NASDAQ:ALNT Q4 2025 Earnings Call Transcript

Generated on 11/25/2026

Operator | Conference Operator:

Good day and welcome to the Ellion, Inc. Fourth Quarter Fiscal Year 2025 Financial Results. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touch-tone phone. To withdraw your question, please press star and then two. Please note this event is being recorded. I would now like to turn the conference over to Craig Mihalik, Investor Relations. Please go ahead.

Craig Mihalik | Investor Relations:

Yeah, thank you, and good morning, everyone. We certainly appreciate your time today, as well as your interest in Alliant. On the call today are Dick Rosella, our Chairman, President, and CEO, and Jim Michaud, our Chief Financial Officer. Dick and Jim will review our fourth quarter and full year 2025 results, provide a strategic and operational update, and share our outlook. We'll then open the line for questions. As a reminder, our earnings release and the company slide presentation are available on our website at Alliant.com. If you're following along, please turn to slide two for our safe harbor statement. During today's call, we will make forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated. These risks and factors are outlined in our SEC filings and in the earnings release. We'll also discuss certain non-GAAP measures we believe will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliations of non-GAAP, two comparable GAAP measures in the tables accompanying the earnings release, as well as the slides. So with that, please turn to slide three, and I'll turn it over to Dick to begin.

Dick Rosella | Chairman, President, and CEO:

Thank you, Craig, and welcome, everyone.

Dick Rosella | Chairman, President, and CEO:

We entered 2025 with clear priorities. expanding structural margins, strengthening the balance sheet, and positioning the portfolio around durable secular growth drivers. As we close the year, I am pleased to say we made measurable progress on all three. We delivered a strong fourth quarter and, importantly, exited 2025 with improving momentum across the business. The fourth quarter reflected several highlights, but it can be summarized by a few themes. improving industrial demand, discipline execution across the organization, and structural margin expansion driven by our Simplify to Accelerate Now program. This performance was not only a function of higher volumes, it was operating leverage. It was improved mix, and it was sustained cost discipline translating directly into stronger profitability. We saw improving conditions in our largest vertical industrial. A significant automation destocking we have discussed throughout the year appears largely behind us, and ordering patterns are returning to more normalized levels. At the same time, demand for our power quality solutions supporting data center infrastructure remains strong. Vehicle performance was stronger than expected in the quarter, primarily tied to commercial automotive production timing. While we do not view that as a structural shift, it contributed to the top line in the period. Medical remained steady and consistent, and aerospace and defense reflected normal program timing dynamics. So what we experienced in Q4 was broad

participation across the portfolio. That balance across verticals matters. It reinforces diversification of the model and supports the durability of our results. Equally important, the margin expansion we delivered wasn't simply volume driven. It reflected better mix when compared with last year's results, improved cost structure, and continued execution under our Simplify to Accelerate Now initiative. The operational work we have been doing over the past few years is now clearly embedded in the model. Turning to slide four and looking at the full year, 2025 was about strengthening the foundation of the company. We set out a clear objective under our Simplify to Accelerate Now program, reduce complexity, improved throughput, and strengthened margins in a way that is sustainable. We targeted a set of structural savings in the range of $6 to $7 million for 2025.

Dick Rosella | Chairman, President, and CEO:

And while not yet complete, we delivered meaningful progress on that target.

Dick Rosella | Chairman, President, and CEO:

These savings are being realized through footprint optimization, where we are consolidating overlapping operations and focusing our resources where we have scale and competitive advantage. Accelerated product development, where we streamlined our process and reduced time to market for our offerings. Lean manufacturing disciplines, where we improved standard work and reduced non-value added time on our shop floors, consistent with best practices that helped cut costs while improving quality and reliability. This is a journey and it never ends. One example that speaks to all three is the transition of our Dothan facility. We announced this last year as part of our realignment strategy with the plan to focus Dothan on advanced fabrication capabilities, including machining. As a result, we transferred assembly work to facilities where we have complementary capabilities. That effort, while still a work in progress, is expected to drive down costs and reduce complexity across our North American footprint.

Dick Rosella | Chairman, President, and CEO:

Overall, we delivered record gross margins for the year. We expanded operating income at a rate well ahead of revenue growth.

Dick Rosella | Chairman, President, and CEO:

We generated record operating cash flow. And we reduced net debt significantly, bringing leverage down to levels that gives us real financial flexibility. The balance sheet today looks very different than it did a year ago, and that matters because it allows us to invest in organic growth, support new program launches, and pursue disciplined capital allocation opportunities from a position of strength. With that, let me turn it over to Jim for a more in-depth review of the financials.

Jim Michaud | Chief Financial Officer:

Thank you, Dick, and good morning, everyone. Turning to slide five, fourth quarter revenue increased 17% year-over-year to $143.4 million, including 15% organic growth on a constant currency basis. The growth was driven primarily by strengthening industrial demand, particularly automation and power quality applications, as well as increased commercial automotive shipments within the vehicle market. From a geographic perspective, 50... Revenue was generated in the U.S. with the balance coming primarily from Europe, Canada, and Asia Pacific, consistent with our diversified footprint. Let me walk you through performance by major vertical because that's where the real story sits. Industrial revenue increased 24% in the quarter. The primary driver was strengthening automation demand as ordering patterns from our largest automation

customer returned to more normalized levels following the extended destocking cycle. In addition, demand for power quality solutions supporting data center infrastructure remained very strong. Those applications continue to benefit from electrification and digital infrastructure investment. Vehicle revenue increased 35%. This was primarily due to increased commercial automotive shipments tied to a transitioning model program. As Dick mentioned, we view this as production schedule timing rather than a new long-term run rate. Construction markets also improved, and power sports conditions appear to have stabilized relative to earlier softness. Medical revenue increased 9%, supported by steady demand for surgical instruments and continued traction in precise, motion applications. Aerospace and defense declined 5%, reflecting the lumpy nature of defense and space program shipments, along with the previously announced M-10 Booker tank program cancellation. Importantly, underlying defense program activity remains solid. Distribution channel sales increased 11%, although that remains a smaller component of total revenue. Turning to slide six, Here we show the composition of our revenue over the trailing 12 months, along with the year-over-year change in each market and the key drivers of that change. This slide really highlights something important about how the business has evolved and what you are seeing in the mix is intentional. Industrial remains our largest vertical, and it's increasingly anchored by higher value applications. power quality for data center infrastructure, motion solutions tied to automation, and applications aligned with electrification. That's where we have been directing engineering focus and capital. Aerospace and defense continues to represent a meaningful and growing contributor. While quarterly shipments can be lumpy, the underlying program activity and pipeline remain solid, and that vertical provides longer cycle visibility. Medical remains steady and consistent. Surgical applications continue to be reliable contributors, and our precision motion capabilities position us well in that space. Vehicle, while still important, is a smaller percentage of the mix than it was previously. That's partly market-driven, but it's also strategic. We have intentionally shifted away from lower margin programs and toward higher value applications across the portfolio. So when you step back, the mix today is more margin accretive and better aligned with durable secular growth drivers than it was just a couple of years ago. That evolution matters because it supports the margin expansion and earnings durability we have delivered. On slide seven, gross margin expanded 90 basis points year over year to 32.4%. The improvement was driven by higher volumes, favorable mix, and operational efficiencies from our simplified initiative. Sequentially, gross margin moderated largely due to a higher proportion of vehicle revenue, which carries lower relative margins. For the full year, gross margin expanded 150 basis points to a record 32.8%. Turning to slide eight and the drivers behind the margin and operating income expansion, What stands out in 2025 is not just the headline results, but how we've achieved them. As Dick outlined, the Simplify to Accelerate Now program was designed to structurally reduce complexity, improve throughput, and strengthen margins. The operating performance you see here is the financial expression of that work. The structural savings we delivered in 2024 and now 2025 are embedded in the business, and they are showing up directly in leverage and operating income expansion. Realignment costs related to these actions during the year are primarily associated with the Dothan transition. The transition to date has been successful, not just from a cost perspective, but operationally. We are realizing enhanced manufacturing focus and early elements of the anticipated savings. When you layer these structural improvements with improved volume and mix, the impact on leverage becomes clear. At the operating level, we drove meaningful improvement in expense discipline. We captured upside from higher volumes while at the same time controlling SG&A, allowing operating income to grow significantly faster than revenue. In the fourth quarter, operating income increased 76% to $11.4 million, or 7.9% of a revenue. For the full year, operating income increased 46% to $44 million, or 7.9% of revenue. Turning to slide nine, you can clearly see how the structural margin expansion and discipline execution translated into meaningful bottom line growth. Net income for the quarter more than doubled to 6.4 million, or 38 cents per diluted share. Adjusted net income was 9.3 million, or 55 cents per share. Adjusted EBITDA was 19 million, or 13.3% of revenue, up 170 basis points. For the full year, net income was 22 million, or $1.32 per diluted share. Adjusted EBITDA was 76.9 million, or 13.9% of revenue, representing 210 basis point expansion year over year. Our full year effective tax rate was 23.3%. For 2026, we expect our tax rate to be between 21 and 23%. Turning to slide 10. This slide reflects disciplined execution against the three financial priorities we outlined at the beginning of the year. Those priorities were improving working capital and inventory efficiency, take out structural costs, and reduce debt and strengthen the balance sheet. Starting with cash generation, we delivered record operating cash flow of $56.7 million for

the year, up 35% from the prior year. That level of cash conversion reflects both improved profitability and better working capital management. Inventory discipline was a major focus in 2025. Despite navigating automation normalization and rare earth considerations during the year, we improved inventory turns to 3.2 times compared to 2.7 at the end of 2024. That is a meaningful step forward. We tightened planning processes, aligned production more closely with demand signals, and reduced excess inventory that had built up during the prior cycle. Importantly, we did that while maintaining strong customer service levels. On receivables, day sales outstanding improved to 57 days for the year versus 60 last year. That reflects better collections, stronger billing discipline, and improved customer mix. When you combine inventory turns improvement with DSO reduction, you see a structurally better working capital profile. Capital expenditures for 2025 were $7 million, with disciplined, focused investments tied to customer programs and productivity initiatives. For 2026, we expect capital expenditures in the range of $10 to $12 million, primarily supporting customer programs and growth initiatives. So slide 10 is really about execution. We said we would improve working capital. We did. We said we would drive structural cost improvements. We did. And we said we would reduce debt. That shows up clearly on the next slide as the balance sheet story is directly connected to the execution we just discussed. Total debt declined to $180.4 million. Net debt declined to $139.7 million, a $48.4 million reduction year over year. Our leverage ratio improved significantly to 1.82 times from 3.01 at the end of 2024. Our bank-defined leverage ratio ended the year at 2.34, comfortably within covenant levels and providing meaningful headroom. The combination of stronger earnings, improved cash conversion, and disciplined CapEx allowed us to materially deleverage in a single year. That's important for two reasons. First, it lowers financial risk and reduces interest burden over time. Second, it creates flexibility to invest in organic growth, support new program launches, and evaluate disciplined capital deployment opportunities from a position of strength. So when you look at slides 10 and 11 together, they tell a clear story. Operational improvements translated into cash, cash translated into deleveraging, and deleveraging translated into flexibility. That's the financial flywheel we've been working toward. And with that, if you advance to slide 12, I will now turn the call back over to Dick. Thank you, Jim.

Dick Rosella | Chairman, President, and CEO:

As we moved through the fourth quarter, order trends improved. Automation demand is stabilizing. Power quality tied to data center infrastructure remains strong. And our aerospace and defense pipeline continues to provide long-term and long-term cycle visibility. Orders were up sequentially, and year over year, we exited with a book-to-bill ratio slightly above one. That's important as it reflects positive momentum as we enter 2026. Backlog ended the year at approximately 233 million, with the majority expected to convert within three to nine months, consistent with our historical patterns. The visibility we have today supports a constructive start to the year. As we look into 2026, We believe we are positioned to build on that momentum. At the same time, we remain realistic. The macro environment is still uneven across certain end markets. Customer capital spending can move in phases, and policy and tariff considerations remain part of the broader landscape. We continue to monitor developments closely, and we will adjust as needed. With respect to the recent Supreme Court ruling and broader trade policy discussions, We are continuing to evaluate any potential implications. As we have discussed previously, we have taken proactive steps over the past several years to diversify our supply base, localize certain sourcing where appropriate, and manage tariff exposure through pricing and operational adjustments. We remain disciplined in how we evaluate these developments, and we will adjust as needed. What gives us confidence is what we control. We control our cost structure, and it's structurally better than it was a few years ago. We control working capital discipline, and we demonstrated that in 2025. We control capital allocation, and we strengthened the balance sheet meaningfully over the past year. We continue to align the portfolio around higher value motion controls and power solutions serving durable secular drivers of electrification, automation, energy efficiency, increased defense spending, and digital infrastructure. These drivers are not short cycle themes. They represent long-term shifts in how energy is generated and used. how systems are automated, and how infrastructure is built. Alliant's technologies are directly aligned with those transitions. We exit in 2025 with improved margins, stronger cash flow, and a materialer, stronger balance sheet. That combination provides flexibility and

resilience, and it positions us to execute through varying market conditions. We believe we're entering 2026 from a position of strength. We have an excellent opportunity to leverage the foundation we have been building to simplify to accelerate now initiatives, simplify our organization, drive out cost, and accelerate growth rates well into the future.

Dick Rosella | Chairman, President, and CEO:

With that, operator, please open the line for questions.

Operator | Conference Operator:

We will now begin the question and answer session. To ask a question, you may press star then one on your touch tone phone. If you're using a speaker phone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star and then two. Our first question comes from Tomo Siano with JP Morgan. Please go ahead. Hi, good morning, everyone.

Dick Rosella | Chairman, President, and CEO:

Good morning, Tomo.

Tomo Siano | Analyst, J.P. Morgan:

Thank you for taking my questions. So while the cyclical macro recovery such as improving ISM is expected, Alliant has clearly driving a structural growth and margin improvement through initiatives like Simplify to Accelerate now. So looking ahead to 2026, which do you see as the bigger contributor to growth and margin expansions, external tailwinds, or your own self-help measures? Any more colors on 2026, please? Thank you.

Dick Rosella | Chairman, President, and CEO:

Okay, so let me take your first question, I believe, as I understand it, is that you're looking for what are the seculars that we expect to be generating the largest growth opportunities for us in 2026. Is that correct?

Tomo Siano | Analyst, J.P. Morgan:

Mm-hmm. I want to get a more sense of the cyclical characteristics of the recovery you see versus the structural themes you see in 2026.

Dick Rosella | Chairman, President, and CEO:

Tomo, I'm sorry.

Dick Rosella | Chairman, President, and CEO:

I don't know whether it's our line or your line, but you're breaking up on us, and I'm having a hard time picking up some of the comments or questions.

Tomo Siano | Analyst, J.P. Morgan:

I'm sorry. Could you talk about 2026, the growth of the sales driven by cyclical recovery versus structurally items for the revenue side? I wanted to get some color on the margin side as well. Thank you.

Dick Rosella | Chairman, President, and CEO:

Okay. I think I have it here now. Well, first off, as we talked about here, as we've been repositioning our business and looking at where we see some of the long cycle, longer term drivers, and we mentioned data center infrastructure, we do see that continuing. We see, I believe, one of the issues that has been addressed quite over the last few days here has been about the energy side of it and how were they going to generate power. And it seems like some of the companies are stepping up to do that on their own, which I think was a major concern. That doesn't affect us. You know, we obviously need the power. And as the data center expansion continues, you know, we play a pretty significant role in making sure that that power is being delivered efficiently and effectively. and, you know, eliminating distortion within the grid and so forth. So, I think we do see that opportunity continuing now into the 2026 and into the future. Again, it's based upon infrastructure. It's based upon capital projects. And, of course, those are subject to the developments as the prime contractors and or developers determine the right timing for those. As far as aerospace and defense, let's call it defense more than aerospace, you know, that is impacted by many factors. And, you know, we will still now, given the The war that's going on in Iran right now, I think it's going to take a little bit of time here to settle down for us to figure out how that will have an impact on our business, whether it's immediately or long term. That's too soon to call. As far as the other programs go, which we've been very actively involved in, with some of the key drivers in terms of defense applications, whether it's drones, whether it's missile defense and so forth, I mean, We have been a player in those markets for some time here now, and we do see that continuing. One thing that's occurring there is, of course, is the requirement for defense products and suppliers to be based in North America or the U.S., and the that's definitely plays into an advantage for us as we do have a pretty significant manufacturing based in design engineering team in North America. The other areas that, you know, we see opportunities of course, is we don't see medical slowing down the, the advent of AI and medical and the use of sophisticated diagnostic tools. And again, some of the key areas that we've been involved in for many years. We continue to participate, and we're pretty excited about that. And automation will come. Automation comes in the form of our normal or typical industrial automation, and even in the robotic side of it, sometimes referred to as exciting areas of humidizing and so forth. And again, it's another area we participated in, and we continue to participate in. We see growth and stabilization there. European markets, and especially Germany, seems to be remaining a little bit soft, and they're not predicting any growth for 2026. So we'll see how that shakes out as the year goes along, but that's the forecast that we're getting right now is that the industrial markets in Germany, in fact, may decline this year, which we did, you know, we saw some signs that it was going to improve, but the the latest information we're getting is that that may not be the case.

Dick Rosella | Chairman, President, and CEO:

And I think our diversification in many different markets plays well for us, and there is a good balance.

Dick Rosella | Chairman, President, and CEO:

I mean, we do believe that the Industrial sector will continue to grow because we do have automation in that sector, as we call it, and also the data center infrastructure is in there as well. So we do see that continue to grow, and we see defense growing, whether it's cycle timing, as Jim had mentioned, you know, the government canceled the M10 Booker program, and that's a realignment of how they see the priorities on the battlefield going forward. and the challenges that are being faced. As far as margins, margins is a big factor based upon mix for us. And I can tell you that our focus and emphasis on new applications has been in the markets and will continue to be. And our investments will be made in the markets where the margins are above or above our average. That's been our focus and will continue to be our focus. And capital spending will align with that. So I think, you know, that we are in pretty good shape. Our book-to-bill ratio is improving. And that's one of the things that we pay close attention to in this to determine whether or not, you know, we have converted some of the opportunities we're working on and it's showing up in bookings that will later show up in shipments. That's a long-winded answer. I hope I've covered them all. If not, you can go ahead and ask me to add to that if necessary.

Tomo Siano | Analyst, J.P. Morgan:

Thank you. Very helpful, Dick. Thank you. And just to follow up on a capital allocation standpoint, congrats on leverage, improved and strong cash flow generations. How would you prioritize capital allocations for 2026 among organic growth, investment, M&A, and shareholder returns, please?

Dick Rosella | Chairman, President, and CEO:

Sure. I would say to you that, again, going into 2026, I mean, we feel that our pipeline of opportunities is quite strong. And our investments that we make will be to support what we have control over and in hand right now, which is, you know, some significant opportunities and that we will need to invest to realize some of those opportunities. So that's going to be the majority of the investment that we see going forward. I would also say to you that You know, we are paying very close attention there in terms of the pipeline of acquisitions. We certainly have had certain areas that we won't discuss on the call here that we're paying close attention to. And if the opportunity does arise, I mean, we think we're well positioned to take advantage of that and to move forward with it. With And I think the Simplify to Accelerate Now initiative, I just want to make it clear, we're not done. We see that we started, we had several initiatives that were well underway and executed quite successfully, but certain things were not completed in 2025 that are recurring into 2026, and we will have the discipline to get them done and drive costs out. We also see that we have other opportunities. And when we look at our infrastructure and our footprint and so forth, to continue to drive costs out, to become more efficient in the way we do things. So that's not ending. That will continue. And It's not like we did a mad push for a couple years and it's all completed. It's not. There's more opportunity ahead of us here. And 2026 will not be one that we just sit back and say, okay, let's just take a deep breath and look at what we did and, you know, move on from here. We're going to be aggressively going after some additional opportunities to improve our cost base. And they're there.

Tomo Siano | Analyst, J.P. Morgan:

That's helpful as well. Thank you very much.

Dick Rosella | Chairman, President, and CEO:

That's all from me. Thank you, Jomo.

Operator | Conference Operator:

And the next question comes from Greg Palm with Craig Hallam. Please go ahead.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Thanks. Good morning, everybody. Congrats on a good way to finish 2025.

Jim Michaud | Chief Financial Officer:

Thank you, Greg. Appreciate it, Greg.

Greg Palm | Analyst, Craig-Hallum Capital Group:

I don't remember the last time you actually grew revenues sequentially from Q3 to Q4. Maybe it's happened once or twice, but I understand maybe a little bit was due to some outsized you know growth and commercial vehicle which you you talked about but just broadly speaking you know what else drove the the better than expected seasonality that you'd normally see and just to be clear what what kind of trends have you seen uh so far in in q1 yeah great question greg because it was abnormal you're absolutely correct you follow us a long time and

Dick Rosella | Chairman, President, and CEO:

You know, it's, as we say, going into Q4 is always, there's some unknowns. We've seen years where, you know, demand was pent up, supply chain crisis, things like that, which caused some irregularities in the normal cyclical patterns that we would see during the year. We did, in fact, have a few, I'll call them pull-ins, that we hadn't anticipated. So, it did elevate Q4 sales to a certain extent, and one that we mentioned, the commercial vehicle side of it, we don't see that having, you know, that was a one-time surge based upon some demand that had been sitting out there, and we see it returning to normal. In a couple other areas, there were a few that surprises, I'll call them, and I won't mention in detail what they were, but they they were, you know, pulling in product. And then as we turned the year, we saw that that was reflected in a little bit lower demand in the first quarter. So there were some offsets there that, you know, we're going to have to, we'll be addressing and see as it's still early, of course, but see how that lands. But that is a little bit unusual. And thank you for pointing it out because there were, I'll just say there were three different uh drivers of that and one was a one time which will reduce to normal and the other two we did see a little bit of reduction after they were pulled ahead uh as we started a year but nothing nothing that we see that will change normal run rates on an annual basis it was just unusual just into you know leaving this aside what type of sort of demand

Greg Palm | Analyst, Craig-Hallum Capital Group:

are you seeing right now just across your markets? I mean, any change? I know things sort of strengthened as we went through 2025, but any strength? And just curious as you look at what's occurred over the last week, what kind of risks or even opportunities could that bring about this year? Sure.

Dick Rosella | Chairman, President, and CEO:

I mean, our order inputs seem to be coming in quite well, and we saw some improvement through the year. And And as you mentioned, for us, we watched that very closely because that's obviously an indicator of what we're going to see in terms of converting it into shipments. So that's encouraging. We see some of that continuing to flow in nicely. As far as what's happened in the last week, I mean, of course, there's no surprise, I guess, in saying that we're the defense side of the business and we certainly do supply products that are being utilized right now. how that converts into orders. We were surprised when they were heavily consumed and we didn't see production orders happening as fast as we would have expected, which indicated there was a big stockpile. We think the stockpile had been chewed up. We saw some return to starting to ship again for some defense-related products. So if you just ask for what our gut feel is, is that there will need to be an increase in certainly some of the products that we deliver to do some replenishment. What the total amount is, the impact is, hard for me to say and hard for us to say, but I'm sure we'll start seeing some of that fairly soon.

Greg Palm | Analyst, Craig-Hallum Capital Group:

And I know you mentioned drones, and that's an opportunity that you've called out a little bit more recently. Are you able to share with us? any traction that you're seeing just in terms of what the opportunities set that might be emerging there?

Dick Rosella | Chairman, President, and CEO:

Sure. I, you know, our company is well regarded and well respected for doing, you know, for high performance solutions, custom engineering and so forth. And I'd say, you know, our activity in that market had been primarily in that space and it accelerated. It certainly accelerated as far as the pipeline of opportunities go, the prototyping that we're doing, the quoting that we're doing. But it also seems to be expanding into the class one or group one, whatever way you want to describe it, devices, and has caught our attention. And one of the areas of opportunity for us that we see is that we know how to produce product and buy it. we have one of the benefits that we enjoy based upon having a certain percentage of our business, as we've stated in the past, we like to keep it in the single digits of automotive, is we do know how to produce higher volume solutions, cost competitively, and with the use of automation. So I see it very encouraging, and I see it as a real opportunity for us to take our know-how that we have gained and developed over the years and to redeploy it into some of these other areas. While they're, you know, the pricing and the margins may not necessarily be the same as the, you know, the higher performance custom engineered products, certainly the volumes do give you the opportunity to from a volume standpoint and from an operating margin standpoint to be incremental to our business. So that's an area that we see. The shift to North America has created certainly an increase in inquiries. And as I said, we've been in the business in different applications. We see our Our technology base that we have in electronics and controls and motors and so forth, in lightweighting and composites, it definitely does give us an opportunity here to expand that. So we're pretty excited about it.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Okay, great. And I guess just last one, I recall last year you announced the facility expansion where you're doing a bulk of the data center work, and I'm curious what the status is of that, and do you feel like you have – you know, adequate capacity, you know, as that's done or once it's done to capitalize? What are you seeing in terms of the opportunities out there?

Dick Rosella | Chairman, President, and CEO:

Yes. To answer your question, it's coming along extremely well. It'll be, you know, late second quarter, early third quarter when it's fully operational. Timing couldn't have been better. That's all I can say. Timing couldn't have been better. The opportunities we're seeing and the fact that we had addressed it in advance to expand our capabilities and our footprint. We're definitely fortuitous here as the demands of the market continue to go up. So I think we'll start to unfold here later in the year. You'll start to see some pretty significant increases in volume in that area. And our timing was good.

Dick Rosella | Chairman, President, and CEO:

Okay, perfect. Appreciate all the color. Thanks. Thank you, Greg.

Operator | Conference Operator:

And the next question comes from Max Michaelis with Lake Street Capital Markets. Please go ahead.

Max Michaelis | Analyst, Lake Street Capital Markets:

Hey, guys. Thanks for taking my questions. I just want to kind of go back to the data center opportunity. From your comments here in the Q&A and then prepared remarks, it sounds like it would be safe to say you expect the data center opportunity to accelerate in 2026 over 2025 in terms of growth rate. Is that correct?

Dick Rosella | Chairman, President, and CEO:

Yes, we do. And what I would say to you is that definitely the opportunities are there. As Greg asked the previous question, you know, about the expansion to our facility, our main facility, that was, you know, underway and last year was approved and is, you know, reaching the point of completion. And that's critical for us to be able to handle the increased demand that we expect to see. I will say to you that, you know, there was an acceleration into last year of some of the, you know, products that we produce and accelerated deliveries. And, you know, we're going to have to pay, as you look at us and pay close attention to, I mean, the order input rates and what we see there, because it's not a smooth, you know, incrementally improving business. It's definitely, you can see some fairly substantial jumps in opportunities and timing of orders and when the demand and shipments are going to occur. You know, it's not just going to be a straight line here. It's going to be a we'll see that perhaps, you know, in the third and fourth quarters of this year where you'll see some ramping.

Max Michaelis | Analyst, Lake Street Capital Markets:

Is this growth primarily driven by new contract wins and new customers, or are you guys expand or kind of a mix between expanding wallet share with other customer existing customers?

Dick Rosella | Chairman, President, and CEO:

Oh, the market itself is expanding and we're, we're, you know, we have a, uh, we've talked in the past about some of our capabilities that, uh, put us in a very nice competitive position in the market. And I think that's what's, that's definitely driving it. So it's, there's market expansion and, you know, the technology we have to support and service that is also being recognized and, you know, accelerating some of those opportunities for us as well. And I don't want to, you know, you guys are fairly new and I appreciate you joining us as an

analyst and, In the past, we talked about an acquisition that we did in Wisconsin that gave us a capability and a manufacturing capability and footprint in Mexico. And we've been leveraging that to a great extent here and helping us accelerate our ability, you know, to meet those demands. And it has proven to be, you know, to be very helpful for us as we've been addressing some of those. So it's been, you know, our capability, our production capability, the expansion that we're doing to continue to improve upon that. as well as our technology, which gives us a nice competitive edge in the marketplace. I'm not saying we're alone, but we clearly have, you know, a product that is recognized as high-performing and, you know, very cost-effective.

Max Michaelis | Analyst, Lake Street Capital Markets:

Okay, and then last one from me. With the M10 Booker program coming to an end, I mean, is there any other programs you can share with us to kind of give us an idea where you guys expect to head next, or is it something you can't share?

Dick Rosella | Chairman, President, and CEO:

No, I'd rather not share. And I say it's sure we could share, but defense programs, as we found out with N10 Booker, that was not a one-year program. That was a six, seven-year program. And if you look at it, it said there's logic behind it, what's happening. And as the battlefield's transitioning here, the utilization of drones, the utilization of missiles, less, you know, boots on the ground. Booker was a larger vehicle. It's not going to go away, you know, itself for the need for those larger vehicles and boots on the ground and some applications or some arenas. But what we will see is we see a shift towards smaller, more agile, more autonomous vehicles. And, you know, we're positioned as well on those. So one of the things just, you know, for us to get the message out as we've acquired companies in the past, And we looked at more of a fully integrated solution. And we do provide some pretty significant advantages there in that we have, we can handle the electrification, we can handle actuation. So we've got motors, we've got controls, we've got tries, we've got IO, and we have lightweighting composites. And those composites are used quite extensively. And composites aren't just for, I mentioned lightweighting, but there are other reasons you use lightweighting, structural integrity or improved strength. you know, EMI protection, as well as lightweighting to make them more efficient as you move towards, whether it's electric or hybrid vehicles to improve, you know, battery life and so forth. So I would say to you that, again, we are in quite a unique position to be able to offer all of that to some of the prime contractors, in addition to, to one of the things where the Department of War is pushing really hard now. I mean, accelerated development, you know, these long design-in cycle times, like a six, seven-year Booker program, and then canceling at the end, the speed of play is going to be absolutely critical. And that's one of the things where if you have products that are already being utilized in other markets that you can leverage. That gives you, again, a little bit of a competitive advantage. And some of the – and they're vehicles. In many cases, they're vehicles. And since we have been very strong in the vehicle market with some of our products, we're able to leverage those. So COTS, commercial off-the-shelf products, are critical. We can leverage those, and we can, again, apply engineering and modifications to – fit them for purpose, whether it's more ruggedized, whether it's more environmental, lighter, higher performance, and so forth. So we're very excited about it, and we've made an investment. And, you know, we haven't seen the returns on those investments yet, but we're highly confident that we're positioning ourselves well here for the future.

Dick Rosella | Chairman, President, and CEO:

Awesome. Thanks. Again, if you have any questions, please press

Operator | Conference Operator:

please press star and then one. Our next question comes from Ted Jackson with Northland Securities. Please go ahead. Thanks very much.

Ted Jackson | Analyst, Northland Securities:

You guys sound so optimistic. It's really, it's infectious. I have a couple of questions. So, Dick, on the domestication of work, you know, and its drive for you, You know, you've been dancing around that, you know, and this whole thing with the NDAA, there's kind of two buckets to, you know, bringing, you know, this stuff back into the country. And one is the actual manufacturing, and the other is the supply chain. You know, and I think, you know, for Alliant, you know, the manufacturing bucket is pretty straightforward. Is there work that you need to do on the supply chain? to bring anything into compliance within DAA by the time it becomes, you know, fully into effect in January?

Dick Rosella | Chairman, President, and CEO:

A very good question.

Dick Rosella | Chairman, President, and CEO:

And the answer is there's always going to be work to be done there. There's no quick answers to some of the, you know, rare earth minerals and materials that are being utilized in some of the higher performing products here. So, you're 100% correct. We have the capacity and the capability to produce in North America. We've got ample capacity. And some of the work that we have been doing over the past few years that we've talked about, facility rationalization, and it's there and it's to our advantage. We have about 1.2 million square feet of manufacturing space within the company. And in North America, a substantial portion of that. So, and we've freed up a significant amount of space here that we can redeploy, you know, if there is a quick demand and a ramp up for certain, let's just call it initiatives that may be undertaken. Supply chain is another, it definitely is another challenge. And we've been hot and heavy on it. and working on it, we have a team that's on it, but I will not tell you that, I can't sit here and tell you that it's completely solved. We're subject to other governments and other policies that they may impose, but we've been working hard to minimize the impact, to solidify supply chain sources, but some of that ramp up has not been as quick as we would have liked to have seen it, or the government would have liked to have seen it. So there's clearly going to have to be, the government's going to have to look at that and really decide, you know, there's a desire and there's a reality in whether the two meet. And I think, you know, we'll be working through some of that this year. But it's an excellent question. It's something that, you know, we're on top of. We're doing everything we can possibly do to resource We were already started before some of this had happened for regionalization of supply chain, had nothing to do with tariffs and duties and restrictions and all of that. It was more of a logical business decision. So we were pretty well prepared. On the other hand, we cannot control when things some of the other factors that come into play could impact us. So, Jim, do you have anything you want to add to that? Yeah.

Jim Michaud | Chief Financial Officer:

What I would tell you, Ted, and this is just really dovetailing what Dick just mentioned, you know, the Feds have, are really investing billions of dollars in a number of companies here in the U.S. And obviously, you know, we've been in contact with all of them. But as Dick just mentioned, it's going to take time, you know, for all of the, you know, supply chain in and around, you know, the rare earths and the, you know, processing of materials and so forth to evolve. And I don't think it's going to all happen when we hit January 1st. But I can

tell you, you know, we have teams here that are working diligently with a variety of different suppliers. And, you know, we're setting the foundation for us to, you know, partner with these companies that the government is investing in.

Ted Jackson | Analyst, Northland Securities:

So, and I did want to get into magnets, but let's just keep on, but, and so I'm gonna jump over there, but, um, but on the, the, the, the main issue for you on the supply chain side is rare earth around magnets. I mean, everyone has that problem. I have to believe that your government is well aware of that. I mean, do you have any dialogue with the government? Do they understand that, you know, at some level you have to be practical or are you just, you know, saying that yourself? And then.

Dick Rosella | Chairman, President, and CEO:

Now, as Jim mentioned, he says that we've been in close contact with the government and the key officials in the government, working hand in hand, working hand in hand to, and that's why I said to you, you know, at some point in time, you know, reality and there's a desire and there's a push, but there's also reality of the timing of when all of this could occur. But we can, I can just tell you this, we're hand in hand, we're in there, we're working with, you know, the identified sources that are being supported and invested in. Okay. So And we're not letting up on it. We're not stopping there. So it's a continuous effort to make sure that we're working all the angles as well as staying very close to the key government officials and activities that are being undertaken right now.

Ted Jackson | Analyst, Northland Securities:

Beyond magnets, is there any other critical kind of components or parts that you had to go out and

Dick Rosella | Chairman, President, and CEO:

resource or or need to resource to move into compliance um there's yes to answer your question there's other components but they're not as complicated or as difficult to resource i mean you may it's a cost factor more than anything uh something else that does impact that as well you know so without getting into all the details of the different components that we're seeing. You are seeing certain supply shortages in pockets of areas, even electronic components. You see some things popping up based upon demand and other areas that are occurring. They're stressing the supply chain side of it. But to answer your question, yes, there are other components that are key that, you know, if you're talking about motors, for a motor to function, whether it's laminated steel, whether it's bearings you know uh it's but there are alternatives the alternatives may be more costly but there are alternatives magnets are a little bit unique in themselves so highlighting the magnet side of it is is important uh and the others are there but you know they get impacted on by based on other factors you know so so anyway it sounds like it'll just be uh

Ted Jackson | Analyst, Northland Securities:

a topic for discussion every quarter. So as you kind of progress through it, and you're not the only one. I mean, it's so many different companies. I'm just shifting over to kind of the commercial vehicle market and the fourth quarter. You know, so you had like a pig in the python with regards to the fourth quarter. And I guess what I would want to ask on that is, One is if you could kind of quantify it a bit to help us kind of realign how our first quarter will look. You know what I'm saying? Because you typically have some seasonality from fourth to first just to make sure that we think it should be helpful for all analysts in terms of just getting their 26

numbers done. And then on a more macro level, the commercial vehicle market is definitely, I mean, I wouldn't say definitely, but it seems to me is very much on a rebound. You know, you've seen a pickup in freight rates. You know, if you listen to like Ackar and Volvo and all the Class 8 guys, you know, starting in November, they saw order activity bookings pick up substantially. It continued through January. I've talked to some of their suppliers. It continued through February. So, you know, you're going to see a lot of that translate over into an improved demand environment, probably when we get to the back half of 26, assuming that this continues, and it sets up well for 27. Can you talk a little bit about what things that you are supplying into that market and how you see that market playing out as we roll through the year into 27?

Dick Rosella | Chairman, President, and CEO:

Okay. Is your question about what we supply into the commercial automotive or what do we supply into the truck and construction or all of them?

Ted Jackson | Analyst, Northland Securities:

I guess you could say all of them. I mean, I was trying not to get too granular, but I'm always interested in more than this. I'm American.

Dick Rosella | Chairman, President, and CEO:

Okay. So what I would say to you is this. Yes, we did see... And we can echo the fact that we did see some improvements. And when we talk about vehicle, and thanks for bringing it up, because many times people have their own definition of what's vehicle. Our definition of vehicle is commercial automotive, bus, construction, marine, agricultural, truck, and rail. That's our vehicle. That's what we consider vehicle. So we have to continually remind people when we talk about vehicle, And also, actually, we do have power sports in there. And when we talk about vehicle, don't get too wrapped up in thinking of us as an automotive company. We've mentioned we have a target to keep that in single digits. And the major reason for that is it's a long lead time, design in cycle time. It's very cost competitive, and it's heavily capital intensive. And we've chosen to take, you know, and invest our money in other areas. But we do see differences in the, and I've mentioned to you before that power sports, you know, has become automotive-like, commercial automotive-like. Not to the same extent, but it has, you know, gone in the area. But we did see increases in pretty much across the board. And the impact of the one-time effect of of the fourth quarter that you could see going forward, I would tell you about two and a half, two and a half million. Okay. In fourth quarter. So then the, as far as the applications go, when you get into agricultural construction and so forth, we're in several applications, you know, different types of actuators and so forth. But one of the key elements fundamentally that we're in and pretty much across the board in vehicles is steering applications. So it's agnostic to whether it's gas or, you know, petrol or whether it's electrification. So we can be utilized in each. We've also involved in electrohydraulics for some of the larger vehicles. Again, primarily in steering areas. So we have a great expertise in steering. And, you know, and that's kind of where we focus our efforts not just in, you know, that vehicle, but also in some of the industrial applications as well. Okay. Does that help you?

Ted Jackson | Analyst, Northland Securities:

That does. And I know we're at the kind of timeline, so I'll stop. So thanks again.

Dick Rosella | Chairman, President, and CEO:

Okay. Thank you, Ted.

Dick Rosella | Chairman, President, and CEO:

Thank you, everyone. And I think if there's no more questions, which I believe there aren't. Operator, can you confirm that?

Operator | Conference Operator:

Yeah, this concludes our question and answer session. I would like to turn the conference back over to management for any closing remarks.

Dick Rosella | Chairman, President, and CEO:

Well, thank you, everyone, for joining us on today's call and for your interest in Alliant. We will be participating in the JPMorgan Industrials Conference in Washington, D.C., on March 17. As always, please feel free to reach out to us at any time, and we look forward to talking to you all again after our first quarter 2026 results.

Dick Rosella | Chairman, President, and CEO:

Have a great day, and that will conclude the call, operator. The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.