NASDAQ:CECO Q4 2025 Earnings Call Transcript

Generated on 6/10/2026

Tanya | Conference Operator:

Good day and thank you for standing by. Welcome to the SECO Environmental Corp Q4 2025 earnings call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during this session, you will need to press star 1-1 on your telephone. You will then hear an automated message advising that your hand is raised. To withdraw your question, please press star 1-1 again. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Marcio Pinto. Please go ahead.

Marcio Pinto | President:

Thank you, Tanya, and thank you for joining us on the CEQA Environmental Fourth Quarter 2025 Earnings Call. On the call with me today is Todd Gleason, Chief Executive Officer, and Peter Johansen, Chief Financial Officer. In today's call, we are covering SECO environmental fourth quarter earnings results, as well as a transaction that will combine SECO with Thermon, a publicly traded global leader, an end-to-end solution provider to process heat, temperature management, and asset protection with strong aftermarket presence. As a reminder, this quarter's webcast, earnings release, and presentation, which include relevant disclosures and non-gap reconciliations, are available on our website. Today's discussion includes forward-looking statements that are subject to risks and uncertainties, including the ones described in our SEC filings, as we have also noted in our presentation legal disclosures. As always, we will leave time at the end of the call for analyst questions. And with that, I'll turn the call over to Todd.

Todd Gleason | Chief Executive Officer:

Thanks, Marcio, and welcome, everyone. It is a pleasure to speak about two highlights today. We delivered strong, quarter and year and full year results with many financial records. Importantly, we are also announcing a transformational transaction between SECO and Thermon. Please turn to slide number four and let's discuss each at a high level. On the left side of the slide, we outline the SECO-Thermon transaction. This is truly a combination of two proud and winning organizations. Each company is clicking on so many of the right cylinders. Together, we expect the union will create an even stronger global leader with enhanced financial agility and expanded strategic capabilities. When we close the transaction, we will continue to trade as Seco Environmental, and I am excited and very much looking forward to leading the future combined company and working closely with the outstanding leadership and employees at Thermon. More on this transaction in just a minute. Now, turning to the right side of the slide, we delivered another strong quarter for Seco Environmental with full-year results for revenue and adjusted EBITDA largely in line with our final expectations. And we are raising our full-year 2026 guidance, not inclusive of Thurmond, as we have tremendous visibility given our record backlog and growing sales pipeline. Now, please turn to slide number six. Six, and let's review the financials in a little more detail. This executive summary slide captures the main points from today's financial earnings release. Q4 delivered numerous new records. Our backlog is the highest level ever, approaching $800 million and up almost 50% year over year. Revenue growth of 35% and adjusted EBITDA growth of 57% speak to our high performance results. In the quarter, we booked our largest ever project, valued at approximately $135 million for a large-scale natural gas power generation facility based in Texas. For the full year, 2025 orders surpassed $1 billion for the first time, which we signal we would likely accomplish in our December 15, 2025 press release. And as we shared in today's press release, we are raising our 2026 full-year guidance to reflect our tremendous visibility and backlog and that record sales pipeline I just mentioned. Our increased 2026 guidance reflects strong full-year orders growth as well as year-long excuse me, as well as full-year revenue outlook of between $925 to $975 million, which is up from our previous outlook of $850 to $950 million. Our full-year 2026 adjusted EBITDA outlook is now between $115 million to $135 million. So again, we feel we are clicking on many of the right cylinders. Now, before I hand it over to Peter, let's move to slide number seven. We continue to enjoy a strong market backdrop in the power generation, industrial reshoring, industrial water, and natural gas infrastructure customer segments. In each of the past five quarters, we have booked orders and critical infrastructure projects to support domestic power generation and energy delivery investments, and our pipeline indicates we have the opportunity to maintain that pace in 2026. In fact, we have already secured two large natural gas power generation orders exceeding $175 million in aggregate value at this point in Q1. And we have numerous similarly sized and larger opportunities in our pipeline. We remain bullish on the industrial water and wastewater treatment sector, and in particular, the international water infrastructure projects, where we now have our most active and largest pipeline of opportunities associated with water reuse and recycling applications. Industrial air will continue to benefit from industrial reshoring programs, semiconductor investments, and our international expansion activities. As the slide shows, quarter to date to February 24th, which is today, We have booked a little over $270 million in orders, so we are well on pace for another record quarter and obviously a great start to 2026. I will now hand it over to Peter, who will go into more detail on our financial results. Peter.

Peter Johansen | Chief Financial Officer:

Thank you, Todd. Good day, everyone. Thank you for joining Todd and myself for SECO's fourth quarter 2025 earnings call. Please turn to slide number eight. SECO finished 2025 with very strong results for both the fourth quarter and full year on all our key metrics. We finished the fourth quarter with a record backlog of $793 million, up 47% versus prior year and 10% sequentially. Backlog has increased in eight straight quarters and surged upwards in the most recent five, each with well over $200 million in bookings, highlighted by nice wins in power generation, LNG, midstream gas transport and treatment, global semiconductor, and international water end markets. Fourth quarter orders were $329 million, a company record increase of 50% over the prior year period, with a book-to-bill of approximately 1.5 times. On a full year basis, bookings reached $1.064 billion, a 60% increase over full year 2024 levels with a book to bill of nearly 1.4 times. The results were largely due to strong demand in our power generation, natural gas infrastructure, semiconductor, and industrial water applications. And we had strength globally in all our major operating regions. Revenue in the fourth quarter and full year was $215 million and $774 million, respectively, with both results being company records. On a full year basis, revenue was up 39%, of which 25% of this growth was organic. This result was outstanding. when you consider that we overcame $25 million of revenue headwinds related to the sale of our global pump solutions business in late Q1 of 2025. Our second half revenue was higher than 2024 by 40% as the conversion to revenue of our power generation projects booked in late 2024 and 2025 gained speed. Adjusted EBITDA in the quarter was $29.8 million, an increase of 57% versus the prior year period with margins of 13.9%, representing a 180 basis point improvement over the prior year. For the full year, adjusted EBITDA grew 44% to exceed $90 million for the first time in company history. with 40 basis points of margin expansion. A large part of the improvement was due to lower G&A expense rate, partially offset by $800,000 of costs for strategic reductions in our legal entities to support our accelerating ERP migration program and to conclude certain integration steps from the acquisitions completed in 2024. Let's turn to page nine for now, please. On this chart, I want to remind you that we are presenting SECO's gross profit and our gross margin performance by quarter on a TTM basis to normalize for quarter-to-quarter fluctuations. We have started this chart at the point in which SECO's operating excellence initiative was launched in the fourth quarter of 2022, and you can see substantial improvement and steady performance in the 35% gross profit margin range. In the quarter, we realized a rebound in margins from the third quarter, back above the 35% target level as strong short cycle volumes and project execution and closeouts provided margin uplift. This sequential improvement was approximately 240 basis points and is a typical recovery from third quarter seasonal headwinds. As we look forward to 2026, We will deepen our focus on sourcing and productivity, remain focused on managing price and cost as we navigate an uncertain economic backdrop, and start to realize the benefits from our initial wave of 80-20 deployments, a multi-year journey on which we have embarked that we expect will deliver significant business cost and performance benefits. I will now move a little faster through the next few slides so we have ample time to spend on this morning's announcement and leave time for Q&A. Moving to slide 10. Regarding cash flow, 2025 was truly a tale of two halves, with the first half of 2025 consuming approximately $20 million of cash and the second half delivering approximately $30 million of cash. for a full year cash flow that was positive of approximately 10 million, up 30% year over year. Our cash conversion in the second half of the year was very good at 52% and within our target range for cash flow conversion. And we expect to remain there in 2026. Gross debt and net debt both ended the year at levels lower than where we started the year, with our leverage ratio now at a very comfortable 2.2 times and with liquidity well up at $124 million. With the benefits from the reduction in leverage and the growth of TTM EBITDA and improved pricing in our recently concluded and upsized revolver credit facility, we expect to realize a 50 basis point step down in interest rates following a 25 basis point step down realized in the fourth quarter. This will represent an additional annualized interest expense savings of approximately $1.1 million if we maintain the current gross debt balance. I will now move to slides 11 and 12 and move through them quickly to save some time. On slide 11, the book to bill in the quarter of approximately 1.5 times on record orders. while delivering record revenues, was a high. It is this sustained strong orders performance, resulting in record year-end backlog, combined with our $6.5 billion opportunity pipeline that underpins our 20% plus top line growth in 2026. If we move now to slide 12, we have increased our outlook for all four key metrics, with revenue growth of 23% at the midpoint of our outlook and adjusted EBITDA growth of 38% at the midpoint of our outlook. As Todd stated earlier, we have tremendous visibility given our record backlog and bookings momentum, as well as our sales pipeline, which I've stated now exceeds $6.5 billion and is converting quickly. That concludes the earnings presentation portion of our prepared remarks this morning. And now I turn the mic back over to Todd, who will lead us through the materials describing the exciting strategic combination of SECO Environmental and Thermon.

Todd Gleason | Chief Executive Officer:

Thanks, Peter. Now let's transition to review a historic transaction for SECO and a major step forward in our industrial leadership journey. Please turn now to slide 14. The addition of Thermon will meaningfully extend Seco's leadership in industrial, environmental, and thermal solutions by adding Thermon's established position in process heating, heat tracing, and temperature management, creating a world-class industrial solutions platform. This combination brings together two highly complementary businesses, creating opportunities to accelerate growth through expanded customer relationships and global reach. And Bruce and I couldn't feel... better about what lies ahead for the combined company and our respective teams. I can't wait to meet many more Thermon leaders and employees. Moving to slide 15, let's review the key terms of the transaction. Under the agreement, which has been unanimously approved by the boards of both companies, the transaction will be executed through a stock and cash merger with a total consideration of approximately $2.2 billion. Thermon shareholders will receive $10 in cash and 0.684 of SECO common stock per share, delivering a substantial premium while allowing Thermon shareholders to participate in the upside of the combined company. The cash component will be funded through existing credit facilities. This leads us to an implied value of approximately 17 times adjusted EBITDA or 13 times including synergies. Upon close, which is expected to occur in mid-2026, Seco shareholders will own approximately 62.5% of the combined company, and Thurmond shareholders will own approximately 37.5%. From a leadership perspective, I will continue as CEO of the combined company, and Thurmond will appoint two board members to serve as directors for the combined company. Each company leadership team will remain in place through the pre-closing process, and I look forward to meeting Thermon leaders and operating teams as we evaluate the most effective and efficient combined company model. On the right, you can also note the key pro forma financials for the combined organizations. With revenues of approximately $1.5 billion, adjusted EBITDA of $295 million, assuming approximately $40 million of run rate synergies. yielding margins close to the low 20s from a balance sheet standpoint the company is expected to have a strong balance sheet with proforma net leverage of 2.5 times giving us ample opportunity to continue to invest in our people processes markets and best growth opportunities now please move to slide number 16 entitled thermon group at a glance There is certainly more to see here than a mere glance. Thermon is a leading end-to-end solution provider of process heating, temperature management, and asset protection with a strong aftermarket presence. For the current fiscal year, they are delivering over $520 million in revenue with approximately 85% of their sales considered OpEx, or what Seco commonly refers to as shorter cycle sales. Thurmond's gross profit margin of 45% reflects their leading products, their great operating and price disciplines, and that shorter cycle product mix. Thurmond currently has adjusted EBITDA margins of approximately 23%. To be helpful, we provide additional revenue analytics at the bottom of the slide, but I will not go through that here. Moving to Page 17 for a quick look at Thermon's expansive solution set. Thermon is a leading diversified industrial leader, undeniable. Similar to Seco, they deliver advanced engineered solutions to solve mission-critical environmental challenges. We couldn't be more excited to learn more about their innovations and strategic growth programs. Each company protects people, protects the environment, and protects industrial equipment. It's an outstanding match. The current high-level segmentation of Thermon sales span from heat tracing, which represent approximately half of the company's revenue, heating systems that represent approximately 35% of revenue, and the balance of approximately 15% in transport, heating, tubing, and digital solutions. Thermon has announced several important innovative solutions, including great momentum they are enjoying with their Genesis controls and newly launched liquid low bank offering, to name just a few. Much to be proud of at Thermon, and we aim to support that pride and strategic growth going forward. Now let's transition to slide 18. We are creating a global industrial leader in delivering mission-critical environmental and thermal solutions. We see this combination as a powerful strategic fit that significantly advances our position as a premier engineered solutions provider. This transaction will meaningfully extend Seco's leadership in industrial, environmental, and thermal solutions by adding Thermon's established position in the aforementioned process heating, heat tracing, and temperature management. Once again, we expect to create a world-class integrated industrial platform. We will have a vast install base by bringing together our more than 75 years of combined installation and product deliveries, which will generate substantial high margin recurring and replacement revenue. Let me tell you more about why this combination wins, which is outlined on slide number 19. Together, we have an expanded addressable market of over $30 billion across attractive, and high-growing industrial end markets. Both companies are well aligned to secular growth tailwinds across electrification, energy transition, data centers, water megatrends. And Thermon operates a recurring short cycle business model which balances well with Seco's project-based longer cycle work. From a financial standpoint, this deal is very attractive. Even before synergies, The combination is accretive in year one. With our identified annualized synergies of approximately $40 million by year three, this transaction creates even more shareholder value. We expect to drive strong double-digit growth and margin enhancements through our productivity and 80-20 programs while achieving these synergies. So we believe the next few years will show an even more powerful value creation company. A cornerstone of our transaction discussions has also been our similar values, cultures, and operating styles. Throughout the transaction process, we've gotten to know the Thermon team, and it is clear they have an outstanding group of employees who share many of our same values. We both have a business and culture grounded in disciplined execution and innovative thinking, and I believe that alignment will serve us well for many years to come and support a smooth integration process. In a nutshell, this is a powerful combination that we believe checks all the boxes. Two winning Texas headquartered companies, two great operating organizations with shared values and commitment to delivering for our industrial customers. And I believe one plus one will equal more than two when everything is said and done. Moving to slide number 20 for a view of SECO's pro forma financials and a little more color on synergies. The pro forma numbers tell a powerful story. When we add the $40 million in synergies, the pro forma is even stronger. Combined, $1.5 billion in sales, almost $300 million in adjusted EBITDA, with close to 20% EBITDA margins, scale, margins, and industrial leadership. And while we have months of pre-integration work ahead, the $40 million in identified synergies is a meaningful enhancement to this already accretive transaction. Now, these identified synergies come in two main buckets. First, the costs associated with combining two public companies and reducing the redundancies, as well as SG&A overlap and additional efficiency savings. And the second bucket in the identified synergies comes from operational efficiencies, footprint rationalization, and supply chain leverage. We do show a third bucket. Our current model does not yet have commercial synergies assumed, but it is an opportunity and we will be pursuing those as we start working together. Okay, last couple of slides before Q&A. On page 21, we have an overview of our global presence. The combined company will have operations in more than 15 countries with a combination of engineering and manufacturing sites that better serve our global customers. Our global population will exceed 3000 employees, many of which are highly skilled engineers, technical resources and thought leaders in their respective markets. Combined, we have the scale and capabilities to deliver the mission critical environmental and thermal solutions across the globe and solve our customers most challenging environmental issues. Moving to page number 22, I'm not going to spend a lot of time on this slide, but you can clearly see the different yet complementary financial profiles of both companies. SECO, as you may know and I've already mentioned, has about 70 to 80% of our revenues from mid to longer cycle projects and the balance of our sales driven by shorter cycle product offerings. Thermon, on the other hand, has a relatively small percentage of revenue from longer cycle projects, but a significant percent from shorter cycle sales. As you can see on the right-hand side of this slide, the combination represents a very balanced company from a revenue cycle standpoint. This is a very attractive mix for any CEO and management team. The right blend of longer cycle jobs and backlog which provided nice visibility to what's already been booked, as well as a steady diet of shorter cycle sales, helping to drive productivity, steady margins, and enhanced cash flows. Now let's pivot to slide number 23. I'm very proud of the progress we have made at Seco over the past five years. I've had the luxury and will continue to have the luxury to lead one of the great high-performance industrial companies, and our results speak for themselves. Since 2022, our growth and margin expansion has been steady and it has been impressive. We have also successfully introduced and maintained a programmatic M&A program to add key businesses and brands to our leading niche industrial portfolio. Since 2022, we have acquired over a dozen companies of various sizes to enhance performance and adjacent market expansion. This proven track record has yielded strong shareholder value creation. We aim to maintain this model of performance and value creation. The combination with Thurmond, we believe, will enhance each. Now, in conclusion on slide 24, I'll wrap up with this before we take your questions. SECO's performance over the past three to five years has been very strong. SECO's performance in 2025 was very strong. Our outlook for 26? also points to very strong performance. Separately, Thermon's results and outlook are also very strong. Today's announcement, the opportunity to combine SECO with Thermon, will make us both stronger. Stronger and more resilient growth, stronger financial profile and scale with agility. A powerful value creation in year one and beyond. I'd now like to open it up for questions and thank you for your interest.

Tanya | Conference Operator:

Certainly. As a reminder, to ask a question, you will need to press star 1-1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1-1 again. In the interest of time, please limit yourself to one question and a follow-up. Please rejoin the queue for additional questions. Please stand by while we compile our Q&A roster. Our first question will be coming from the line of Aaron Spachala of Craig Halem Capital Group. Your line is open, Aaron.

Aaron Spachala | Analyst, Craig-Hallum Capital Group:

Yeah, good morning, Todd and Peter. Thanks for taking the questions. You know, maybe first for me, you know, you kind of talked about industrial water, just the most active and kind of largest pipeline that you've had there. Can you just kind of maybe frame that for us, you know, what that business is today and just, you know, some of the timelines and sizes and kind of what that opportunity looks like for you in the next couple of years?

Todd Gleason | Chief Executive Officer:

Yeah, thanks, Aaron. I'll start and then I'll hand it over to Peter to add some additional commentary. So we've been intentional about organically as well as inorganically building what we believe is proving to be a very attractive industrial water aspect of Seco Environmental. Over the past few years, we've continued to enter into some new markets, both in the United States as well as internationally. And what we're seeing in our position and in these investments is is a large pipeline of activity now for us in 2026 with respect to industrial water treatment and produced water, especially in some international locations associated with energy and heavy industry. So, you know, as we now look at Both in early in this year and throughout the year, opportunities could be between $10 to $50 million in size. We expect to be announcing throughout the year, maybe even each quarter, some pretty exciting produced water treatment opportunities in, let's say, the Middle East. you know, other parts of the world with respect to water treatment for industrial applications. You know, the acquisitions we've made have been helpful, but I also believe that our engineering capabilities and our relationships with our customers, they've been asking us to help them solve some of these critical areas for a number of years.

Aaron Spachala | Analyst, Craig-Hallum Capital Group:

Understood. Thanks for that. And then, you know, on the Thermon acquisition, You know, I appreciate, you know, not kind of no commercial synergies outlined kind of yet, but, you know, it seems pretty complimentary from a product and end market standpoint. But can you just maybe give, you know, a little bit of detail on where you kind of see some of the, you know, low hanging fruit as you kind of, you know, go to market with just a much broader kind of product set, you know, any kind of customer overlap, you know, any other details you can provide there would be helpful. Thanks.

Todd Gleason | Chief Executive Officer:

Yeah, no, thanks, Aaron. And we know you know the companies well, you know, since you obviously cover both Seco and Thermon, so we're happy to talk more about this as we go forward. Low-hanging fruit exists. Not only have we known Thermon for a long time as a leader and what they do and certainly their reach and their capabilities, but we have a lot of customers in common. The customers within the customers might be a little different. So, if you're looking across energy or industrial organizations, we share a lot of customers, which means we can solve a lot of problems separately or together. We have a variety of overlap in certain projects where we can see very advanced thermal applications being a part of what could be a combined bid in the future. And certainly they have relationships that we don't in geographies or in end markets, and we have relationships that they don't. And we have found that that to be a powerful growth component in our previous acquisitions where we can introduce a new product or solution offering across a range of geographies or adjacent markets. So it will be an exciting aspect of this combination. And then, look, I'll just say last but not least, and there's many more things I could talk about, But I'll go right to their Genesys controls platform and solution set because, you know, we, in our early dialogue, we certainly see that as a, you know, as a complementary opportunity for us to learn more and to evaluate ways to bring advanced controls and monitoring across more of our portfolio. So that is definitely a low-hanging fruit conversation for us to have, and we'll evaluate that going forward.

Aaron Spachala | Analyst, Craig-Hallum Capital Group:

Yeah, definitely exciting. Thanks for taking the questions. I'll turn it over. Thanks, Aaron.

Tanya | Conference Operator:

And our next question will be coming from Rob Brown of Lake Street Capital Markets. Your line is open.

Rob Brown | Analyst, Lake Street Capital Markets:

Hi, good morning. Congratulations on all the progress.

Tanya | Conference Operator:

Hey, Rob.

Rob Brown | Analyst, Lake Street Capital Markets:

Just following up a little bit more on Thermon, the short cycle business, could you sort of clarify how that business works? What's the sort of installed base that you expect and how recurring is that business?

Todd Gleason | Chief Executive Officer:

Well, they have 75 years of installed base, right? So, you know, this is an organization that has long proven their high quality, long proven their ability to deliver for their customers every day around the world in some of the harshest operating environments. They, like Seco, are very proud of the durability and the long-lasting aspect of their product and solution set. So, you know, but at the end of the day, their customers rely on them to help them expand or as they build out their infrastructure or as they replace their infrastructure. So, you know, it's a – you know, their install base is in the billions. They enjoy – you know, thousands of invoices probably a month as their average sale is much smaller than ours. So they're constantly providing updated, you know, product for their customers and their markets while they're also working with new customers to solve their complex thermal needs and other areas. And, you know, with their launch of Liquid Load Bank and some of their other new product categories, I think they're very excited, and so are we, that they have a very strong, not just replacement cycle in front of them, but a penetration in some new market categories that their investments are going to yield outstanding results.

Unknown | Participant:

Okay.

Todd Gleason | Chief Executive Officer:

I would also point to you, Rob, that Thermon has, and we didn't include, you know, we wanted to limit the number of slides, but they have some very, I think, good material on their investor presentations, including one from late 2025, where they really show sort of how they break down their segmentation of their revenues. So for our analysts or for our shareholders not only will we be showing more combined materials going forward but i would point you to their website and on their investor relations uh section they have some very some very good materials for you okay

Rob Brown | Analyst, Lake Street Capital Markets:

Great, thank you. And then to the basic eco-business, the order pipeline, you noted, continued very strong into the year here with a couple power projects. But what's sort of the pipeline activity, I guess, specifically in the power vertical? You know, at this point, do you have sort of multiples of these or just characterize the pipeline of the power market at this point?

Todd Gleason | Chief Executive Officer:

Yeah, Peter certainly has a ton of depth on this as we continue to do operating reviews with our businesses. And let's just say that, you know, the current power segmentation of our pipeline is well in excess of a billion dollars. You know, we're in regular dialogue with the most important end customers and in the power generation space. I believe and we've been saying for quite a number of quarters that SECO is really well positioned for these large gas, natural gas turbine power jobs that are now coming down the pipeline that really require our advanced solutions. And so, look, we would signal that late last year and already early this year, we're starting to see even more of these larger opportunities. We have a lot of visibility in our pipeline. We're in regular dialogue about these projects. You know, it's certainly well in excess of a billion dollars, could even be approaching $2 billion in what we would call a short or medium term pipeline with respect to these power jobs. Peter, I don't know if you want to add more to that.

Peter Johansen | Chief Financial Officer:

It's, you know, we've become fond of saying, Rob, and you may have picked up on that in past discussions, that it feels like POs are falling from the sky. or occasionally you wake up in the morning and you trip on one. I mean, it's such a dynamic environment that all the behind the meter, in front of the meter, whether providers of power are moving very, very quickly to put solutions in place. But the one thing they all have in common, regardless of the form of generation, is they need emissions treatment. Having an emissions solution And we're one of three companies in the world that could deliver a comprehensive end-to-end solution for emissions management around gas turbines and large gas engine fleets. Having that emissions treatment solution gets you permitted faster. And that has become critical to both the utilities that are going to buy the power or the OEMs are going to deliver it. And so we have that unique position in the ecosystem. Todd mentioned $1 billion to $2 billion is the range of projects we're negotiating, but that's not the total visibility. That's just what we're working on at present.

Unknown | Participant:

Great. Thanks for all the call-in.

Tanya | Conference Operator:

And our next question will be coming from Gary Sweeney of Roth Capital. Your line is open.

Gary Sweeney | Analyst, Roth Capital:

Hey, good morning, Todd, Peter, and Marcio. Thanks for taking my call. Thanks, Jared. Thanks. Obviously, the first question is going to be on Thurman. I wanted to see if you could give a little bit more detail. It sounds as though Thurman is a little bit more short cycle. Obviously, you're long cycle, and that's one of the points you highlighted in your prepared remarks. But how much of this is there an opportunity for maybe wild share on some projects that you're going after versus maybe just access to new customers or new customers within existing customers?

Todd Gleason | Chief Executive Officer:

Yeah, look, we have a pretty consistent track record, Jerry, in our acquisitions of identifying and combining with companies with great growth profiles. So when we look at any transaction, we're more focused on how we invest in those organizations or how they help us rapidly invest in growth pursuits before we're really looking at synergies. This transaction stands on its own before we even talk about the word synergy. And then when you add the early identified synergies that we talked about in the buckets that we talked about, you start to get an even more powerful financial combination. But back to, I think, the root of your question. Look, we enjoy being – we may be diversified and we enjoy being diversified. We're very focused on continuing to build the, we believe, premier industrial solutions provider with respect to environmental products, services, and and engineered solutions and that's exactly what thermon's doing as well so if there's an opportunity and there certainly will be opportunities for us to look at customers customer relationships markets and um and and growth to go at things together we will do that um we are on very large complex projects where um where heat and thermal management are required, and we don't think of those previously. We'll certainly be thinking about those going forward. We have a need and an interest in advanced controls applications, and we haven't made that investment yet, and Thermon we know has. So how do we look at opportunities to leverage what they've done and where they're located in their markets with their knowledge, and how do we bring that to them as well? Look, our customers, like I said, require rely on Thermon for protective services to ensure that their environment is clean and safe and that their employees are benefiting from the efficiencies of their processes. So do we. So when you both are solving problems for your customers, unique ways, but for a similar reason, then there's just going to be commercial synergies.

Gary Sweeney | Analyst, Roth Capital:

Got that. Yeah, I mean, I... Was a little bit more curious on, you know, obviously I get, you know, the short cycle's great for you, you know, speeds up cash conversion. Just from a holistic standpoint, I mean, does Thurman, sounds as though Thurman does bring you some opportunities to expand some wild share on projects, and then conversely, there's their large aftermarket exposure that could probably grow with some of your customers that they may not cover as well. Is that a fair sort of, generalization?

Todd Gleason | Chief Executive Officer:

Yeah, that's a fair generalization. And I think over the next few months, as we start to really now intentionally roll up our sleeves appropriately with Thurmond and evaluate these synergies that we're talking about here, Jerry, I think there's going to be some very exciting ones. Like I said, we've mentioned some of their investments and innovations already. More to come on that. And, you know, look, we have incredibly strong relationships with customers and small, medium, and large projects that we know require thermal applications. And, you know, why wouldn't we make sure that we work together to solve those customer needs?

Gary Sweeney | Analyst, Roth Capital:

Got it. And it wouldn't be a Q&A if I didn't ask one more question on the power side. Lois turbine makers, manufacturers, they're starting to look at 28. Even 28 may be sold out, starting to look at 29 and 30. When you discuss your pipeline, how far out on the curve are you looking? And this is more of a question of, like, obviously there's a longevity issue or opportunity here. I'm just curious as to when you look and describe your pipeline, how many years out are you looking in regards to that?

Todd Gleason | Chief Executive Officer:

When we describe our pipeline, when we describe our pipeline of, you know, between $1 billion to $2 billion, those are opportunities that we expect for us. That's our dollar level. We'll book in the next, 12 to 18 months, maybe two years. That doesn't mean there's not overlap that it could extend a little beyond that. So think of it as a two-year pipeline for us. Gotcha.

Gary Sweeney | Analyst, Roth Capital:

And the pipeline is already expanding beyond that.

Peter Johansen | Chief Financial Officer:

Jerry, we need the orders in the next 12 months to deliver in 28. And we need them in the next 24 months to meet 29 and 30. So we're aligned with our customers. We do joint planning. We do joint project assessments. Now, they move in and out, customers, timing changes as they solidify their investment, they solidify their permits. But what is clear is the demand is exceeding supply in all categories of equipment, and there's no shortage of consumer for this equipment. So we may reprioritize one project over another based on those dynamics. but ultimately it comes down to how much capacity do we need to have in place to deliver the solutions that are being demanded of us across thermal, acoustic, emissions, and inlet air treatment, and we're in a very good position to supply all that well into the 30s.

Gary Sweeney | Analyst, Roth Capital:

Got it. That's what I was looking for. Thanks, and congratulations on the announcement.

Peter Johansen | Chief Financial Officer:

Thank you, Jerry.

Tanya | Conference Operator:

And our next question will be coming from Jim Richuity of Needham & Company. Your line is open, Jim.

Jim Richuity | Analyst, Needham & Company:

Hey, just on the full year revenue guidance for the base SECO business, any thoughts on the revenue distribution as you go through the year, first half versus second half, just given the backlog, the timing of some of this?

Todd Gleason | Chief Executive Officer:

Yeah, look, thanks, Jim. We'll, you know, we, as you know, we don't break down our quarters in terms of guidance, but, you know, we have a profile that is typical, you know, when we think about our years in terms of the weighting of, you know, when projects are at their peak and when projects are not at their peak. So, you know, there's a part of me that wants to just sort of indicate that, you know, Q1 is typically, you know, a, you know, Q1 is usually one of our smaller quarters, and then Q2 really ramps up from there. I think you just probably similarly weighted to some previous years you're going to see. I'm not suggesting it's 55% or 60% in the second half of the year, but it's certainly going to be more in the second half. Q4 is almost always our largest quarter. You know, it's Q4 in a fiscal calendar year. So, look, I think you're going to see slightly more in the second half our pipeline. Some of these larger jobs that we've booked start turning into revenue in the second half, not in the first half. And it gives us confidence, though, that we know what these schedules are. As Peter mentioned, one thing on these power-related projects is there's not a lot of wiggle room here for – calendar moves. These are jobs that are happening, that are funded, that are pre-funded, and that are required to meet certain deadlines. So we probably have the tightest backlog that we've had in maybe ever with respect to timing. I'd say it's slightly more in the second half than the first half for sure. We'll think about how we can be more clear on what that breakdown really looks like, but I'd go with at least 55% in the second half.

Jim Richuity | Analyst, Needham & Company:

Thanks. And just on Thurmond, Todd, you characterized them as being a leader in their markets. I'm just wondering if you could give us any color on the competitive landscape or their market share position in their, you know, as it relates to some of the larger markets that they address.

Todd Gleason | Chief Executive Officer:

Yeah, I think we'll hold off on market share, but they're certainly a leader. We know the space. You work in the industrial arena like we have for just a few years, like 30, and you know who's strong and where they're strong and why they're strong and why you see their names when you walk indoor or outdoor on heavy industrial manufacturing facilities. So, you know, no doubt that they compete with a variety of smaller private companies when it comes to some of their specific market categories or product categories or solution categories. They also compete with large privately owned organizations that, you know, that are in that heat tracing space for quite a while. There has been some consolidation here, but Thermon, in their many, many decades of leadership, has continued to be a top two or three player in their key markets. Now they're introducing some new products, and we're excited to continue those investments as they move into some adjacent spaces where that share is growing. sort of emerging because these are new categories. And so, but look, you're looking similar to Seco and our brands. We believe that we're a top two or three player in many of our niche markets. Thermon clearly reflects that.

Jim Richuity | Analyst, Needham & Company:

Okay. Did you say what the organic growth rate was in Q4? I may have missed it. I think you gave it for the year.

Todd Gleason | Chief Executive Officer:

Sorry, what was the question, Jim? Apologize.

Jim Richuity | Analyst, Needham & Company:

Yeah, I apologize. The organic growth rate in the quarter, I think, and you said it for the year, I may have missed it. What was the organic growth rate?

Todd Gleason | Chief Executive Officer:

It's about a little over 25% in the quarter. It might be as accurate as 26%, but I just know it's a little over 25% in the quarter, organically. Congrats. Thank you. Thank you, Jim.

Tanya | Conference Operator:

And our next question. We'll be coming from the line of Bobby Brooks of Northland Capital Markets. Your line is open, Bobby.

Bobby Brooks | Analyst, Northland Capital Markets:

Good morning, Dan. Thank you for taking my question. I wanted to ask and hear a little bit more on Thurman's end market splits and how similar that is to you. And also curious, are there end markets as flexible as yours where it can kind of consistently change to where the puck is going? I'm guessing maybe not as much since it's more short cycle focused. But just wanted to hear more on that and maybe along those lines, what markets do you feel at this early stage have the best opportunity for cross-selling?

Peter Johansen | Chief Financial Officer:

I'll take the high-level distribution of their revenue is one of the charts at the end of the deck. You'll see there's some complementary but also some distinct differences. While cross-selling might be interesting, It is not the fundamental driver of value creation in this opportunity. The end markets that they serve today, and Todd mentioned it earlier, are very similar to ours, with the exception of they have a rather substantial rail and transit opportunity that we don't touch, and they've got some unique capabilities that sit inside of renewables in terms of keeping windmills frost-free, keeping solar panels from fogging due to condensation and other things that are quite interesting and will continue to grow. The mix is very complementary in that they can move, and their technology is adaptive, both in heating as well as heat tracing, to wherever you have a temperature management or thermal control issue. And it doesn't necessarily mean it's cold out. It can be that the process requires a warm fluid to be passed or a dry gas to be moved. Or the application diversity is immense. And that gives us great confidence that our mix of project and short cycle will continue to deliver resilient revenue growth. The other one dimension I think you need to consider, Bobby, is that they are typically specified and installed late in a project, and we are typically specified and procured early in a project. So we'll now get to touch clients along a much longer period in the buying window and explore new opportunities.

Todd Gleason | Chief Executive Officer:

Bobby, so I'm just going to add a couple quick things here. I've been aware, and it just touches on some of the previous questions of Thermon for decades. Part of the reason is at a previous organization that I worked, we had a business at the time that was also in the space. well positioned in this space. And at the time, I had, and most people had a view, that this was highly leveraged or positioned with large and important markets, but in cyclical spaces around oil and gas, specifically places like the oil sands in Canada. And that cyclicality was somewhat limiting. Hats off to Bruce and and the leadership team and the organization at Thermon because intentionally and successfully, similar to what we've done at SECO over the last not just five years but 10 years, they have been diversifying into general industrial, diversifying into new end markets geographically, introducing new innovations. and offsetting some of those cyclical markets by growing into new markets. Their diversification is a result of a focused and capable expansion into those new markets. So when you look at them today, you know, 30% comes from oil and gas, let's say. But if you went back 10 or 15 years, that might have been as high as 75 or 80%. So I would really want to say that they might not have the same opportunities for us in an immediate short term to be quite as nimble and move from industry to industry, but they've certainly proven that over time they have a lot of athleticism to expand into adjacent markets and to become much more balanced.

Bobby Brooks | Analyst, Northland Capital Markets:

That's super helpful, Collin. I really appreciate that, Todd and Peter. And then the produced water, that's something that I'm very interested in. I don't think enough people appreciate it. the large opportunity there when every barrel of oil in the Permian comes with five to seven barrels of produced water. What I was curious to hear from you guys is when you talk about the opportunity, it seems more internationally focused than domestically. I'm just kind of curious as to why is that, and thank you.

Peter Johansen | Chief Financial Officer:

Yeah, Bobby, that's an easy one. Our solution set is designed around large fields and fixed process equipment. The Permian and other basins are around mobile equipment. They drill a well, they produce, the well lapses, they move the equipment to the next well pad. It's much more of a gathering process. It's not a fixed installation. At the right time when you're available, we'll show you the photographs of what we're supplying, and you can see you don't want to move it. We're also treating magnitudes of water that are far greater than what comes out of a fracked well. That's the reason. Now, you are right that the Permian does produce a large water cut and it's growing, but there are very good suppliers that cover that already.

Unknown | Participant:

Got it. Really appreciate the call. I'll turn it to you.

Bobby Brooks | Analyst, Northland Capital Markets:

Thank you.

Tanya | Conference Operator:

And our next question will be coming from Amit Dayal of H.C. Wainwright. Your line is open, Amit.

Amit Dayal | Analyst, H.C. Wainwright:

Thank you. Good morning, everyone. So Todd, just on Seco's standalone outlook for 2026, does that include any potential small acquisitions or is that all organic?

Todd Gleason | Chief Executive Officer:

This is all organic. Our current outlook only reflects our aforementioned backlog pipeline in organic investments.

Amit Dayal | Analyst, H.C. Wainwright:

Awesome. And then, you know, for the combined company, how should we think about, you know, potential growth rates, you're above 20%, you know, as a standalone entity right now. I mean, could this accelerate even further, you know, as a combined entity on the revenue side?

Todd Gleason | Chief Executive Officer:

So we have a very good visibility to a medium and longer term here with our pipeline. We'll learn more about Thurmond's pipeline as we go forward. Their growth has been at a very attractive rate in this market. We believe, and certainly from our conversations and our analysis, that They have a rich opportunity set in front of them, not just with their installed base, not just because of their exposure to these growth markets, but because of their great innovations that they've been launching, which opens up an ability for them to have points of growth higher than has been their historic average. We have This incredible super cycle with us right now with power, with natural gas infrastructure, on the industrial air side with what we see as a continuous reshoring activity and some of the larger markets that people are grabbing onto the headlines with respect to semiconductor, those are with us for a while. Those aren't small projects. When we win in semiconductor, we're winning fairly large and longstanding applications and installations and relationships with those customers. I'm bullish. You can tell. We have an outlook for 2026, which is completely organic. which is, again, at the greater than 20% level. We believe that our outlook into the next few years represents a similar opportunity to maintain that very, very strong double-digit growth. Look, Thermon solidifies that. If it doesn't add to the growth rate in terms of the percentages, It adds to the consistency in the business mix that we'll have quarter by quarter. And look, these adjacent markets and the opportunity to work together with innovation is going to be powerful. This is a growth story here. This is an investment. You know, at the risk of sounding like it's hyperbole, we are two companies that are really clicking on a lot of cylinders. And, you know, we have an opportunity, much like we've done with the vast majority of our previous M&A activity, to maximize growth together. And that's what we plan to do with Bruce and the team.

Amit Dayal | Analyst, H.C. Wainwright:

Thank you, guys. That's all I had.

Tanya | Conference Operator:

Thank you, Amit. And I would now like to turn the call back to Todd for closing remarks.

Todd Gleason | Chief Executive Officer:

Thank you. I was anticipating that. Well, thanks everybody for the questions and the interest. To our new friends at Thermon, we can't wait to meet many of you in the coming period. Thanks again to our global teams that are delivering incredible value to our customers as we continue to protect people, protect the environment, and protect our customers' investment in their industrial equipment. We will be participating at some upcoming conferences in March, both Roth and Citadel's small mid-cap industrials conference. So we hope to see you in March at those events or at other opportunities to meet, whether it's in Dallas or on the road. Thanks, everyone. Have a great day, and we'll talk to you soon.

Tanya | Conference Operator:

And this concludes today's program. Thank you for participating. You may now disconnect.