NYSE:THR Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Greetings and welcome to the Fairmont Earnings Conference Call Q1 Fiscal Year 2026. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If you require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce you to your host, Yvonne Salem, Vice President, FP&A, and IR. Thank you, Yvonne. You may begin.

Yvonne Salem | Vice President, FP&A and Investor Relations:

Good morning, and thank you for joining Thurmond Group's first quarter fiscal 2026 results conference call. Leading the call today are CEO Bruce Thames and Chief Financial Officer Jan Schott. Earlier this morning, we issued an earnings press release, which has been filed with the SEC on Form 8K, and is also available on the investor relations section of our website. Additionally, the slides for this conference call can be found in our IR website under News and Events, IR Calendar, Earnings Conference Call, Q1, 2026. During the call, we will discuss some items that do not conform to generally accepted accounting principles. We have reconciled those items to the most comparable gap measures in the tables at the end of the earnings press release. These non-GAAP measures should be considered in addition to and not as a substitute for measures of financial performance reported in accordance with GAAP. I would like to remind you that during this call, we might make certain forward-looking statements regarding our company. Please refer to our annual report and most recently quarterly report file with the SEC for more information regarding our forward-looking statements. including the risks and uncertainties that could impact our future results. Our actual results might differ materially from those contemplated by these forward-looking statements, and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments, or otherwise, except as it might be required by law. Today's call will begin with remarks from our CEO, Bruce Thames, who will provide a review of our recent business performance, including an update on our strategic initiatives, followed by a financial update and review from our CFO, Jan Schott. Bruce will then wrap up our prepared remarks with an update on our business outlook. At the conclusion of these prepared remarks, we will open the line for questions. With that, I will turn the call over to Bruce.

Bruce Thames | Chief Executive Officer:

Well, thank you, Yvonne, and good morning to everyone joining us on the call today. At a high level, I'm pleased to report that the team delivered resilient performance in the first quarter as they navigated a complex and rapidly evolving market landscape. The outcomes we achieve underscore the strength of our long-term vision and strategic initiatives, which are intentionally focused on driving a higher quality, more profitable revenue mix. Combined with proactive tariff mitigation efforts, these actions enabled us to achieve gross margin improvement over prior year, affirming the effectiveness of our operational framework and the agility of our organization. However, the strength in our margin performance was offset by year-over-year decline in revenues that was largely attributable to temporary delays in backlog conversion and project execution timing. Factors we fully expect will translate into realized revenue in the upcoming quarters. Additionally, we experienced some softness in our incoming order rates following Liberation Day, which we anticipated as a risk coming into our fiscal year and factored into our full year guidance. As we tracked our bookings trends through the quarter, we saw a sharp decline in the daily order rate in late April through May, followed by a notable recovery to more normalized levels in June. On a positive note, order momentum has continued to build through the end of July. While the current market dynamics, particularly surrounding global trade, presents near-term unpredictability, Our strategic focus and operational discipline have us well equipped to harness renewed momentum as conditions stabilize. We remain confident in our strategic positioning to benefit from several very long-term secular growth drivers. This positioning, when combined with our robust approach to gross margin enhancement, sets a strong foundation for sustained growth and value creation for our stakeholders. With that as a backdrop, I'll begin my commentary with the first quarter highlights. As I just discussed, our first quarter revenues were impacted by roughly $10 million in delayed backlog conversion, which contributed to the 5% decline from prior year. These delays, which stem from short-term supply chain challenges and an unanticipated production delay caused by a capital improvement project, are not indicative of lost revenue opportunities. They're simply a matter of timing. Our robust backlog, which continues to grow, positions us well to recognize these revenues in the quarters ahead. While our bookings during the first quarter were down 5% versus last year, we remain confident in our growth outlook. Our strength in bookings over the prior several quarters, the backlog at quarter end up 27% from last year, the delayed revenues in Q1 and strong order trends at FATI all combined to provide a clear path to achieve our revenue plan for the year. Additionally, our total bid pipeline was up 43% at quarter end, boosted by the vapor power acquisition, and driven by activity across several key end markets, including chemical, petrochemical, power and nuclear, LNG, and renewables. Based on these factors, we remain confident that we're well-positioned to generate solid long-term organic growth. As noted, I was very pleased with the team's execution to deliver strong gross margin performance during the quarter, which was up 30 basis points from last year, despite the volume declines and impact of tariffs. The gross margin improvement was a direct function of our strategic shift toward higher margin OPEX revenues across diverse end markets, as well as our tariff mitigation measures, which included actions like pre-buying of materials, shifting of sourcing and production, and price increases, which began to take effect very late in Q1. And finally, our disciplined financial management enabled us to maintain our strong balance sheet with leverage of just one times at quarter end, which provides us the flexibility to execute on our growth strategy, both organic and inorganic, while opportunistically returning capital to our shareholders. Our M&A pipeline remains active, and we continue to search for opportunities to deploy capital to augment our strategic growth initiatives. During the quarter, we returned nearly 10 million in capital through our share repurchase program, and we will continue balancing capital allocation between opportunistic share repurchases and growth investments, with a focus on driving returns for our shareholders. Before I turn it over to Jan, I'd like to take some time to discuss several strategic initiatives that we're very excited about and expect will be key contributors to our growth in the coming quarters and years. These include an emerging opportunity in the data center market, rail and transit, and our most recent acquisition, FATI. Turning now to slide six, we believe unprecedented investments in the data center market represent an emerging growth opportunity for Thermon. According to an independent study, the global load bank market was roughly 280 million in 2024, with growth projections to 445 million in 2032, representing a 4.8% compounded annual growth rate. With the advent of AI and liquid-cooled data centers, the demand for liquid load banks to provide both thermal and electrical loads to test critical cooling systems and power infrastructure has rapidly grown. Based upon management estimates, we believe the current market opportunity for liquid load banks will grow from an estimated $84 million in 2024 to 386 million in 2032, which represents a compounded annual growth rate of 21%. To serve this growing market, Thermon launched the new Pontus and Poseidon load banks on July 28th of this year. As data centers shift from air to liquid cooling, we believe that the opportunity for Thermon legacy solutions like heat tracing, environmental heaters, immersion heaters, tubing bundles, and removable heating blankets grows accordingly. It's early, but we're already seeing a growing pipeline of project activity with new prospective customers that we anticipate will translate into meaningful growth in this segment for years to come. Turning now to slide seven, the rail and transit market is another vertical that we're extremely excited about. The Infrastructure Investment and Jobs Act, representing the largest federal investment in public transportation in U.S. history, has provided a very favorable demand environment with higher levels of government funding to modernize public transit and passenger rail systems. We're seeing strong order momentum with rail and transit backlog doubling over the last 12 months. Based on these strong order trends and the longer-term opportunity in this market segment, We're deploying capital and resources to rapidly expand capacity to support this growing opportunity. And finally, the FATI acquisition in October of last year has quickly become our fastest growing acquisition, and we continue to be very excited by the opportunity set for this business. Bati strategically positions us to take advantage of the growing electrification market across Europe. While we've seen a shift in US policy that has stalled investment, the electrification market in Europe is experiencing solid growth. We're seeing strong order momentum with our backlog doubling in just the last six months with a solid pipeline of high probability opportunities going forward. We're extremely encouraged by these opportunities which highlight the strength of our diversification strategy. Looking ahead, our ability to leverage our technologies across high-growth verticals, such as data centers, transit systems, and electrification, positions us to capitalize on dynamic market trends and deliver sustainable shareholder value. This highlights the ingenuity and dedication of our team whose relentless pursuit of excellence allows us to consistently deliver safe, reliable, and innovative thermal solutions for our customers. The successes we see today underscore our differentiated position in the industry and reinforce our confidence in the path forward. With that, I'll turn it over to Jan. who will provide a more detailed review of our first quarter results before I wrap up with some remarks on our financial outlook. Jen?

Jan Schott | Chief Financial Officer:

Thank you, Bruce, and good morning, everyone. I will review the financial results for the quarter, give an update on working capital and free cash flow, and conclude with comments on the balance sheet and liquidity. Moving now to slide eight, I will start with our first quarter operating highlights. Revenue in the first quarter was 108.9 million, a year-over-year decrease of 5%. Excluding revenue contributed from FATI, first quarter organic revenue decreased 11%. Our OPEX revenues were 93.3 million during the first quarter, a decrease of 4% compared to last year. Excluding the contributions from FATI, OPEX revenues decreased 11% from the same period last year, due to the delayed backlog conversion, as well as the impact of the tariff uncertainty. OPEC's revenues represented 86 percent of total revenues for the quarter. Large project revenue was 15.6 million during the first quarter, down 11 percent from last year. While we noted some improvement in large project bookings last quarter, many of these remain in the engineering phase and we continue to see project schedules shift to the right. Based upon the current schedules, we anticipate that execution will begin in quarter two, carrying through the balance of the year. Our gross profit was $48 million during the first quarter, a decrease of 5% compared to the first quarter last year, as the revenue decline was partially offset by a more favorable revenue mix and tariff mitigation measures. including pricing benefits. As a result, gross margin was 44.1% during the first quarter, up from 43.8% last year, owing to improved profitability in OpEx sales, price, and productivity enhancements. Adjusted EBITDA was $21.2 million during the first quarter, down from $23.2 million last year. a decrease of 9% due to the revenue decline combined with continued investments in growth initiatives. Adjusted EBITDA margin was 19.5% during the first quarter, down from 20.1% last year, as the improved gross margins were offset by lower volumes and a modest increase in SG&A due in part to the FATI acquisitions. Gap earnings per share for the quarter was 26 cents, up 4% from 25 cents in the prior year. Adjusted earnings per share was 36 cents, down 5% from 38 cents last year. The decline was primarily driven by lower sales volumes and increased SG&A expenses, partially offset by improved gross margins and reduced interest expense. Orders decreased 5% on a reported basis and were down 19% organically. Orders were down across each geography, particularly in APAC, due to . While bookings were generally weaker across the board, we did see some pockets of strength in commercial, LNG, and as Bruce already discussed, rail and transit. Our first quarter book to bill was 1.11 times which was flat from the prior year. Backlog increased 13% organically due to the positive book to bill in the quarter combined with project execution timing. Turning to performance by geography, year over year sales in US lamb in Canada declined by 17% and 8% respectively, primarily due to delayed backlog conversion and reduced customer demand amid ongoing market uncertainty related to tariffs. In contrast, EMEA delivered strong growth with revenue more than doubling, driven by solid performance in our organic business and a $6.8 million contribution from the FATI acquisition. APAC revenue was $6.6 million, down from $9 million in the prior year period reflecting softer demand in the region. Moving to slide nine for an update on our balance sheet and liquidity. Working capital increased by 9% to $172 million at the end of the quarter, primarily driven by the FATI acquisition and higher inventory as we built stock for the fall heating season and purchased materials in advance of tariffs. CapEx was 2.4 million during the quarter, compared to 3.9 million last year, which included capital investments to support growth initiatives in the prior year. Free cash flow during the first quarter was 8.3 million, down modestly from 8.7 million last year. We repurchased 9.8 million in shares during the first quarter, bringing our total shares repurchased since the start of fiscal 2025 to $30 million. As a reminder, in May, we refreshed our repurchase authorization back to $50 million, so we currently have $44.5 million remaining under our current authorization. We ended the quarter with net debt of $102.8 million and a net leverage ratio of 1.0 times. We recently closed our $240 million credit facility, which extends the maturity to July 2030. In summary, we maintained our strong financial discipline during the first quarter and continued to execute our balanced capital allocation strategy. We remained focused on maintaining a strong balance sheet and ended the quarter with total cash and available liquidity of $130.8 million. This liquidity provides us with ample flexibility to support our capital allocation needs, and we will continue to prioritize investments in organic and inorganic growth while balancing opportunistic share repurchases and debt reduction. With that, I will turn the call over to Bruce.

Bruce Thames | Chief Executive Officer:

Well, thank you, Jan. And now if you'll all turn to slide 10. We remain focused on navigating a dynamic global trade environment with discipline and agility. We're very pleased with our results during the first quarter as our tariff mitigation efforts were a key factor enabling us to drive gross margin improvement despite the revenue weakness and tariff headwinds. With the announcements on August 1st and questions regarding the details about how these new tariffs will be applied, we're currently assessing the impact to our business. As we gain clarity, I'm confident in our team's ability to quickly respond and minimize and mitigate any impacts going forward. As you can see here, our outlook for fiscal 2026 remains unchanged from our initial expectations. We continue to operate in an uncertain market created by the volatile and rapidly changing trade environment, which makes it very challenging to predict the second and third order impacts from the tariffs, particularly as it relates to customer behaviors impacting demand. Our guidance continues to assume the most recent and any future announcements do not have a notable positive or negative impact on input costs or customer sentiment and the recovery we've seen in order trends is sustained. While we were able to mitigate the impact of tariffs during the first quarter, we continue to see some margin risk for the balance of the year as the full impact of the tariffs is felt and we gain clarity on the most recent announcements. Based on these factors, we're reiterating our fiscal 2026 financial guidance that calls for a revenue in a range of $495 million to 535 million and adjusted EBITDA in a range of 104 million to 114 million. While ongoing global trade dynamics present challenges, we remain highly focused on effectively managing the factors within our control. We've made significant progress in our diversification growth strategy in recent years and are now strategically positioned to benefit from several powerful secular growth drivers, including reshoring, electrification, decarbonization, and power and data centers. We're in an extremely strong financial position with more than sufficient financial flexibility to continue pursuing our strategic priorities, including the discipline allocation of capital, all with an ongoing focus on generating a long-term value for our shareholders. That completes our prepared remarks, and we're now ready for the question and answer portion of our call.

Operator | Conference Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Thank you. First question comes from the line of Brian Drab with William Blair. Please proceed.

Brian Drab | Analyst, William Blair:

Hi, good morning. Thanks for taking my questions. Good morning, Brian. Morning. I just wanted to ask, I think you said there was a capital improvement or productivity improvement project that led to some production delays. Did you say, is that in the past now or the timing of getting that resolved and then the orders that were delayed when those would ship?

Bruce Thames | Chief Executive Officer:

Yes. Yeah, Brian, we did have a capital improvement project that took one of our value streams down about twice. As long as we had anticipated in the first quarter, it's now up and fully operational and it's back to running at historical throughput levels. And again, we would expect those revenues to convert in Q2 in the balance of the year. We also did have some chain disruption that impacted another value stream, and those have been fully resolved as well. Okay.

Brian Drab | Analyst, William Blair:

Got it. So I know you talked about $10 million in delayed revenue. Is that a different issue, or what's the amount of revenue that is associated with that capital improvement delay?

Bruce Thames | Chief Executive Officer:

The supply chain improvement in the capital – Excuse me, the supply chain disruptions in the capital project are roughly 60% of that 10 million. The balance is more in project execution and timing in the quarter.

Brian Drab | Analyst, William Blair:

Got it. Okay, perfect. Thank you. And can we talk a little bit about the liquid load bank opportunity in data center? I guess... Maybe just at the moment, could you spend a little time just describing what the product is that you're shipping? I know you had a press release on this recently, but maybe it'd be worth just explaining briefly what the product is. I don't think it's super intuitive for everybody. And what is your order book looking like or pipeline looking like for that type of activity? Like going in a year from now, like what's sort of the revenue opportunity for that business line?

Bruce Thames | Chief Executive Officer:

Yeah, great question. So first and foremost, liquid load banks are actually, they're actually, they're based on boiler technology, but essentially they are used to provide both thermal and electrical loads to test the effectiveness of the cooling systems in these new liquid cooled data centers. They also provide an electrical load so that our customers can test the electrical power distribution systems in those data centers. So historically, They had largely just used inductive and resistive load banks. Our technology allows them to test not only the electrical load, but the thermal loads on those systems as well. And the move from air cooled to liquid cooled has created the demand for these systems. As we look forward, the pipeline of opportunity is building. We're just now have just launched these products only a couple of weeks ago, so it's still very early, but we're building that pipeline of opportunities. We're out talking to customers and different types of end users and channels in the market, but we would expect over time to be able to build a 20 to 25% market share in this growing opportunity. And those numbers I covered in the prepared remarks and are outlined in the slide we had in the investor materials.

Brian Drab | Analyst, William Blair:

Okay. Thanks very much. And then maybe just one more question. Can you comment, you know, more specifically on gross margin expectations for the next quarter and the balance of the year?

Bruce Thames | Chief Executive Officer:

Yeah, so first of all, as I said earlier, we're pleased with the results in the first quarter. Our outlook had been a little more pessimistic given the impact we anticipated in tariffs. We do expect there to be some margin headwinds in Q2 and beyond. The good news is we're beginning to see pricing come through. By the end of the second quarter, our new prices should be in full effect. And we feel like those are adequate to position us well to fully offset the impact of tariffs as we know it today in the back half of the year. So overall, our view of performance in Q1 is positive. We do see there could be some potential headwinds in Q2. And our expectations are that pricing will offset costs in the back half of the year. On a trailing 12 basis, I think we're sitting at about 44.8% gross margins. I would think by the end of the year, we should be trending in that same direction.

Brian Drab | Analyst, William Blair:

Oh, okay. All right. That's very helpful. Thanks, Bruce. Thank you.

Operator | Conference Operator:

Thank you. Our next question comes to the line of Justin Age with CGS Securities. Please proceed.

Justin Age | Analyst, CGS Securities:

I appreciate the color on the data centers. Can you elaborate on the strong demand that you're seeing at Sati and what has changed since the fiscal fourth quarter, the last report?

Bruce Thames | Chief Executive Officer:

Yeah, Justin. So first of all, we did in the fourth quarter, we talked about just the strong demand environment. We've seen that continue. As we noted in prepared remarks, the backlog there has literally doubled since we closed that deal on October 2nd of last year. They had a very good first quarter in shipments and bookings were quite strong north of 17 million in the first quarter. So, you know, we're seeing very strong demand. The pipeline of opportunities there is quite strong as well. The bulk of this is really related to electrification opportunities in Europe and the Middle East. The way their regulations there are moving forward, we are seeing significant investments in electrification to be able to convert historical heating sources that have been hydrocarbon-based to electric to reduce scope one emissions. So that has been a very positive trend on the European continent, and we're seeing the same in the Middle East. And a couple of these opportunities that they've secured have been related to LNG export, liquefaction and export facilities as well, very large heaters for those applications. So again, we're seeing quite strong demand due to a couple of different market drivers there for Foddy. I think the big impact has been taking that business, plugging it into Thermon's global sales network and being able to effectively develop and close opportunities through Thermon sales channels to really build that backlog over the last seven or eight months.

Justin Age | Analyst, CGS Securities:

That's helpful. Thanks, Bruce. And then, Jan, maybe you could elaborate on the capital allocation priorities. I know you touched on it in the prepared remarks, but just hoping to see you know, an update on if there's anything in the M&A funnel or how you're approaching share buybacks. Any more color there would be helpful, please.

Jan Schott | Chief Financial Officer:

Sure. Thanks, Justin. The M&A pipeline is still very active. And, you know, as we've stated before, we'll continue to look for opportunities that complement our strategy. You know, besides, I think, you know, that'll be something that we're focused on. I think we have done some uh, organic investments. So looking more for inorganic investments, um, we'll also continue with our share repurchase program. Um, you know, that would be if we, uh, if we don't have opportunities to prioritize growth. Um, so, you know, that's always something that, uh, you know, we've done when we can buy back shares at attractive levels, if there's nothing, um, or we don't have anything that, you know, really that's attractive in the MNA pipeline or that we think we can, uh, execute on. So we think we have lots of flexibility there. And then I think we're in a good spot with our debt. So the last part of that would just be debt reduction. But at 1.0 times, it's really hard to allocate any free cash flow there.

Justin Age | Analyst, CGS Securities:

Thank you, Jen. I appreciate it.

Operator | Conference Operator:

Thank you. As a reminder, to ask a question, please press star one. Our next question comes from the line of Chip Moore with Ross MKM. Please proceed.

Chip Moore | Analyst, Ross MKM:

Hi, thanks for taking the question. Apologies, I hopped on a few minutes late, so I'm not sure if you addressed it. Just was wondering, on the heat trace side, pipeline on large projects,

Bruce Thames | Chief Executive Officer:

what you're seeing you know there's been some big FIDs out there and and just just any uh any color there yeah Chip good morning yeah so on the pipeline of opportunities as I noted uh you know we've seen some nice growth year over the year it's about about 43 percent um some of the large project bookings were weaker in the quarter but as we talked about the cadence of bookings has improved and We're seeing some very positive awards that we've received here in early in Q2. And the pipeline of opportunities, again, looks to be robust. We have secured some orders in rail and transit in Q1. There's been some key LNG wins that have been larger projects in scope and certainly We've had some opportunities in downstream oil, which we've secured in the first quarter as well. I think the key thing to note is as our backlog is up 27% year-over-year and 13% organically, we've seen a big increase in just the engineering load today, and we're staffing up to be able to respond and get those projects designed and be able to convert that to bills of material and ultimately drive revenue. So that has contributed to the revenue delays in Q1. We've seen that those projects begin to translate to revenue in Q2, and we would expect that through Q3 and Q4 in the back half of the year. I think coming in, we had made some assumptions around tariffs and demand and the like and timing of projects. We were thinking the year might be more front end loaded based on what we're seeing today. It looks to be a more typical revenue distribution we would expect with roughly 44 to 45 percent of revenues in H1. and 55% to 56% of revenues in H2. And that's actually roughly around the five-year average for the business.

Chip Moore | Analyst, Ross MKM:

Appreciate the call, Bruce. And maybe if I could sneak in one more on data center. You know, obviously those growth numbers up there, we all know those are huge. So interesting to see the opportunity. I'm just wondering, I guess one on the load bank, I assume this comes on later, you know, in construction when these facilities are coming online? And then any thoughts on go-to-market? Do you need a partner there or, you know, some proof points or how are you thinking about working more aggressively? Thanks.

Bruce Thames | Chief Executive Officer:

Yeah, so first of all, you're right. These are used, these are really used in two ways. One is they can be installed permanently. in the facilities and they're used not only for startup and commissioning testing, but they're used throughout the life cycle of the asset as they do maintenance on their HVAC or the cooling systems. And also as they expand those facilities, as new technologies come in, all of those are opportunities or requirements for additional testing. So you can see part of this could be earlier in the construction phase. And then there's a lot of these that are used temporarily in the commissioning phase. And we see that through rental houses as well as other big hyperscalers, they'll have their own fleets of this equipment. So it is later in the commissioning phase where we see these, really it's used predominantly. So later in the build cycle. For the channels to market, we're going direct globally, but we do have potential for new partners in both the rental and technology space that we're working on developing those relationships today.

Chip Moore | Analyst, Ross MKM:

Great. Appreciate the color. Thanks very much. Thank you.

Operator | Conference Operator:

Thank you. Our next question comes from the line of John Bratz with Kansas City Capital. Please proceed.

John Bratz | Analyst, Kansas City Capital:

Good morning, Bruce. Jan. Good morning. A couple more questions on the data center market. And I think you maybe answered it. I'm not quite sure. But would the customer be maybe the data center or the manufacturer of the cooling system, would you work in potentially in conjunction with the cooling provider?

Bruce Thames | Chief Executive Officer:

Yes. So it's really both. And it depends on the specific project. In some cases, it could be some of the hyperscalers. In other cases, it's the HVAC contractor that's responsible for the cooling system. And then in some cases, We're actually going through a rental channel to provide these assets on site for the startup and commissioning phase. So there's really different channels to market, and it depends on really whether this is being installed permanently in the facility or being used just during the startup and commissioning phase to test the asset.

John Bratz | Analyst, Kansas City Capital:

Okay. You know, if they continue to use it during the life of the data center, is it one unit per data center, or does data centers need multiple units? Hundreds.

Bruce Thames | Chief Executive Officer:

These are hundreds of units.

John Bratz | Analyst, Kansas City Capital:

Okay, okay. So what's out there now? How are the data centers – you know, using, what are they using now? What's the sort of the competitive landscape in this product area?

Bruce Thames | Chief Executive Officer:

So this is an emerging opportunity. It's nascent, and there are a few competitors out there globally for these liquid load banks. More traditionally, there have been resistive and inductive load banks, which are more strictly focused for power distribution testing. This is actually for thermal load testing as well as power testing. And this is really emerged with the advent of liquid cooled data centers. So this is fairly new to the market.

John Bratz | Analyst, Kansas City Capital:

Okay. Okay. Okay, good. And I think you addressed this earlier, but, you know, in a best case scenario, How quickly do you think we would begin seeing some meaningful revenues from this new product? Are we six months away, nine months? Any indication from you?

Bruce Thames | Chief Executive Officer:

Yes. So our goals are to begin to generate revenues from this in the back half of the year and begin to build a backlog going into fiscal 27. Okay.

John Bratz | Analyst, Kansas City Capital:

Okay. Okay. Will you separately note some of those numbers? We will. Okay.

Bruce Thames | Chief Executive Officer:

We will as we begin to develop the pipeline, close orders, and begin to ship. We'll highlight that on a go-forward basis.

John Bratz | Analyst, Kansas City Capital:

Okay, Bruce. Thank you very much. Thank you.

Operator | Conference Operator:

Thank you. There are no further questions at this time. I'd like to pass the call back over to Bruce for any closing remarks.

Bruce Thames | Chief Executive Officer:

Thank you, Alicia, and thank you all for joining today. We appreciate your interest in Thermon, and we look forward to speaking with you if we don't talk to you before the next call. So thank you all, and enjoy the rest of your day.

Operator | Conference Operator:

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.