NYSE:SXI Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good morning, ladies and gentlemen, and welcome to Stenex International Fiscal Second Quarter 2026 Financial Results Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If anyone has any difficulties hearing the conference, please press door zero for operator assistance at any time. I would now like to turn the conference call over to Chris Howe. Please go ahead.

Chris Howe | Vice President, 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. Sandex 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 second quarter 2026 conference call. I am very pleased to present results that demonstrate our years-long efforts to build a growth engine at Standex are now reading through in top line results. We recorded 6.4% organic growth and a book-to-bill ratio of 1.04, led by our electronics segment, which grew 11.1% organically with a book-to-bill ratio of 1.08. The contributions from sales into fast-growth markets, new product sales, and improving general industrial markets are now evident in our results. As such, the company is well-positioned to deliver mid- to high-single-digit organic growth in the fiscal third quarter and remains on track to the fiscal 2026 sales outlook. 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 second quarter 2026 results. Now, let's look at the results beginning on slide three. In the second quarter, sales increased 16.6% year-on-year. Contributing to this growth were new product sales and sales into fast-growth markets, New product sales grew approximately 13% to $16.3 million. Sales into fast growth markets were approximately $61 million, or 28% of total sales. These results have been literally years in the making as we began our focus on new product development in fiscal year

2021 by increasing our R&D spending from 1% of sales to the current 3%. In the same year, we began directing our efforts to win more applications with customers serving fast-growth markets. In our August earnings call, we said that we believed both efforts were reaching an inflection point and would deliver organic growth this fiscal year. These results show they are paying off. Orders of approximately $231 million were the highest quarterly intake ever, showing our growth engine continues to accelerate and setting us up nicely for the balance of the year. In the second quarter, sales increased 6.4% organically with book-to-bill of 1.04, highlighted by the electronics segment that grew 11.1% organically with book-to-bill of 1.08. In addition, the engraving segment grew 10.3% organically. Adjusted gross margin of 42.1% was up 120 basis points year-on-year. Adjusted operating margin of 19% was up 30 basis points year-on-year. We paged down approximately $10 million of debt and reduced our net leverage ratio to 2.3. We are reiterating our fiscal year 2026 sales outlook. Barring unforeseen economic, global trade, or tariff-related disruptions, we expect revenue to grow by over $110 million from 2025. The drivers of this increase are the strong momentum we are seeing from new sales and sales into fast-growth markets and the full-year impact of last year's acquisitions. In fiscal year 2026, we expect new product sales to contribute approximately 300 basis points of incremental sales growth and have increased our expected sales from new products to $85 million from $78 million. We launched four new products in the second quarter and remain on track to release more than 15 new products in fiscal 2026. Sales from fast growth markets are expected to grow over 45% year on year and exceed $270 million. On a year-on-year basis, in fiscal third quarter 26, we expect significantly higher revenue driven by mid to high single-digit organic growth from higher sales into fast growth in markets and increased new product sales, and slightly higher adjusted operating margin due to higher volume and favorable product mix, partially offset by growth investments and higher medical costs. On a sequential basis, we expect slightly to moderately higher revenue driven by higher contributions from fast growth end markets and new product sales, and slightly to moderately higher adjusted operating margin due to higher volume in pricing and productivity initiatives, partially offset by growth investments. I will now 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 four, second quarter 2026 summary. On a consolidated basis, total revenue increased approximately 16.6% year-on-year to $221.3 million. This reflected organic growth of 6.4%, 9.4% benefit from acquisitions, and 0.8% benefit from foreign currency. Second quarter 2026 adjusted operating margin increased 30 basis points year-on-year to 19%. Adjusted earnings per share increased 8.9% year-on-year to $2.08. Net cash provided by operating activities was 20.7 million in the second quarter of fiscal 2026 compared to 9.1 million a year ago. Capital expenditures were 7.7 million compared to 7 million a year ago. As a result, we generated fiscal second quarter free cash flow of 13 million compared to 2.2 million a year ago. Now, please turn to slide five, and I will begin to discuss our segment performance and outlook, beginning with electronics. Segment revenue increased 20.6% year-on-year to a record $115.7 million, driven by organic growth of 11.1%, acquisition benefit of 9.1%, and 0.4% benefit from foreign currency. Organic growth was driven by sales into fast-growth markets and increased new product sales. Adjusted operating margin of 28.8% in fiscal second quarter 2026 increased 120 basis points year-on-year due to higher volume, pricing initiatives, and product mix. Our book-to-bill in fiscal second quarter was 1.08 in orders of approximately $125 million. This marks the sixth consecutive quarter with book-to-bill near or above one. As mentioned before, Due to the customized nature of our products, the conversion cycle is longer, but with higher sustainable margins. The healthy order funnel is now being realized in our organic growth results. Sequentially, in fiscal third quarter 2026, we expect slightly to moderately higher revenue, reflecting higher sales into fast growth and markets, and increased new product sales. We expect similar adjusted operating margin, primarily due to product mix and continuous strategic growth investments. Please turn to slide six for discussion of the engineering technologies and scientific segments. Engineering technologies revenue increased 35.3% to $30.6 million, driven by 33.4% benefit from recent MacStyleLite acquisition, organic growth of 1.2%, and 0.6% benefit from foreign currency. Organic growth was suppressed by delays in customer project timing. Adjusted operating margin of 18.9 percent

increased 260 basis points year-on-year, primarily due to higher volume. Sequentially, we expect moderately to significantly higher revenue due to growth in new product sales and more favorable project timing. We expect slightly to moderately higher adjusted operating margin due to higher volume. Scientific revenue increased 5.5 percent to 19.5 million due to acquisition benefits of 8.1 percent partially offset the organic decline of 2.6%, primarily due to lower demand from academic and research institutions affected by NIH cuts. Adjusted operating margin of 24.2% decreased 270 basis points year-on-year due to organic decline and product mix. Sequentially, we expect similar revenue and slightly lower adjusted operating margin due to product mix, investments in research and development, and tariff costs partially offset by pricing and productivity initiatives. Now turn to slide seven for a discussion of the engraving and specialty solution segment. Engraving revenue increased 13.6% to $35.7 million, driven by organic growth of 10.3% from improved demand in Europe and North America and 3.3% benefit from foreign currency. Adjusted operating margin of 19.2% in fiscal second quarter 2026 increased 490 basis points year-on-year due to higher sales and realization of previously executed restructuring actions. In our next fiscal quarter, on a sequential basis, we expect similar revenue and slightly lower adjusted operating margin due to project and regional mix. Specialty solution segment revenue of 19.8 million decreased 7.2% year-on-year. Operating margin of 10.7% decreased 600 basis points year-on-year. Sequentially, we expect moderately to significantly higher revenue and operating margins. Next, please turn to slide eight for a summary of Standex's liquidity statistics and capitalization structure. Our current available liquidity is approximately $213 million. At the end of the second quarter, Standex had net debt of $437.7 million compared to net debt of $413.2 million at the end of fiscal second quarter 2025. Our net leverage ratio currently stands at 2.3. We pay down our debt by approximately 10 million during the fiscal second quarter of 2026. In fiscal third quarter 2026, we expect interest expense between seven and seven and a half million dollars. Timex's long-term debt at the end of fiscal second quarter 2026 was 534.7 million. Cash and cash equivalents totaled 97 million. we declared our 246th quarterly consecutive cash dividend of $0.34 a share and approximately 6.3% increase year-on-year. In fiscal 2026, we expect capital expenditures between $33 and $38 million. Relative to our debt leverage, we will continue to focus on paying down debt and anticipate that 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, Adamir. Please turn to slide nine. I'm very pleased to see the inflection in organic growth in the second quarter as new product sales grew 13% and as fast growth markets contributed 28% of revenue. Organic growth was driven by our electronics, engineering technologies, and the grading segments. The year-on-year organic growth reflects actions and investments since fiscal year 2021. During this time, we ramped up new product development across our businesses and further positioned ourselves in fast-growth end markets like grid, commercialization of space, and defense. We will continue to align our organic and inorganic growth investments around secular end markets and new products that expand our presence and deepen our customer relationships. This continued momentum in fast-growth markets and from new product sales helps support a record order book in the fiscal second quarter. We are reiterating our sales outlook for fiscal 2026 and remain on track to achieve our fiscal 2028 long-term targets.

Operator | Conference Operator:

We will now open the line for questions.

Operator | Conference Operator:

Thank you, ladies and gentlemen. We will now begin the question and answer session. Should you have a question, please press the star followed by the one on your touch-down phone. Should you wish to cancel your request, please press the star followed by the two. If you're using a speakerphone, please lift the

handset before pressing any keys. Once again, that is star one should you wish to ask a question. Your first question is from Chris Moore from CJS Securities. Your line is now open.

Chris Moore | Analyst, CJS Securities:

Hey, good morning, guys. Congratulations on another solid quarter. Thanks for taking a few. Good morning. Good morning. Maybe we just start with one on the on the purchase accounting side. The $17.98 million redeemable non-controlling interest redemption value, I know that relates to the 10% that you could not acquire of Ameren and Orion. Maybe you could just kind of walk us through the math there and how that works.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, sure. Good morning, Chris. It's Adam here. So it's a bit of a technical answer, and we anticipated this question, so we prepared a few remarks. So let me try to explain. So kind of in general, whenever we acquire the business, our goal is to ensure full alignment in objectives and incentives between owners of the business and standards. And, you know, if in many cases actually owners and key management of the acquired business stay on board with us, not only to ensure successful integration, but also, frankly, to help us grow the business in the future. And that's been our key success with our prior acquisitions, has been really strong strategic, financial, and cultural fit. So last year when we negotiated agreement to acquire Amaran, and Amaran is actually a U.S. legal entity, and Orion, which is an Indian legal entity, our goal is essentially the same, to ensure common goals and incentives between owners of the business and standings. So in order to achieve this goal, we acquired 85% of Amaran in cash and 15% with standard shares. And then we also acquired 90% of Narayan in cash, and our plan was to acquire the remaining 10% of Narayan, an Indian entity, with standard shares. This acquisition actually of the remaining 10% of Narayan with standard shares was not possible at the time of acquisition because it was subject of approval by Indian government as Indian nationals have restrictions on owning foreign equity. And since we didn't have this approval at the time of Narayan acquisition, we included in the purchase agreement an alternative method to acquire the remaining 10% with cash using the same 12 times, trailing 12-month EBITDA multiple, which is measured at future points in time. So now, after one year, the India government approval was not obtained. And at this point, this approval is unlikely. And based on the original purchase agreement, minority owners of Narayan now have the right to sell us one-third of their remaining 10% interest in Narayan. And as a result of these two facts, per accounting rules, we had to record the increased value of remaining 10% of Narayan based on trailing 12 months Narayan EBITDA as of end of fiscal Q2 FY26, applying the same 12 times multiple to frankly represent what it would cost Standex to acquire in cash the remaining 10% stake of Narayan as of today as per the purchase agreement. So really, Chris, it just shows the increased value of this business since the acquisition and just frankly a phenomenal performance that this business has had as part of Standex Grid. Hopefully that helps. I mean, I can read to you the explanation from the queue, which is even more technical, but hopefully this helps clarify.

Chris Moore | Analyst, CJS Securities:

No, it does. That was perfect. Thank you. Very, very helpful. All right. So on to the business. So maybe just continue with Amaran or grid. So OEMs, you know, such as Snyder Electric, Siemens GE, all found it more efficient to outsource, you know, the low to medium voltage transformers that, you know, grid's providing much of the engineering that they had done in-house. So maybe just a question or two here. How would you characterize the competitive environment here? I'm just trying to understand, do most of these OEMs have multiple relationships with companies like Amaran, or are you sole sourcing? How does it work now, and what's your expectation moving forward?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, Chris, this is a great example of a customer intimacy market. And the idea of customer intimacy is that as customers design their next generation platforms, they've got their engineers focused on the most critical functionality within that platform. But there are other elements that are very important that must be custom designed, and they need partners to do that. So over the years, instrument transformers have moved into that category, and Amaran Orion is quickly becoming a valued partner to the global equipment OEMs. If you zoom out and look at the global market for instrument transformers, about 40% of the instrument transformers are made by the electrical equipment OEMs, by GE Siemens, by Schneider, Eaton. They are outsourcing more and more of that, but not all of it. The other 60%, there are different suppliers in every region of the world. And, you know, they're not small family shops. These are businesses about the size of AMRA and Orion. But there are a lot of suppliers out there around the regions of the world. And we feel that we, you know, we stack up well against all of them.

Chris Moore | Analyst, CJS Securities:

Got it. Very helpful. And maybe just the last one for me, maybe, you know, just bigger picture. India and EU just signed a trade deal, just wondering... You know, any thoughts there?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, yeah. Well, first of all, clarity in trade is good. Clarity and consistency so we can make our investment, make our plans. Now, if you think about the Croatia site that we've started up and now ramping up, we're installing machinery now there. That makes that Croatia site even more viable long term because that's there to serve the European market and leverages the India supply chain. So we don't know fully what the implications are, but it can only be good.

Operator | Conference Operator:

Got it. I will leave it there. I appreciate it, guys. Thanks, Chris.

Operator | Conference Operator:

Thank you. Your next question is from Ross Perenglak from William Blair. Your line is now open.

Ross Perenglak | Analyst, William Blair:

Hey, good morning, gentlemen. Good morning. Hey, on the electronics, can you maybe just help parse out the... sales and order growth for the grid business versus the legacy?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Again, our book-to-bill for the electronics in total was over one, with the grid business being at about 1.2 book-to-bill and the core business being at about 1.03, 1.04. I think even more of an info is that our orders in the electronics business have been strong over the past two quarters. As you know, Ross, it takes us a little while to convert some orders into sales. We are pretty pleased with what we are seeing in the overall order book, both in the core business and especially what we are seeing on the grid business because the demand is very strong.

David Dunbar | Chairman, President and Chief Executive Officer:

You know, there's three big pieces of our electronics business. The grid business continues to grow kind of as it has in the last few years. Our switches and sensor business with reed switches and relays is growing, you know, upper single digits. And the magnetics business, which is primarily North American business, is less than that. So our core electronics business is mid-single digits.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, correct.

David Dunbar | Chairman, President and Chief Executive Officer:

And then that...

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, the grid business. So, yeah, in the quarter, right, that's a good point. In the quarter, Ross, you know, the grid business kind of got that organic growth rate because we lapsed the year, got the organic growth rate for the whole total segment over 10% with the core growing at about mid-single digits organically.

Ross Perenglak | Analyst, William Blair:

Okay. So, I mean, you get the sense from the legacy side that you're starting to hit an inflection here. Yeah. It seems to indicate, but I mean, we kind of think through the end markets and the drivers. I mean, is there anything really to come up there? I mean, I know EVs was a story for a bit. You want some new content or space in the fence. Just what's helping sustain that legacy?

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, on that legacy side, right, it's primarily the switches and the relays. Asia is very strong. There's a lot of economic activity in Asia. We're seeing a pickup in Europe. North America is still flat. So you look at the geographies. The end markets... Our relay business is growing with test and measurement. Sales relays into test and measurement equipment, and that's tied to electrification, grid, and data centers. Those are kind of things that stick out.

Ross Perenglak | Analyst, William Blair:

Yeah. Okay. And then can you maybe help us bridge the second half walk to the 270 of fast growth sales? But we've comped over the AMRAN acquisitions. And kind of by my math, this seems like the biggest two bucks are probably commercial space and grid. But I know we also have capacity coming online there, too, that might be inhibiting that the next quarter or two on the grid side.

David Dunbar | Chairman, President and Chief Executive Officer:

Well, yeah. So last year, our sales and fast growth of 184, that included a partial year of the grid business. This year, we're saying 270 plus, and that's a full year of the grid business. Within that, our sales into defense in North America are up $15 to $20 million. Space, about $10. EVs, about $5. And the rest is the grid growth,

which is primarily the Ameren Orion acquisition, but there's some sales into grid from our legacy magnetics.

Ross Perenglak | Analyst, William Blair:

Okay. I mean, that's kind of what you're making it for the year. That's what you've already seen in the first half. Yeah. No, we're seeing that. Yeah, yeah. Okay. I'm trying to understand there's going to be a bigger mixed shift towards the grid since it is higher margin or what the timing looks like there.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah.

David Dunbar | Chairman, President and Chief Executive Officer:

Well, it is higher margin, but... Yeah, no, no, you're right.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

You know, the grid business is higher margin. Just one thing, you know, Ross, that's important is, you know, we're also, you know, investing in growth and capacity expansion in grids. So, you know, there's going to be some cost to set up our Croatia site, to expand in Mexico, you know, to get the... to get the Houston, Texas, you know, capacity expansion. So, you know, we do expect, you know, the margins kind of to continue to be very strong, but there's some investments we need to make now to continue to sustain this, you know, exceptional growth, frankly, on the grid side.

Ross Perenglak | Analyst, William Blair:

Okay. Fantastic, guys. I'll hop back in queue.

Operator | Conference Operator:

Thank you. Thanks, Ross.

Operator | Conference Operator:

Thank you. Your next question is from Matthew Caronda from Roth Capital Partners. Your line is now open.

Matthew Caronda | Analyst, Roth Capital Partners:

hey guys good morning um maybe just continuing on the electronics uh chain of questioning here um maybe could you just run us through the state of play with the capacity expansion projects you have for emma and orion between houston mexico croatia just the status there and how that sort of informs the um segment profit guidance uh that you've laid out for us yeah uh let me let me

David Dunbar | Chairman, President and Chief Executive Officer:

First kind of zoom out and talk about capacity expansion. Since we acquired the business, we've increased the capacity about 50%. And that's largely through the addition of additional shifts with the work on lean, a little bit of automation. Now we're bringing on new sites. The Croatia site is now ramping up. We're moving machinery into our Mexico plant. So now if you zoom out over five years, within three to five years, we'll more than double the capacity with the addition of the Croatia site, the expansion in New Mexico. We will move into a larger site in Houston. That should be up and running in about 18 months. Expansion in India. And then just continued automation and lean work will more than double the capacity in three to five years.

Operator | Conference Operator:

Okay, got it. Yeah, helpful on the capacity side.

Matthew Caronda | Analyst, Roth Capital Partners:

Just wondering, maybe Adam, you can chime in on how that creates a little bit of a near-term drag on segment profitability. Just wanted to understand how that informs the guidance.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, yeah, no, for sure, Matt. So, you know, initially, obviously, to get, for example, to get the Croatia site up and running, you know, you have to set up the site, you have to hire a general manager, you have to hire people, sales and marketing, production, etc. So there is some cost that's going to be incurred before we get to, you know, ramp up the production. So we don't expect electronics margins to decline in subsequent quarters. But, you know, I would probably tell you that, you know, I wouldn't expect them to increase in subsequent quarters as well.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, I guess a good way to say that is we are adding resource, project management resource, expertise, and bringing up these new sites is so important. We're doing that with the growth. We're paying for that and increasing margin. Margin would be higher right now if we didn't make those investments, but it would compromise the capacity growth.

Matthew Caronda | Analyst, Roth Capital Partners:

Okay. Yeah, that makes total sense. Okay. And then on ETG, I think you guys mentioned maybe there was some organic growth that was held back by customer timing issues and guessing just based on the guidance that that slides into the third quarter, but maybe just talk a little bit about that.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, absolutely. For longtime followers of Standix, this comes up pretty regularly in that business. And whether the customer, whether it's aviation, space, or defense, these are large shipments. They sometimes carry over from one quarter to the next. And it really is just a matter of timing. Maybe they couldn't get in it. There's a lot of reasons that could happen. They couldn't schedule a final inspection. But these things slip from one quarter to the next all the time. The backlog remains healthy and growing. Yeah, no.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, Matt. I mean, it could be, yeah. And I really, for ETG business, you kind of got to look at it over a 12-month period, you know, to normalize for some of these ebbs and flows. But, you know, David is right. It could be, you know, changing production on a customer side, you know, changing, you know, timing when they need a product would obviously affect when we work on the product, et cetera, et cetera. But over, you know, over kind of a four quarters, it all equalizes out. But you're right. You know, we do expect some of the shifts from year two to happen this quarter. Yeah.

Matthew Caronda | Analyst, Roth Capital Partners:

Understood. Okay. Um, maybe just one more, if I could sneak one in on the sort of the MNA front, uh, just given where leverage is, it's, it's coming down to a healthy place. It looks like Linus is, uh, to, to under two at some point in the near future. Um, where are you focusing your efforts now? Just given, you know, sort of the balance sheet looks like it's in order to, to maybe get larger stuff done potentially. Just curious how, where your head's at on that.

Operator | Conference Operator:

Um,

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, we've had extensive discussions about this recently. We're obviously looking for opportunities in grid and building up a funnel of opportunities in grid, A, to help even accelerate the capacity expansion. Based on earlier questions, there are other companies out there that make instrument transformers, so we can expand the instrument transformer business. our grid customers are asking us to expand the products we sell them. So we have some ideas from our customers like Schneider and Eaton about companies we could look at. So we're building up that pipeline. In our legacy electronics business, we know that every time we work with a customer and we customize a switch, relay, or a sensor, there are other products that we could work on if we had a broader offering in that components and modules area. So you think about expanding our sensor and switch business into other related technologies, we're building up a pipeline there. So don't be surprised if in the future you see us building that business out so we can offer a broader customer set. I guess the final area, we feel pleased we have so many great end markets to look at Space, the space market is becoming a bigger and bigger opportunity. It is not just putting satellites in orbit anymore. If you look at the long-term plans some people have for space, there's going to be a lot going on up there with different kinds of vehicles requiring different pieces of equipment. So we're also building up a funnel in emerging capabilities in the space market.

Operator | Conference Operator:

Sounds like a target rich environment. I'll leave it there. Thanks, guys. Yes. Yeah.

Operator | Conference Operator:

Thank you. Your next question is from Gary Prestopino from Barrington Research. Your line is now open.

Gary Prestopino | Analyst, Barrington Research:

Hi. Good morning, all. David, your new product sales to date, how many products have you introduced? I think you did four this quarter. What is it to date? Yeah.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, so to date, once you do four or five, we're nine to date.

Gary Prestopino | Analyst, Barrington Research:

Okay, so you're going to do greater than 15 this year, right?

David Dunbar | Chairman, President and Chief Executive Officer:

Yes, yep.

Gary Prestopino | Analyst, Barrington Research:

Are there any new products that you put out that you would have considered more wildly successful than you initially thought as you were developing them?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, I tell you, a lot of our sales in the commercialization of space are new products. And these are, you know, every year we seem to take up our expectations of those. So the engineering technologies business for the spin craft business have been very successful with their new products.

Gary Prestopino | Analyst, Barrington Research:

Okay, so that's where the new products are really getting. Okay, and then... are you at liberty to say if, if your fast growth markets are going to do 270 million sales this year, I would assume a lot of that, that jump year over year is due to your, what you're doing in the grid. So what percentage of your sales are, are going to the grid right now or out of that 270, what percentage of your sales would be the grid?

David Dunbar | Chairman, President and Chief Executive Officer:

Yes. I kind of ran through those numbers earlier to another question. And, um, It's just over half of that is into the grid, you know, 50%, 52% or something like that. And that was the run rate we saw these last couple quarters because we've got AMRA and Orion fully in our numbers. And the rest, as I mentioned before, defense and space are the biggest pieces with a little bit of EV and renewable energy.

Gary Prestopino | Analyst, Barrington Research:

Okay. And then just lastly, in terms of the – the AMRON acquisition, is there any more residual carryover that would impact the next two quarters in terms of from the acquisition, such as it would impact the income statement as it did this quarter?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Oh, Gary, are you talking about this non-controlling interest adjustment?

Gary Prestopino | Analyst, Barrington Research:

Yeah. Yeah, the non-controlling. Okay.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, we will have to. I mean, obviously, it will not be disguisable because this was the annual churro based on the two factors that kind of led us to have to book it this time. But yeah, I mean, it'll have to be adjusted on a quarterly basis going forward because the trillion 12-month EBITDA for which the multiple is applied to is going to change.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, I'm going to say a word about that. We're delighted that we had to make that large an adjustment because that means that business is doing great. And this incentive, this 10% of that Indian remaining in the hands of the owners really completely aligns our incentives. I mean, I'm delighted at the cultural integration, at the cooperation we're getting from the teams. And so this is an accounting and a technical matter, but it's playing out the way we had hoped.

Gary Prestopino | Analyst, Barrington Research:

No, I understand that, but what I'm just trying to get at is because they still own 10%, we're going to have this going forward for the next couple of quarters? I mean, does this ever end?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Well, it would obviously end when the 10% is executed and sold. When we repurchase the 10%, then it will end. I'm sorry.

Gary Prestopino | Analyst, Barrington Research:

Go ahead. I'm sorry. No, no. Go ahead. I'm sorry.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

No, no, no. At the point when those 10% shares are, you know, transferred back to us and we purchase them, obviously, then, you know, this would go away. But as long as there is some portion of the minority interest that's owned by the prior owners in India, there will be, you know, there will be minority interest that has to stay on the balance sheet and, you know, let build that we would have to pay for that remaining part at some point. Actually, in the contract, we have put the call options, you know, the way that this agreement was structured. by which for the first three years the owners have the right to essentially sell us their shares, and then we get the right to repurchase it starting in year four, so.

Operator | Conference Operator:

Okay, thank you.

Operator | Conference Operator:

Thank you. Your next question is from Michael Swisky from DA Davidson. Your line is now open.

Michael Swisky | Analyst, DA Davidson:

Good morning, and thanks for taking my questions. I want to follow up on your last answer there. I'm also just trying to make sure I get my hands around this. Does the eventual sale of the shares or purchase of the shares have to be approved by the Indian government, and could that be an issue? Will you be just consistently reviving this every quarter until they approve it?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

So to come back to the original agreement we had, we actually, the original objective was to purchase 10% of the Indian entity Narayan with standard shares. And the India government needs to approve an Indian national to own equity of a foreign company. So, you know, if you're buying it with shares, there needs to be a government approval. If you're paying it with cash, obviously there is no government approval that's needed. That's a pretty straightforward transaction.

David Dunbar | Chairman, President and Chief Executive Officer:

And that's what we're doing.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

And that's, I think, where we're going to end up at some point in time over the next few years.

Operator | Conference Operator:

No approvals. I got it.

Michael Swisky | Analyst, DA Davidson:

I know it's like a bigger segment, but I did notice the substantial margin decline. in specialty solutions, and I was wondering if you could maybe share what was behind that. I know you mentioned one of the engineering technologies group. How about that one?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, it's been just a very, very difficult end market in North America, Mike, in terms of where the specialty solutions is playing. And it's all North America, you know. And, you know, we do expect this quarter to get better. You know, we are seeing some order intake improvements in both businesses that make up the specialty solution segment. And we do expect those margins to improve this quarter as the general market conditions improve.

Operator | Conference Operator:

But it's market driven.

Michael Swisky | Analyst, DA Davidson:

Okay. Okay. And similarly, I wanted to touch on the engraving business as well. It was a little bit of a nice comeback coming here after a very long period of waiting. Can you just tell us a little bit about what the pipeline of business looks like in engraving? Does it go beyond a couple quarters here?

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, I mean, like we've said the last few quarters, we think that in North America and Europe, that activity bottomed out and we were kind of in the trough in the last year. We do see that. In North America, it's still kind of at similar levels. Europe is starting to pick up. We anticipate programs will be launched in America that will lead to work for us later in the summer and the fall. So we do see a pickup in our traditional business there. And another thing we're quite excited about is the increase in our new product sales for the year is actually out of the engraving business. You might remember in the summer, we talked about a new win they had making these differentiated parts using some proprietary knowledge we have of the soft trim process. So we're producing these parts. That is a new product for us. And the $8 million increase in new products is largely from that business. So we think there's a pickup from that we'll see in the late this quarter and into Q4.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

But we are still cautious about the overall market and engraving the auto market.

Operator | Conference Operator:

Okay, okay. Thanks very much. I will leave it there. Thank you, Mike.

Operator | Conference Operator:

Thank you. Your next question is from from William Blair. Your line is open.

Ross Perenglak | Analyst, William Blair:

Thanks for taking the follow-ups here. Just quickly on the capacity, I mean, you've spoken to over 60 million roughly in Croatia, but can you just remind us on where that stood when you acquired the asset on a dollar basis?

David Dunbar | Chairman, President and Chief Executive Officer:

Zero. There were only, the Croatia was just a request from customers to install the total capacity of Amaran.

Ross Perenglak | Analyst, William Blair:

I mean, you weren't out in India. Yeah.

David Dunbar | Chairman, President and Chief Executive Officer:

Yeah, so the capacity of Amaran at the time of acquisition was basically in line with the sales. It was about $100 million. We have increased that capacity of the existing capacity by about 50%. And then we've got these other sites coming online.

Ross Perenglak | Analyst, William Blair:

And then just to clarify... we think through doubling that and we doubling it off the, you know, original base or what we stand today.

David Dunbar | Chairman, President and Chief Executive Officer:

No, no, no, no, no. In fact, we're more than doubling it with based on the, if they're at one 50 now, we'll more than double that in the next three to five with Croatia, Mexico, Houston, new expansion in India and lean and automation. Okay.

Ross Perenglak | Analyst, William Blair:

Uh, and then just on Ameren and just kind of a qualitative and competitive landscape. Uh, can you say elaborate on the right to win there? Is it the scale, the relationships, or is it just kind of the prototyping and technical capabilities? I didn't understand the question. Amaran? Sorry. Yeah, on the Amaran, on the grid business. I mean, we're expanding globally. There's a lot. It's a fragmented market, regional players. I mean, what truly is kind of the right to win there for that business?

David Dunbar | Chairman, President and Chief Executive Officer:

Well, customers are asking us to expand. They have earned a privileged position with the largest electrical equipment OEMs to great service levels. When we announced the acquisition and in previous quarters, we've explained they have an advantage. The way their business model works, they can turn around prototypes faster. They can deliver faster than internal teams and a lot of our customers and from our competitors. They have a great track record for quality. And they've got a great supply chain in India that gives them a cost advantage as well. So they win on a lot of fronts. All the expansion plans we're talking about are really at the request of customers. We don't have to go prospecting for business. Customers are very open with us about their long-term plans, what they want us to do. So this is a very collaborative effort to expand this capacity.

Ross Perenglak | Analyst, William Blair:

Okay. And then maybe just one final one here. We think they're like the delta of the mid to high single. Could you put a finer point on those ranges? What could go wrong? What could go right? I know you guys have better visibility in some markets than others, but it feels like the cyclical pieces are pretty much a trough at this point.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, I mean, I think, yeah. I mean, that's right. I mean, we feel from a kind of an overall economic environment and when the global markets are, we feel we are... We bottomed out for sure, and now we are starting to recover and see some increased demand.

David Dunbar | Chairman, President and Chief Executive Officer:

Back in August, we said that there's a lot of positive energy in the company because we feel we're reaching an inflection point where the new products and the fast-growth markets are overcoming weakness in some other general industry markets. North America is still pretty weak. You heard about it in specialty. That's kind of a weaker spot in our legacy electronics business. So in terms of what could go wrong, if we don't see a pickup in North America, that would be kind of a... Yeah, that's fair. Yeah.

Ross Perenglak | Analyst, William Blair:

Okay. So more macro-related, it's not timing or any watch items regarding like the A350 or SpaceX or something like that?

Operator | Conference Operator:

No, no, no. Awesome. All right. Thanks again, guys. Thank you. Thanks, Ross.

Operator | Conference Operator:

Thank you. There are no further questions at this time. I will now hand the call back over to David Dunbar for the closing remarks.

David Dunbar | Chairman, President and Chief Executive Officer:

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

Operator | Conference Operator:

Thank you, ladies and gentlemen. The conference has now ended. Thank you all for joining. You may all disconnect your lines.