NASDAQ:NNBR Q2 2026 Earnings Call Transcript

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Christine | Conference Call Operator:

Hello, everyone. Thank you for joining us, and welcome to the NN, Inc. Second Quarter Earnings Call and Webcast. After today prepared for, we will host a question and answer session. If you would like to ask a question, please press star 1 to raise your hand. To withdraw your question, press star 1 again. I will now hand the conference over to Joseph Caminiti, Investor Relations. Joseph? Please go ahead.

Joseph Caminiti | Investor Relations:

Thank you, Christine. Good morning, everyone, and thanks for joining us. I'm Joe Caminiti with N, Inc.'s investor relations team, and I'd like to thank you for attending today's earnings call and business update. Last evening, we issued a press release announcing our financial results for the second quarter ended June 30th, 2026, as well as a supplemental presentation, which has been posted on the investor relations section of our website. If anyone needs a copy of the press release or the supplemental presentation, you may contact Alpha IR Group at nnvr-ir.com. Joining us today from NN Management are Harold Bevis, President and Chief Executive Officer, and Chris Bohnert, Senior Vice President and Chief Financial Officer. Please turn the slide to where you'll find our forward-looking statements and disclosure information. Before we begin, I'd like to ask that you take a note of the cautionary language regarding forward-looking statements contained in today's press release, supplemental presentation, and in the risk factors section in the company's annual report on Form 10-Q for the fiscal second quarter ended June 30, 2026. The same language applies to the comments made on today's conference call, including the Q&A session as well as live webcasts. Our presentation today will contain forward-looking statements regarding sales, margins, inflation, supply chain constraints, foreign exchange rates, tax rates, acquisitions and divestitures, synergies, cash and cost savings, future operating results, performance of our worldwide markets, general economic conditions, and economic conditions in the industrial sector, including the potential impacts and ramifications of tariffs, the impacts of pandemics and other public health crises or military conflicts, all on the company's financial condition and other topics. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside of the company's control, which may cause actual results to be materially different from such forward-looking statements. The presentation also includes certain non-GAAP measures as defined by SEC rules. A reconciliation of such non-GAAP measures is contained in the tables in the final section of the press release and the supplemental presentation. Please turn to slide three, and I will now turn the call over to our CEO, Harold Bevis. Harold?

Harold Bevis | President and Chief Executive Officer:

Thank you, Joe. Good morning, everybody. I would like to announce that we had a really good, strong second quarter. It was consistent with our first quarter. We arranged some looks here for you on Q2 in the first half, and you can see that it's pretty consistent. Our results show significant growth across the business, and the first half finished ahead of our expectations. Our second quarter sales increased 19% year over year. Our second quarter adjusted EBITDA increased 36%. Our first half EBITDA increased 35%. And in the first half, we were able to secure $65 million of new business awards. So we had profitable growth achieved across both of our reporting segments. And then subsequent to the end of the quarter, we had a significant strategic development We completed and announced the retirement of $89 million of preferred stock as part of a multi-leg refinancing. Knowing that's one of the big events that we want to talk about today, I want to address it right up front with Chris, and we're going to turn it over here to Chris to discuss the refinancing on the next page.

Chris Bohnert | Senior Vice President and Chief Financial Officer:

Thank you, Harold. Good morning, everyone. I'll begin my remarks on slide four. For those of you who have been following along on our progress, you know we've been working hard in the background to improve and optimize our capital structure. We spent the last two quarters alongside our strategic advisors comprehensively assessing the potential options available to address the preferred stock. We concluded that this was the best path to creating a capital structure and a number of others. This is a significant strategic and financial milestone I'll take a moment to walk through the details of this multi-legged transaction. First, we utilized cash from the recent PIPE transaction to materially de-lever the company's balance sheet. We used the $70 million of cash to redeem a large portion of the outstanding preferred equity. Second, we equitized roughly $19 million of preferred into NN common stock. Third, the remaining stub of preferred equity of approximately will carry a lower PIC interest rate of 10% for one year, significantly below the previous rate of 14.5%. Additionally, the remaining prep will be discounted by $5 million if we pay off or refinance it by December 31st of 2026. This successful transaction is materially delevered and annual PIC interest will be reduced by approximately $13 million. This transaction did not impact our existing term loan. However, we expect to have a greater degree of optionality on how we address existing other debt and the refinance of our term loan when it makes sense strategically and financially. You'll hear Harold discuss NN's five-pillar growth strategy shortly, but achieving this refinancing was a critical step in enabling the acceleration of our growth across the enterprise. This is a significant strategic win for the company, and the value will now more comprehensively accrete to our business and our shareholder value creation. Now let's spend some time walking through our financial performance for the business and its segments, beginning on slide 5. Q2 net sales of $128.79 were up $20.8 million, or roughly 19% versus the prior year period. Supported by growth across both segments, further Q2 net sales growth is driven by the contributions from new business launches, higher precious metals, pass-through pricing, volume growth, and slightly favorable FX translation. Over the first half of the year, net sales of $247.2 million are up $33.6 million, or 16%, demonstrating a very strong start to the year and a continuation of our momentum from the first quarter. Our Q2 adjusted gross margin dollars of $26.1 million grew $5 million or 24% versus the prior year period. This growth was supported by a stronger mix of sales as a function of new business launches. Across the first half of the year, adjusted gross margin dollars of $49.2 million are up $10.3 million or 26%. These results reflect a very solid adjusted gross margin of 20.3% in the second quarter and 19.9% year-to-date, each displaying meaningful expansion as margins for the quarter and year-to-date have grown by 80 basis points and 170 basis points, respectively, compared to the respective periods a year ago. Second quarter adjusted EBITDA of $17.9 million grew by $4.7 million, or 36%, versus last year's second quarter. This increase is led by higher sales, and improved mix and volume leverage from past cost improvement actions, partially offset by higher SG&A. Across the first half of 2026, total adjunct EBITDA of $32.1 million is up $8.3 million or 35% versus results of $23.1 million versus the first half of 2025. The first half growth in our profitability measure has been driven by similar drivers as noted in our quarterly results. Adjust EBITDA growth has come with an improvement in our margins. At second quarter, Adjust EBITDA margins of 13.9% of sales expanded 170 basis points versus last year's second quarter. On a year-to-date basis, through the first two quarters of 2026, Adjust EBITDA margins of 13% are up 190 basis points versus the 11.1% in the first half of 2025. I'll now turn to our segments, starting on slide 6. In our Power Solutions segment, where our business consists largely of stamp products, net sales for the quarter were $62.3 million, up 40%, compared to $44.6 million in the prior year period. This increase was driven by higher precious metals pass-through pricing and higher volumes. Across the first half of the year, Power Solutions net sales of $117.7 million grew 34% versus the first half of 2026. Our solutions suggest EBITDA was $12.7 million, an increase of $3.6 million, or 40%, versus last year's second quarter of $9.1 million, driven by sales growth, improved mix from growth in targeted high-value end markets, and contributions from ongoing cost-out initiatives. Additionally, the first quarter, additionally, quarterly and first half adjusted EBITDA margins were 20% of net sales, up meaningfully versus the first half of 2025. Our next segment, Mobile Solutions, on slide seven, covers our machine products business. Net sales for the first quarter were 66.6 million compared to 63.4 million in last year's first quarter, an increase of 3.2 million, or 5%. This segment has now delivered two consecutive quarters of net sales growth year-over-year. This sales growth reflected solid volumes from new program launches along with favorable foreign exchange impacts. Across the first half of the year, net sales of $129.7 million were up 3% versus $125.6 million in the first half of the prior year period. Our second quarter is FDVDA and mobile solutions segment. 9.8 million, up 13% versus last year's second quarter results of 8.7 million, with the segment to Jeff Dividow margin of 14.79, expanding 100 basis points versus 13.7%. Jeff Dividow, first half of the 2026 has seen a similar theme play out, with 18 million at nearly 14% margin rate, improving versus 16.8 million, or just over 13% of sales. With that, I'll turn the call back over to Harold.

Harold Bevis | President and Chief Executive Officer:

Joe? Thank you, Chris. I appreciate it. I wanted to talk a minute about our growth program and our portfolio objectives that we have. In the second quarter, we continued advancement in that regard, and automotive has now declined to about 40% of the company. Our ultimate goal is to have that be about a third, not really by its shrinking, but by the other areas growing more quickly. and that is in fact happening. The top three growth markets that we're focused on are listed here. Data center, electric grid, defense electronics and medical products. We had decent wins on each of those three segments in the second quarter and year to date. And those areas now are over $150 million of our sales, about a third of the company. And we have near-term targets to increase that percentage. and it obviously starts with prospecting and then bidding on new awards and then winning on closed opportunities and we've been winning at an above expectation rate and the highest rate that we've ever done and our prospecting is expanding actually and I wanted to give just some vignette updates on each one of these segments turning to the next page starting with just an overview of our five pillar program The five components are the three areas I just mentioned, plus high-value vehicle parts, where we have a curated portfolio that we attack in the commercial vehicle, recreational vehicle, and passenger vehicle space, where we believe that it's very profitable and high return on investment for us, and it helps us push our technology. And then high-value stamping. So we have A few niches that we're in on the stamping side as well, and we're staying close to them. Many of them in the smart home area, smoke detectors, alarm systems, switches. So those are the five areas that we're focused on on a go-forward basis, and that's how we've organized our sales team, our business development teams, our engineering, and we're allocating our capital to those areas as well. So On the next page, I want to dive down a little more deeply into data center electric grid. As seen on the prior page, it's an $80 million business already on a trailing 12-month basis with a near-term goal of 120. We have multiple large opportunities that we're evaluating in this space right now. Everyone knows that AI and data center is one of the biggest things happening in the world, and it's the biggest thing happening to our company. We are getting very large asks to us. We're a well-known precision metal part maker, and that finds itself in a lot of aspects of the data centers, especially with the liquid management regarding the cold plates as well as the pumps to make sure that system is good. But on the top end of the system is electrical, and that also plays into our electrical business, our stamping business and assemblies business. It's our second largest market right now behind the high-value vehicle parts, but it's closing the gap, and our goal is to have it to be our largest segment. Recent news in the quarter that we gave out via a specific press release, we had some big wins here. We're focused on establishing supply chain positions with the right people and the right platforms, and it's expanding. We started off in Asia. It's now expanded to Europe and into North America. And we're leveraging our assets and technical know-how to have leak-proof metal parts. And also the aesthetic qualities are quite high on these parts as well, and we know how to do that. We have many ramp-ups underway. If you had a chance to look in our 10Q, you'll note that in Note 3, we expanded the look into the end markets that we served. And you'll notice that we don't have a lot of sales showing up yet in our machine products business for grid and data center. And the wins that we've had are primarily going to be a second half ramp up for us. And those ramp ups are underway. And the third point here is we've secured significant new awards that will be ramping up into the beginning of 27. We already have about 50 machines we're bringing online. We have about 25 in-house already. And we are running out of space. Tim French is not on the call today because he's in China. And he's looking at new space in the area of one of our plants, Wuxi. We'd like to just be 10 or 15 minutes away. We need about another 100,000 square feet to accommodate the equipment that we're going to need. And this business is on track with expanding opportunities. On the next page, I wanted to talk about defense and electronics for a minute. That's already at 60 million on a trailing 12-month basis. Our neutral goal there is 90. We supply critical components in the weapon systems, guided systems, and we're evaluating anti-drone munitions, making the munitions themselves for shooting down drones. Recent news we announced in the quarter, was that we have secured a multi-year agreement to produce parts of weapons and that alone is expected to be about another 12 to 15 million dollars just with that one customer and we're ramping up now we have many many new firsts associated with that it took us you know it's a multi-year project we had a lot of advancements on surface coatings as well as mastering High volume titanium machining. And if you don't know much about metal fabricating, titanium retains heat and swells and changes its dimensions as you're forming it. So there's a lot of things that get right to be able to do high volume titanium machining, but we were able to master that after a few quarters. We're expanding our defense and electronics growth platform. We've won a bunch of programs over the last few years, but it's an expanding area for us. and we have a $75 million working pipeline. We've achieved a lot of credentials with the Department of Defense and ITAR and other types of certifications they need in order to compete here. And we have a very, very big aspiration in this area. It's not exploding in demand like data center is, but it's right behind it. And so we're opportunity rich in this segment as well. And then on the next page, I wanted to talk about medical. It's smaller than the others. It's about $15 million on a 12-month basis. We have a near-term goal of $40. But it is coming from behind, and it's taken us a while to get the credentials that we needed here. It's very clean manufacturing required, as you would guess. It took us a while to get the plant certifications. The parts themselves are not that hard to make. But we did have some breakthroughs this year, and we were approved to make surgical tips, if you will, and the ends and pieces that go into the robotic machines that do surgery. And we received our initial purchase orders. And so we're underway with the ramp up there in our Kentwood, Michigan, plant. And we have had to renovate our quality system. It's taken a multi-year investment program from us, and we've done it. and that new business that we announced effectively will double the business itself and it's upward from there. Our pipeline is now about $75 million in this area also and we have a dedicated team who's found its stride and we're now evaluating the market in China, the second largest market for robotic assisted surgery and we have all the approvals we need to go in with the exact same customers. This business is gaining momentum for us and we have a strong team in place and we have high aspirations for our medical business. So with that and the next page, Chris gave you an overview of the really exciting and fundamental improvement we've done to our balance sheet with the refinancing. Coupled with the growing business, we wanted to let you know that we're raising our guidance for this year. and if you if you look at it we raised it in the last quarter also due to our actual results and we were asked about you know how we think about our guidance and really we're we're letting we're letting the results flow before we're changing our outlooks and and we're doing it again here so we do expect our sales to to be 460 or 480 this year our EBITDA 55 to 65, and our new business wins 80 to 100. In our earnings release that we put out this morning, you'll see that through July, our new business wins are already 80 million. So we increased the high end of the range there and the expectations. And those are all records for us, and they're bringing along the need for talented people. and also Capital Equipment to put in place to be able to produce at a higher level as we add to the capacity. So that's our new guidance and we're very happy about it. And as events unfold, we'll look at our guidance further as we go along through the second half of the year. With that, we'd like to turn it over and open up the webcast to question and answer period.

Christine | Conference Call Operator:

We will now begin the question and answer session. Please limit yourself to one question and one follow-up. If you would like to ask further questions, kindly rejoin the queue. Reminder, if you would like to ask a question, please press star 1 to raise your hand. To withdraw your question, press star 1 again. We ask that you pick up your handset when asking a question to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Our first question comes from the line of Rob Brown with Lake Street Capital Market. Rob, your line is now open.

Harold Bevis | President and Chief Executive Officer:

Hi, congratulations on all the progress and great to see the steps that you've taken. Just wanted to follow up on the Kind of start with the data center market. You've had some nice wins in the quarter. Could you kind of characterize the pipeline in that market?

Chris Bohnert | Senior Vice President and Chief Financial Officer:

What's sort of the building pipeline? What areas are you most interested in? And just maybe the scale of the pipeline. Thank you.

Harold Bevis | President and Chief Executive Officer:

Yep. That's Christine. That's page 10 in the deck. So, you know, our products right now, Rob, we're making transformer parts, bus bar parts. Test probes, liquid, the liquid connector parts. We branched into the cold plate itself, plating of the gold plate, of the cooled plate. It actually is plated with a nickel kind of plating. And we are looking at couplings that go into the heat pumps. The heat pump system itself, there's a lot of well-known people in that area, Dan Foss, Parker, Stobley, kind of well-known fluid management people, and all the couplings are also metal. So we are looking at the stampings that are also inside that go into the racks, both up and down, and as well as the WITS and cabling that controls the electricity inside of the center. So we have a multi-product look at the data center ecosystem, but basically we're focused in on our core markets. We're getting pulled into a few new areas of welding and raising, and that's fine because we know how to do that. And then you have to be able to automate it. So it's not a one product story. It's a bring everything the company has to the game plan story. And we have a large expanding pipeline. On this chart here at the bottom, I mentioned that we're now approaching $100 million on prospecting. And just to delineate that, we talk about pipeline figures if we've rendered an RFQ and the customer has an RFQ from us. but prospecting begins before that so we have discussions underway that are large and in our last call someone asked how big are you trying to get in these connectors and we think we could do 100 million in that alone over time the real thing for us is who to partner with what type of assets do we want to put in place where do we want to put them so it's in a It's an evolving market for us, Rob. And it's quite fulsome. It's quite fulsome. It's a big story for us.

Chris Bohnert | Senior Vice President and Chief Financial Officer:

Thank you for the comment on that. Just on the kind of gross margin improvement, nice to see there. How do you sort of see it? Is it sustainable at this level, or can you continue to move that up as you change your product mix?

Harold Bevis | President and Chief Executive Officer:

Yeah, Chris, you want to take that?

Chris Bohnert | Senior Vice President and Chief Financial Officer:

Sure, sure. Thanks, Rob. Yeah. So, you know, we've benefited in a lot of areas where there are margins. You know, we took a lot, as you know, Rob, we took a lot of costs out over the last eight quarters or more. So we've got some good leverage based on the overall cost structure reduction. Additionally, we've got new business ramp-ups. We talked in the past quarters about those new business pieces are accretive. We are benefiting from higher precious metals pass-through as well. I think the dependencies on the improvements going forward are going to and many more. Keep an eye on these verticals and the revenue they're generating as well as new business, and I think that'll help guide the margins going forward. All right.

Harold Bevis | President and Chief Executive Officer:

Thank you. I'll turn it over. Thank you.

Christine | Conference Call Operator:

Your next question comes from the line of Greg Palm with Craig Hallam. Greg, your line is now open.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Yeah, good morning. Congrats on... All the positive news and, frankly, just really impressive progress. So pretty impressive stuff.

Harold Bevis | President and Chief Executive Officer:

Thank you.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Thank you, Greg. Can we maybe just start a little bit, tying the last kind of answer around new business wins, and I'm wondering at this point how much of that is – currently flowing through the P&L. It sounds like there's actually a pretty big chunk that's still yet to come, at least on the stuff that you've announced, you know, the liquid cooling connectors, the firearms accessions. I think you talked about that ramping up in Q3. I only ask in light of really positive first-half results, I'm guessing you're just maybe building some extra conservatism in the second half guide, but maybe you can just address that as some of these newer business opportunities start to ramp up.

Harold Bevis | President and Chief Executive Officer:

Yeah, good point. So, Greg, all things being equal, if we weren't running a new business and things were just steady state, the second quarter usually is our strongest quarter. That's when we have our highest production volumes on existing contracts. And then the next quarter is Q3. and then Q1 and then Q4. So Q4 is usually our lightest quarter just because our customers are big and they try to pretty up their balance sheet and inventory positions before they report their year-end results. This year is going to be a little different because we have a lot of new wins that we're ramping up in the second half and your posit is true. The announcements we made, all three of them, Medical, Data Center, and Defense, they are not impacting the first half at all. So they ramp up in the second half. For instance, the 50 machines to make Data Center parts will start to hit stride in November. We'll have all the machines installed then, and the sales outlook in November is going to go over a million dollars a month. and keep building into Q1. We don't have any benefit from that right now. And the same with medical and the same with defense. So through the end of July, we'd want $80 million worth of business. And the majority of it is immediate ramp up. So we will benefit from that in the second half. And so the way we're playing it right now, Greg, is we know that Q4 is usually light. But We have offsetting wins, so that's what's led us to think through our guidance and how much to increase it or not. You're right that it's slightly conservative, but we don't really control our demand, so we have to get pull signals. So our visibility is really in this quarter. We don't have pulls going into the fourth quarter yet, with the exception of data center, where basically they're saying we want everything you can make as soon as you can make it. But we're comfortable right now with the guidance that we've given, Greg, and it will have those variables playing out.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Yep, okay, makes sense. And I know you're not addressing the longer-term EBITDA margin guidance here today, but you just realized a 14% EBITDA margin on the quarter on revenue that's significantly lower than what your long-term... and so on.

Harold Bevis | President and Chief Executive Officer:

The goal is more like 14% to 16% longer term if you're talking about the agency, the DA margin. And that's really going to be pulled through by a better mix. So the mix of the products is going to drive that. And we're still maintaining about five points higher on gross margins on our new lens versus the existing. And Will, you know, that's a good point. I think in our next update, Greg, we'll give an update on the longer-term goals. But I would say right now, you're right, our longer-term guidance should be more like 14% to 16% on the Justice of the DA.

Greg Palm | Analyst, Craig-Hallum Capital Group:

Yeah, makes sense. All right, I'll leave it there. Thanks for the call.

Harold Bevis | President and Chief Executive Officer:

Thank you, Greg.

Christine | Conference Call Operator:

Your next question comes from the line of Joe Gomez with Noble Capital.

George Post | Analyst, Noble Capital:

Joe?

Christine | Conference Call Operator:

Your line is now open.

George Post | Analyst, Noble Capital:

Hi, this is George Post. I'm filling in for Joe this morning. Congratulations on the quarter. I'm curious about the manufacturing expansion you guys mentioned earlier in China and what that looks like in terms of production and a timeline to hopefully bring that online.

Harold Bevis | President and Chief Executive Officer:

Yeah, so... Right now we have two facilities in China that are wholly owned. What's called locally is Wolfies, wholly owned foreign entities. And then we have one JV plant. And the machining plant is in Wuxi, China, which is a suburb of Shanghai. And that's the plant where we have been doing all of the sampling for all of the data center customers that we're prospecting with. and it's where we have our approvals. So we kind of chose that location to get our certifications, approvals and equipment organized. We believe we can get in about 80 machines into that facility. We've already ordered 50. We're getting ready to order the next batch. As we think it through, we think that we need space for at least another 200 machines. from our estimates. And the timing is hard to understand right now because everyone is kind of in a feeding frenzy to get equipment lined up, parts lined up, parts supplied. And so the size of the facility that we're looking for would be a facility that can accommodate another 200 machines after we have filled up our current envelope. and the timing, you just mentioned the timing, we need to get this done by within 12 months.

George Post | Analyst, Noble Capital:

Okay, great. Thank you. Thank you for a little background on that. A follow-up is, so what materials are the most volatile for you guys right now and where are you, is that altering any of your sourcing decisions?

Harold Bevis | President and Chief Executive Officer:

Yeah, so There's tonnage and then there's dollar value. You're probably wondering about the dollar value. The biggest dollar value of materials is precious metals, gold and silver. The biggest tonnage is steel and then copper. So we have year-over-year inflation in all metals, and we track it, and we also have tariffs. on steel, and we track that. I do not believe there are any tariffs on gold or silver, and so we have our procurement team, and we have a chief procurement officer, and he's very knowledgeable on all the tariffs and surcharges that are underway right now, and it's a moving target. But we have the right to pass through basis cost changes and we do and we monitor our behavior there. So we seek full recovery. So we don't make money on it, but we try not to lose money on it. It impacts working capital when you have inflation. It actually makes our percents go down. You know, Greg was asking about percentages of EVTA margins on a go-forward basis. They're being negatively impacted right now by having such high metal pass-through costs. So kind of a secret good thing here is that our percentages are going up even while passing through a big cost at zero. So when I answered Greg's question, I was thinking through the outlook for metals over time, and they are to calm down, which will also help our percentages. Those are the main, the metals are our main raw materials at the company. Yeah.

George Post | Analyst, Noble Capital:

All right. Perfect. Thank you.

Harold Bevis | President and Chief Executive Officer:

You're welcome.

Christine | Conference Call Operator:

Your next question comes from the line of Barry Haynes with Sage Asset Management. Barry, your line is now open.

Barry Haynes | Analyst, Sage Asset Management:

Thanks so much. And again, congrats on all the progress. I had a couple of questions on the financing. One is, Could you tell us how the share count will change? And then secondly, you alluded to the phase two, if you will, you know, in terms of renegotiating the term loan. Could you talk a little bit about the progress and possible timing on that? Thank you.

Chris Bohnert | Senior Vice President and Chief Financial Officer:

Yeah. Go ahead, Chris. Yeah, thanks for the question. So, yeah, the share count in the details in the docs, but we swapped about for that roughly $19 million of reduction in the PREF. So that'll increase the overall share count. As far as the refinance of the term loan, I mean, you know, obviously we're thinking about that. Again, lots going on in the background. We're very pleased with our relationship with Parathon right now, and we're hopeful that we're able to, you know, work out some better terms based on how the business is doing. Nothing to announce at this point, but I think with where the business is performing, the lower debt that we've been able to achieve over this transaction as well as expectations in the future, I think that will bode well for reducing rate and so forth and giving us more flexibility with that and being able to take control of the growth that we're seeing. That's really one thing that's very critical for us. With all this new business, we want to have a capital stack that allows for growth, gives us the flexibility to either buy or lease equipment, and get much better and more competitive rates, not only on the senior note, but on the leasing or buying of equipment. Harold and I and the team will be working on that diligently in the coming weeks and quarter. More to come on that.

Harold Bevis | President and Chief Executive Officer:

Great, thank you. Barry, I'll also give you a couple numbers. So right now, through this swap, we have 82.6 million shares outstanding, 82.6 out of an authorized of 90. And the gap there is reserved for comp plans and previously issued warrants. So right now, we've used all the available common stock that the company had access to.

Barry Haynes | Analyst, Sage Asset Management:

Great, thank you.

Harold Bevis | President and Chief Executive Officer:

You're welcome.

Christine | Conference Call Operator:

Your next question comes from the line of Robert Sussman with Bentley Capital. Robert, your line is now open.

Robert Sussman | Analyst, Bentley Capital:

Thank you. I'm absolutely staggered listening to this call and the number of wins in the pipeline that you have. For a company your size, it's just staggering. I'd like to ask you, what is it about the company that is enabling all these wins in such diverse markets? Is there a unique skill set that you have? It's a good question.

Harold Bevis | President and Chief Executive Officer:

Most of the wins have been multi-year in nature, Robert. and you know it from being a professional investor, one of the differentiators of a small company is their ability to organically grow sales and for us, you know, it's been back three years, the company was really focused on satisfying automotive customers and then other customers that they called us, you know, and so we kind of flipped that around and said, geez, what's the best use of these assets and this know-how that we have and they're so several glaring markets that you just do a simple chat GBT on where's the best use of these assets and so we had to go hire executives that we didn't have from the industry and then we had to start prospecting and then understand what our gaps were to being able to become an approved supplier and then start quoting find your way you know you don't start off low you start off high and then kind of find where the market is and and then you start running a program. We're using Salesforce.com as our organizing software tool and then you track why do you win and why do you lose and then you try to work around those findings and you drive to outcomes. What's happened this year is we've had some multi-year kind of marquee things that we're working on with some big people that we thought would help our credentials and establish us as a real competitor. And that helped us. So we have references now. And it's fun. And another question you could say is, what's big enough? What's too big? What's too small? We're definitely winning. We're running a 27% hit rate year to date on closed opportunities, 27%. That compares favorably if you research and benchmark that number. That's above industry average for a manufacturing company. But the reason, and we're losing over 70%, and the reason why we lose is we're being disciplined about the financials. So I mentioned in the dialogue that our prospecting is expanding, and it's really due to the fact that we're getting credentials now in these targeted areas, and we're getting more hooks now. We're not going to go into different areas, really. There's one other area that we're evaluating, Robert, and it's the automotive aftermarket. But right now, we kind of have our hands full with the markets that are performing for us.

Robert Sussman | Analyst, Bentley Capital:

One follow-up. I assume that there's some lag in passing precious metal prices through. Can you tell us what that lag is? I assume there has to be some drag on

Harold Bevis | President and Chief Executive Officer:

We're allowed to true up to actual, so the show me part of this, you know, Chris is from Missouri, so I should have probably had him answer. It's a show me deal, so if we can show that we incurred inflation to deliver their order, it's a true up. So the onus is upon us to match up and be transparent with what our input costs are in the performance of producing for those POs. So it's not much, Robert. It's smaller than you think because the company is pretty good at not letting that happen.

Robert Sussman | Analyst, Bentley Capital:

Okay. Thank you very much. Keep up the great work. Thank you. Appreciate it.

Christine | Conference Call Operator:

Your next question comes in the line of Barry Haynes with Sage Asset Management. Barry, your line is now open.

Barry Haynes | Analyst, Sage Asset Management:

Thanks. One other follow-up. Harold, on your comment you just made on the new business obviously creating demand for machines and capital, when you're going through that exercise, what sort of ROIC target or target range Do you have, you know, in terms of saying, you know, okay, this capital is worth spending on such and such a program. Thank you.

Harold Bevis | President and Chief Executive Officer:

Yep. So the bottom, the floors, the floor on gross margin is 25% and the floor on IRR, if spending is needed, is 25%. Those are the floors. We've been averaging quite a bit above those floors. The financials are there, though, to be honest, Barry. The real decision-making is around how solid of a commitment are they willing to make to us on a multi-year basis for volume. And you can see when the customer has plenty of suppliers bidding because they don't really want to make a commitment, or if you kind of have a me-too situation, We have a giant opportunity we're looking at right now with a big data center customer and they've requested us to kind of be exclusive with them. And if we do that, they'll give us this huge amount of business, but they don't want us working with others. And so what that means to us is, hey, wait a minute, we're pretty special in this space here. We're not doing that. We're more being balanced, if you will, across a set of customers versus just getting married to one customer. But That's where the real play is, is how much you want to do versus the commitment that they're offering. The numbers are all there predominantly, and we're lucky that we're able to be selected and kind of cherry-pick the better return programs. And this year, we've won about 100, and I think yesterday, through yesterday, it was 132 programs. We're into August now. and we're launching programs we've previously won and we're winning programs that are immediate ramp up. I'm going to say we have well over 150 programs in ramp up mode now, right now, on this call. And I'm also going to say that we probably have every single plant in some sort of a new business ramp up. The biggest and the most exciting ones are obviously We're definitely focused on those three areas with a differentiated push. Great. Thanks so much. You're welcome.

Christine | Conference Call Operator:

This concludes the question and answer session. I will now turn the call back to Harold Bevis for closing remarks.

Harold Bevis | President and Chief Executive Officer:

Yeah, let's tag, Chris, let's tag team. You want to give a summary on the balance sheet and the financials, and then I'll do the business wrap-up?

Chris Bohnert | Senior Vice President and Chief Financial Officer:

Sure, sure. Thanks, Harold. Yeah, so, you know, as I mentioned, we're very pleased with the strategic refinancing of the balance sheet, and more to come with the senior note and so forth. Like I mentioned before, I think we've got another step to go to get the balance sheet fine-tuned for the growth that we're experiencing, and we'll be working hard on that.

Harold Bevis | President and Chief Executive Officer:

Thank you, Chris. And I'm sure that you've detected from our comments here and from the Q&A that our momentum has not peaked. Our momentum is building, and things have traction here at the company. We're proud of the quarters. But we have bigger aspirations, and we look forward to reporting Q3 with you guys in 90 days. Thank you very much for calling in today. And with that, we'll end the call. Christine.

Christine | Conference Call Operator:

This concludes today's call. Thank you for attending. You may now disconnect.