Operator: Greetings, and welcome to Helios Technology Third Quarter 2020 Earnings Call. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Ms. Tania Almond, Vice President of Investor Relations and Corporate Communications for Helios. Thank you, Ms. Almond, you may begin.

Tania Almond: Thank you, Operator, and good morning, everyone. Welcome to the Helios Technologies' Third Quarter and Year-To-Date 2020 Financial Results Conference Call. We issued a press release earlier today. If you do not have that release, it is available on our website at hlio.com. You will also find slides that will accompany our conversation today.

On the line with me are Josef Matosevic, our President and Chief Executive Officer; and Tricia Fulton, our Chief Financial Officer. They will spend the next several minutes reviewing our third quarter results, providing a recap of our recently announced acquisition and amended credit facilities, then we will open the call up to your questions. Please note, we have moved some of the year-to-date information into the supplemental section of the presentation.

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 also during 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 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 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.

With that, it is now my pleasure to turn the call over to Josef.

Josef Matosevic: Thank you, Tania, and good morning, everyone. Please turn to **Slide 3**, and I will summarize our highlights for Q3. We all know that COVID-19 continues to impact the global economy, and there is still much uncertainty in the market and low visibility with some customers. As I stated last quarter, our objectives through this pandemic are to stay very close to our customers, focus on disciplined execution, continue to generate strong cash flow and navigate into a strategic position for growth as markets recover.

We want to thank all of our Helios team members for such great work throughout this pandemic. They have been managing through COVID-19, taking care of our customers, enhancing operational efficiencies, maximizing our supply chain, completing due diligence on Balboa, successfully amended our credit facilities, all while maintaining the regular duties. We have a very high-performing team, and once again, thank you.

This quarter, we have delivered revenue results that exceeded our expectations, expanded gross margins and better-than-expected decremental operating margin. Our businesses are very agile and continue to quickly adjust to rapidly changing demand in our markets. We continued to demonstrate our strength in generating cash this quarter and realized $37 million of cash from operations. Year-to-date, we have reduced our net debt by over $50 million. This financial flexibility is enabling us to make the acquisition of Balboa Water Group we announced 3 weeks ago. It is a perfect fit for our Electronics segment in Helios overall. The acquisition positions us well for growth and aligns completely with our Vision 2025 strategy.

Please turn to **Slide 4**, and I will recap the highlights of the acquisition. Balboa is an innovative market leader in electronic controls, with proprietary and patented technology and AC power capabilities within the health and wellness industry. Balboa strengthens Helios with leading control solutions with a full suite of integrated products. They utilize a new state-of-the-art manufacturing facility with a low-cost manufacturing supply chain and they have solid historical organic growth.

The purchase price for Balboa is $218.5 million. Excluding synergies, this represents a multiple of 9.3x 2020 estimated adjusted EBITDA. Balboa is accretive to adjusted EPS from day one, and the cash return on invested capital is expected to exceed Helios' weighted average cost of capital in year one. Balboa fits within our M&A framework like a glove, and this is just really our first step in a multiyear journey to build out our Electronics segment into a top industry player.

Moving on to **Slide 5** for some financial highlights on the quarter. Our sales this quarter were $123 million, up sequentially, supported by a strong increase in our Electronics segment and continued growth in the ag market. Some of this strength was a timing issue as OEMs push to meet demand that has been created by COVID-related consumer buying. Our gross margin was up both year-over-year and sequentially, reflecting our cost containment measures and continued efforts to improve productivity. Sales, margins and earnings per share beat our internal expectations as we increased sales faster than forecasted. We believe our full year 2020 forecast is still on track, which will result in Q4 as the trough instead of Q3.

I will now turn the call over to Tricia to review the financial results and outlook in a little bit more detail, Tricia?

Tricia Fulton: Thank you, Josef, and good morning, everyone. Let's turn to **Slide 6** for a review of our third quarter consolidated results. While the COVID-19 pandemic continued to impact our consolidated year-over-year sales during the quarter, we delivered significant sequential growth from the trailing quarter. As Josef referenced on last quarter's call, we said we believed the third quarter would be our trough in 2020. So, these results definitely exceeded our expectations. Similar to last quarter, we saw demand in orders build through the quarter, with September being a very strong month. In fact, our QRC and Enovation businesses had year-over-year growth in September.

Sales from the APAC region continued to show strength, growing 9% in Q3 over last year as we continue to increase our market share in China. EMEA sales for the quarter were down only 1% from the prior year as the ag market remained resilient. However, sales in the Americas were more heavily impacted by COVID-related softness in the quarter, down 27% compared with the prior year and 3% sequentially from the trailing quarter. This is largely due to a decline in the CVT business, where the pandemic continued to impact our end markets and our customers' operations. On a positive note, our Electronics segment in the Americas region grew 60% sequentially from the trailing quarter. We have seen some recovery of demand in this segment with recreational vehicle and marine OEMs increasing their production to catch up with higher consumer demand. Our strong pipeline of opportunities in the Electronics segment, along with the Balboa acquisition, provides additional runway to drive growth in current and expanded markets in 2021 and beyond.

Our operational profitability was strong again this quarter as previous cost reduction and productivity improvements we implemented are producing results. Our decremental margin improved in the quarter to 29% on adjusted operating income, and adjusted EBITDA margin declined just 20 basis points year-over-year and increased 80 basis points sequentially to 23.4%.

Please turn to **Slide 7** for a review of our Hydraulics segment third quarter operating results. Sales for the Hydraulics segment declined 11%, excluding the impact of foreign currency, which had a $1.9 million favorable impact. From a geographic perspective, excluding the effects of currency, sales grew 8% year-over-year for the quarter in the APAC region, reflecting strength in China as we take market share. This was offset by a 36% decline in the Americas. The primary driver for the decline was softer end market demand due to the impact of the pandemic. EMEA sales decreased 4%, excluding the impact of foreign currency.

Gross profit was influenced by the lower sales volume, but gross margin benefited from the cost management initiatives and was up 60 basis points from last year to 36.1%. Operating income was higher by $1 million despite the lower top line. Operating margin expanded 290 basis points to 19.2%. The higher margins were driven by some one-time expenses in the year ago period related to restructuring and disposal of an intangible asset, as well as effective cost management efforts and production efficiencies in the current quarter. As a result, SEA expenses were lower by $4.6 million or 22%.

Please turn to **Slide 8** for a review of our Electronics segment third quarter operating results. You will recall, this segment has been heavily affected by the impact of COVID-19 this year. While third quarter revenue was down $3.6 million from last year, the segment is up $7.2 million or 42% sequentially from the trailing quarter. Many OEMs that had shut down operations for some period earlier this year are now working at full capacity to catch up with the sharp increase in consumer demand for recreational vehicles and boats. The increase in sequential demand is somewhat offset by the runoff from our intentional shift in customer base which involve changes in certain contractual obligations.

As previously referenced, we have implemented many cost-saving measures and aligned our variable workforce to the lower year-over-year demand, and our profits were nonetheless impacted by the large and immediate volume decline. Gross profit declined $1.6 million, but gross margin expanded 40 basis points to 46.8%, benefiting from operating improvements within the business. Operating margin of 19.2% was up significantly over the second quarter level of 5.5%.

As a reminder, this segment utilizes significant engineering effort related to future OEM projects, and we continue to invest to support these customer-focused solutions. As we previously mentioned, we are encouraged to see significant improvement in Electronic segment orders in September, coming in higher than last year by double digits.

Please turn to **Slide 9** for a review of our cash flow. Year-to-date, we generated $77 million of net cash from operating activities and $69.9 million of free cash flow, comparable with the same period in 2019. In our third quarter this year, we generated $36.7 million of net cash from operating activities, resulting in approximately $34.8 million of free cash flow. Year-to-date CapEx is $7.2 million, down significantly from last year when we were investing in the manufacturing consolidation project and the engineering center of excellence. We are expecting CapEx to be in the range of $12 million to $15 million for the full year as we continue to invest in high priority and critical projects, but defer other investments until economic conditions improve.

Regarding our capital structure on **Slide 10**, we reduced our gross debt by $27 million and our net debt by nearly $23 million in the third quarter. Year-to-date, we reduced our net debt by $50 million. At the end of the third quarter, we lowered our net debt to adjusted EBITDA ratio to our target level of 2x. At the end of the quarter, we had $32 million in cash, over $233 million available on our revolving credit facilities and a $200 million accordion, which was subject to certain pro forma compliance requirements.

As Josef mentioned, last month, we announced we would be using cash on hand and existing and amended credit facilities to finance the Balboa acquisition. On a pro forma basis, following the close of the transaction, we expect our 2020 estimated year-end net debt to adjusted EBITDA leverage ratio to be approximately 3.4x. We remain committed to a long-term net debt leverage target of less than 2x and expect to continue to benefit from our strong cash flows to support debt reduction and our organic growth initiatives. We expect the acquisition to close in the fourth quarter.

We just announced the closing of our amended credit facilities and wanted to highlight the details for you on **Slide 11**. Helios entered into a $900 million senior secured credit facility. The 5-year facility amends the company's previous credit agreement and consists of a $400 million revolving credit facility, a $200 million term loan and a $300 million accordion feature subject to lender approval. This increases our debt capacity from $700 million to $900 million. We are also pleased to note these amended credit facilities were oversubscribed, with a very strong show of confidence from our banking syndicate.

With that, let's turn to **Slide 12**, where Josef and I will discuss our outlook for the remainder of the year and make our final remarks before opening it up for Q&A. We had a very strong Q3, which we previously thought would be the trough this year. Frankly, the pandemic has made forecasting more challenging and order timing more lumpy than normal. We had previously suspended our detailed guidance, but with 2 months of the year remaining, we wanted to provide our outlook on a couple of key line items for full year 2020 based on our view as of today. We believe we are on track to deliver revenue in the range of $485 million to $495 million and adjusted EBITDA margin of approximately 22% for the full year 2020, excluding any contribution from the Balboa acquisition.

Josef, I will now turn it back to you for your closing remarks.

Josef Matosevic: Thank you, Tricia. Last quarter, we said we would act on M&A opportunities that we see as critical to meeting our strategic goals. We are very excited to bring Balboa into the Helios family and the Electronics segment. Their proprietary technology accelerates our ability to innovate, and the addition of Balboa expands and diversifies our addressable end markets. We have a much larger strategic view of how we intend to grow the Electronics segment into a significant business that will be able to meet customers' needs across a full spectrum of products, services, technologies and end markets.

This evolution will be through a combination of leveraging additional value streams, organic and inorganic growth as we execute against our Vision 2025 strategy. We look forward to further articulating our vision at an Investor Day we would like to hold in the first half of next year. Stay tuned for details as they become available.

Finally, I have great confidence in the ability of the Helios team to continue to lead successfully through the choppy macro economy.

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

Operator: [Operator Instructions] Our first question comes from Jeff Hammond with KeyBanc Capital.

Jeff Hammond: So my question is on the guide in the fourth quarter, it looks like your EBITDA margins year-to-date are 23.2%, you will be getting to 22%. That would imply pretty significant decrementals in the fourth quarter. I just want to understand that better, if there is any nuances in that.

Tricia Fulton: Yes, a lot of it is just related to where we are from a volume perspective. We said that our Q3 was stronger than we had expected on the top line, and you saw that flow down into the margin. So on the slightly lower Q4 numbers; we expect to see stronger decrementals. There is some normal seasonality in there also with the holidays.

Jeff Hammond: Okay. Then can you just update us on what the backlog looks like in Hydraulics and where you think that is on a year-over-year basis as you exit 2020?

Tricia Fulton: Yes, we have returned to normal backlog levels in the businesses. We were able to work through the backlog that we had; and specifically that we talked about in the CVT business, we were able to work through that in Q3. Now we are at normalized backlog.

Jeff Hammond: Can you give us a number on what backlog is year-on-year exiting 3Q?

Josef Matosevic: I knew you would ask that, Jeff.

Tricia Fulton: As you know, we do not give order and backlog numbers, and we are going to continue that practice.

Jeff Hammond: Okay. If I could sneak one more in? The difference in the Americas versus Europe and Asia was quite stark. I am just wondering, why you think it is so weak? And what particular end markets are driving that weakness?

Josef Matosevic: Yes, Jeff. So I just got back from a couple of weeks of a kind of mini customer road show and just really got a good, good feel for where are, and where are we going, of what's the backlog, what's the dealer inventory and distribution inventory, and it just continues to be a mixed bag.

For an example, our ag market went from resiliency to a very strong uptick here. And as we finished Q2 and got into Q3, we anticipated Q3 to be the trough. Then, all of a sudden, you start getting phone calls and Q3 turned out to be very strong. So to give you a firm data point, is extremely difficult right now. It is really just us trying to “keep our finger on the pulse” every single day.

The other example I would give you is on the construction side. We went from down, to mixed, to strength, all within a 4 to 6 week period. Mining is very minimal for us, and it has kind of been flattish, to low. Recreational vehicles and marine has been and continues to be very strong. Dealers are replenishing the inventory, and we are really excited about that path going forward. So that's kind of the North American side.

Internationally, Europe remains strong for us. I do not see any concerns that it will deteriorate anytime soon. In addition, Asia is a growing region for us, so we are doing relatively well there too. Those are the data points that feel right to us, right now.

Tricia Fulton: One other thing on the Americas. As you recall, last year, at this time, we were seeing extremely strong demand in the CVT business, especially in the Americas. And clearly, now with COVID, that demand is down a little bit. So year-over-year, it is a pretty tough comparison for that geography.

Operator: Our next question comes from Mig Dobre with Baird.

Mig Dobre: I guess I am trying to understand, relative to your outlook, when we are looking at the 2 segments in the quarter, what would you say was better than expected? I mean it sounds to me like Electronics is better than expected, but there might be more to the story than just Electronics itself.

Josef Matosevic: Yes, certainly. So clearly, Mig, Electronics obviously continues to strengthen, with replenishment from a dealer standpoint, but there is also nice pockets on the Hydraulics side that are adding to the strength of Q3 and continuous strength for the full year.

Our QRC business unit did extremely well, and there was a nice contribution. That business continues to grow, and it just feels good to us. Geographically, Asia is contributing to our success. So our hesitation of adding more color versus what we have already, is just a matter of cautiousness on our part as it is just really difficult to know in the current economy. As you know, we anticipated, Q3 to be the trough, and it actually turns out to be a very strong quarter for us. So balancing the demand with the supply is what we are watching extremely close. That's all it is to it, Mig.

Mig Dobre: Well, the thing that I think I am confused about, maybe, following up on what Jeff was trying to get at earlier is this. If you are saying, "look, in Electronics, I am exiting the quarter in September with orders being up double digits". If you are saying that construction in your Hydraulics business has gone from declining to flat to now improving, mining is flattish, it sounds like you are feeling good about ag, it sounds like you are feeling good about Europe, it sounds like you are feeling good about Asia. I am having a hard time equating your commentary, right? You are saying that based on the end markets in your discussion about the fourth quarter now being a trough relative to the third. So can you help kind of untangle what's not here? What's going on?

Tricia Fulton: So on the Electronics side, I think we need to remember that Q4 is always the lowest quarter for that business given that many of the OEMs do have seasonal shutdowns related to the holidays, and that's what we are seeing this year as well. Even though demand is very high, and we know that dealer inventories on the recreational vehicle side are very low, we do still expect that we will see that normal seasonality on the Electronics side.

On the Hydraulics side, I think it is related to some of the lumpiness that we talked about and how we are seeing orders coming in. Certainly, in the ag markets, we are seeing some strong demand and we will get as much of that out the door as we can. But, there is still a lot of lumpiness in what we are seeing on the Hydraulics side outside of ag. So we are hopeful that we will continue to see those orders come in, in a little bit more consistent manner, but I think it is a difficult time for us to expect that.

Mig Dobre: Are you able to frame for us what the orders in Hydraulics look like for the segment as a whole in the quarter relative to the prior quarter or how the orders have progressed through the quarter? I recognize there is lumpiness, but I am trying to understand directionally where we are heading with this business.

Tricia Fulton: Yes. We already stated that the QRC orders in September were the strongest that we saw and better than what we saw last year. Some of the construction comments that Josef made are specifically related to what we are seeing in QRC construction orders, which kind of flipped between Q2 and Q3 from down to flat to up.

Where we have more uncertainty, I think, is still on the CVT side, where some distributors are working through inventory that was on the shelves and some of them are down on the inventory and they're placing stronger orders now. But, I would say the CVT side is really where we are seeing the majority of the lumpiness, and it is kind of dependent on what distributor is working with what customer base and how the order patterns are going.

Mig Dobre: Okay. Well, then my final question is on the cost structure itself and the implied decrementals are high, like it was pointed out earlier. So I guess the way I am going to ask this question is slightly different.

If you are expecting revenue to be down sequentially, is there any reason why SG&A would not follow a similar path? Do you have any elements of cost inflation, excluding, again, the acquisition that you are working through, so if we leave that to the side, are there any elements of cost inflation in SG&A to be aware of?

Tricia Fulton: No.

Josef Matosevic: No.

Tricia Fulton: We do not expect SG&A cost to be significantly different from what they have been over the last couple of quarters. I think where we are seeing the margin variability is at the lower top line, and is the absorption of the fixed cost at the gross margin level.

Operator: Our next question comes from Josh Pokrzywinski with Morgan Stanley.

Josh Pokrzywinski: So I am going to try to skin the cat here a slightly different way from Mig and Jeff. If I look at the margin guidance for the fourth quarter, if I take a look at inventories, which have had a nice step down, it would suggest that there is no manufacturing variance at work here, so maybe nothing behind the scenes on the absorption that would skew margins.

If you were to have a month in the fourth quarter, November or December, at this point, that would be a surprise, folks trying to get stuff done before year-end, et cetera. What would the incremental margin be on additional sales, kind of outside the range, the incremental margins kind of step up as you get above that range or into the higher end? Or is it kind of proportional across a wider band than the revenue out?

Tricia Fulton: Well, you can see from Q3 that we had strong margins when we had stronger-than-expected top line, so we definitely have leverage when we see increased revenue on the top line. I think one of the things that is a little bit difficult to predict within the quarter, or to understand within the quarter, is that each of the business units has a different rate of absorption of fixed costs.

There is clearly a higher fixed cost base overall in Hydraulics than there is on the Electronics side. And looking at where we are with revenues on the Hydraulics side in Q4. Even between QRC and CVT, the absorptions are different in how that occurs. So I think that's some of what's coming into play in my previous comment about gross margins in Q4.

Josh Pokrzywinski: Got it. That is helpful. And then kind of shifting over to Balboa, I understand some of the commentary around immediate accretion there. Since that deal will close or presumably close before you folks update us next on anything, any chance you could give us some kind of ballpark accretion and then the phasing within that? If it is fairly linear? Or how much it might build through the first 12 months, thinking about things like seasonality and how that would impact? That would be helpful, because we are coming up with some pretty punchy numbers on Balboa. So I just want to make sure we have that kind of level set.

Josef Matosevic: Yes. Certainly. So look, a few data points here on Balboa. I think it is fair to say now that looking at the recent results here over the last 2 months, they had very strong results, not just on the top line, but also on the bottom line, and their backlog continues to go in the right direction. It pretty much went from as expected to a little bit better-than-expected going forward. So Balboa overall is positioned extremely well for 2021. Therefore, we will see the accretion day 1, as mentioned earlier. So yes, we are excited about it.

Tricia Fulton: And from a profitability perspective, what we are seeing of the business, especially coming out of COVID-19 and now through the last few months, is that Balboa should be accretive overall to the Electronics segment at a margin level.

Operator: Our next question comes from Nathan Jones with Stifel.

Nathan Jones: Maybe I'll start with some cost questions. Can you remind us what the total cost number for 2020 is planned to be? What of that is temporary versus structural cost? And then how that translates to incremental cost savings or cost returnings going into 2021?

Tricia Fulton: The majority of the cost reduction efforts that we have taken throughout COVID are temporary. We estimated about 90% were temporary and 10% would be permanent, so I think we will get some benefit when we return to the higher revenue levels that we were at pre-COVID.

We will get some benefit from that, but the majority of the cost savings have been temporary and are related to reduction of discretionary expenses. These include trade shows and travel because we just can't do those right now, but certainly, especially going into these new end markets that we are talking about, that's something that we are going to want to do. We want to be in front of customers a lot more when we are able to coming out of COVID. So we will see cost like that return to the P&L.

Nathan Jones: How does that inform your view of what incremental margins might be going into next year given the play of some of these temporary costs coming back in, where everybody is going to have revenue growth next year, given the easy comparisons from 2020? How should we be thinking about incremental margins for the business in 2021, ex-acquisitions?

Tricia Fulton: We are still working through our budget process at this point for 2021, and now, we also need to consider how Balboa plays into that. We are not done with that process, so I would rather not give a hard number right now on what those look like.

It also is going to depend a bit on how we come out of COVID, when there is a vaccine, when things can pick up again from a commercial perspective. So I do not really want to give a number quite yet. We will definitely provide that information when we give 2021 guidance.

Nathan Jones: Okay. Maybe 1 on the internal work that you guys have been doing here over the last 12 to 18 month? There was some footprint consolidation, some disruption to the business in order to improve it. Can you talk about where you are in terms of ramping up the productivity? As you have moved assets around, how you feel about where the supply chain is, those kinds of things? Is there still more to be done there or do you feel like you are in a good spot at the moment?

Josef Matosevic: Well, I think we will never be satisfied in that area, because our mindset here is to continuously improve our operations quarter-by-quarter and have a continuous improvement mindset. But to answer your question with some data points here, I think our biggest areas of opportunities are clearly in the manufacturing and supply chain area.

Traditionally, our businesses have been very loyal to the supply base, there is nothing wrong with that, but what you do not get is any leverage broadly or globally. So in some cases, 90% of our supply chain is single sourced, and we are going to take more advantage of some low-cost countries. Now by adding Balboa, they have a very stable supply base, so the supply chain area will clearly be a laser focus of ours going forward.

On the manufacturing side, we are now in a position where we have data in terms of where are in overall hours, what does it mean in terms of our throughput, what is our OEE and so on and so forth. We do have this data, and we do see areas that we can move the needle very nicely, not just in 1 business, but all of our businesses. So it is just a matter of, now, like Tricia said, incorporating those numbers into the budgetary process, get it communicated, get us aligned and then start executing. But overall, yes, we do have opportunities.

Tricia Fulton: Just a little bit of a follow-on to that, Nathan. I think you saw we were able to produce some really strong margins Q4 of '19 and Q1 of '20, as we came out of the project on the CVT side, and then COVID hit. So we do anticipate that we will be able to continue to generate those strong margins once we get the top line back up. We already have very strong margins on the Electronics side at the gross margin level. They have done an excellent job of maintaining those even on lower volumes.

And then in the QRC business, we focus on the OEE that Josef mentioned, and at the revenue levels that we are at right now in the OEE, we are producing very strong margins in that business as well.

Operator: [Operator Instructions] Our next question comes from Joe Aiken with William Blair.

Joe Aiken: This is Brian on for Joe today. I wanted to just start by looking at the typical seasonality of the business. You typically see a pretty material step-up in the first quarter from the fourth quarter. Given that you are now expecting the fourth quarter to be the trough, can you talk about what you are seeing so far in the quarter from some of your end markets? And do you think there is potential for the first quarter to kind of snap back even harder than historically compared with the fourth quarter?

Josef Matosevic: Well, Joe, if we would know this answer, we probably would have talked about this. And this is a genuine comment here. We have stayed extremely close to the market and to the customers. That was one of the reasons why we went on the road, just to look at these trends. I know I may sound like a broken record here, so I apologize, but that's the fact. It is just a mixed bag. You have some distributors, some dealers doing extremely well and placing orders left and right. You have others who are struggling.

Do we expect Q4 to fall off the cliff? Absolutely not. And looking at the first month here, it looks as planned based on what we just outlined in our full year guidance. Could there be an opportunity that something snaps here and a couple of key dealers start stronger replenishment? If that happens, we are prepared with our inventory levels, and we have material to support that. We just do not know, Joe.

Tricia Fulton: Yes, we are getting good anecdotal information from, specifically, distributors in the Americas that they're seeing pockets start to open up. I would say that it is been slow to see it in the orders overall. But certainly, as Josef pointed out, there are certain customers who are going gangbusters in certain areas or end markets, and then there are some that are just not quite there.

Josef Matosevic: And Europe continues to strengthen. And then on the other hand, two days later, you get a newsletter that COVID has significantly increased in certain areas of Europe, and then you could have shutdowns . So we just do not want to put any information out there that's not accurate and factual, so that's what you are hearing here from us. But Asia continues to do extremely well.

Joe Aiken: Got it. And on the Electronics business, I think you said orders were up double digits in September. You are kind of expecting the typical seasonality here in the fourth quarter. Has that order strength kind of continued early in the quarter?

And I know on the previous call, you mentioned that some of the new program rollouts that you are expecting could potentially start in the fourth quarter and heading into the first quarter. Can you update us on that?

Josef Matosevic: Yes. Question number one, Joe that answer is the pattern has continued so far into the first part of Q4 here. In terms of new NPI rollouts, the team is working through this with the customer base. We originally anticipated we will have some gains there in Q4. I do believe now that this is going to shift more into the Q1 or Q2 of next year, but nothing has been canceled.

So this is another one of those situations where the phone call could come and we are ready to deliver, and we just need to get beyond COVID and start shipping our products.

Operator: Our next question is from Jeff Hammond with KeyBanc Capital.

Jeff Hammond: Just one last one on the fourth quarter margin. Should we think of fourth quarter EBITDA margins as 22%, not the full year? I mean the decrementals seem like they should be in that kind of 40% range, and that would get you to 22% versus something much lower to get you to 22% for the full year.

Tricia Fulton: We are looking at 22% for the full year, which would mean that the Q4 EBITDA margins are lower.

Jeff Hammond: Okay. Okay. And then just on Balboa, can you talk about what the normal seasonality of that business is as we think about modeling it?

Tricia Fulton: Yes. I do not know that we can look at this year as normal seasonality at all for that business. We are seeing some strong orders coming in. They have had strong orders starting in Q2 as we came out of COVID, and we are still seeing that going into end of '20 and into '21, with the backlog that they have that Josef already referenced. So I am not sure we are going to see a normal seasonal pattern next year either because of the COVID impact. So until we own the business and can get a little bit more feel for what that might look like in a normal cycle, I do not have a strong answer for you.

Jeff Hammond: Okay. And then just the last one on Europe. We have been seeing some countries start to shut down again. Any kind of risks or any noise around some of your plants over there?

Josef Matosevic: Yes. So as it stands, as of today, we do not anticipate that we will be impacted with our product shipping either locally or internationally.

Operator: Our next question is a follow-up from Mig Dobre with Baird.

Mig Dobre: Going back to Electronics, can you guys remind us what the impact from this runoff on the intentional customer shift was for the year, especially now that you've kind of put out a full year revenue outlook?

Tricia Fulton: Yes. We have had some impact on a year-over-year basis each quarter this year. It has been a relatively significant impact if you compare it on a full year '19 to '20. I hesitate to give a full number or an actual number to you at this point, given that we are still participating with that customer and making shipments of other products that are not related to the item that we did the intentional shift with. But it is significant mid-single-digit revenue as a percent.

Mig Dobre: That's helpful. And are we pretty much going to be through this at the end of the year or will this stretch into '21 as well?

Tricia Fulton: Well, for the specific product that we are talking about, there will be some minimal impact between '20 and '21 as that continues to wane down, but it will not be as significant as what we saw in '19 to '20. It could be labeled as insignificant.

Mig Dobre: Okay. And then, again, going back to new product introductions or new platforms that you are on. Is there a way to help us understand how much help you would be getting from something like this? Because as we look into '21, this segment has got so many moving pieces. I mean there is the end markets that are going to look different, there is this runoff that is going away and then you've got the new product intros as well. So any framework you can provide on the new product intros?

Josef Matosevic: Yes. So Mig, look, that is a significant bright spot for us here, and we are really super excited on all the fronts you just mentioned. In terms of new NPIs, the funnel is full, the product is largely developed. The great news is nothing has been canceled from a customer standpoint, it is just a matter of getting that launched and start to contribute towards the top line growth organically and profitably.

On the other hand, you have post-close of Balboa, we have this very neat opportunity to leverage both product lines and expand our addressable markets and really laser focus on the diversification of those product lines because there is a significant need. We have spent quite a bit of time, Mig, here with 3 targeted customers that we are in discussions with to feel the pulse, to explain the new product offering and explain the differentiations and how can we work together. The appetite is extremely strong, and we going to start that testing process here no later, I want to say, than Q1 of 2021. So you have those value streams going on. But then you also have the replenishment and the recreational sector as the dealers start getting stronger here and get more to a sub-normal level into inventories.

Look, just a really exciting journey going on in the Electronics segment, we are going to invest into a common engineering center of excellence to leverage the Balboa and Enovation platform and continue the strong R&D backbone on developing the next breakthrough technologies that will carry us over the next 5 years. So really excited, Mig.

Mig Dobre: I appreciate that. Last question for me. I am curious how you are thinking about pricing into 2021. Tricia, historically, years we have done the Hydraulics business, years where the market had volume growth, you typically put through a price increase. So I am curious if that's your intent at this point for 2021. And also for Electronics, how are you thinking about that as well?

Tricia Fulton: Yes. So the OEM customers that we deal with, which are significant on the Electronics side as well as on the faster side, those are longer-term contracts, so the pricing is pretty well set on those. Where we have some option for pricing, I think, is across all the businesses, more at the individual sale or distributor level. We have not had significant price increases in the CVT business since midyear '18, so there is probably some opportunity there. We were, honestly, not in a position to be able to talk about pricing when we were behind in shipments. We have now caught up to that, so there is probably some opportunity, at least to look at certain products where it makes sense for us to change pricing.

Operator: At this time, I would like to turn the call back over to management for closing comments.

Josef Matosevic: Thank you for joining us today. We have a great company, and we are proud of the accomplishments we have made as a team over the last few months and look forward to our future growth. We appreciate very much your interest in Helios and look forward to updating all of you on our fourth quarter full year results in early March. Have a great day, and stay healthy.

Tania Almond: Thank you. Take care.

Operator: Thank you. This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.