Tania Almond, Vice President, Investor Relations & Corporate Communication

Thank you, operator, and good day everyone. Welcome to the Helios Technologies Second 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 second 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 prepared 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.

It was five months ago at Investor Day that we introduced The CORE Strategy, laid out our 2030 financial targets, and committed to a set of measurable objectives. Two quarters into that plan, our first half performance shows we are off to a strong start. The CORE Strategy is working and the stabilization plan for the business that our team mapped out over the last two years is now complete. We have entered a new phase of our journey defined by sustained growth that is underpinned by a fortified balance sheet. At Investor Day, we were still in the midst of that comeback, beginning to climb. Today, we're continuing to grow into the second half, gaining altitude faster than expected, and we're positioned to keep climbing into 2027. We delivered another strong set of results in the second quarter. Sales of $232 million were at the high end of our guidance range, and adjusted earnings exceeded the top end of our outlook. This marks our fourth consecutive quarter of double-digit pro-forma sales and adjusted earnings growth, which is a solid indicator that the strategic actions we've taken continue to translate into consistent operating and financial performance. Based on the solid first half results and improving visibility into the balance of the year, we are raising our full-year outlook. 2026 could represent the highest annual sales in Helios' history.

Importantly, the order and business win dynamics behind these numbers remain robust. Our order intake grew double-digits over the year-ago period for the fourth quarter in a row, giving us increasing confidence in near-term demand. Our order growth is primarily driven by the combination of last year's business wins ramping and new wins continuing at a healthy pace. These wins span both segments. In Hydraulics, within MCT, Sun saw its strongest growth in China, across mobile and industrial, and is on pace to have a record year in its APAC region. Within FCT, Faster continues to benefit from strengthening demand from our customers in construction and agriculture, and we've rolled out a new product portfolio, completed the qualifications needed to meet industry standards, and have been building some inventory to position us to start penetrating the data center thermal management market. In Electronics, we are realizing growth across recreational, health and wellness, and industrial applications, supported by the investments we've made in our ability to solve complex problems for our customers. All of this gives us growing confidence that the changes we have made are driving sustainable results.

The quality of our earnings continues to improve as well. Higher volumes, favorable segment mix, and our operational initiatives drove another quarter of solid year-over-year margin expansion, reflecting the operating leverage inherent in our business model and the progress we're making in continued footprint optimization and productivity.

Impressively, we generated record operating cash flow in a second quarter, with that cash generation allowing us to further strengthen the balance sheet, reduce our leverage ratio, increase organic investments, and return capital to shareholders through our long-standing dividend and additional share repurchases. This balanced approach is fully aligned with the value-creation framework we laid out as part of The CORE Strategy.

Stepping back and reflecting on our first half results, we are tracking ahead of our organic growth and margin commitments. Our sales engine is performing. Our innovative products and roadmaps continue to take market share. Our operational excellence initiatives are supporting ongoing margin expansion toward the long-term targets we shared at Investor Day. We will stay focused on disciplined execution and investing in high return opportunities, positioning Helios for continued progress against our targets.

With that, I'll turn the call over to Jeremy, who'll review the second quarter financial results in more detail and our raised 2026 outlook. Jeremy, over to you.

Jeremy Evans, Executive Vice President, Chief Financial Officer

Thank you, Sean, and good day, everyone.

As I review our second quarter results, please refer to **Slides 6 through 8**.

Second quarter sales were $232 million, up 9% compared with $212 million in the prior year period, and at the high end of the expectations we laid out on our first quarter call. When adjusting for the CFP divestiture and foreign exchange impacts, sales were up 16% year-over-year.

Gross profit increased 19% in the quarter to $80 million, and gross margin expanded 280 basis points year-over-year to 34.6%. This is the fourth straight quarter of year over year gross margin expansion. In addition to volume and mix, the margin improvement reflects ongoing operational initiatives and benefits from our portfolio and footprint actions, along with the positive contribution from approximately $1 million of net IEEPA tariff refunds.

From an operational perspective, we continued to execute on footprint optimization initiatives that support margin expansion, increase productivity, and drive operating leverage. During the quarter, we closed the Faster facility in Canada and further consolidated our Faster North American operations. We expect these actions to drive efficiency and cost benefits starting in the second half of 2026.

Second quarter operating income rose 48% year-over-year to $33 million, and operating margin expanded 370 basis points to 14.0%, with non-GAAP adjusted operating margin up 280 basis points to 17.8%.

Adjusted EBITDA increased 25% to $49 million, and adjusted EBITDA margin expanded 260 basis points to 21.2%, marking the fourth consecutive quarter with adjusted EBITDA margin above 20-percent.

Our operating expenses increased by $2.2 million year-over-year, primarily driven by employee benefit costs and an isolated bad debt expense. Excluding these two items, we managed expenses in a disciplined way, keeping them essentially flat year-over-year on a consolidated basis, while increasing investment in research and development and delivering solid sales growth. This is an important contributor to the operating leverage you see in our expanding operating and EBITDA margins.

Diluted EPS in the quarter was $0.66, up 94% compared with the prior year period, and adjusted diluted EPS of $0.88 rose 49%, exceeding the high end of our outlook by $0.05 per share. The upside reflects strong sales growth, margin expansion, disciplined operating performance, and the net impact of the IEEPA tariff refunds.

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

Growth remained wide-ranging, driven by both segments and all regions. Hydraulics sales in the second quarter were $146 million, up 14% year-over-year on a pro-forma basis normalizing for the impact of foreign exchange and the divestiture. We saw growth across the Americas and EMEA, with APAC up significant double digits on a pro-forma basis. By end market, mobile saw the most strength, with the construction category continuing its growth. Agriculture also contributed to the year-over-year growth, while sales to the industrial end markets were relatively flat year-over-year.

Hydraulics' gross profit increased 9% year-over-year, and gross margin expanded by 160 basis points to 34.6%, driven by higher volumes, mix, and the benefit of the IEEPA tariff refund. Operating expenses were roughly flat year-over-year in absolute dollars and lower as a percent of sales, with segment operating income growing 16% to $29 million and operating margin up 200 basis points to 19.7%.

In Electronics, second quarter sales were $86 million, up 19% year-over-year, with growth in all regions and particularly robust performance in APAC. Enovation Controls delivered a record for a second quarter, with demand remaining healthy across recreational markets, including continued strength with a large OEM customer that has been a key contributor to recent volume outperformance. We are realizing growth in health and wellness, mobile, and industrial, while core markets in marine remained soft.

Electronics' gross profit in the quarter increased 41%, and gross margin expanded 530 basis points to 34.6%, reflecting fixed cost leverage on higher volume and direct labor cost efficiencies, as we optimize our footprint and processes, as well as the benefit of the IEEPA tariff refund. Segment SEA expenses increased as we continued to invest in R&D, resulting in the segment operating margin expanding 490 basis points to 13.1% and operating income nearly doubling to $11 million.

On **Slide 10**, we generated a second quarter record of $42 million of cash from operations and $31 million of free cash flow. Capex in the quarter was $11 million, or 4.9% of sales, an increase from prior quarters and reflecting our increase in strategic organic investments. Our trailing twelve months adjusted free cash flow conversion remained healthy, and our cash conversion cycle improved by 11 days compared to the same period last year.

Flipping to **Slide 11**, we have updated our capital allocation priorities as our trailing twelve months net-debt-to-adjusted EBITDA leverage ratio has improved to 1.4x, down from 2.6x in the prior year period and below our target operating range of 1.5x to 2.5x. In addition, our net debt declined to $264 million, the lowest since the third quarter of 2020. We have shifted our priority to investing in organic growth opportunities, maintaining our increased level of returning capital to shareholders, and pursuing strategic acquisitions.

We extended our history of paying cash dividends to 118 consecutive quarters, or over 29 years, with a quarterly dividend of $0.12 per share. We also repurchased approximately 79,000 shares for a total of $6 million in the quarter, leaving $76 million remaining on our share repurchase authorization. Year-to-date, we have returned $18 million to shareholders through dividends and share repurchases, up 40% versus the first six months of 2025.

We view this balanced approach of continued disciplined investments and capital returns while meeting our debt service obligations as a key element of our value creation framework.

Slide 12 reflects the 2026 financial priorities that we established at the start of the year. This quarter, we made progress against them all. We remain focused on operational execution and investing in high-return opportunities as we carry this momentum into the second half.

Turning to **Slides 13 and 14**, with that strength behind us and improved visibility into the third quarter, we are raising the full-year outlook.

We now expect sales to be in the range of $880 to $900 million for the year, compared with $839 million as reported in 2025 and $792 million on a pro-forma basis excluding CFP sales. This implies 12% growth over 2025 at the midpoint, driven primarily by volume growth in our core platforms and the ramping of recent commercial wins. At the midpoint of this range, we would achieve the highest annual sales in the Company's history, topping our 2022 level, which is even more impressive when you consider the fact that we divested $60 million in run-rate CFP sales last year. At the segment level for the full year, we expect Hydraulics sales in the range of $555 to $565 million, up approximately 13% at the midpoint on a pro-forma basis. For Electronics, we expect sales in the range of $325 to $335 million, up 11% at the midpoint.

We expect 2026 adjusted EBITDA margin to be in the range of 20.2% to 21.0%, raising the bottom of the previous range, reflecting gross margin expansion, operating expense discipline, and the full-year benefit of our portfolio and footprint actions. We expect adjusted diluted EPS in the range of $3.05 to $3.25, reflecting 23% growth at the midpoint.

For the third quarter of 2026, we expect sales to be in the range of $215 to $222 million, up 8% over last year’s third quarter at the midpoint when taking the divestiture into consideration. At the segment level for the third quarter, we expect Hydraulics sales in the range of $133 to $138 million, up approximately 9% at the midpoint on a pro-forma basis. For Electronics, we expect sales in the range of $82 to $84 million, up 5% at the midpoint.

We expect consolidated adjusted EBITDA margin for the third quarter to be in the range of 19.8% to 20.6%, down 30 basis points at the midpoint compared to the previous year and adjusted diluted EPS of $0.70 to $0.77 per share, up 2% at the midpoint compared to the previous year.

As we constructed our raised outlook, we continue to remain cognizant of tougher comparisons in the second half, driven by the timing of end market recoveries and the ramp of certain commercial wins. We also are considering ongoing external factors, including rising energy and fuel prices, tariff dynamics, broader inflationary pressures, and geopolitical tensions. Despite these factors, our raised full year outlook reflects the strength we see in our order trends, new business wins, and operational execution, balanced against these considerations.

With that, please turn to **Slide 15** and I’ll turn the call back to Sean for his closing remarks.

Sean Bagan, President & Chief Executive Officer

Thanks, Jeremy.

As I conclude our prepared remarks, let me reflect on the course we charted five months ago and the progress we've made. At the halfway point of this fiscal year, we've crossed an important inflection point. This is no longer a story of business stabilization—it's a story of profitable, broad-based growth.

The progress we have made isn't the result of one great quarter or one favorable market—it's the outcome of thousands of people across Helios executing our strategic priorities every day and staying focused on serving our customers. I want to thank every Helios colleague for their commitment, collaboration, and relentless focus on execution. The momentum we've built is a direct reflection of their efforts, and I'm proud of what we've accomplished together—and even more excited about what's ahead.

Heading into the second half, I'm encouraged by what I see across our businesses. What gives me the most confidence isn't just the favorable trends in our results or the financial performance we've delivered in the first half. It's the quality of that performance. We're growing through new business wins, bringing innovative products to market, improving our operations, and generating strong cash flow to keep investing in our future while returning capital to shareholders.

We've moved from turnaround to takeoff, and we're entering the second half with increasing altitude, momentum, and confidence while navigating through a turbulent macro environment.

To our customers, distributors, suppliers, and shareholders—thank you for your continued trust and partnership. We remain focused on executing with discipline, creating long-term value, and building an even stronger Helios for the years ahead.

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.