Tania Almond, Vice President, Investor Relations & Corporate Communication

Thank you, operator, and good day everyone. Welcome to the Helios Technologies Third Quarter 2026 Financial Results Conference Call. We issued a press release announcing our results yesterday afternoon. If you do not have that release, it is available on our website at HLIO.com. You will also find slides there that accompany today's discussion as well as our prepared remarks.

Joining me today are Sean Bagan, President & Chief Executive Officer, and Jeremy Evans, Executive Vice President, Chief Financial Officer. Sean will begin with highlights from the third quarter. Jeremy will then review our financial results in more detail and provide our outlook for the rest of the year. Sean will return with some closing comments, and then we will open the call for questions.

Before we get started, please turn to **Slide 2**, where you will find our Safe Harbor statement. As you may be aware, we will make some forward-looking statements during this presentation and the Q&A session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from those presented today.

These risks and uncertainties and other factors can be found in our Annual Report on Form 10-K for 2025 along with our upcoming 10-Q to be filed with the Securities and Exchange Commission. You can find these documents on our website or at sec.gov.

I'll also point out that during today's call, we will discuss some Non-GAAP financial measures, which we believe are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results presented in accordance with GAAP. We have provided reconciliations of comparable GAAP with Non-GAAP measures in the tables that accompany today's slides.

Please reference **Slides 3 through 5** as I now turn the call over to Sean.

Sean Bagan, President & Chief Executive Officer

Thanks, Tania, and welcome, everyone. We're pleased you could join us today.

During last quarter's conference call, we described Helios' transition from business stabilization to profitable, broad-based growth. This quarter adds another important element to that story: consistency. Our third quarter results exceeded our outlook as we delivered higher sales, earnings, and cash flow compared to the prior year.

In sports, only a handful of professional teams have ever achieved a true "five-peat." The New York Yankees won five consecutive World Series titles, the Montreal Canadiens captured five straight Stanley Cups, and Real Madrid claimed five consecutive European Cup championships. Those accomplishments were never about the streak itself. They were the result of strong foundations, disciplined execution, and organizations built to sustain success over time.

That same aspiration is at the heart of The CORE Strategy. While we are still in the relative early stages of our journey, our five consecutive quarters of double-digit pro-forma[1] sales and adjusted earnings per share growth provide encouraging evidence that our Helios Business System is building the right foundation. We remain focused not on extending a streak, but on creating a stronger company through disciplined execution, strategic investment, and operational excellence that can deliver sustainable, profitable growth and long-term shareholder value creation for years to come.

[1] Reference Table: Pro Forma Non-GAAP Net Sales Growth Reconciliation for definition.

We achieved record third quarter sales of $230 million, with both of our segments contributing to our outperformance. That breadth matters. It reflects contributions from established customer relationships, recent business wins, and the investments we have made in our commercial capabilities. It also reflects our sustained commitment to delivering product innovations to meet customer demands. In the most recent quarter, Sun Korea developed new common cavity valves; Enovation expanded No Roads™ with Apple CarPlay® and Android Auto™ and partnered with C-MAP® to enhance marine capabilities to the platform; while Balboa contributed to a luxury spa from HANSCRAFT, designed by Studio F. A. Porsche. These are examples of innovations today that will fuel our growth in the future.

Within Hydraulics, we saw growth from business wins and share gains. We also continued to benefit from demand across construction, industrial, and smaller agricultural equipment, although large ag remains challenged. In Electronics, strength in recreation led to record third quarter sales for Enovation Controls and we saw year-over-year growth in the marine end market for the first time in seven quarters. The health and wellness end market was also up double digits in the third quarter. We did see some customers place orders ahead of price increases announced in the quarter that resulted in some sales being accelerated into the third quarter in both segments.

Considering the solid quarter, our September acquisition, and continued order strength, we are raising our full-year 2026 sales outlook and expect fiscal year 2026 sales to be the highest in Helios' history. However, the operating environment remains challenging, with ongoing cost pressures, tightening supply chains, uncertainty around interest rates, and a volatile geopolitical and trade backdrop. We cannot control those factors, but we can control how we execute, and that's where our focus remains. We continue to take actions to offset these dynamic macro factors. The timing of these actions combined with when we will fully capture synergies on the Radio Sound acquisition have been factored into our updated outlook ranges.

When we introduced The CORE Strategy, we laid out a clear roadmap for Helios' next phase of profitable growth, one built on stronger customer relationships, differentiated innovation, operational excellence, and disciplined capital allocation. The plan draws on the deep legacies of the Helios portfolio companies, exemplified by Schultes Precision's recent 80th corporate anniversary. We set long-term financial targets anchored on organic compounded annual growth of 5%+ with an average of 100+ basis points of margin expansion each year. We also identified new adjacent markets we are investing in and our planned approach to acquisitions. Our third quarter and year-to-date results show we are delivering on our commitments. Beyond the numbers, we have made tangible progress in three areas tied to The CORE Strategy: operational excellence through footprint optimization, disciplined capital allocation through targeted acquisitions, and investments in new markets.

First, we continued advancing our global manufacturing initiatives and completed Faster's North American consolidation in Toledo, Ohio. With the physical consolidation completed, the focus is on improving productivity, delivery performance and execution as the operation supports growing customer demand. Across Electronics, we are progressing production transfers within our global footprint, including moving manufacturing lines from Tulsa to our Tijuana facility to better align capabilities, costs, and regional customer requirements. These actions along with others are intended to strengthen the business beyond any individual quarter. They support a more productive operating model, greater regional flexibility, and new opportunities to be closer to the customers we serve in each region.

Second, we completed our first acquisition since 2023 with a small, targeted transaction. We acquired select Radio Sound assets and established a new multi-year relationship with Indian Motorcycle. The transaction adds audio and communications capabilities that complement our existing electronics solutions and can support additional customers in adjacent markets. While financially modest, it is strategically aligned with our approach to acquire technology and capabilities that can be built as a

platform and leveraged across the portfolio. We see a strong return on invested capital opportunity as we integrate the business and capture cost synergies. This acquisition reflects the disciplined, return-focused approach we will take as we evaluate additional targets.

Third, following quarter-end, Faster secured its first data center thermal management order, achieving an important milestone we expected to reach this fiscal year. Over the last 18 months, the team has moved through market research, R&D, product development, prototyping, testing, and qualification to get to an initial customer order. It is a great example of how we applied our operational excellence developed throughout Faster's 75-year corporate history to diversify into this large, unpenetrated market. The significance today is not the order's near-term financial contribution but rather the commercial achievement and potential implications for future growth.

Together, these three areas are building a stronger foundation for long-term value creation.

With that, I'll turn the call over to Jeremy to review the third quarter financial results and our updated 2026 outlook.

Jeremy Evans, Executive Vice President, Chief Financial Officer

Thank you, Sean, and good day, everyone. Please refer to **Slides 6 through 8** as I review our third quarter results.

Sales were $230 million, a third quarter record and an increase of 4% from the prior-year period. Adjusting for the CFP divestiture, Radio Sound acquisition, and foreign exchange impacts, sales increased 13%. As a reminder, last year's third quarter sales was an inflection point for us with year-over-year growth of 13% as well —so this is the second consecutive year with double digit growth in the third quarter. Our results exceeded the high end of the outlook we provided in August by $8 million, with both reporting segments contributing to the outperformance. Radio Sound contributed approximately $400 thousand while foreign currency translation added close to $1 million of sales in the quarter, neither of which were included in our prior outlook. Additionally, we estimate customers pulled forward approximately $4 to $5 million of orders from the fourth quarter into the third quarter as a result of announced price increases.

Gross profit increased 4% to $76 million, and gross margin expanded 10 basis points to 33.2%. Higher volume and the benefits of our operating and portfolio actions helped offset continued inflation in material and component costs, freight, and utilities.

Operating income was $28 million, compared with $1 million in the prior year quarter which included a goodwill impairment charge of $26 million. Adjusted operating income grew 4% to $38 million and adjusted operating margin was 16.6%, consistent with the prior year. Adjusted EBITDA increased 3% to $47 million, with adjusted EBITDA margin of 20.3%, compared with 20.5% last year.

Although adjusted EBITDA was up $1.4 million, adjusted EBITDA margin was pressured due to our increased investments in R&D, fast moving inflationary costs, higher incentive compensation expense driven by our year-to-date performance, and a continued high run rate for employee benefit costs. We continue to manage spending carefully while protecting the engineering, commercial, and operational functions that support future growth.

Diluted earnings per share increased 71% to $0.53. The prior year third quarter was impacted by a goodwill impairment which was partially offset by the gain realized on the CFP divestiture. Adjusted diluted earnings per share increased 11% to $0.80, $0.03 above the high end of our outlook.

Turning to the segments, please refer to **Slide 9**.

Hydraulics sales were $143 million, up 1% as reported and 15% on a pro-forma[1] basis. Sales increased in the Americas and EMEA, while the reported APAC comparison was affected by the divestiture. Growth reflected continued commercial execution and share gains, as well as distributor partners restocking ahead of our announced price increases. Order activity softened following those increases but appears to have normalized.

It is important to distinguish replenishment of channel inventory from the underlying rate of end-market consumption. We are monitoring distributor inventory and regional order patterns closely.

Hydraulics gross profit was $46 million, essentially unchanged from last year, while gross margin declined 20 basis points to 32.3%. Gross margins were impacted by higher freight and utility costs as well as additional expenses associated with the Faster North America consolidation. Segment operating income increased 2% to $25 million, and operating margin improved 10 basis points to 17.3% as leverage on operating expenses as a result of higher sales more than offset the gross margin decline.

Electronics sales increased 10% to $87 million and reflected a record third quarter at Enovation Controls. Growth in the Americas and APAC more than offset lower sales in EMEA. Our performance reflects ongoing customer program activity and new business wins, even as conditions across certain core markets remain challenged. We continue to target opportunities where our controls, displays, and integrated technologies can deliver greater value to customers.

Electronics gross profit increased 11% to $30 million, and gross margin expanded 40 basis points to 34.7%. Gross margins benefited from leverage on overhead expenses as a result of higher sales which more than offset higher input costs. Segment operating income was $12 million, with an operating margin of 14.3%. The prior year third quarter operating margin was impacted by a goodwill impairment. Excluding the goodwill impairment, operating income was flat with the prior year, reflecting incremental investments in research and development.

Electronic component availability and pricing remain areas of attention, particularly for memory chips and circuit boards. We are working with suppliers and selectively positioning inventory to support customer requirements. We also continue executing production transfers and other initiatives intended to improve our cost structure and manufacturing flexibility, while routinely evaluating pricing related actions, to help offset inflationary pressures.

The Radio Sound acquisition integration is underway. Our near-term priorities are supporting the Indian Motorcycle relationship, integrating the operations, and identifying additional applications for the acquired capabilities across our customer base. We expect it will take about one quarter to capture the cost synergies.

The acquisition represents a high-reward opportunity that expands our audio solutions offering and establishes a relationship with a new OEM.

Turning to **Slide 10**, we generated cash from operations of $40 million, up 59% from the prior-year period and a record for a third quarter. Free cash flow in the quarter was $32 million and capital expenditures were $8 million as we continued investing in the business. Those investments support manufacturing capabilities, productivity, and future growth.

Our cash conversion cycle improved to 116 days compared with 128 days in the prior year period. This reflects our continued focus on driving timely customer collections, extending terms with our partners, and managing inventory held within Helios. We maintained our days inventory on hand although our inventory balance has increased year-over-year and sequentially, as we have increased stock to support higher

sales while selectively taking an inventory position on electronic and thermal management components to support customer requirements and manage supply availability.

On **Slide 11**, you can see our balance sheet continues to provide flexibility. We ended the quarter with total debt of $328 million and cash of $73 million, resulting in net debt of $255 million. Net debt declined by $109 million from the prior-year period, and net debt to trailing twelve-month adjusted EBITDA was 1.4 times, compared with 2.4 times a year ago.

Our capital allocation priorities remain in this order: first, organic investment, followed by returns to shareholders, strategic acquisitions, and then debt repayment. Our capital deployment in the quarter reflected this as we increased capex and R&D investments over the year ago period, repurchased our highest amount of common stock within a quarter, extended our cash dividends to 119 consecutive quarters, and deployed $1.7 million on the acquisition of certain assets of Radio Sound.

Slide 12 summarizes the financial priorities we established at the beginning of the year. We have made consistent progress across all four priorities this year: executing our growth plan, improving gross margins, maintaining earnings momentum, and optimizing capital allocation. We are focused on ending the year strong, delivering a new sales record, and converting the sales growth into earnings and cash.

Turning to **Slides 13 and 14**, we now expect 2026 sales of $895 to $902 million, or 13% pro-forma[1] growth at the midpoint over the prior year period. The low end of the range eclipses our previous record of $885 million so we are on pace for the highest annual sales in Helios' history. The top end of the range has increased as a result of anticipated sales from the completed acquisition.

For the full year, we expect Hydraulics sales of $564 to $568 million, 15% pro-forma[1] growth at the midpoint, and Electronics sales of $331 to $334 million, 12% growth at the midpoint. We expect consolidated adjusted EBITDA margin of 20.2% to 20.4% and adjusted diluted earnings per share of $3.08 to $3.15. We are tightening both the margin and earnings ranges from our prior outlook to reflect the current cost environment along with the impact of the Radio Sound acquisition. The new adjusted diluted earnings per share midpoint reflects a 22% annual growth rate, approaching twice that of our expected midpoint top-line growth of 13%.

For the fourth quarter, we expect consolidated sales of $205 to $212 million. This includes Hydraulics sales of $135 to $139 million and Electronics sales of $70 to $73 million, reflecting current order visibility, component availability, and the benefit from the acquisition. We expect fourth quarter adjusted EBITDA margin of 18.5% to 19.5% and adjusted diluted earnings per share of $0.60 to $0.67. As a reminder, the fourth quarter of 2025 included an interest expense benefit of $5.4 million related to an interest rate swap that was originally due for maturity that quarter and was terminated as a result of our debt refinancing in 2024, which favorably impacted earnings per share by approximately $0.12 cents. This impacts the year-over-year comparison in the fourth quarter.

There are several considerations behind this outlook. First, we expect the fourth quarter growth rate to moderate from the third quarter pace as we are lapping tougher compares combined with the fact there was a full extra week in the shipping calendar in the fourth quarter last year. Last year in the fourth quarter we reported 17% sales growth and 29% pro forma growth without CFP. This is part of those tough compares mentioned.

Second, we remain in an inflationary cost environment and although we have taken targeted pricing actions, we believe the benefit will start to show more in 2027.

Third, we will incur integration costs in the fourth quarter related to the acquisition, which were not originally anticipated in our prior outlook, while expected synergies will start to be reflected in early 2027.

Our outlook therefore balances the strength of our year-to-date performance and commercial pipeline with a measured view of the orders for the balance of the year while layering in timing of initiatives to offset cost inflation as well as the recent acquisition.

With that, I will turn the call back to Sean for his closing comments.

Sean Bagan, President & Chief Executive Officer

Thanks, Jeremy.

Our 2026 key focus areas shown on **Slide 15** remain intact and have guided our direction as we prioritized serving our valued customers, while launching and executing against The CORE Strategy.

As we close out our prepared remarks, I'd like to return to the sports analogy I referenced earlier. The New York Yankees, Montreal Canadiens, and Real Madrid each achieved the rare feat of winning five consecutive championships. Yet their legacies were never defined by whether they won a sixth. They were defined by the strength of the organizations they built and their ability to compete successfully year after year. While our recent growth reflects a strong start, we remain focused on building capabilities, culture, and operating discipline that can create value through market cycles. We recognize that the pace of growth may vary from quarter to quarter, so our focus remains on disciplined execution, strategic investment, and operational excellence. With record year-to-date sales, strong order trends, and a healthy pipeline of new product releases, we are confident in our ability to close out 2026 and enter 2027 well positioned for continued profitable growth. With the initial stages of 2027 planning completed, we are cognizant that comparisons are becoming tougher with component availability, inflationary costs, and the geopolitical landscape remaining dynamic. What gives us confidence and excitement that we can continue the momentum ignited this year is the work taking place inside Helios, the customer relationships we are strengthening, the business we are winning, the products we are developing, and the operating capabilities we are building.

We are not providing specific 2027 guidance today, but the priorities remain the same. As we committed with The CORE Strategy, we are targeting a 5%+ organic growth CAGR through 2030. Our Helios Momentum Model has driven our performance this year to exceed that targeted pace, demonstrating the strength of our portfolio. However, we are focused on delivering sustainable, compounding growth over the long term and would not assume that this year's double digit pro-forma growth rate is indicative of our expected annual growth profile going forward. We look forward to providing additional perspective on 2027 when we report our fourth quarter results.

I want to thank our colleagues across Helios for their commitment to our customers and to one another. Their work is what turns our strategy into results. To our customers, distributors, suppliers and shareholders, thank you for your continued partnership. We remain focused on finishing the year with momentum and building a stronger Helios for the long term.

With that, operator, let's open the lines for Q&A, please.

Note: Please refer to the webcast version of the call, which is available on the Company's website (heliostechnologies.com), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision.