Operator: Ladies and gentlemen, greetings and welcome to the Helios Technologies Fourth Quarter 2022 Earnings Conference Call. At this time, all participant lines are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce you to Tania Almond, Vice President of Investor Relations and Corporate Communications. Please go ahead.

Tania Almond: Thank you, operator and good day, everyone. Welcome to the Helios Technologies Fourth Quarter and Full Year 2022 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 will accompany our conversation today.

On the line with me are Josef Matosevic, our President and Chief Executive Officer and Tricia Fulton, our Executive Vice President and Chief Financial Officer. They will spend the next several minutes reviewing our fourth quarter results, discussing our progress with our augmented strategy, providing our outlook for 2023, and then we will open the call to your questions.

If you turn to **Slide 2**, 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 where we are today.

These risks and uncertainties and other factors will be provided in our upcoming 10-K 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 **Slide 3** now.

With that, it's my pleasure to turn the call over to Josef.

Josef Matosevic: Tania, thank you, and good day, everyone. Last quarter, I stated our top priority is protecting the business, our margins and cash flow. Even in this challenging environment, the Helios team delivered again. I would like to briefly recap our strategy.

As an organization, we are tirelessly dedicated to our customers and critically focused on innovation leadership. We utilize our Helios business system to guide our strategies and tactics. This enables us to capitalize on our unique position as a pure-play hydraulics and electronics provider. We made great strides this year on our transformation from a holding company to an integrated operating company with a long runway ahead of us.

I am very grateful for how hard our global teams worked this year, navigating nonstop challenges. It is a true testament to the amazing people we have in the Helios family and the core values we share. This has been an important year for Helios as we integrated and closed

some flywheel acquisitions, advanced our technologies, and announced the plans for new centers of excellence to best service our customers through leveraging a world-class manufacturing and operating approach.

Our team executed on our augmented strategy and protected our business. We thought and acted globally while diversifying our markets and revenue base. Most importantly, we continue to build and develop the talent that makes up our global workforce.

We delivered top tier margin with solid earnings for the full year of 2022 while navigating supply chain challenges, FX impacts, and the ongoing softness in our health and wellness business in the fourth quarter. We continue to build on our financial strength with our Q4 free cash flow up 20% versus prior year. Our balance sheet remains very flexible, so we can be opportunistic on additional flywheel acquisitions.

In 2023, we expect to build upon the progress we have made this year. We will stay focused on what we can control and keep innovating, maintaining our top tier lead times, and execute our manufacturing and operating strategy. To that end, we announced we are creating two operational centers of excellence in North America for Hydraulics. We also just announced the opening of our automated warehouse in Italy at Faster. With this move, we expect to drive greater operational efficiencies, quality control, and enable technology enhancements that create advanced hydraulic solutions for our customers.

We recently closed another great flywheel acquisition, Schultes Precision Manufacturing, that brings additional customers and capabilities. Combined with our organic growth and the Daman acquisition, we expect to reach our $1 billion revenue milestone with top tier margins on a run rate basis ending 2023, not including any additional acquisitions this year. Through our organic and acquired innovations, we are creating a pure-play hydraulics and electronics business that will be incredibly tough for our competition to follow.

Now turning to **Slide 4**. As I mentioned, the Schultes acquisition further diversifies our end markets in the hydraulics, aerospace, communication, food service, medical device and dental industries. Schultes is a highly trusted specialist in CNC machining, prototyping and engineering assembly. It matches well with our flywheel acquisition strategy and brings a newly expanded 110,000 square foot facility. The company is in Buffalo Grove, Illinois, in close proximity to Daman Products, our future hydraulic manifold solutions center of excellence.

Schultes has a long history and strong reputation for producing high quality, precision machining components for demanding customers. They have an exceptional value-added manufacturing process. With approximately $30 million in full year revenue in 2022 and a healthy margin profile, the acquisition is immediately accretive.

Now turning to **Slide 5**. This past year, we as a global company were recognized by several third-party organizations. We were named one of the America's Best Mid-Size Companies by Forbes in 2022. Faster won the Systems and Components trophy engineer's choice for its innovative, faster ABC electronic hydraulic hose coupling. Sun was named a 2022 Florida Manufacturing Employer of Choice, Enovation Controls for the third year in a row was named one of the best workplaces in manufacturing and production in 2022, ranking number two on the list this time.

We are extremely proud of these notable recognitions, and they are just a few highlights of the many great things our people and companies are accomplishing every single day. Having a highly engaged and productive workforce is critical to driving success for any organization, we believe our strength here will enable us to compete for top talent, minimize risk and ultimately keep winning in the marketplace.

Now let me turn the call over to Tricia to review the financial results and discuss our outlook. She will then hand it back to me for a few final comments. Tricia, please.

Tricia Fulton: Thank you, Josef and hello, everyone. On **Slide 6 through 10**, I will review our fourth quarter 2022 consolidated results. As Josef noted, our team executed well on our augmented strategy and protected our business. We believe we had success navigating the fourth quarter and this past year, despite the difficult macro environment.

Throughout 2022, we experienced significant uncertainty, rapid inflation, rapidly rising interest rates, a challenge in constrained supply chain, restrictions in China and lower consumer demand, mostly in our health and wellness market.

End market sales this past quarter saw very strong double-digit percentage growth in recreational markets including off-road vehicles and marine. Industrial markets grew in machinery, power generation, oil and gas, and mining. Mobile markets, including construction, materials handling, specialty vehicles, and forestry equipment, also strengthened. Our health and wellness markets remained contracted.

Geographically, our 2022 sales in the Americas and EMEA regions increased comparably to 2021, both benefiting from pricing and acquisition related sales, while sales to the APAC region declined from demand and FX impacts. Revenues declined in all regions in the fourth quarter compared to last year, reflecting lower demand primarily in the health and wellness market.

Overall, we had an unfavorable FX impact on revenue of $7.1 million in the quarter and $28 million for the full year. We estimate that supply chain constraints delayed $12.3 million in sales this quarter. As you would expect, the softness in sales and related economic conditions in the quarter impacted our gross profit and margin. Profitability declined on lower volume, FX rates, and continued challenges with supply chain and logistics, but benefited from prior pricing initiatives and realized benefits from our manufacturing and operating strategy.

SEA expenses were constant versus the prior year, reflecting cost management initiatives while we integrate acquisitions, implement our manufacturing and operating strategy, and adapt to the macro environment. Adjusted EBITDA in the quarter was $39.2 million and adjusted EBITDA margin was 20%. For the full year, adjusted EBITDA margin was 23.2%. We continue to demonstrate; we can provide top tier margins even through a very challenging environment.

Our effective tax rate in the fourth quarter was negative 2.3% and positive 19.2% for the year. The full-year rate is down 1.1% versus the prior year's effective tax rate of 20.3%, primarily driven by a decrease in the foreign tax income taxed at different rates and state and local tax benefit. Additionally, as a result of recent acquisitions, our full-year U.S. state effective tax rate decreased. Diluted non-GAAP cash EPS of $0.78 in the quarter includes a $0.02 impact for FX.

Slides 9 and 10 provide visual trends demonstrating overall growth in our Hydraulics revenue for the past several quarters. Most of the FX impacts affect the Hydraulics segment. Supply chain constraints delayed an estimated $7.1 million in sales for Hydraulics this quarter, almost half of which was due to a coil shortage. The decline in Electronics over the past few quarters were heavily impacted by the softness we experienced in the health and wellness market. This is one of the areas that we have taken a conservative approach to within our 2023 guidance.

We believe the health and wellness market will bottom out and start to recover in 2023. The exact timing of when that recovery will begin is not yet certain, though many market participants believe it could start in the spring. We will wait to build in that recovery in a stronger way once we start to see signs of it materializing. Supply chain constraints also delayed an estimated $5.2 million in sales for Electronics this quarter.

According to the Federal Reserve's Industrial Production Index, production of semiconductors and other electronic components in the U.S. declined during the fourth quarter of 2022. This is the lowest level since the second quarter of 2021, while output peaked in the fourth quarter of 2021.

We believe that as the general economic uncertainty lifts over time and we see the end market demand return to more normalized levels, our gross margin, operating margin, and net income will commensurately improve. We are proud of the team for protecting the business well and managing costs this past year.

On **Slide 11**, you will find the highlights for our fourth quarter Hydraulics segment results. The sales grew 12% on a constant currency basis and the unfavorable impact of the sales related to FX was $6.8 million. Acquisitions added $8.2 million, organic revenue grew a healthy 6% on a constant currency basis.

Hydraulics segment gross profit was impacted by an unfavorable FX of $1.7 million, along with the inflation. Cost discipline resulted in a decline in the SEA expenses in dollars and as a percentage of revenue over the prior year despite the growth in the top line.

Please turn to **Slide 12** for a review of our Electronics segment results. Our Electronics segment is more concentrated in the U.S., so foreign currency has less of an impact on the revenue. FX had a minor impact on revenue of $300,000.

Electronics segment gross profit of $14.6 million and gross margin of 26.2% is a direct reflection of the slowdown in the health and wellness market. SEA expenses were managed as we adjusted the business to the current market environment. Though, they did increase by $1.8 million, driven by a competitive labor market, wages, IT and marketing expenses.

Please turn to **Slide 13** for a review of our cash flow. We had strong cash flow generation. In Q4, we generated $35.7 million in cash from operations, up 15% over the prior year period. Our cash and equivalents were up 53% over the year ago level. CapEx came in at 5% of sales for the quarter and 4% for the full year, in line with our expectations. And we recently paid our 104th sequential quarterly cash dividend, returning cash to shareholders.

Free cash flow was $25.7 million in the quarter, with a conversion rate of 147%, up sequentially from 105%. We generated $78 million in free cash during 2022. Our manufacturing and

operating strategy is driving productivity, margin enhancement, and efficiencies. It also leverages in the region for the region operations to help protect earnings and cash flow.

You can see on **Slide 14** that we have a strong balance sheet and significant financial flexibility to execute our strategy for growth. Total liquidity at the end of the quarter was $183 million. Our net debt to adjusted EBITDA leverage ratio was 1.9x. While we have been executing on our flywheel acquisition strategy, we have been able to stay at or below our target leverage ratio for the last several quarters.

Turning to our 2023 outlook, please go to **Slide 15**. We originally set the long-term target at our last Investor Day in June 2021 to reach $1 billion in revenue by year-end 2023, a couple of years earlier than originally anticipated. Of course, at that time, many major world events had not yet unfolded. Since then, the pandemic has stretched on for years, China has remained largely lockdown and the Russia-Ukraine war has persisted for over a year now. Global supply chains have been more complex than any time in recent world history. And over the last year we have had rapid inflation and are dealing with a global recessionary environment.

When we look at our performance since 2020 through such a chaotic time in the world, we are very proud of the growth we have been able to achieve. Even with the contraction in our health and wellness market that we have seen since the boom cycle through 2021, combined with our other businesses and recent flywheel acquisitions, we believe we can grow revenues to $910 million to $940 million this year. That would imply 3% to 6% annual growth over 2022 and over 20% growth compounded over the last three years since 2020.

We would expect to exit 2023 on a run rate basis of approximately $1 billion in annualized revenue. These targets do not include any additional flywheel acquisitions we might complete during the balance of the year, which would be incremental upside. We anticipate Q1 23 revenues to grow sequentially over Q4 22 by mid-single digits and ramp through the year, exiting the fourth quarter north of $250 million on the top-line. We expect the revenue split of first half to second half to roughly approximate 45% to 55% respectively.

We have been able to protect the business through this challenging time by holding our adjusted EBITDA margins at top tier levels. For 2023, we think we will end the year in the range of 23.5% to 24%, which would be up 55 basis points over the trailing three-year period, as well as over 2022 actuals. We believe exiting 2023, we will approach approximately 25% adjusted EBITDA margins on a run rate basis.

Importantly, we still see a path to deliver our original target set at our last Investor Day to achieve a three-year CAGR of approximately 22% growth in non-GAAP cash EPS, at the midpoint of our expected range for 2023 of $3.95 to $4.10 per share.

Please now reference **Slide 16 and 17**. I would like to hand it back over to Josef for some closing comments before we take your questions.

Josef Matosevic: Thank you so much, Tricia. All the pieces of the puzzle are fitting together nicely as we built Helios into over a billion, integrated, pure-play hydraulics and electronics company. As Tricia described, much has changed in the world over the last couple of years. When I look at **Slide 16** and think about our augmented strategy and how it has helped us

perform against our Vision 2025 expectations, I'm so proud of our global teams for executing so well.

We have accomplished much through a period that has taken many businesses way off track. We have been able to acquire high-quality portfolio of flywheel acquisitions, advance our technologies through tireless innovation of industry-leading products and solutions, make significant progress implementing our manufacturing and operating strategy as we diversify revenues and markets while protecting our business and margins, all which has accelerated our growth.

So, as we enter 2023, our vision and goals remain unchanged.

We believe we can protect the business, cash flow and earnings, and that the Helios business system will continue to provide the structure and discipline to execute our long-term plans.

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

Question and Answer

Operator: [Instructions] Our first question comes from the line of Mig Dobre from R.W. Baird. Please go ahead.

Joseph Grabowski: Good morning. Thanks for all of the color on the guidance, very helpful. And I was just wondering if maybe I could get a little bit more color and see if you had anything to say on the sales expectations by segment for the year.

Tricia Fulton: Yeah. Hi, Joe, this is Tricia thanks for joining us today. You know, I think that we are looking at 2023 as, you know, from an organic growth perspective. Probably, if we exclude Balboa right this minute from that discussion as a growth year, from an organic perspective, for the Hydraulics segment and the parts of the Electronics segment outside of Balboa.

That is one of the areas that we said we've built a lot of conservatism into the forecast for. But we're looking at mid-single digit growth on the organic side, which we believe is at least two times what the market's growing in the areas where we are. So, I think that we're pleased with where we are and where our businesses are able to grow, relative to the market and continue that growth to outpace the market.

Joseph Grabowski: Now, that's helpful. That makes a lot of sense. And maybe just drilling into the health and wellness then, I know last quarter, you know, it was kind of stabilizing at $150 million to $160 million at that time. It was probably four-plus months ago or close to four months ago. So, what are kind of the assumptions? Is there a range you can give similar to that for the assumptions for Balboa in 2023?

Josef Matosevic: I think, Joe, where we are in the cycle now, we feel that the business has stabilized. We see a path and some visibility into a recovery with improved order pattern. Is it the hockey stick? No, but the order pattern is clearly going in the right direction.

In terms of geographic locations and the recovery, we see that starting in North America. We and have gone – including me personally —spent a lot of time with the customers and really understanding the inventory levels: when will it pick back up in what areas. So, we feel that we

will start to see a recovery in North America and that's kind of supported by the improved order pattern, followed by recovery in Europe and then the rest of the world.

In terms of your question, specifically, I think we need a few more data points to be able to answer this with a higher level of structure and discipline here. But we clearly have stabilized. The orders are improving. Recovery will start in North America, followed by Europe and then the rest of the world.

We have also joined the two or three largest health and wellness shows very recently. One in France and one in North America. And it seems to be a very good sentiment that we are clearly going to get out of this and the recovery will start in 2023. And that's kind of where we are, Joe.

Joseph Grabowski: Great. Now, that's helpful. That's really good color. And then I guess my last question, and I will kind of stick along the same line here of questions, If I take the 45/55 sale split literally – I guess – mathematically, I would say that sales in the second half of the year are more than 20% above sales in the first half of the year. So, maybe just kind of – and I know there's a lot of moving pieces here – but maybe just kind of walk us through the step-up in sales from first half to second half.

Josef Matosevic: Yeah. So, we, you know, I can start from the strategy standpoint and then Tricia can add a little bit more color on the numbers. You know, going into this, Joe, just by the virtue of what we experienced in the latter half of 2022 in particular, Q4 has probably been the toughest quarter on our part on supply chain.

We have really taken a very conservative approach and de-risked the portfolio to a point that we are comfortable where we are on delivering the first half at 45% of what Tricia mentioned and then we have additional visibility in our Sun business, our QRC business, our Enovation business coupled by the heavy investments we have done over the last three years in new products and the product rollouts. The timing of the product rollouts is now clearly confirmed with our customers. We have enough inventory data in place now that we can comfortably say there's no destocking that we can see in our business.

So, we just wanted to be very conservative and continue to deliver based on the current information we have, based on the backlogs and the order pattern. We see an improved path in the second half with all the elements I just mentioned. And then obviously, we have a little bit of potential upside if Balboa just turns a little bit more, or if the health and wellness market turns just a little bit more, that clearly will be an upside. But we feel we protected the downside scenario we have.

We have put ourselves in a position with our capital allocation, flexible balance sheet and our investments in new products; if the health and wellness continue to improve - as we currently see - and if we have a couple more acquisitions, there should be a pretty good second half.

Joseph Grabowski: Got it.

Tricia Fulton: Yeah. And just to add on to that a little bit. Josef hit most of the number items. We're looking also at improved supply chain as we roll through the year. I mean, we still have a lot of supply chain issues, as we noted in the prepared remarks that we think are going to kind of flush out throughout the year. We have good visibility on the order book for the OEM

businesses specifically at Faster and Enovation and can see how the orders are rolling out through the year.

We have info from customers' discussions that would indicate that they have opportunities that are kind of later in the year and can help us continue to take market share. On the manufacturing operating strategy, most of those moves for the Center of Excellence will be completed by a September-ish timeframe. So, we believe that we're going to be able to ramp things up relative to that as well.

Joseph Grabowski: Okay. Got it. That's very helpful. Thanks for taking my questions and good luck on the quarter.

Operator: Thank you. Our next question comes from the line of Nathan Jones from Stifel. Please go ahead.

Nathan Jones: I'm going to go back to try and get some help bridging from the fourth quarter 2022 number to the 250 exiting 4Q 2023. You said $12.7 million of delayed revenue in the fourth quarter and you have a $7.5 million-ish from the Schultes acquisition. So, if I kind of prorate 4Q 2022, that would give you about $216 million.

You talked about mid-single-digit growth outside of Balboa, which probably leads you needing about a $25 million improvement out of Balboa from the fourth quarter of 2022 to the fourth quarter of 2023. Is that what you guys are building in to get to the exit rate of $250 million?

Tricia Fulton: That seems very reasonable, but that's why we built in such a big range at the top end to be able to accommodate some of that. But, yes, I think that your numbers are in the ballpark if you look at the $30 million range that we have.

Nathan Jones: Okay. Yes. Got it. Tricia, you just said – made a comment that you have visibility to the back half of the year with OEM orders and things like that. How firm are those orders out that far and how easily cancellable are they by the OEMs?

Tricia Fulton: We have seen historically that they're pretty firm. They can make changes to them within certain time frames. But because we're always in constant communication, especially with the large OEMs, we have a pretty good confidence level in at least a pretty tight range of where those orders will stay within the year.

Josef Matosevic: And they're fixed-term contracts.

Nathan Jones: They're fixed-term contracts. Okay. And then, I just wanted to ask one question on Balboa in the fourth quarter of 2022. I mean the revenue number came in right on the bottom end of where the guidance range was. Clearly, pretty much all Balboa that was the difference there. Was there inventory destocking in the channel, lower sell-through? Can you just give us a bit more color on what the driver of the fourth quarter 2022 result was relative to maybe the midpoint of your expectations was?

Tricia Fulton: Yeah. I think there was, at least in Balboa, a little bit of destocking because we know there's inventory in the channel. One of the things that we've gotten out of discussions with customers is that the dealers and distributors are starting to work through that inventory more quickly now than other manufacturers seem to be. So, we expect that the orders are going to start to come back in Balboa from that channel first as we flow through the year. But I think

that we're pretty happy with some of the verbiage that we're getting, that this is going to start to roll out starting in the spring.

Josef Matosevic: And the other data point, Nathan, is how, you remember, with our good, better, best strategy; our Center of Engineering Excellence has worked with Enovation folks and Balboa folks on developing new products, which we have announced. And at the show, we have received not just good feedback, but also certain level of commitments to switch over to that product line.

So, all combined, as I mentioned earlier, there is a confidence level with not just current products or traditional Balboa products, but also new products in diversified market and leveraging its product offering. That's the other reason why the back half is so between first and second half. And so, we feel pretty good about it.

Nathan Jones: Great. Thanks. I'll pass it on.

Operator: Thank you. Our next question comes from the line of Jon Braatz from Kansas City Capital. Please go ahead.

Jon Braatz: Tricia, a couple questions surrounding your revenue guidance. What are your thoughts on the contribution from acquisitions? And how are you thinking about foreign currency impact this year? Last year, it was a $28 million drag or something like that. What are you sort of assuming here for this year?

Tricia Fulton: So from an acquisition revenue, we're rolling out at pretty small low-single to mid-single-digit over what we've already announced, both of those are somewhere around $30 million...

Jon Braatz: Okay.

Tricia Fulton: ...for both Schultes and for Daman. Schultes is only 11 months of the year, because we closed at the end of January, but we will have a full year of Daman in there. From an FX perspective, we made some assumptions based on where the current FX rates are. We don't try to forecast FX. So, we're using kind of current rates going forward in our guidance. And I don't anticipate that if we see a steadying – especially in Euro which has the biggest impact. If we see a steadying Euro to USD number, I don't think we're going to see as much impact from FX as we saw last year.

Jon Braatz: Okay. Okay. Okay. Then, as you talk about mid-single-digit growth for the business (ex: Balboa), how would that break down between price and volume? How do you see that?

Tricia Fulton: We put through most of the pricing last year, because we are seeing such large increases in component prices. So, it's pretty much all driven by volume increases.

Jon Braatz: Okay. All right. Okay. Thank you very much.

Operator: Thank you. [Instructions] Our next question comes from the line of Jeff Hammond from KeyBanc. Please go ahead.

Jeff Hammond: Hey. Good morning, everyone. Okay. So, the year kind of looks back-end loaded. I think one thing I wanted to hit on was, Hydraulics just historically is, typically, stronger

in the first half and seasonally weaker in the second half. And I wanted to see kind of how the Hydraulics side plays out.

Particularly, as we look at peer companies, it seems like most are kind of saying, front half, better growth in the second half and people are building in kind of some deceleration. So, maybe just speak to seasonality of the Hydraulics business.

Josef Matosevic: Yeah. Good morning, Jeff. What you see here is, again, the biggest drivers of why we structured it the way it is, we announced that we have now – we are starting up two new Centers of Excellence and this is methodically structured in terms of process, inventory levels and order patterns. So, that's one main reason, because it is quite heavy lifting, but we're going to do it in the right way. That process has begun, obviously.

The other one is just by the virtue of our lead times, That’s the second piece. But when I look at our current backlog in the entire Hydraulics segment, so to say, there's no drop-off or anything standing out that would suggest otherwise. Just by the virtue of how many pieces we have going on: to continue to improve, to get closer to the customer, to get the products launched, to get Daman and Schultes leveraged, and stand up fast in North America with existing assets at some factories. So, just a very methodical approach of executing in the right way. That's it.

Jeff Hammond: Okay. And can you just clarify the lead time dynamic? Because I know you've been talking about, you know, having better lead times and that's helping drive your share. But I don't know if, like, some of the backlog is more back-end dated, or just clarify that comment.

Josef Matosevic: Sure.

Tricia Fulton: Yeah. I think that the lead time… most of our competitors – because they're still out with significant lead times, relative to ours; like four and five times what our lead times are – they still have a backlog, which you're probably seeing, flushing through in the first half, more so than ours. We have initiatives that – through information, through our distributor channels – we believe are going to start to see a ramp up in the back-half, from an orders perspective.

Jeff Hammond: And that's tied to some of these new programs and new products?

Tricia Fulton: Yeah.

Josef Matosevic: Yeah.

Tricia Fulton: New programs, new products. I also think right now, as you saw in the release, China was pretty low for us in Q4, Asia in particular; and China's been shut down for so long. We do believe that we're probably going to start to see a little bit of pickup in the back-half of the year from APAC.

Jeff Hammond: Okay. And then just back on electronics. Should we think of this 4Q to 1Q as similar, between the two segments, kind of mid-single digits; or, do you see a sharper pickup in – I'm just trying to you know – the profitability drop off 3Q to 4Q is pretty stark. And I'm just wondering, like, does 1Q profitability for electronics look more like 4Q or more like 3Q?

Tricia Fulton: Right, we don't anticipate that it's going to look like 4Q because we do expect to have a little bit more revenue on the top-line in Q1, which helps leverage the costs that we have there.

Jeff Hammond: So is all the sequential growth 4Q to 1Q in electronics?

Tricia Fulton: No… we expect growth in hydraulics.

Josef Matosevic: Not at all. Yeah.

Jeff Hammond: Okay. So then, I guess final thing – so you saw some pretty sharp destocking in 4Q. I was just on another call in the in the pool space and they're talking about more destocking. Their distributors are kind of taking levels to the lower end of days on hand. So, I think they're building-in a lot more destock. Are you building-in destocking continuing or are you hearing that your products are kind of right-sized in the channel?

Josef Matosevic: Yeah, Jeff. We did see some of that in the Health and Wellness only. We hit that very hard, and as a matter of fact, I was just there two weeks ago and had this global council meeting with the folks. And we repeated our question on numerous occasions.

So, the feedback we have gotten, that we saw, is that at the second half of the year at Balboa; but that has worked out of the system. So that incremental improvement we are currently seeing and have started to see in December and January; the trend has nothing to do with destocking.

Jeff Hammond: Okay. So you you're hearing that destocking is kind of done.

Josef Matosevic: On our end, yes. Was this clear, Tricia?

Tricia Fulton: Yes.

Jeff Hammond: Okay. Excellent. Thanks a lot.

Josef Matosevic: Thank you, Jeff.

Operator: Thank you. Ladies and gentlemen, since there are no further questions, I would like to turn the conference over to Tania Almond for closing comments.

Tania Almond: Great. Thank you, operator, and thank you, everyone for joining us today. We appreciate your interest in Helios and look forward to updating all of you on our first quarter results in May. Please feel free to reach out to me with any follow-up questions. Have a great day. Thank you.

Operator: Thank you. The conference of Helios Technologies has now concluded. Thank you for your participation. You may now disconnect your lines.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Helios Technologies (HLIO) financial results teleconference and webcast that occurred on the date noted. 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. Please also refer to the opening remarks of this call for HLIO's announcement concerning forward-looking statements that were made during this call.