Tania Almond, Vice President, Investor Relations and Corporate Communication

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

Joining me today are Sean Bagan, President & Chief Executive Officer, and Jeremy Evans, our Executive Vice President, Chief Financial Officer. Sean will start the call with highlights from the fourth quarter and the full year, then Jeremy will review our financial results in detail and establish our 2026 Outlook. Sean will come back with some closing remarks and then we will open the call to your questions.

As an additional reminder, we have our upcoming investor day taking place in sunny Sarasota, Florida on Friday, March 20th for institutional investors and analysts. We are excited to be sharing our longer-term outlook and will have colleagues from our flagship businesses on hand demonstrating some of our products. We are also offering an optional manufacturing facility tour of the original Sun Hydraulics production location. It’s just three weeks away and our leadership team is excited to see everyone in person. Please reach out to me if you would like to RSVP.

Now turning 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-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 **Slides 3 through 5** now.

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

Sean Bagan, President & Chief Executive Officer

Thanks, Tania, and welcome everyone. We truly appreciate you joining us today and are pleased to have this opportunity to share the sustained progress our Helios Technologies team made in the fourth quarter capping off what became a true turnaround year in 2025. Results finished ahead of recent expectations, with all businesses reporting quarterly sales and earnings growth, leading to full-year sales growth for the first time in three years, while also delivering record free cash flow.

This is my favorite time of year—the NCAA March Madness basketball tournament is right around the corner. Teams are competing for higher seeds that reflect their full body of work, and I see a clear parallel to our fiscal 2025 performance.

As the year progressed, we strengthened our position—finishing it off with back-to-back quarters of year-over-year profitable sales growth. That's the equivalent of winning the first two rounds of the NCAA tournament. It builds confidence and momentum—but championships require sustained excellence.

Sales and orders accelerated in the second half of the year, reflecting the increasing impact of our go-to-market initiatives and our industry leading innovative products. In conjunction with the CONEXPO tradeshow this week, we are excited to begin the roll-out of our next wave of products and our plans for 2026 will be to continue that at an elevated pace.

Throughout 2025, we overcame numerous challenges. At a macroeconomic level, the two most meaningful indicators for our Hydraulics segment are PMI and industrial production, both showing extended contraction for much of the year meaning weaker factory output conditions overall here in the US while globally regional differences existed with pockets of expansion. We are encouraged by some of the initial 2026 readings with both sentiment and actual production improving together, however 2025 can best be characterized as slow and uneven and certainly not sustained growth. Additionally, we managed through other macro challenges presented by global tariffs, geopolitical uncertainty, and a weak consumer market. Despite all that, the results were the same: we controlled the things we could control, and we executed.

I could not be prouder of our team, and I extend my sincere gratitude to each of my colleagues. Fourth quarter sales exceeded our expectations, up 17% to $211 million, resulting in 4% growth for the full year to $839 million. On a pro-forma basis, excluding the Custom Fluidpower, or "CFP" divestiture, sales for the fourth quarter were up 29% and for the full year up 6%.

Our margins are strengthening and benefiting from the higher volume along with our operational excellence efforts and cost control measures. We have had four consecutive quarters of gross margin expansion. Adjusted EBITDA in the quarter was 20.1%, our second quarter in a row back in the 20s.

Operationally, we had numerous accomplishments in 2025. First, we returned to growth by executing on our customer centric go-to-market strategic initiative. We redirected internal resources to more fully engage with our customers as well as accelerated the cadence of new product launches. This was reflected in the number of meaningful product launches in 2025 from both segments. We expanded our offerings with higher-value solutions that complement existing products and represent a natural extension of our customers' existing purchases. We believe our strategy to develop high value, mission critical, ruggedized solutions for our customers in niche applications gives us a competitive edge.

Second, we took decisive action to optimize our portfolio. With the CFP divestiture, we removed Sun Hydraulics from owning the distribution business in Australia, reverting to our core and what we're best at – designing, developing, and manufacturing manifolds, cartridge valves, and integrated packages. Further, we are aligning our go-to-market approach in the Australian market with the rest of the business by leveraging an exclusive agreement with the buyer, Questas Group, to provide distribution and fulfillment services for Sun Hydraulics' products in Australia. This fosters a partnership where each party's success contributes to the other's advancement.

We also acted on our centralized engineering team – the Helios Center of Engineering Excellence operation – and reallocated engineering resources back into our core businesses. Continuous portfolio evaluation will be standard work for us moving forward.

We introduced a new share repurchase program in 2025 and repurchased 1% of the Company's outstanding shares throughout the year. This share buyback model, as a form of shareholder return, marks a first for the Company.

Importantly, we continued our long-standing practice of paying cash dividends, which we have done for 116 consecutive quarters or over 28 years.

Finally, we fortified our leadership team in 2025. I was formally named President & CEO; Billy Aldridge was promoted to President of the Electronics segment; and Jeremy Evans was promoted to Chief Financial Officer.

With Rick Martich and Matteo Arduini leading the two large businesses in the Hydraulics segment, supported by a fortified executive leadership team at the Helios level, we now have our full leadership team in place to harness our collective energy and create the momentum to drive us forward. This makes us even more confident regarding our expectations for 2026 and beyond.

Before I turn the call over to Jeremy to provide the details regarding our financial results, I want to share how pleased I am that he is now officially in the CFO seat. When Jeremy and I joined forces with the Helios leadership team, we committed to building a predictable, performance-driven culture. Achieving or exceeding our forward quarterly guidance for nine consecutive quarters demonstrates the operational rigor and accountability that now define our team. Jeremy, over to you.

Jeremy Evans, Executive Vice President, Chief Financial Officer

Thank you, Sean, and good day everyone. It's an honor to report to you today in my new role as Chief Financial Officer. As many of you know, I've been with Helios for the past two years in a finance leadership role.

I'm excited to continue partnering with Sean, Tania, our leadership team, our board, and the broader global Helios family as we execute our strategy, build on our culture of accountability, and stay focused on delivering consistent and predictable performance.

As I review our fourth quarter and full-year results, please refer to **Slides 6 through 9**.

Fourth quarter sales were $211 million, up 17% compared with $180 million in the prior-year period and above the expectations we laid out on our third quarter call. We divested CFP at the end of September, so the fourth quarter is more comparable on a pro-forma basis. Excluding the $16 million in CFP sales in last year's fourth quarter, sales for the quarter were up 29% year over year.

Growth was broad-based, driven by both segments, with Hydraulics sales up 10% and Electronics up 31%. On a pro-forma basis, Hydraulics grew 27%. There was strength in all regions when normalizing APAC sales for the impact of the CFP divestiture.

2025 full year sales were $839 million, an increase of just over 4%. Sales were up 6% on a pro-forma basis. As Sean mentioned, this marks our return to top-line growth after a multi-year period of declines and reflects the progress we've made on our go-to-market initiatives and the stabilization we have seen in some of our end markets.

Higher sales and improved absorption drove gross profit up 31% in the quarter to $71 million and gross margin expanded 350 basis points to 33.6%. In addition to higher volumes, we had the contributions of improved mix and ongoing productivity and cost actions, which were partially offset by residual tariff impacts. For the full year, gross profit also increased at a faster pace than sales and was up 7.5% to $271 million. Gross margin was 32.3%, an increase of 100 basis points from 2024. Our margin profile also benefited from the CFP divestiture. While its profitability had been measurably improved over the years under Helios' ownership, it was nevertheless a drag on consolidated margins.

Fourth quarter operating income nearly doubled over the prior-year period, and operating margin expanded 480 basis points to 12.2%, demonstrating the operating leverage inherent in the business. For the year, operating income was down 19% primarily as a result of the goodwill impairment charge taken in the third quarter related to i3 Product Development.

On a non-GAAP basis, adjusted operating margin in the quarter was 16.4%, up 310 basis points year-over-year. For the full year, non-GAAP operating margin was 15.4%, up 20 basis points over 2024.

Our effective tax rates for the quarter and year were 22.7% and 22.5% respectively, reflecting the income mix in our various tax jurisdictions.

Diluted EPS in the quarter was $0.58, up over four times the prior year period. I should point out that we had a $5.4 million, one-time benefit in net interest expense related to an interest rate swap that was originally due for maturity this quarter dating back to our refinancing actions in June of 2024. Diluted Non-GAAP EPS was $0.81, an increase of 145% reflecting our strong operating performance.

For the full year, diluted EPS increased 24% to $1.45 and diluted non-GAAP EPS of $2.56 increased 22%.

Adjusted EBITDA margin was 20.1% in the fourth quarter, up 270 basis points over the prior year. Improved profitability reflects the impact of the volume increase as well as the many actions taken during the year to streamline the business and focus on driving profitable sales. For the full year, adjusted EBITDA totaled $161 million, up 4% over the year ago period and EBITDA margin of 19.2% was flat with last year, net of tariff impacts.

Turning to the segments, please refer to **Slide 10**.

As I noted earlier, Hydraulics reported robust 27% sales growth for the quarter on a pro-forma basis. By end market, we saw demand in mobile applications being driven by construction markets across all regions. Early signs of recovery in agriculture continue as sales to the ag market were up from the prior year for the second quarter in a row. More robust activity in Europe and China is driving demand for Faster's ag-focused applications.

Hydraulics' gross profit in the quarter grew 27% year-over-year, and gross margin expanded 440 basis points to 34.1%, driven by better fixed-cost leverage on higher volume, lower direct cost as a percentage of sales due to ongoing productivity initiatives, and the impact of the CFP divestiture. Segment SEA expenses in the quarter increased $1.3 million dollars, or 7%, primarily reflecting higher wages and benefits as well as investments in R&D but improved more than 50 basis points as a percentage of sales.

Turning to Electronics on **Slide 11**, Electronics sales in the quarter were up 31% year-over-year. We saw continued strength in the recreational space with a particular customer that is realizing meaningful growth in its market. Industrial and mobile end markets have also been solid with persistent demand for construction equipment to address the large amounts of infrastructure spend primarily in the U.S. but also in Europe. Health & wellness grew year-over-year as well. There are still pockets of volatility in consumer-exposed demand particularly in the recreational marine markets.

Electronics gross profit in the quarter was up 40%, and gross margin expanded 220 basis points primarily driven by higher volumes and a more favorable segment mix. SEA expenses increased $3.3 million, mainly due to higher wages and benefits, but improved over 100 basis points as a percentage of sales. Operating income increased 76% to $9.5 million and operating margin expanded 330 basis points on strong operating leverage.

On **Slide 12** you will see that we had record cash generation from operations of $46 million for the quarter delivering a record $127 million of cash from operations for the year. We had our second consecutive year of record free cash flow as well.

It's worth noting that our working capital reduction efforts have paid off and contributed to the record cash flow. Our more structured approach to inventory management, receivables collection, and payables optimization has resulted in another year improving our cash conversion cycle.

Flipping to **Slide 13**, you'll see we used the cash generated along with the proceeds received from the divestiture of our CFP business at the end of the third quarter to pay down $82 million in debt this year. As a result, we ended 2025 with a net debt-to-adjusted EBITDA leverage ratio of 1.8 times, a level that has not been achieved since the second quarter of 2022 on a reported pro forma basis. We hit another key milestone in the quarter; our available liquidity has surpassed our total debt.

We have sufficient liquidity to execute on our growth plans and to return cash to our shareholders.

We also continued our long history of returning capital to shareholders, paying our 116th consecutive quarterly dividend in January and initiated repurchasing shares under our authorized buyback program that we established in 2025. We repurchased 80,000 shares during the quarter, increasing our year-to-date total to 330,000 shares at an aggregate cost of $13.6 million.

Slide 14 summarizes my previous comments reflecting how we did on the financial priorities that we established for 2025. Across the board, our team successfully delivered results in each category. **Slide 15** reflects our new financial priorities as we enter 2026 that align with how we plan to turn the opportunities we see in front of us into financial results. First, <u>execute on our growth plan</u> – by winning share from our growing sales funnels through continued product innovation. Second, <u>expand gross margins</u> – by driving productivity and leveraging our global footprint and capacity. Third, <u>maintain earnings momentum</u> – by building on our strong foundation and aligning SEA investments with sales growth. Fourth, <u>optimize capital allocation</u> – by investing in organic growth and driving sustainable shareholder returns. With these priorities guiding us, we are committed to focused execution to deliver expanded earnings and long-term value creation in 2026 and beyond.

Turning to our outlook on **Slides 16 and 17**, for the first quarter of 2026, we expect sales to be in the range of $218 to $223 million, up 22% over last year's first quarter at the midpoint on a pro-forma basis excluding the CFP divestiture. We expect consolidated adjusted EBITDA margin to be in the range of 19.5% to 20.5%, up over 250 basis points at the midpoint, and diluted non-GAAP EPS of $0.65 cents to $0.70 cents per share, up 53% at the midpoint.

For the full-year, we expect net sales will be in the range of $820 to $860 million compared with $839 million as reported in 2025 and $792 million on a pro-forma basis excluding the CFP divestiture. This implies 6% percent growth over 2025 on a pro-forma basis at the midpoint, driven primarily by volume growth in our core platforms and the continued ramp of recent commercial wins. At the segment level for the full year, we expect Hydraulics net sales in the range of $510 to $530 million, up approximately 5% at the midpoint on a pro forma basis. For Electronics, we project net sales in the range of $310 to $330 million, up 7% at the midpoint. As you will notice, based on how we expect the year to start relative to our full year guide, we expect the first half of 2026 to have much stronger year-over-year growth rates based on the timing of the end market recoveries and our current visibility on customer order flow.

We expect 2026 adjusted EBITDA margin will be in the range of 19.5% to 21.0% reflecting continued gross margin expansion, operating expense discipline, and the full-year benefit of our portfolio and footprint actions. We expect diluted Non-GAAP EPS in the range of $2.60 to $2.90, or 7% growth at the midpoint. As a reminder, fiscal year 2025 diluted non-GAAP EPS included a benefit from a $5.4 million interest rate swap.

We believe we have a sound strategy built to drive sustainable growth, expand profitability, and unlock greater value for our shareholders. The resilience and execution of our global teams have positioned us well for what comes next. With that, I'll turn the call back to Sean for his closing remarks with **Slides 18 and 19**.

Sean Bagan, President & Chief Executive Officer

Thanks, Jeremy.

As I step back and reflect on where we've been and where we're headed, I'm incredibly energized by the opportunities in front of us.

We entered 2025 with a clear plan and a commitment to enhanced discipline. Today, we are operating with greater precision, accountability, and focus — and it shows. Across our key focus areas, the Helios team executed.

We strengthened our go-to-market structure and institutionalized the processes that drive funnel development, cross-selling, and pipeline management. We protected and grew our base business, capturing greater wallet share and driving organic growth. We improved profitability through prudent cost management and operational efficiencies. We continued investing in innovation and accelerated new product launches to support our long-term market leadership. We developed our talent, ensuring the right people are in the right seats to power our next chapter. And we sharpened our capital allocation strategy by divesting a non-core asset, reducing our debt, driving working capital improvement, and enacting a new share repurchase program.

Simply put — we are building a stronger, more resilient, and more scalable Helios.

The progress this year has been remarkable, but what excites me more is that we are just getting started. The investments we're making today are fueling the next chapter of performance. We are defining a new standard— and we intend to keep raising that bar.

As we enter 2026, our key focus areas reflect a natural evolution of the foundation we built in 2025. We are advancing our strategic framework through focused execution of our plan, while sharpening our go-to-market engine to convert funnel growth into consistent new business wins. We are institutionalizing innovation with more rigorous NPI processes, driving earlier and more impactful product launches. At the same time, we are deepening our commitment to operational excellence, strengthening organizational development, and embedding a return-on-invested-capital mindset more rigorously into every capital allocation decision. Together, these priorities position Helios to execute with discipline, scale with confidence, and elevate performance to the next level.

In the NCAA March Madness tournament, you don't win the championship in the first weekend – but you prove you belong. Two consecutive quarters of strong performance is our version of advancing to the Sweet 16. It reflects tenacity, resilience, and a team that knows how to perform under pressure. We like our momentum—and we're focused on sustaining it.

I am more confident than ever in our strategy, our team, and our ability to deliver sustainable growth and increasing earnings power. The leadership team and I look forward to unveiling The Core 2030 Strategy on March 20th. This strategy will define the next chapter of growth and outline our vision for Helios Technologies' future. We hope you can join us to hear more. The future for Helios is bright, and we are deeply committed to long-term value creation for our shareholders.

Thank you for your continued engagement and support.

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 (heliostechnologies.com), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision.