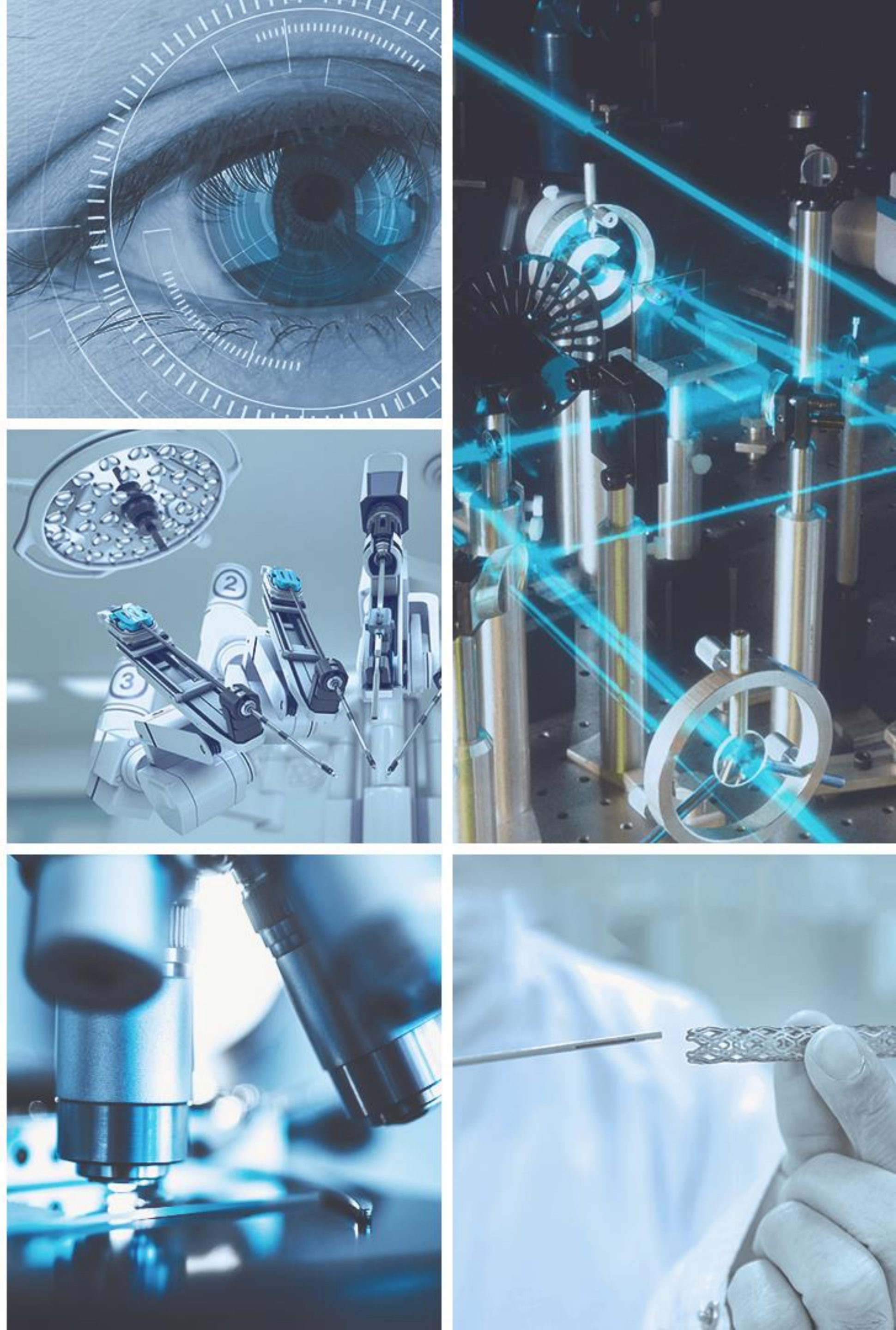
Novanta

A Trusted Technology Partner to Medical and Advanced Technology Equipment Manufacturers

September 2018

Nasdaq: NOVT



Safe Harbor Statement

The statements in this presentation that relate to guidance, pro forma presentations, future plans, goals, business opportunities, and future events or performance are forward-looking statements that involve risks and uncertainties, including risks associated with business and economic conditions, failure to achieve expected benefits of acquisitions, failure to comply with Food and Drug Administration regulations, customer and/or supplier contract cancellations, manufacturing risks, competitive factors, ability to successfully introduce new products, uncertainties pertaining to customer orders, demand for products and services, growth and development of markets for the Company's products and services, and other risks identified in our filings made with the Securities and Exchange Commission. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. The Company disclaims any obligation to update these forward-looking statements as a result of developments occurring after the date of this presentation. Readers are encouraged to refer to the risk disclosures included in the Company's Form 10-K for the year ended December 31, 2017 and subsequent quarterly filings with the SEC, as applicable. Please see “Safe Harbor and Forward-Looking Information” in the Company's most recent quarterly earnings release Form 8-K filing for more information.

In this presentation, we present the non-GAAP financial measures of Adjusted Revenue, Adjusted Diluted EPS, and Adjusted EBITDA. Please see “Use of Non-GAAP Financial Measures” in the accompanying appendix and our second quarter 2018 earnings press release for the reasons why we use these measures, a reconciliation of these measures to the most directly comparable GAAP measures, and other information relating to these measures.

The Company neither updates nor confirms any guidance regarding the future operating results of the Company which may have been given prior to this presentation.

COMPANY OVERVIEW

Leader in Mission Critical Technologies to Medical & Advanced Industrial Markets

+$600M

Annual Revenue
with 60% Outside the US

+$121M

in Adjusted EBITDA
+$1.96 Adjusted Diluted EPS

+$4B

Addressable Market
with 5%–7% CAGR

Note: Revenue, Adjusted EBITDA and Adjusted Diluted EPS figures are based on the range for full–year guidance provided on August 8, 2018. The Company neither updates nor confirms this forward-looking guidance.
Note: Adjusted EBITDA & Adjusted Diluted EPS are Non-GAAP measures. The reconciliation to our most comparable GAAP measures is provided in the accompanying appendix.

The Novanta Transformation

DRIVE PERFORMANCE
Divested 40% of Portfolio
and hired new team

~10%
of revenue
in Medical

2012

2014

STRATEGIC DIRECTION AND PORTFOLIO RE-ALIGNMENT

STRENGTHEN CORE
Emphasis on Medical M&A
Invest for Organic Growth

2016

2017

+50%
of revenue
in Medical

GROWTH INVESTMENTS

SCALE UP
Double Annual
Revenue to $750M

2018

2020

+50%
of revenue
in Medical

ACCELERATED GROWTH AND OUTPERFORMANCE

2020

STRATEGIC DIRECTION

Leader in Intelligent Mission Critical and Enabling Technologies

1. **Breakthrough Scale**
   Double Annual Revenue to $750M
2. **Global Market Leadership**
   "Top 2" Share Position Globally
3. **Superior Profitability**
   Deliver +20% Adjusted EBITDA, with Diversified Businesses
4. **Consistent Growth**
   5–7% Organic Growth and +50% of Revenue in Medical Markets
5. **Reputation for Excellence**
   Widely Recognized as a World Class Operating Company

WHY

INVEST IN NOVANTA?

PROFITABLE LEADERSHIP IN SECULAR GROWTH MARKETS

Proprietary Technologies

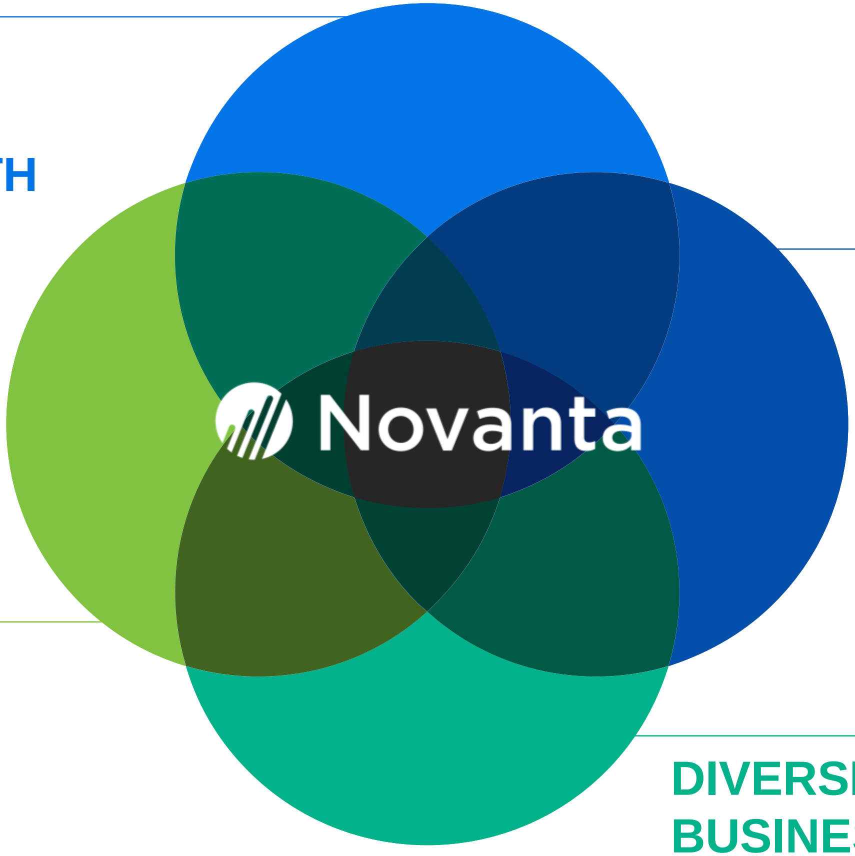
“Sticky” and Highly Engineered Solutions

EXPANDING MARKET REACH

Product Innovation

Increasing Content with OEMs

Global Presence



STRATEGIC M&A

Disciplined and Cash Returns-Focused

DIVERSIFIED BUSINESS MODEL

Balanced across Multiple End Markets

Strong CF Conversion

Novanta Has A Culture Of Innovation

With Deep Proprietary Technical Competencies

+400
Engineers

~9%
Revenue Invested in R&D

+400
Patents

Novanta Operating Groups and Businesses

Pro Forma for Completed Acquisitions

40% PHOTONICS

CAMBRIDGE TECHNOLOGY A Novanta Company

Galvanometer Optical Scanners

Scanhead Solutions

Laser Quantum A Novanta Company

Visible CW lasers

Laser and beam delivery subsystems

SYNRAD A Novanta Company

CO2 lasers for fine material processing

40% VISION

Detection & Analysis

JADAK A Novanta Company

RFID, barcode scanning and machine vision

Minimally Invasive Surgery

WOM A Novanta Company

Insufflators, pumps and disposables

NDS A Novanta Company

Endoscopic visualization

Integrated OR solutions

20% PRECISION MOTION

Celera MOTION A Novanta Company

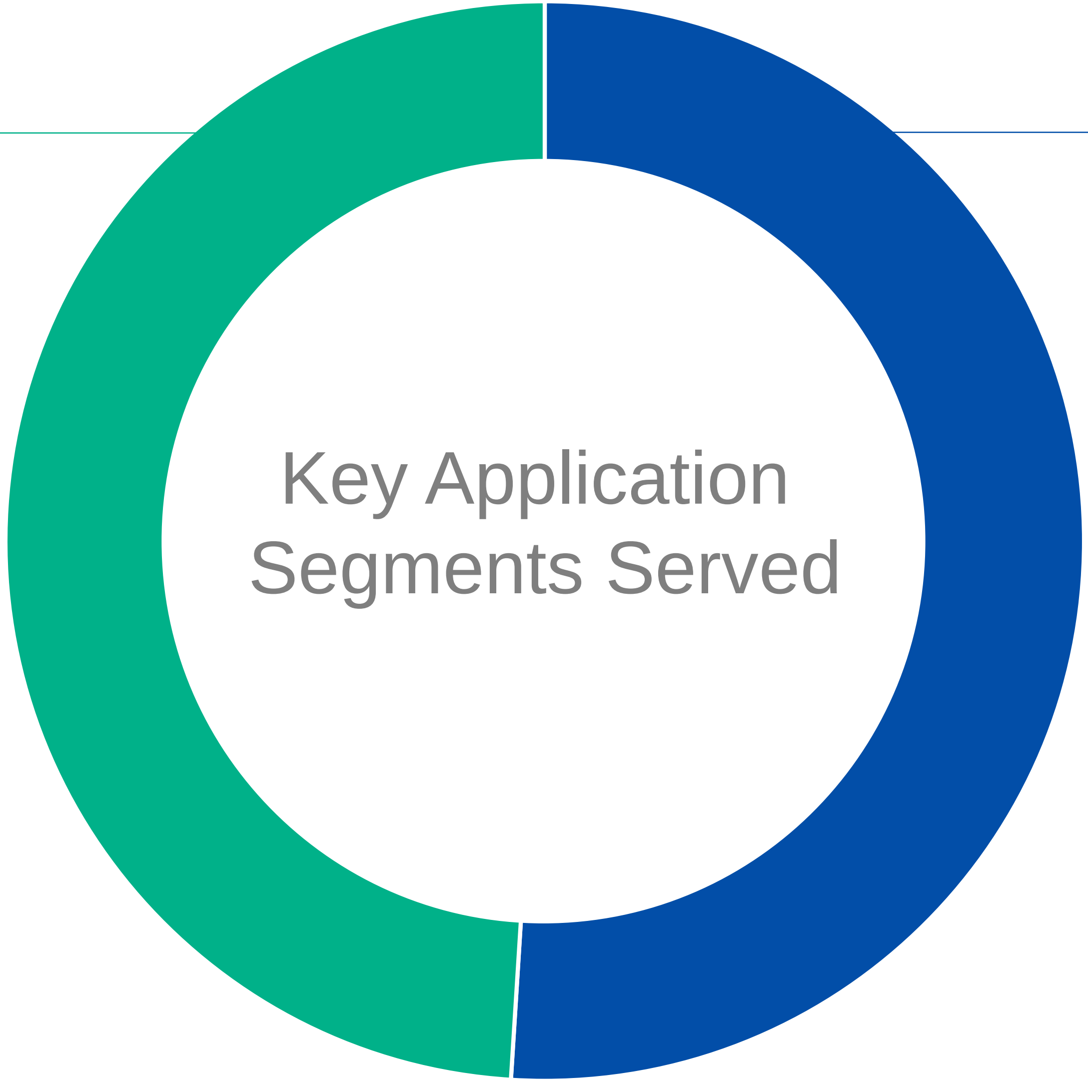
World leading position detection accuracy

Integrated motion solutions

Playing in Attractive Growth Markets

49%
ADVANCED INDUSTRIAL

- Material Processing
- Metrology
- Robots and Automation



51%
MEDICAL

- Minimally Invasive Surgery
- Critical Care Equipment
- Ophthalmology
- Lab / Life Science Equipment

Playing in Attractive Growth Markets

49%

ADVANCED INDUSTRIAL

Material Processing

Metrology

Robots and Automation

ADDITIVE MANUFACTURING

- +$5 Billion Systems Market
- Growing +20% CAGR

Novanta is a leading supplier of laser beam steering subsystems inside laser additive manufacturing equipment

Novanta

Playing in Attractive Growth Markets

49%

ADVANCED INDUSTRIAL

Material Processing

Metrology

Robots and Automation

PRECISION ROBOTICS

The share of manufacturing tasks performed by robots is expected to rise from 10% to 25% by 2025[(1)]

Novanta delivers high precision motion solutions in high performance niche industrial robotics and automation applications

(1) BCG, The Robotics Revolution, Sept 2016

Playing in Attractive Growth Markets

DNA SEQUENCING

$28 Billion Systems Market

- Growing +10% CAGR
- Clinical acceptance and adoption accelerating through new applications

Novanta is a leading provider of laser and beam delivery subsystems for High Throughput DNA Sequencing

51%

MEDICAL

Minimally Invasive Surgery

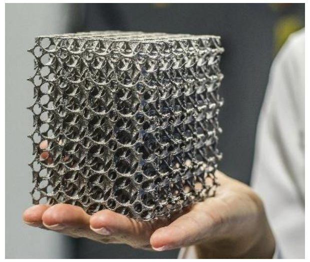
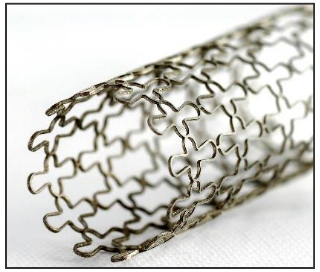
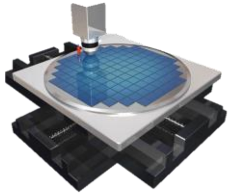
Critical Care Equipment

Ophthalmology

Lab / Life Science Equipment

Intersecting Opportunities for Industry 4.0

Factory of the Future

✓ Opportunity to participate	Robotics & Automation	Metals Additive Manufacturing	Fine Material Processing	Metrology & Inspection	Digitalization & Intelligence
					
Motion	✓	✓	✓	✓	✓
Photonics		✓	✓	✓	

Novanta Operating Model

Differentiated OEM Business Model

Supplier of Mission Critical Application Specific Solutions to OEMs

Imbedded Customized Solutions with Customer ~10 Year Product Life Cycles

Owner and Continuous Improvement Mindset

Autonomous Business Units Focused on Technologies and Leadership Positions in Niche Applications

Novanta Business System to Drive Continuous Improvement & Asset Light Business Model

Strategic Re-investment of Cash

Institutionalized Organic Growth Program Focused on Innovation and Commercial Excellence

Strategic M&A

Disciplined Capital Allocation Based on ROIC

Team and Organization Development

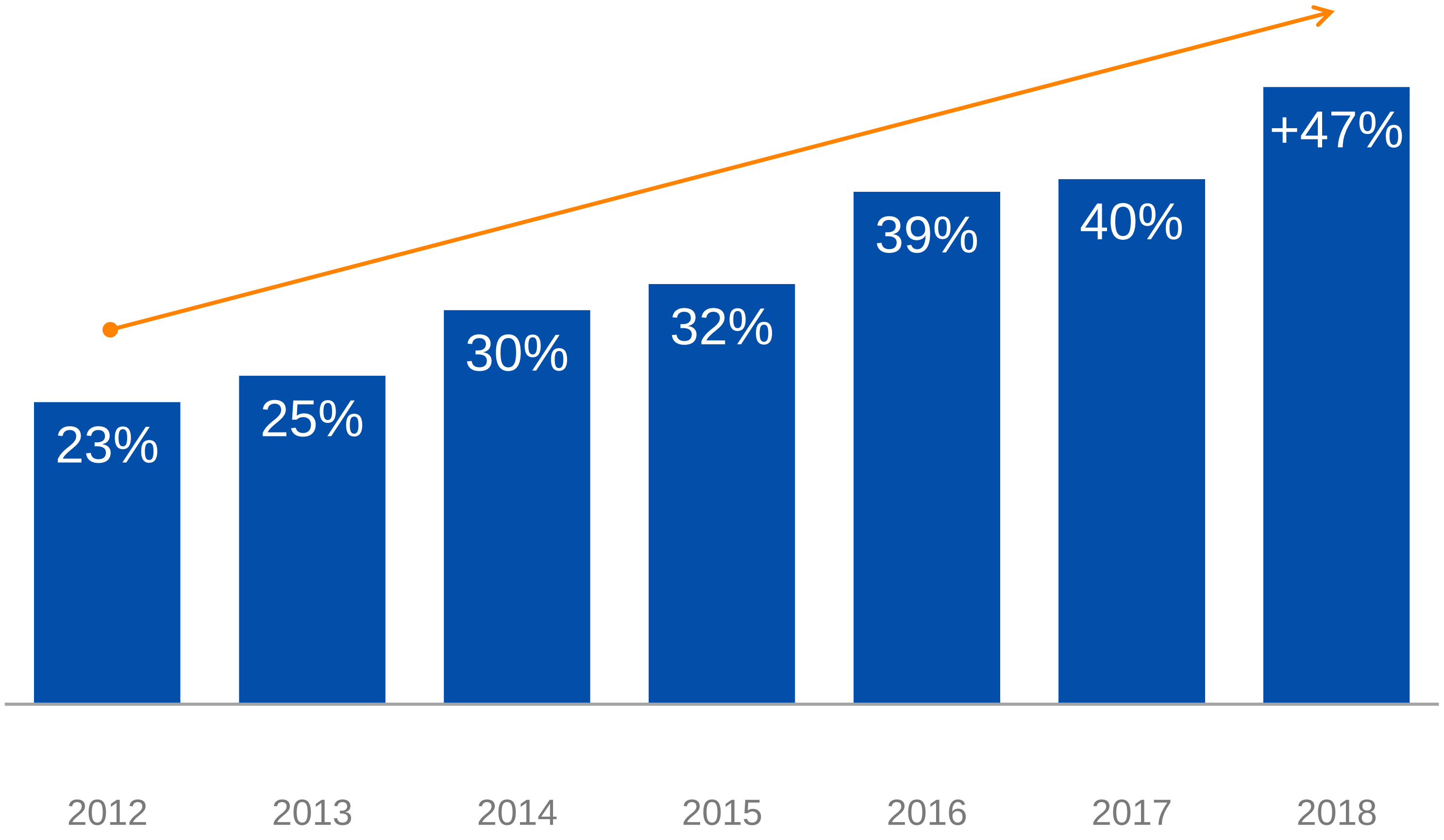
Aligned and Capable Teams

Collaborative and Performance Based Culture

Driving Cash Flow Returns

ROIC

After-Tax Profit / Tangible Assets (*NWC + **PP&E)



Targets

~4%

Net Productivity per year

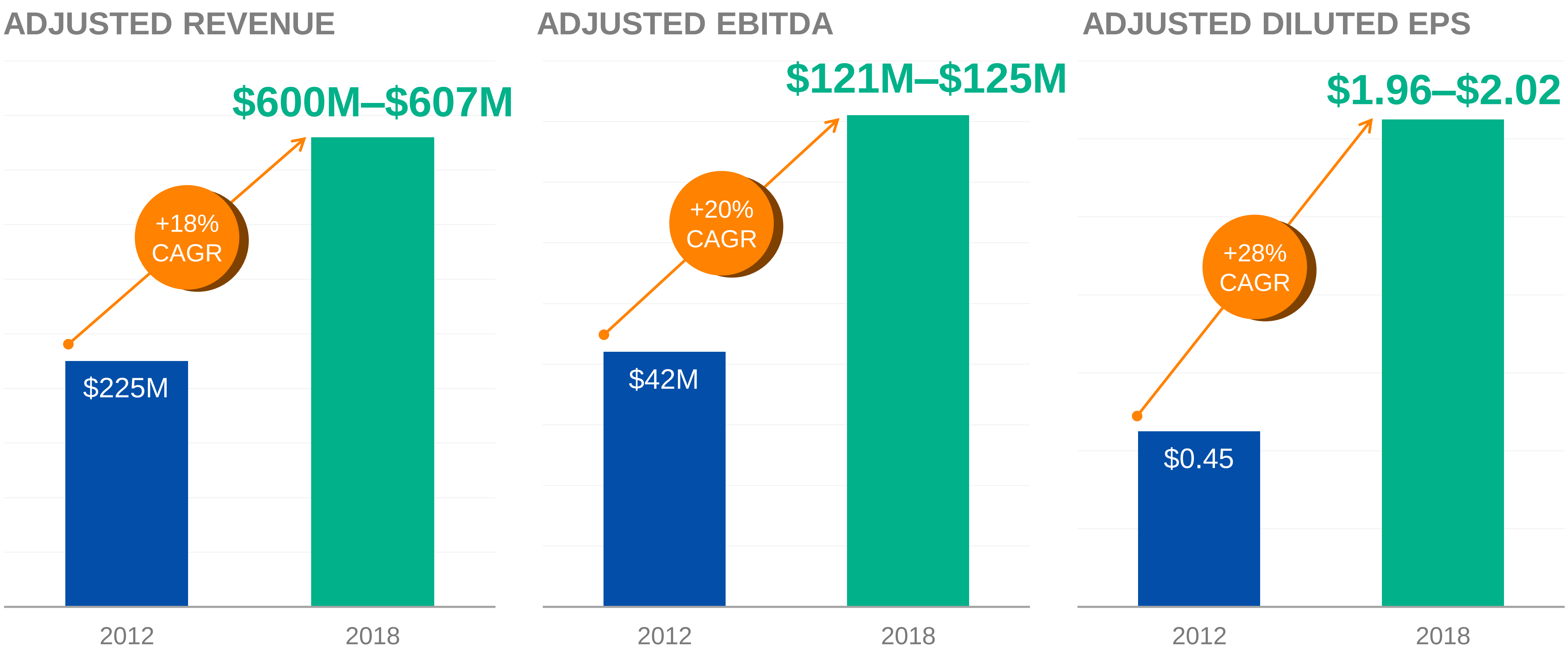
15%

of sales Net Working Capital

*Defined as Inventory, Accounts Receivable and Accounts Payable

** Property, plant and equipment, excluding capital leases

Delivering Consistent Financial Results



*Adjusted Revenue, Adjusted EBITDA & Adjusted Diluted EPS are non-GAAP measures. The reconciliation to our most comparable GAAP measures is provided in the accompanying appendix.
** The Company neither updates nor confirms 2018 Outlook provided in our second quarter 2018 earnings press release.

About Novanta

Novanta is a leading global supplier of core technology solutions that give medical and advanced industrial original equipment manufacturers ("OEMs") a competitive advantage. We combine deep proprietary technology expertise and competencies in photonics, vision, and precision motion with a proven ability to solve complex technical challenges. This enables Novanta to engineer core components and sub-systems that deliver extreme precision and performance, tailored to our customers' demanding applications. The driving force behind our growth is the team of innovative professionals who share a commitment to innovation and customer success. Novanta's common shares are quoted on Nasdaq under the ticker symbol "NOVT."

APPENDIX

Nasdaq: NOVT

Use of Non-GAAP

The non-GAAP financial measures used in this presentation are non-GAAP Adjusted Revenue, Adjusted EBITDA, and Adjusted Diluted EPS from continuing operations.

The Company believes that these non-GAAP financial measures provide useful and supplementary information to investors regarding the Company's operating performance. It is management's belief that these non-GAAP financial measures would be particularly useful to investors because of the significant changes that have occurred outside of the Company's day-to-day business in accordance with the execution of the Company's strategy. This strategy includes streamlining the Company's existing operations through site and functional consolidations, strategic divestitures and product line closures, expanding the Company's business through significant internal investments, and broadening the Company's product and service offerings through acquisition of innovative and complementary technologies and solutions. The financial impact of certain elements of these activities, particularly acquisitions, divestitures, and site and functional restructurings, is often large relative to the Company's overall financial performance, which can adversely affect the comparability of its operating results and investors' ability to analyze the business from period to period.

Adjusted Revenue excludes the JK Lasers business to only show the results of ongoing operations of the Company as the JK Lasers business was sold in April 2015. We excluded JK Lasers sales from Adjusted Revenue because divestiture activities can vary between reporting periods and between us and our peers, which we believe make comparisons of long-term performance trends difficult for management and investors, and could result in overstating or understating to our investors the performance of our operations. Additionally, we include estimated revenue from contracts acquired with business acquisitions that will not be fully recognized due to business combination rules. Because GAAP accounting rules require the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amount of such revenue.

The Company defines Adjusted EBITDA as operating income (loss) from continuing operations before deducting depreciation, amortization, non-cash share-based compensation, restructuring, acquisition, divestiture and other costs, impairment of goodwill and intangible assets, acquisition fair value adjustments, CEO transition costs and inventory related charges associated with product line closures. The Company's Adjusted EBITDA is used by management to evaluate operating performance internally, communicate financial results to the Board of Directors, benchmark results against historical performance and the performance of peers, and evaluate investment opportunities including acquisitions and divestitures. In addition, Adjusted EBITDA is used to determine bonus payments for senior management and employees. Accordingly, the Company believes that this non-GAAP measure provides greater transparency and insight into management's method of analysis.

Adjusted Diluted EPS from Continuing Operations excludes amortization of acquired intangible assets and revenue fair value adjustments related to business acquisitions, restructuring, acquisition, divestiture, and other costs, inventory related charges associated with product line closures, CEO transition costs, the gain on sale of JK Lasers and the related unrealized foreign exchange loss on the U.S. dollar sales proceeds held by our U.K. subsidiary, impairment of goodwill and intangible assets, gain on acquisition of business, significant non-recurring income tax expenses (benefits) related to releases of valuation allowance, effects of changes in tax laws, income tax audit settlements, effects of acquisition related tax planning actions on our effective tax rate, and the income tax effect of non-GAAP adjustments. In addition, the Company excluded the adjustment of redeemable noncontrolling interest to estimated redemption value as: (1) the adjustment is unusual; (2) the amount is noncash; (3) the amount is excluded from the determination of net income attributable to Novanta Inc.; and (4) the Company believes that it may not be indicative of future adjustments and that investors may benefit from an understanding of the Company's results without giving effect to this adjustment. The Company also uses Adjusted Diluted EPS as a performance measurement for performance shares issued to certain executives.

Non-GAAP financial measures should not be considered as substitutes for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on the Company's reported results and, therefore, should not be relied upon as the sole financial measures to evaluate the Company's financial results. The non-GAAP financial measures are meant to supplement, and to be viewed in conjunction with, GAAP financial measures. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying this document.

Non-GAAP Reconciliation

ADJUSTED REVENUE	Twelve Months Ended December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	Six Months Ended June 29, 2018
	(in thousands of dollars)						
Revenue (GAAP)	**$243,796**	**$316,910**	**$364,706**	**$373,598**	**$384,758**	**$521,290**	**$297,365**
JK Lasers divestiture	(19,200)	(19,051)	(22,425)	(5,731)	-	-	-
Acquisition fair value adjustments	-	275	220	143	32	-	-
Adjusted Revenue (Non-GAAP)	**$224,596**	**$298,134**	**$342,501**	**$368,010**	**$384,790**	**$521,290**	**$297,365**

ADJUSTED EBITDA	Twelve Months Ended December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	Six Months Ended June 29, 2018
	(in thousands of dollars)						
Operating income (loss) from continuing operations (GAAP)	**$20,798**	**$19,951**	**$(16,729)**	**$29,304**	**$32,955**	**$57,566**	**$34,342**
Depreciation and amortization	12,458	19,570	23,797	19,114	20,357	30,758	18,187
Share-based compensation	4,534	5,442	4,329	4,387	4,293	5,493	3,780
Impairment of goodwill and intangible assets	-	-	41,442	-	-	-	-
Restructuring, acquisition, divestiture and other costs	4,369	5,387	3,091	8,273	7,945	7,542	2,464
Inventory related charges for discontinuation of radiology products	-	-	-	-	1,370	-	-
Acquisition fair value adjustments	-	965	596	358	205	4,754	-
CEO transition costs	-	-	-	-	1,306	-	-
Adjusted EBITDA (Non-GAAP)	**$42,159**	**$51,315**	**$56,526**	**$61,436**	**$68,431**	**$106,113**	**$58,773**

Novanta

Non-GAAP Reconciliation

ADJUSTED DILUTED EARNINGS PER SHARE	Twelve Months Ended						Six Months Ended
	December 31, 2012*	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	June 29, 2018
	(in thousands of dollars or shares, except per share amounts)						
Net income (loss) attributable to Novanta Inc. (GAAP)	**$22,474**	**$9,977**	**$(16,909)**	**$35,628**	**$22,003**	**$60,051**	**$22,911**
Less: Adjustment of redeemable noncontrolling interest to estimated redemption value	-	-	-	-	-	(20,244)	(5,096)
Net income (loss) attributable to Novanta Inc. after adjustment of redeemable noncontrolling interest to estimated redemption value	**$22,474**	**$9,977**	**$(16,909)**	**$35,628**	**$22,003**	**$39,807**	**$17,815**
Diluted EPS from Continuing Operations (GAAP)	**$0.66**	**$0.29**	**$(0.49)**	**$1.02**	**$0.63**	**$1.13**	**$0.50**
Adjustment of redeemable noncontrolling interest to estimated redemption value	-	-	-	-	-	20,244	5,096
Net Income (loss) attributable to Novanta Inc.	**$22,474**	**$9,977**	**$(16,909)**	**$35,628**	**$22,003**	**$60,051**	**$22,911**
Non-GAAP adjustments:							
Amortization of intangible assets	5,815	12,550	16,405	12,323	12,415	20,920	12,560
Restructuring, divestiture and other costs	8,051	3,757	1,570	6,970	2,970	346	988
Acquisition related costs	791	1,630	1,522	1,303	4,975	7,196	1,476
Acquisition fair value adjustments	-	965	596	358	205	4,754	-
Inventory related charges for discontinuation of radiology products	-	-	-	-	1,370	-	-
CEO transition costs	-	-	-	-	1,306	-	-
Impairment of goodwill and intangible assets	-	-	41,442	-	-	-	-
Gain on JK Lasers sale	-	-	-	(19,629)	-	-	-
Unrealized foreign currency loss on JK Lasers sale	-	-	-	1,350	-	-	-
Gain on acquisition of business	-	-	-	-	-	(26,409)	-
Total Non-GAAP adjustments before income taxes	14,657	18,902	61,535	2,675	23,241	6,807	15,024
Tax effect of Non-GAAP adjustments	(5,654)	(6,665)	(15,717)	(4,636)	(5,668)	(9,641)	(3,007)
Non-GAAP tax adjustments	(16,004)	(858)	(871)	(1,171)	(1,465)	(759)	29
Adjusted Income from Continuing Operations (Non-GAAP)	**$15,473**	**$21,356**	**$28,038**	**$32,496**	**$38,111**	**$56,458**	**$34,957**
Adjusted Diluted EPS from Continuing Operations (Non-GAAP)	**$0.45**	**$0.62**	**$0.81**	**$0.93**	**$1.09**	**$1.60**	**$0.99**
Weighted-average shares outstanding, Diluted	33,936	34,396	34,769	34,827	34,914	35,280	35,474

*Adjusted Diluted EPS was not updated for the Scientific Lasers divestiture. Management determined that revising the Adjusted Diluted EPS figures would not have resulted in a material change.