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Thank you, operator, and good day everyone. Welcome to the Helios Technologies Third Quarter 2025 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 the slides that will accompany our conversation today as well as our prepared remarks.

Here with me today are Sean Bagan, President and Chief Executive Officer, Michael Connaway, our Chief Financial Officer and Jeremy Evans, our Chief Accounting Officer. Please join us in welcoming Michael for his first earnings call with Helios. He joined the Helios team just three weeks ago. Sean will start the call with highlights from the third quarter then hand it over to Michael for a brief introduction. Jeremy will then review our third quarter financial results in detail. Sean will conclude our prepared remarks with expectations for the remainder of 2025. We will then 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 those presented today.

These risks and uncertainties and other factors can be found in our Annual Report on Form 10-K for 2024 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 and 4** now.

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

Sean Bagan, President and Chief Executive Officer

Thanks, Tania and welcome everyone. We appreciate you joining us today.

Our third quarter delivered positive measurable results, analogous to the current changing autumn season. Since I joined Helios nine quarters ago, our businesses have persevered through various market downcycles. I am pleased to finally report that the third quarter was a harvest season for Helios as we returned to growth and delivered above 20% adjusted EBITDA margin. After planting strategic initiatives and weathering challenges, we're now seeing results in the same way that farmers do after spending months planting, nurturing, and waiting—often through unpredictable weather—before finally harvesting in the fall. Helios Technologies is evolving through restructuring, innovating, and expanding—and the core remains incredibly strong. Growth often requires visible change and now the progress is coming through in our financial results.

We believe the third quarter marks a turning point for Helios. We delivered a 13% sales increase with growth across all three of our regions and both business segments. This growth was driven by a strong performance from our Electronics business. In fact, it was a record quarter for Enovation Controls with strong demand returning in the recreational industry. That's not to discount the growth in hydraulics which was achieved in what continues to be a soft marketplace. Our focus on our go-to-market strategy and accelerated pace of innovation is winning back customers and taking market share.

Of note, over the last five months our weekly average order volume has outperformed the same periods in the last three years. Our customer centricity and high level of customer engagement is capturing new business wins and growing our sales funnel. Our new products across both segments have had great reception where we have been showcasing them at major trade shows such as IBEX, Utility Expo, the Battery Show, iVT Expo, bauma ConExpo India, and the International Pool Spa Patio Expo. In addition to our customer-focused initiatives, our teams also dedicated time to strengthening our culture and giving back to the communities in which we work. We are doing this work with purpose as we strive to be the employer of choice in the communities we live. It is getting noticed with numerous external awards and accolades. Among other examples, we continued our annual sponsorship of the Clyde Nixon Business Leadership Award, named after a former Sun Hydraulics Chairman and CEO. This award is presented at the Sarasota County's Economic Development Corporation's annual meeting and honors a Sarasota County business leader who exemplifies the personal integrity, business excellence, and community commitment of the late Clyde Nixon. Additionally, during our recent Helios Leadership Summit, our team prepared books filled with inspirational messages for the children served by the Easterseals Southwest Florida chapter. These servant leadership qualities go back to our founders, specifically Bob Koski's unique approach to his infamous "horizontal management" style and his philanthropic mindset.

Moving to our results, as expected, our higher Sales in the third quarter contributed to margin expansion. This shows through in our operating model when you look at the sequential sales step up from 2Q25 to 3Q25 of \$8 million and the associated incremental margins at the gross profit line all the way through to adjusted EBITDA & earnings per share. We are continuing to invest in engineering resources to drive our future product pipeline and are upgrading production capabilities which will have a productivity payoff in the future.

We also continue to generate positive cash flow and reduce debt. After our ninth consecutive quarter of paying down debt, our net debt to adjusted EBITDA leverage ratio has improved to 2.4 times.

During the quarter, we closed the sale of Custom Fluidpower and recorded a gain of \$21 million. We are excited to have CFP remain in the Sun family as a continued hydraulics distributor in Australia, under an exclusive distribution agreement for the region. This followed the action to close our HCEE operation and put engineering resources back into our core businesses; another example of our evaluation of the footprint re-alignment. This is a continuous focus as we evaluate how best we optimize our operations to serve our customers where we can command strong market positions.

Also, as a part of our ongoing portfolio evaluation, this quarter we wrote down \$25.9 million of goodwill related to i3 Product Development, a company we acquired in May 2023. We have refocused i3PD engineers on projects aligned with Helios' core businesses and strategic goals, including the "No Roads" and "Cygnus Reach" software platforms, supported by a leadership change that has added more software sales expertise. We have re-forecast sales for i3PD and adjusted our expectations for the rate of adoption of new software capabilities.

Overall, for Helios, we remain focused on profitably growing the business, driving EBITDA margins back into the 20s and improving our return on invested capital. Our capital priorities remain to invest in organic growth, reduce debt, maintain our long dividend history, and opportunistically repurchase shares. With continued margin expansion, we expect to lower our leverage ratio to around 2 times by year-end with the fourth quarter cash flow generated from operations combined with utilizing the cash received on October 1st from the sale of CFP. As we continue to strengthen our balance sheet, we will have more optionality to make strategic investments as we advance into 2026.

Finally, I would like to take this opportunity to welcome Michael Connaway as our new CFO. Our employees, partners, and shareholders will find his insightfulness, strong grasp of finance, and breadth of experience a nice addition for Helios. We now have our full leadership team in place to harness our collective energy and create the momentum to drive us forward.

Let me turn the call over to Michael now to introduce himself.

Michael Connaway, Chief Financial Officer

Thanks, Sean. These are certainly exciting times at Helios and I'm very excited and honored to be here. I joined Helios because I see great potential for this business. I know that we have businesses that have strong cores with well-respected histories, great market positions with global brand recognition, deep customer relationships and quality products that serve critical needs within the applications they are used. With the progress under Sean's leadership, it is evident there is tremendous value that we can create going forward.

I believe that my experience can be well applied here and look forward to contributing to Company growth, driving cash and earnings improvements, and helping the team create increasing shareholder value over time.

With that, let me pass it over to Jeremy to cover the details of the solid third quarter results.

Jeremy Evans, Chief Accounting Officer

Thanks, Michael. It's great to have you join us! Good morning, everyone. As I review our third quarter results, please reference **Slides 5 through 8**.

Sales in the quarter were \$220 million, up 13% year-over-year and exceeding the top end of our guidance range which was \$215 million. This reflects strong performance in the Electronics segment, which grew 21%, while Hydraulics increased 9%. Encouragingly, we saw the mobile, recreational and agriculture markets turn green this quarter relative to year-over-year comparables. There were some orders from the fourth quarter that customers pulled forward, a contribution to the outperformance. Sequentially, sales were up 4%, or \$8 million, as demand

continued to improve across multiple-end markets. Regionally, year-over-year sales increased double digits across all three geographies. Sequentially we had 10% growth in APAC and 6% growth in the Americas offsetting the typical seasonal decline in EMEA which was down 6%.

Note, foreign exchange favorably impacted sales by \$1.8 million dollars compared with the year ago period.

Gross profit increased 21% year-over-year to \$73 million, with gross margin expanding 200 basis points to 33.1%, driven primarily by better capacity utilization from higher volumes, favorable mix, and operational efficiency improvements which more than offset tariff headwinds. Sequentially, gross margin improved 130 basis points, reflecting incremental leverage from higher volume primarily in the electronics segment. We continue to look for ways to improve gross margin through efficiency and capacity utilization while focusing on our core business. Our initiatives to restructure HCEE, leverage our low-cost Tijuana facility, divest CFP and re-focus i3PD resources are examples of decisions taken in the past year.

Operating income was down in the quarter compared to the prior year primarily due to goodwill impairment related to i3PD. The CFP divestiture gains mostly offset the goodwill charge. On an adjusted basis, operating margin came in at 16.6%, the third quarter in a row of expansion, while adjusted EBITDA margin declined 40 basis points year-over-year. Last year's operating profit had a \$5.5 million benefit due to stock compensation reversal from the CEO termination.

Our effective tax rate in the third quarter was 19.8% compared with 14.2% in the year ago period, reflecting the mix of business and applicable statutory tax rates and the impact of both the goodwill impairment charge and the gain on the sale of CFP. The 2024 period included an overall increase in discrete tax benefits driven by the CEO termination in July 2024.

Diluted EPS was \$0.31 in the quarter, down 9% over last year. Diluted Non-GAAP EPS was \$0.72 in the quarter, up 22% over last year primarily from the sales growth and business improvements we have discussed. The sequential increase demonstrates the strong operating leverage of the business.

Turning to **Slide 9**, hydraulics delivered 9% higher sales year-over-year supported by improving demand from our customers in the mobile end market and early signs of improvement in agriculture. Foreign exchange had a favorable \$1.8 million impact on the segment compared with the prior year period.

Hydraulics' gross profit and gross margin grew year-over-year, 12% and 90 basis points respectively, supported by operational efficiencies from improving lead times and continued volume strength at Faster. SEA expenses were up \$5 million, or 30% over the prior year period mainly due to the \$3.7 million reversal of unvested stock compensation in connection with the CEO termination in July 2024 in addition to higher wages and benefits reflecting investments made in our core operations.

Moving to **Slide 10**, Electronics sales grew 21% year-over-year, driven by record performance at Enovation. We saw growth from our customers in the recreational, mobile and industrial end markets, while our demand in the health & wellness market was relatively flat.

Gross profit and gross margin expanded 38% and 420 basis points respectively from the prior year, primarily due to higher volumes and more favorable mix. Operating income of negative \$13.7 million reflects the i3PD goodwill impairment. Prior to the goodwill impairment charge, operating income as a percentage of sales increased to 15.3%, up 490 basis points compared to the prior year period due to the higher gross margin and lower SEA expenses as a percentage of sales. The prior year period included a \$1.8 million reversal of unvested stock compensation in connection with the CEO termination.

Slide 11 shows a trailing twelve-month free cash flow conversion rate of 223%. We generated \$18.5 million in free cash flow during the quarter, down from \$28.8 million in the prior year. This quarter's cash from operations was impacted by an increased accounts receivable balance as a result of the higher sales. Capex of \$6.7 million, or 3% of sales, was consistent with our focus on maintenance and productivity enhancements that deliver clear and measurable returns on investment.

Turning to **Slide 12**, at the end of the third quarter, cash and equivalents were \$55 million, which did not include all of the proceeds from the sale of CFP, and we had \$360 million available on our revolving lines of credit. Our balance sheet is strong and provides us with great flexibility.

With that, I will now turn the call back over to Sean...

Sean Bagan, President and Chief Executive Officer

Thanks, Jeremy. Turning to **Slides 13 and 14**, We have met our commitments over the last eight consecutive quarters as we have instilled a stronger financial discipline and processes for accountability and predictability. We have also outperformed our expectations for the first nine months of this fiscal year, while navigating the tariff landscape and expect to end 2025 well positioned for further growth carrying into 2026.

As we mentioned last quarter, we expected an acceleration from recreational customers based on our order book and other market factors such as improved channel inventories. With mobile also starting to show positive indicators, the broader macro and customer sentiment is turning upward. Key industrial indicators are stabilizing and early-cycle demand patterns are improving—signals that support the beginning of an upcycle across some of our end markets.

At the same time, Helios' own 'self-help' initiatives are taking hold: we've strengthened our operating discipline, streamlined our portfolio, and invested in capabilities that expand our addressable markets. Building on two years of disciplined strategic planning and execution, we are well-positioned to capture the next phase of growth with greater agility and profitability, with our streamlined operations.

We expect fourth quarter sales to be in the range of \$192 to \$202 million, up 10% over the prior year period at the midpoint of the range. This would be a 20% growth rate at the midpoint adjusting for \$15.6 million in CFP sales in the prior year comparable period. For the full year, sales at the midpoint of the guidance, adjusting for CFP, would be 4% growth over fiscal 2024.

We expect fourth quarter adjusted EBITDA margin to be in the range of 20% to 21%, keeping us at the 20% plus level. For the full year, we expect adjusted EBITDA margin to be in the range of 19.1% to 19.4% with the midpoint about 25 basis points above the midpoint of our original guidance range from February this year.

We expect fourth quarter diluted Non-GAAP Earnings Per Share to be in the range of \$0.67 to \$0.74 cents, which more than doubles over last year at the midpoint. For the full year, we expect diluted Non-GAAP EPS of \$2.43 to \$2.50 with the midpoint 12% above the high end of our original guidance from February.

We entered the year with a clear plan and stronger discipline, and today we're operating with greater precision, accountability, and focus defining a new standard for Helios, one we intend to keep refining and elevating with every step forward. I am incredibly proud of the progress made this year by the Helios team and we are committed to capitalizing on our momentum as we continue to stack up wins.

Turning to **Slides 15 to 17**, we remain focused on organic growth driven by innovation. The team has done a great job launching new products this year that provide incremental sales streams and allow us to attack adjacent markets. Our focus on investing in R&D and innovation through the down cycle has positioned us well for when the cycle starts to turn. As you look at both our financial priorities as well as our key focus areas we established for the year, I am pleased with how we are performing. We returned to growth this quarter and expect to end the year with sales above 2024 levels, with improved margins, a lower cash conversion cycle, and reduced debt laying a strong foundation for 2026. We are targeting to host our next investor day on the morning of March 20, 2026, in Sarasota, Florida. There will be more information provided as we get closer to the event.

As I conclude our prepared remarks, I want to revisit what I shared on last quarter's call—our renewed energy and determination to deliver a strong comeback in the second half of the year. Today, I'm proud to say we are doing just that. Our execution and progress reflect the unwavering dedication of every Helios employee around the world.

We are fortunate to have an extraordinary group of companies within the Helios family—many celebrating their own remarkable milestones alongside our founding company, Sun Hydraulics, as it marks its 55th anniversary in 2025. As we honor that legacy, our focus remains squarely on the future: driving innovation, serving our customers with excellence, and creating lasting value for our shareholders.

The actions we're taking today are designed to strengthen our foundation and amplify our momentum. I'm more confident than ever in my belief that the future is very bright for Helios.

Thank you for being part of today's call and for your ongoing engagement with and support of Helios Technologies.

With that, 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 ([helios technologies.com](https://www.helios technologies.com)), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision.