

NYSE:ROG Q2 2025 Earnings Call Transcript

Generated on 6/10/2026

Sean Molley | Conference Operator:

Good afternoon. My name is Sean Molley and I will be your conference operator today. At this time, I would like to welcome everyone to the Rogers Corporation Second Quarter 2025 Earnings Conference Call. I will now turn the call over to your host, Mr. Steve Haymore, Senior Director of Investor Relations. Mr. Haymore, you may begin.

Steve Haymore | Senior Director of Investor Relations:

Good afternoon and welcome to the Rogers Corporation Second Quarter 2025 Earnings Conference Call. The slides for today's call can be found in the investor section of our website along with the news release that was issued earlier today. Please turn to slide two. Before we begin, I would like to note that statements in this conference call that are not strictly historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be considered as subject to the many uncertainties that exist in Roger's operations and environment. These uncertainties include economic conditions, market demands, and competitive factors. Such factors could cause actual results to differ materially from those in any forward-looking statement made today. Please turn to slide three. The discussion during this conference call will also reference certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles. A reconciliation of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the slide deck for today's call, which are available on our Investor Relations website. With me today are Ali El-Haj, Interim President and CEO, Laura Russell, Senior Vice President and CFO, and Jeff Tsao, President of the Advanced Electronic Solutions Business Unit. I will now turn the call over to Ali.

Ali El-Haj | Interim President and CEO:

Thank you, Steve. Good afternoon, everyone, and thank you for joining us today. First, let me say that I appreciate the opportunity to step in as the interim CEO role at Rogers. Over the past several months, I have directly observed the talent and capability of the global Rogers team, as well as the many compelling opportunities that are ahead. There are challenges that need to be addressed. However, I'm excited to lead the organization and leverage my prior experience to help improve the company's performance. Over the past 30 plus years, I have gained significant experience leading both private equity-owned businesses and divisions of public companies. Like Rogers, these companies have been global manufacturers of highly engineered materials and products that have competed in similar end markets, such as automotive and industrial. At each of these companies, I have demonstrated the ability to deliver growth in both sales and profitability. I look forward to working with the executive leadership team and employees globally to do the same at Rogers. Now turning to slide four. First, I want to emphasize to our shareholders that Rogers' core capability and strengths are intact. The recent leadership transition does not signal a major change in strategy or a deterioration of our competitive advantages. Rather, the changes are needed to increase the speed of execution, improve accountability, and create a more dynamic organization to accelerate growth and improve margins. Next, the performance of the AES ceramic business has been affected in recent quarters by a rapidly evolving EV market. I will cover how we are responding to the market-driven changes facing this business and the actions we are taking to address them. Turning to our Q2 results, our sales, gross margins, and adjusted EPS were all within guidance ranges. Sales increased by 6.5% from the prior quarter, led by a stronger industrial portable electronics, A&D, and ADAS end markets. We look ahead to Q3, and we expect a

more modest increase in revenue. However, gross margin and adjusted EPS should see stronger increases due to our ongoing cost and expense containment initiatives. Laura will cover both the Q2 financials and third quarter outlook in more details. Next on slide five. Here are the key elements that provide a strong foundation for Roger's future success. For many years, Rogers has been a trusted partner by leading OEMs globally. They value Rogers' design capabilities, proven reliability, and broad portfolio products. As a customer-focused company, we will continue to build on these values in all areas of our business. Rogers' technical capabilities also remain a strength for the company. Our sales engineers and technical service organizations are critical to our success. They leverage their deep expertise to assist our customers in finding the right materials and solutions for their specific applications. Rogers' greatest strength is its employees. As I have had the opportunity to meet many of the Rogers team around the world, I have been impressed at the talent and commitment they bring to work each and every day. We will continue to invest in the development of our employees and their success. Finally, Rogers' global reach and footprint continues to be a strength and source of differentiation. We have manufacturing and technical expertise in every major region of the world to provide high levels of support to our customers. We are building a global company with local experts. Next, on slide six, I'll highlight some of the changes happening in the global electric vehicle market. Over the past 18 months, we have seen a sharp divergence in the regional growth rates for EV production and sales. In North America and Europe, projections for EV growth have been downgraded over time by millions of units. This resulted in both a significant inventory correction and a stagnation of production levels in these regions. In contrast, EV production in China has remained on track to projections, and unit volumes have grown rapidly. This change in regional growth rates has altered the competitive landscape for Coramic's direct customers. Power module manufacturers in Asia, and specifically China, have capitalized on the fast growth in their home market and have been able to capture large share from Roger's traditional customers. Also, with intense global EV competition and consistent with typical trends in the auto industry, power substrates are facing price and pressure. As a result of these market changes, we experience lower demand than originally forecasted, and we are adjusting the ceramic business accordingly. Turning to slide seven. In support of our local or local manufacturing strategy, we are rebalancing our capacity between Europe and China. As recently announced, we are taking meaningful actions to right-size the ceramic business. With lower growth in the EV market outside of China, it is necessary that we have a cost competitive footprint in each region. Our plans include ramping up manufacturing capabilities in China and reducing capacity in our European operations. The full year run rate savings from these actions are projected to be in excess of \$13 million. Our Suzhou factory combined with a localized supply chain will afford us a global competitive advantage. Customer qualification work at this facility is continuing, and we expect to ramp up production in the coming months. We continue to see good traction with additional design wins in the local market. Indeed, in the second quarter, our AMB substrates were designed into a key EV platform by one of the leading Chinese power module manufacturers. The new facility also expands opportunities in industrial and renewable energy and markets. We continue to believe that electrification will provide compelling market opportunities ahead. Executing on this strategy will be key to competing effectively in all regions and enabling our growth in the EV market. We are also focused on growing across our other key end markets. Laura will highlight the growth we saw in Q2, especially in industrial, aerospace, and defense, and ADAS. In industrial, our primary markets are showing signs of recovery and remain a major focus area. We have identified several growth opportunities, such as battery energy storage systems and data centers. In data centers, sales today are small, but we are actively engaging with customers to help them address thermal vibration management and signal integrity challenges. In A&D, we expect the demand from both U.S. and European primes will continue to be strong, and we are working to secure additional wins. In the ADAS market, there are compelling growth opportunities as vehicles move to higher levels of autonomy. We are making progress with design wins in new regions and on new introduced laminate materials which build on our proven performance while reducing manufacturing costs for our customers. I'll turn it over to Laura to discuss our Q2 financial performance and Q3 outlook.

Laura Russell | Senior Vice President and CFO:

Thank you, Ali. Along with Roger's Board of Directors and employees, I have a great deal of confidence in Ali's leadership abilities. I look forward to partnering together to drive improved results for our shareholders. I'll begin on slide eight with a summary of our Q2 results. Our key financial metrics for the quarter were within our previously announced guidance expectations. Sales were above our expected midpoint as we saw increased demand across most end markets. AES revenues increased by 4.6%, and EMS revenues were 8.2% higher on a quarter-on-quarter basis. On a gap basis, we recorded a net loss of \$73.6 million, or \$4 per share. This was inclusive of \$4.3 million of restructuring costs and a non-cash impairment charge of \$71.8 million related to Goodwill and other intangible assets for our Ceramic business. As Ali referenced, market and competitive dynamics in the EV space have rapidly shifted in recent quarters. These changes resulted in a lower outlook for Ceramic, which triggered the impairment. With the expansion of our local manufacturing capabilities and the cost reduction initiatives we announced, we believe that we can meaningfully improve the performance of Ceramic relative to current levels. Adjusted earnings per share in Q2 increased to 34 cents from the 27 cents in Q1 as a result of the improvement in sales and gross margin. On slide nine, I'll discuss our sales for the second quarter buy-in market. Industrial markets had the strongest performance in Q2, increasing at a double-digit rate versus the prior quarter. General industrial sales in EMS increased across multiple product lines and regions. AES industrial sales were also higher with stronger industrial robotic and automation demand. Aerospace and defence sales were also higher in both AES and EMS operating segments. AES defence sales improved slightly and EMS commercial aerospace sales rebounded after a decline in Q1 related to customer order timing. ADAS sales increased for the third consecutive quarter as we continue to see traction with existing customers and grow business in Asia. Portable electronics also increased at a double-digit rate versus the prior quarter, consistent with expected seasonal growth. Turning to slide 10. Q2 gross margin was 31.6%, an increase of 170 basis points from the first quarter. The improvement in gross margin was driven by higher sales and favourable product mix. The impact of tariffs on gross margin was relatively small in Q2, given the de-escalation of rates between the US and China in the quarter and also as a result of our mitigation efforts. Gross margin was below the midpoint of our guidance range for two primary reasons. First, we had a material write-off related to our Belgian facility, which ceased production in Q2. Second, there was an impact from underutilisation at our ceramic Germany factory, which we are addressing with our planned cost reduction action. Adjusted EBITDA improved to 23.9 million, or 11.8% of sales. This resulted from the higher gross margin partially offset by an expected increase in adjusted operating expenses. Continuing to slide 11, I'll next discuss cash utilization for the quarter. Cash at the end of the second quarter was 157 million, a decrease of 18.4 million from the end of the first quarter. For a cash balance decrease in Q2, due to 28.1 million of share repurchases. Capital expenditures were 8.1 million in Q2 and included ERP implementation, maintenance capex and residual investments in new capacity. Consistent with my comments last quarter, our investments in previously announced new capacity are largely complete. Naturally, we will continue to evaluate targeted investments to optimise our organic business performance. Returning capital to shareholders will remain a high priority. We will continue to balance this objective against evolving trade dynamics and cash costs for European restructuring activities. Based on our current view, we anticipate share repurchases in Q3 to be in a similar range to the second quarter. Following our purchases in Q2, we have approximately 76 million remaining on our existing share repurchase programme. Synergistic bolt on M&A continues to be part of our long-term strategy. However, during this transition, the focus will be on organic growth. With that said, evaluation of target opportunities with the right product and regional fit will continue, to ensure we can capture any target meeting our investment criteria. Next, on slide 12, I'll review our guidance for the third quarter. Beginning with sales, we expect Q3 revenues to be between 200 and 215 million, with a midpoint of the range, a 2% increase in sales, versus the previous quarter. The guidance assumes seasonally stronger portable electronics, and a modest recovery in ceramic for EV. ADAS sales are anticipated to be down from a seasonally lower auto production. We are guiding gross margin to be in the range of 31.5% to 33.5%, or a 90 basis point improvement at the midpoint of our range. The guidance assumes that tariff policies in place today will remain unchanged for the quarter. The improvement in our forecasted gross margin from 4Q3 is due to volume and product mix benefits. We expect adjusted operating expenses to decrease from the second quarter as a result of lower

compensation expense and our continuing focus on discretionary spending. EPS is projected to range from break-even to 40 cents of earnings. The adjusted EPS range is 50 cents to 90 cents of earnings. Adjustments to arrive at our non-GAAP EPS are mainly comprised of severance related to the recent executive management departures and restructuring costs related to operations in Europe. This includes some initial estimated charges for the ceramic restructuring actions announced today. We expect the total restructuring costs associated with the Ceramic European operations to be in the 12 to 20 million range and incurred over the period from Q3 of 25 to Q3 of 26. The cost savings associated with these actions are projected to be greater than 13 million on an annual run rate basis and are mainly cost of sales. The savings from these actions will be incremental with the full run rate savings potential beginning in Q4 of 26. These are in addition to the 32 million of annual run rate savings communicated last earnings call. Lastly, based on current visibility, we project our full year tax rate to be approximately 30%. I will now turn the call back over to Ali.

Ali El-Haj | Interim President and CEO:

Thank you, Laura. Let me conclude on slide 13 with key priorities. Management is focused on simplifying how we operate by empowering our employees, leading to faster decision making and improved speed of execution. With this enhanced agility, combined with a strong customer focus and new product introductions, we are confident in our ability to accelerate growth. That concludes our prepared remarks. I will now turn the call back to the operator for questions.

Sean Molley | Conference Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We also ask each participant to please limit themselves to only one question and one follow-up. One moment, please, while we poll for questions. Our first question comes from the line of Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore | Analyst at CJS Securities:

Good afternoon, Ali and Laura. Thank you for taking the questions. You know, perhaps we just – I'll pick up where you just left off. But, you know, beyond the \$13 million restructuring targeted cost savings, maybe, Ali, just talk about your kind of top two or three priorities, either strategic or financial, as we think about the next six to 12 months.

Ali El-Haj | Interim President and CEO:

Okay. Dan, as mentioned earlier, I think strategically, first of all, we have a lot of cost initiatives internally that we're working on, operational improvements internally that we need to continue to focus on and improve. And that's why we made the changes that we've made in the organization to speed up the execution and be able to realize, you know, a much more dynamic organization that's going to be responsive to the customer and be able to respond faster, be able to deliver in lower lead time or shorter lead times and stuff like this. This is critical for our current business as well as growth opportunities. So that's one. The second one is, again, on the top line, we did identify a lot of opportunities, short-term, mid-term, and long-term. So the focus will be, again, priorities will be on the short and mid-term, and we continue to pursue those opportunities to be able to impact that third and hopefully beyond that quarter's top-line revenues.

Daniel Moore | Analyst at CJS Securities:

Helpful, and maybe I'll ask a 2 and a 2A and keep it at two questions. But you mentioned sequential growth several times. You also mentioned the focus will be on organic growth near-term. What are the keys to getting back, and when do you expect to get back to consolidated organic revenue growth on a year-over-year basis? And how do you think about kind of reasonable midterm, say, one- to two-year gross margin targets, given the updated outlook for Ceramic? Thank you.

Ali El-Haj | Interim President and CEO:

Yeah, with regard to top-line growth, again, we're really being aggressive. Our efforts will be, you know, the whole organization is going to be focused on doing so. And we anticipate to have meaningful growth quarter after quarter. As you know, we have guidance for the next quarter. We cannot go beyond that company policy. But our expectation, we will see strong results going forward. An alternative to Laura for the balance of the – go ahead.

Laura Russell | Senior Vice President and CFO:

Yes. So, hi, Dan. Let me comment on the margin expansion targets. So, you know, as Ali said, the organisation's heavily focused on top-line expansion and execution of the opportunities that we see in front of ourselves. If we can execute that expansion, you know, that utilisation and benefit to the capacity that we already have invested in and have ready and available globally, will assist us in expanding our margins versus how we're performing today. with a, you know, a challenge top line performance level. In addition to that, you know, this year we've announced the significant cost savings that we've undertaken to manage during this environment. And as Ali said, we've already announced in today's comments additional restructuring. So that will also assist us in leveraging and optimising our margins on a go-forward basis.

Steve Haymore | Senior Director of Investor Relations:

We can go to the next question, please.

Sean Molley | Conference Operator:

Thank you. Our next question comes from the line of Craig Ellis with D. Reilly Securities. Please proceed with your question.

Craig Ellis | Analyst at D. Reilly Securities:

Yeah, thanks for taking the question. And, Ali, welcome. I wanted to start just going back to something that you emphasized both in the beginning of your prepared remarks and then at the end when you summarized key priorities, and it was speed of execution. And what I was hoping you could do is give us some specific examples of where you think accelerating speed of execution can make a big difference for Rogers, whether it be in product development and changes to the way the company manages fulfillment, other aspects of how you're bringing value to the customer. What is it specifically that you're looking for and how much improvement do you need for this business to really hum in your eyes?

Ali El-Haj | Interim President and CEO:

Yeah, thank you, Craig. I think, you know, one example that I can give you with regard to, you know, speedy kind of, you know, change the company performance to be able to deliver faster. If you look at our lead time in some of our product lines, it just – it is not – acceptable in today's market conditions. We just need to be faster. So we're trying to take our current lead times in some product lines and some plants from whatever today that number is and try to bring it down by 50% to 60%. So be able to deliver faster. If the customer needs it tomorrow, they need to have it tomorrow, not three or four days from now. This is something we need to work on. We have not been doing a great job with it in the past. I think going forward, you will see a significant change in that. Customers will see that and realize that. The second part that we talked about, we have a significant number of new products and next generation type products that we intend to launch and deliver over the next quarters. not one quarter, but over the next coming quarters. And I think we need to accelerate that development process. So by focusing the R&D organization and making sure that the whole company is focused on, this becomes part of the normal operating process of the company, not in a silo by itself and working by themselves. So I think doing these two things, we'll be able to deliver faster prototypes to the customers so that they can put those in their new product development, we'll be able to win programs faster and deliver faster.

Craig Ellis | Analyst at D. Reilly Securities:

That's really helpful. The second question will be for Laura. Laura, we had previously had in place a \$25 million cost reduction effort that I think by the end of this year was going to be on a \$32 million run rate, and today I believe we've talked about an incremental \$13 million run. So my write-in saying that if we're talking about \$13 million and if we were to look out to next year, the \$13 and the \$32 million run rate exiting this year would mean that we're talking about around \$45 million in cost savings as we look at 2026. And if that's so, any color on the slope of the line. And if that's not right, please correct me with those numbers. Thank you.

Laura Russell | Senior Vice President and CFO:

Sure. Sure, Craig. So you're right. What we discussed in our last call was a 26 savings benefit of 32 million relative to how we exited 24. What we've announced today with the restructuring in our ceramic operations in Europe is an incremental 13 million to that amount. So cumulatively, you're correct in your observation of 45 million. What I would say, though, is the timing won't fully manifest in full year 26. At the moment, and based on our planning assumption, we would anticipate to start seeing the \$13 million, which is an annual amount, crystallise in savings through the P&L, likely in the fourth quarter of 26. And as we go through the process and evaluate that further, if there's any material change, naturally we'll provide updates.

Craig Ellis | Analyst at D. Reilly Securities:

Got it. Thank you.

Sean Molley | Conference Operator:

Of course. Thank you. And we have reached the end of the question and answer session. And this also concludes today's conference, and you may disconnect your lines at this time. We thank you for your participation.