NYSE:SXI Q1 2026 Earnings Call Transcript

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Operator:

Good morning, ladies and gentlemen, and welcome to STANDEX International Fiscal First Quarter 2026 Financial Results Conference Call. At this time, all participant lines are in the listen-only mode. Following the presentation, we will conduct a question-and-answer session. And if at any time during this call you require immediate assistance, please press star zero for the operator. Note that this call is being recorded on Friday, October 31st, 2025. And I would like to turn the conference over to Christopher Howe, Director of Investor Relations. Please go ahead, sir.

Christopher Howe | Director of Investor Relations:

Thank you, Operator, and good morning. Please note that the presentation accompanying management's remarks can be found on the Investor Relations portion of the company's website at www.standex.com. Please refer to Standex's Safe Harbor Statement on slide two. Matters that STANDEX management will discuss on today's conference call include predictions, estimates, expectations, and other forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially. You should refer to STANDEX's most recent annual report on Form 10-K, as well as other SEC filings and public announcements for a detailed list of risk factors. In addition, I'd like to remind you that today's discussion will include references to the non-GAAP measures of EBIT, which is earnings before interest and taxes, adjusted EBIT, EBITDA, which is earnings before interest, taxes, depreciation, and amortization, adjusted EBITDA, EBITDA margin, and adjusted EBITDA margin. We will also refer to other non-GAAP measures, including adjusted net income, adjusted operating income, adjusted net income from continuing operations, adjusted earnings per share, adjusted operating margin, free operating cash flow, and pro forma net debt to EBITDA. Adjusted measures exclude the impact of restructuring, purchase accounting, amortization from acquired intangible assets, acquisition-related expenses, and one-time items. These non-GAAP financial measures are intended to serve as a complement to results provided in accordance with accounting principles generally accepted in the United States. Standex believes that such information provides an additional measurement and consistent historical comparison of the company's financial performance. On the call today is Standex's Chairman, President, and Chief Executive Officer, David Dunbar, and Chief Financial Officer and Treasurer, Ademir Sarcevic.

David Dunbar | Chairman, President and Chief Executive Officer:

Thank you, Chris. Good morning and welcome to our fiscal first quarter 2026 conference call. Following record operating performance in fiscal year 2025, our first quarter performance provided a strong start to the fiscal year, positioning us well to exceed our previously provided guidance of greater than $100 million of incremental sales in fiscal year 2026, which includes organic growth in our core businesses as well as the full year impact of acquisitions. First, I would like to thank our employees, our executives, and the board of directors for their efforts and continued dedication and support that drove our solid fiscal first quarter 2026 results. Now let's take a look at the results beginning on slide three. In the first quarter, sales increased 27.6%. Contributing to this growth were new product sales and sales in the fast growth markets. New product sales grew more than 35% to approximately $14.5 million. Sales into fast-growth markets were approximately $62 million, or 30% of total sales. Orders of approximately $226 million were the highest quarterly intake ever, setting us up nicely for the balance of the year. Despite electronics showing an organic decline in the quarter, its books-to-bill ratio remains above 1, and organic orders were up approximately 8% year-on-year.

We remain on track for mid- to high-single-digit organic growth in electronics in fiscal 2026. Ameren Orion Group continues to perform ahead of our expectations. In the quarter, it delivered record sales of greater than $35 million. I'm excited to announce that in the quarter we kicked off operations in Croatia and Mexico. Adjusted operating margin of 19.1% was up 210 basis points year on year. This operating performance, along with our cash generation and cash repatriation, enabled us to lower our net leverage ratio to 2.4. We are raising our fiscal year 2026 sales outlook. Barring unforeseen economic, global trade, or tariffs-related disruptions, we now expect revenue to grow by over $110 million, $10 million more than we communicated last quarter. The drivers of this increase are the strong momentum we are seeing from new product sales and sales into fast-growth markets, in particular from the Ameren Orion Group, which we now expect to grow more than 20% year-on-year in fiscal 2026. In fiscal year 2026, we expect new product sales to contribute approximately 300 basis points of incremental sales growth. We launched four new products in the first quarter and remain on track to release more than 15 new products in fiscal 2026. Sales from fast growth markets are now expected to grow over 45% year-on-year and exceeds $270 million. On a year-on-year basis, in fiscal second quarter 2026, we expect significantly higher revenue driven by mid-single-digit organic growth and contributions from recent acquisitions and similar adjusted operating margin due to higher growth investments and less favorable product mix. On a sequential basis, we expect slightly higher revenue due to a higher contribution from fast growth and markets and new product sales and realization of pricing initiatives. We expect slightly lower to similar adjusted operating margin due to increased investments in growth and less favorable product mix. Please turn to slide four, which discusses how grid and new products support the increase in our sales outlook. We celebrated a significant anniversary on Wednesday. A year ago, the company made the largest acquisition in its history by acquiring the Ameren Orion Group, a leader in low and medium voltage instrument transformers. we could not be more pleased with its integration, the seamless cultural fit, and business results. Building on the shared success, we are renaming Ameren Orion as Standex Electronics Grid within the electronics business segment. Since we owned Ameren Orion, sales over the past 12 months have grown nearly 35% versus their 12 months before we acquired. Looking even further back, sales are up nearly 75% versus two years ago, This growth continues to be driven by robust end market demand within data centers, electrification, and grid modernization. To support future demand, we have expanded geographically in Croatia and Mexico. While grid has provided a step change to our sales into fast growth markets, I'm also excited to show here how fast growth markets as a whole have scaled, showing that there are several pathways for growth, including commercialization of space and defense, These factors give us confidence to raise our expectations to $270 million. In addition to fast-growth markets, new products are off to a strong start. We launched four new products in fiscal first quarter and are on track to launch more than 15 new products this fiscal year. The majority of these new products are within fast-growing end markets or new product categories and are expected to deliver margins above our core products. New product sales grew more than 35% to approximately $15 million in the fiscal first quarter and are expected to grow more than 40% to approximately $78 million in the fiscal year. These areas provide us with confidence to raise our fiscal 2026 sales outlook. I would like to turn the call over to Ademir to discuss our financial performance in greater detail.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Thank you, David, and good morning, everyone. Let's turn to slide five, first quarter 2026 summary. On a consolidated basis, total revenue increased approximately 27.6% year-on-year to $217.4 million. This reflected 26.6% benefit from recent acquisitions, organic growth of 0.6%, and 0.4% benefit from foreign currency. First quarter 2026 adjusted operating margin increased 210 basis points year-on-year to 19.1%. In the fiscal first quarter, adjusted operating income increased 43.3% on 27.6% consolidated revenue increase year-on-year. Adjusted earnings per share increased 8.2% year-on-year to $1.99. Net cash provided by operating activities was $16.8 million in the first quarter of fiscal 2026 compared to $17.5 million a year ago. Capital expenditures were $6.4 million compared to $6.7 million a year ago. As a result, we generated fiscal first quarter free cash flow of $10.4 million compared to $10.8 million a year ago. Now, please turn to slide six. and I will begin to discuss our segment performance and outlook, beginning with electronics. Segment

revenue of $110.6 million increased 42.2% year-on-year, driven by 45.5% benefit from acquisitions, partially offset by organic decline of 3.1% and 0.1% impact from foreign currency. The organic decline was primarily due to a closure of one of our facilities and customer delays for alternate site approvals. Adjusted operating margin of 28.8 percent in fiscal first quarter 2026 increased 510 basis points year-on-year due to contribution from recent Amer and Orion Group acquisition pricing and productivity initiatives. Our book-to-bill in fiscal first quarter was 1.06 with orders of approximately $117 million. Organic bookings grew approximately 8 percent year-on-year. Sequentially, in fiscal second quarter 2026, We expect slightly higher revenue, reflecting higher contribution from the core business, partially offset by lower Amaran Orion group sales due to holidays in India. On a year-on-year basis, we expect mid to high single-digit organic growth. We expect similar adjusted operating margins sequentially, driven by product mix and continued strategic growth investments. Operations have kicked off in Croatia to serve our customers in Europe and support growing power requirements for data centers and grid expansion and upgrades in the region. Please turn to slide seven for a discussion of the engineering technologies and scientific segments. Engineering technologies revenue increased 45.6% to $29.9 million, driven by a 32.4% benefit from recent Max Starlight acquisition, organic growth of 12.7%, and 0.5% benefit from foreign currency. Organic growth was due to strong demand across space, defense, and aviation and markets. Adjusted operating margin of 16.8% decreased 270 basis points year-on-year, primarily due to lower margins from a pairable project mix in our recent acquisition. Sequentially, we expect moderately higher revenue due to growth in new product sales and similar adjusted operating margin. Scientific revenue increased 9.9% to 19.5 million due to 18.6% benefit from recent acquisition, partially offset by organic decline of 8.7%, primarily due to lower demand from academic and research institutions that were impacted by NIH funding cuts. Adjusted operating margin of 25.3% decreased 300 basis points year-on-year due to organic decline. Sequentially, we expect similar revenue and slightly lower adjusted operating margin due to higher contribution from custom biogenic systems acquisition and increased tariff costs. Now turn to slide eight for a discussion of the engraving and specialty solution segments. Engraving revenue increased 7.4% to 35.8 million, driven by organic growth of 5.6% from improved demand in Europe and 1.9% benefit from foreign currency. Adjusted operating margin of 19.1% in fiscal first quarter 2026 increased 50 basis points year-on-year due to higher sales and realization of productivity initiatives and restructuring actions. During the fiscal first quarter, we announced the closure of four sites, optimizing the footprint in the United Kingdom, United States, Italy, and China, resulting in approximately $5 million of restructuring charges. These actions are projected to yield approximately $5 million in annualized cost savings once fully implemented and we expect to start realizing savings during the second half of fiscal year 2026. The segment is now substantially done with structuring activities and is well positioned to serve its customers. In our next fiscal quarter, on a sequential basis, we expect moderately lower revenue and slightly lower adjusted operating margin due to project timing. Specialty solution segment revenue of 21.7 million increased 2.6% year on year primarily due to slightly improved demand in hydraulics. Operating margin of 13.3% decreased 350 basis points year on year. Sequentially, we expect slightly higher revenue and operating margin. Next, please turn to slide nine for a summary of standard system liquidity statistics and capitalization structure. Our current available liquidity is approximately $198 million. At the end of the first quarter, Standex had net debt of $446 million compared to net cash of $15.6 million at the end of the fiscal first quarter 2025. Our net leverage ratio currently stands at 2.4. We paid down our debt by approximately $8 million during the fiscal first quarter 2026. In fiscal second quarter 2026, we expect interest expense between $8 million and $8.5 million. Standex's long-term debt at the end of fiscal first quarter 2026 was 544.6 million. Cash and cash accrual ends totaled 98.7 million. We declared our 245th quarterly consecutive cash dividend of 34 cents per share and approximately 6.3% increase year on year. In fiscal 2026, we expect capital expenditures between 33 million and $38 million. Relative to our debt leverage, we will continue to focus on paying down debt and anticipate our leverage ratio will further decline through fiscal year 2026. I will now turn the call over to David for concluding remarks.

David Dunbar | Chairman, President and Chief Executive Officer:

Thank you, Ademir. Please turn to slide 10. I'm very pleased to see continued momentum in the top line in the first quarter as new product sales grew more than 35% and as fast growth markets constitute a growing portion of our revenue. The first year performance of Amer and Orion Group, now renamed as Standex Electronics Grid, was above expectations and is expected to grow more than 20% in fiscal 2026. The growth within the grid and from new product sales helped support a record order book in the fiscal first quarter, leading us to raise our sales outlook for fiscal 2026. We remain on track to achieve our fiscal 2028 long-term targets. We will now open the line for questions.

Operator:

Yes, sir? Ladies and gentlemen, if you do have any questions at this time, please press star followed by one on your touchtone phone. You will then hear a prompt that your hand has been raised. And should you wish to decline from the polling process, please press star followed by two. And if you're using your speakerphone, we do ask that you please lift your hands up before pressing any keys. Please go ahead and press star one now if you have any questions. And your first question will be from Chris Moore at CJS Securities. Please go ahead, Chris.

Chris Moore | Analyst, CJS Securities:

Good morning, guys. Congrats on another good quarter. Thank you. It looks good. All good. Yeah, at some point, I don't know, either Q3 or Q4 call, you talked about StandX being roughly two-thirds of the way in its optimization journey. Other than potentially selling one of the business segments, what are the biggest areas of focus to help this further on the optimization journey?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, I think we've got two things going on. There will be some ongoing portfolio work, although the greatest value creation will come from realizing the potential of the organic growth initiative. It's taken years to ramp up new product development. New products are coming out. We've repositioned the business into faster-growing markets. I don't know what's higher than two-thirds. It's five-ninths or something like that. I don't know. Because you see the momentum of new products and fast-growth markets. This year, 340 million of our sales will come from new products and fast-growth markets. So that is getting to be big enough to be able to weather the storm of any irregularities in our core markets. So in terms of optimizing our business models who are well positioned to grow in all conditions, I think we're almost there. In the next year or so, that momentum will get us there. And on the portfolio optimization, as you know, we really only have good businesses in the portfolio. And if the right opportunity comes along to simplify, we'll do it as we have in the past.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah. And Chris, you know, as you know, our track record, you know, we'll continue doing what we have done in the past. And, you know, we have some really exciting platforms. And to David's point, some really good assets that, you know, at some point in the future, we may look to monetize, but we like what we have.

Chris Moore | Analyst, CJS Securities:

Got it. Very helpful. Yeah. You've talked about new products a couple of times, 15 this year. Are there a few that really kind of stand out in terms of, you know, that are being introduced this year?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, being introduced, we have some exciting products in electronics. We had a couple released in the first quarter that will go into relays and into test and measurement applications. And test and measurement is an end market we don't talk a whole lot about, but it is driven by electrification, by grid, by data centers. Every time you generate a new generation chip or a new EV, you need test equipment. to test the production. And this test equipment has a lot of relays in it, and a lot of these relays are the read relays we make. So we have two new products that are released this quarter to go into that end market. We also, in scientific, we're excited about the release of the ultra-low temperature freezer, which the first version was released last quarter, and we'll continue to expand that. That gets the scientific business into the largest end market that it serves.

Chris Moore | Analyst, CJS Securities:

Perfect. Maybe just the last one for me. Obviously, Amaran is performing exceptionally well, 30% growth. You're talking about 20% this year. I know you don't want to get ahead of yourself. Are you seeing any slowing down in growth at this point in time? You just opened up Croatia. It sounds like there's lots of opportunities there.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah. Well, I would tell you, Chris, we are not seeing a slowdown in growth, but we continue to look forward. We're maybe somewhat conservative, but I'll tell you, this coming quarter, we have a lot of meetings with customers. We've got the Croatia site ramping up. We freed up some space in our Mexico plant in electronics, which we are now devoting to produce product for Amaran, which will give us more capacity there. So over the next few months, we'll develop a better view of the outlook. And, of course, we'll update that in our next earnings release in February. But the end market remains strong, driven by electrification, modernization of grid, and continued spend in data centers. So we see no slowdown right now.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, and, Chris, the bookings are very strong. We just posted the highest sales quarter in Amaran Orion, or grid, as we call it today, of $35 million. The bookings were still over one, over one book to bill. So the momentum continues.

Ross Sparenbleck | Analyst, William Blair:

Perfect. I'll leave it there. Thanks, guys.

Operator:

Thank you. Next question will be from Ross Sparenbleck at William Blair. Please go ahead, Ross.

Ross Sparenbleck | Analyst, William Blair:

Hey, good morning, gentlemen. Morning, Ross.

Ross Sparenbleck | Analyst, William Blair:

Sticking with electronics here, can you maybe just help us think about some of the momentum you're seeing, particularly in the legacy business? What in markets? What stands out? It looks like From what we can tell, those orders have really started to pick up the last five quarters.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, just a couple of things. We communicated the book to Bill and the bookings in the quarter were both very good. And remember, about 80% of what we sell in electronics goes to OEM. So there's a longer cycle to convert the bookings to shipments. Strong bookings in defense in the legacy magnetics business. In the switches and sensor business, we're seeing strength in North America and Asia geographically. We're seeing strength in test and measurement and markets. And also the distribution market is up, which is kind of a reflection of general, kind of general end markets.

Ross Sparenbleck | Analyst, William Blair:

Yeah. I mean, distribution feels like it's been doing well for a while. When we think about kind of the mixed profile of that backlog,

Ross Sparenbleck | Analyst, William Blair:

is magnetics the biggest piece of growth being the lower mix, you know, product line?

David Dunbar | Chairman, President and Chief Executive Officer:

You know, as a percent, I don't think so. I don't think it's significantly, I think both SST and magnetics, uh, order growth is similar.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah. I think Ross, every, every, you know, if you look at, you know, uh, magnetics or sensors and switches or MRI and for that matter, you know, the book to build for all of those businesses has been over one. And, you know, it's been a, Actually, September was the strongest booking month we had in a very long time in all of those three businesses. And October is actually coming in very strong. So that strength is kind of across the board right now. So, you know, when we talk about having that, you know, mid to high single-digit organic growth, this quarter in electronics, it really will come from all parts of the business.

Ross Sparenbleck | Analyst, William Blair:

Okay.

Ross Sparenbleck | Analyst, William Blair:

That's great to hear. I mean, we think about kind of, you know, the lead times on converting this and then, you know, maybe... the incrementals and the type of operating leverage we should expect for the legacy business giving the prior cost out as we think about the second half of 2026?

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, in general, if you think about the legacy business, if you just lump together and average the switches and sensor and magnetics business, orders in the quarter, about 30% convert within three months, and then maybe another 30 in the following quarter, and the remainder beyond. you know, Q3 and beyond.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, and, you know, I think, Ross, from margins standpoint, which I think was the second part of your question, you know, we really want to get, obviously, you know, there's going to be some margin improvement as we continue through the year, but, you know, we're also putting some money into investments. For example, we just started up the Croatia site. There will be some initial investments that we're going to have to put through before that site gets ramped up. So, you know, we'll see margin improvements, but they will be offset with the growth investments we have to make because we really want to make sure that this business continues to grow at a good organic growth rate going forward.

Ross Sparenbleck | Analyst, William Blair:

Yeah, I definitely appreciate that. But if I recall, you guys have taken out like something like seven or nine million of prior cost out actions that we haven't really seen because of, you know, the destocking over the last couple of years. So there should be some natural lift there, right?

Ross Sparenbleck | Analyst, William Blair:

Correct. Yes. Awesome. All right. Thanks, guys. I'll head back to you. Thanks for having us.

Operator:

Thanks for us. Next question will be from Mike Sliske at DA Davidson. Please go ahead, Mike.

Mike Sliske | Analyst, DA Davidson:

Yes. Hi. Good morning, and thank you. I have noticed on social media in electronics, I did see the grid brand be launched, at least on social media, not too long ago. But is your effort really not just across Amron? but across the entire electronic segment? Is there one brand being presented to the entire customer base? I wasn't sure if it was beyond just the Amaran. Please let me comment on what your plans are.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, I'm glad you asked that, Mike. Yeah, I like to make sure there's no confusion about that. After we acquired Amaran and Orion, we looked at that end market and thought there's a lot more we want to do with this business. And calling it Amaran and Orion was too narrow. That's a great trade name. Customers know Amaran and Orion. So internally, we started calling it GRID, GRID Technologies. because there's other acquisitions we can make. We have some product development underway that will get us into new product segments. So GRID is a better name for that business. And then we looked at the others and thought, well, the switches and sensor business, SST, that name may not be obvious to people. And the magnetics business is even less accurate. So we stepped back and said, How should we refer to each of these businesses? So we chose grid for what is now the Emerald and Orion business, but will grow into a broader business. Edge is a commonly used term for the point at which electricity is converted into useful work in products. That's what our magnetic business does. We do power conversion and power management products that go into our OEM businesses. And detect describes what the switches and sensors do. They're largely used in proximity and level sensing devices. So they detect the presence of a fluid or the closing of a door or something. So detect, edge, and grid are the terms you'll hear us use more often in the future to describe those businesses.

Mike Sliske | Analyst, DA Davidson:

Got it. That's very helpful. Thank you. And maybe just turning to the topic du jour, there's a lot of smaller areas of this, whether it's the academic research institutions or maybe even space or even airport. Can you give us a broad view on The impact of the government shutdown on your business, maybe talk individually about this, but also kind of broadly, is there one number we can point to as to what that might be affecting your business today?

David Dunbar | Chairman, President and Chief Executive Officer:

Yes. So, you know, immediately, I mean, I can't think of any recent rapid growth. change in prospects of any of our businesses due to shutdown. But if you step back, some of our North American businesses are dealing with uncertainty with their customers. You know, our federal business, our hydraulics business, our scientific business has been affected, as you know, by the reduction in spending in the NIH. So that's not directly related to the recent shutdown, but it's related to government policy. So that North American bit of the business is affected. In terms of any recent changes, Adamir, would you?

Ross Sparenbleck | Analyst, William Blair:

No, I think you summarized it well. Great. Thanks for that.

Mike Sliske | Analyst, DA Davidson:

Maybe lastly... Except there's me.

David Dunbar | Chairman, President and Chief Executive Officer:

Now, I've got some travel plans in the next few weeks I hope I can make, but that won't affect our business results.

Mike Sliske | Analyst, DA Davidson:

Well, hopefully you can just switch it over to Zoom if you have to.

Ross Sparenbleck | Analyst, William Blair:

Yeah.

Mike Sliske | Analyst, DA Davidson:

That question was about... I think you had mentioned the word... repatriation, essentially to pay down debt or something like that. Can you just share with us, Adamir, was there any one-time tax in the cash repatriation there?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

No, no, no, there isn't. I mean, there is sometimes when you get the money out of, you know, foreign jurisdiction, there is a, you know, there's a little bit of a withholding tax you have to pay, but You know, a lot of our cash is actually sitting in international locations, and we have a process in place by which we try to repatriate as much as we can on a quarterly basis, and we'll continue to do that. But there is no significant tax impact.

Mike Sliske | Analyst, DA Davidson:

Okay, great. I'll pass it along. Thanks so much.

Ross Sparenbleck | Analyst, William Blair:

Thank you.

Operator:

Next question will be from Gary Prestopnoe at Barrington Research. Please go ahead, Gary.

Gary Prestopnoe | Analyst, Barrington Research:

Hi. Good morning, all. A couple of things here. The growth in sales, especially from new products and fast growth markets, is that safe to assume that the bulk of that is really a function of products going into data centers, grid modernization, et cetera, things like that? Or is it kind of spread around those markets five fast growth markets that you guys cite all the time?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, you know, that Amer and Orion acquisition, all those sales are reported in fast growth in data centers. Well, it's not just data centers, but it's all reported in fast growth. So this year, of the 270 million of fast growth, more than half of that, about half of that, will be data center fast growth electrification and grid business from Amber and Orion. But the rest is, we have a healthy space business. Defense is growing nicely. And believe it or not, electric vehicles are growing, although it's a smaller piece of the total. So I'd say

it's pretty well spread. And you mentioned new products. The new product sales of 77 million These are products released in the last few years, and the majority of those sales are not in the fast growth markets. The new products to be released this year and the coming years will be more heavily weighted to fast growth. So there's very little overlap in those two numbers this year.

Ross Sparenbleck | Analyst, William Blair:

Okay.

Gary Prestopnoe | Analyst, Barrington Research:

And then just in terms of you putting up a plant in Croatia or you've initiated production in Croatia, correct? Correct. Can you give us some idea of what the, you know, capacity for production is at that plant? Because that's going to be serving what I would assume is, you see, the growth prospects that you see in Europe itself.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, we're working closely with European customers to plan capacity for that. I think in the last call or two calls ago when we talked about this, we said that over, you know, three to five years, we think that gets to 60 million in sales. That's based on kind of current customer plans and our current capacity plan. We have ability to expand beyond that. And I think as we go one year after the other, we'll have a better feel for what the ultimate capacity is. There's space to build up more footprint if we need to. We can add additional shifts and machinery. But I'd say $60 million is a good conservative number, what that will do.

Gary Prestopnoe | Analyst, Barrington Research:

Okay. Thank you. And then just lastly on slide three, just so I'm clear on this, you're citing – the 15 product launches and then the bars to the right of that 55 and 78, that's the actual sales that you expect to attain from the new product.

David Dunbar | Chairman, President and Chief Executive Officer:

Oh yeah. Yeah. Right. Yeah. We should have put the, yeah, right, right. We should have put the dollar symbol there. 55 million last year, 78 million in sales this year. Good catch.

Gary Prestopnoe | Analyst, Barrington Research:

No, that's just, you know, just, just to be clear, I have a simple mind.

David Dunbar | Chairman, President and Chief Executive Officer:

Okay. Yeah. All right. That's fine.

Ross Sparenbleck | Analyst, William Blair:

All right. Thank you. Thanks, Gary.

Operator:

Next question will be from Matt Caranda at Roth Capital. Please go ahead, Matt.

Matt Caranda | Analyst, Roth Capital:

Hey, guys. Good morning. So the confidence in emerald and Orion or grid, I guess, as we're calling it now, sounds as high as ever. But if I back into the book to bill for emerald and Orion, it looks like it's just about one time's. Um, maybe just, can you talk about order trends that you're currently seeing that, or as you currently see them and then just how that informs the view on the 20% growth this year?

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah. Well, if you look at the, uh, the court, it's more than one, 105, six, seven, 1.06 or seven or something like that, but it's enough. I mean, the, the, the book to bill in the quarter would support the growth rate we've seen over the last few years for this business. you know, close to 30%.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

And Matt, one thing, you know, they, I'm running a Ryan posted a record sales quarter of over $35 million in Q1, I think 35.5 and the book to bill was, you know, over one to David's point. So it continues to kind of grow and compound. So we, we, we continue to see those, those strong orders. They're not slowing down.

Matt Caranda | Analyst, Roth Capital:

Got it. Okay. Yeah. You got a high delivery on those orders as well. I guess that's a high quality problem to have. Okay. And then the rebranding, The rebrand of like to grid, I guess it makes it sound like there's quite a bit more to do with the product portfolio there. So just curious if you could elaborate for us what types of products you would look to acquire or maybe even organically develop to fill in any gaps that you see in the portfolio.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, I think it accomplishes a few things. One is people were confused a little bit by the terms Amaran and Orion were those two different businesses. We have one global business. And we have two trade names. Amaranth is more common in America and Narayan in the rest of the world. So calling it Global Grid, it's Standex Electronics Grid. It's one global business. So I wanted to clarify that. There's some new products they're developing that will go into other applications. They're still transformer products, but they'll go into different applications. If you look in a switchgear or a transformer or a substation, There are other products that our customers buy. I won't name those products now because, you know, until we have a specific plan or a specific acquisition, it probably doesn't make sense to go into detail. But there are a handful of other products that our electrical OEMs would also buy if we had them.

Ross Sparenbleck | Analyst, William Blair:

Okay, understood.

Matt Caranda | Analyst, Roth Capital:

And then maybe just with leverage now kind of in the low twos, Probably quite a bit more reduction later this fiscal year. Seems like capacity to make bigger acquisitions is coming back. Could you maybe just speak to the appetite currently on that front? And also, you know, it sounded like you alluded to there could be simplification actions to come. Is there anything? Yep. closer to the horizon than not. I guess it's been dangled out there for a little while, but just curious how close we are to any action on that front.

David Dunbar | Chairman, President and Chief Executive Officer:

Well, we've had enough experience and it's very hard to predict timing on those things. So yeah, I think it's reasonable to expect we will continue to simplify the business, simplify the portfolio, although I can't give you a time or an expectation of when the next steps might be taken, but believe me, Believe me, we're working on it. Yeah, so we do want to build up more powder. Prior to this Amaran Orion acquisition, the highest leverage we'd ever been to was 2.4, 2.5, we're at 2.4 now. We are continuing to reduce that, but we're also simultaneously working the funnel. So we are building powder, and when the right opportunity comes up, we'll be able to move.

Ross Sparenbleck | Analyst, William Blair:

Okay, I'll leave it there, guys. Thank you. Thank you. Thanks, Matt.

Operator:

Once again, ladies and gentlemen, if you do have any questions, please press star followed by one on your touchstone phone. Next is a follow-up from Ross Sparenbleck at William Blair. Please go ahead, Ross.

Ross Sparenbleck | Analyst, William Blair:

Thanks for the follow-up here, guys. Just wanted to quickly touch on the engraving again. Looks like that pipeline is showing some signs of activity. We don't need a lot of volume to come back in there to get to normalized levels. Just want to get your thoughts. And then the second piece is you know, prior cost out with, you know, the new, you know, efficiencies or productivity of the shutdowns. It feels like 20% margins is no longer the ceiling.

Ross Sparenbleck | Analyst, William Blair:

Like, how quickly do you think we can get there with a little bit of volume?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, look, I mean, the engraving market, as you know, the auto market, especially in North America, has been very weak for a while now. And it's bottomed out. And now we are... And now I'm sorry we were having a little bit of a noise in the room. But now the market is stabilizing and it's starting to improve and we are

seeing some signs in recovery in Europe as well as in Asia. So look, I mean, over the last couple of years, we shut down about 15 sites with this last announcement that we made. So we do believe that we're going to start seeing some of the savings for the last shutdown starting to realize in Q3 and Q4 of this fiscal year. And, you know, that 20% margin number that you were talking about is within reach. And we feel very confident that when the market comes back, you know, with some strength that we'll be able to surpass that 20% as well.

Ross Sparenbleck | Analyst, William Blair:

Fantastic. All right. Looks like a great quarter. Thanks, guys. Thank you.

Operator:

At this time, it appears we have no further questions. I would like to turn the conference back over to Mr. David Dunbar, CEO.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, thank you. I'd like to thank everybody for joining us for the call. We do enjoy reporting on our progress here at Standex. Thank you again also to our employees and shareholders for your continued support and contributions. I'm very excited about the company's potential in fiscal year 26 and look forward to speaking with you again in our fiscal second quarter 2026 call.

Operator:

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we ask that you please disconnect your lines. Have a good weekend.