NASDAQ:ALNT Q1 2026 Earnings Call Transcript

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Craig | Moderator:

Thank you Craig, you may begin.

Alliant Investor Relations | Investor Relations:

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 first quarter 2026 results, provide a strategic and operational update, and share our outlook. We'll then open the line for your questions. As a reminder, our earnings release and the accompanying 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, which 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 gap measures in the tables accompanying earnings release, as well as the slides. 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. We entered 2026 from a much stronger position than we were in a year ago. Over the last several years, we have worked to improve the quality of the business, strengthening the balance sheet, driving structural cost improvements, and continuing to reposition the portfolio toward higher value motion controls and power applications aligned with attractive long-term growth trends. Our first quarter results reflect continued progress on that strategy with growth in revenue, gross profit, operating income and earnings, along with strong bookings to start the year. What I want to emphasize this morning is that our performance is not simply about putting up another quarter of growth. It is about continuing to improve the profile of the company. That matters as it demonstrates that the operational work we have been doing is translating into better financial performance and stronger positioning as we move through 2026. From an end market standpoint, the market sales mix does have an impact on the overall gross margins generated in the quarter. I would note that regarding the mix, we continue to experience strength from vehicle in the quarter, particularly in commercial automotive as demand carried over to some extent from the stronger than expected activity we discussed on our fourth quarter call. We are very encouraged by our progress in our industrial market, particularly industrial automation and power quality solutions supporting data center infrastructure. These are exactly the kinds of applications we are focusing our efforts on growing. They are aligned with durable sector drivers, they fit our technology strengths, and they tend to be more creative to margins over time. So when we talk about improving the quality of growth, that is what we mean. We are also continuing to deepen our role as a solutions partner with OEM customers by focusing on higher value engineered systems and platforms not just individual components. That approach supports stronger customer engagement, better competitive positioning, and importantly, a more favorable margin profile. On a demand side, orders are up 15% year over year and up 9% sequentially, resulting in a book to bill of 1.14 times. This is an important indicator for us as it reflects improving momentum in key end markets and supports a constructive view as we move through the balance of 2026. At the same time, I would also note that the first

quarter did not fully reflect the leverage potential of the business. We absorbed elevated operating costs, including carryover expenses associated from the Dothan transition, along with other targeted investments to support ongoing operations. While adult and transition represents a near-term cost headwind, the actions underway will simplify operations, improve quality and efficiency, and enhance long-term profitability. This reflects our Simplify to Accelerate Now initiatives, or Stand for Short, in action from an operational standpoint. Less visible, but equally important, are the significant internal investments we are making in our core business, particularly in R&D and product development. Our objective is to strengthen our electronic stack, further leverage our electromagnetic technologies to address high-growth market opportunities, and expand the use of our lightweighting capabilities to create a durable competitive advantage for both Alliant and our customers. Our recent technology acquisitions have created a strong technology base, and we are now aligning them more tightly with our core business to capture the benefits of scale and compounding. This further demonstrates stand in action as we reposition the company for sustained future success. One example is our initiative to bring state-of-the-art Alliant Intelligent Controls products to market as quickly as possible. To enable this, we made a deliberate shift within one of our technology units, moving away from project-based, one-time revenue opportunities towards scalable, market-facing products aligned with our long-term strategy. While this decision resulted in a near-term reduction in revenue and profitability, we are confident the long-term value creation will be significantly greater. This reflects our willingness to bet on ourselves and make disciplined choices that drive enduring success. Another example is our effort to accelerate development of a full range of new motors and controls for the defense market. Historically, an initiative of this scope would have taken years. At Alliant, we are compressing that timeline into months. To accomplish this, we are leveraging the expertise from another one of our recent acquisitions to lead the development supported by existing technology units with proven ability to scale production. Again, this is staying in action with a focus on speed, simplifying execution by concentrating resources within a highly experienced team that has delivered similar outcomes before. Using a sports analogy, we simplified the process by shortening the bench to utilize a highly experienced team that has been there and done it before. So stepping back, the first quarter was a solid start to the year. Bookings were strong, our targeted growth areas remained healthy, we made significant investments in our platform development, and the business continued to move in the right direction from a product portfolio, operational, and a financial standpoint. While the environment is still not uniform across every market, we believe the portfolio is better aligned The company is operating more efficiently, and we are positioned to keep building from here. With that, let me turn it over to Jim for an in-depth revenue of the financials.

Jim Michaud | Chief Financial Officer:

Thank you, Dick, and good morning, everyone. Turning to slide four, first quarter revenue increased 5% to $138.9 million. On a constant currency basis, revenue grew 1% organically. Foreign currency translation provided a favorable impact of $5.1 million in the quarter. 50% of our Q1 revenue was generated in the U.S., with the balance coming primarily from Europe, Canada, and Asia Pacific, consistent with our diversified geographic footprint. Looking at performance by major vertical, industrial was again the primary growth engine, up 8% year-over-year, reflecting continued strength in industrial automation and in power quality solutions supporting data center infrastructure. Those applications remain particularly healthy and are aligned with secular trends in electrification, digital infrastructure, and energy efficiency. Vehicle revenue increased 7% in the quarter, driven primarily by higher demand in commercial automotive. Medical revenue increased 2% with steady demand in surgical robotics and other precision motor applications, partially offset by softness and medical mobility. Aerospace and defense declined 3%, as expected, driven by program timing and the previously announced M10 Booker program cancellation, rather than underlying pipeline weakness. Distribution, while a smaller part of the business portfolio, was down, reflecting normal variability in channel ordering patterns. The key takeaway from this slide is that we saw broad participation across the portfolio, with particular strength in industrial and vehicle, and a mix of steady and timing-driven dynamics in the other end markets. Turning to slide five, we show the composition of revenue over the trailing 12 months and the year-over-year change by market. This slide reinforces how the business has evolved and why the mix

matters for the margin and earnings durability we have been delivering. Industrial remains our largest vertical at roughly half of the trailing 12-month revenue and are increasingly anchored by higher-value applications power quality for data center infrastructure, motion and controls tied to automation, and solutions aligned with electrification. That's exactly where we've been directing engineering resources and capital. Vehicle represents about 18% of the trailing 12 months revenue. While still an important part of the business, it is a smaller percentage of mix than it was several years ago. That's both market-driven, and intentional as we have consciously shifted away from lower margin, more commoditized programs toward higher value applications where our technology and systems content can support better returns. Medical remains steady at roughly 15% of revenue. Surgical instrument and other precision motion applications continue to be reliable contributors. Aerospace and defense also represents roughly mid-teens of the mix and provides longer cycle visibility, even though quarterly shipments can be lumpy as programs ramp and pause. So the mix today is more margin accretive and more tightly aligned with long-term secular drivers than it was just a few years ago. And that mix shift is a key underpinning of our structural margin expansion. On slide six, we highlight gross profit and margin trends. First quarter gross margin expanded 50 basis points year over year to 32.7% on gross profit of 45.4 million. The improvement was driven by higher sales volume, improved product mix, and continued operational benefits from our Simplify to Accelerate Now initiative. The structural work we've done over the last several years and continue to undertake, consolidating overlapping operations, focusing resources where we have scale and advantage, and driving lean disciplines are being realized in our performance. Those actions are embedded in our manufacturing and supply chain processes and provide a more durable foundation as demand continues to move through their normal cycles despite experiencing more pressure from the evolving tariff policy. So while quarterly margins will always reflect some mixed variability, the broader message is consistent. We are structurally improving the profitability of the business, and we continue to see opportunity to build on that over time. During the fourth quarter, U.S. trade policy underwent more changes. The Supreme Court determined that tariffs previously imposed under the International Emergency and Economic Powers Act, otherwise known as IEPA, were not authorized and are subject to refund. While U.S. Customs has initiated an administrative process to facilitate the submission and payment of refund claims through a phased approach, We are currently evaluating our eligibility to recover previously paid tariffs and intend to submit refund claims after our review. The ultimate amount and timing of any such refunds remain uncertain and depend upon other factors like processing timelines, claims validation, and any unexpected administrative challenges that may come about. In addition, incremental tariffs were imposed on a broad range of products that is expected to expire in July unless extended or replaced to other legislative action. We have taken and continue to assess actions to mitigate these changes, including price adjustments, supplier negotiations, and supply chain diversification. While we do not believe these increases have had a material impact to our operating performance to date, we are monitoring the evolution of the trade policy and the pressure it may have on margins should current measures stay in effect for an extended period or be expanded. Turning to slide seven, operating income increased to $9.3 million in the quarter, or 6.7% of revenue. We delivered 10 basis points of operating margin expansion year over year, even as certain cost items were elevated in the quarter. SG&A expense was 16.1% of sales, up 120 basis points year over year, primarily due to higher commissions and incentive compensation on stronger sales volume, increased trade show and commercial activity, and elevated IT-related costs, including cloud-based subscription costs and infrastructure. We view those as investments to support growth and productivity. Restructuring and business realignment costs remain elevated as we continue to execute the Dolphin transition and related optimization actions. We expect total restructuring and realignment costs of approximately 2 to 3 million for the full year 2026. That's consistent with finishing the work that is already underway and completing additional changes that we expect to undertake. The way to summarize this slide is that we continue to expand operating margin year over year, even while absorbing near-term costs tied to Dothan and certain commercial and IT investments, and we are doing so from a structurally improved base. On slide 8, you can see how the margin expansion translated into earnings. Net income increased 51% to $5.4 million, or $0.32 per diluted share, compared with $0.21 per diluted share in the prior period. Adjusted net income was $8.4 million, or $0.50 per diluted share, compared with $0.46 per share a year ago. Adjusted EBITDA was $17.3 million in the quarter, or 12.4% of revenue, slightly below the prior period, as elevated SG&A costs weighed on adjusted EBITDA, even as the underlying margin structure continued to improve.

Interest expense declined $1 million to $2.6 million, primarily due to lower average debt balance as we continued to deliver. Our effective income tax rate for the quarter was 21%, and we continue to expect a full-year tax rate in the 21% to 23% range. The key takeaway is that bottom line performance continues to benefit from a stronger operating model and a lower interest burden as leverage comes down. Moving to slide nine, we focus on cash flow, working capital, and capital deployment. Net cash provided by operating activities was $6.2 million in the quarter compared to $13.9 in the prior period. The decrease was primarily driven due to timing differences and a larger incentive payout rather than underlying business performance, specifically certain customer payments that typically would have been received prior to quarter end were collected shortly after the period closed. We continue to prioritize inventory discipline while making strategic purchases to mitigate impacts to the ever-evolving trade policy. As such, inventory was modestly higher quarter over quarter. We've improved turns compared to where we were just two years ago and our goal is to keep driving better performance over time. Day sale outstanding were roughly 61 days in the quarter, compared with about 57 days for the full year 2025, and we expect some normalization as we move through the year. Capital expenditures in the quarter were 2.2 million. We are investing in capacity and productivity, notably in the areas tied to data center-related power quality, automation, and other growth initiatives. For full year 2026, we expect capex of approximately 12 to 15 million. Overall, slide nine is about staying disciplined, managing working capital, funding targeted growth and efficiency investments, and supporting our deleveraging priority. Turning to slide 10, our balance sheet is in stronger position than it was a year ago, and that matters for how we can support growth and navigate the external environment. At March 31st, cash and crash equivalents were $41.2 million, total debt was $177.3 million, and net debt declined to $136.1 million. Total debt was down $3.1 million during the quarter, and our leverage ratio defined as the total net debt divided by trailing 12-month adjusted EBITDA improved to 1.78 times and is down significantly from where we were a couple of years ago. The bank leverage ratio as defined under our credit agreement and excluding foreign cash and certain other adjustments was 2.24 times at quarter end, comfortably within covenant levels. We also had $158 million of unused capacity under our revolving credit facility, providing additional liquidity. So the story of slide 10 is straightforward. Lower debt reduces financial risk and interest expense over time, and it also gives us more flexibility to support organic growth new program launches, and disciplined capital allocation from a stronger position. With that, if you advance to slide 11, I will now turn the call back over to Dick.

Dick Rosella | Chairman, President, and CEO:

Thank you, Jim. What we are seeing on the order side is encouraging, and in our view, reinforces the progress we are making in the business. First quarter orders were $158.1 million, an increase of 15% year-over-year and 9% sequentially. That produced a book-to-bill ratio of 1.14 times, which is an important sign of positive momentum as we move further into the year. The strength was led primarily by industrial and vehicle. As we discussed earlier, vehicle was supportive in the quarter, particularly in commercial automotive, and we did see some continuation of the stronger activity that emerged late in 2025. Industrial has continued its strength. especially industrial automation and power quality solutions supporting data infrastructure, which are strategic growth areas for the company and attractive from a margin standpoint. We are also seeing steady underlying activity in medical and defense, even as individual programs may ramp and pause at different times. That diversification matters. It allows us to navigate variability in any one vertical while still building the overall business. Backlog ended the quarter at $251 million, up from year end, and the majority of that backlog is expected to convert to revenue within three to five months, which is consistent with our historical conversion patterns. So when we look at orders and backlog together, we believe they support a constructive view of the business as we move through the balance of the year. More broadly, this is consistent with what we have been saying for some time, where I continue to align the business around the markets, customers, and applications, where we believe we can create the most value, not just in terms of revenue, but in terms of mix, margin quality, and long-term durability. The bookings profile we saw in the quarter is another sign that this repositioning is gaining traction. Turning to slide 12, I would frame the outlook in a straightforward way. First, we believe we are positioned to build on the momentum we saw in the first

quarter. Bookings were strong. Backlog improved, and our targeted growth areas remain healthy. Industrial automation and data center infrastructure continue to align the portfolio with attractive end markets, and we remain focused on deepening our role as a solutions partner through higher-value engineered systems and platforms for defense and medical applications where our technologies are tightly aligned with customer needs. Second, we are going to remain disciplined. we will keep emphasizing cash generation, disciplined capital spending, and further deleveraging, because that combination has clearly strengthened our financial position over the last several years. We worked hard to build a stronger balance sheet, improve the cost structure, and operate the business more efficiently, and that work is continuing. Simplify to accelerate now and our broader optimization efforts are not one-time initiatives. They are part of an ongoing effort to simplify the organization, improve throughput, eliminate waste, reduce costs, and strengthen profitability over time. We still have work to do, including completing the dosing transition and finishing the remaining structural actions that will continue to improve our gross and operating margin profile. Third, while we are constructive, we are also realistic. The macro environment is still uneven across certain end markets and geographies. Customer spending can move in phases, and trade and policy remain part of the broader backdrop. We are monitoring these developments closely, and at the same time, we have taken proactive steps over the last several years to diversify our supply base, localize sourcing where appropriate, and manage exposure through pricing and operational actions. What gives us confidence is what we control. Our cost structure is structurally better than it was a few years ago. Our capital allocation is disciplined. Our balance sheet is stronger. And through the internal investments we have been making, our portfolio is increasingly aligned around long-term secular drivers where Alliant can add differentiated value, including electrification, automation, energy efficiency, increased defense spending, and digital infrastructure. These are not short-cycle themes. They represent fundamental shifts in how energy is generated and used, how systems are automated, and how critical infrastructure is designed and built. Our motion, controls, and power technologies, combined with our systems-level engineering capabilities, position us well to support those transitions. I would also like to note that we increased our dividends This represents the confidence we have in our future and provides a return to our investors. Border 1 demonstrated that the foundation we have built is working. Our job now is to continue simplifying the organization, driving out costs, supporting our customers, and investing in the right programs and capabilities so that we can convert that foundation as sustainable, high-quality growth, and value creation over time. I view us as being in the early to mid-year earnings innings of our journey, and STAN is key to our success as we move forward. It provides us a framework to execute our strategy and leverage our AST toolkit. Most importantly, though, it is the outstanding team here at Alliant that truly makes it happen. With that, operator, please open the line for questions.

Craig | Moderator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Our first question is from the line of Jerry Sweeney with Ross Capital Partners. Please proceed with your question.

Jerry Sweeney | Analyst, Ross Capital Partners:

Good morning. Thanks for taking my call. Morning, Jerry. I wanted to start on the A&D side. Obviously, you highlighted, and we knew about some headwinds, especially around the M10 booker program, but also a lot of news out there in terms of replenishing certain munitions, et cetera, and some of them are high-end equipment, per se. I was just curious as to how you play into that opportunity and what you're hearing from maybe some of the in the background on opportunities as we go forward on that front.

Dick Rosella | Chairman, President, and CEO:

Sure. Well, I can tell you this is that, you know, everything that you're hearing about that, you know, the replenishment that will be recurring, it has to occur. I mean, there's been a huge consumption of some of the defense products that absolutely need to be replenished. And we are seeing progress in those areas. So I can start by saying to you that we had a very strong bookings first quarter. I can tell you we've come out even stronger in April already. Now, typically we don't give forecasts and guidance, but this is the actual. And April has started out extremely strong, and we see continued progress in the areas that you've been discussing.

Jerry Sweeney | Analyst, Ross Capital Partners:

Got it. The other area that I think is an opportunity I wanted to discuss a little bit more is data centers. And I know it's a topic du jour and it's come up everywhere, but especially power quality, which I think you play an important role in. And one of the aspects we're looking at is, you know, dollars are really starting to hit the ground in data centers, right? On the front end, you're seeing some huge upticks in backlogs, especially on the construction companies. Obviously, Aliana is a little bit later in this process because Aliana after the initial build out. But how does this play out in an opportunity? Because if you think about it, AI started three years ago, takes two years to build a data center, 25 investment much larger than 24, 24 much larger than 23. So it would imply that there's a burgeoning opportunity for you in the next couple of years. I just want to get your thoughts on that front.

Dick Rosella | Chairman, President, and CEO:

100% correct. is part of the growth that we're seeing it's part of the strength that we're seeing in our bookings and you know it did have an impact on our growth last year we think it'll be continue to grow and be more significant as we move forward this year and into the following years so you're absolutely correct it is happening we are seeing it converted into orders and backlog and you know with the and the other encouraging sign is that you're seeing a the market's looking for acceleration of delivery. So that's good and it's bad. I mean, you have to have the capacity in order to be able to handle it, which fortunately we made the investments. We made the investments in acquiring a company in Oshkosh that had a production capability in Mexico that we've been able to leverage and also an expansion of our facility up in Milwaukee. So, and those are, you know, they're playing into those markets. So I think we have made our investments in advance of what the increasing demand is, and we're prepared to deliver to it. And you are correct. We are seeing the positive benefits and impacts of that.

Jerry Sweeney | Analyst, Ross Capital Partners:

And one more question on that front. Would you be involved only in new bills, or is there a retrofit opportunity?

Dick Rosella | Chairman, President, and CEO:

Well, that's a great question. I can't answer it with 100% confidence, but I would say to you that if the retrofit is to improve the performance or the throughput of existing data centers. And in order to do that, they're going to need equipment like ours. So if that is happening, and I'm not sure, I can't answer that.

Jerry Sweeney | Analyst, Ross Capital Partners:

I'm not sure. Yeah, I'm not sure either, to be honest with you. I've just been hearing more of some existing data centers are being retrofitted. That's just in the last couple of days.

Dick Rosella | Chairman, President, and CEO:

Yeah, it makes sense. It absolutely makes sense. I mean, you've got the infrastructure there, and what you want to do is you take advantage of current and technology and leverage that, then if you're going to do that, then you're going to be leveraging our stuff as well. So we'll have to take a look at that.

Jerry Sweeney | Analyst, Ross Capital Partners:

All right. I appreciate it, Dick. Thanks for taking my call. Thank you, Jared.

Craig | Moderator:

Thank you. Our next question is from the line of Max Michaelis with Lake Street Capital Markets. Please proceed with your question.

Max Michaelis | Analyst, Lake Street Capital Markets:

Hey, guys. Thanks for taking my call or questions here. First one from me, want to go back to A&D. Sounds like you're seeing a lot of positive momentum here at Q2. I was curious to know if you're seeing a lot of that activity around drones or if it's just kind of a broad-based strength in the defense space.

Dick Rosella | Chairman, President, and CEO:

Well, there's obviously a significant interest in drones. And we take it serious, and we feel we're in a great position. In past conference calls, we've talked about our capabilities and motors that are used and the propulsion and so forth and the requirement that certain products are going to have to convert to U.S.-made products for U.S. defense applications. So we are well-positioned to take advantage of that. In saying that, we have typically been in the high-end side of that, high-end meaning the You know, the more expensive, larger, more sophisticated drone applications that weren't necessarily just propulsion, but we do see that the opportunity in propulsion for us, given our experience and knowledge of the motor types, our ability to scale, and meaning scale, because having been in the vehicle business and in other businesses where we make millions of motors a year... This is one of the beauties of our company. We can convert from design to full-scale production, and I mentioned in part of my prepared script here is that leveraging one of our newer acquisitions from a technology standpoint, but also from a design standpoint, and combining it with existing operations that know how to scale. That's what's going to be required in the market, and We've been working extremely hard to position ourselves to be able to take advantage of it. So we see it as important. We're making an investment. We're moving very, very quickly. That's about all I'll say about that right now.

Max Michaelis | Analyst, Lake Street Capital Markets:

Perfect. Now, a couple more from me here. Secondly, you noted vehicle was strong as well in orders in Q1. I was curious to know if you're kind of turning away any sort of low-margin vehicle orders or if you're just accepting all now.

Dick Rosella | Chairman, President, and CEO:

Yeah, great question. So if we remember vehicle, we describe vehicle as it's not just automotive. We mentioned in particular commercial automotive is a portion of our business, but the other vehicle markets have been as strong as well. And typically they're in custom applications that enhance their actuation and so forth, and the margin profiles are better. I will say that our team has done a great job of making improvements in process, adding some automation to the process. And we are not working on massive new programs. That's one thing that I would say to you that what we've turned away from is that we're not interested in working on a design for a low margin commercial automotive project that we don't particularly add any other value than what they're looking for is price. So more about not getting involved in the high upfront CapEx requirements, the long design in cycle time and a long time before you start to see a return on investment. We are leveraging what we have. And unfortunately for us, I mean, it is continuing to grow. And I would tell you that our operating margins have improved.

Max Michaelis | Analyst, Lake Street Capital Markets:

All right. Great, guys. I'll take the rest of mine offline. Thank you again.

Dick Rosella | Chairman, President, and CEO:

Thank you, Max.

Craig | Moderator:

Thank you. Our next question comes from the line of Greg Palm with Craig Hallam. Please proceed with your question.

Greg Palm | Analyst, Craig Hallam:

Yeah, thanks, Scott. Good morning, everybody. Can you maybe just, morning, maybe, I don't know if you're able to quantify some of these facility transition costs that you alluded to. I don't know how much that was in Q1 or whether it gets better or worse in Q2. And just to be clear, is it sort of fully abate by second half, anything lingering that we should be aware of?

Dick Rosella | Chairman, President, and CEO:

Yeah, no, great question. I mean, we did bring it up because when you get into transitions, there's always some unknowns. And many of the times, you're designed in on programs that require customer support in order to get requalified. So it's difficult for her to just pick it up and move it. And you're dealing with many, many different parties and so forth. And what we were moving is more of a higher mix business, which adds complexity to it as well. I will say, you know, in retrospect, could we have done a better job in identifying some of these challenges up front? Of course we could have. But we're correcting them and we're moving fast on them. And to answer your question, we do expect to drive out more costs, costs that we expected to drive out, improve efficiencies, and we will start to see the benefits of that in the second half of the year. Jim, he can provide you some numbers, give you some more detail on what the impacts have been.

Jim Michaud | Chief Financial Officer:

Yeah, as we mentioned during the call that, you know, we expected to make some incremental investments, you know, two to three million dollars, you know, over the course of uh, 2026. Um, and again, I would expect, uh, you know, really the second half of the year to obviously more of a concentration of that. Uh, again, as Dick mentioned, you know, we're still, you know, stabilizing and, you know, working on the, uh, the transition with dolphins. So, you know, that's, uh, continuing and, you know, hopefully by the end of the, uh, the third quarter, that will be in, uh, a good place of where we, uh, expect it to be.

Greg Palm | Analyst, Craig Hallam:

Okay, makes sense. Shifting gears to the bookings, which I think was an all-time record, obviously stood out both from an absolute basis, you know, year-over-year growth. I think you mentioned vehicle, industrial. Can you give us some sense, were there specific categories within that that drove it. And then in response to an earlier question, you talked about April trends. Was that specific to defense or was that across the board? I didn't catch that comment.

Dick Rosella | Chairman, President, and CEO:

To answer your question, in the first quarter, we did see strength pretty much, I would say, across the board. But the magnitude or the significance of them are in some of the key drivers and markets that we mentioned to you. So, you know, Jerry had asked the question about the defense market and replenishment and so forth, and we did benefit from that, and we will continue to benefit from that. I will say to you this, and, you know, as we talked about how do we record bookings, and If we have a firm schedule for, you know, a full year or multi-year commitment to us, the only time that we actually record it as a booking is when we get a firm production schedule. So one of the things that we did do starting the beginning of the year here is that in the past, you know, we have received with some forecasted demand of when deliveries are going to occur, and we may have booked the full amount, okay? We're doing it a little bit differently. And the bookings could have been significantly better if we booked full program versus booking, you know, four to five months out of demand every quarter, booking another quarter, showing the demand and forecast demand of when we're shipping in a more current timeframe. So you heard me talk about moving in some of the backlog into a more current timeframe. I think I said three to five months. I should have said three to six months. And that's because... because the change that we've made. It is substantive, you know, and I will say that if we go back, we do a comparison to one of the programs that we are now booking on a monthly or quarterly basis versus on a full annual basis, you know, it could have been significantly higher. So we are seeing, you know, in the defense market, we're seeing those bookings coming in. We expect more to come. and also in the data center side of it. It's been significant growth, and in the first quarter it was strong, and we also see strengthening coming right out of the chutes here in the second quarter. So, Greg, rarely do we talk about what we've already seen, and I think my intent here is to, while you look at it and say we may have missed from a revenue projection or you know, adjusted EBITDA projection, I would say to you the business is strong and healthy, and we're very confident that, you know, what we're seeing here is, you know, we're certainly pleased with what we're seeing, and we want to share that, that there's no real reason of concern. The orders are coming. They are coming. They have come, and they will continue to come, and that results in, you know, the improvements that we expect, you know, for the full year and beyond.

Greg Palm | Analyst, Craig Hallam:

Okay, so just to be clear, bookings were up 15% on a year-over-year basis, so they were very strong. But you're saying they were actually understated because of this sort of change in formula that you alluded to?

Dick Rosella | Chairman, President, and CEO:

Yeah, I mean, if we had recorded a particular order that was pretty significant, like we did a couple years ago, the problem with it is you book it in one – and we – we booked the whole thing. We have forecast demand. We found out that that demand doesn't necessarily relate to reality. So you'll get pushouts as it goes on. So we decided to make the change and the change we made, it could have been significantly higher if we did it in the same manner, but we are making the change to be more level loading, more conservative about, okay, with current data, we will book when we get more of a firm demand on a short term basis. So you're absolutely correct.

Greg Palm | Analyst, Craig Hallam:

Okay, understood. So I guess my last question then, just in light of your comments, I mean, I don't think 1% organic growth on a constant currency basis, which is what you reported in Q1, is necessarily a good representation of how you might view the year. I know you don't guide for the full year, but maybe we'll just appreciate any comments related to that.

Dick Rosella | Chairman, President, and CEO:

Yeah, I would agree with you. I think we're on a path to certainly exceed that. And I think we also remember if we go back to what we talked about in the fourth quarter was better than we expected because we had some pull-aheads, which was unusual in the fourth quarter, which did have an impact on what was available to ship in the first quarter. So it was a balancing, was a level loading to a certain extent. Again, unusual for certain, well, for us as a company, but for certain customers to be accelerating shipments into a fourth quarter rather than pushing and allowing them to ship in first quarter. So we saw some of that. So I think, you know, if you look at a quarter-to-quarter basis, it may look, all right, it's not that great. But when you look at it on a more longer-term standpoint, there is some positive growth occurring.

Greg Palm | Analyst, Craig Hallam:

Okay, appreciate all the color, thanks.

Dick Rosella | Chairman, President, and CEO:

Thank you, Greg.

Craig | Moderator:

Thank you. Our next question comes from the line of Tom Osano with JP Morgan. Please proceed with your question.

Tom Osano | Analyst, JP Morgan:

Hi, good morning, Dick, Jim. Good morning, Tomo. Thank you. Could you talk about operating margins that was 6.7% in Q1, but excluding one-time items and considering the impact of the Simplify to Accelerate Now program, what would you estimate as the underlying or normalized margin levels? Additionally, if you could talk about some OP margin outlook from Q2 onward, it would be appreciated. Thank you.

Jim Michaud | Chief Financial Officer:

Yeah, good question, Tomo. So a couple of things as we talked about, you know, we're making investments in our research and development, new product development. And as Nick mentioned, you know, we're on pace to bring products to market faster. And so we did make some strategic investments in order to facilitate and enable that. And I think we'll see some continued investments as we go throughout the rest of this year in order to, you know, execute on what we're strategically trying to do, and that is to bring, you know, products to market faster. So I think, you know, there's continued investments that we will make in the streamlining of the business, as we have been doing the last couple of years. And as we mentioned, you know, we're continuing to complete the Dothan transition and, you know, continuing to look for opportunities where we see duplication. So I think, Our simplify to accelerate now DNA is, you know, well in place and we're continuing to, you know, support, you know, the ongoing improvement in margins, you know, as a result of what those projects have demonstrated over the last couple years.

Tom Osano | Analyst, JP Morgan:

Thank you. And thank you, Jim. And if I may follow up on the vehicle. in terms of the order trends or revenue, that was a bit surprisingly solid. So, Dick, if you could talk about the 8% plus commercial automotive and construction strengths offset by the lower power sports and truck demand, how should we look at these kind of customers' order trends over the next couple of quarters?

Dick Rosella | Chairman, President, and CEO:

I think they're going to continue. We don't see any signs that – This was unusual by any stretch of the imagination or means, and I think we've seen a return to growth in some of the non-automotive vehicle markets, and I think that's a positive sign for us. We continue to work on new applications in those areas. As I mentioned, they're typically specialty, and they're used in trucks and buses and construction equipment and so forth. I think one thing is the... talking about the impacts on the ATV market, you know, the off power sports and so forth, you know, that has continued to bring a little bit of a drain on us. And we have mentioned it in the past that, that that market has moved in the direction of, you know, more commoditized commercial automotive. And we have, while we're experiencing competition and we have experienced competition the last several years that have come from the automotive side of it, the quantities don't necessarily lend themselves to it long term. We have focused on what's the future going to look like and how we can provide a more integrated total solution versus a component solution. And from that standpoint, I think we feel good that we've hit a point of where and we bottomed out, but that we will see some growth from there. So I think those are positive signs from that standpoint as well. And we realigned our businesses, and we continue to realign our businesses. Some of the moves that we're undertaking right now, and unfortunately that we've incurred extended transition costs, Time periods and costs, I think in the long term, they're definitely going to pay dividends because the businesses are different. And the investment that you make and how you structure the business has to be different. So our goal is to align the cost associated with those business with the profit potential. And that's exactly what we're doing. So, you know, yeah, it's painful. but the rewards will be there. And the margin profiles that we're setting internally, it's not the same across the board. We've talked about this. I know you've asked us questions in the past. Can we share more about which ones generate higher margins or not? And we've been reluctant to do so. When you talk about gross margins, that's one thing. But when you talk about operating profit, that's another. And our expectation is that The business potential has to be there, and it's our job to structure them to generate the operating profit and control the variable cost to the best of our ability, but certainly the OPEX cost, which is not – all parts are not created equal. That will drive operating margin in each of our markets that we've established targets for and we continue to move towards. So vehicle, our specialty – Applications that we do, we're getting better and stronger in, and we're leveraging already, you know, designs and capital equipment that's in place. And we're certainly willing to take on more of those. We're just not willing to take on long-term, just really cost

competitive, long, you know, high CapEx and high risk returns. That's, we're changing the profile, and that's not part of our plans.

Craig | Moderator:

Thank you, Diggs. Thank you, Tomo. This does conclude our question and answer session. I'd like to turn the floor back over to management for closing comments.

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 Craig Hallam Investor Conference in Minneapolis on May 28th, and then the virtual Northland Growth Conference on June 23rd. 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 second quarter 2026 results. Have a great day.

Craig | Moderator:

This concludes today's teleconference. Thank you very much for your participation. Please disconnect your lines and have a wonderful day.