

# NYSE:BHE Q2 2025 Earnings Call Transcript

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## Operator:

Please press star zero for the operator. This call is being recorded on July 30th, 2025. I would now like to turn the conference over to Paul Maskey, please go ahead.

## Paul Maskey | Investor Relations:

Thank you, Constantine, and thanks everyone for joining us today for Benchmark's second quarter 2025 earnings call. With us today are Jeff Bank, our CEO and president, Brian Shoemaker, our CFO, and David Moissides, our chief commercial officer. After the market closed, we issued an earnings release pertaining to our financial performance for the second quarter ending June, 2025. And we have prepared presentation, which we will reference on this call. Both the press release and presentation are available under the investor relations section of our website at bench.com. This call is being webcast live and a replay will be available online approximately one hour after we conclude. The company has provided reconciliation of our gap to non-gap measures in the earnings release, as well as in the appendix to the presentation. Please take a minute to review the forward looking statements disclosure on slide two in the presentation. During our call, we will discuss forward looking information. As a reminder, any of today's remarks, which are not statements of historical fact, are forward looking statements, which involve the risks and uncertainties as described in our press releases and SEC filings. Actual results may differ materially from these statements. Benchmark undertakes no obligation to update any forward looking statements. For today's call, Jeff will start with an overview followed by Brian's detail of our future results and forward guidance. We will then turn the call over to David, who will discuss demand trends by sector and some additional color on recent wins. Jeff will conclude with some final remarks before opening the call for Q&A. If you will please turn to slide four, I'll turn the call over to our CEO, Jeff Bang.

## Jeff Bank | CEO & President:

Thank you, Paul. Good afternoon and thanks to everyone for joining today's call. Before I get started, I'd like to welcome David Moesades to the call. Since joining Benchmark two years ago in the new role on our team as Chief Commercial Officer, David's brought a wealth of industry experience and operational knowledge to the company. Our second quarter 2025 results once again demonstrated consistent execution with revenue of 642 million, and non-gap EPS of 55 cents, both at the midpoint of our prior guidance. From a highlight perspective, this past quarter represented the seventh consecutive quarter of greater than 10% gross margin. We also experienced double digit annual revenue growth in two sectors and grew sequentially in three of five in the quarter. As we'll discuss more later in the call, we expect this sequential momentum to continue in Q3 and bodes well for our return to annual growth in fourth quarter. This outlook is further bolstered by our multi-year record bookings in the quarter, led by medical and AC&C, two sectors that have been slower to recover. Turning to slide five, let's review the progress we made toward our strategic objectives in the quarter. -over-year sector revenue performance was again led by SemiCap and A&D. We're targeting and winning the right business and delivering increasing value add to our customers, which is driving our gross margin performance. At the same time, with our globally diversified manufacturing footprint, we can offer our customers flexibility as they consider tariff implications and look to optimize their global supply chains. Our value proposition is clearly resonating, and we are encouraged by our strong bookings and new deal pipeline. I'm also encouraged by the number of current customers that are choosing to award more programs to us, which is a testament to our operations team's strong performance. Before I wrap, I'm pleased to highlight that

we also successfully refinance our debt in the quarter at attractive rates, as well as repatriated a significant amount of cash from China and Thailand in the quarter. I'd like to now turn the call over to Brian for more detail on the quarter and our Q3 guidance.

## **Brian Shoemaker | CFO:**

Thank you, Jeff, and good afternoon, everyone. Please turn to slide six. Revenue in the quarter of \$642 million was up 2% sequentially in line with our prior guidance. Our non-GAAP EPS was 55 cents, also at the midpoint of our prior guidance of 52 to 58 cents. As a reminder, our non-GAAP results excluded stock-based compensation, amortization of intangible assets, restructuring and other expenses. For Q2, our non-GAAP gross margin was 10.2%, up 10 basis points sequentially in flat year over year. Non-GAAP operating margin was 4.7%, up 10 basis points sequentially, driven by our improvement in gross margin. Our second quarter non-GAAP effective tax rate was 24%, driven by geographic mix. Please turn to slide seven for our second quarter 2025 revenue performance by sector. Semi-GAAP revenue decreased 2% quarter over quarter, but grew 11% year over year. Industrial revenue was up 4% quarter over quarter in flat year over year. In A&D, revenue was up 4% quarter over quarter and 16% year over year. Within medical, revenue was up 6% versus the prior quarter and down low single digits year over year. Finally, AC&C revenue was flat quarter over quarter while still down considerably year over year. Please turn to slide eight for trended non-GAAP financials. As you see, despite our flattish revenue performance over the past year, we have consistently delivered non-GAAP gross margin of 10% or more, which we expect to continue. With our anticipated revenue growth in the back half of the year, we are forecasting non-GAAP operating margin to again exceed 5%. Please refer to slides nine and 10 for discussion of our balance sheet, cashflow and working capital trends. Our cash balance on June 30th was \$265 million, a decrease of \$90 million from Q1 driven by the following factors. During our Q1 earnings call, we highlighted that our Q2 free cash flow would be impacted by a couple of one-time events related to customs and transition tax payments related to prior years. The net effect of which we would be temporary pause, a net effect which would be a temporary pause in our free cash flow generation. These charges combined with our other working capital items and capital expenditures resulted in a 15 million free cash outflow during the quarter. As a reminder, we generated over 80 million in free cash flow over the trailing 12 months ended June, 2025. We expect to return to positive free cash flow through the remainder of the year. During Q2 2025, we've repatriated 152 million of cash from China and Thailand, 95 million of which we use to further pay down our revolver. In connection with this repatriation, we paid foreign withholding taxes of 15 million. The majority of which we anticipate recovering in 2026. As Jeff mentioned, the company completed a debt refinancing in June, which extended the maturity of our term loan and revolver to June, 2030. It also increased our term loan to 150 million from 121 million. All other terms were consistent with our prior debt agreements. As of June 30th, we had \$150 million outstanding on our term loan and 60 million outstanding against our revolver from which we had \$486 million available to borrow. Our Q2 2025 liquidity ratio, as calculated by our debt covenants, was 0.3 down from 0.7 in the prior year period. We invested approximately 12 million in capital expenditures during the quarter, primarily to enhance capabilities and infrastructure at our Americas and Asia facilities, supporting long-term growth and operational efficiency. Demonstrating our ongoing commitment to return value to shareholders, we returned 6 million in cash dividends and repurchased 8 million in stock during the quarter. At the end of the quarter, we had approximately 134 million remaining in our existing share repurchase authorization. Our cash conversion cycle in the quarter was 85 days, improving one and five days sequentially and year over year respectively. Inventory days were down six days sequentially as we continue to actively manage our inventory. Please advance to slide 11. Let me now turn to our guidance for our third quarter of 2025. We expect revenue to be within a range of 635 to \$685 million up low single digits sequentially. We continue to anticipate year over year growth of low to mid single digits in the second half. We expect non-GAAP gross margin to be between 10.2 and 10.4%. With those assumptions, we would expect non-GAAP operating margin to be between five and 5.2%. On a GAAP basis, we expect expenses to include approximately 5.3 million of stock-based compensation and 6.1 to 6.3 million of non-operating expenses, including amortization, restructuring and other charges. Our non-GAAP diluted earnings per share is expected to be in the range of 56 to 62 cents.

Interest in other expenses are expected to be approximately \$5.5 million. We expect our Q3 effective tax rate will be between 23 and 25%. Our weighted average share count is expected to be approximately 36.3 million. With that, I would like to turn the call over to David to discuss market sector performance and outlook. David. Thanks,

### **David Moissides | Chief Commercial Officer:**

Brian. And hello, everyone. Let's please turn to slide 12 for a discussion of our performance and the outlook by sector. In the quarter, our semi-GAAP revenue again grew double digits year over year, consistent with our expectations. This performance was driven by ramping wins and share gains that we achieved. The broader industry recovery is taking longer than expected due to continued trade restrictions and tariff uncertainties. Looking into Q3 and the back half of the year, we expect to see continued softness in this sector while still outperforming the overall market's rate of growth. That said, the mid to longer term secular trends in the sector support our ongoing investments and we expect to continue gaining market share given our unique vertical integration advantages. Furthermore, in speaking with customers, their conviction around a trillion dollar semi-GAAP industry by 2030 remains intact. Turning to our industrial sector, revenue performance was flat year over year but up mid single digits sequentially. In the quarter, we saw improvement in test and measurement and controls. I was pleased by the industrial sector's bookings in the quarter, which included both a manufacturing takeaway in the instrumentation space along with several key engineering wins. Looking forward, we would expect sequential growth throughout the balance of the year as end markets recover and new programs begin to ramp. Moving to A and D, we had another strong double digit year over year revenue performance in the quarter, which we expect to remain the case throughout the balance of the year. We continue to see a stable commercial air environment with defense demand remaining strong. At the same time, we're encouraged by our growing momentum in satellite and space applications. Given our broad exposure in the sector, we again had a solid quarter of bookings across manufacturing, precision technology, engineering and solutions. In medical, from a revenue perspective, we believe we have turned a corner and are anticipating sustained growth through the second half of the year. As we have shared with you on prior calls, customer inventory related challenges impacted our growth over the last several quarters. We believe these are behind us now. To add to our positive sentiment, we have been winning new programs during this inventory correction period, and this continued in the second quarter with a very strong set of medical bookings across both manufacturing and engineering, including a competitive lift and shift takeaway program. As you can probably tell, we are excited by these results and our return to both year over year and sequential revenue growth. Finally, our ACNC revenue performed largely as expected in the quarter, down year over year and flat sequentially. As we've highlighted in the past, there have been a couple of unique dynamics that have weighed on ACNC revenue over the past number of quarters. We currently anticipate a return to growth within ACNC later in 2025 and into 2026. Specifically within compute, we're seeing increased opportunities as customers look to leverage our water cooling expertise. This was a key differentiator in our role as the trusted partner for Intel's Aurora Exascale Supercomputer deployment, which we announced last week. I'm particularly pleased to report we're also winning an AI data center builds, which leverages the same complex assembly capabilities and water cooling expertise that helps us win in HBC. Over just the last couple of quarters, we have won a few opportunities that will start contributing to ACC's performance by end of the year. We believe this gives us line of sight to a return to sequential and year over year revenue growth in ACNC by late this year and into 2026. With that, I'd like to turn the call back over to Jeff for his summary of thoughts.

### **Jeff Bank | CEO & President:**

Thanks, David. In summary, please turn to slide 13. Our second quarter represents another quarter of solid performance, further reinforced by exceptionally strong bookings despite a dynamic macro environment. Looking at our revenue performance, we remain encouraged by the early signs of recovery and are more optimistic about a return to growth for the company in the second half of 2025. Throughout, we will continue

to prudently manage our spending to protect profitability and free cashflow while at the same time support our regular dividend and share repurchases. Before turning over to Q&A, let me close with this. Regardless of the market environment, Benchmark will stay true to our vision and mission, which is all about partnering with customers to create leadership products and delivering solutions that matter in the world. Our customer first approach is central to this and is something we'll continue to hold as our core ethos. Coupled with our disciplined approach to served markets and financial management, we're confident in our ability to increasingly enable customer success while driving shareholder value for our stakeholders. I look forward to updating you on our continued progress in the quarters to come. With that, I'll now turn the call over to the operator to conduct our Q&A session.

### **Operator:**

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star followed by the number one on your touchstone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by the number two. If you are using a speakerphone, please make sure to lift your handset before pressing any keys. Your first question comes from the line of Steven Fox from Fox Advisors. Please go ahead.

### **Steven Fox | Analyst, Fox Advisors:**

Hi, good morning. Good afternoon, sorry. Long week. I guess, Jeff, maybe can you start off giving us a little bit more perspective on the recovery you're seeing in AC&C from two aspects. One, the liquid cooling you guys have had a lot of experience with over the years, and it seems like others are still learning the process and builds there. So maybe your advantage is the experience you bring there. And then secondly, it's hard to get a sense for how big a recovery you're talking about. You've had some massive wins in the past that have rolled off. How do we think about just sort of the timing and strengths of this rebound in AC&C? And then I had a follow-up.

### **Jeff Bank | CEO & President:**

Yeah, that's fine. Good to hear from you, good question. Yeah, we talked a little bit about the water cooling capability and the complexity of the HPC platform like Intel's Aurora that we talked about. Pretty complex board build and water cooled system in general. So we always felt that there was an opportunity for us to be discriminating but participate in some of the AI activity, knowing that those systems also share similar characteristics and are pretty sophisticated, but also require an infrastructure that we've already kind of built out given the large system exascale platform stuff we've done. We see that starting to bear fruit and we do have a couple of wins there as David mentioned and then we really see that starting to ramp in fourth quarter. It's a little early to say how large that could be but we know there's a lot of spending going on there across a whole set of the whole ecosystem. But we would kind of expect that to grow into 26. So we don't think that it's necessarily a one-time deal and it will augment the HPC business nicely. The one thing on the HPC side, with the next generation platform moving out, we've talked about that and how that was a bit of a headwind and partly what was weighing on it. We do see some smaller platforms kind of filling in on the HPC and maybe not something that would put itself in the number one, two or three spot on the top 500 but we have seen some backfill there as well. So all of that is really leading us to say, we really expect good year over year growth in the fourth quarter and it bodes well for growth in AC and C in 26.

**Steven Fox | Analyst, Fox Advisors:**

Great, that's very helpful. And then on the semi-cap market, I'm trying to discern between politics and actual end market questions. How much is sort of versus 90 days ago is related to China restrictions versus other things you're seeing at the customers? Is there any way you could sort of talk about that and give us a sense for how much you think you're outgrowing the markets now? Thanks a lot.

**Jeff Bank | CEO & President:**

Yeah, it's a little bit of both. In other words, there's some certainly fab buildout and the timing on that and folks adjusting their capital spending, which I think is weighing some on our customers selling in there. But then also with the government restrictions about not selling into China, if you watch some of the OEMs, it's been a big piece of their business for the last several years, particularly in front of some of those restrictions. So I think both are combining to put pressure on that recovery that we sort of, we still believe will come, but it's certainly taking longer. We have one business had a really good year last year and a lot of those platforms have been ramping and that's why we continue to believe we'll see growth through 25. A little early yet to say what 26 holds. We're hearing a little bit different indications from a variety of customers that we have in this space. So I think I'm gonna hold off a little on 26, but we believe that we have a very differentiated position in the space and we continue to invest for incremental capacity. It's what we talked about, the David mentioned the trillion dollar market in 2030, we still believe that it's gonna be a long-term secular growth play. And we're using some of this time to move more into some vertically integrated solutions where we're not just machining metal, but obviously we've been able to do complex assembly and clean rooms for that segment. We're also bringing in house some cleaning processes and other things. So we keep, we're leveraging this opportunity to do more vertical integration for that sector and further really differentiating us.

**Steven Fox | Analyst, Fox Advisors:**

Great, that's helpful. Thank you so much.

**Operator:**

No

**Jeff Bank | CEO & President:**

worries.

**Operator:**

Your next question is from the line of Melissa Fairbanks from Raymond James, please go ahead.

**Melissa Fairbanks | Analyst, Raymond James:**

Hey guys, thanks very much. Really great quarter, really good to see progress on several fronts. David, welcome to the call. It's great to hear you. You said the magic words. Yeah, you said the magic words, AI data center. So get ready for that. I was maybe a little bit, just a quick question on that. Obviously you're coming from the HPC side of things, moving into some of these applications as the systems become much more complicated on kind of traditional hyperscalers. Are you seeing also any pull through from what we're kind of calling like the next level of AI data center builds, for some of like the enterprise AI, or is it really still the

highest performance type of systems?

**Jeff Bank | CEO & President:**

Yeah, I think it's, I believe it's gonna be more of the former for us, right? So I think you do see enterprise apps and you see, that the opportunity is growing beyond just the hyperscalers. So when you look at our participation, it's more in that realm.

**Melissa Fairbanks | Analyst, Raymond James:**

Okay, great, thank you. And you're probably gonna get a million more questions about that in the future. Maybe pivoting, maybe pivoting to the medical side of things, really great to see an inflection in that business. It has been challenged for quite some time. I know that you've been winning a lot of new business there. Are you able to kind of break out how much of the sequential growth that you saw in the quarter was existing programs where the inventory overhang was maybe easing versus new programs where this is brand new business and it's all incremental for you?

**David Moissides | Chief Commercial Officer:**

Yeah, I'll take that one, Melissa. I would say for the most part, it's the base business starting to come back and we're seeing it from the inventory that we said was built up in the channels to dissipate. However, that said, we've had significant bookings and I pointed out that we had a competitive lift and shift takeaway, just to illustrate that on lift and shift, time to revenue is a lot shorter than the typical two and a half to three year cycles. So we've got a number of programs that are in the ramp zone and hopefully we'll start seeing those contributing by next year.

**Melissa Fairbanks | Analyst, Raymond James:**

That's great, congratulations on that. I have one more question if I can sneak it in, if that's all right. Okay, Brian, I don't wanna leave you out. Really nice progress still on the cash cycle days. Can you remind us what does each day reduction in cash cycle equal on the cash flow front?

**Brian Shoemaker | CFO:**

Yeah, on the cash flow front, that would be about 7 million for each day cycle. So at 85 days where we're at today, you can imagine one day over the last period. So it's significant progress on the inventory, which we're excited about. So with the six days.

**Melissa Fairbanks | Analyst, Raymond James:**

For sure, do you have a longer term target for the cash cycle days or is it just gonna kind of depend on the macro?

**Brian Shoemaker | CFO:**

Yeah, if you look at our big thing is on inventory, right now we're at 4.3 turns and we're really looking to drive that five to five and a half is our goal of what we're looking to do. So maybe on inventory looking a little different from just the days to moving to that, because as we shift and ramp up some of these programs, it's gonna cause a slower kind of days on that front, but we're gonna drive the turns to get that up to the five and five and a half.

**Melissa Fairbanks | Analyst, Raymond James:**

Okay, perfect. I might just add

**Jeff Bank | CEO & President:**

to his

**Brian Shoemaker | CFO:**

comment.

**Jeff Bank | CEO & President:**

You know, we have done a lot of work to bring inventory down. I think we're over 100 million just quarter year over year in the third quarter. We are still holding quite a bit of customer advanced payments. And so if you net that our turns are actually quite a bit higher, but we know over time that will dissipate as excess inventory is consumed. So as what Brian said is absolutely the case that we're focused on the turns, but we're doing actually better than that if you consider the cash on hand.

**Melissa Fairbanks | Analyst, Raymond James:**

Okay, perfect. That's all for me for now. Thanks very much guys. Appreciate it.

**Operator:**

Your next question comes from the line of Agnes Saadert-Strahm from Sudori. Please go ahead.

**Agnes Saadert-Strahm | Analyst, Sudori:**

Hi, and thank you for taking my questions. I have a couple of follow ups and then some other questions. Just on the inventory improvement here, how do you expect to achieve that? Is that through implementing better systems or what other puts and takes there?

**Brian Shoemaker | CFO:**

Yeah, I mean, there's just a lot of focus on that as we're looking at kind of the customer demand and optimizing kind of the day's inventory. So, I mean, we have a group of individuals that are focusing on basically driving this day's inventory down. There's a lot of focus on that. Of course, the systems will continue to improve that to do that. I know as you look at the six days we had this period, I mean, it's maintaining that

and improving upon that and then moving to the days from the 4.3 inventory on hand to the 5.5 is kind of what we're targeting. And again, there's a lot of focus on that across the organization and working with our customers and demand. I mean, operational focus

**Jeff Bank | CEO & President:**

is key for us and really involving all of our general managers and looking at each site and where they are in inventory along with each customer and working with our commercial team on just making sure that we're being super disciplined on it. And I think it's certainly something we established about a year and a half, two years ago when inventory was a much bigger challenge and we've just, some brute force, some process, but discipline has been key to the progress we've made.

**Agnes Saadert-Strahm | Analyst, Sudori:**

Okay, thank you. And I'm also curious in the medical, you mentioned a competitive lift and shift program you won. How did you win that?

**David Moissides | Chief Commercial Officer:**

So, when I joined a couple of years ago, we revamped our -to-market strategy and fundamentally we took a different approach with regards to servicing our base customers much more diligently and paying much more attention to them and growing those customers. So, what we've built is we've built a proactive proposal team that goes out to our customers and brings forward new creative solutions.

**Agnes Saadert-Strahm | Analyst, Sudori:**

Okay, that sounds good. I mean, I know it's hard to win those over, so it's encouraging to hear that. And I'm also curious within the team.

**Jeff Bank | CEO & President:**

As the team executes, well, it's the best driver of incremental business from our existing customers. So, it's nice to see the balance of not only growing our wallet share or our footprint with existing customers, but also bringing on new clients.

**Agnes Saadert-Strahm | Analyst, Sudori:**

Yeah, that sounds good. And also, I'm just curious within the aerospace, aerospace and defense, you said commercial areas, stabilizing, what are you seeing there and what do you see, how do you see that build up? Now with Boeing and Airbus taking off a bit.

**Jeff Bank | CEO & President:**

What I would say there is that, obviously coming out of the pandemic, we were waiting for the international travel to pick up quite a bit. I think you see from the airlines that they're just generally travel is back, right? And even business travel has recovered quite a bit. I think David was talking a bit about the stabilization we've seen. It may not be growing at the rate that it was, but certainly the demand has been pretty solid for us. And we played pretty broadly across commercial in different parts of the planes. And so from that

perspective, as that industry goes, we do as well. We probably have less exposure to Boeing, which is just where we sit and where our winds are at. So from that standpoint, we have a lot of exposure across the rest of the industry.

**Agnes Saadert-Strahm | Analyst, Sudori:**

Okay, thank you. That was not funny.

**Jeff Bank | CEO & President:**

Thank you. Thanks,

**Paul Maskey | Investor Relations:**

Sonja.

**Operator:**

Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star followed by the number one on your touchstone phone. Your next question is from the line of Jason Smith from Lake Street. Please go ahead.

**Jason Smith | Analyst, Lake Street:**

Hey guys, thanks for taking my questions. Just circling back to the medical segment, it sounds like the inventory digestion period seems largely complete. Just curious if this was what you had expected sorry, three months ago, or if that has completed faster than expected. And hence why you're expecting, sorry, this more optimistic outlook for the second half here within medical.

**David Moissides | Chief Commercial Officer:**

Yeah, I'll take that. What I would say is we started seeing things slow down in late 2023. And quite honestly, we thought it was gonna clear out a lot sooner. And it just took a little bit longer than we expected. But we're pleased to see it dissipated now. And during that whole inventory clearing period, as I mentioned in my commentary, we were really busy working to gain incremental new awards. So we're in a really good position now considering the market has stabilized and has turned the corner.

**Jason Smith | Analyst, Lake Street:**

Gotcha. And then just as a follow-up within your A&D segment, you noted sort of the new space program ramping, but just curious how big that kind of space sector is within the A&D bucket these days.

**Jeff Bank | CEO & President:**

Yeah, we haven't really broken it out. We don't get into the, necessarily to the subsector size. But I guess I could say that I'd go enough to say that if we're highlighting it, it's not a million or two. You know what I mean? It's meaningful contributor and has the opportunity to be tens of millions. But depending on how that segment

grows is gonna really dictate how large that can get. But we haven't as a subsector said what that means to us. We find it's interesting space because kind of leverages our RF know-how. It leverages our experience putting complex systems up in the space and satellites, I think David highlighted. So it's a good area with significant value add. But with some of the new entrants, you gotta be nimble and be able to move quickly to the shifting needs. And so I think that plays to our strength as well. And we're excited about our participation there.

**Jason Smith | Analyst, Lake Street:**

Okay, that's helpful. Thanks a lot guys. Thank you. Thanks Jason.

**Operator:**

There are no further questions at this time. I'd like to turn the call over to Paul Maskey for closing comments. Sir, please go ahead.

**Paul Maskey | Investor Relations:**

Thank you, Constantine. And thank you everyone for participating in benchmarks second quarter, 2025 earnings call. We will be participating in the Sadodi small cap virtual conference on September 17th. For updates to this and other upcoming investor conferences and events, please refer to the events section of our IR website at [.bench.com](https://www.bench.com). With that, we thank you all again for your support and look forward to speaking with you soon.

**Operator:**

Ladies and gentlemen, this concludes today's conference call. Thank you very much for your participation. You may now disconnect.