NYSE:MG Q3 2025 Earnings Call Transcript

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Layla | Conference Operator:

Good day, everyone. My name is Layla, and I will be your conference operator today. At this time, I would like to welcome you to Mistress Group Q3 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, and if you have joined via the webinar, please use the raise hand icon, which can be found at the bottom of your webinar application. At this time, I would like to turn the call over to Thomas Tobolsky, Senior Vice President of Finance and Treasurer.

Thomas Tobolsky | Senior Vice President of Finance and Treasurer:

Good morning, everyone, and welcome to Mistrush Group's third quarter 2025 earnings conference call. I'm joined today by Natalia Schumann, President and Chief Executive Officer, and Ed Preissner, Senior Executive Vice President and Chief Financial Officer. Before we start, I want to remind everyone that remarks made during this conference call, as well as supplemental information provided on our website, contain certain forward-looking statements and involve risks and uncertainties as described in Mistras' SEC filings. The major factors that can cause Mistras' actual results to differ are discussed in the company's most recent annual report on Form 10-K and other reports filed with the SEC. The discussion in this conference call will also include certain non-GAAP financial measures that we believe are useful to investors evaluating the company's performance, but that were not prepared in accordance with U.S. GAAP. Reconciliation of these non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found in the tables contained in yesterday's press release and in the company's related current report on Form 8K. These reports are available at the company's website in the investor section and on the SEC's website. I will now turn the conference over to Natalia Schuman.

Natalia Schumann | President and Chief Executive Officer:

Thank you, Tommy. Good morning, everyone. Thank you for joining us today. It is my pleasure to report on our Q3 results and update you on the progress made to date on our strategic initiatives. Let's start with our third quarter results. I am pleased to report that third quarter was highlighted by consolidated revenue growth of 7% versus the prior year. As we planned and communicated early in the year, our goal was to grow revenue in the second half of 2025 year-over-year, and we achieved this in the third quarter. With the improved revenue, we generated an expanded bottom-line result in the third quarter with net income of $13.1 million or earnings per diluted share of $0.41, and our record quarterly adjusted EBITDA of 30.2 million. With regards to the performance within our end market, we have delivered year-over-year revenue growth for Q3 in each of our five largest industry verticals. Energy market, consistent of our oil and gas and power generation industries, led the way, growing 8.1%. Oil and gas was up 6.2 million, or 6.2%, and power generation was up 2.8 million, representing 24.3% growth year-over-year. These results are attributable to strong turnaround activity, PCMS projects, and market conditions in power generations, driven by increased demand for rope access services within our renewable business. Aerospace and defense, our second largest market, was up 10.6% or 2.3 million due to a solid volume gain across the private space and defense industries and in addition to the successful price increase strategies. Our largest customers in this market continue to forecast future growth in their businesses over both the short and long term, as evidenced by their robust backlogs. With its higher-than-company-average margin profile, aerospace and defense is one of our top strategic priorities for both top-line revenue generation and margin improvements. Industrial and infrastructure markets were both up in the third quarter of a prior year. We achieved 15.8% growth, or an increase of 3.1 million in industrials, driven by the increased demand of manufacturing. And we achieved 21.1% growth, or a $1.8 million increase in infrastructure, driven by the increased activity in construction and capital projects. Overall, this diversified revenue growth across our five largest end markets and across geographies, including growth of 5.5% within our international segment, was driven by the broad market demand for our services and demonstrates the success of our differentiated solution and our ability to deliver on customer expectations. Turning to profitability, gross profit increased by $9.3 million, or 19%, with gross margin expanded by 300 basis points to 29.8% over the prior year quarter. The increase in gross margin was due to favorable business mix, closure of unprofitable labs early in the year, and operational efficiencies as a result of a streamlined operational structure and better focus and accountability. Consolidated adjusted EBITDA generated in the third quarter was $30.2 million, resulting in a 15.4% EBITDA margin. This represented an increase of $6.9 million, or 29.6% versus the prior year period, underscoring the improved operating leverage in our business model. Let's now shift to a brief overview of our progress against our three key priorities in our strategic plan, Vision 2030, the first of which is expanding and transforming our current services to a more comprehensive and integrated solutions for our existing and new customers. Our entire leadership team has continued to be keenly focused on meeting with as many customers as possible to hear their voice directly and better understand their perception of mistrust. Our integrated offerings and solutions are finding broader adoption and use cases, as indicated by the strengths of our recent results. And there is more to come as we continue to unlock mistrust value. For example, there is an opportunity for many of our field services customers to utilize our proven PCMS solution, which, as we demonstrated, would drive efficiency and improve their operational execution. This offering illustrates the value of bringing our whole integrated solution to our customers. Since only a very small percentage of our field services customers currently use our data analytics and software solutions, this is an exciting opportunity for us. And in addition to doing more of existing and new customers in our core markets, We are also winning projects with brand-new customers in new and adjacent markets. These efforts form the basis for the second key priority of our strategic plan, diversification, expanding our client base into new industries while protecting our core business. Our recent announcement of wins with Batchelor and Kimball related to data center projects and Bechtel on the Hanford Peat project for the United States Department of Energy are examples of recently awarded long-term construction projects outside of our core energy markets. The third strategic priority of Vision 2030 is focused on building operational leverage by doing what we do today, but better, through efficiency and productivity gains. Beyond these positive sales efforts and in reflection in our growth, I have continued to strengthen Mistrust capabilities and build a scalable leading asset integrity and testing platform as Manny Stamatakis, our executive chairman, started last year to ensure long-term sustainability of our results. During the third quarter, I added a new Chief Human Resources Officer and a new Chief Legal Officer. In addition, we have strengthened our sales and marketing team, continued with commercial discipline, and have further integrated our sales force. We have also reinforced our operational management team throughout 2025 with several new hires who all bring industry expertise and experience and a fresh perspective to our lab operations. These new managers are already demonstrating early wins and contributing to our operating results. Their early success highlights the intensity, urgency, and accountability at each of our locations across all our divisions. Mistrust has the foundation, technical know-how, proven expertise, and people to win. We are advancing our organizational systems, empowering our technicians with digital tools, and investing in the relationships with our customers to drive ROI and shareholders' value. I'm confident that we will execute with continuous improvement, and I plan to be very transparent in assessing and communicating our progress and reporting to you. I will share additional highlights of our Vision 2030 strategy later, but let me now turn the call over to Ed for more details on the financial results.

Ed Preissner | Senior Executive Vice President and Chief Financial Officer:

Thank you, Natalia. As shown on slide 6, revenue for the third quarter was $195.5 million, a 7% increase, which exceeded expectations. This growth in the quarter reflects increases across several key areas of our business, including our PCMS offering and the aerospace and defense, industrials, and power generation end markets. In particular, our PCMS offering within our data solutions business grew by nearly 25% in the quarter, representing the second consecutive quarter of achieving significant growth. This growth was attributed to several implementation projects of PCMS programs. As Natalia mentioned earlier, gross profit increased by $9.3 million in the third quarter, with gross profit margin expanding by 300 basis points. This improvement was attributable to favorable business mix and operating efficiencies. On a nine-month basis, our gross profit margin has expanded 180 basis points year over year from 26.3% to 28.2%. As a result of our gross profit expansion and SG&A cost control, we generated 20.4 million of income from operations, which is an increase of 8.5 million or nearly 72% growth versus the prior year comparable period. We improved adjusted EBITDA to 30.2 million, resulting in a 29.6% increase over the prior year quarter. This significant improvement reflects our proactive cost management, operational efficiency leverage, and a shift towards higher margin business. Our adjusted even margin increased to 15.4% from 12.7% for the third quarter, an expansion of 270 basis points. As noted in our press release yesterday, our results reflect certain overhead and personnel expenses which have been reclassified from SG&A to cost of revenue. This reclassification recorded within our financials was $5.7 million for the three months ended September 30, 2024. The impact of this reclassification for full year 2024 was approximately $20.9 million from SG&A to cost of revenue. This redistribution of overhead and personnel expenses has no impact on operating income, net income, or adjusted EBITDA comparability. Selling general and administrative expenses were essentially flat in the third quarter as compared to the prior year comparable period, despite the higher revenue level achieved due to our ongoing cost control management while also making strategic investments in our business. For the third quarter of 2025, the company recorded $1.8 million of reorganization and other costs related to our continuing initiatives to reduce and recalibrate overhead costs, in addition to incremental costs of other related actions. Our effective income tax rate for the third quarter was approximately 22%, benefiting from discrete items in the quarter, whereas we expect the full year 2025 effective rate to be approximately 25%. Interest expense was $3.4 million for the third quarter, down by just under $1 million or 21.4% from the prior year period due to a lower cost of borrowing. For the third quarter, we reported gap in income of $13.1 million or $0.41 per diluted share compared to $6.4 million or $0.20 per diluted share in the prior year period. This improved result of doubling year over year for the quarter significantly exceeded expectations. Note that the buildup of accounts receivable, both billed and unbilled, on our balance sheet, as we discussed in the second quarter, has continued to cause a drag on our cash flow generation in the third quarter. As we have shared earlier, this is a working capital timing item due to implementation and adoption of an upgraded ERP system in April, which is taking us longer than anticipated to come up the learning curve. Note that unbilled accounts retrievable did decrease as of September 30 compared to June 30, 2025, whereas billed accounts retrievable increased over the same timeframe. Hence, we anticipate positive free cash flow generation in the fourth quarter of 2025. We will focus on improving our cash flow performance in the quarters to come. Specifically, improvements to our back office structure, focus tools, and accountability will contribute to reduce accounts receivable, both billed and unbilled. Although some improvement is projected in the fourth quarter, we anticipate to normalize our free cash flow generation in the first half of 2026 to more historical levels. In addition to the higher day sales outstanding experienced in 2025, we The increase for structuring charges and incremental CapEx investments year over year have also adversely impacted our free cash flow. Due to this buildup of net working capital as of September 30, 2025, bank borrowings increased year over year with net debt of $174.5 million as of September 30, 2025. On the positive side, we are continuing our investment in our business for the longer term while lowering maintaining a trailing 12-month leverage level of just below 2.7 times. We expect positive free cash flow and debt paydowns in the fourth quarter, and we continue to emphasize debt reduction as a priority use of our residual free cash flow. Although strong revenue growth was achieved in the third quarter, We expect full-year 2025 revenue to be between $716 to $720 million. This would represent essentially flat performance compared to the prior year after adjusting an approximate 1% reduction in revenue resulting from our ongoing efforts to voluntarily exit unprofitable business during 2025. whereas adjusted EBITDA has continued to improve and is expected to increase for full year 2025. Accordingly, we are raising our prior qualitative adjusted EBITDA guidance range of exceeding the 2024 adjusted EBITDA level of $82.5 million. Based on our strong third quarter 2025 adjusted EBITDA performance results and the current fourth quarter forecast, we expect our full year adjusted EBITDA to be between $86 to $88 million. Our focus for 2025 has been and remains margin improvement and adjusted

EBIT expansion, such that we can generate profitable growth and invest further in our growth momentum heading into 2026. We appreciate your continued support, and at this time, I would like to turn the call back over to Natalia for her closing remarks before we volunteer to take your questions.

Natalia Schumann | President and Chief Executive Officer:

Thank you, Ed. I'll conclude by summarizing the market opportunity we see and preview why we believe Mistrust is well positioned to create and capture more value. Demand for our services is continuously driven by mission-critical projects, aging assets, and aging infrastructure across a diverse set of demanding and dynamic industries. That said, the Mistrust of today is not operating at the full potential of our capabilities. We have historically operated as a company in silos and on a project-by-project basis. Historically, it was more common to be commissioned by a customer to provide a single non-destructive testing at a specific plant versus an entire program on a more strategic enterprise-wide basis. In fact, it is the exception and not the rule that the customers of MISRAS utilized our services in a holistic way. This represents significant opportunities for future growth. Our overall strategic priority in the near term is to change this paradigm and drive more strategic value to our customers through the synergy and scale of our capabilities. The time is right because the challenges that our customers face today require an enterprise-level approach to risk mitigation and optimal return on their CapEx investments. We believe MISTROS has the technical know-how, proven expertise, data analytics, and advanced solutions portfolio to best serve as the new standard for 21st century testing and inspection industry. Our Vision 2030 strategic plan is built on the foundation that mistrust is significantly more valuable to our customers when we deliver the complete suite of services of our platform as an integrated solution. In the months and quarters ahead, we will be sharing more detail on the execution of our plan and how we are connecting with our customers. In the meanwhile, let me close with recapping the three priorities of our strategic plan. First, to continue to develop and deliver comprehensive and integrated solutions to our existing customers in our core markets. Our goal is to be more integrated with each client by providing holistic solutions instead of singular fixes. At the enterprise level, we drive value for customers, and in doing so, we expect to broaden the addressable revenue and profit opportunity. Secondly, diversify into new industries while protecting our core business. We expect our revenue mix and end markets to become increasingly diverse as we do more for new customers. Historically, our company has been subject to oil and gas secular cycles, and our objective is to diversify in order to mitigate the impact of cycles tied to commodity prices. Thirdly, to build upon operational efficiencies, do what we do today but better to improve our margins primarily in the field services business. We have an opportunity to drive increased profitability as we deliver solutions for clients on a holistic enterprise basis. We have had recent success in margin progression through operational efficiency, and we believe it will be a catalyst of our Vision 2030 strategy that will drive sustainable operating leverage, industry-leading performance, and scale. I'll close by thanking all of our customers and partners who have contributed to our superior results this quarter. In particular, I would like to sincerely thank all of our Mistrust employees from the front lines to back office for their tireless efforts in executing on their day-to-day tasks while embracing transformative change and evolving strategy of our company. These efforts are creating value for our customers and, in turn, our shareholders. We look forward to updating you on our performance as we progress further. With that, let me turn the call back to the operator for questions.

Layla | Conference Operator:

We will now begin Q&A. For today's session, we will be utilizing the raise hand feature. If you would like to ask a question, simply click on the raise hand button at the bottom of your screen. Once you have been called on, please unmute yourself and begin to ask your question. Thank you. We will now pause for a moment to assemble the queue. Your first question will come from Mitch Pinheiro with Sturt Event. Your line is now open. Please go ahead.

Mitch Pinheiro | Analyst, Sturt Event:

Hey, good morning. Can you hear me?

Layla | Conference Operator:

Good morning, Mitch.

Mitch Pinheiro | Analyst, Sturt Event:

Good morning, Mitch. Hey, so a couple things. First, I didn't see a breakdown of the oil and gas revenue by subcategory. And I didn't know if that was an omission or if you plan not to have that in your releases going forward.

Natalia Schumann | President and Chief Executive Officer:

Yeah, Mitch, I will explain. We did, in fact, remove that subcategory reporting. I reported before I have done a lot of analysis of, you know, how our customers buy and how we operate. And basically what we've learned that many clients of ours straddled between those two or three subcategories. So reporting on those subcategories is not very accurate. But I can tell you right now, you know, because of the strong quarter, especially, you know, attributed to the turnarounds, downstream was up about 14%, where we also saw the LNG sector is very strong, and midstream and upstream was low single-digit growth. So that kind of gives you an idea of where we are. But, again, several of our customers are in between those subcategories, so reporting doesn't make sense.

Mitch Pinheiro | Analyst, Sturt Event:

Okay, yeah, maybe you should figure out a way to recategorize it because it's obviously the lion's share, two-thirds of your business. it does have a fairly large impact when you have strong upstream, downstream, to at least have some visibility there. So enough of that. Then the other question I have, and this is sort of less to do with the quarter and more to do with reporting, is as I look at your business, it's hard to understand – what field services, shop, lab, you know, I understand data analytics. It's hard to really understand and how to model that, you know. So to look at your – and then on top of that, with all your subsegments, oil and gas, aerospace, industrials, power gen, it's a confusing way to present your story financially. And I was wondering if you're going to look at changing the way you present your financials to better reflect – how you're looking at the business.

Natalia Schumann | President and Chief Executive Officer:

Yeah, good comments. Thanks, Mitch. We can certainly follow up with you on that and see what would make sense, how you would like us to give you a better picture. And do you have any comments?

Ed Preissner | Senior Executive Vice President and Chief Financial Officer:

Yeah, I mean, Mitch, it's a good question. We struggle with this as well, the best ways to look at the business. But we try to give you as transparent a view as we can. We give you geography, meaning all investors, geography. We give the end markets being served. We're talking about our service types now, you know, between the field, you know, the in-lab and the data. So we are trying to pull it apart so you can better understand it. And we're trying to give you multiple views of it. But, you know, we will continue to – call out the high, the low, and give you a feel for what's, you know, growth rates, relative mix. It is all very important. Run and maintain versus call out is something we also talk about. That's another important way of looking at the business to get to the run rates. But, you know, all of that's important, and we like to give you different ways to view the business to understand the drivers of the activity.

Natalia Schumann | President and Chief Executive Officer:

Yeah. No, I appreciate that. We report separately the in-lab. services as well as the field services some of our labs i still are doing both so we are certainly now separating that so to give more transparency into the operations and the performance so that you will see some improvements there for sure as we're going forward in 26 So, and again, our strategic plan is built around the specific industries and market protocols that we serve. So you will see more there for sure as we're progressing with our threat plan.

Mitch Pinheiro | Analyst, Sturt Event:

Okay. I mean, like, for instance, so just taking a look at, so you had oil and gas, you know, good performance there. Thank you. And I would have thought field services would have been up then. I see field services down 1%. So why would field services be down 1% when you had such a nice quarter in the oil and gas segment?

Natalia Schumann | President and Chief Executive Officer:

But if you see the other category in the same table, excuse me. Yes. If you see the other category in the same table, that's the labs that do pulse. Those offices that do the field inspection and the in-lab testing. And that's where you see the increase, right, so substantial increase. And, again, to that point, you know, as we go forward in 26, we will separate those, and you will not see others any longer. So that will give you a much better idea of field services and in-lab and then data analytics as well.

Ed Preissner | Senior Executive Vice President and Chief Financial Officer:

And PCMS misses another piece of that answer. PCMS is oil and gas focused. They're in half the refineries in North America, but they're not field services. They're clearly data. So that's another example there where that industry is up because of PCMS, but they're not field services. They're in a different category, i.e., the data solutions category.

Mitch Pinheiro | Analyst, Sturt Event:

Okay. And then staying on this, you know, your aerospace and defense, very nice growth sort of accelerating out of like a, a slower first half. And I see that, you know, shop laboratories rose up 12%. I'm assuming the shop laboratories is mostly your aerospace and defense business?

Natalia Schumann | President and Chief Executive Officer:

That is correct. That is correct, yes. Okay. Aerospace, defense, and industrials are, as you know, the third largest end market is industrials. So most of our in-lab is testing for the industrials and aerospace and defense.

Mitch Pinheiro | Analyst, Sturt Event:

So what kind of capacity do you have? I mean, so, you know, you've consolidated some of that, but, you know, do you have the capacity to grow at this type of rate for a couple years, or is there a bottleneck there that you have to solve, or can you talk a little bit about how you can grow the aerospace and defense business within the labs? Absolutely.

Natalia Schumann | President and Chief Executive Officer:

Absolutely. A couple of things there. Yes, very proud of the team in lab. They've done a very good job. There was a volume increase as well as the price calibration. So we can see that certainly that customers are now much more willing to pay for the services and the value we provide to them. But to answer to your specific question on capacity, that is our strategic plan, right? So to expand further on the capacity, we are continuing to build out hub and spoke model where we have several large hubs in different parts of the country as well as Canada. where we have the most capabilities. And then we have smaller labs where we can take the orders and be closer to the customers. So we're expanding two things. We're expanding capacity by building out those hubs, as well as the expanding capabilities where we're adding new services. You know, we reported earlier in Q2 that we added welding equipment. cleaning, repairs, rework, cleaning, so basically optimizing the supply chain for our customers. So, you know, you've seen our CapEx is a little bit up. That all goes in the growth, growth investments. So that's CapEx, and we're advancing our UT capabilities, ultrasonic capabilities in our labs. So that's, again, will give us much better and bigger capacity to serve our clients. Because market is growing, right? Market is, you know, our customers are disclosing publicly. They have backlog. We're continuously talking to our customers. And they are expecting growth. They are cautiously optimistic, right, especially in a commercial airspace. sector, sub-sector, they're cautiously optimistic because there is some tightness in their own supply chain. Nevertheless, it's a growing business for us, and it's growing not only in the U.S., but also in Europe. And another thing, don't forget, is defense, right? Defense... Defense growth is obviously expected, whether it's in Europe or military spend or U.S., right? So it goes also well for us.

Ed Preissner | Senior Executive Vice President and Chief Financial Officer:

Some of these same projects, Mitch, are being funded jointly with the customer. They need us to grow. They need this capacity. They want us to expand. So they're actually jointly funding some of this CapEx to help expand the footprint to service them going forward, to help them catch up on their backlogs that they have. And we're very happy to support them, and we will expand capacity to do that.

Mitch Pinheiro | Analyst, Sturt Event:

Okay. Yeah, just one more question, and I'll get back in the queue. Okay. on the last call you were talking about new construction projects related to data centers the ai electrical infrastructure uh can you talk a little bit more about anything that's developed over the last three months

Natalia Schumann | President and Chief Executive Officer:

Yes. So we announced that new project with Bachelor and Kimball. So that's the good win for us. Again, as I mentioned last time, right, it's right now in the intersection where technology can no longer advance without the the energy, right? And we've been very prominent in the energy sector. So we're basically taking the same, you know, our testing methods and inspection methods and apply it to new use cases, right? So in data centers, it's the same. We're doing exactly the same. What we've been doing all these years, right, is You know, ultrasonic testing, it's thermal infrared imaging, right, to detect the heat issues. So there's a radiography, there's a visual inspection and testing. So all of those services we provide for the data center. you know it's it's more to come on that it's it's a big sector for us uh we certainly um already you know creating capabilities or or having these separate teams that working on on data centers you know i reported earlier that we have hired some sales executives that continuously looking into this sector and you know developing the relationship with the prospective customers with new customers so More to come on that. It's a good opportunity for us. We feel confident. It's a good market for us. It's, again, it's a part of our diversification strategy and our vision 2030. It's part of our strategic plan.

Mitch Pinheiro | Analyst, Sturt Event:

All right. Well, thanks for the questions. I'll get back in the queue.

Natalia Schumann | President and Chief Executive Officer:

Thank you, Mitch.

Layla | Conference Operator:

Your next question will come from John Franzrup with Sadatian Company. John, your line is now open. Feel free to unmute and ask your question. Hi, John. Your line is now enabled. You'll just need to mute on your side. Well, why don't we come back to John. We'll move on to with Singular Company.

spk07 | Analyst, Singular Company:

Good morning. Can you hear me? Yes, yes. Good morning. Good morning. Thank you for taking my calls. On the margin side, can you help me quantify how much of that margin improvement is coming from deliberate lab or business exit versus pure operational execution, and how much of that runway remains for further portfolio pruning?

Natalia Schumann | President and Chief Executive Officer:

Certainly, absolutely. Yes, certainly the larger part of the margin improvement is attributed to the favorable business mix. So that led to the improved gross profit. And then, obviously, operational efficiencies and the closure of unprofitable labs contributed to the improved EBITDA margin overall. But the majority of the improvement comes from that, the revenue improvement, gross profit improvement, mostly in oil and gas, right, attributed to our turnaround, very good traditional seasonality impact there, and then growth in all the other sectors or industries. But in terms of operational efficiencies, obviously it played a role there and closing of unprofitable ops as well.

spk07 | Analyst, Singular Company:

Okay, sounds good. Thanks for that, Colin. And I know you commented a little bit about the aerospace industry and the data analytics industry. Which end markets are you really showing some most forward visibility into 2026? And, you know, the kind of acceleration and spend from your key customers?

Natalia Schumann | President and Chief Executive Officer:

So what we are really seeing where we see – well, first of all, the markets, kind of all markets right now, and that's contributed to our Q3 results as well, are quite stable. And we see growth is in airspace and defense. in particular defense, right, where we see the increased opportunities there, as well as in infrastructure. Data centers are in our infrastructure segment. So that's where we see that there will be potential opportunities and growth, as well as in power generation as well. Because, again, you know, it's now infrastructure and energy and, you know, The energy demand is coming from, again, technology expansion and advancement and so on. So I would say those three sectors, right, airspace and defense, infrastructure and power generations, we believe that we will see growth in 2026. Having said that, obviously a large percentage of our business mix is in oil and gas, and so we're continuously working with our clients in that sector, in that market vertical, to offer integrated solutions. So that first pillar or first priority of our strategic plan is to increase the wallet share with existing customers, and we believe that with integrated solutions we certainly can achieve that. where we envision growth coming from customers using our oil and gas customers using more than just field services inspections, but we're adding, you know, additional services such as PCMS, such as other robotics, rope access, and so on. So we're quite confident about the – about the markets as we're looking for next year. But, of course, what I can tell you right now, we will start making growth investments in those sectors, right, to get this ability to grow and capitalize on opportunities.

spk07 | Analyst, Singular Company:

Gotcha. And that capex that you're mentioning that you'll have to make, that's dependent on the cash conversion that you will be able to accomplish by the end of this year. Is that correct? Are we trying to model increase in debt levels?

Natalia Schumann | President and Chief Executive Officer:

That's right. So obviously cash generation is one of our priorities internally. This is something that we can control, and that is something that absolutely will take priority as we're stepping in into the new year.

spk07 | Analyst, Singular Company:

Okay, sounds good. And just one more question. You mentioned that the pricing environment is quite stable. As you transform into a more integrated solutions provider, what's the competitive environment like? And what is your kind of your early win rates as you maybe, I don't know how early that is? As you present yourself as a more integrated solution, what's the competitive environment like and how are you gaining traction?

Natalia Schumann | President and Chief Executive Officer:

Thanks for this question. Yes, we're tracking, obviously, the competitors. It's a slightly different set of competitors as we, you know, reaching out to the other markets or looking at the other services and adding services, right? But this is not new to Mistrust. This is not new to the company. So, although, you know, we had problems. The bulk of the services, so to speak, right, in our portfolio is our foundation. So we know that environment. We're just integrating the solutions, and we believe that we will produce more value with integrated solutions. So in terms of the early wins, yes, I can tell you it's one of our KPIs for our strategic plan is to measure the cross-selling and how we're tracking on cross-selling. About $3 million to $3.5 million this quarter already attributed to the cross-selling results or cross-selling efforts. That, I can tell you, we will report as we're going forward, so how we're doing on the integrated, specifically on the integrated solutions and what progress we're making in that regard.

spk07 | Analyst, Singular Company:

Sounds good. Thank you so much. That's all I had. I'll jump back in the queue. Thank you.

Layla | Conference Operator:

For our next question, we'll return to John Franzer with Sedati & Company. You may now unmute and ask your question.

John Franzrup | Analyst, Sadatian Company:

Good morning, everyone, and congratulations on a good quarter. Thank you, John. I'm actually curious about the quarter itself. Was there any revenue that was pulled forward from the fourth quarter into the third quarter?

Natalia Schumann | President and Chief Executive Officer:

No. That was all third quarter generated revenue.

John Franzrup | Analyst, Sadatian Company:

Okay. And I'm also curious about the guide. It kind of suggests, at least at the midpoint, that there's more gross margin sensitivity than I was cognizant of, well, potentially SG&A goes up sequentially. Am I thinking about that properly, or am I missing one of the puts and takes here?

Natalia Schumann | President and Chief Executive Officer:

You're talking about Q4, is it correct, John?

John Franzrup | Analyst, Sadatian Company:

Correct.

Natalia Schumann | President and Chief Executive Officer:

Yes. So the way we're modeling Q4 is that we certainly – so we believe that we will be in line with our own expectations. We already seen good, again, good transitional seasonality for October. So our turnaround season was quite strong in October. We also know that, again, traditionally Q4 is – not as strong as Q3. So we're implying in our guidance some revenue growth versus prior year. We believe that will be a moderate growth in EBITDA. But we believe there's no surprises at this time that we can tell you about for Q4.

Ed Preissner | Senior Executive Vice President and Chief Financial Officer:

Yeah, definitely. Yeah, yeah. I'm sorry, do you want to say something? No, nothing else to add there, John.

John Franzrup | Analyst, Sadatian Company:

Okay. And I'm curious if you're starting to get orders for the upcoming spring season yet, and if that's the case, can you give us some kind of qualitative thoughts on it?

Natalia Schumann | President and Chief Executive Officer:

Yes. As we plan for 26, and now we're in the middle of the budgeting season, as you can imagine, so we believe it will be a strong spring turnaround season. You might recall last year was quite different, right, or this year, rather, was quite different. So spring was not as strong as the fall. So right now we see that we have won some of the turnaround awards and bids. So we anticipate a stronger turnaround season that was in 2025.

John Franzrup | Analyst, Sadatian Company:

That's good to hear. Just an odd question, I think. Do you have any impact in any of business from the government shutdowns, or is that a non-issue for you?

Natalia Schumann | President and Chief Executive Officer:

No, there is not an issue for us.

John Franzrup | Analyst, Sadatian Company:

Okay. I'm just curious. Okay. Thank you for taking my questions.

Natalia Schumann | President and Chief Executive Officer:

Of course.

John Franzrup | Analyst, Sadatian Company:

Thank you, John.

Layla | Conference Operator:

Thank you. At this time, I see no callers in the queue, so I will hand back to Ms. Schumann for her closing remarks.

Natalia Schumann | President and Chief Executive Officer:

All right. Thank you, Leila, and thank you, everyone, for joining this call today and for your continued interest in Mistrust. I look forward to providing you with an update on our business, Vision 2030 strategic plan, and progress achieved towards our ongoing initiatives on our next call. Thank you.

Layla | Conference Operator:

This ends today's conference call. You may disconnect at this time.