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<<Analyst, Robert W. Baird & Co.>>

Hey, thanks everybody for joining us. We're very pleased to have Ralliant with us here today, Tami Newcombe, the CEO; and Nathan McCurren with Investor Relations. Tami's going to open with a few remarks to kind of set the stage, and then we'll go into Q&A from there.

<<Tami Newcombe, President & CEO>>

Yeah, Rob, we posted a presentation to our website, but I thought I'd just spend a few minutes for those of you who may be new to our story. Ralliant is a growth focused industrial technology company. We serve engineers, scientists, innovators around the globe who look to us for our precision technologies, and really where precision matters, where they're willing to pay a premium for our expertise, our accuracy, our reliability, and our safety.

Our portfolio is made up of precision sensors, precision safety systems, and precision instruments. Precision instruments align to electronics. And our strategy, we spun mid-2025 from another company, landed as a public company with a profitable growth strategy to drive higher growth by aligning more of our portfolio, where we are well-positioned to win to secular growth drivers.

The places that we've continued to invest are around defense and defense technologies, where we're well-positioned, the utility, electric utility grid globally, where we do sensing and monitoring, and also AI-related hardware innovation. And that's where you can think about the Test & Measurement of electronics, those hardware innovations going into a data center, and the innovation happening at the edge to bring AI out to all of us from an electronics standpoint.

In our first full-year here in 2026, [Technical Difficulty] [0:02:01] full-year as a company, embedded in our guide for the year, we're on a calendar year, embedded in our guide is 13% to 14% revenue growth, so double-digit revenue growth. Our margin expansion, our adjusted EBITDA margin expansion will be 340 basis points, and we've grown EPS to that 50% year-over-year. So just demonstrating that our team, my team, is executing against our profitable growth strategy and really seeing some results.

Our Q3 earnings call, happy to share anything specific to Q3 or kind of our [Technical Difficulty] [0:02:46]. I'd say overall, good momentum, good backlog that we're seeing in the business, all signals that things will continue as we head into 2027.

<<Analyst, Robert W. Baird & Co.>>

Maybe that's a good place to start. Like you mentioned, a lot of the objective data, backlog, core growth accelerating, margins improving, even momentum on your cost out program, that's all going well. But if you step back to maybe [Technical Difficulty] [0:03:15] now that you have been

public a year and a half, roughly 16 months, what – as you've intentionally built the organization, [Technical Difficulty] [0:03:26] you are happy about that seems to have a lot of momentum in the business that we wouldn't see?

<<Tami Newcombe, President & CEO>>

I think that probably the number one is just focus. Across the business, we design, we manufacture, we sell, we service precision products for every part of the business. We are extremely focused. So our business system gets to be more focused. Our executive team gets to be more focused and truly can drive that growth agenda that we've been talking about since the day we spun in a single business model across the business. I am not sure that jumps out to everybody that inside, I talked about our end customers. Our end customers across every business are pretty technical people, scientists, innovators, engineers, technicians. So it takes a pretty technical sales organization, applications engineers to build those products, and that's unified across all of Ralliant.

<<Analyst, Robert W. Baird & Co.>>

As you think about that investment for higher growth, again, they are technical products. There is a cycle there. How should we think about the cycle to bring products to market? How has that evolved over the years as well?

<<Tami Newcombe, President & CEO>>

[Technical Difficulty] [0:04:50] organic, and what we put at the top of our list for organic growth, we can see it in the backlog. So we're expanding – we're investing in production capacity, manufacturing capacity, expanding [Technical Difficulty] [0:05:08] secular trends. In other parts of the business, let us take Test & Measurement, where innovation is a big driver of ongoing growth. We started way back middle of 2024 when the spin was announced, to how to put in place a platform strategy where we could increase the pace of innovation. And you are seeing that now. You are seeing the fruits of that come through.

In Q3, we talked about three big launches from the Tektronix team in Test & Measurement, and there was another [Technical Difficulty] [0:05:49]. Then the oscilloscope family, but also take them into a place where we're bringing, it's called Tek Intelligence, so engineers can now talk to their favorite AI tool and be able to communicate to an oscilloscope and have all the intelligence of users manuals and application knowledge and everything else that we can bring forth.

So I think, you and I could set up our little Test & Measurement lab and be able to tell them exactly what we wanted, what we wanted plotted, and what data logs we needed.

<<Analyst, Robert W. Baird & Co.>>

I'm sure you could. Maybe just you mentioned defense, maybe we'll dig in there. That's part of your Sensors & Safety segment, which is about 60% of the company overall, and that is where you've been speaking to backlogs.

<<Tami Newcombe, President & CEO>>

Right.

<<Analyst, Robert W. Baird & Co.>>

That's starting to build. It was a little slower in the first part of the year, but I think as surge demand has started to filter into the pipeline now. How should we be thinking about how those orders are converting to revenue as well as what else may be behind kind of the – I'd say the pipeline, but in terms of those working their way into the order book?

<<Tami Newcombe, President & CEO>>

Our defense and space end market is 18% total revenue, coming up on 20% here. And the way to think about it is probably six quarters ago, we were talking about what we see on the horizon in framework agreements, seven-year framework agreements. Those translated into, in the industry, you hear them called UCAs or Undefinitized Contracts. The binding has a few blanks around maybe the final pricing or terms.

We have now seen those turn into first year hard purchase orders, and that's what we count in our backlog, is firm purchase [Technical Difficulty] [0:07:48]. The upside in our funnel is more business in these framework agreements that will come in the years to come. The framework agreements are through 2035, so that's the upside in the business.

Right now, we're focused on delivering on that $1.5 billion in backlog by getting more efficiency and productivity in the footprint that we have to serve 2027, and then building out some additional footprint for '28 and beyond.

<<Analyst, Robert W. Baird & Co.>>

As you think about '27, just in that context, what would be the binding constraints or gating factors around converting that?

<<Tami Newcombe, President & CEO>>

In the defense space?

<<Analyst, Robert W. Baird & Co.>>

Yeah, in the defense space.

<<Tami Newcombe, President & CEO>>

First and foremost, our customer. So our customer is managing 100 or more suppliers. We're one of them. So as we work, and this is daily, we work with our largest customers on timing. We're constantly working through scenarios. A scenario will be, could you pull something forward to

Q1? If we can, we'll wait for feedback from the wealth of suppliers, and sometimes it's like, okay, let's pull those dates in. Sometimes it's, we got something to work, push those dates out. We're working within a period of what it takes for our customer to get this orchestration of suppliers to happen all at once. And it's difficult because the demand is elevated, so it's bigger than anything we've done historically. That's number one.

Number two is us getting in front of our supply chain and making sure that we have secured supply so that we're not the long pole in the tent, which we never want to be. So that's the second piece of it. And then third is just being able to take the footprint we have and continue to get productivity out of it. And that means adding second and third shifts, which we've got to be able to do that efficiently, and continue to RBS just in the factory to make sure we get more productivity there. Those are probably the three pieces I think about of how do we first meet what we're saying we're going to do, which is double-digit growth, and then second, how would we deliver upside on that?

<<Analyst, Robert W. Baird & Co.>>

How would you characterize the supply chain today to be able to deal with that level of growth, whether it's the electronic side or just labor side or just more broadly the supply chain to be able to support that?

<<Tami Newcombe, President & CEO>>

Yes. I think of the supply chain across Ralliant, kind of like step up and what that looks like. I think two pieces. One, the environment is inflationary. And second, it's sort of whack-a-mole on supply chain. And our teams are particularly good at this with the Ralliant Business System and some of the rigor that we have that we look at this. But there's constantly battles for supply chain. We've made some investments ahead of time in electronics. As we look on the horizon into Q4, there's no one issue that we think holds us back, but it doesn't mean that it's not an area where we continue to fight hard.

<<Analyst, Robert W. Baird & Co.>>

And then just, again, staying on defense, I think you have referenced the ability or the potential to grow your footprint there, expand capacity.

<<Tami Newcombe, President & CEO>>

Yes.

<<Analyst, Robert W. Baird & Co.>>

What would be the timeline on that? And what – incrementally, what would that offer you?

<<Tami Newcombe, President & CEO>>

Yeah. So, we're taking advantage of a facility that we have within Ralliant. We're converting it to our defense business. We started to already had people there, so that's a great start. They are specialists in electronics, so that's a great start. We're putting our center of electronics there. What it takes now to bring that to full certified production is working with our customer to ensure that we get sign-off on every step there that we can start producing. We don't need that facility in 2027. We're expecting that in early 2028. But if we can pull that in, that's also another lever to unlock some upside for us.

<<Analyst, Robert W. Baird & Co.>>

How should we be thinking about the profitability of the backlog that you've built in the defense area as well, and what you see on the horizons with – as these programs come to fruition?

<<Tami Newcombe, President & CEO>>

Yeah, I think let's start with a couple quarters ago, we were talking about how we were shifting, the government was shifting to a more commercial model, less upfront investment, more competitive margins, and that's shifted. What we're seeing today is a more traditional model. We are [indiscernible] [0:12:48] in many of these programs, meaning there's guardrails on the business. And we, in Q3, overachieved what we thought we would do in margins. And we did that with just getting productivity and higher quality on the manufacturing floor, and we see the ability to do that over time. That doesn't change the fact that the programs we're seeing the most demands on are more around our company margins versus the high 20s that Sensors & Safety Systems is. So it's a little bit of a headwind to our segment margins, but at about the company average.

<<Nathan McCurren, VP of Investor Relations>>

One thing I'd add, Rob, is we've talked about this being the potential for dilution over the long-term, more into the mid to high 20s margins for the Sensors & Safety Systems segment. We said on the call last week that we've got good visibility through 2027. We've been more in the 28%, 29% EBITDA margin zone for that segment this year and said, hey, good visibility for 2027 to remain at that level. And then it's more of a question of what does pricing look like on the rest of these large contracts that would be more '28 and beyond. But for at least the next five quarters or so, feel like being in around the 28%, 29% zone for that segment's a good level.

<<Analyst, Robert W. Baird & Co.>>

Okay. Very good. Maybe just the last question on the defense area before we leave that topic. Just how should we be thinking about your opportunity on next generation defense programs? You made some mention of – there's a lot out there that's very exciting, but how meaningful can this next generation of programs be for Ralliant?

<<Tami Newcombe, President & CEO>>

Yeah, I think…

<<Analyst, Robert W. Baird & Co.>>

In the next few years or?

<<Tami Newcombe, President & CEO>>

Yeah, this is – this probably the most exciting part of the business, because if you look historically, customers have funded the innovation that's on these programs. They have funded it. R&D is very low on our part. One place where we're investing is some R&D, and we can have more of a commercial model here, which lifts our opportunity on margins. And the places that we are seeing our best hits are with the new defense technology players and some of the work being done around affordable mass and low-cost munitions.

I think it is still too early to say exactly what the volumes will be, but they're much, much higher than traditional missile programs. I mean you are 10x, 20x type volumes. Content percentage, not percentage, but content dollars less, but volumes much, much higher. And that's where our energy, that's actually where our sales and design teams are working today for ramping those programs.

<<Analyst, Robert W. Baird & Co.>>

Yep. Your Test & Measurement business has obviously seen a very strong cyclical recovery that was kind of anticipated. We waited, but we're definitely seeing that flow through now. How should we be thinking about the Test & Measurement cycle? I say that from the standpoint, I think earlier in the year, you had a framework about where that may go after an initial surge. I'm curious if you're having any evolution in the thought process, or at least how you're viewing the length of the cycle…

<<Tami Newcombe, President & CEO>>

Yeah.

<<Analyst, Robert W. Baird & Co.>>

Just given what's driving it right now.

<<Tami Newcombe, President & CEO>>

Yeah, thanks for asking that question. As we now have 90 days more visibility, the momentum has accelerated in the Test & Measurement business. And we – every indication from what you can see in backlog, our channel inventories, our sales funnels, our close rates indicate that this will continue – this momentum will continue into 2027. The – every cycle has been different. I've been in and around a couple cycles here. If I go back to '21, '22, '23, we saw a cycle of high-single digit, double-digit growth for over three years in that time period. This cycle is a little different in that we have a new product line. It's called Elektro-Automatik. That wasn't with us last time, and last time in the upcycle, it was not with us. But that's adding to, it's accretive to our growth and accretive to our margin.

And the team has done a nice job pivoting from being close to 80%, 90% tied to EV to focused more on energy storage systems for the industrials, manufacturing plants, the utility grid, also mobile units in aerospace and defense. So that business has really pivoted, and we're seeing some really nice growth trajectory in that. So that's different than we've had in the past.

<<Analyst, Robert W. Baird & Co.>>

So EA is one, but also within the historical, the Tektronix, Keithley businesses, how does their core competency intersect with this cycle?

<<Tami Newcombe, President & CEO>>

Yeah, I think they…

<<Analyst, Robert W. Baird & Co.>>

The positive?

<<Tami Newcombe, President & CEO>>

Yeah, the core competency across all the Keithley, Tektronix, EA brands is power electronics. That power is in fuel cells and battery systems and energy, optimizing it, as well as all the electronics to optimize it. I think one of the more exciting things, if you think about AI at the edge, is robotics. I was just looking at a map of Silicon Valley, where I used to live, and there's, I don't know, 100, 150 upstart robotics companies. And every one of them has got a power electronics that they're dealing with to use the least amount of power to do whatever you're going to do, as well as a battery system that they want optimized. We test and measure on both sides of that. So we've really got this expertise around power electronics that we're bringing.

<<Tami Newcombe, President & CEO>>

And secondly, the CapEx spend for AI is definitely elevated. So I think there is a secular element here to the innovation cycle of electronics in the datacenter and at the edge.

<<Analyst, Robert W. Baird & Co.>>

One of the areas that relatively recently, you looked to expand your footprint in the Test & Measurement area around the validation portion.

<<Tami Newcombe, President & CEO>>

Yeah.

<<Analyst, Robert W. Baird & Co.>>

Moving downstream a little bit from just R&D. How has that gone? Give us an update there on the progress.

<<Tami Newcombe, President & CEO>>

Yeah. The Keithley portfolio has traditionally been a bench instrument. We've now turned that technology into modules that fit into a rack, an automated test system. And one of the announcements in Q3 was a new module for that system, and that's really targeted at production and optical transceiver test. So that takes us validation, production, with a specialty that we have in Keithley. So we'll continue to add to that family. The more modules, the more exponential value you bring, and we'll continue to deliver that. But the main, that's why we talk about this platforming. The main system is done. Now we can just, over time, and this is months, not years, months, you can add modules to this system.

<<Analyst, Robert W. Baird & Co.>>

Okay. So the cyclical recovery in this Test & Measurement area obviously has been visible. But through the investments that you've made in these new products, these new areas such as validation test, how do you separate kind of your market share gains from the market recovery that we're seeing in the – just, for instance, the results in the third quarter?

<<Tami Newcombe, President & CEO>>

Yeah. The way we do this internally is through our direct sales teams and funnels, and we talk about competing and winning, and where do we see competing and winning in that space. A lot of it comes with new innovation. And we've launched, a year ago, a new oscilloscope platform in Q3, and this was at the high end. And in Q3, talked about having the world's first 25 gigahertz, eight-channel oscilloscope. Well, that's an opportunity there to take share with the teams. And we continue to drive that methodology throughout our funnel discussions and as we drive growth.

I also think there's an element hereof there's some greenfield opportunities with AI. I mean, the whole robotics explosion wasn't here before. We get to play into that. So some of that's about securing the footprint versus taking share.

<<Analyst, Robert W. Baird & Co.>>

Yeah. Did want to touch on, maybe sticking with the power theme, the utility-related business.

<<Tami Newcombe, President & CEO>>

Yeah.

<<Analyst, Robert W. Baird & Co.>>

That's packed up into the Sensors & Safety Systems segment. How are you thinking about kind of the drivers of growth going forward? I think there was a little bit of some supply constraints that we're getting caught up on.

<<Tami Newcombe, President & CEO>>

Yeah.

<<Analyst, Robert W. Baird & Co.>>

But just in terms of underlying market demand, what's the right profile for that business as we look forward?

<<Tami Newcombe, President & CEO>>

The market demand just continues to build. We saw that accelerate even in Q3. We did have a lower revenue number in the first half of the year, which you called out. We said we'll see that return in the second half, and we saw that come back strong from a revenue standpoint in Q3. Even with the strong revenue in Q3, it's our highest book-to-bill business, so the demand was even stronger.

And as we saw that accelerate, it comes from – it used to be two kind of routes to market for us, and there's a third. The first route to market is in people building the equipment for the critical assets in the grid. So your transformer manufacturers is a good example. That's a route to market for us where they're pre-populating our sensors and monitoring systems before they would ship it to a customer.

Then there's utilities that want to kind of make their own flavor of how they want to do sensing and monitoring on these critical assets. We sell directly to the utility. And the third is a really interesting opportunity, which are the hyperscalers that are creating the blueprints for almost a small utility that they'll manage themselves with their data centers. So the majority of our business, the last one is sort of still upside for us, not in our backlog, still in the early phases.

The other two are squarely where we're seeing the backlog. And for the next two years, I think the high-single digit that we've talked about, whatever happens in this data center space of building more or building less, that's all upside to what we're talking about here. We're just in the sort of basic blocking and tackling of the energy demands outside the U.S., it's about 90% of the growth, and the replenishment of old infrastructure in U.S. and Europe.

<<Analyst, Robert W. Baird & Co.>>

How should we think about your ability to increase, not just ride off the growth in the asset base, but your dollar content within that matrix in the utilities business specifically?

<<Tami Newcombe, President & CEO>>

Yes. So, when our engineers work with people building transformers back in the engineering stage, and so when a transformer comes out, there will be a reference list of our sensors, which ones are required and which ones are optional. And so it's our job to ensure that we get not just the required ones, but the optional ones on there. That's at a new install. Because transformers have a long lead time right now, there's also opportunity with refurbishment. So as they take a transformer offline to refurbish it, they will also consider replacing or upgrading the sensors on that. So we've started another part of the business that's really targeted at refurbishment. So there's getting on it at new. They don't typically replace in the field, kind of runs the life of the asset, unless they do refurbishment.

<<Analyst, Robert W. Baird & Co.>>

Okay. You wanted to touch on your margin productivity improvement efforts. I mean, that was an area.

<<Tami Newcombe, President & CEO>>

Yeah.

<<Analyst, Robert W. Baird & Co.>>

That you identified in the quarter is tracking ahead of your expectations today. Just what's driving kind of the upside to those objectives, and does that mean there's more opportunity, or have you been able to identify more opportunity over time from that?

<<Tami Newcombe, President & CEO>>

Yeah. I'd go back to – when we spun, and I was a part of this. The mantra was, let's do it as fast as we can. We didn't have the mantra, let's optimize for the size and shape of Ralliant. So we knew at spin we were going to have work to do here. We came into this year strongly communicating externally and internally our Enterprise Productivity Program, which directly reports into me. Every two weeks, we have a four-hour review on what we're getting after here, and it's structural margin improvement. The place we've made the most progress so far is around contractual commitments. Think about health benefits to every contract that sits in IT or any place else, legal services, outsource services. Getting that right sized for what we need today and going forward was the first really big push.

The second place is, where can we create corporate centers of excellence as opposed to having them independent in different operating companies? Given our size, its many of them make more sense to be centralized as centers of excellence and then service the operate. So we've done that for legal, we've done that for HR, and we've done that for IT. Some of that savings is coming through here in '26. Some of it, what we called out for '27, we've already executed against, and now we're working on that pipeline that was out there in 2028.

<<Analyst, Robert W. Baird & Co.>>

Maybe just last topic before we run out of time here. I mean, your capital allocation strategy since you've been public was clearly articulated as to what you intended to do. Is that evolved any now that you've been public for a year and a half or 16 months or so? Does the M&A funnel start to create more opportunities for you?

<<Tami Newcombe, President & CEO>>

I think what we talked about at our Investor Day is getting a reputation for being disciplined about our capital allocation. So I'd like to think six quarters later, we've demonstrated that discipline. Clearly, number one is organic, and we've talked about investing in production capacity to unlock more growth.

Number two being buyback and dividend, and we said approximately 50%. We said over time, not to lock us into a quarter or a year, and we've done that this year. I think, I don't know what the stock price is today, but our average buyback price was around $54. So, good investment for us. And then the third is tuck-in, and that's what we are focused on now, is let's put tuck-ins on the board.

<<Analyst, Robert W. Baird & Co.>>

Okay. Very good. We'll stay tuned for that.

<<Tami Newcombe, President & CEO>>

Thank you, guys.

<<Analyst, Robert W. Baird & Co.>>

All right, we are out of time, so thank you.

<<Nathan McCurren, VP of Investor Relations>>

Thanks Rob for having us.

<<Tami Newcombe, President & CEO>>

Thank you.

<<Analyst, Robert W. Baird & Co.>>

Thank you.