NYSE:SXI Q3 2026 Earnings Call Transcript

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Operator | Conference Operator:

Thank you. Thank you. Thank you. Thank you. Thank you. Thank you.

Operator | Conference Operator:

Good morning, ladies and gentlemen, and welcome to the STANDEX International Fiscal Third Quarter 2026 Financial Results Conference Call. At this time, note that 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. Also note that this call is being recorded on Friday, May 1st, 2026. And I would like to turn the conference over to Christopher Howe, Director of Investor Relations. Please go ahead.

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 2. 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 STANDX'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, pre-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 third quarter 2026 conference call. This quarter provides another strong proof point that our strategy shifting toward faster-growing end markets and increasing new product development is working. We delivered top-line sales growth of 8%, including organic growth of 6.5%. Our sales into fast-growing end markets are now above 30% of our total, and new products are expected to add 300 basis points of growth to our 2026 sales results. It is also exciting to see how the mix of our businesses has evolved. Today, electronics and our engineering technologies business generate about 70% of sales and nearly 80% of total segment profits, both built around custom engineered solutions for attractive secular markets. That makeshift is what we set out to achieve. Our engineering technology

segment has effectively repositioned itself as a vital partner for space, defense, and aviation customers. So we are renaming the segment Standex Aerospace and Defense. Looking ahead, demand remains healthy. Companywide book to bill was 1.05 and electronics delivered 1.14, setting us up well as we move into the fourth quarter. 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 third quarter 2026 results. Now let's look at the results beginning on slide three. In the third quarter, sales increased 8.1% year-on-year to $224.6 million, including 6.5% organic growth. Electronics grew 6.8% organically. New product sales grew approximately 40% to approximately $18.7 million. Sales into fast-growth markets were approximately $69 million, more than 30% of total sales. We are pleased with the momentum in the business reflected in an overall book-to-bill ratio of 1.05 and within electronics of 1.14. Adjusted operating margin of 19.7% was up 30 basis points year on year. On March 6th, we completed the divestiture of federal industries at an enterprise value of approximately $70 million. This is in line with our portfolio simplification strategy allowing us to focus our management and capital resources more on fast growth markets and new product launches. We used the proceeds to pay down about $62 million of debt, reducing net leverage to 1.9 times. Beginning this quarter, we will report under four operating segments, electronics, aerospace and defense, scientific, and engraving and hydraulics. The hydraulics business has been combined with the engraving business under the engraving and hydraulic segment. This divestiture continues a decade of deliberate portfolio shaping toward higher growth, higher margin businesses. In 2014, we operated 16 businesses. Today, we're down to five. And following the Ameren Orion acquisition, electronics represents more than half of Standex, helping drive the performance you see today. Our original fiscal year 2026 sales outlook included a full-year contribution from federal industries. Even after the federal divestiture, we still expect fiscal 2026 revenue to increase by about $100 million versus 2025, supported by momentum in new products and fast growth markets, especially in electronics and aerospace and defense. I'm pleased with the momentum that we are building in launching new products. We expect to launch more than 15 new products this fiscal year, on top of 16 new products last fiscal year. We expect new product sales pro forma for the federal divestiture to grow by $24 million to $64 million, adding nearly 300 basis points of organic growth in the year. Our sales into the fast-growing markets such as space, defense, and grid are expected to increase to approximately $270 million, constituting about 30% of our total sales. On a sequential basis, we expect slightly 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. On a year-on-year basis, in fiscal fourth quarter 2026, we expect slightly to moderately higher revenue, driven by mid to high single-digit organic growth, from growing backlog in fast growth markets and increased new product sales. partially offset by the revenue impact from the federal investiture. We expect slightly lower adjusted operating margin as organic growth and realization of productivity actions are more than offset by growth investments in capacity expansions, higher medical costs, and increased variable compensation expenses. I will now turn the call over to Adomir 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, third quarter 2026 summary. On a consolidated basis, total revenue increased approximately 8.1% year-on-year to $224.6 million. This reflected organic growth of 6.5%, 0.2% benefit from acquisitions, and 1.4% benefit from foreign currency. Third quarter 2026 adjusted operating margin increased 30 basis points year-on-year to 19.7%. Adjusted earnings per share increased 13.5% year-on-year to $2.21. Net cash provided by operating activities was $9 million in the third quarter of fiscal 2026 compared to $9.6 million a year ago. Capital expenditures were $2.7 million compared to $6.1 million a year ago. As a result, we generated fiscal third quarter free cash flow of $6.3 million compared to $3.5 million a year ago. Now, please turn to slide five, and I will begin to discuss our segment performance and outlook, beginning with electronics and aerospace and defense. Electronics revenue increased 7.6% year-on-year to a record $119.7 million, driven by organic growth of 6.8% and 0.8% benefit from foreign currency. Organic growth was driven by sales into fast growth markets and increased

new product sales. Adjusted operating margin of 29.3% in fiscal third quarter 2026 decreased 50 basis points year-on-year due to growth investments partially offset by higher volume, pricing initiatives, and product mix. Our book-to-bill in fiscal third quarter was 1.14 with orders of approximately 136 million. This marks the seventh consecutive quarter with book-to-bill near or above one. This consistent streak of book-to-bill around one targeted capacity expansion within grid, and acceleration in new product sales as their ability to outgrow. In addition, our monthly orders for over $50 million in both March and April further indicating robust demand and a runway to a strong fiscal 2027 performance as these orders convert into sales. Sequentially, in fiscal four quarter 2026, we expect slightly to moderately high revenue, reflecting higher sales into fast growth and markets, and increase new product sales. We expect slightly higher adjusted operating margin, primarily due to higher revenue, partially offset by continued growth investments. On a year-on-year basis, we expect high single-digit organic growth. Aerospace and defense revenue increased 33.7 percent to 36.6 million, driven by organic growth of 20.8 percent, 12.2 percent benefit from recent McStyleLite acquisition, and 0.7 percent benefit from foreign currency. Organic growth was driven by increased project activity in the commercialization of space and market. Adjusted operating margin of 18% decreased 60 basis points year-on-year, primarily due to project mix. Sequentially, we expect slightly to moderately 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 and realization of productivity initiatives. On a year-on-year basis, we expect double-digit organic growth. Now, please turn to slide six for a discussion of the scientific and engraving and hydraulic segments. Scientific revenue decreased 1.7 percent to $18 million, primarily due to organic decline from lower demand from academic and research institutions affected by NIH cuts. Adjusted operating margin of 21.9 percent decreased 70 basis points year-on-year due to lower sales. Sequentially, we expect slightly higher revenue and similar adjusted operating margin due to product mix. Engraving and hydraulics revenue increased 2.2% to $44.8 million, driven by a 4% benefit from foreign currency, partially offset by organic decline of 1.8%. The organic decline was driven by general market weakness for hydraulic cylinders. Adjusted operating margin of 14.3% in fiscal third quarter 2026 increased 210 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 slightly lower revenue and similar to slightly higher adjusted operating margin from realization of restructuring actions and productivity initiatives. Next, please turn to slide seven for a summary of standard fixed liquidity statistics and capitalization structure. Our current available liquidity is approximately $191 million. At the end of the third quarter, STANDEX had net debt of $369.1 million compared to net debt of $470.4 million at the end of fiscal third quarter 2025. Our net leverage ratio currently stands at 1.9. We paid down our debt by approximately $62 million during the fiscal third quarter 2026. In fiscal fourth quarter 2026, we expect interest expense between $6.8 million and $7 million. Tendency long-term debt at the end of fiscal third quarter 2026 was $472.8 million. Cash and cash equivalents totaled $103.7 million. We declared our 247th quarterly consecutive cash dividend of $0.34 per share and approximately 6.3% increase year-on-year. In fiscal 2026, We expect capital expenditures between $27 and $30 million. 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 eight. To summarize, I am very pleased to see the continued organic growth in the third quarter with the book-to-bill ratio of 1.05 when adjusted for the federal divestiture. Organic growth was driven by our electronics and aerospace and defense segments, which grew 6.8% and 20.8%, respectively. 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. Our acquisition strategy will continue to focus on businesses with accretive margins, exposure to fast growth markets, and delivery of custom solutions. With the divestiture of federal industries, we have realigned our company around four operating segments. We expect fiscal 2026 sales to increase approximately $100 million over fiscal 2025 with margin expansion. While we remain on course, we will provide an update to our long-term targets on the next earnings call, considering the changing portfolio composition with the federal industry's divestiture. We will now open the line for questions.

Operator | Conference Operator:

Thank you, sir. Ladies and gentlemen, if you do have any questions, please press star 1. on your telephone keypad. You will then hear a prompt that your hand has been raised. And if you should wish to decline from the polling process, please press star followed by two. And if you're using a speakerphone, you will need to lift the handset first before pressing any keys. Thank you. Just one moment, please, for our first question. First, we will hear from Chris Moore at CJS Securities. Please go ahead, Chris.

Chris Moore | Analyst, CJS Securities:

Hey, good morning, guys. Thanks for taking a couple. Good morning. Good morning. And maybe we'll start on the defense opportunity. You've talked about, you know, providing missile nose cone solutions, include nose cones for interceptors, tactile missiles, as well as development hypersonics. Maybe can you just give us a sense for the scale of that opportunity? You know, what kind of orders look like? Are there long lead times? Just You know, any thoughts there would be, you know, really helpful.

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, so there we're talking about within engineering technologies. We serve defense in the magnetics business, in electronics, and in engineering technologies. The engineering technologies business provides nose cones out of their Wisconsin facility. And about, you know, 15% of the engineering technologies or aerospace and defense segments is defense. Most of that is missiles. There is an opportunity to significantly increase that in the coming years. We have had discussions with customers and actually with the Undersecretary of the Department of Defense asking if we are able to ramp and they gave us different scenarios. These upper scenarios really kind of depend on the government procurement process passing orders from multi-year commitments to us We have received some orders, so we expect a nice increase in those sales in 2027, potentially greater if they can unlock the procurement process.

Chris Moore | Analyst, CJS Securities:

Got it. I appreciate that. Maybe just switch gears to Amara and Orion. Just in terms of the Croatian facility, trying to understand where you are in terms of construction and then just in terms of creating the infrastructure for full market penetration there? What's a reasonable timeframe and are the competitive dynamics much different in Europe than you see in the US?

David Dunbar | Chairman, President, and Chief Executive Officer:

There's a lot in that question. You know, we had no presence in Croatia without business before. There was no footprint in Europe. We now have the Croatia site. It is operating. We made our first products a few weeks ago. We have customers visiting this month and next to qualify the site. We have external auditors to achieve various certifications, including ISO certifications that we expect in June. So shipments are beginning at kind of a slow rate. will begin to ramp much more quickly after those June audits are complete. So we're still confident that our longer-term expectation of at least 60 million in three to five years is reasonable based on the commitments we have from our current European customers. We are also now building a sales, a commercial organization in Europe so we can understand your third question, which is what about the competitive dynamics there? There is certainly more opportunity than we see. It's a larger market than North America. It's a much larger market than India. We believe that once we're on the ground with our sales team, with the site there, we will be able to answer that third question for you and figure out what we need to do to take that $60 million expectation higher.

Chris Moore | Analyst, CJS Securities:

Just a quick follow-up. Probably we're a couple of years before you're really accelerating in Europe.

David Dunbar | Chairman, President, and Chief Executive Officer:

We ship into Europe from India now. Some of those shipments will begin to come from Europe and continue to ship from India. In our FY27, we think the upper single-digit million shipment number is kind of a reasonable expectation. There is upside to that. How it ramps beyond that, I guess we'll have to report in the coming year or so. But there certainly is upside because the market is there. And we have the footprint and are building the capacity to grow beyond that.

Chris Moore | Analyst, CJS Securities:

Fair enough. I'll leave it there. I appreciate it, guys.

Operator | Conference Operator:

Thanks, Chris.

Operator | Conference Operator:

Next question will be from Matt Caranda at Ross Capital Partners.

Operator | Conference Operator:

Please go ahead, Matt.

Matt Caranda | Analyst, Ross Capital Partners:

Hey guys, good morning. I guess I just wanted to start with the electronics segment and the order flow looks like it's up north of 75% year on year. Wanted to hear a little bit about the drivers of the strength and order flow between grid and the core magnetics and sensing solutions business.

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, so the growth, I'm going to add America, the 75%. I don't see the 75% math. We had a great book to build, 1.14 on growing sales. We're seeing strong order flow in our core switches business, which for us is a good indication that general industry, certainly in Asia, is picking up. That in the quarter, the sales were up over 20% in switches. Relays are strong. Our sales in the grid are up about 20% with a book to bill of about 1.1 or something. So it's a very strong order flow there. And it's kind of a tale of two cities in the industrial world. Space, defense, grid, aviation, those businesses are all growing double digits. General industry in North America and Europe is still fairly slow. And as I said before, general industry in Asia looks like it has really picked up.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, and if I can just add to that, Matt, as we said in our prepared remarks, we had two consecutive months of orders over $50 million for electronics, which has never happened before. And some of that is clearly the strength we had seen and continue to see in the grid space and some of these fast growth end markets. But also it's to David's point's indication that the general industrial markets are stabilizing and we are kind of turning the corner here. Now, it takes us a little time to convert those orders into sales, but it makes us pretty bullish about what we're going to see in FY27 in terms of top-line performance. Again, assuming there is no significant macroeconomic or geopolitical challenges.

Matt Caranda | Analyst, Ross Capital Partners:

That's helpful, guys. Thank you. And then, I guess for my second question... I wanted to ask a portfolio question. It seems like now that you're under two turns of leverage, you've got plenty of capacity to deploy incremental dollars to M&A. Just wanted to hear the latest on the funnel and how you guys are thinking about add-ons to kind of the core segments as you sort of add more capacity at this point in time.

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, Matt, we like the position we're in now. We are delighted with the integration of the Ameren Orion or the grid business and how that continues to perform. And with a leverage under two now, we're building sizable powder. And if you look at the makeup of our business now, 70% of our sales come from engineered components and engineering technologies and electronics. And those are the businesses that serve these fast-growing markets with customized products. So that's the universe where we will explore opportunities. And in our funnel, we always have a number of kind of family-owned businesses that are similar to or privately-owned businesses similar to acquisitions we've made over the decades at Standex. With the grid acquisition, that has also opened up opportunities for us to look at related products to solve bigger problems that become an even more important partner to our customers. So in a switchgear, in addition to the instrument transformer, there are other products that support the metering and the electrical quality measures of the switchgear itself. On the electronic side, there are a lot of opportunities around components and modules. I think we've mentioned in the past, every time a customer works with us, with, say, for a read switch-based sensor, a switch, or a relay, they are also working with other suppliers on other components for that same product that are customized to some extent, whether it's capacitors or filters or something like this. So that really opens the aperture for us to explore wider opportunities. So for that, you know, we're in discussions with – with a number of third parties to help us identify targets. So we have an existing funnel. We're working at expanding the funnel with these new opportunities as we fully explore opportunities to expand these engineer components businesses.

Operator | Conference Operator:

Thank you, guys. Next question will be from Ross Barron Black at William Blair. Please go ahead, Ross. Could you unmute your line, please, Ross? Yeah, I was on mute there.

Ross Barron Black | Analyst, William Blair:

Good morning, gentlemen. Good morning. Hey, Ross. Maybe just a level set on the top line guide. Are we taking out the first three quarters of federal, kind of 25 million, or are we leaving that in there and just taking the fourth quarter?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Oh, the Fed is out in the fourth quarter, guys.

Ross Barron Black | Analyst, William Blair:

So just the fourth, okay. And then you guys said grid was up 20% year-over-year, so that implies, what, like a 160 run rate? Pretty healthy growth.

Operator | Conference Operator:

Yeah, yes.

Ross Barron Black | Analyst, William Blair:

So then you guys said, what, a book-to-bill of 1.1, so that means core organic growth, book-to-bill is probably 1.15, up nearly 20%, so definitely seeing some momentum.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

You've got your mask, right? Yep.

Ross Barron Black | Analyst, William Blair:

That's what I get paid for. I mean, can you give any updates on India and the progress you've seen with rolling out Lean there and driving that capacity?

David Dunbar | Chairman, President, and Chief Executive Officer:

Well, I tell you, we had just a few weeks ago, I've had Vinit here with us today. He was in India a few weeks ago with a very large team for a global grid capacity expansion Kaizen. So, We have an extensive plan to look at global demand, a roll-up from customers around the world, byproduct family. We have a site in Texas, a site in India, a site in Croatia now. We're producing in Mexico on our Mexico site, and we're looking at our global capacity expansion. So we do have assumptions that within India, simply with lean, there is another call it 15 plus percent capacity expansion from lean, which fuels us in addition to Mexico and Croatia through this year. As you know, we have the Texas site coming on next year. But your question was about India. So we have a good handle on the initial. There's unexploited lean opportunities there at 15 plus percent capacity.

Ross Barron Black | Analyst, William Blair:

Okay. And maybe if I could squeeze one more, can you just remind us really quick of the growth investments with electronics, just the size and the cadence? A couple million bucks.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, so, you know, if you kind of break it down by parts, Ross, you know, most of our growth investments are coming in the grid business. Obviously, there's some investments we've put into Croatia already. That's probably, you know, it's about, call it, you know, 30, 40 basis points, if you think about from kind of a margin standpoint of impact right now, because, you know, obviously we're not shipping as products yet out of Croatia. And then, you know, as David mentioned, and as you know, you know, we're expanding capacity in Houston and Mexico. So, you know, you have to, you know, hire some people and get some of that rolling before we can, you know, before those sites operational. So, you know, there's probably another, I would probably tell you, you know, 50, 60 basis points of those investments as well, you know, kind of the, from a run rate basis standpoint.

Ross Barron Black | Analyst, William Blair:

Okay. So there's no 2, 3, 2 issues though. There was some, you know, one-off stipulation regarding grid. I didn't fully dig into the details. It just seems like given the growth of the NAM brand, those margins should have been maybe a little bit higher as standards electronics.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, look, we think we're going to continue to expand margins in electronics, you know, especially, you know, as you kind of think about where we are growing is our fast growth and markets where we are most profitable. So we do expect we're going to, you know, clip that 30%, you know, adjusted operating margin in the near future.

Operator | Conference Operator:

Perfect. All right. Well, thanks a lot, guys. Thanks, Ron.

Operator | Conference Operator:

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

Mike Sliske | Analyst, DA Davidson:

Yes, hi, good morning. Can I just take my questions? Morning, Mike. Speaking of operating margins, just looking at the results, it's pretty clear that engraving and hydraulics are now kind of the lowest of the four. I guess those are kind of like two different businesses. Can you comment on your plans for those businesses if you're, you know, always trying to hone it a little bit better and a little bit higher, you know, year after year? Is there a potential that... Those are kind of next to go, I'd say, after federal.

David Dunbar | Chairman, President, and Chief Executive Officer:

Well, you know, in their – as you know, they're strong businesses in their sectors. They're not burning platforms in that sense. So it's kind of a question of timing to find the best opportunities for those businesses. Within engraving, we have some – Pretty interesting growth initiatives going on. We talked about making these specialized parts, functional textures. Those are ramping up. So the businesses themselves are fundamentally sound. We have some profit improvement projects in both of them. And you look at our history, where we've invested in acquisitions. We love the engineered components businesses. You will likely see

more of that. And we have some very good businesses that, you know, hydraulics and engraving, they could be fit somewhere else. And we continue to monitor the situation and we'll make the right decision at the right time.

Mike Sliske | Analyst, DA Davidson:

Okay. Okay. In aerospace, given the organic work you've seen now and we've got quite a few opportunities ahead of you, Do you see a need to expand capacity there on a greenfield basis?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

In the aerospace and defense segment, is that your question, Mike?

Mike Sliske | Analyst, DA Davidson:

Yes.

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah. Not from a greenfield standpoint, at least not in the near term. We have a bit of a capacity in our sites, but obviously as the business continues to grow at some point, we might have to look at additional space, but no immediate plans as of right now. We feel we can service what's coming our way in the near term.

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, I guess the one caveat to that is we mentioned the missile programs. If these missile orders do appear for some of these higher scenarios, then we will expand footprint.

Mike Sliske | Analyst, DA Davidson:

That's correct.

David Dunbar | Chairman, President, and Chief Executive Officer:

Okay, got it, got it. But we would only do that with a long-term commitment from the customer, and we'd certainly communicate that in a future quarter.

Mike Sliske | Analyst, DA Davidson:

Right. I imagine you have an ROIC hurdle to meet there, and it wouldn't be any different than you would for Amaran or anything else.

Operator | Conference Operator:

Right. Right, exactly. Great.

Mike Sliske | Analyst, DA Davidson:

And then it sounds like you're not looking to give us too much guidance yet on fiscal 2027, but can you at least comment on the new product menu for 2027? Do you have as many rolling out next year as you had this year? Do you have ones in the pipeline yet? Can you expect a halfway decent year from that part of the growth plan?

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, if you just step back and think, our general growth model, we think we've got these fast growth markets that continue to grow. Upper teens, 20% a year. That's like six points of growth from that. Our new products, we still expect that to add 300 basis points of growth. And then whatever happens with general industries may be a tailwind to that. So just as a high level, I would be thinking, in that zone for 2027. So in terms of numbers of products in 2027, that's in line with... Yeah, definitely, Mike.

Operator | Conference Operator:

I think we think the momentum will continue. Actually, it might even increase because as we are adding, our funnel is increasing internally of new product ideas.

spk09:

Outstanding. I'll leave it there. Thank you. Thanks, Mike.

Operator | Conference Operator:

Ladies and gentlemen, a reminder to please press star one should you have any questions. Thank you. Next, we will hear from Gary Prestopino at Barrington. Please go ahead, Gary.

Gary Prestopino | Analyst, Barrington:

Thanks. Good morning, everyone. In your new segment breakdown, the other category, is that legacy federal before the divestiture? What exactly is in there?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, that's right. That's all it is.

Gary Prestopino | Analyst, Barrington:

Okay, that's all it is. Yeah, okay. So with the sale of Federal, was the corporate expense associated with Federal? Does that come out of the equation? I noticed like your corporate expense was about $8.6 million this quarter, a step down from last quarter, which was a normally high, but As we're modeling, what kind of number should we be looking at for that corporate expense number?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, Gary, it's adamant. I mean, we don't really allocate a lot of corporate costs, so there's no corporate cost that would go away with federal. I mean, what's really driving the reduction in the corporate cost for this quarter is, you know, some of it is we got slightly lower medical costs versus some of the prior quarters. there was some, you know, uh, adjustment to the, to the bonus payouts. And that's, that's basically it. But we do assume that, uh, you know, going forward, kind of, you know, nine to $10 million run rate is probably, probably the right, the right number.

Gary Prestopino | Analyst, Barrington:

Okay. And then, uh, just in terms of, um, your tax rate, because I noticed it was down, I think this quarter, um, and obviously a lot of moving parts with the numbers with the sale of Federal, but for Q4, is it looking like it'll be about 24%?

Ademir Sarcevic | Chief Financial Officer and Treasurer:

Yeah, 24 to 25 is kind of what I would tell you. It's a good estimate.

Gary Prestopino | Analyst, Barrington:

Okay. And then just last question in terms of what's your growth in electronics. I mean, can you, is it all across the board and grid? replacement of grid, data centers, or where are you starting to see abnormal growth?

Operator | Conference Operator:

Did you say abnormal growth?

spk09:

Right, yeah.

Gary Prestopino | Analyst, Barrington:

You know, growth in excess of what you were thinking in terms of application.

David Dunbar | Chairman, President, and Chief Executive Officer:

Yeah, so the growth drive is certainly a grid, defense. There is a defense component in electronics. And like I mentioned earlier, Our sales of bare switches, reed switches, was up 20% year on year. So those go everywhere. It's a sign of general industry strength, primarily in Asia. And our relay sales are strong. They're driven by test and measurement equipment, similar drivers to the grid, serving data centers and the equipment that go into data centers. Now, another way to look at it, we have three businesses in there, as you know. We've got what we used to call magnetics, our edge business, which is really a North American business. That was down in the quarter year on year, largely due to some execution issues. Their book-to-bill was very strong. The detect, the SST business, which is where the switches and sensors are, was upper single digits. That includes the switch business I talked about before. And then grid, of course, which we talked about. So kind of that triangulates into your growth question from a couple different angles.

Operator | Conference Operator:

Okay. Thank you.

Operator | Conference Operator:

And at this time, Mr. Dunbar, we have no other questions registered.

Operator | Conference Operator:

Please proceed, sir.

David Dunbar | Chairman, President, and Chief Executive Officer:

All right. Thank you. I appreciate everybody connecting today on this call. We always enjoy reporting on our progress at StandEx. Thank you also to our employees and shareholders for your continued support and contributions. I look forward to speaking with you again in our fiscal fourth quarter call.

Operator | Conference Operator:

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