

InTest Corporation
Third Quarter Fiscal Year 2025
Earnings Results Conference Call Transcript
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Presenters and Participants

PRESENTERS

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Vice President, Investor Relations, Alliance Advisors IR

Nick Grant

President, Chief Executive Officer & Director

Duncan Gilmour

CFO, Secretary & Treasurer

PARTICIPANTS

Max Michaelis

Lake Street Capital Markets LLC, Research Division

Richard Ryan

The Oak Ridge Financial Services Group, Inc., Research Division

Ted Jackson

Northland Securities, Inc., Research Division

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the InTest Corporation Third Quarter 2025 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, Alex Villalta. Thank you. You may begin.

Alex Villalta

Vice President, Investor Relations, Alliance Advisors IR

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

The earnings release was issued this morning as well as the slides that management will use during the call. Both of these 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 our 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 herein 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 our website or at sec.gov.

Also, as covered on Slide 3, management will refer to some non-GAAP financial measures. We believe these will be useful in evaluating our 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.

With that, I'll turn the call over to Nick.

Nick Grant

President & CEO, InTest Corp.

Thank you, Alex, and good morning, everyone. Thanks for joining us for our third quarter 2025 earnings call. We will begin today's discussion on Slide 4 of the presentation.

After several months of order sluggishness as tariff and economic uncertainties complicated customers' capital investment plans, it's refreshing to see some pockets of customers break free and move forward with capital projects. We have always contended that a market recovery is a matter of when, not if.

Our funnel of opportunities has been at high levels since Q1, and this quarter, the conversion rate picked up, resulting in orders of \$37.6 million, our strongest level since Q2 of 2022, leading to a sequential \$11.4 million increase in our backlog. Most of this improving demand is coming from customers in the Auto/EV and Defense/Aerospace end markets, a clear testament to the success of our market diversification strategy. These customers are relying on our innovative and differentiated test equipment that enable better quality control in increasingly complex manufacturing processes.

While this increase in orders is encouraging, conversion rates do vary by end market and many customers still remain hesitant to commit to new capital projects. This is especially true in Semi. However, based on what we are seeing and hearing, it feels like we may be moving into a period of gradual recovery.

Revenue for Q3 was \$26.2 million, lower than Q2 and below the guidance range we provided on last quarter's call. During the quarter, our engineers encountered technical challenges in finalizing a few systems, which delayed approximately \$2 million in shipments. In one case, the challenges were associated with new capabilities. In the other case, the systems were for a new customer in a new target market. These challenges have since been resolved and the systems have been shipped. We are excited about the positive impact our steadfast resolve to drive innovations and add new customers will have on our future as we execute on our Vision 2030 strategy.

During the quarter, we continued to strengthen our competitive position in preparation for a broader market recovery by making more progress in penetrating targeted accounts and driving adoption of new products. We believe we have the balance sheet, the financial flexibility and capacity to support our customers as demand improves.

Let me now review orders and backlog on Slide 5. Auto/EV led the climb in orders this quarter, accounting for around three-quarters of the sequential growth and doubling to \$14.6 million. Alfamation bookings were at an all-time record level for the business, representing strong demand for test equipment from Tier 1 electronic suppliers as they expand capacity to support 2027 model year programs and start new projects. Defense/Aerospace orders more than doubled sequentially to \$6.4 million, primarily due to the increased test demand for next-generation weapon systems.

We continue to see success with our new products. This is especially true at Acculogic, where they have expanded their flying probe capabilities to include radio frequency and oscilloscope measurement test solutions, thereby enhancing our customers' manufacturing efficiencies. These expanded capabilities drove multiple system orders in the quarter from new customers. In addition, several defense contractors are continuing to qualify our new products.

Year-over-year, orders were up 34.2%. The increase reflects the strength in Auto/EV, which grew \$7.4 million; Industrial, which increased \$2.4 million; Defense/Aerospace, which increased \$1.9 million; Life Sciences increased \$0.9 million; and Semi, which was up \$0.4 million. These increases outpaced the declines in Safety/Security and other markets.

Although we saw some pickup in Semi orders, overall, the Semi market remained sluggish, especially in our analog mixed signal business. Backlog at September 30 was \$49.3 million, substantially above

where it was at the end of the second quarter and positioning us well for the upcoming quarters.

Before turning the call over to Duncan to review the financials and outlook in more detail, I want to thank the entire InTest team for their continued dedication and commitment to our shared Vision 2030 goals. Duncan, over to you.

Duncan Gilmour

CFO, Secretary & Treasurer, InTest Corp.

Thank you, Nick. Starting on Slide 6, revenue for the third quarter was \$26.2 million compared to \$28.1 million for the second quarter, a decrease of \$1.9 million. Sales in Defense/Aerospace accounted for \$1.3 million of the decline, followed by Auto/EV, which declined \$0.9 million, and Semi, which decreased \$0.4 million. This decline was partially offset by an increase of \$0.7 million across Life Sciences, Safety/Security and other markets. Compared with Q3 2024, revenue declined \$4 million, reflecting lower Semi, Auto/EV, Defense/Aerospace and other sales totaling \$5 million, partially offset by increases in Life Sciences and Safety/Security totaling \$1 million.

Moving to Slide 7, starting with the sequential comparison, gross profit decreased \$1 million to \$11 million and gross margin declined 70 basis points to 41.9%, primarily due to lower volume. Compared to the prior year period, gross profit declined \$3 million and gross margin declined 440 basis points due to reduced volume and unfavorable product mix.

We continued to execute tariff mitigation tactics to minimize gross margin impacts. As you can see on Slide 8, our operating expenses of \$12.2 million decreased \$0.7 million sequentially and \$1.3 million compared to the third quarter last year, as our cost reduction actions are flowing through in an effort to improve our long-term profitability. The consolidation of our Videology, Netherlands facility, which we estimate will translate into annualized savings of approximately \$500,000 beginning in 2026 remains on track.

Turning to Slide 9, you can see our bottom line and adjusted EBITDA results. For the quarter, net loss was \$0.9 million or a loss of \$0.08 per share. Adjusted net loss, which adds back tax-affected acquired intangible amortization charges and restructuring charges, was a loss of \$0.02 per share. Adjusted EBITDA for Q3 was \$0.4 million.

Slide 10 shows our capital structure and cash flow. In the first nine months of 2025, we reduced debt by \$6.2 million, including the \$1.2 million we paid down in the third quarter. Total debt outstanding was \$8.9 million at quarter end for a total debt leverage ratio of 1.7x. Cash, cash equivalents and restricted cash at the end of the third quarter were \$21.1 million, up \$1.8 million from the end of the second quarter. We ended the quarter with approximately \$61 million in liquidity. InTest remains a cash-generating company that we believe has the financial resources to scale the business and achieve our Vision 2030 goals.

Turning to Slide 11 and our guidance. Our long-term fundamentals are solid with InTest maintaining its strong leadership position in specialized high-value applications and our readiness for a market recovery. As Nick said, we are seeing some pockets of renewed capital spending, but many customers still remain hesitant to commit to capital projects, and we do not have visibility into the timing of an

overall market recovery. Therefore, we are continuing to offer guidance on a forward quarter basis only. Including the shipments, which slipped from the third to the fourth quarter, and the orders in backlog that we anticipate to fulfill and ship, during the fourth quarter, we expect revenue in the fourth quarter to rebound to a range of \$30 million to \$32 million.

We are forecasting gross margin of approximately 43% and operating expenses of \$12.3 million to \$12.7 million, excluding approximately \$200,000 of restructuring expenses. Amortization and interest expense are projected to be consistent with Q3. As usual, our guidance does not include the potential impact from any non-operating expenses, such as corporate development and incremental restructuring that may occur, nor does it include the potential impact from any additional acquisitions we may make.

With that, if you will turn to Slide 12, I will now turn the call back over to Nick.

Nick Grant

President & CEO, InTest Corp.

Thanks, Duncan. Although the third quarter had its challenges, we are pleased with our performance overall. Our order book expanded, our market diversification strategy continues to take hold and our innovative new products are gaining traction as we continue to execute our Vision 2030 growth strategy. The adoption of these new products position us well to capture new opportunities and expand our serviceable market.

This quarter's increase in backlog, a little more than half of which is scheduled to ship in 2026 and our strong funnel of opportunities, suggest that demand in some of our end markets is beginning to recover, although, as Duncan noted, visibility for a full market recovery remains limited. While our market conditions have been weak this year, we have not been idle. We have been strengthening our market recovery readiness, penetrating new target accounts, broadening our channel networks, expanding our manufacturing footprint to support global customer needs, while introducing new products that deliver more value to our customers.

We believe we have the right technologies and that we are focused on the right markets and the right customers to scale the business as we advance towards our Vision 2030 goals.

With that operator, let's open the lines for questions.

Question and Answer

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions]
Our first question is from Max Michaelis with Lake Street Capital Markets.

Max Michaelis

Hey, guys. Thanks for taking my questions and thanks for quantifying sort of the pushouts that happened in the quarter of \$2 million. I was wondering if you could kind of break out into what verticals that \$2 million falls into.

Nick Grant

Yeah. Good morning, Max. So about \$1.5 million of it was tied to the Life Science markets. It was the – tied to a couple units, a couple systems at our Alfamation business, which is really for the medical technology kind of diversification efforts we've been driving there. And they had a little bit of a delay in getting the systems ready to go by the end of the quarter. But the challenges they faced have been resolved and customer's FAT is completed and the tools have been shipped. So customer is very happy on that side. In fact, they've given us an LOI for additional systems. So while it was disappointing, we didn't get those out at the end of the system – or end of the quarter, we're pleased with the outcome there. The other was for our Semi industry at Acculogic, one tool was – missed the shipments at the end of the quarter just by – shipped the following week, so – into the Semi market.

Max Michaelis

Thank you for that. And then next question. So if we look at your order growth, really solid in the quarter, especially with A&D and then automotive. You highlighted 2027 automotive programs kind of driving the demand in that vertical. I mean how – what's the – I mean, how long does that last? Like, is that a few more quarters of strong momentum, or kind of give us like an idea on how long we can expect this strong automotive orders to continue?

Nick Grant

Yeah. No, as you noted there, that the front end – or the automotive programs tied to these new 2027 model years, really started last quarter. We saw Alfamation have a nice strong quarter in Q2 and then really picked up here in Q3. What's encouraging is, their funnel, even though they've booked quite a bit of this, activity still remains healthy. They're filling in new opportunities. And so, we do see that this test investment for the new technologies around infotainment, CCUs, displays, lighting, et cetera, in these vehicles, should continue for a foreseeable future here.

Max Michaelis

Awesome. Great, guys. Thanks.

Operator

[Operator Instructions] Our next question is from Dick Ryan with Oak Ridge.

Dick Ryan

Thanks. So Nick, just to discuss the challenges again in the quarter, were they a continuation of the ones that you saw in the first quarter or are they kind of more one-off and those issues are behind?

Nick Grant

Yeah, very different than the ones we saw in the first quarter. Those were challenges at our ITS thermal solution and where we were seeing more, I'd say, repetitive challenges there for that business and we needed to make a change, which we did. These were really two shipments that were tied to new technologies at Alfamation and Acculogic. And as you know, Dick, we're always pushing the envelope, working with customers to solve some of their toughest challenges. And it doesn't always lead to us being able to hit our timelines there. But the important thing is, is that we do solve the challenges, the customers are happy and we built that installed base to position us for future growth with these customers. And that's where we're at. The timing was unfortunate, but certainly something – we see from time to time just because of the work we do.

Dick Ryan

Sure. Sure. Okay. Thanks for that clarification. On the Semi side, you talked sluggish, can you talk a little bit about front-end, back-end? I mean, I think some of the commentary for the analog side says at least that market is stable. There may not be much growth over the next couple of quarters. But then it seems on the silicon carbide side, commentary for 2026 seems to be more growth oriented coming off of a transformational 2025. What are you seeing in those two markets from your customer conversations?

Duncan Gilmour

Yeah. I mean, let me just touch on that, Dick. I mean, I think on the front-end side, activity pretty anemic still as I think we see across the marketplace. Although there are signs of life, I think we're starting to see a little bit more activity. As we've talked about before, customers are still interested. We still have good dialogue in terms of projects that they're still working on. But as you indicate, looking further out into later 2026, into 2027, things like that.

So we're still very optimistic about the future in that space, but not a great deal happening right now in terms of order placement revenue generation. On the back-end, things have been a little bit softer as we indicated. And I would characterize that as some of our larger customers, for example, are still struggling a little bit with the tariff situation, still struggling a little bit with where to place their chips investment-wise. So things like investment into, say, China, has perhaps a little bit slowed. So we're certainly seeing a little bit of that. And again, I think the rhetoric around analog mixed signal with a number of the larger players, a very similar story.

Dick Ryan

Great. Okay. Thanks, guys. And congratulations on the order level. That's pretty impressive.

Nick Grant

Great. Thanks, Dick.

Operator

Our next question comes from Ted Jackson with Northland Securities.

Ted Jackson

Thanks. Good morning, guys. I want to ask a bit about...

Nick Grant
Good morning Ted.

Ted Jackson
Yeah. How are you?

Nick Grant
Good.

Ted Jackson
So I wanted to talk a bit about just sort of what happened during the quarter and kind of the – what maybe has changed in the near term vis-à-vis when you entered the quarter, let's say? I mean the timing stuff, I mean, stuff like that happens. But I was – I'm a little surprised that we didn't see with regards to the guidance in the fourth quarter, maybe a little bit more because you're basically bringing \$2 million of revenue from the third quarter into the fourth. So the high end of your range at \$32 million is pretty much where the consensus and everyone was looking for anyway.

And so when I think about that, is that – was there a downtick in terms of kind of the economic environment for you? And was there a shift in something or some part of the business and as we kind of went through this quarter – this last quarter and got into this quarter relative to where things were, call it, three months ago? That's kind of my first question.

Nick Grant
Yeah. So the first part of that, the issue really is around these new technologies, as we highlighted. And once our teams get these things implemented for the applications, building the next follow-on tools is less risky and challenges or what have you. So from there on, it's pretty much rinse and repeat. So we're confident that the initial challenges in this Life Sciences market that delayed some shipments have been resolved and additional shipments that will occur will go much smoother from that side of it.

The other being around that technology, specifically around our RF probes and new probes that we launched for the customer's application there, it slipped by a few days, just timing-wise. The important thing is we get it right and that's what the team did. So, yeah, again, positions us well. And in fact, that business at Acculogic has received multiple new orders for their RF and oscilloscope in the quarter of new systems. So that technology is really resonating with the market out there. So we're excited about that.

As for Q4 kind of the range we put out there, I would say our teams are very confident given – providing numbers on what they're going to hit this quarter. We made it very clear, slippage, things that are at risk, but I don't want them in the forecast. So that's what we're kind of seeing, things that we were able to deliver on with minimal risk. Now, if we get some other stuff out, then that's all upside. But these guys, they've got the message loud and clear.

Duncan Gilmour
Yeah. I would also add, a lot of the strong order activity in Q3, which was great to see. Testament to the work that the teams have all been doing. A lot of that is for delivery in Q1 and beyond 2026. So a lot of that is slightly longer lead time stuff that isn't necessarily turning in Q4 here. So I think that's another

piece of the puzzle in terms of putting together those components.

Ted Jackson

You see what I'm getting at is like, so you had \$2 million that slipped out that you were expecting to come in the third quarter. So your third quarter instead of being \$26.2 million, it should have been \$28 million. And then if you take that out, that would mean that your third – your fourth quarter guidance is at best flat. You see where I'm going with this? And...

Duncan Gilmour

Yeah, yeah, I see where you are going.

Ted Jackson

So my question is like – has – does that – my sense is that that's kind of a – and I think you didn't give guidance. It's not like a guide down. But that's a bit disappointing vis-à-vis perhaps what you would have thought last time we had a call. And maybe I'm wrong with that, but that's just sort of my sense. And so I'm just kind of curious, is that because there's been some kind of change within the dynamics or that you're just kind of tightening up the things that you're putting in and counting on? You seem saying for your budget. And why I bring all this up, because to be honest, like the tone of this call, it's the best tone that you've had all year. I mean, clearly, you're feeling better about your business today than you were three months ago or six months ago. Your see where I'm going? So there's just a disconnect from me with that. So I'm just trying to understand that.

Duncan Gilmour

Yeah. I mean, I think, Ted, obviously, the tone is positive. The orders were extremely encouraging. Quite honestly, there were literally two or three systems that make up the \$2 million. So very small number of tools, which – and quite frankly, the story behind those misses is a very positive one in terms of the new technologies, the new capabilities, that just took a little bit longer to turn around as well as on the Alfamation side, into the Life Sciences, penetrating new markets. So although disappointing that it was a revenue miss, the fact that it was literally slippage of a few days, a few weeks, very positive aspects.

In terms of this sequential revenue, I think we were looking at revenue growing Q2 versus Q3 versus Q4. The \$2 million slips, we would have been in the low 28s. Flattish with Q3, had all of those systems gone out the door. Then we'd have been looking at, say, around a \$30 million instead of a \$30 million to \$32 million. So not a spectacular ramp. I think we have indicated the recovery is going to be gradual here. We do feel most of our markets are at a relatively low point. We don't see a spectacular ramp back up.

So I think we feel somewhat in line with what we had painted. We're always disappointed when the numbers – we'd always like the number to be higher, I suppose, is one way to look at it.

Ted Jackson

Don't we all. Okay. Then my next thing, let's go into something a little different. So when you look at kind of the book-to-bill and you look at your different segments, so I'd like to talk a little bit maybe just about Industrial. No one brings it up anymore, but you've actually put up a book-to-bill number better

than 1 for the four quarters in a row and actually five of the last six. So with regards to Industrial, I know it's not – it's been – let's just say, it hasn't been a problem child for you per se, like, kind of what's happening within that segment are you worried about?

Nick Grant

Yeah. No, you're right. Industrial hasn't been the most challenging segment for us and it's stable, I would say. But we do have a number of projects in the funnels on the Industrial side of things there that are still kind of delayed as customers hold back on CapEx. So it could be better, but the teams are capturing what they can capture out there. So we still believe Industrial has throttled back a little bit. As we've – as commented, Semi is still slow for us on that. But on the positive, Defense/Aero, really robust for us, the activities we're seeing in there, the orders we're getting, the automotive, these programs, and the Life Science activities we're driving. So the diversification we drove really is paying off as Semi will come back and our Industrial base will get – pick up stronger here as economy improves. And so we're in a good position as we go forward here. And it's great to see a few of our target markets coming in nicely.

Ted Jackson

All right. That's it for me. Thanks for the time.

Nick Grant

No, thanks, Ted.

Operator

Ladies and gentlemen, we have reached the end of the question-and-answer session. I would like to turn the call back to Nick Grant for closing remarks.

Nick Grant

Thank you, everyone. We appreciate you joining us today and thank you for your time. And we welcome the opportunity to answer any further questions you may have.

On Slide 13, please note that in addition to the details regarding the replay of this call, we will be participating in two conferences before the end of the year. We hope to see some of you there.

Coming into this call, I understand there was some website technical challenges for a few folks there. Our team has been working to get that resolved and we'll continue to do so as quickly as possible, if it's not already completed.

So thank you again for taking the time and you all have a great day.

Operator

This concludes today's conference. InTest thanks you for your participation. You may disconnect your lines at this time.

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.