# NYSE:ROG Q1 2026 Earnings Call Transcript

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### Kevin | Conference Operator:

Good afternoon. My name is Kevin, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Rogers Corporation First Quarter 2026 Earnings Conference Call. I would 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 First Quarter 2026 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 discussions during this conference call will also reference certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles. 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. With me today are Ali El-Haj, interim president and CEO, and Laura Russell, senior vice president and CFO. I will now turn the call over to Ali.

### Ali El-Haj | Interim President and CEO:

Thanks, Steve. And thank you, everyone, for joining us today. I will begin on slide four. In the first quarter, we delivered solid results with all financial metrics meeting or exceeding the midpoint of our guidance for the third consecutive quarter. Q1 sales were $201 million, a 5% increase year over year from foreign currency benefits and a higher industrial demand in the U.S. If not for adverse weather conditions and multiple supplier disruptions, which impacted operations at some of our U.S. plants, Q1 sales would have approached the high end of guidance. We achieved a significant year-over-year improvement in profitability. Adjusted EPS more than doubled to 75 cents per share, and adjusted EBITDA margins expanded 580 basis points to 16%. For the second quarters, we are forecasting sales to increase 6% at the midpoint of our guidance. We expect Q2 growth in automotive, industrial, and electronics end markets. Adjusted EBITDA margins are projected to increase year over year by nearly 600 basis points. The improved Q1 results and stronger Q2 outlook demonstrate the progress we are making on our commercial and profitability initiatives. We are maintaining an intense focus on improving Roger's multi-year growth outlook. The past quarter, we secured important design wins and continued to gain customer attractions through our R&D pipeline. Turn to slide five. Beginning this quarter, we streamlined our reporting into four primary end markets. At 37% of sales, the industrial market remains our largest segment and now includes renewable energy and mass transit markets. Q1 industrial sales increased at a double digit rate compared to the first quarter of 2025. Growth was driven by increased demand aligned with improved manufacturing PMI activity in the US and Europe, as well as additional market share wins with Rogers to additional customers. The automotive market segment, which represented 24% of revenue in Q1, includes EV, HEV, ADAS, and all other ICE vehicle applications. Sales declined year over year at a high single-digit rate due to lower global light vehicle production and weakness in the US EV market. However, we are seeing positive design wind momentum in automotive. which we expect to translate to robust sales growth in the coming quarters. The electronic and communications market segment includes sales in consumer electronics, semiconductors, wired and wireless infrastructure. Accounting for 18% of sales in the first quarter, this segment increased at a double-digit rate, driven by higher smartphone and wireless infrastructure sales. The improved smartphone sales resulted from higher volume, a favorable mix of higher-end devices, and an increased share with existing customers. Lastly, aerospace and defense sales comprised 15% of revenues and improved slightly from last year. The growth was led by commercial aerospace sales in our AMS business. We expect aerospace and defense to remain a growth area for Rogers. Next on slide six, I will outline our progress toward 2026 priorities. Our objective to grow the top line in 2026 and in the coming years remain our highest priority. We secured several design wins during Q1 in support of that goal. First, in the AES business, our high frequency circuit material were designed into a new automotive radar application with a leading Asian OEM. Sales are planned to begin in the second quarter. In the EMS business, we were awarded several design wins for EV battery applications with leading OEMs in the United States and Asia. These solutions will be used across different platforms. We are further encouraged by the progress we continue to make across products in our R&D pipeline. We continue to test and validate our micro channel cooler technology for data centers with multiple customers. Feedback from our customers has been encouraging and we believe our technology possesses unique capabilities for cooling high power chips in data centers and AI applications. Development of high frequency circuit material for data centers is also ongoing. Recent internal testing showed promising results, and we expect customer sampling and testing to begin within the next two quarters. While these projects move forward, we are also actively advancing other high potential opportunities. We continue to make progress with our 2026 profitability improvement initiatives. Across most of our manufacturing operations, we have seen measurable improvement in cost structure and overall operating performance resulting from the focused effort of our dedicated team. The restructuring initiatives at our German facility remain underway with $13 million of annualized savings still expected by Q4 of this year. We also continue to efficiently manage operating expenses with strong control measures in place. Our capital allocation priorities support both organic and inorganic growth. Accordingly, we have increased our focus on evaluating potential M&A and we continue to assess opportunities that align with our strategic and financial objectives. Our organic growth will largely be supported with existing capacity, but we are prepared to allocate capital for CapEx to support opportunities in our R&D pipeline as needed. I will now turn it over to Laura to discuss our Q1 financial performance and Q2 outlook.

## Laura Russell | Senior Vice President and CFO:

Thank you, Ali. Starting in slide 7, I'll summarize our first quarter results. Sales, gross margin, adjusted EPS and adjusted EBITDA all met or exceeded the midpoint of our guidance for the first quarter. First quarter sales increased 5% or 10 million, inclusive of foreign currency benefits of 7.9 million. As Ali mentioned, there were weather and supply disruptions specific to several of our US manufacturing locations which tempered our Q1 sales. AES Q1 revenues increased by 3.4% versus Q1 of 25. By end market, sales increased in the electronics and communications segment and the industrial segment. EMS sales improved by 7% year over year. By end market, sales increased in the industrial, electronics and communications and A&D segments. This was partially offset by lower automotive sales. Adjusted earnings per share were 75 cents in Q1 and increased 178% from the prior year period, resulting from higher gross margin and significant improvements in operating expenses. Foreign currency fluctuations had only a small effect on adjusted EPS as their global operations act as a natural hedge. Turning to slide 8, Q1 adjusted EBITDA was 32 million and increased 580 basis points year over year to 16% of sales. The improvement in adjusted EBITDA was primarily a result of higher sales and improved product mix. Reductions in manufacturing costs, start-up and general and administrative expenses also contributed to the higher adjusted EBITDA. We continue to ramp our new factory capacity, which resulted in a 1.4 million headwind to EBITDA versus the prior year. However, new factory performance costs decreased versus Q4 of 25. Continuing to slide 9, I'll discuss cash utilization for the quarter. Cash at the end of Q1 was £196 million and changed only slightly from the end of the fourth quarter. Cash provided by operations was £5.8 million compared to £46.9 million in Q4 of 25. Inventory reductions were a key driver of the much higher operating cash flow in the prior quarter and this was not expected to repeat in Q1 of 26. Consistent with typical patterns, accounts receivable increased in Q1 following a large reduction in Q4 of 25. Higher accounts payable partially offset the Q1 increase in AR. Capital expenditures in Q1 were 4.7 million. Our expectation for full year 26 capital expenditures of 30 to 40 million is unchanged. We did not repurchase shares in the first quarter and will continue to balance return on capital to shareholders with other capital needs. Next, on slide 10, I'll review our guidance for the second quarter. On a year-over-year basis, we again anticipate improvement in Q2 sales, margin and profitability. We are guiding Q2 revenues to be between 210 and 220 million. The midpoint of the range is a 6% increase in sales year over year. The guidance includes our expectation for higher automotive sales from the start of new programme wins and continuation of existing programmes. In addition, smartphone sales should increase from normal seasonal factors. with some growth in industrial end markets continuing. We're gauging gross margin in the range of 32.5% to 33.5%. The midpoint of the range is 140 basis points higher than the prior year due to higher volumes and cost structure improvements. We expect Q2 adjusted operating expenses to remain approximately flat to the first quarter. Adjusted EPS is forecast to range from $0.90 to $1.10. The $1 midpoint compares to adjusted EPS of $0.34 in Q2 of 2025. Adjusted EBITDA is anticipated to range from $35 to $41 million. This equates to a 17.7% EBITDA margin at the midpoint of the range which would be a 590 basis points improvement versus the second quarter of 2025. Excluded from adjusted EPS are restructuring costs related to the ceramic actions in Germany. In Q1, we recognised 4.4 million of associated restructuring charges, bringing total restructuring for this programme to date to 9.8 million total. This is relative to our total estimated range of 12 to 15 million. The remaining restructuring costs associated with this action will largely be incurred from Q2 to Q3 of 26. The programme is still anticipated to deliver 13 million of annual run rate savings. Lastly, we project our non-GAAP 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:

Thanks, Laura. In summary, we had another quarter of solid execution and delivered improved Q1 results. Our second quarter outlook also reflects solid year over year improvements and highlights the momentum behind our commercial and profitability initiatives. We remain focused on execution and driving greater value creation. That concludes our prepared remarks. I will now turn the call back to the operator for questions.

## Kevin | Conference Operator:

Thank you. We'll now be conducting a question and answer session. If you'd like to be placed in the question queue, please press star 1 on your telephone keypad. We ask you to please ask one question, one follow-up, then return to the queue. You may press star 2 if you'd like to remove your question from the queue. Once again, that's star 1 to be placed in the question queue. A confirmation tone will indicate your line is in the question queue, and we ask that you please ask one question and one follow-up, then return to the queue. Our first question today is coming from Craig Ellis from B-Reilly Securities. Your line is now live.

## Craig Ellis | Analyst, B-Reilly Securities:

Yeah, thanks for taking the question, and congratulations on the real strong execution team. Ali, I wanted to start just following up by one of the points you made about Calendar 26's focus areas in And you indicated that growth is the highest priority. Can you talk a little bit more about the design wins that were achieved in EB and ADAS and when those wins would convert to revenue? And as the second part of that question, go into a little more detail in terms of what you're seeing with the data center opportunity, how material are the engagements that you have now and how significant are the things that sound like they're more in the development or pipeline stage?

### Ali El-Haj | Interim President and CEO:

Okay. You know, as mentioned, regarding the design wins, as we've indicated in the prepared remarks, we had several in the EMS side, mostly related to EV batteries and other applications. And on the AAS side, we have, as I mentioned, one for radar applications with an Asian OEM. Both of these, or actually the majority of these wins will be in production between Q2 and Q4 of this year. So we will start seeing revenue out of these wins in Q2, Q3, and Q4 this year. As it relates to the data center, the opportunities are there, as we've been indicating for now the past two quarters. For 2026, however, revenue will not be significant. It will be mostly sampling or prototype type revenue. So it's not as significant as we would like it to be. I've always been indicating that this is probably a Q3, Q4 of 2027. And depending really on how fast our customer will accelerate their development and their qualification and the readiness for the product. But we see opportunities, as I indicated, for data centers in all of our product area, but mainly the highest volume or dollar impact will be out of our microchannels with the ceramic activities and the high-speed digital product lines.

### Craig Ellis | Analyst, B-Reilly Securities:

That's really helpful. And then I'll ask the follow-up question to you, Laura. Love the trajectory of gross margin as we start the year. Can you talk a little bit about what's driving the sequential strength? Is it all really volume or are there some things happening on the COGS management side that are coming in a little bit better than we might have expected three months ago? Thank you.

### Laura Russell | Senior Vice President and CFO:

Sure. No problem, Craig. I'll take that. With regards to the margin, what I would have to say is really a function of all of the above and what you mentioned. You know, we've spoken in the past in prior calls about our initiatives and our objectives in managing our operations to ensure that we're doing what we can to minimise yield loss and optimise on our input costs and really be effective in what we're running through our factories. Those initiatives continue and are in flight and they have some favourable impact, which you see in our EBITDA bridge and some of the transitions that we call out on a quarter over quarter basis. Now with that said, the other thing that's favourable there that we're also discussing is some of the structural changes that we undertook that are in the margins. That's all to say there's some other puts and takes that go the other way in terms of some transitions in terms of the segments and where we're realising some of the revenue growth and gains. So there's always some puts and takes across the margins. In general, I would agree with you, Craig. We're making the right progress. We're keen to continue to make additional inroads and incremental improvements, which are some of the key initiatives that will assist us as we continue to focus on growing the business on the top line.

### Craig Ellis | Analyst, B-Reilly Securities:

Very helpful. Thank you.

### Kevin | Conference Operator:

Thank you. Next question is from Daniel Moore from CGS Securities. Your line is now live.

## Daniel Moore | Analyst, CGS Securities:

Thank you, Ali. Thank you, Laura. Thanks for the color and taking the questions. I'm going to start with industrial. It gets a little less attention, but still a significant portion of your business. Sounds like gradual improvement. Can you maybe just talk about particular end markets within that bucket where things are improving or are there any that are becoming more challenging in the current environment?

## Ali El-Haj | Interim President and CEO:

No, I think really overall the whole industrial segment for the business is really growing. Where we see maybe more impact is the semi. So semiconductor industry, as you know, it is growing. So we realize some increase in our revenue in that area. You know, the rest of the economy and that, you know, just the manufacturing index here, PMI in the United States and Europe is higher. So we're tracking with that. In addition to some you know, recapturing some market share with some of our existing customers. So kind of if you, you know, you separate all the growth come from those three areas. One is general economy, one semiconductor growth, and the third element is recapturing some market share with our existing customers for existing applications or newer applications.

## Daniel Moore | Analyst, CGS Securities:

Helpful. And maybe as a follow-up, just piggybacking on Craig's question on the data center opportunity, You know, you talked in detail in the last calls about the sort of specific applications. Maybe just take the opportunity to talk again about, you know, whether it be replacing any existing thermal management technologies or completely complementary, and when might you be in a position to talk a little bit more about, you know, TAM and kind of what revenue might look like, you know, two, three, five years from now. Thanks again for the call.

## Ali El-Haj | Interim President and CEO:

Yeah, I'll take it backwards. So with regard to revenue and discussing revenue and potential, probably later this year, you know, as we get, you know, we have a pretty good idea of the target and the potential. But some of this, as you know, it's customer specific, so we need to be extremely cautious here of what we communicate. With regard to the opportunity itself, it's really a mix. One is we look at the technology that we're providing for a specific solution of difficult issues that exist today. So more of a complementary but really solving serious issues that remains with the current systems today. So it's a combination. We'll be taking some market share of existing applications as well as solving some difficult issues with existing technologies regarding the thermal management today. So we believe the technology that we're introducing here is more specific, more efficient, and will be more cost-effective to the end user.

## Daniel Moore | Analyst, CGS Securities:

I know I'm out of questions, but if I can sneak it in, Laura. Can you quantify the revenue that slipped from Q1 due to weather and supply disruptions, and how much of that is in your guide for Q2? Thank you again for all the telling.

## Laura Russell | Senior Vice President and CFO:

Yeah, no problem. So, Dan, yes, we did have some disruptions, which we alluded to in our prepared remarks. I would indicate that, you know, had we not encountered those disruptions, we probably have been trending more towards the high end of the guidance range that we've set.

## Kevin | Conference Operator:

Thank you. Our next question is coming from David Silver from Freedom Capital Markets for Miners Now Live.

## David Silver | Analyst, Freedom Capital Markets:

Yeah, hi, thank you. I did just want to level set one or two things, and then I have a couple of business questions. But I just want to make sure I'm not missing anything regarding your cost-saving targets. So as of December 31st, I believe you said you had achieved the run rate of $32 million. And in your remarks here, you've discussed the opportunity in Germany to capture an incremental 13 million, you know, by year end. Is that how I should think about the total, you know, efforts that you've created? Or might there be another program or two that maybe, you know, maybe I'm missing?

## Laura Russell | Senior Vice President and CFO:

David, it's Laura. Let me take that for you. So you're right insofar as what you said about 25 million in 25. However, what I would tell you is that was the savings we realised in calendar 25. But when you annualise that, there's an additional 7 million still to be realised through the P&L. Then when you add to that the savings that we'll realise, which will be an incremental 13 million on an annualised basis once we're through the restructuring, or Keramic facility in Germany, that will bring us to a cumulative savings total of 45 million. So that just will give you the information that allows you to fully triangulate the savings and where we are today and fully realizing them through the financials.

## David Silver | Analyst, Freedom Capital Markets:

Thank you. That was the issue, the 25 versus 32, and you read my mind very well there. Thank you. You're welcome. Okay. You know, Ali, I would just say the first quarter results reflect terrific work on the controllable factors. Your sales growth, I think, was modest, excluding the currency benefit, I guess, the currency tailwind. You know, you've cited maybe auto as a softer spot right here, but due to improve. I mean, overall, what are you hearing, you know, from your major OEM customers? Are they cautious because of the geopolitical environment or, you know, what might be holding them back from moving more like this is kind of a more meaningful recovery, I guess, in the future? in broad-based demand for your key end markets?

## Ali El-Haj | Interim President and CEO:

Well, if you're specifically referring to the automotive industry, obviously, it's not just geopolitical issues. You know, we've got regulations issues and regulatory changes, especially in the U.S., as you know. So that's really impacted the EV market, especially in North America, specifically the United States, and to a similar extent in Europe. However, Europe is recovering. And we see growth in that market in Europe. It started toward the fourth quarter of 2025, and it continues. So we see a pickup there. China first quarter was very soft. And again, some of the incentives for the EV market in China was taken away or pulled back. And we think some of that will be reinstated. So that market will turn positive even in China within the next quarter to two quarters. So we think EV market is coming back. It's not an issue. We are not severely impacted by the EV market. We're trying to address the whole automotive market, and not just for EV, but whether it's hybrid, whether it's EV, whether it's ICE-type applications, we're in. So we're targeting that market very heavily. We're engaged with a lot of the OEMs directly and indirectly as we speak. So we anticipate really continued growth. As I said, we have several design wins. in the fourth quarter of last year, first quarter of this year, and we anticipate that will continue into the balance of 2026. With regard to the other industries, whether it's electronics and portable electronics specifically, we see growth in there for us. The mix of the high-end, especially in the first quarter of this year, the sale of the higher-end mobile phones and cell phones What that did for us, it provided us higher revenue. We have higher content on those devices than just a standard lower cost version phone. So that did help our growth, and we expect that also to continue. So we're capturing more market share, more applications within that market segment, and the mix is helping us also significantly. So we see growth really in all of our areas, and we're targeting every segment of our business for growth for the balance of this year.

### David Silver | Analyst, Freedom Capital Markets:

And maybe just to follow up on, you know, your targeting of growth for the balance of the year, maybe going at it from a slightly different angle, but maybe for Laura, but, you know, you did highlight the capital expenditure budget, maybe the midpoint at $35 million. You know, I don't think of your company as kind of a capital-intensive one normally, but within that proposed, you know, call it $35 million plus or minus budget, is there growth or targeted growth investments included in there? And maybe if you wouldn't mind just what, you know, what areas of your company are, you know, are you directing kind of some discretionary or growth-oriented CapEx towards? Thank you.

### Laura Russell | Senior Vice President and CFO:

Okay, so let me start there, David, and then if needs be, Ali can add some additional color. So what I would say in terms of capital intensity, actually at the midpoint at 35 million, the intensity has declined versus where it was in prior year. So in 25, we were at 4%. I think in 24, we were at 7%. And what that's indicative of is, as you talked about, the capital intensity. We're largely through the investments in our facilities to expand capacity. It was made in the last three to five years, those investment decisions. So now what we're investing in is, number one, maintaining those facilities and automating as appropriate to improve our operational effectiveness. And then secondly, looking at the other auxiliary systems and processes that we have and how we can make them more effective and efficient in the business. So that's where we're currently largely investing. But the one thing that I did want to call out is that we also talk repeatedly to all about the potential and the opportunity for the business. And we continue to evaluate that month to month, quarter to quarter. and we'll make the appropriate decisions as we see fit based on potential return on any potential investment.

### David Silver | Analyst, Freedom Capital Markets:

Okay, that's great, Collar. Thank you very much.

### Laura Russell | Senior Vice President and CFO:

You're welcome.

### Kevin | Conference Operator:

Thank you. As a reminder, if you'd like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. Once again, if you'd like to ask a question today, please press star 1 under telephone keypad. One moment, please, while we poll for questions. Our next question is a follow-up from Daniel Moore from the CGS Securities. Your line is now live.

### Daniel Moore | Analyst, CGS Securities:

Yes, I apologize. I missed a minute or two of the call, but on the defense side of aerospace and defense, has your outlook or growth expectations changed at all since the start of the war in Iran? Maybe, you know, not necessarily for this year, but looking out further just in terms of maybe a restock, et cetera.

### Ali El-Haj | Interim President and CEO:

No, it has not changed. I think we expect to continue to grow. You know, I think the Q1 Q1, we were heavily impacted by actually the commercial aerospace industry, not the defense. That was softer. And, again, that's just really timing of projects. Dan, as you know, these are projects-driven type activities. Because of the restocking issue that's expected, we expect growth in Q2, Q3, and going forward. That's our expectations right now.

### Daniel Moore | Analyst, CGS Securities:

All right. Thank you again.

### Ali El-Haj | Interim President and CEO:

Sure.

### Kevin | Conference Operator:

Thank you. Our next question is a follow-up from Craig Ellis from B Reilly Securities. Your line is now live.

### Craig Ellis | Analyst, B-Reilly Securities:

Yeah, thanks for taking the question. I wanted to use Laura's comments on capacity and the investment that has been made so that you do have sufficient capacity and just use that as a jumping off point with something that I see broadly in a lot of the end markets where Rogers materials wind up, and that is we're seeing increasingly tight supply conditions. And in other sectors, we've seen customer order patterns change, either with longer-term pipelining and visibility or other things. And so the question to you, Ali, is as we've seemingly gotten into more of a capacity-constrained environment, across the broader supply chain. How do you feel about your capacity and are you seeing any changes in your customer's order behavior?

### Ali El-Haj | Interim President and CEO:

No, we don't really have an issue or constraint on capacity. I think what we see in our business is shifting, let's say, geographical demand and needs where, you know, if you remember, we discussed the local for local strategy that Rogers has in place. So we've seen this is now playing more of a role in the business today and going forward than our capacity overall. So Roger's capacity overall is sufficient for what we forecast for the next probably six to eight quarters without any concerns, with the exception of the additional new R&D projects, new business that we discussed earlier. But for current business demand, we think we have sufficient capacity. However, shifting within regions or between regions, something we're looking at. So we may have to rebalance that available capacity in different regions. So it'd be more of a rebalancing rather than investing more.

### Craig Ellis | Analyst, B-Reilly Securities:

And the follow-up to that and the next question is, one is a follow-up. Does that present an opportunity for you to do things with pricing in an environment that just seems to be structurally tighter that can benefit what you bring home on the top line and gross margin? And then the next question is related to the tighter segment summary that you presented with auto and industrial, aerospace and defense, et cetera. What catalyzed the more consolidated look at end markets, and what does it do internally? for you in terms of how you're running the business. Thank you.

### Ali El-Haj | Interim President and CEO:

I don't think it's going to change the way we run the business. I think, you know, the business will continue, you know, the path we started a few quarters ago, I think we're going to continue running the business the same way. The only thing that I've mentioned is, again, rebalancing this capacity and the availability of production lines where to serve the local geographical needs. or serve the OEMs within those geographical areas. So this is something we're going to continue to work on going forward. With regard to pricing, you know, my comments in the past, this is market driven. We're going to continue to evaluate and study the market and understand that the pricing, the market tolerance for pricing and those conditions, and we'll act accordingly. But we try to mitigate any cost increases internally first before we try to go in and ask our customers for price increases. So we try to do that internally first, mitigate that with our efficiencies, our cost reduction activities first, then last resort will be going back to increasing pricing on customers or for certain customers.

### Craig Ellis | Analyst, B-Reilly Securities:

That's helpful. Thanks, Ali.

### Ali El-Haj | Interim President and CEO:

Thank you.

### Kevin | Conference Operator:

Thank you. We reached the end of our question and answer session. And ladies and gentlemen, that does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation.