# NYSE:BHE Q4 2025 Earnings Call Transcript

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### Operator | Conference Operator:

we will conduct a question and answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on February 3rd, 2025.

### Paul [Last Name] | VP, Investor Relations:

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, a replay of which will be available on our website approximately one hour after we conclude. The company has provided a reconciliation of our gap to non-gap measures in the earnings release as well as the appendix to the presentation. Please take a moment to review the forward-looking statements disclosure on slide two of 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 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 Q4 and fiscal year 2025 results, as well as Q1 2021-2026 guidance. We will then turn the call over to David to share his perspective on sector trends, business direction, and closing remarks. This being his last conference call as CEO, after Q&A, we'll turn the call back to Jeff for some parting thoughts. If you please turn to slide four, I'll turn the call over to our CEO, Jeff Bank.

### Jeff Benck | Chief Executive Officer:

Thank you, Paul. Good afternoon, and thanks to everyone for joining today's call. Before I get started, I want to thank the entire benchmark team for their contribution to closing out 2025 on a high note with continued progress against our strategic objectives. This culminated in fourth quarter revenue of $704 million, which was up high single digits and included double-digit growth across three of our five focus sectors, AC&C, medical, and A&D. At the same time, our fourth quarter earnings of 71 cents exceeded the high end of our guidance range provided last November. Our semi-cap sector is showing nice signs of improvement heading into 2026 after a softer Q4 of 2025. Despite the expected semi-softness in the quarter, we still managed to deliver gross margin of 10.6 percent, which was above the high end of our guidance range. This, coupled with our continued operating expense discipline, drove operating margin to 5.5%, demonstrating leverage in our model. Again, great execution by the team across the board. Turning to the full year on slide five, 2025 revenue of $2.66 billion was in line with our prior year. However, it played out differently because instead of decelerating as in 2024, In 2025, we showed improving momentum, sequential growth, and better year-over-year performance as the year progressed, which enabled us to deliver year-over-year growth in the second half as we expected. At the same time, we drove sequential operating margin improvement throughout the year, expanding 90 basis points from Q1 to Q4. This improvement enabled us to deliver $2.40 in earnings representing our fifth consecutive year of bottom-line performance outpacing the top line. Regarding our 2025 business highlights on slide six, our strategy is clear. We target five core high-value markets by focusing on complex, high-mix opportunities that suit our strengths. We avoid commoditized markets and are pursuing an ODM approach, building vanilla solutions. If you look at our business today, you'll see a very evenly balanced portfolio, each sector representing long-term growth opportunities where we believe we can excel and differentiate. It is this focus that has led us to consistently deliver 10 percent or better gross margin. We are driving the same discipline in our internal operations as you see in our external go-to-market efforts. The past year demonstrated this with steady sequential progress and operating margin, even with sometimes challenging end market conditions. At the same time, we've been successful with our efforts to improve working capital efficiency, driving significant cash cycle improvement throughout the year. Combining this with our growth in net income, we were able to deliver another year of positive free cash flow at the high end of our target range. We did so while continuing to invest in the business. Looking forward, and David will click down on this more in a minute, we were very pleased by the momentum in our bookings over the course of 2025. This came from both new and existing customers and included some meaningful wins in higher growth subsectors for us, notably space, medtech, and enterprise AI. Our value proposition, resonates with customers, and we continue to improve our execution, making it easier to capture new business from our install base while attracting new customers because of the unique value we offer. We are investing proactively in the business given the significant number of new wins. This includes expansion of our global precision technology footprint, specifically adding a fourth building in Penang which is well-timed for the SEMICAP recovery cycle that's underway. We are also investing in production equipment in our factories around the world, aligned with the new business we have won. I'm very encouraged by the momentum we're seeing in the business across medical and AC&C, and now the SEMISPACE is poised for a strong recovery in 2026 as well. With that, I'd like to turn the call over to Brian to discuss our fourth quarter and fiscal year 2025 results in more detail, as well as provide our first quarter outlook.

## Brian [Last Name] | Chief Financial Officer:

Brian, over to you. Thank you, Jeff, and good afternoon, everyone. Please turn to slide seven. Revenue in the quarter of $704 million was up 7% year over year and toward the higher end of our prior guidance. Our non-GAAP EPS was 71 cents, which exceeded our prior guidance of 62 to 68 cents. As a reminder, our non-GAAP results exclude stock-based compensation, amortization of intangible assets, restructuring, impairment, and other items as noted in Appendix 1 of this presentation. For Q4, our non-GAAP gross margin was 10.6%, up 50 basis points sequentially and 20 basis points year over year due to volume and mix. Non-GAAP operating margin of 5.5% was up 70 basis points sequentially and 40 basis points year over year, driven by our ability to leverage our cost basis on higher revenue. Our fourth quarter non-GAAP effective tax rate was 25.4%. Please turn to slide eight for the full year 2025 financial results. For the fiscal year, revenue of $2.66 billion was flat compared to the prior year, while non-GAAP EPS was up 5% to $2.40. For the full year, our non-GAAP gross margin was 10.2%. Non-GAAP operating margin of 4.9% was down 20 basis points year over year, primarily due to variable compensation. Our full year non-GAAP effective tax rate was 24.8%. Please turn to slides nine and 10 for our fourth quarter and full year 2025 revenue performance by sector. Semi-cap revenue decreased 8% quarter over quarter and 14% year over year. This was consistent with our expectations of a softer Q4 prior to expected improvements in 2026. For the full year, semi-cap revenue grew 2%. With an industrial, although down sequentially, revenue was up 3% year over year. This was in line with our expectations for the quarter. For the full year, industrial revenue was consistent with the prior year. A&D posted another strong performance in the quarter and year, up 7% sequentially and 17% year-over-year. Full-year revenue growth was also well into the double digits at 19%. Meanwhile, medical continued to improve with fourth quarter revenue of 14% quarter over quarter and 23% compared to the prior year. The improved second half performance drove 7% growth on a full year basis. For our final sector, four year ACNC revenue was down in 2025, driven by a challenging first half. However, we are pleased with a return to growth in the fourth quarter with revenue up 22% sequentially and 27% year-over-year. We expect this momentum to continue into Q1 as we ramp previously announced AI-related wins. Please turn to slide 11 for trended non-GAAP financials. Our Q4 revenue continued the sequential improvements that we saw throughout the year, exiting at a little over $700 million, which was up 7% versus Q4 2024. At the same time, fourth quarter gross margin of 10.6% continued our multi-quarter trend of 10% or greater performance. Coupled with expense management, this translated into sequential improvements in operating margin and EPS performance throughout the year, with fourth quarter and full year EPS growing greater than twice the rate of revenue growth. Please refer to slides 12 and 13 for discussion of our balance sheet, cash flow, and working capital trends. In Q4, we generated $59 million in operating cash flow and $48 million in free cash flow. For fiscal year 2025, we generated $85 million in free cash flow. As of December 31st, we are in a net cash positive position of $111 million. Our cash balance was $322 million and a sequential increase of $36 million. As of December 31st, we had $148 million outstanding on our term loan and $65 million outstanding against our revolver, from which we have $481 million available to borrow. We invested approximately $39 million in capital expenditures during the year, including $11 million in Q4. Our fourth PT building announced last year is on track to be completed at the end of Q2 and begin operations in Q3, which will require a step-up in capital spending over the next few quarters. Demonstrating our ongoing commitment to return value, we distributed cash dividends of $24 million and repurchased $27 million in stock during the year. At the end of the quarter, we had approximately $123 million remaining under our existing share repurchase authorization. Our cash conversion cycle in the quarter was 67 days as our working capital focus drove considerable improvements of 10 days sequentially and 22 days year over year. Inventory days were down six days sequentially as we continued to actively manage our inventory as we grew the top line. This focus translated into inventory turns of 5.2 in the quarter. Before discussing our Q1 guidance, there are two things that I want to highlight. First, during our year-end closed process, we identified and corrected immaterial errors in prior periods related to our tax calculation resulting in a cumulative understatement of income tax expense of 8.7 million. The aggregate impact of these corrections was an increase to income tax expense of $2.2 million for the fiscal year ended December 31, 2024, and an increase of income tax expense of $6.5 million two years prior to 2024. Importantly, these corrections resulted in no change to previously reported cash taxes, operating cash flow revenue, gross and operating margin, or non-GAAP earnings per share. Consistent with GAAP guidance, prior year periods in today's release have been revised accordingly, which will also be reflected in our Form 10-K set to be published the week of February 23rd. Second, as we look to optimize our footprint, we recorded an $11.1 million non-cash impairment on certain assets located at one of our Arizona facilities due to the end of life of a few programs. Any follow-on programs will be consolidated within our other U.S. facilities. Please advance to slide 14. Let me now turn to our guidance for the first quarter of 2026. We expect revenue to be within a range of $655 to $695 million, up 7% year-over-year at the midpoint. We expect non-GAAP gross margin to be between 10 and 10.4%. With those assumptions, we would expect non-GAAP operating margin to be between 4.7 and 4.9 percent. We anticipate GAAP expenses to include approximately 5.4 million of stock-based compensation and 5.1 to 5.5 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 53 to 59 cents. Interest and other expenses are expected to be approximately $4.7 million. We are undertaking initiatives aimed at structurally improving our tax rate over the long term. However, for the first quarter and full year, we anticipate that our effective tax rate will be in the range of 26% to 27%. Finally, 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.

## David [Last Name] | President & COO (Incoming CEO):

Thank you, Brian. And hello, everyone. Let's please turn to slide 15 for a discussion of our sector outlook. As Jeff mentioned, we saw good revenue momentum in the back half of the year. This was driven by a number of factors, starting with the new bookings we have secured over the last 12 to 24 months, which included a couple of competitive takeaways. We also benefited from improved sell-through aligning with healthier in-demand across some of our sectors as channel inventory normalized. Last but not least was our focus on operational execution, which we saw in our successful launches and high marks in customer satisfaction. Let's step through the demand dynamics we're seeing by sector, starting with semi-cap. In 2025, revenue grew low single digits year over year during the semi-market's longer than usual cyclical downturn. Additionally, China import restrictions added some pressure this past year. All the while, we continue to secure new winds and focus on expanding capacity, positioning us well for the upturn. On our last call, we pointed to the back half of 2026 as likely to be the demand inflection. Since that time, we have seen mounting evidence of it picking up earlier in the year. Within industrial, revenue saw improvement in the second half, but was flat for the full year in 2025. This was consistent with expectations we shared with you last quarter, which called for a return to year-over-year growth in the fourth quarter. Performance in the quarter was led by improved demand in transportation, HVAC, automation, and some other minor sectors. Industrial is among the most macro-sensitive sectors we sell into, while at the same time it represents one of the greatest opportunities for future upside for the company in terms of addressable market. It may take a little more time to fully ramp our efforts here, but with the wins we have already secured, coupled with a steady macro backdrop, we expect gradually improving performance as we progress through the year. Moving to A&D, we had another strong revenue performance for the quarter and full year in 2025. Commercial air remained stable, while defense continued to be strong, consistent with the broader demand profile from this subsector. In the near to mid-term, total A&D revenue growth is expected to moderate from its double-digit trajectory over the last few years due primarily to program timing within defense. However, I'm extremely pleased with our now multiple quarters of bookings momentum across a broad set of space application, which bodes well for our future growth prospects. These programs ramp over the coming quarters. Turning to medical, this past summer, we signaled the bottom for this sector's performance based on improving demand and new program ramps. Despite the challenging first half, our back half execution drove solid revenue growth for the full year led by our medical device programs. We expect these same dynamics to hold true in 2026 with double-digit revenue growth expected for the first quarter and full year. Further out, our bookings momentum in 2025 within MedTech has positioned us well to build upon our medical sector performance. Rounding out our sectors, ACNC revenue rebounded sharply in the fourth quarter, driven by very strong performance in computing. We expect this momentum to continue into the first half of the year. We believe strongly in our liquid cooling capabilities and capacity investments. We look forward to bringing these capabilities to bear in both the AI infrastructure and next generation supercomputer builds to come. Moving to slide 16 before turning over to Q&A, I would sum up the state of our business as follows. I'm even more encouraged today than I was when joining the company over two and a half years ago about our future. Let me tell you why. First, 2025 was a solid year of progress towards our growth objectives. We had a strong year of bookings, which was a well-balanced across the entire portfolio. And we are particularly encouraged by our growing opportunities in space, med tech, and while still a little early, AI-related wins. At the same time, end markets in medical and semi-cap are improving. While industrial still has some work to do, we think we're positioned for growth later in 2026. Operationally, we implemented a number of initiatives in 2025 that positioned us to demonstrate increasing operating leverage as revenue scales. Additionally, we see no change to our capital allocation approach as our priorities continue to work well and remain shareholder friendly. We will continue to support the dividend, seek offset annual dilution through share repurchases, and invest in the business to support our growth. Finally, as we look ahead, we're very encouraged by how the year is shaping up. We remain confident in our mid single digit growth guidance, and we believe that outlook could strengthen further in the coming weeks as we gain additional visibility from our customers. With that, I'd like to thank our customers, employees, and partners for a successful 2025 And I'm looking forward to building upon that in 2026 and beyond.

### Paul [Last Name] | VP, Investor Relations:

Operator, we can now open the call to Q&A.

### Operator | Conference Operator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Should you have a question, please press star followed by the one on your telephone keypad. You will hear a prompt that your hand has been raised. And should you wish to cancel your request, please press star followed by the two. If you're using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question. Thank you. And your first question comes from the line of Jim Ricciuti from Neat Ham & Company. Please go ahead.

## Jim Ricciuti | Analyst, Neat Ham & Company:

Hi. Thank you. Good afternoon. Congrats on the quarter. And to you, Jeff, for your accomplishments at Bench over the years. Thanks, Jeff. So, you know, it sounds if we, you know, from the tone, besides SEMICAP, you seem to be suggesting increased confidence in a couple of areas of the business. David, I think you highlighted medical, but just in general, you know, are there areas besides Semicap, which I think we know, and we've seen some real clear drivers, and I assume you're going to hear more from your customers over the next couple of months, but what areas of the business in particular has the tone of demand changed versus, say, three months ago?

## David [Last Name] | President & COO (Incoming CEO):

Hey, Jim, good question. speaking with you. I would say there's really no surprise overall with regards to the performance we're seeing across the entire enterprise. We started signaling to all of you in July of last year that we felt medical has turned a corner. We also talked about ACNCs looking like it's going to have a strong q4 and and it did and and right now we see that momentum continuing into the first half um semi we signaled in october that it it looks like things are gonna pick up and as we closed out the year and we started the new year we certainly started seeing that and finally i think industrial has been really very consistent to us right it's just a steady eddy sector that we see it gradually picking up as we work our way throughout the quarter.

## Jim Ricciuti | Analyst, Neat Ham & Company:

Okay. I want to just shift gears a little bit, just talking about margins. I mean, you've done a nice job delivering, you know, 10% gross margins pretty consistently, you know, even in a somewhat challenging top line environment. So I'm just wondering, you know, how we should be thinking about gross margins as the top line begins accelerating? Or, you know, do you believe that maybe the greater opportunity is going to be driving some OPEX leverage?

## Brian [Last Name] | Chief Financial Officer:

Yeah, I mean, as we look at the top margin again, like you said, I mean, 10.6 is what we were able to deliver on the gross margin for Q4. And kind of if you look at our range for Q1, when the revenue is down slightly from Q4, I mean, we're still midpoint of 10.2 on that percentage. So we feel good about how we're tracking at that level. But you're right. I mean, if you look at our operating margin and our ability to deliver on that line, I mean, that's where we see our leverage as we continue to accelerate revenue. I mean, we feel we're well positioned and able to utilize kind of our footprint and our actual SG&A. So we feel good about being able to leverage that going out into 26.

## Jeff Benck | Chief Executive Officer:

Seems to us, you know, obviously semi is high value business for us. So a recovery there helps. But we know, you know, when we talk about scale on the model, it's as much about as much as we grow revenue, you know, our SG&A does not need to grow at the same rate, which, you know, drops more to the bottom line.

### Jim Ricciuti | Analyst, Neat Ham & Company:

Got it. Thanks, guys. I'll jump back in the queue. Thanks, Jim.

### David [Last Name] | President & COO (Incoming CEO):

Take care.

### Operator | Conference Operator:

Thank you. And your next question comes from the line of Zach Steven from Fox Advisors. Please go ahead.

### Zach Steven | Analyst, Fox Advisors:

Hi. Good afternoon, everyone. First of all, Jeff, congratulations for some great accomplishments at Benchmark, especially you always got the best macro cards in the world when you joined. But in terms of... In terms of some of the comments, I was wondering if you can expand on a couple of comments on end markets. First of all, you said on the industrial business, there's great upside in the TAM available to you. Can you give us some hints on what you envision sort of how that TAM expanding? And sort of a similar question on space, you mentioned new bookings in space and how that can help growth. And I had a couple of follow-ups.

### David [Last Name] | President & COO (Incoming CEO):

Yeah, sure. Steven, it's David. How are you? Hi, David. So let me talk about industrial first around the TAM. So as you could just appreciate, the industrial segment is an extremely, extremely broad segment with a broad set of customers out there globally. And that allows us to really participate in a number of different subsectors. So if you think about the subsectors, You could participate in HWAC. You could participate in transportation. Agriculture is an area that we've been successful. Construction is an area that we've been successful. Just to name a few, right? Building management and so on and so forth. There are a lot of companies out there, whether it's kind of those mid-tier type companies, mid-cap players, all the way to the large companies. big cap guys that we're all familiar with that you would think of them as large, broader conglomerates. Again, both Western Europe as well as North America. Shifting gears to space applications, we've talked about this in the prior quarter and we're excited by the bookings momentum we're seeing in that space. This is going to contribute nicely to our A&D sector and You know, we're just starting the early stages of some of the ramps we expected to really show itself in 2027. A&D has been really performing well for the last few years, double digits. And this year we see it moderating, but we see it picking right back up given the bookings momentum that we've had in the space applications.

### Zach Steven | Analyst, Fox Advisors:

Great. That's very helpful. And then just a little more perspective I was hoping for on the gross margin. So they expanded to 10.6 from like 10.1 in one quarter. And like you said, Semicap was not really contributing from a sales growth standpoint. So like how many basis points was related to just mix versus just typical volume drop down? And is there anything that stood out in terms of what was positive on the mix side to help the margins?

## Brian [Last Name] | Chief Financial Officer:

Yeah, there wasn't really anything I would point to on the mix. I mean, it was just kind of just the leverage of some of our plants and just overall mix, I guess, across the board. So I wouldn't point to, I mean, you're right, semi-cap was down in the quarter. But I wouldn't count on that all of a sudden, seeing that growth throughout the year and that margin expanding significantly, because it's also going to depend on ACNC. We've talked about that being at the lower end. So you just got to balance that as you go throughout the year.

## Jeff Benck | Chief Executive Officer:

There is a bit of seasonality in Q1 that, you know, depending on where it hits in terms of the demand shift and change that, you know, you see it. We don't get quite as much leverage on the top side. But also, if you have sectors that are, you know, lower margin overall, you know, that can weigh on it as well. So it's a little bit hard for you to get there, you know, because there is a lot of dynamics at play here.

## Zach Steven | Analyst, Fox Advisors:

Understood. That's helpful. And just real quick, last one. On the semi-cap recovery that we could start baking in for interim model, I understand you're seeing it earlier now, but any help on what kind of slope we should be thinking about, at least for now, based on what you're hearing from customers? Thanks very much.

## David [Last Name] | President & COO (Incoming CEO):

Yeah. Right now, we're still working through that, Stephen. As I shared, we're feeling really good about it picking up based on some of the forecast adjustments that we're getting from our customers. So we're going through the process of, you know, what can we pull in into the earlier quarters from the back end and how that's going to look for us. We do plan on getting that clarity in the coming weeks and we'll be providing that update as we get it.

## Jeff Benck | Chief Executive Officer:

It is kind of ironic that You know, Q4 was soft, and we called it soft going into it. We kind of felt that some of our customers said 26 is going to be great, but, you know, we're going to see some softness closing the year, and it played out as we expected. It is great to see that snap back. I think that's a little bit where there's a little caution in, okay, you know, it's great to see that come back, but, you know, what does this look like as you fill in the year? That's what David's talking about.

## Zach Steven | Analyst, Fox Advisors:

Understood. Thank you very much.

## Jeff Benck | Chief Executive Officer:

Thanks.

### Operator | Conference Operator:

Thank you. And your next question comes from the line of Max Micheles from Lake Street Capital. Please go ahead.

### Max Micheles | Analyst, Lake Street Capital:

Hey, guys. Thanks for taking my call. You're at the end of the quarter as well. I just want to go back to medical and maybe some of the programs. Is there any way you can go into a little bit more detail around some of the program wins in medical and then maybe the momentum continuing into 2026, if those are different style of programs, new wins? Can you just help me understand a little bit more about the programs?

### David [Last Name] | President & COO (Incoming CEO):

Yeah, yeah. So, Max, we've been winning in this space in kind of two categories, right? If we think about how we look at medical, there's categories that we're winning in around med devices, and then there's categories we're winning in life sciences. So those are the two areas that we see continued momentum. Now, when we start talking about How is that going to roll into 2027? It is really the momentum of the ramps. We're going to be ramping and we're accelerating the production. And we're also seeing demand pick up from our end customers, their current base customers. So when you put those two together, we're going to have a good FY26 in medical. And by the time we get towards second half or later in the year, we should be fully ramped on some of the bookings that we had in 2025. And that's why I commented that that momentum should continue into 2027.

### Max Micheles | Analyst, Lake Street Capital:

Okay. And then also another one you could probably help me out with here is when we think about the ramp up in semi, I mean, our customers come into you already and then sort of your mid 2026, back after 2026 recovery, is that when you start to see some of these orders actually roll through or are you guys able to just pretty much scale up as the orders come, I guess. Help me understand sort of the timeline around the ramp up, I guess, with the return .

### David [Last Name] | President & COO (Incoming CEO):

Yeah, Max. I think the way to think about it is, depending on what the orders then, what type of pull-ins we get, we could respond to it within one to three months. So certain orders were able to accelerate much quicker. And this is not something that catches us by surprise. We've been working with our customers now since late summer of last year doing capacity planning, doing simulations, really understanding what it could look like. So in the October earnings call, I had signaled that it feels different this time. It feels like it's real and 2026 is going to be the year that Semi finally comes back. And it took about 60 days for the verbal conversations to become something more meaningful. And now we're sharing that with you, that it's becoming more meaningful, and we're going to be looking at it. We're going to see how it plays out. And the orders that are being pulled in, we're going to be working closely with our customers to accelerate those outputs. Great. Thanks for taking my questions. Sure. Nice talking to you, Max.

### Operator | Conference Operator:

Thank you, and your next question comes from the line of Anja Soderstrom from CDOT. Please go ahead.

### Anja Soderstrom | Analyst, CDOT:

Thank you for taking my questions, and congrats on the nice quarter here. Just in aerospace and defense, you said you saw some slowdown in defense before it picks up, or?

### David [Last Name] | President & COO (Incoming CEO):

Yeah. Hi, Anja. How are you? You know, we had really strong run in A&D for the last few years, right? Last couple of years, it's been strong double digit growth. And, you know, you get from time to time, program timing changes, things, end of life, new program awards come to play. And we're seeing that being the case as we are in 2026. That's why we're We're saying A&D is going to moderate in 2026. We're not saying it's falling apart or anything negative about it. We're just saying it's going to ease, it's going to moderate, and we're going to see it pick back up in 2027. And as I mentioned in my commentary, our commercial air looks good. It's really more around some timing around some of the defense programs. And we're really, really bullish on the possibilities of space.

### Anja Soderstrom | Analyst, CDOT:

Okay, and can you remind me, you're exclusive to the commercial air.

### David [Last Name] | President & COO (Incoming CEO):

So we work with several customers in commercial applications where we build products for them and then they go ahead and integrate it into their products and then finally pass that product along to the likes of Airbus or Boeing, etc.

### Anja Soderstrom | Analyst, CDOT:

Okay, thank you. And then within the ACNC, you expect that to continue to be strong. What kind of visibility do you have there, given the rather large projects you have there?

### David [Last Name] | President & COO (Incoming CEO):

Yeah, so we actually expect the first half to continue to look strong. As you could appreciate in the AI space, as our customers win, we see those wins translate into orders for us. So the visibility is good in the first half, and we're going to continue to work with our customers, and we believe that the second half could potentially fill in, but we're not in a position right now to start signaling that. These are project-based opportunities, as you mentioned, Dania, and that's why waiting and letting it fill in is really important for us.

### Anja Soderstrom | Analyst, CDOT:

Okay, thank you. And then in terms of the cash cycle days, you had a pretty nice improvement there. How should we – what are you targeting there? How should we think about 2026?

## Brian [Last Name] | Chief Financial Officer:

As you mentioned, Anya, and thanks for the question, I mean, you look at the improvement we made in Q4 to 67, the cash conversion cycle days, I mean, we had significant momentum again in our inventory line. As we look to kind of ramp some of these projects or programs, I mean – We're limiting kind of that, I guess, increase you'll see, or sorry, stability is what we hope to see on that inventory days, tracking right around that 69. I mean, we're going to continue to drive that and hopefully get some more momentum, but we're not counting on a significant amount there. I mean, there's other line items there we're going to continue to drive, but I think based on the momentum and what we've done over the last year, over a year with 22 days improvement, I mean, again, we'll continue to drive it, but I mean, don't count on a significant amount

## Anja Soderstrom | Analyst, CDOT:

Okay, thank you. And then in terms of CAPEX, I think you said you expect that to tick up a little bit. What's driving that, and is that expansion in Penang included there, or have you spent most of that?

## Brian [Last Name] | Chief Financial Officer:

No, I mean, if you think of kind of the second half of the year that we're going to be kind of getting it operational, or sorry, the first half and then into Q3 of getting it operational, that's where you'll see some of that tick up associated with that. But we also have some of the program wins. as you think about what you've been hearing here that will acquire some capex within our current footprint. So typically we say the one and a half to 2% of capex for the year. This may be two to two and a half percent as you think about this year, just based on some of the things I've said. And again, this is all investment and growth as you think about what we're doing here.

## Jeff Benck | Chief Executive Officer:

Yeah, it sort of goes in hand with the stronger bookings last year and and then also the build out of the fourth building in the precision technology over in Penang.

## Anja Soderstrom | Analyst, CDOT:

Okay, great. Thank you. That was all from me. And congrats, Jeff, on the accomplishment of the benchmark.

## Jeff Benck | Chief Executive Officer:

Thank you, Anya. Thank you. Thank you, Anya.

## Operator | Conference Operator:

Thank you. And there are no further questions at this time. I will now hand the call back to Mr. Jeff Spang for any closing remarks.

### Jeff Benck | Chief Executive Officer:

Thank you, operator. As I transition out of the CEO role at the end of this quarter, this will be my last earnings call with all of you. I just wanted to take a moment to express how incredibly proud I am of what we've achieved together over my seven years leading Benchmark. None of this would have been possible without the dedication of my executive team and the 12,000 plus talented professionals who make Benchmark their home. During my tenure, we accomplished several milestones that set new records for our company in revenue, margins, earnings, and share price. I'm deeply grateful to our investors, the analysts who have covered us, and my board for their unwavering support throughout this journey. At the end of the quarter, I'll be passing the reins to David, whose capable leadership gives me great confidence that Benchmark's momentum will not only continue, but accelerate. The future is bright, and I look forward to watching this great company reach even greater heights. Thank you all, and farewell for now.

### Operator | Conference Operator:

And this concludes today's call. Thank you for participating. You may all disconnect.

### Jim Ricciuti | Analyst, Neat Ham & Company:

Thank you.