s leading brands currently include Ameridrives Couplings, Bauer Gear Motor, Bibby Turboflex, Boston Gear, Delroyd Worm Gear, Formsprag Clutch, Guardian Couplings, Huco, Industrial Clutch, Inertia Dynamics, Kilian Manufacturing, Kollmorgen, Lamiflex Couplings, Marland Clutch, Matrix, Nook Industries, Nuttall Gear, Stieber Clutch, Stromag, Svendborg Brakes, Portescap, TB Wood’s, Thomson, Twiflex, Warner Electric, Warner Linear, and Wichita Clutch.

On October 26, 2022, we entered into an Agreement and Plan of Merger (the “Regal Rexnord Merger Agreement”) with Regal Rexnord Corporation, a Wisconsin corporation (“Regal Rexnord”), and Aspen Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Regal Rexnord (“Merger Sub”), pursuant to which, and upon the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Regal Rexnord (the “Regal Rexnord Merger”). Under the Regal Rexnord Merger Agreement, at the closing of the Regal Rexnord Merger, each issued and outstanding share of our common stock (other than (i) shares owned by the Company, any subsidiary of the Company, Regal Rexnord, Merger Sub or any other subsidiary of Regal Rexnord, (ii) shares owned by stockholders of the Company who have validly exercised their statutory rights of appraisal under the General Corporation Law of the State of Delaware (“DGCL”) and (iii) Company Restricted Shares (as defined in the Regal Rexnord Merger Agreement) will be converted into the right to receive $62.00 in cash, without interest and subject to any required withholding of taxes. As announced in our Current Report on Form 8-K filed with the SEC on January 18, 2023, the Regal Rexnord Merger was approved by our shareholders.

The consummation of the Regal Rexnord Merger is subject to customary closing conditions and is expected to occur in the first half of 2023 and potentially in the first quarter of 2023. If the Regal Rexnord Merger Agreement is terminated under specified circumstances, we will be required to pay Regal Rexnord a termination fee of $100 million. The Regal Rexnord Merger Agreement also provides that, in connection with the termination of the Regal Rexnord Merger Agreement under specified antitrust or foreign direct investment related circumstances, Regal Rexnord will be required to pay us a “reverse termination fee” of $200 million.

During the twelve months ended December 31, 2022, the Company incurred approximately $9.9 million of costs in connection with the proposed merger. These costs related primarily to investment banking and legal fees and are included in transaction-related costs in the consolidated condensed statement of operations. The Company has not recognized any transaction-related costs that are contingent upon the consummation of the proposed merger, including contingent investment banking fees, legal costs, management retention bonuses, acceleration of stock compensation costs, and other costs.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Net Income/(Loss) Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding and diluted earnings per share is based on the weighted average number of shares of common stock outstanding and all potentially dilutive common stock equivalents outstanding. Common stock equivalent shares are included in the per share calculations when the effect of their inclusion is dilutive.

The following is a reconciliation of basic to diluted shares outstanding:

	Years Ended December 31,		
	2022	2021	2020
Shares used in net income per common share - basic	65.1	64.8	64.6
Effect of dilutive shares	0.3	0.6	—
Shares used in net income per common share - diluted	65.4	65.4	64.6
Shares excluded as their inclusion would be anti-dilutive	—	—	0.2

Fair Value of Financial Instruments

Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

- Level 1- Quoted prices in active markets for identical assets or liabilities.
- Level 2- Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived.
- Level 3- Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents and are classified as Level 1. The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable, and other accrued liabilities are carried at cost, which approximates fair value, and are classified as Level 1. Debt under the Altra Credit Agreement (as defined herein) is classified as Level 2 and is comprised of the Term Loan Facility and the Revolving Credit Facility (both as defined herein). The carrying amount of the Term Loan Facility of $390.0 million and the Revolving Credit Facility of $265.0 million approximates fair value due to the fact that the interest rate on the debt is based on variable interest rates. The carrying amount of the Notes (as defined herein) was $383.7 million and the estimated fair value of the Notes was $384.7 million at December 31, 2022. The Notes are classified as Level 2.

The Company determines the fair value of financial instruments using quoted market prices whenever available and classifies these investments as Level 1. When quoted market prices are not available for various types of financial instruments (such as derivative instruments), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of the Company or the financial counterparty to perform. These investments are classified as Level 2. For cross-currency interest rate swaps and interest rate swaps, the significant inputs to these models are interest rate curves for discounting future cash flows and are adjusted for credit risk. See additional discussion of the Company's use of financial instruments including cross-currency interest rate swaps and interest rate swaps included in Note 15.

During 2022, the company recorded an impairment of $3.0 million related to a building expected to be sold upon the closing of its facility in Dessau, Germany. The Company estimated the fair value of the building based on appraisals and sales prices of like properties (Level 2). The net book value of the building is classified as an asset held for sale as part of "Prepaid expenses and Other current assets" in the consolidated balance sheet, as the Company expects it to be sold within the next twelve months.

In December 2020 and May 2022, the Company invested approximately $5.0 million and $4.6 million, respectively, for a minority equity interest in a privately held manufacturing software company, MTEK Industry AB ("MTEK"), over which the Company does not exert significant influence. The equity investments do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value using the net asset value per share. Therefore, in accordance with ASU 2016-01, the Company elected to measure the investments at their cost less impairment, if any, adjusted for observable price changes in orderly transactions for identical or a similar investment of the same issuer. These investments are considered Level 3 assets based on the lack of observable inputs and are classified within other non-current assets in the consolidated balance sheets. The Company monitors its equity investment in MTEK for indicators of impairment or upward adjustments on an ongoing basis. If the Company determines that such an indicator is present, an adjustment will be recorded, which will be measured as the difference between the carrying value and estimated fair value. During the quarter ended June 30, 2022, the Company reassessed the value of its December 2020 investment and recognized a $0.7 million unrealized holding gain as a result of an observable price change from the additional investment made in May 2022. As of December 31, 2022, there were no other indicators that support an adjustment to MTEK's carrying value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating outside of the United States with a functional currency other than the U.S. Dollar are translated into U.S. Dollars using exchange rates at the end of the respective period. Revenues and expenses are translated at average exchange rates effective during the respective period.

Foreign currency translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Net foreign currency transaction gains and losses are included in the results of operations in the period incurred and included in other non-operating expense (income), net in the accompanying consolidated statements of operations. Net foreign currency transaction gains and losses for the years ended December 31, 2022, 2021 and 2020 were inconsequential.

Trade Receivables

All trade account receivables are reported net of allowances for credit losses. The allowance for credit losses represents the Company’s best estimate of the credit losses expected from our trade account receivables over the life of the underlying assets. Assets with similar risk characteristics are pooled together for determination of their current expected credit losses. The Company regularly performs detailed reviews of its pooled assets to evaluate the collectability of receivables based on a combination of past, current, and future financial and qualitative factors that may affect customers’ ability to pay. In circumstances where the Company is aware of a specific customer’s inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected.

Inventories

Inventories are generally stated at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method.

The carrying value of inventories acquired by the Company in its acquisitions reflects fair value at the date of acquisition as determined by the Company based on the replacement cost of raw materials, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts, and for work-in-process the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts and costs to complete.

The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product or product line. The Company records a charge to cost of sales for any amounts required to reduce the carrying value of inventories to its estimated net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation.

Depreciation of property, plant and equipment, including finance leases, is provided using the straight-line method over the estimated useful life of the asset, as follows:

Buildings and improvements	7 to 45 years
Machinery and equipment	2 to 15 years
Finance leases	Life of lease

Leasehold improvements are depreciated on a straight-line basis over the estimated life of the asset or the life of the lease, if shorter.

Improvements and replacements are capitalized to the extent that they increase the useful economic life or increase the expected economic benefit of the underlying asset. Repairs and maintenance expenditures are charged to expense as incurred.

Lease Accounting Policy

Arrangements that are determined to be leases at inception are recognized in operating lease right of use (ROU) assets, current lease liabilities, and long-term lease liabilities in the consolidated balance sheet. Operating lease liabilities are recognized based on the present value of the future fixed lease payments over the lease term at lease commencement date. As the Company’s leases typically do not provide an implicit rate, the Company applies its incremental borrowing rate based on the economic environment at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease prepayments made and initial direct costs incurred and is reduced by lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases are recognized on a straight-line basis over the lease term.

Intangible Assets

Intangible assets represent product technology, patents, tradenames, trademarks and customer relationships. Product technology, patents and customer relationships are amortized on a straight-line basis over 4 to 29 years, which approximates the period of economic benefit. Trademarks and the majority of our trade names are considered indefinite-lived assets and are not being amortized. Intangibles are stated at fair value on the date of acquisition. Intangibles are stated net of accumulated amortization.

Goodwill

Goodwill represents the excess of the purchase price paid by the Company over the fair value of the net assets acquired in each of the Company's acquisitions.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

The Company conducts an annual impairment review of goodwill and indefinite-lived intangible assets in October of each year, unless events occur which trigger the need for an interim impairment review.

In connection with the Company's annual impairment review, goodwill is assessed for impairment by comparing the fair value of the reporting unit to the carrying value. The Company's measurement date is October 31st. The Company determines the fair value of its reporting units using a combination of the discounted cash flow model as well as a market-based approach relying on the Company's market multiples. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, amortization (EBITDA) multiples and revenue multiples. The Company estimates future cash flows based upon historical results and current market projections, discounted at a market comparable rate. An impairment loss would be recognized to the extent that a reporting unit's carrying amount exceeded its deemed fair value. Refer to Note 7 for additional discussion of the Company's annual impairment review.

For the Company's indefinite-lived intangible assets, mainly trademarks, the Company estimated the fair value first by estimating the total revenue attributable to the trademarks. Second, the Company estimated an appropriate royalty rate using the return on assets method by estimating the required financial return on our assets, excluding trademarks, less the overall return generated by our total asset base. The return as a percentage of revenue provides an indication of our royalty rate (between 1.0% and 2.0%). The Company compared the estimated fair value of our trademarks with the carrying value of the trademarks. Refer to Note 7 for additional discussion of the Company's annual impairment review.

Preparation of forecasts of revenue and profitability growth for use in the long-range plan and the discount rate require significant use of judgment. Changes to the discount rate and the forecasted cash flows could affect the estimated fair value of one or more of the Company's reporting units and intangible assets and could result in an impairment charge in a future period.

Impairment of Long-Lived Assets Other Than Goodwill and Indefinite-Lived Intangible Assets

Long-lived assets, including definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time.

Held for Sale

Assets and liabilities to be disposed of by sale ("disposal groups") are reclassified into "held for sale" if their carrying amounts are principally expected to be recovered through a sale transaction rather than through continuing use. The reclassification occurs when the disposal group is available for immediate sale and the sale is probable. These criteria are generally met when an agreement to sell exists, or management has committed to a plan to sell the assets within one year. Disposal groups are measured at the lower of carrying amount or fair value less costs to sell and are not depreciated or amortized. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale. The fair value of a disposal group, less any costs to sell, is assessed each reporting period it remains classified as held for sale and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. Refer to Financial Note 3, "Acquisitions and Divestitures," for more information.

Revenue Recognition

The Company recognizes revenue under the core principle of depicting the transfer of control to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Our sales revenue for product sales is recognized based on a point in time model, when control transfers to our customers, which is generally when products are shipped from our manufacturing facilities or when delivered to the customer's named location. Certain large distribution customers receive annual volume discounts, which are estimated at the time the sale is recorded based on the estimated annual sales. Product return reserves are accrued at the time of sale based on the historical relationship between shipments and returns and are recorded as a reduction of net sales. When the Company performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities and, accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. See Note 2 (*Revenue Recognition*) to the consolidated financial statements for further disclosures regarding revenue.

Shipping and Handling Costs

Shipping and handling costs associated with sales are classified as a component of cost of sales. Amounts collected from our customers for shipping and handling are recognized as revenue.

Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

Self-Insurance

Certain exposures are self-insured up to pre-determined amounts, above which third-party insurance applies, including exposures for medical claims, workers' compensation, vehicle insurance, product liability costs and general liability exposure. The accompanying balance sheets include reserves for the estimated costs associated with these self-insured risks, based on historic experience factors and management's estimates for known and anticipated claims. A portion of medical insurance costs are offset by charging employees a premium equivalent to group insurance rates. The costs of retained loss for the self-insurance programs, at each balance sheet date, have not been material in any period.

Research and Development

Research and development costs are expensed as incurred.

Advertising

Advertising costs are charged to selling, general and administrative expenses as incurred and amounted to approximately $7.2 million, $6.0 million and $5.0 million, for the years ended December 31, 2022, 2021 and 2020, respectively.

Income Taxes

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company evaluates the realizability of its net deferred tax assets and assesses the need for a valuation allowance on a quarterly basis. The future benefit to be derived from its deferred tax assets is dependent upon the Company's ability to generate sufficient future taxable income to realize the assets. The Company records a valuation allowance to reduce its net deferred tax assets to the amount that may be more likely than not to be realized.

To the extent the Company establishes a valuation allowance on net deferred tax assets generated from operations, an expense will be recorded within the provision for income taxes. In periods subsequent to establishing a valuation allowance on net deferred assets from operations, if the Company were to determine that it would be able to realize its net deferred tax assets in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded as a reduction to income tax expense in the period such determination was made.

We assess our income tax positions and record tax benefits for all years subject to examination, based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the amount that has a greater than 50% likelihood of being realized upon settlement with the taxing authority that has full knowledge of all relevant information. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense in the consolidated statement of operations and included in accruals and other long-term liabilities in the Company's consolidated balance sheet, when applicable. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following is a reconciliation of changes in Accumulated Other Comprehensive Income (Loss) for the periods presented:

	Gains and (Losses) on Cash Flow Hedges	Pension & Other Post Retirement Benefit Plans	Cumulative Foreign Currency Translation Adjustment	Total
Accumulated other comprehensive income/(loss) by component, January 1, 2020	**$ (16.5)**	**$ (1.5)**	**$ (71.9)**	**$ (89.9)**
Change in fair value of interest rate swap, net of tax	(11.9)	—	—	(11.9)
Reclassification of interest rate swap to income, net of tax	6.9	—	—	6.9
Pension adjustments, net of tax	—	(2.6)	—	(2.6)
Reclassification of pension adjustments, net of tax	—	0.4	—	0.4
Foreign currency translation adjustments	—	—	87.0	87.0
Change in fair value of net investment hedge, net of tax	—	—	31.2	31.2
Net current-period other comprehensive income/(loss)	(5.0)	(2.2)	118.2	111.0
Accumulated other comprehensive income/(loss) by component, December 31, 2020	**$ (21.5)**	**$ (3.7)**	**$ 46.3**	**$ 21.1**
Reclassification of interest rate swap to income, net of tax	21.5	—	—	21.5
Pension & other post retirement benefit obligation adjustment, net of tax	—	3.3	—	3.3
Reclassification of pension adjustments, net of tax	—	0.6	—	0.6
Foreign currency translation adjustments	—	—	(57.5)	(57.5)
Net current-period other comprehensive income/(loss)	21.5	3.9	(57.5)	(32.1)
Accumulated other comprehensive income/(loss) by component, December 31, 2021	$ —	**$ 0.2**	**$ (11.2)**	**$ (11.0)**
Pension & other post retirement benefit obligation adjustment, net of tax	—	7.4	—	7.4
Reclassification of pension adjustments, net of tax	—	0.1	—	0.1
Foreign currency translation adjustments	—	—	(103.5)	(103.5)
Net current-period other comprehensive income/(loss)	—	7.5	(103.5)	(96.0)
Accumulated other comprehensive income/(loss) by component, December 31, 2022	$ —	**$ 7.7**	**$ (114.7)**	**$ (107.0)**

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). This ASU provides relief from certain accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The relief provided by this ASU is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The optional amendments are effective as of March 12, 2020 through December 31, 2022. The Company evaluated the optional relief guidance provided within this ASU and concluded it will not have a material impact because the Company's financial instruments potentially affected by this standard include language allowing for a rate other than LIBOR to be applied upon transition.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends the accounting related to contract assets and liabilities acquired in business combinations. Under current GAAP, an entity generally recognizes assets and liabilities acquired in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU 2021-08 requires that entities recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, Revenue from Contracts with Customers. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and should be applied prospectively to business combinations occurring on or after the effective date of the amendment. Early adoption is permitted, including adoption in an interim period. The Company does not expect adoption of this standard to have a significant impact on the consolidated financial statements.

2. Revenue Recognition

We sell our products through three primary commercial channels: original equipment manufacturers (OEMs), industrial distributors and direct to end users. Each of our segments sells similar products, which are balanced across end-user industries including, without limitation, energy, food processing, general industrial, material handling, mining, transportation, industrial automation, robotics, medical devices, and turf & garden.

As the Company's standard payment terms are less than one year, the Company has elected the practical expedient under Accounting Standards Codification ("ASC") 606-10-32-18 to not assess whether a contract has a significant financing component. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment from the Company's manufacturing site or delivery to the customer's named location. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer. In certain circumstances, the Company manufactures customized product without alternative use for its customers, which would generally result in the transfer of control over time. The Company has evaluated the amount of revenue subject to recognition over time and concluded that it is immaterial.

The following table disaggregates our revenue for each reportable segment. The Company believes that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

	Years Ended December 31,		
	2022	2021	2020
Net Sales:			
Power Transmission Technologies	$ 985.6	$ 924.8	$ 818.6
Automation & Specialty	965.5	979.0	911.8
Inter-segment eliminations	(5.6)	(4.0)	(4.4)
Net sales	$ 1,945.5	$ 1,899.8	$ 1,726.0

Net sales by geographic region based on point of shipment origin are as follows:

	Net Sales Years Ended December 31,		
	2022	2021	2020
North America (primarily U.S.)	$ 1,124.2	$ 1,018.3	$ 914.9
Europe excluding Germany	344.8	341.9	289.3
Germany	209.5	200.0	185.8
China	148.0	222.9	222.5
Asia and other (excluding China)	119.0	116.7	113.5
Total	$ 1,945.5	$ 1,899.8	$ 1,726.0

The payment terms and conditions in our customer contracts vary. In some cases, customers will partially prepay for their goods; in other cases, after appropriate credit evaluations, payment will be due in arrears. In addition, there are constraints that cause variability in the ultimate consideration to be recognized. These constraints typically include early payment discounts, volume rebates, rights of return, surcharges, and other customer consolidation.

Payments received from customers are recorded as accounts receivable when an unconditional right to the consideration exists. A contract asset is recognized when the Company satisfies a performance obligation by transferring a promised good to the customer before consideration is due. A contract liability is recognized when consideration is received from a customer prior to the Company satisfying the related performance obligation. Contract assets and contract liabilities are recognized in other current assets and other current liabilities, respectively, in the Company's consolidated balance sheets.

The Company had inconsequential contract assets for the year to date periods ended December 31, 2022 and December 31, 2021, respectively. The opening and closing balances of the Company's current contract liabilities as of the year to date periods ended December 31, 2022 and December 31, 2021 are as follows:

	Years Ended December 31,	
	2022	2021
Beginning balance	$ 13.5	$ 10.3
Closing balance	16.9	13.5
Increase	$ 3.4	$ 3.2

In the twelve-month period ended December 31, 2022 and December 31, 2021, respectively, all outstanding revenue has been recognized related to our contract liabilities at the beginning of the related period.

3. Acquisitions and Divestitures

Nook Industries Acquisition

On December 31, 2021, the Company acquired all of the issued and outstanding equity interests of Nook Industries, LLC ("Nook" or "Nook Industries"), a leader in the U.S. engineered linear motion industry. The acquisition expands the Company's current portfolio of linear product offerings. The acquisition was accounted for as a business combination using the acquisition method of accounting and the results have been integrated into the Company's Automation & Specialty ("A&S") segment.

The aggregate purchase price of approximately $138.1 million consisted of $124.8 million of cash transferred, net of $5.1 million of cash acquired, and a noncontingent purchase price holdback of $8.2 million. The purchase price holdback was recorded in accruals and other current liabilities at December 31, 2021 and was paid in January 2022. The Company borrowed $130.0 million under its Revolving Credit Facility in December 2021 to finance the transaction.

As of December 31, 2022, the Company's acquisition accounting is complete and the allocation of price and the calculation of fair value of all the acquired identifiable assets and liabilities for the Nook Acquisition is final. The measurement period adjustments which reflected new information obtained about facts and circumstances that existed as of the acquisition date reduced goodwill by $0.1 million and related to changes in working capital, inventory, property, plant and equipment and accrued expenses. The purchase price allocation below includes such adjustments:

	At Acquisition Date (As Adjusted)
Total cash consideration	$ 129.9
Purchase price holdback	8.2
Fair value of consideration transferred	138.1
Recognized identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	5.1
Receivables	3.7
Inventory	10.5
Prepaids and other current assets	0.4
Property, plant and equipment	12.6
Deferred tax asset	0.9
Other non-current assets	5.0
Intangibles	55.1
Accounts payable	(2.9)
Accrued payroll	(0.7)
Accrued expenses and other current liabilities	(2.5)
Other long term liability	(4.6)
Total identifiable net assets acquired	82.6
Goodwill	$ 55.5

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill, which is deductible for income tax purposes in the United States. The goodwill in this acquisition is attributable to the Company's expectation to achieve synergies, such as the ability to cross-sell products, and the ability to optimize the cost structure.

Intangible assets acquired consist of:		
Customer relationships	$	54.0
Trade name		1.1
Total intangible assets	$	55.1

Customer relationships and trade name are subject to amortization, and will be recognized on a straight-line basis over the estimated useful lives of 18 years and 4 years, respectively, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets.

The following table sets forth the unaudited pro forma results of operations of the Company for the years ended December 31, 2021 and December 31, 2020 as if the Company had acquired Nook on January 1, 2020. The pro forma information contains the actual operating results of the Company and the Nook business, adjusted to include the pro forma impact of (i) additional depreciation expense as a result of estimated depreciation based on the fair value of fixed assets; (ii) additional expense as a result of the estimated amortization of identifiable intangible assets; (iii) additional interest expense associated with the borrowings used to finance the acquisition and (iv) inventory fair value adjustment. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred at the beginning of the period or that may be obtained in the future.

	Pro forma (unaudited)			
	Years Ended December 31,			
	2021		2020	
Total revenues	$	1,940.6	$	1,764.1
Net income (loss)		31.0		(30.0)
Basic earnings per share	$	0.48	$	(0.46)
Diluted earnings per share	$	0.47	$	(0.46)

Jacobs Vehicle Systems ("JVS") Divestiture

In the fourth quarter of 2021, the Company committed to a plan to sell our JVS business within our A&S reporting segment in an effort to exit the heavy-duty trucks industry. On February 8, 2022, the Company entered into a purchase and sale agreement with Cummins Inc. (the "Buyer") for $325.0 million in cash subject to customary adjustments, and on April 8, 2022, the Company completed the sale. Transaction costs related to the divestiture totaled approximately $8.6 million. The Company received net cash consideration of approximately $321.7 million, inclusive of customary purchase price adjustments. The Company determined the criteria to be classified as held for sale were met and the assets and liabilities were presented as held for sale in the Consolidated Balance Sheets and measured at the lower of carrying value or fair value less cost to sell from December 31, 2021 until the transaction was completed on April 8, 2022. The Company determined that the disposal group classified as held for sale did not meet the criteria for classification as discontinued operations as the disposal was not considered a strategic shift that had a major effect on the Company's operations and financial results. The JVS business was not a significant disposal based on the Company's quantitative and qualitative evaluation.

Before measuring the fair value less costs to sell of the disposal group as a whole, the Company first reviewed individual assets and liabilities to determine if any fair value adjustments were required and concluded no individual asset impairments were required. Then, based on the purchase and sale agreement entered into by the Company and the Buyer, the Company determined the fair value of the disposal group to be equal to the selling price, less costs to sell. Based on this review, the Company recorded a non-cash goodwill impairment charge of $60.0 million reflected in the fourth quarter of 2021 as the sale was considered to be a triggering event to evaluate goodwill impairment for the JVS reporting unit. Additionally, the Company recorded an asset held for sale impairment charge of $82.4 million, for a total impairment charge of $142.4 million in 2021. The Company recorded additional asset held for sale impairment charges of $10.2 million during the year ended December 31, 2022.

The assets and liabilities of the JVS business classified as held for sale at December 31, 2021 were as follows:

		December 31, 2021
Assets		
Current Assets		
Trade receivables	$	11.3
Inventories		16.3
Prepaid expenses and other current assets		2.3
Property, plant and equipment, net		64.6
Goodwill		—
Intangible assets, net		364.5
Other assets		0.7
Impairment on carrying value (1)		(82.4)
Total assets held for sale	$	377.3

Liabilities		
Current Liabilities		
Accounts payable	$	20.8
Other current liabilities		9.8
Deferred tax liabilities		22.3
Other liabilities		0.1
Total liabilities held for sale	$	53.0

(1) Includes the effect of approximately $10.8 million of favorable cumulative foreign currency translation adjustment and accumulated other post retirement benefit obligation gains.

4. Lease Accounting

We lease property and equipment under finance and operating leases. At December 31, 2022, the Company's right-of-use ("ROU") assets and lease liabilities for operating and finance leases totaled approximately $46.0 and $43.3 million, respectively. At December 31, 2021, the Company's ROU assets and lease liabilities for operating and finance leases totaled approximately $50.1 and $52.0 million, respectively. Finance lease ROU assets are included in Property, Plant and Equipment, net and finance lease liabilities are included in current and non-current Long-Term Debt on the Company's consolidated balance sheets.

Quantitative information regarding the Company's leases is as follows:

	Years Ended December 31,			
	2022		2021	
Lease cost[(1)]:				
Operating lease cost		13.9		16.1
Short-term lease cost		0.3		0.4
Total lease cost	$	14.2	$	16.5

(1) Finance lease costs and variable lease costs are immaterial to the Company. The Company does not have lease or sub-lease income.

Maturities of Lease Liabilities	Operating Leases		Finance Leases	
2023	$	13.7	$	0.0
2024		9.9		0.0
2025		7.2		0.0
2026		5.0		0.0
2027		2.7		0.0
After 2027		9.2		—
Total lease payments		47.7		0.3
Less interest		(4.7)		—
Present value of lease liabilities	$	43.0	$	0.3

	Years Ended December 31,	
	2022	2021
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 16.3	$ 16.4
Investing cash flows from finance leases	$ 2.0	$ —
Weighted average remaining lease term - finance leases (in years)	4.92	1.29
Weighted average remaining lease term - operating leases (in years)	5.15	5.03
Average discount rate - finance leases	4.83 %	5.07 %
Average discount rate - operating leases	3.64 %	3.52 %

5. Inventories

Inventories consisted of the following:

	Years Ended December 31,	
	2022	2021
Raw materials	$ 172.1	$ 124.1
Work in process	31.1	26.7
Finished goods	135.7	117.0
	$ 338.9	$ 267.8

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Years Ended December 31,	
	2022	2021
Land	$ 40.3	$ 40.6
Buildings and improvements	135.2	141.3
Machinery and equipment	444.3	419.4
	619.8	601.3
Less-Accumulated depreciation	(344.7)	(325.5)
	$ 275.1	$ 275.8

The Company recorded $39.0 million, $51.9 million and $57.8 million of depreciation expense in the years ended December 31, 2022, 2021, and 2020, respectively.

7. Goodwill and Intangible Assets

In connection with the Company's annual impairment review as of October 31st, goodwill and intangible assets are assessed for impairment by comparing the fair value of the reporting unit to the carrying value. During 2022, the Portescap reporting unit experienced lower than anticipated financial results and its fair value exceeded its carrying value by less than 10% as of the annual impairment review for both goodwill and tradename intangible assets. Additionally, the Stromag reporting unit's tradename intangible asset fair value exceeded its carrying value by less than 10%. The goodwill balance at the Portescap reporting unit was $162.0 million, out of a total goodwill balance of $1.5 billion as of December 31, 2022. The carrying values of the tradename intangible assets at the Portescap and Stromag reporting units were $28.0 million and $19.1 million, respectively, out of a total net intangible asset balance of $970.4 million as of December 31, 2022. All other reporting units have fair values that exceed their carrying value by 10% or more.

During the first quarter of 2020, the Company considered the economic impact of the COVID-19 pandemic to be a triggering event for the JVS reporting unit and, as a result, the Company performed an interim impairment review. As a result of both the COVID-19 related economic downturn and its impact on JVS's anticipated financial results, the Company concluded that it was more likely than not that the JVS reporting unit's carrying value exceeded its fair value and performed an interim impairment review for both JVS's goodwill and tradename intangible asset. As a result of the interim impairment testing performed, the Company recorded non-cash impairment charges of $8.4 million and $139.1 million for indefinite-lived intangible assets and goodwill, respectively, at March 31, 2020.

The changes in the carrying value of goodwill by segment for the years ended December 31, 2022 and 2021 are as follows:

	Power Transmission Technologies	Automation & Specialty	Total
Goodwill	$ 452.4	$ 1,314.5	$ 1,766.9
Accumulated impairment loss	(31.8)	(139.1)	(170.9)
Balance January 1, 2021	$ 420.6	$ 1,175.4	$ 1,596.0
Impact of changes in foreign currency and other	(9.6)	(18.0)	(27.6)
Acquired goodwill related to the acquisition of Nook Industries	—	55.6	55.6
Other (1)	—	(60.0)	(60.0)
Balance December 31, 2021	411.0	1,153.0	1,564.0
Impact of changes in foreign currency and other	(7.2)	(32.2)	(39.4)
Measurement period adjustments related to the acquisition of Nook Industries	—	(0.1)	(0.1)
Balance December 31, 2022	$ 403.8	$ 1,120.7	$ 1,524.5

(1) Reflects the goodwill of the JVS reporting unit, which is the disposal group classified as held for sale in 2021. Refer to Note 3 for further information.

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset:

	December 31, 2022			December 31, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Other intangible assets						
Intangible assets not subject to amortization:						
Tradenames and trademarks (1)	$ 204.3	$ 0.3	$ 204.0	$ 212.2	$ —	$ 212.2
Intangible assets subject to amortization:						
Customer relationships	928.2	240.3	687.9	960.2	206.4	753.8
Product technology and patents	142.4	63.9	78.5	141.4	50.2	91.2
Total intangible assets	$ 1,274.9	$ 304.5	$ 970.4	$ 1,313.8	$ 256.6	$ 1,057.2

(1) While the majority of the Company's tradenames are considered indefinite lived intangible assets, tradenames acquired through the acquisition of Nook are subject to amortization. The net book value of Nook's tradename was approximately $0.8 million as of December 31, 2022.

Changes in our gross intangible assets from December 31, 2021 to December 31, 2022 were primarily the result of foreign currency translation effects.

The Company recorded $55.2 million, $70.4 million, and $69.8 million of amortization for the years ended December 31, 2022, 2021 and 2020, respectively.

Customer relationships, product technology and patents are amortized over their useful lives ranging from 4 to 29 years. The weighted average estimated useful life of intangible assets subject to amortization is approximately 14 years.

The estimated amortization expense for intangible assets is approximately $54.0 million in 2023, $53.6 million in 2024, $53.0 million in 2025, $51.8 million in 2026, $51.8 million in 2027, and $503.0 million thereafter.

8. Warranty Costs

The contractual warranty period of the Company's products generally ranges from three months to two years with certain warranties extending for longer periods. Estimated expenses related to product warranties are accrued at the time products are sold to customers and are recorded in accruals and other current liabilities on the consolidated balance sheet. Estimates are established using historical information as to the nature, frequency and average costs of warranty claims. Changes in the carrying amount of accrued product warranty costs for each of the years ended December 31, 2022, 2021 and 2020 are as follows:

	Years Ended December 31,		
	2022	2021	2020
Balance at beginning of year	$ 8.3	$ 9.6	$ 10.0
Accrued current period warranty expense	3.3	3.7	3.5
Payments and adjustments	(2.1)	(5.0)	(3.9)
Balance at end of year	$ 9.5	$ 8.3	$ 9.6

9. Income Taxes

Income (loss) before income taxes by domestic and foreign locations consists of the following:

	Years Ended December 31,		
	2022	2021	2020
Domestic	$ 68.5	$ (143.8)	$ (38.1)
Foreign	120.8	151.6	42.1
Total	$ 189.3	$ 7.8	$ 4.0

The components of the provision for income taxes consist of the following:

	Years Ended December 31,		
	2022	2021	2020
Current:			
Federal	$ 45.8	$ 18.8	$ 14.5
State	6.7	3.8	2.2
Non-U.S.	41.9	39.6	41.1
	94.4	62.2	57.8
Deferred:			
Federal	(18.6)	(70.8)	(15.3)
State	(0.0)	(6.1)	(2.1)
Non-U.S.	(13.5)	(5.2)	(10.9)
	(32.1)	(82.1)	(28.3)
Provision/(benefit) for income taxes	$ 62.3	$ (19.9)	$ 29.5

A reconciliation from tax at the U.S. federal statutory rate to the Company's provision for income taxes is as follows:

	Years Ended December 31,		
	2022	2021	2020
Tax at U.S. federal income tax rate	$ 39.7	$ 1.7	$ 0.9
State taxes, net of federal income tax effect	3.5	0.7	0.3
Other changes in tax rate	1.0	(0.2)	(0.2)
Outside basis difference	11.5	(11.5)	—
Foreign taxes	3.2	2.3	3.9
Global intangible low-taxed income	7.9	0.8	(2.1)
Valuation allowance	0.1	0.5	0.5
Tax credits and incentives	(3.1)	(2.0)	(2.5)
Impairment charges	(3.3)	(14.5)	29.0
Other	1.8	2.3	(0.3)
Provision/(benefit) for income taxes	$ 62.3	$ (19.9)	$ 29.5

The Company and its subsidiaries file a consolidated federal income tax return in the United States, as well as consolidated and separate income tax returns in various states. The Company and its subsidiaries also file consolidated and separate income tax returns in various non U.S. jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in all of these jurisdictions. With the exception of certain foreign jurisdictions, the Company is no longer subject to income tax examinations for the tax years prior to 2019. Additionally, the Company has indemnification agreements with the sellers of the Nook, A&S Business, Guardian, Svendborg, Lamiflex, Bauer, and Stromag entities that may provide for reimbursement to the Company for payments made in satisfaction of income tax liabilities relating to pre-acquisition periods.

The Company does not have any material unrecognized tax benefits for the years ended December 31, 2022, 2021 and 2020. Interest and penalties related to unrecognized tax benefits are recognized in income tax expense, if applicable.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

	Years Ended December 31,	
	2022	2021
Deferred tax assets:		
Post-retirement obligations	$ 2.7	$ 5.7
Tax credits	1.1	1.8
Expenses not currently deductible	37.1	28.7
Net operating loss carryover	6.5	6.0
Debt and derivative instruments	1.4	8.6
Operating lease liabilities	9.9	12.1
Other	2.2	15.2
Total deferred tax assets	60.9	78.1
Valuation allowance for deferred tax assets	(4.2)	(4.3)
Net deferred tax assets	56.7	73.8
Deferred tax liabilities:		
Property, plant and equipment	19.7	35.7
Intangible assets	217.8	256.6
Goodwill	11.2	9.9
Operating lease right of use asset	9.7	11.6
Other	7.6	8.2
Total deferred liabilities	266.0	322.0
Net deferred tax liabilities	$ 209.3	$ 248.2

On December 31, 2022 the Company had state net operating loss (NOL) carry forwards of $13.7 million, which expire between 2025 and 2038, and non U.S. NOL and capital loss carryforwards of $21.6 million, of which substantially all have an unlimited carryforward period. The NOL carryforwards available are subject to limitations on their annual usage. The Company also has federal and state tax credits of $1.5 million available to reduce future income taxes that expire between 2022 and 2036.

Valuation allowances are established for deferred tax assets when management believes it is more likely than not that the associated benefit may not be realized. The Company periodically reviews the adequacy of its valuation allowances and recognizes tax benefits only as reassessments indicate that it is more likely than not the benefits will be realized. Valuation allowances have been established due to the uncertainty of realizing the benefits of certain net operating losses, capital loss carryforwards, tax credits, and other tax attributes. The valuation allowances are primarily related to certain non-U.S. NOL carryforwards and capital loss carryforwards.

As of December 31, 2022, the Company has approximately $62.8 million of undistributed earnings in its foreign subsidiaries. During the fourth quarter of 2022, the Company determined that approximately $28.6 million of these earnings are no longer considered permanently reinvested. The incremental tax cost to repatriate these earnings to the US is immaterial. The Company has not provided deferred taxes on approximately $34.2 million of undistributed earnings from non-U.S. subsidiaries as of December 31, 2022 which are indefinitely reinvested in operations. As a result of the multiple avenues to repatriate earnings to minimize the tax cost, and further given that a portion of these earnings are not liquid, it is not practical to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

10. Pension and Other Employee Benefits

Defined Benefit (Pension)

The Company sponsors various defined benefit (pension) plans for certain active employees.

The following tables represent the reconciliation of the benefit obligation, fair value of plan assets and funded status of the respective defined benefit (pension) plans as of December 31, 2022, 2021 and 2020:

	Year Ended December 31, 2022	2021	2020
Change in benefit obligation:			
Obligation at beginning of year	$ 43.2	$ 48.3	$ 42.2
Service cost	0.6	0.7	0.7
Interest cost	0.3	0.2	0.3
Contributions	0.2	0.2	0.2
Actuarial (gains) losses	(9.6)	(0.6)	2.4
Amendments	—	(0.7)	0.9
Foreign exchange effect	(1.7)	(2.7)	4.0
Benefits paid	(2.0)	(2.2)	(2.4)
Obligation at end of year	$ 31.0	$ 43.2	$ 48.3
Change in plan assets:			
Fair value of plan assets, beginning of year	$ 13.3	$ 12.9	$ 11.4
Actual return on plan assets	0.8	1.2	0.6
Contributions	0.4	0.5	0.6
Foreign exchange effect	(0.1)	(0.5)	1.1
Benefits paid	(0.7)	(0.8)	(0.8)
Fair value of plan assets, end of year	$ 13.7	$ 13.3	$ 12.9
Unfunded status	17.3	29.9	35.4
Amounts recognized in the balance sheet consist of:			
Total non-current liabilities	$ 17.3	$ 29.9	$ 35.4

For the pension plan presented above, the accumulated and projected benefit obligations exceed the fair value of plan assets.

Certain, primarily unionized, employees are entitled to limited grandfathered postretirement benefits (medical, dental, and life insurance coverage). The accumulated benefit obligation for the post-retirement benefit plans, which are not funded, at December 31, 2022, 2021 and 2020 are $2.7 million, $4.2 million and $6.0 million respectively. The balances are included within other long-term liabilities on the consolidated balance sheet. The Company recorded an inconsequential amount of income for the years ended December 31, 2022, 2021 and 2020. The Company recorded a loss in Accumulated Other Comprehensive Income (Loss) during the year ended December 31, 2022 of $0.6 million ($0.4 million net of tax).

The key economic assumptions used in the computation of the respective benefit obligations at December 31, 2022, 2021 and 2020, presented below are as follows:

	Non-US Pension Benefits 2022	2021	2020
Discount rate	3.24%	0.67%	0.61%
Rate of compensation increase	1.28%	2.02%	2.10%

The following table represents the components of the net periodic benefit cost associated with the respective plans:

	Pension Benefits Non-US Plans Years Ended December 31, 2022	2021	2020
Service cost	$ 0.6	$ 0.7	$ 0.7
Interest cost	0.3	0.2	0.3
Expected return on plan assets	(0.4)	(0.4)	(0.5)
Amortization of actuarial losses and prior year service costs	0.0	0.6	0.4
Net periodic benefit cost	$ 0.5	$ 1.1	$ 0.9

The key economic assumptions used in the computation of the respective net periodic benefit cost for the periods presented above are as follows:

	Pension Benefits		
	Non-US Plan		
	Years Ended December 31,		
	2022	2021	2020
Discount rate	6.63%	2.66%	1.86%
Rate of compensation increase	2.13%	2.60%	2.63%
Expected return on plan assets	3.15%	3.40%	3.70%

The expected long-term rate of return represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption reflects expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Amounts recognized in accumulated other comprehensive income (loss) as of December 31, 2022, 2021 and 2020 consist of the following:

	Years Ended December 31,		
	2022	2021	2020
Unrecognized actuarial (loss) gain	$ 6.0	$ (2.1)	$ (4.2)
Unrecognized prior service credit	0.8	1.0	0.5
Accumulated other comprehensive (loss) income (net of ($1.4 million), $0.8 million and $1.0 million of tax (loss)/benefit, respectively)	$ 6.8	$ (1.1)	$ (3.7)

The unrecognized prior service cost included in accumulated other compressive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2023 is $0.1 million (net of $0.0 million tax). The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2023 is $0.1 million (net of $0.0 million of tax).

Other changes recognized in other comprehensive income (loss) in the years ended December 31, 2022, 2021 and 2020 were as follows:

	Years Ended December 31,		
	2022	2021	2020
Incurred net actuarial (loss) gain	$ 7.9	$ 1.3	$ (2.6)
Amortization of prior service credit	(0.1)	—	(0.1)
Amortization of net actuarial (loss) gain	0.1	0.6	0.5
Settlement recognition of net actuarial (loss)	—	0.7	—
Total recognized in accumulated other comprehensive (loss) income (net of $(2.2 million), ($0.6 million) and $0.5 million) of tax (loss)/benefit, respectively)	$ 7.9	$ 2.6	$ (2.2)

Fair Value of Plan Assets

The fair value of the Company's pension plan assets at December 31, 2022, 2021 and 2020 by asset category is as follows:

	Years Ended December 31,		
	2022	2021	2020
Asset Category:			
Cash and cash equivalents (Level 1)	$ 0.7	$ 1.0	$ 0.8
Fixed income (Level 1)	3.2	3.8	3.8
Investment grade (Level 2)	4.5	4.3	4.4
Other private investments (Level 3)	5.3	4.2	3.9
Total assets at fair value	$ 13.7	$ 13.3	$ 12.9

The investment strategy is to achieve a rate of return on the plan's assets that meets the performance of liabilities as calculated using a bank's liability index with appropriate adjustments for benefit payments, service cost and actuarial assumption changes. A determinant of the plan's return is the asset allocation policy. The plan's asset mix will be reviewed by the Company periodically, but at least quarterly, to rebalance within the target guidelines. The Company will also periodically review investment managers to determine if the respective manager has performed satisfactorily when compared to the defined objectives, similar invested portfolios and specific market indices.

Expected cash flows

The following table provides the amounts of expected benefit payments, which are made from the plans' assets and includes the participants' share of the costs, which is funded by participant contributions. The amounts in the table are actuarially determined and reflect the Company's best estimate given its current knowledge; actual amounts could be materially different.

		Pension Benefits
Expected benefit payments (from plan assets)		
2023	$	1.9
2024		2.5
2025		1.8
2026		1.7
2027		1.8
Thereafter		7.9

The Company has no minimum cash funding requirements associated with its pension plans for years 2023 through 2027.

Defined Contribution Plans

Under the terms of the Company's defined contribution plans, eligible employees may contribute up to 75% percent of their eligible compensation to the plan on a pre-tax basis, subject to annual IRS limitations. The Company makes matching contributions equal to half of the first six percent of eligible compensation contributed by each employee and made a unilateral contribution (including for non-contributing employees). The Company's expense associated with the defined contribution plans was $12.5 million, $11.8 million and $11.4 million during the years ended December 31, 2022, 2021 and 2020, respectively.

11. Long-Term Debt

	Years Ended December 31,			
	2022		2021	
Debt:				
Term loan	$	390.0	$	400.0
Revolver		265.0		605.0
Notes		383.7		400.0
Mortgages and other		7.2		9.2
Finance leases		0.3		0.1
Total gross debt		1,046.2		1,414.3
Less: debt discount and deferred financing costs		(1.7)		(2.2)
Total debt, net of debt discount and deferred financing costs		1,044.5		1,412.1
Less current portion of long-term debt		(20.4)		(11.1)
Total long-term debt	$	1,024.1	$	1,401.0

2021 Credit Agreement

On November 17, 2021, the Company entered into a new Credit Agreement (the "Credit Agreement"). The Credit Agreement provides for a five-year term loan in an aggregate principal amount of $400.0 million (the "Term Loan Facility") and a five-year revolving credit facility in an aggregate committed principal amount of $1.0 billion (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities"). The Company immediately provided notice to the administrative agent of the Credit Agreement to draw down $480.0 million under the Revolving Credit Facility. The aggregate proceeds of $880.0 million under the Credit Facilities were used to repay in full and extinguish all outstanding indebtedness for borrowed money under the 2018 Credit Agreement. The remaining availability under the Revolving Credit Facility will be used for working capital and general corporate purposes.

The Credit Facilities are guaranteed on a senior secured basis by certain direct and indirect domestic subsidiaries of the Company (each a "Guarantor" and collectively the "Guarantors"; the Guarantors collectively with the Borrowers, the "Loan Parties").

The stated maturity date of the Credit Facilities is November 17, 2026, and there are scheduled quarterly principal payments due on the outstanding amount on the Term Loan Facility. The amounts available under the Revolving Credit Facility may be drawn upon in accordance with the terms of the Credit Agreement. All amounts outstanding under the Credit Facilities are due on the stated maturity or such earlier time, if any, required under the Credit Agreement. The amounts owed under either of the Credit Facilities may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the Credit Facilities is calculated using either a Base Rate or Eurocurrency Rate, plus the applicable margin. The applicable margins for Eurocurrency Loans are between 1.000% to 1.750%, and for Base Rate Loans are between 0.000% and 0.750%. The amounts of the margins are calculated based on the Total Leverage Ratio (as defined in the Credit Agreement). A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The interest rate on the Credit Facilities was 5.446% at December 31, 2022.

Revolving borrowings and issuances of letters of credit under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the accuracy of representations and warranties and the absence of defaults.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The obligations of the borrowers of the Credit Facilities under the Credit Agreement may be accelerated upon customary events of default, including non-payment of principal, interest, fees and other amounts, inaccuracy of representations and warranties, violation of covenants, cross default and cross acceleration, voluntary and involuntary bankruptcy or insolvency proceedings, inability to pay debts as they become due, material judgments, ERISA events, actual or asserted invalidity of security documents or guarantees and change in control.

The Company incurred $3.7 million in issuance costs during the year ended December 31, 2021, which is being amortized over the term of the debt as an adjustment to the effective interest rate on the outstanding borrowings.

As of December 31, 2022, the Company had $655.0 million outstanding on the Credit Agreement. As of December 31, 2022 and 2021, the Company had $4.1 million and $4.8 million in letters of credit outstanding, respectively. The Company had $730.9 million available to borrow under the Credit Facilities at December 31, 2022, subject to customary conditions including the accuracy of representation and warranties and the absence of defaults.

Notes

On October 1, 2018, (the “A&S Closing Date”), upon the closing of the Fortive Transaction the Company assumed $400 million aggregate principal amount of 6.125% senior notes due 2026 (the “Notes”). The Notes will mature on October 1, 2026. Interest on the Notes accrues from October 1, 2018 and is payable semi-annually commencing on April 1, 2019. The Notes may be redeemed at the option of the issuer on or after October 1, 2023. The Notes are guaranteed on a senior unsecured basis by the Company and certain of its domestic subsidiaries.

During the year ended December 31, 2022, the Company repurchased in the open market approximately $16.3 million aggregate principal amount of its Notes and paid approximately $16.4 million, including an early termination premium of approximately $0.1 million, which was recorded within Other non-operating (income) and expense in the Consolidated Statement of Operations.

2018 Credit Agreement

On October 1, 2018, the Company and certain subsidiaries maintained credit facilities with JPMorgan Chase Bank, N.A., as administrative and collateral agent, and a syndicate of lenders, which provided for a term loan in an aggregate principal amount of $1,340.0 million (the “2018 Term Loan Facility”) and a revolving credit facility in an aggregate committed principal amount of $300.0 million (the “2018 Revolving Credit Facility” and together with the 2018 Term Loan Facility, the “2018 Credit Facilities”).

On November 17, 2021, in connection with the new Credit Agreement, the 2018 Credit Agreement was terminated and all outstanding indebtedness for borrowed money thereunder was repaid in full.

Mortgages and Other Agreements

The Company’s subsidiaries in Europe have entered into certain long-term fixed rate term loans that are generally secured by the local property, plant and equipment. The debt has interest rates that range from 1.0% to 2.5%, with various quarterly and monthly installments through 2028.

Finance Leases

The Company leases certain equipment under finance lease arrangements, whose obligations are included in both short-term and long-term debt. Finance lease obligations amounted to approximately $0.3 million and $0.1 million at December 31, 2022 and 2021, respectively. Assets subject to finance leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of December 31, 2022 or 2021 under any of the overdraft agreements.

Maturities on Long-Term Borrowings

Maturities on long-term borrowings, excluding finance leases and debt issuance costs, are as follows:		Amount
2023	$	20.4
2024		20.2
2025		20.2
2026		978.7
2027		—
Thereafter		6.4
Total	$	1,045.9

12. Stockholders' Equity

Common Stock (shares not in thousands)

Effective October 1, 2018, the Company amended its Articles of Incorporation to increase the number of authorized shares of Altra common stock from 90,000,000 shares to 120,000,000 shares. As of December 31, 2022 and 2021, there were 65,279,961 and 64,923,539 shares of common stock issued and outstanding, respectively.

Preferred Stock

On December 20, 2006, the Company amended and restated its certificate of incorporation authorizing 10,000,000 shares of undesignated Preferred Stock ("Preferred Stock"). The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have such designations and powers, preferences, rights, qualifications, limitations and restrictions as determined by the Company's Board of Directors. There was no Preferred Stock issued or outstanding at December 31, 2022, 2021, or 2020.

Restricted Common Stock

The 2014 Omnibus Incentive Plan (the "2014 Plan") provides for various forms of stock based compensation to our directors, executive personnel and other key employees and consultants. Under the 2014 Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards ("Awards") was approximately 3.8 million as of December 31, 2022.

The restricted stock and restricted stock units issued pursuant to the 2014 Plan generally vest ratably over a period ranging from immediately to five years from the date of grant, provided that the vesting of the restricted stock or restricted stock units may accelerate upon the occurrence of certain events. Restricted stock and restricted stock units awarded under the 2014 Plan are generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements.

The 2014 Plan permits the Company to grant, among other things, restricted stock, restricted stock units, stock options and performance share awards to key employees. Certain awards include vesting based upon achievement of specified market conditions. Compensation expense recorded (in selling, general and administrative expense) during the years ended December 31, 2022, 2021 and 2020 was $15.3 million, $15.7 million, and $13.2 million, respectively. The Company recognizes stock-based compensation expense on a straight-line basis for the shares vesting ratably under the plan and uses the graded-vesting method of recognizing stock-based compensation expense for the performance share awards based on the probability of the specific performance metrics being achieved over the requisite service period. Total remaining unrecognized compensation cost is approximately $19.9 million as of December 31, 2022, and will be recognized over a weighted average remaining period of three years.

Stock Options

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes valuation model that uses the following weighted-average assumptions:

	Years Ended December 31,	
	2022	2021
Expected term (in years)	6.3 - 6.5	6.0 - 6.5
Expected volatility factor	44.20% - 43.71%	43.11% - 42.16%
Risk free interest rate	1.86% - 1.87%	0.66% - 0.75%
Expected dividend yield	1.25%	0.80% - 0.82%

The expected life of the options was calculated using the simplified method. The Company uses the simplified method to determine the expected term, as management does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The Company’s expected volatility assumption for options granted is based on the historical volatility of the Company's common stock price over the expected life of the options. The weighted average risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. The dividend yield uses the most recent quarterly dividend and the stock price as of the grant date, annualized and continuously compounded.

The following table summarizes the stock option activity under the Company’s plan for the year ended December 31, 2022:

	Weighted Average Remaining Contractual Life in Years	Options (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Outstanding at January 1, 2022		500.0	$ 39.26	
Granted		176.2	45.05	
Outstanding at December 31, 2022	7.6	676.2	$ 40.77	$ 12.8
Exercisable at December 31, 2022	7.0	415.0	$ 37.53	$ 9.2
Unvested and expected to vest at December 31, 2022	8.4	245.2	$ 45.86	$ 3.4

Restricted Stock Units

The following table summarizes the Restricted Stock Unit (“RSU”) activity under the Company’s plan for the year ended December 31, 2022:

	Shares (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Unvested at January 1, 2022	420.5	$ 42.21	
Granted	229.9	44.38	
Vested	(212.4)	40.34	
Canceled/Forfeited	(63.1)	45.70	
Unvested at December 31, 2022	374.9	$ 44.11	$ 22.4

The total fair value and total intrinsic value of RSUs vested during the year ended December 31, 2022 was $8.6 million and $9.9 million, respectively.

Performance Share Awards

During fiscal 2022, 2021 and 2020, the Company granted Performance Share Awards (“PSAs”) to certain of its officers and employees. The performance objective of the PSAs measures the Total Shareholder Return (“TSR”) against the TSR for a peer group of companies over a measurement period of three years from the time of grant. Award payouts for the PSAs are based on the percentile rank of the Company’s TSR compared to the TSR of peer group companies over the performance period. The following table summarizes the PSA activity under the Company’s plan for the year ended December 31, 2022:

	Shares (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Unvested at January 1, 2022	286.5	$ 40.23	
Granted	132.8	45.45	
Vested	(232.1)	33.09	
Unvested at December 31, 2022	187.2	$ 51.29	$ 11.2

The total fair value and total intrinsic value of PSAs vested during the year ended December 31, 2022 was $7.7 million and $12.2 million, respectively.

The fair value of PSAs is determined utilizing the Monte Carlo simulation model. The following weighted-average assumptions were used in the Monte Carlo simulation model, which were based on historical data and standard industry valuation practices and methodology:

	Years Ended December 31,	
	2022	2021
PSA fair value per share	$ 45.45	$ 64.43
Expected volatility factor	57.27%	55.85%
Risk free interest rate	1.64%	0.18%
Expected dividend yield	0.00%	0.00%

Share Repurchase Program

On April 26, 2022, our Board of Directors approved a share repurchase program authorizing the buyback of up to $300 million of the Company's common stock through December 31, 2024. There was no share repurchase activity during the year ended December 31, 2022.

13. Concentrations

Financial instruments, which are potentially subject to counterparty performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within 30 days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management's expectations. No customer represented greater than 10% of total sales for the years ended December 31, 2022, 2021 and 2020.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments and derivative transactions. Cash and investments are held by well-established financial institutions and invested in AAA rated mutual funds or United States Government securities. The Company is exposed to swap counterparty credit risk with financial institutions. The Company's counterparties are well-established financial institutions.

14. Restructuring, Asset Impairment, and Transition Expenses

From time to time, the Company will initiate various restructuring programs and incur severance and other restructuring costs.

During 2017, the Company commenced a restructuring plan ("2017 Altra Plan") as a result of the Company's purchase of Stromag and to rationalize its global renewable energy business. The actions taken pursuant to the 2017 Altra Plan included reducing headcount, facility consolidations and the elimination of certain costs. In 2022 and 2021, the Company did not incur any costs as a result of the 2017 Altra Plan. In 2020, the Company incurred $0.5 million related to headcount reduction. The Company does not expect to incur any additional material costs as a result of the 2017 Altra Plan.

During 2019, the Company commenced a restructuring plan ("2019 Altra Plan") to drive efficiencies, reduce the number of facilities and optimize its operating margin. The Company expects to incur an additional $1.0 - $2.0 million in restructuring expenses under the 2019 Altra Plan over the next two years, primarily related to headcount reductions and plant consolidations. For the year to date period ended December 31, 2022, the Company incurred expenses of $5.2 million comprised mainly of severance costs. For the year to date period ended December 31, 2021, the Company recorded approximately $2.0 million in expenses related to workforce reductions, $0.8 million in expenses related to facilities consolidation and relocation costs, and $0.2 million in other restructuring expense related charges. For the year to date period ended December 31, 2020, the Company recorded approximately $5.0 million in expenses related to workforce reductions, $0.6 million in expenses related to facilities consolidation and relocation costs, and $1.3 million in other restructuring expense related charges.

The following table is a reconciliation of the accrued restructuring costs between January 1, 2020 and December 31, 2022.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Balance at January 1, 2020	$ 1.5	$ 2.6	$ 4.1
Restructuring expense incurred	0.5	6.9	7.4
Cash payments	(1.5)	(7.7)	(9.2)
Balance at December 31, 2020	0.5	1.8	2.3
Restructuring expense incurred	—	3.0	3.0
Cash payments	(0.5)	(4.3)	(4.8)
Balance at December 31, 2021	—	0.5	0.5
Restructuring expense incurred	—	5.2	5.2
Cash payments	—	(2.2)	(2.2)
Balance at December 31, 2022	$ —	$ 3.5	$ 3.5

The total accrued restructuring reserve as of December 31, 2022 relates to severance to be paid to former employees and facility consolidation and relocation costs under the 2019 Altra Plan and is recorded in accruals and other current liabilities on the accompanying consolidated balance sheet.

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2022.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ —	$ 4.0	$ 4.0
Automation & Specialty	—	1.2	1.2
Expense for the year ending December 31, 2022	$ —	$ 5.2	$ 5.2

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2021.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ —	$ 1.8	$ 1.8
Automation & Specialty	—	1.2	1.2
Expense for the year ending December 31, 2021	$ —	$ 3.0	$ 3.0

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2020.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ 0.5	$ 4.2	$ 4.7
Automation & Specialty	—	2.7	2.7
Expense for the year ending December 31, 2020	$ 0.5	$ 6.9	$ 7.4

15. Derivative Financial Instruments

The Company may manage changes in market conditions related to interest on debt obligations and foreign currency exposures by entering into derivative instruments, including interest rate and foreign currency swap agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each period. The Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of Altra or the financial counterparty to perform. For cross-currency interest rate swaps, the significant inputs are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. For interest rate swaps, the significant inputs to these models are interest rate curves for discounting future cash flows that are adjusted for credit risk. Both cross-currency interest rate swaps and interest rate swaps are Level 2 investments. Refer to Note 1 for a description of the fair value levels. For designated hedging relationships, the Company formally documents the hedging relationship consistent with the requirements of ASC 815, *Derivatives*.

Cross-Currency Interest Rate Swaps

In December 2018, the Company entered into cross-currency swap agreements to hedge its net investment in Euro-denominated assets against future volatility in the exchange rate between the U.S. dollar and the Euro. By doing so, the Company synthetically converted a portion of its U.S. dollar-based long-term debt into Euro-denominated long-term debt. At inception, the cross-currency swaps were designated as net investment hedges.

For net investment hedges, changes in the fair value of the effective portion of the derivatives' gains or losses are reported as foreign currency translation gains or losses in accumulated other comprehensive income (loss) ("AOCIL"). The gains or losses on derivative instruments reported in AOCIL are reclassified to earnings in the period in which earnings are affected by the underlying item, such as a disposal or substantial liquidations of the entities being hedged. For the year ended December 31, 2019, the Company recorded a gain in AOCIL of approximately $19.8 million, net of $3.6 million of tax. During the first quarter of 2020, the global economy declined substantially due to the impact of COVID-19. This decline resulted in a significant increase in the value of the U.S. dollar. The appreciation of the U.S. dollar resulted in the Company's cross-currency interest rate swaps being substantially in-the-money. Given the increased cash value of the hedges and the Company's overall desire to strengthen its cash position, the Company terminated the cross-currency interest rate swaps during the first quarter of 2020. The Company received the cash value of the cross-currency interest rate swaps of approximately $56.2 million upon termination. In addition, the Company paid the interest owed and received the interest due, resulting in the recognition of approximately $3.3 million in net interest income, and paid termination fees of approximately $0.9 million. Through the date of the termination of the cross-currency interest rate swaps, the Company recorded a gain in AOCIL of approximately $31.2 million, net of $9.9 million of tax. At December 31, 2022 and 2021, the Company had a gain in AOCIL of approximately $44.8 million, net of $11.4 million of tax. That balance will remain in AOCIL until the period in which earnings are affected by the underlying item, such as a disposal or substantial liquidations of the entities being hedged.

Interest Rate Swaps

In January 2017, the Company entered into an interest rate swap agreement designed to fix the variable interest rate payable on a portion of its outstanding borrowings. This interest rate swap matured on January 31, 2020. Additionally, in December 2018, the Company entered into an interest rate swap agreement designed to manage the cash flow risk caused by interest rate changes on the forecasted interest payments expected to occur related to a portion of its outstanding borrowings under the 2018 Altra Credit Agreement.

The interest rate swap agreement was designed to manage exposure to interest rates on the Company's variable rate indebtedness and was recognized on the balance sheet at fair value. The Company designated this interest rate swap agreement as a cash flow hedge and changes in the fair value of the swap were recognized in other comprehensive income until the hedged items were recognized in earnings.

During the second quarter of 2020, the Company terminated the interest rate swap agreement. The Company paid the cash value of the interest rate swaps of approximately $34.7 million upon termination. In addition, the Company paid the interest owed and received the interest due, resulting in the recognition of approximately $0.1 million in net interest expense, and paid termination fees of approximately $0.1 million. Through the date of the termination of the interest rate swap, the Company recorded a loss in AOCIL of approximately $11.9 million, net of $3.8 million of tax benefit. For the year ended December 31, 2019, the Company recorded a loss in AOCIL of approximately $9.9 million, net of $1.7 million of tax benefit. The loss on the interest rate swap reported in AOCIL will be reclassified to earnings in future periods when the hedged transaction affects earnings or if it is determined that it is probable that the hedged transaction will not occur. The Company recorded $11.5 million and $3.3 million of net interest expense for the year to date periods ended December 31, 2020 and 2019, respectively. Approximately $9.0 million ($6.9 million net of tax) of the net interest expense is non-cash amortization, due to the termination of the interest rate swap, reclassified from AOCIL for the year to date period ended December 31, 2020.

In November 2021, the Company terminated the 2018 Credit Agreement. As a result of the decision to terminate the 2018 Credit Agreement, the remaining balance of the unrealized loss in AOCIL of $14.9 million was immediately reclassified to "Interest expense, net" in the accompanying consolidated statement of earnings. During the year ended December 31, 2021, the Company reclassified $25.7 million ($21.5 million net of tax) of non-cash interest expense from AOCIL to earnings.

16. Commitments and Contingencies

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims, and workers' compensation claims. With respect to these proceedings, management believes that the Company will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the results of operations, cash flows, or financial condition of the Company. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses, individually and in the aggregate, will not have a material effect on our consolidated financial statements.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates. We will continue to consider the applicable guidance in ASC 450-20, based on the facts known at the time of our future filings, as it relates to legal contingencies, and will adjust our disclosures as may be required under the guidance.

There were no material amounts accrued in the accompanying consolidated balance sheets for potential litigation as of December 31, 2022 or 2021.

The Company also risks exposure to product liability claims in connection with products it has sold and those sold by businesses that the Company acquired. Although in some cases third parties have retained responsibility for product liability claims relating to products manufactured or sold prior to the acquisition of the relevant business and in other cases the persons from whom the Company has acquired a business may be required to indemnify the Company for certain product liability claims subject to certain caps or limitations on indemnification, the Company cannot assure that those third parties will in fact satisfy their obligations with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which the Company is obligated were not retained by third parties or are not subject to these indemnities, the Company could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liability claims or are required to indemnify the Company, significant claims arising from products that have been acquired could have a material adverse effect on the Company’s ability to realize the benefits from an acquisition, could result in the reduction of the value of goodwill that the Company recorded in connection with an acquisition, or could otherwise have a material adverse effect on the Company’s business, financial condition, or operations.

Environmental

There is contamination at some of the Company’s current facilities, primarily related to historical operations at those sites, for which the Company could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of the Company’s current or former sites, based on historical uses of those sites. The Company currently is not undertaking any remediation or investigations and the costs or liability in connection with potential contamination conditions at these facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, while the Company attempts to evaluate the risk of liability associated with these facilities at the time the Company acquired them, there may be environmental conditions currently unknown to the Company relating to prior, existing or future sites or operations or those of predecessor companies whose liabilities the Company may have assumed or acquired which could have a material adverse effect on the Company’s business.

The Company is being indemnified, or expects to be indemnified, by third parties subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. Accordingly, based on the indemnification and the experience with similar sites of the environmental consultants who the Company has hired, the Company does not expect such costs and liabilities to have a material adverse effect on its business, operations or earnings. There can be no assurance, however, that those third parties will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which the Company is obligated is not subject to these indemnities, the Company could become subject to significant liabilities.

From time to time, the Company is notified that it is a potentially responsible party and may have liability in connection with off-site disposal facilities. To date, the Company has generally resolved matters involving off-site disposal facilities for a nominal sum but there can be no assurance that the Company will be able to resolve pending or future matters in a similar fashion.

17. Segment and Geographic Information

The internal reporting structure used by our Chief Operating Decision Maker (“CODM”) to assess performance and allocate resources determines the basis for our reportable operating segments. Our CODM is our Chief Executive Officer, and he evaluates operations and allocates resources based on a measure of income from operations. Our operations are organized in two reporting segments that are aligned with key product types and end markets served, Power Transmission Technologies and Automation & Specialty:

- *Power Transmission Technologies.* This segment includes the following key product offerings:
  - o *Couplings, Clutches & Brakes.* Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other. Clutches in this segment are devices that use mechanical, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations of interacting parts that work to slow or stop machinery. Products in this segment are generally used in heavy industrial applications and energy markets.
  - o *Electromagnetic Clutches & Brakes.* Products in this segment include brakes and clutches that are used to electronically slow, stop, engage or disengage equipment utilizing electromagnetic friction type connections. Products in this segment are used in industrial and commercial markets including agricultural machinery, material handling, motion control, and turf & garden.
  - o *Gearing.* Gears are utilized to reduce the speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. Gears produced by the Company are primarily utilized in industrial applications.
- *Automation & Specialty.* Our Automation & Specialty segment consists of the following key brands:
  - o *Kollmorgen:* Provides rotary precision motion solutions, including servo motors, stepper motors, high performance electronic drives and motion controllers and related software, and precision linear actuators. These products are used in advanced material handling, aerospace and defense, factory automation, medical, packaging, printing, semiconductor, robotic and other applications.
  - o *Portescap:* Provides high-efficiency miniature motors and motion control products, including brush and brushless DC motors, can stack motors and disc magnet motors. These products are used in medical, industrial power tool and general industrial equipment applications.
  - o *Thomson:* Provides systems that enable and support the transition of rotary motion to linear motion. Products include linear bearings, guides, glides, lead and ball screws, industrial linear actuators, clutch brakes, precision gears, resolvers and inductors. These products are used in factory automation, medical, mobile off-highway, material handling, food processing and other niche applications.

Segment financial information and a reconciliation of segment results to consolidated results follows:

	Year Ended December 31,		
	2022	2021	2020
Net Sales:			
Power Transmission Technologies	$ 985.6	$ 924.8	$ 818.6
Automation & Specialty	965.5	979.0	911.8
Inter-segment eliminations	(5.6)	(4.0)	(4.4)
Net sales	$ 1,945.5	$ 1,899.8	$ 1,726.0
Income from operations:			
Segment earnings:			
Power Transmission Technologies (1)	$ 136.8	$ 128.6	$ 97.5
Automation & Specialty (2)	136.0	(8.3)	(10.4)
Corporate (3)	(27.2)	(19.9)	(2.2)
Restructuring and consolidation costs	(5.2)	(3.0)	(7.4)
Income from operations	240.4	97.4	77.5
Other non-operating (income) expense:			
Interest expense, net	51.5	94.5	72.1
Other non-operating expense (income), net	(0.4)	(4.9)	1.4
	51.1	89.6	73.5
Income before income taxes	189.3	7.8	4.0
(Benefit)/Provision for income taxes	62.3	(19.9)	29.5
Net income/(loss)	$ 127.0	$ 27.7	$ (25.5)

(1) In 2022, the Company recorded a non-cash impairment charge of $3.0 million related to a building expected to be sold upon the closing of its facility in Dessau, Germany. The asset held for sale is part of "Prepaid expenses and Other current assets" in the consolidated balance sheet.

(2) The Company recorded non-cash impairment charges of $10.2 million and $142.4 million in 2022 and 2021, respectively, at the JVS reporting unit related to the held for sale classification. In 2020, the Company recorded non-cash impairment charges of $8.4 million and $139.1 million for indefinite-lived intangible assets and goodwill, respectively, at the JVS reporting unit.

(3) Certain expenses are maintained at the corporate level and not allocated to the segments. These include various administrative expenses related to the corporate headquarters, depreciation on capitalized software costs, non-capitalizable software implementation costs and acquisition related expenses.

Selected information by segment (continued)

	Years Ended December 31,		
	2022	2021	2020
Depreciation and amortization:			
Power Transmission Technologies	$ 28.0	$ 31.5	$ 32.9
Automation & Specialty	63.6	88.2	91.5
Corporate	2.6	2.6	3.2
Total depreciation and amortization	$ 94.2	$ 122.3	$ 127.6

	Years Ended December 31,	
	2022	2021
Total assets:		
Power Transmission Technologies	$ 1,075.0	$ 1,069.4
Automation & Specialty	2,511.2	2,879.2
Corporate (1)	90.4	182.0
Total assets	$ 3,676.6	$ 4,130.6

(1) Corporate assets are primarily cash and cash equivalents, tax related asset accounts, certain capitalized software costs, property, plant and equipment and deferred financing costs.

	Net Sales			Property, Plant and Equipment	
	Years Ended December 31,			Years Ended December 31,	
	2022	2021	2020	2022	2021
North America (primarily U.S.)	$ 1,124.2	$ 1,018.3	$ 914.9	$ 160.4	$ 134.6
Europe excluding Germany	344.8	341.9	289.3	47.4	48.5
Germany	209.5	200.0	185.8	45.5	55.4
China	148.0	222.9	222.5	7.0	24.7
Asia and other (excluding China)	119.0	116.7	113.5	14.8	12.6
Total	$ 1,945.5	$ 1,899.8	$ 1,726.0	$ 275.1	$ 275.8

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for property, plant and equipment are based on the location of the entity, which holds such assets.

18. Subsequent Events

On February 1, 2023, the Company declared a dividend of $0.09 per share for the quarter ended March 31, 2023, payable on April 4, 2023 to stockholders of record as of March 16, 2023. The dividend will only be payable if the Regal Rexnord Merger has not closed prior to the close of business on the record date.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

1. Disclosure Controls and Procedures

As of December 31, 2022, or the Evaluation Date, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, such as this Form 10-K, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective at a reasonable assurance level.

2. Internal Control Over Financial Reporting

(a) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and chief financial officer, and implemented by our Board of Directors, management and other personnel 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. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission *(COSO).* Management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K.

(b) Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Altra Industrial Motion Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Altra Industrial Motion Corp. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated March 1, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
March 1, 2023

(c) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a–15(f) under the Exchange Act) that occurred during our quarter ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2022.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2022.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2022.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2022.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2022.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) List of documents filed as part of this report:

(1) Financial Statements.

i. Consolidated Balance Sheets as of December 31, 2022 and 2021

ii. Consolidated Statements of Operations for the Fiscal Years ended December 31, 2022, 2021 and 2020

iii. Consolidated Statements of Comprehensive Income for the Fiscal Years ended December 31, 2022, 2021 and 2020

iv. Consolidated Statements of Stockholders' Equity as of December 31, 2022, 2021 and 2020

v. Consolidated Statements of Cash Flows for the Fiscal Years ended December 31, 2022, 2021 and 2020

(2) Financial Statement Schedule

ii. Schedule II — Valuation and Qualifying Accounts

(3) Exhibits List

Number	Description
2.1(1)	LLC Purchase Agreement, dated as of October 25, 2004, among Warner Electric Holding, Inc., Colfax Corporation and CPT Acquisition Corp., a subsidiary of Altra Holdings, Inc. (P)
2.2(1)	Assignment and Assumption Agreement, dated as of November 21, 2004, between Altra Holdings, Inc. and Altra Industrial Motion, Inc. (P)
2.3(15)	Equity Purchase Agreement, dated as of December 31, 2021, among Altra Industrial Motion Corp., Nook Industries, LLC, Nook Industries Holdings, Inc., the shareholders of Nook Industries, LLC party thereto, and Joseph H. Nook, III, as the sellers' representative.***
2.4(15)	Purchase and Sale Agreement, dated February 8, 2022, between Cummins Inc. and Altra Industrial Motion Corp.
2.5(16)	Amendment No.1 to the Purchase and Sale Agreement, dated April 8, 2022, among Cummins, Inc. and Altra Industrial Motion Corp.
2.6(17)	Agreement and Plan of Merger, dated October 26, 2022, among Regal Rexnord Corporation, Aspen Sub, Inc. and Altra Industrial Motion Corp.
3.1(2)	Second Amended and Restated Certificate of Incorporation of Altra Holdings, Inc.
3.2(12)	Certificate of Amendment to the Second Amended and Restated Articles of Incorporation of Altra Industrial Motion Corp., as filed with the Secretary of State of the State of Delaware
3.3(3)	Second Amended and Restated Bylaws of Altra Holdings, Inc.
3.4(17)	Amendment to Second Amended and Restated Bylaws of Altra Industrial Motion Corp.
3.5(6)	Certificate of Ownership and Merger of Altra Merger Sub, Inc. with and into Altra Holdings, Inc., to effect the Company name change, as filed with the Secretary of State of the State of Delaware on November 22, 2013.
4.1(2)	Form of Common Stock Certificate.
4.2(11)	Indenture, dated as of October 1, 2018, among Stevens Holding Company, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A.
4.3(11)	Supplemental Indenture, dated as of October 1, 2018, among Stevens Holding Company, Inc., Altra Industrial Motion Corp., the other guarantors party thereto and The Bank of New York Mellon Trust Company, N.A.
4.4(13)	Description of Securities
10.1(4)	Amended and Restated Employment Agreement, dated as of January 1, 2009, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Carl Christenson.†
10.2(5)	Amended and Restated Employment Agreement, dated as of November 5, 2012, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Christian Storch.†
10.3(3)	Form of Indemnity Agreement entered into between Altra Holdings, Inc. and the Directors and certain officers.†
10.4(7)	Form of Change of Control Agreement entered into among Altra Industrial Motion Corp. and certain officers.†
10.5(12)	Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan, as amended and restated.†
10.6(9)	Separation and Distribution Agreement, dated as of March 7, 2018, among Fortive Corporations, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.7(10)	A&R Commitment Letter, dated as of March 28, 2018 among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.8(10)	Employee Matters Agreement, dated as of March 7, 2018 among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.9(11)	Tax Matters Agreement, dated as of October 1, 2018, among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.10(11)	Transition Services Agreement, dated as of October 1, 2018, among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.

10.11(11)	Intellectual Property Cross-License Agreement, dated as of October 1, 2018, between Fortive Corporation and Altra Industrial Motion Corp.
10.12(11)	Credit Agreement, dated as of October 1, 2018, among Altra Industrial Motion Corp., the designated subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.***
10.13(8)	Form of Altra Industrial Motion Corp.'s Restricted Stock Unit Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.14(8)	Form of Altra Industrial Motion Corp.'s Restricted Stock Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.15(8)	Form of Altra Industrial Motion Corp.'s Nonqualified Stock Option Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated †
10.16(14)	Form of Altra Industrial Motion Corp.'s Restricted Stock Unit Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan.†
10.17(14)	Form of Altra Industrial Motion Corp.'s Performance Share Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.18(15)	Credit Agreement, dated as of November 17, 2021, among Altra Industrial Motion Corp., the designated subsidiary borrowers party thereto, the lenders party thereto and Bank of Montreal, as administrative agent, sustainability structuring agent and collateral agent***
10.19(15)	Guarantee and Collateral Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal.
10.20(16)	Supplement to Guarantee and Collateral Agreement dated April 5, 2022, among Altra Industrial Motion Corp., Guarantors to the Guarantee and Collateral Agreement dated as of November 17, 2021, and Bank of Montreal.
10.21(16)	Release of Guarantor, dated April 8, 2022, among Altra Industrial Motion Corp. and Bank of Montreal to release Jacobs Vehicle Systems, Inc.
10.22(15)	Patent Security Agreement, dated November 17, 2021, among certain subsidiaries of Altra Industrial Motion Corp. in favor of Bank of Montreal.
10.23(16)	Patent Security Agreement, dated April 6, 2022, by Nook Industries, LLC in favor of Bank of Montreal.
10.24(16)	Release of Patent Security Interest, dated April 8, 2022, by Bank of Montreal in favor of American Precision Industries, Inc., Inertia Dynamics, LLC, Jacobs Vehicle Systems, Inc., Kilian Manufacturing Corporation, Kollmorgen Corporation, TB Wood's Incorporated, Thomson Industries, Inc., and Warner Electric LLC.
10.25(15)	Trademark Security Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal.
10.26(16)	Trademark Security Agreement, dated April 6, 2022, among Nook Industries, LLC, in favor of Bank of Montreal.
10.27(16)	Release of Security Interests in Trademarks, dated April 8 2022 ,by Bank of Montreal in favor of Altra Industrial Motion Corp., American Precision Industries, Inc., Ameridrives International, LLC, Boston Gear Llc, Guardian Couplings LLC, Inertia Dynamics, LLC, Formsprag LLC, Jacobs Vehicle Systems, Inc., Kilian Manufacturing Corporation, Kollmorgen Corporation, TB Wood's Incorporated, and Thomson Industries, Inc.
21.1	Subsidiaries of Altra Industrial Motion Corp.*
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.*
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

101 The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, are formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Audited Consolidated Statement of Operations, (ii) the Audited Consolidated Statement of Comprehensive Income, (iii) the Audited Consolidated Balance Sheet, (iv) the Audited Consolidated Statement of Cash Flows, (v) the Statements of Stockholders' Equity, (vi) Notes to Audited Consolidated Financial Statements, (vii) Valuation and Qualifying Accounts.*

104 The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in iXBRL and contained in Exhibit 101.

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(1) Incorporated by reference to Altra Industrial Motion, Inc.'s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 16, 2005.

(2) Incorporated by reference to Altra Holdings, Inc.'s Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on December 4, 2006.

(3) Incorporated by reference to Altra Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2008.

(4) Incorporated by reference to Altra Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2008.

(5) Incorporated by reference to Altra Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 7, 2012.

(6) Incorporated by reference to Altra Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2013.

(7) Incorporated by reference to Altra Industrial Motion Corp.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2015.

(8) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 10-Q filed with the Securities and Exchange Commission on July 24, 2020.

(9) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on March 9, 2018.

(10) Incorporated by reference to Altra Industrial Motion Corp.'s Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 5, 2018.

(11) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K, filed with the SEC on October 1, 2018.

(12) Incorporated by reference to Annex A filed with Altra Industrial Motion Corp.'s Proxy Statement filed with the Securities and Exchange Commission on March 26, 2020.

(13) Incorporated by reference to Altra Industrial Motion Corp.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2019.

(14) Incorporated by reference to Altra Industrial Motion Corp.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2020.

(15) Incorporated by reference to Altra Industrial Motion Corp.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2021.

(16) Incorporated by reference to Altra Industrial Motion Corp.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the period ended March 31, 2022 filed on May 2, 2022.

(17) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 27, 2022.

* Filed herewith.

** This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

† Management contract or compensatory plan or arrangement.

*** Schedules and exhibits to these agreements have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplemental copies of such omitted schedules and exhibits to the Securities and Exchange Commission upon request.

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

Note: Altra Holdings, Inc. changed its name to Altra Industrial Motion Corp. effective November 22, 2013.

Item 15(a)(2)

ALTRA INDUSTRIAL MOTION CORP.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Allowance for Credit Losses:	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
For the year ended December 31, 2020	$ 5.1	$ 0.0	$ (0.2)	$ 4.9
For the year ended December 31, 2021	4.9	0.1	(0.9)	4.1
For the year ended December 31, 2022	$ 4.1	$ 0.4	$ 0.0	$ 4.5

Exhibit Index

Number	Description
21.1	Subsidiaries of Altra Industrial Motion Corp.
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, are formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Audited Consolidated Statement of Operations, (ii) the Audited Consolidated Statement of Comprehensive Income, (iii) the Audited Consolidated Balance Sheet, (iv) the Audited Consolidated Statement of Cash Flows, (v) the Statements of Stockholders' Equity, (vi) Notes to Audited Consolidated Financial Statements, (vii) Valuation and Qualifying Accounts.
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in iXBRL and contained in Exhibit 101.

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALTRA INDUSTRIAL MOTION CORP.

March 1, 2023	By:	/s/ Carl R. Christenson
		Name: Carl R. Christenson
		Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 1, 2023	By:	/s/ Carl R. Christenson
		Name: Carl R. Christenson
		Title: Chairman and Chief Executive Officer, Director
March 1, 2023	By:	/s/ Todd B. Patriacca
		Name: Todd B. Patriacca
		Title: Executive V.P., Chief Financial Officer and Treasurer, Chief Accounting Officer
March 1, 2023	By:	/s/ Lyle G. Ganske
		Name: Lyle G. Ganske
		Title: Director
March 1, 2023	By:	/s/ Scott Hall
		Name: Scott Hall
		Title: Director
March 1, 2023	By:	/s/ Nicole Parent Haughey
		Name: Nicole Parent Haughey
		Title: Director
March 1, 2023	By:	/s/ Margot Hoffman
		Name: Margot Hoffman
		Title: Director
March 1, 2023	By:	/s/ Thomas W. Swidarski
		Name: Thomas W. Swidarski
		Title: Director
March 1, 2023	By:	/s/ La Vonda Williams
		Name: La Vonda Williams
		Title: Director
March 1, 2023	By:	/s/ James H. Woodward, Jr.
		Name: James H. Woodward, Jr.
		Title: Director

Exhibit 21.1

	Jurisdiction of Incorporation
Altra Industrial Motion Corp.	Delaware
Ameridrives International LLC	Delaware
Boston Gear LLC	Delaware
Bauer Gear Motor LLC	Delaware
Formsprag LLC	Delaware
Guardian Couplings LLC	Delaware
Inertia Dynamics LLC	Delaware
Kilian Manufacturing Corporation	Delaware
Kilian Canada ULC	Canada
Nook Industries, LLC	Nevada
Nuttall Gear LLC	Delaware
Stevens Holding Company Inc.	Delaware
AS Motion LLC	Delaware
AS Motion International B.V.	Netherlands
AS Motion Hong Kong Ltd.	Hong Kong
Elsim Elektroteknik Sistemler Sanayi ve Ticaret A.Ş.	Turkey
AS Motion North America Inc.	Delaware
American Precision Industries, Inc.	Delaware
API Harowe (St. Kitts) Ltd.	St. Kitts and Nevis
Heat Transfer Guarantee Co., LLC	Delaware
Portescap S.A.	Switzerland
Portescap Co., Ltd.	Japan
Portescap U.S., Inc.	New York
Ball Screws and Actuators Co., Inc.	California
G&L Motion Control Inc.	Delaware
Motion Engineering Incorporated	California
Thomson Industries, Inc.	New York
ABEK LLC	Delaware
Thomson Industries S. de R.L. de C.V.	Mexico
Thomson Linear LLC	Delaware
Wermex Corporation	Texas
PacSci Motion Control, Inc.	Massachusetts
Kollmorgen Corporation	New York
AT Business Systems LLC	Delaware
Svendborg Brakes USA, LLC	Delaware
TB Wood’s Corporation	Delaware
TB Wood’s Incorporated	Pennsylvania
T.B. Wood’s Canada Ltd.	Canada
Industrial Blaju, S.A. de C.V.	Mexico
Warner Electric LLC	Delaware
Warner Electric Technology LLC	Delaware
Altra Industrial Motion (Thailand) Ltd.	Thailand
Altra Industrial Motion International Holding, LLC	Delaware
Altra Industrial Motion Netherlands B.V.	Netherlands
Altra Industrial Motion Denmark ApS	Denmark
S.B. Patent Holding ApS	Denmark
Svendborg Brakes ApS	Denmark
Svendborg Brakes Chile Ltd.	Chile
Svendborg Brakes España S.A.	Spain
Svendborg Brakes India Ltd.	India
Svendborg Brakes Korea Co. Ltd.	Republic of Korea
Svendborg Brakes Peru S.A.C.	Peru
Svendborg Brakes Shanghai Co., Ltd.	China
Svendborg Brakes Trading (Shanghai) Co., Ltd.	China
Altra Industrial Motion do Brasil Equipamentos Industriais Ltda.	Brazil
Altra Industrial Motion Germany GmbH	Germany
Kollmorgen Automation AB	Sweden

Tollo Linear AB	Sweden
Kollmorgen Europe GmbH	Germany
Kollmorgen s.r.o.	Czech Republic
Jacobs Vehicle Systems Europe s.r.o.	Czech Republic
Kollmorgen S.r.l.	Italy
Stieber GmbH	Germany
Stromag Holding GmbH	Germany
Stromag GmbH	Germany
Altra Industrial Motion India Private Ltd.	India
Stromag Dessau GmbH	Germany
Thomson Neff Industries GmbH	Germany
Altra Industrial Motion Russia OOO	Russia
Altra Industrial Motion UK Holding Ltd.	United Kingdom
Altra Industrial Motion UK Ltd.	United Kingdom
Bauer Gear Motor Ltd.	United Kingdom
Bibby Transmissions Ltd.	United Kingdom
Altra Industrial Motion South Africa (Pty.) Ltd.	South Africa
Huco Engineering Industries Ltd.	United Kingdom
Matrix International Ltd.	United Kingdom
Matrix International GmbH	Germany
Twiflex Ltd.	United Kingdom
AS Motion Asiapac Holding Ltd.	Hong Kong
A&S Industry Technology (Tianjin) Co., Ltd.	China
Portescap Singapore Pte.	Singapore
Portescap India Private Limited	India
Bauer Gear Motor Finland Oy Ab	Finland
Bauer Gear Motor GmbH	Germany
Aluminium Die Casting S.r.l.	Italy
Bauer Gear Motor Europe GmbH	Germany
Bauer Gear Motor Slovakia s.r.o.	Slovakia
Warner Electric (Holding) SAS	France
Stromag Holding SAS	France
Stromag France SAS	France
Warner Electric Europe SAS	France
Warner Electric (Neth) Holding B.V.	Netherlands
Altra Industrial Motion Australia Pty. Ltd.	Australia
Altra Industrial Motion Hong Kong Limited	Hong Kong
Altra Industrial Motion (ShenZhen) Co.	China
Altra Industrial Motion Singapore Pt. Ltd.	Singapore
Altra Industrial Motion Switzerland Sàrl	Switzerland
Altra Industrial Motion Taiwan Ltd.	Taiwan

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-239481, 333-195791, 333-140349, 333-229585, and 333-219489 each on Form S-8 of our reports dated March 1, 2023 relating to the financial statements and financial statement schedule of Altra Industrial Motion Corp. and the effectiveness of Altra Industrial Motion Corp.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Altra Industrial Motion Corp. for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
March 1, 2023

Exhibit 31.1

Certification of Chief Executive Officer

I, Carl R. Christenson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Altra Industrial Motion Corp.;

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, 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 the 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.

By: /s/ Carl R. Christenson

Name: Carl R. Christenson

Title: Chairman and Chief Executive Officer, Director

Date: March 1, 2023

Exhibit 31.2

<u>Certification of Chief Financial Officer</u>

I, Todd B. Patriacca, certify that:

1. I have reviewed this Annual Report on Form 10-K of Altra Industrial Motion Corp.;

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, 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 the 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.

By: /s/ Todd B. Patriacca

Name: Todd B. Patriacca
Title: Executive V.P., Chief Financial Officer
and Treasurer, Chief Accounting Officer

Date: March 1, 2023

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Altra Industrial Motion Corp. (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl R. Christenson, the Chairman and 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:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Carl R. Christenson

Name: Carl R. Christenson

Title: Chairman and Chief Executive Officer, Director

Date: March 1, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Altra Industrial Motion Corp. (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd B. Patriacca, the Executive Vice President, Chief Financial Officer and Treasurer 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:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Todd B. Patriacca

Name: Todd B. Patriacca

Title: Executive V.P., Chief Financial Officer and Treasurer, Chief Accounting Officer

Date: March 1, 2023