InTest Corporation

Second Quarter Fiscal Year 2026

Earnings Results Conference Call Transcript

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Table of Contents

Presenters and Participants

PRESENTERS

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CFO, Secretary & Treasurer

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Ted Jackson
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Presentation

Operator

Greetings and welcome to the InTest Corporation's second quarter 2026 Financial Results Conference Call. At this time, all parties are in a listen only mode. A question-and-answer will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Sanjay Hurry, Investor Relations. Please go ahead.

Sanjay Hurry
Vice President, Advisory Team, Alliance Advisors IR

Good morning, everyone, and thank you for joining us. With me on the call are Rich Rogoff, President and Chief Executive Officer, and Duncan Gilmour, Chief Financial Officer and Treasurer.

The earnings press release was issued this morning, as well as the slides that management will use during today's call. Both can be found in the Investor Relations section of the intest.com website.

Please turn to **Slide 2** for a review of the Safe Harbor statement. During this call, management may make some forward-looking statements about their current plans, beliefs and expectations. These statements apply to future events that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from what is stated here today. These risks, uncertainties and other factors are provided in the earnings release, as well as in other documents filed by the company with the Securities and Exchange Commission. These documents can be found on the InTest website or at sec.gov.

Also as covered in **Slide 3**, management will refer to some non-GAAP financial measures. We believe these will be useful in evaluating the company's performance. However, you should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. You can find reconciliations of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and slides.

Before management begins today's discussion on **Slide 4** of the presentation, please note that certain first quarter 2026 comparisons in their prepared remarks reflect InTest's revised Q1 results. As the company announced on July 31, management revised Q1 cost of revenues, gross profits, gross margin, income tax expense, net earnings and earnings per share together with their related non-GAAP measures. Q1 revenue and operating expenses were not affected by the revision. Q1 2026 financials provided as part of this presentation have been revised accordingly.

With that, I would now like to turn the call over to our first speaker, Rich Rogoff, President and CEO. Please go ahead, Rich.

Rich Rogoff
President & CEO, InTest Corp.

Thank you, Sanjay. Good morning, everyone, and thank you for joining us. On today's call, I will start with an overview of our second quarter performance, and Duncan will walk you through the Q2 financial results, after which I will discuss end market dynamics that support our raised revenue guidance for the year and then open the call to Q&A.

We are reporting Q2 results that are in line with our pre-announcement, with revenue of $35 million, gross margin of approximately 41% and operating expenses of $13.9 million. Demand across InTest divisions remained healthy in Q2, with revenue up approximately 26% year-over-year. Q2 also marks our third consecutive quarter of sequential revenue growth and our second consecutive quarter of year-over-year growth, above 25%. The strength we saw was broad, led by strong project delivery in Auto/EV and the semiconductor funnel that continued to build towards the second half. The diversity we have built continues to broaden our revenue base, which gives us confidence in our raised full year top line guidance.

As disclosed in our pre-announcement on July 31, our second quarter margin reflected an unfavorable mix of high revenue, low margin projects at Alfamation, alongside a shortfall of higher contribution revenue that shifted to the third quarter.

Turning to orders and backlog on **Slide 5**. Q2 orders were $28.9 million, down 9% sequentially following three consecutive quarters above $30 million and up 4% year-over-year. Semi was a standout, orders here increased 56% sequentially, our strongest semi order intake in six quarters and grew 64% year-over-year. The Semi wave that we referenced in our Q1 call is now converting into orders.

In Auto/EV, orders declined 67% sequentially after four quarters of strong order flow. Funnel activity in this end market remains healthy.

In Defense/Aerospace, orders declined 28% sequentially, reflecting non-reoccurring orders that drove strong Q1 and increased 70% year-over-year on higher DoD procurement.

Turning to backlog at quarter end, backlog was $45.4 million, a sequential decrease of 12%, reflecting normalization off an elevated peak in Auto/EV projects. This also represents a year-over-year increase of 20%. Approximately 45% of the backlog is expected to ship beyond the third quarter.

With that, I will turn it over to Duncan to take you through the financial detail, beginning on **Slide 6**. Duncan?

Duncan Gilmour
CFO, Secretary & Treasurer, InTest Corp.

Thank you, Rich. Starting on **Slide 6**, on a sequential basis, revenue in Q2 increased $1.4 million or 4%, from $33.9 million in Q1 to $35.3 million. The net increase was driven almost entirely by Auto/EV, which increased by $6 million on the shipment of high-revenue lower margin Alfamation automotive projects from backlog. Industrial contributed $1.1 million. Partially offsetting these gains was a $2.1 million decline in Defense/Aerospace, following a particularly strong first quarter, as well as decreases of $1.6 million in Life Sciences and $1.4 million in Semi.

Compared to Q2 2025, revenues increased $7.2 million or 26% from $28.1 million. The increase over the prior year period reflects the continued gradual recovery in the capital spending environment and continued penetration of non-Semi correlated end markets. Non-Semi markets accounted for approximately 74% of Q2 revenue.

Sales in Auto/EV increased to $7.6 million, followed by Life Sciences and Industrial, up approximately $0.6 million each. Partially offsetting these gains was a $1.1 million decline in Semi.

Turning to **Slide 7**. Second quarter gross profit was $14.3 million and gross margin was 40.5%, compared to revised Q1 results, gross margin declined 280 basis points sequentially, reflecting a shift in revenue mix towards high revenue, lower margin Auto/EV shipments. For the same reason, gross margin declined 210 basis points from 42.6% in the prior year period.

Moving on to **Slide 8**. Operating expenses for the second quarter were $13.9 million, a decrease of $0.5 million sequentially. The sequential decrease was due primarily to approximately $0.7 million in non-recurring restructuring costs associated with the CEO transition that we recorded in Q1 and did not recur in the second quarter.

On a year-over-year basis, we generated $7.2 million of incremental revenue, while absorbing only $1 million of incremental operating expenses, which resulted in a reduction in operating expenses as a percentage of revenue to 39.5%.

Turning to **Slides 9** and **10**, that collectively measure our profitability, on **Slide 9** for Q2, net income was $0.5 million, representing a net margin of 1.3%. Adjusted EBITDA was $2.2 million, representing an adjusted EBITDA margin of 6.2% and up approximately 73% from $1.3 million in Q2 of 2025.

On **Slide 10**, net income was $0.04 per diluted share. Adjusted EPS, which adds back tax-effected acquired intangible amortization and restructuring charges, was $0.09 per diluted share. Our Q2 results include a discrete income tax benefit of approximately $0.02 per diluted share, that is driven by stock option exercises during the quarter. This benefit is specific to the second quarter, but we continue to expect a full year effective tax rate of approximately 18%.

Slide 11 shows our capital structure and cash flow. We ended the second quarter with cash and cash equivalents of $22.1 million, an increase of $6.4 million from the end of Q1. During the second quarter, we generated $6.3 million of cash from operating activities and received $2.9 million in proceeds from stock option exercises. These inflows were partially offset by $2.3 million of net debt repayments, including a $1 million reduction in term debt and by $0.4 million of capital expenditures.

At June 30, 2026, we had approximately $62 million in total liquidity, in addition to $22.1 million of cash and equivalents, we have $40 million of available borrowing capacity under our delayed draw term loan and revolving credit facilities, which we have extended through August 28, 2026.

Total debt was $6.2 million and our leverage ratio was 0.8 times, trailing 12 months adjusted EBITDA.

Turning to **Slide 12**, and our financial guidance for the year, we are introducing guidance for Q3 and are reiterating the outlook we provided on July 31. For Q3, we project revenue of $33 million to $35 million, gross margin of approximately 44%, operating expenses of $13.8 million to $14.2 million and amortization of $0.5 million.

For the full year, we now expect revenue of $135 million to $140 million, at the mid-point, this represents growth of approximately 21% over 2025, $113.8 million. This increased revenue guidance reflects continued diversified demand supported by our backlog and improving order flow and outlook into the second half, particularly in Semi sales.

Gross margin approximately 43%, operating expenses of $55 million to $57 million, amortization of $2.6 million and interest expense of approximately $0.3 million, with an effective tax rate estimated to be 18%.

And finally, we expect capital expenditures of 1% to 2% of revenue, consistent with our historical investment levels. This guidance excludes any potential acquisitions, restructuring costs and assumes our view of macroeconomic conditions remain unchanged through the end of the year.

Finally, a brief word on internal controls. In connection with the Q1 revision on July 31, management and our audit committee concluded that the controlled efficiencies underlying the revision to Alfamation constituted a material weakness in our internal control over financial reporting. We have implemented remediation plans and fully expect to demonstrate that these controls are operating effectively by fiscal year end. This is described more fully in our Form 10-Q that will be filed later today.

With that, if you turn to **Slide 13**, I will now turn the call back over to Rich.

Rich Rogoff
President & CEO, InTest Corp.

Thanks, Duncan. On our Q1 call, I noted that funnel activity and order flow were pointing to a strong second half of the year. Since then, we have seen demand strengthen, leading us to raise our full year revenue outlook. To date, in the third quarter, we have recognized the roughly $2 million of delayed shipments that moved out of Q2 and order activity across all our divisions is demonstrating momentum.

Opportunities in the higher margin end markets, we serve, are expanding. In Semi, the pace of activity in the back end markets is picking up, reflecting growing demand to test high power devices in the new electrified economy. In Defense/Aerospace, significantly higher DoD spending and capacity expansion are building and expanding funnel of testing opportunities. And in our Auto/EV market demand remains healthy, supported by rising electronic content of today's vehicles. Order activity follows the cadence of our customers' multi-year automotive programs.

Much of our growth in Q2 came from deepening and expanding our position with existing strategic accounts, where customers are standardizing on InTest solutions and returning to us as they move to new test platforms and programs. We are also realizing the benefit of our broader portfolio as we cross-sell our businesses and bring combined capabilities to shared customers. At the same time, we are steadily building our channel and partner coverage to extend our reach into customers and new geographies.

Turning to technology and innovation, which is the foundation of InTest's long-term value creation, we are seeing good traction from recently introduced products. In our induction heating business, our next-generation EKOHEAT is progressing through applications lab and distributor testing, with first customer shipments targeted for later this year.

Across electronic testing, our robotic docking and intelligent interface solutions are increasingly being qualified as tools of record as customers transition to new tester and handler platforms, which positions us to win follow-on hardware as those programs ramp.

Our advanced, high-powered chillers is another place where customers are pulling us forward. Our current portfolio delivers between 1.5 and 7 kilowatts of cooling capacity. And customers need more as they embrace the demand for much higher power conversion.

We are also directing new product development toward the highest value, fastest growing pockets of demand in each of our divisions. For example, our test solutions for high-power, high-voltage devices, including silicon carbide, gallium nitride, power modules, rising electronic content batteries and battery management systems are all involved in today's evolving power conversion architectures.

In conclusion, we have ample opportunities for growth in our end markets and profitability has further to go. My aim is to build consistency into how this business performs, converting our commercial momentum into steadier adjusted EBITDA as we gain operating leverage across our cost structure. Near-term, that means taking a close look at our manufacturing footprint and business unit cost structure, with a view towards improving cost efficiencies and productivity. This continues the operational review I described on our Q1 call and remains central as we move through the second half. There is a great deal of work ahead and we are on it.

With that operator, please open the call to questions.

Question and Answer

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] And our first question today will come from Max Michaelis with Lake Street Capital Markets.

Max Michaelis

Hey guys, a few for me. Nice job on the quarter as well. Just going to the order numbers, Semi obviously up nicely this quarter. I mean, can you give us a sense, was it in line with internal expectations and maybe not you can give exact detail, but maybe help us out how you expect orders to trend throughout Q3 and Q4?

Rich Rogoff

Sure, Max. Morning. Thanks for joining us. Yes, so I think the order intake is, as expected, as we mentioned in our Q1 call, we're pretty optimistic about the second half. And we're actually seeing that come to fruition as we see it now. The order intake through the next quarter or quarter maybe two will be as expected, there is – unless something changes in the market spaces as we see it. Things are looking strong. So I don't know Duncan if you have anything to add to that?

Duncan Gilmour

Yeah. No. Agreed. I think as we said earlier in the year, we see Semi starting to come back. We start to see that here in the Q2 order numbers. I mean the other side of that, as you can see, our mix shifts as we look towards the second half of the year with some of those strong Auto/EV revenues dropping a little bit and Semi starting to come through.

Max Michaelis

Yeah. Totally understood. And then can you help me out Auto/EV, was that just one large customer, one large program that kind of drove the massive outperformance in Q2?

Rich Rogoff

Well, it was a combination, actually. So as we mentioned and I think you saw was Q3, Q4 of last year even into Q1, we had a strong order intake in Auto/EV, so there was planned deliveries, of course, of those of that backlog, so would make a good Q2. And then there were some pull-ins from one or two customers that increased the revenues as well.

Max Michaelis

Very good. Thanks for taking my questions.

Rich Rogoff

Thanks Max.

Operator

And next, we move to Ted Jackson with Northland Securities.

Ted Jackson

Thanks. Good morning. Congrats on the quarter. I'm going to start out....

Rich Rogoff

Thanks, Ted.

Ted Jackson

...on Auto/EV, it's been – I mean, it's an awesome business that you bought and it's really contributed to the company tremendously. It goes through its own kind of cycles. And I was kind of curious, when you – since you're tied to the development cycles of your Auto customers, can you give us a sense with regards to kind of the cadence of projects in front of you? I mean, do you have like a pipeline of opportunity that's going to keep the business growing or have you kind of run through some of that pipeline and it's in the backlog, and you're going to work through it? So just maybe that'd be my first question is just kind of trying to think about that business over the next 6 to 18 months.

Rich Rogoff

Yeah, Great question. Thanks, Ted. The cycles are a little bit longer as we've discussed in the past in the Auto/EV where they will develop a new product and we'll develop solutions for that product or some commonality, of course. But there's also some customization that occurs. Our funnel is pretty strong with those projects. So we don't see a major shift in things going forward. Of course, the cycles of new product introductions from the automotive companies themselves will dictate a little bit of that. But we have a quite a few projects that we're working on, which, we believe, will continue the momentum there, as well as we're looking to expand beyond automotive, of course, as we did last year a little bit with Life Sciences.

Ted Jackson

Okay. And then shifting over kind of a similar question on the Semi side of the house. The company has an extensive history with regards to the Semi test market, particularly in the back end and you're kind of going through a new cycle now, you're seeing a pickup in order activity that you expect to continue through the second half? How long is a typical cycle for something like that? I know that typically with regards to it, you're sort of the back end of the cycles, as they go through, but I mean, is it the kind of thing where you see, continue typically, typically not that's trying to say this is what this personal – this particular situation is, but typically you see a pickup in order or an activity that lasts for 6 months, 12 months, 18 months, now what's kind of a standard way to think about that in terms of like a cycle for you?

Rich Rogoff

Yeah, it's great question. I guess if I had the exact answer, we'd have different conversation, right. But I've been in the Semi business myself for more than 30 years and typical cycles, it kind of goes ebbs and flows with the node transitions, which have typically been on the 18 month kind of timeframe, of course, barring any macroeconomic changes to the situation, right? So for example, today, memory shortages, right, that maybe drive increased capacity needs.

So I would say typically you see something on the order of 9 to 12 months of higher order, capacity increases, technology changes. And then you get into a somewhat of a slow-down period, so something along those lines would make sense. But then you throw in the macro part of it, which is today's memory shortage is the AI aspect and it kind of makes it a difficult to answer to really predict.

Ted Jackson

But if you just were to say like this is the average, you would – in an average scenario, typical thing when a cycle turns, you're at the beginning of it and generally speaking, you would see continued strength as you finish off 2026 and go into 2027?

Rich Rogoff

Yeah. That would be the expectation. Certainly we're watching that guardedly. Right? But we – typical would be like I said, we would plan something in the order of six to nine months, maybe a maximum of 12 or so and then really start to consider what would happen next. Of course, we then plan for projects for next round of technology growth, which would refuel the cycle again. Right?

Ted Jackson

And then I know the Semi business is one of the better margin businesses for InTest. Could you give us some kind of color with regards to the margin profile for your back end Semi business relative to corporate averages?

Duncan Gilmour

Yeah, I can touch on that...

Rich Rogoff

Duncan [indiscernible].

Duncan Gilmour

...yeah, I think we've talked about this before. I mean our back end Semi business, as you mentioned, Ted, one of the legacy pieces of the business, certainly the margins there higher towards the, let's say, say sort of mid-50s kind of range, certainly one of the higher margin profiles across our product portfolio. And that shift between those higher margins versus some of the great auto projects, but tend to be higher volume, lower margin, that change of mix as we go into the second half, a real driver of the margin shift that we see in the second half versus the first half.

Ted Jackson

Okay. And then my last question, Rich, you alluded to a renewed focus, if you would, on efficiency within InTest. Is this, as you kind of dug in for the last 100 days and you're looking at it and saying, hey, we can do even better than this, is this something that's been just sort of part and parcel of things in the past? Are you – is it something where you might be coming back to us in a quarter or so and say, hey, we're taking these different programs and we're going to take this kind of cost out of the business, do you know what I mean, like I guess Duncan, you did that – you guys did that a year or two ago, [indiscernible] how much of it is...

Rich Rogoff

Yeah.

Ted Jackson

...kind of just a continual improvement and how much of it is kind of like what we're going to put pencil to paper. And this is actually something that's going to be a defined project?

Rich Rogoff

Yeah. It's – I mean, I think we're always in a continuous mode of looking at things as you mentioned, we did some things last year. We're taking a harder look at things, for sure, now than we have in the past, per say. Whether there's going to be a project or two? I think it's still a bit early to answer that question. We're still going through some of our analyses and things. One thing we are doing that we're implementing now, which will hopefully yield some good efficiency gains going forward, is working on more cross collaboration between the businesses, utilizing our resources a little better. It's hard to put a number on that and the timing, but those are activities that are ongoing.

But we're taking a hard look at everything in the business with regards to footprint, consolidation of efforts around purchasing and things like this that we hope will yield some things. And as mentioned in Q1, we hope by the Q3, Q4 timeframe, we'll be able to come back with some more concrete things.

Ted Jackson

Okay. All right. Thank you very much for taking my questions.

Rich Rogoff

You're welcome.

Operator

[Operator Instructions] Next, we'll move to Dick Ryan with Oak Ridge Financial.

Dick Ryan

Thank you. Rich, just a couple more questions on the Semi side. Are you seeing anything show up yet on the front end? Was the front end any part of the increasing funnel that you're talking about in the second half? Or is that still something we should be anticipating in 2027?

Rich Rogoff

Yeah. Morning, Dick. Yeah, it's still more 2027 related in our estimation, although I will say activities are picking up in that space as well.

Dick Ryan

No, I think you mentioned new product development, introducing something for the silicon carbide testing. Do you need to get that product line out or is your product portfolio sufficient, at this point, versus what you're seeing coming at you in the funnel?

Rich Rogoff

It's – the product line is somewhat unrelated. I think the front end Semi business that we've had in the past is – there's still evolutions to the product that we're working with customers on. It's more of a demand issue on that side than it is a product development issue. The more of the developments that we're seeing today in that space are more around the testing, which is more towards the back end of that space.

Dick Ryan

Okay. Question In the back end, yeah, I mean, with the introduction of robotics and automation, how has that increased your available market that you can go after versus the non-robotic automated side of things?

Rich Rogoff

I think it's an evolution of the product and the market. So traditionally the back end of the market has been very manual and as labor is tied and people are moving to get more efficient, things are becoming more and more automated. So, I wouldn't say it's necessarily growing the market significantly, although our solutions are enabling us to take more of that market share.

Dick Ryan

Okay. One last one on the expanding opportunities across the end markets and deepening customer penetration, how do you see your customer concentration, whether top 5, top 10, how do you see that shaping over the next year or so?

Rich Rogoff

Yeah, I would guess that the goal would be to have a few – to get our top 10 customers or top 5 customers even in a way even bigger. So we penetrate with more of our product solutions than maybe we do today. We're seeing joint activities between the businesses that are driving some of that activity, which would increase our wallet share at those customers. But I also see it as we've been growing, we've been changing the landscape of those top five customers over the quarters. So we'd like to get more customers up into those levels, but it'll probably change from quarter to quarter based upon their demands, right?

Dick Ryan

Sure. Sure. Okay. Thank you, Rich.

Rich Rogoff

Yeah. You're welcome.

Operator

[Operator Instructions] And this will conclude the question-and-answer session. I would now like to turn the floor back to Rich Rogoff for closing remarks.

Rich Rogoff

Thank you, operator. We appreciate everyone joining us today. Thank you for your time. And we welcome the opportunity to answer any questions. Please reach out to our Investor Relations team to coordinate our continued dialogue. On **Slide 14**, please note the details regarding the replay of this call as well as our up-incoming Investor Events schedule. We will publicize additional conference attendances via release advisories on our IR website. Thanks again for participating in today and have great day.

Operator

Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the InTest Corp. (INTT) 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 (intest.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 INTT's announcement concerning forward-looking statements that were made during this call.