InTest Corporation
First Quarter Fiscal Year 2026
Earnings Results Conference Call Transcript
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Presenters and Participants

PRESENTERS

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Ted Jackson
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Presentation

Operator

Ladies and gentlemen, greetings and welcome to the InTest Corporation First Quarter 2026 Financial Results Conference Call. As this time, all participants are in the listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

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

Sanjay Hurry
Investor Relations

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 the call. Both can be found in the Investor Relations section of the intest.com website.

Please turn to **Slide 2** for review of the Safe Harbor statement. During this call, management will 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 press 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 press release and slides. Management will begin today's discussion on **Slide 4** of the presentation.

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

Rich Rogoff
President & CEO, InTest Corp.

Thank you, Sanjay. Good morning, everyone. Thank you for joining us this morning. Since this is my first call as InTest CEO, I'm going to begin the call by sharing with you my experience both before joining InTest and during my tenure at the company. I'll then review Q1 revenues and orders and turn the call over to Duncan to take you through the financial results. After that, I'll wrap up by discussing my priorities at a high level, and we'll be happy to take your questions.

On the right-side of the **Slide 4** are the details of my 30-plus years of experience and increasing responsibility in operations and business building roles in capital equipment companies. The left side lists my positions at InTest since joining the company in October 2021. I was initially a consultant to the company before being brought on as Vice President of Corporate Development. In 2023, I was appointed Division President of Environmental Technologies and then Division President of Process Technologies, both on an interim basis. At the same time, I led the corporate development function, bringing on Acculogic, Videology and Alfamation. In 2025, I was appointed Division President of Environmental Technologies and a member of the company's Operating Efficiency Committee, charged to drive divisional growth and operational improvement.

In short, I am new to the CEO position, but not to InTest. I know the business, I know the customers, I know the opportunities, and I have hit the ground running. From my perspective, InTest is a company that has built real commercial momentum, having focused on diversifying and driving revenue and new product development. We have a growing customer base and a broad set of end markets that reward engineering capability and innovation. With this solid foundation in place, InTest is now beginning its next phase of growth. My priority as CEO is to build on this foundation, driving adjusted EBITDA growth through operating leverage, as we continue to scale the business and improve operational efficiencies.

Let me now turn to a deeper dive of our Q1 performance on **Slide 5**. We delivered a strong first quarter revenue of $33.9 million and gross margins of 45.5% both exceeded our guidance range. On a year-over-year basis, revenue growth was driven by gains in Defense/Aerospace, Life Sciences and Auto/EV. With revenues up 27% versus the first quarter of 2025, we realized operating leverage and combined with favorable mix, delivered adjusted EBITDA of $3.2 million for a margin of 9.3%. First quarter orders of $31.8 million were up 25% year-over-year, reflecting deepening penetration of our diverse end markets. Backlog at quarter end stood at $51.8 million, up 36% year-over-year, providing healthy revenue visibility.

Looking more closely at orders and backlog on **Slide 6**. First quarter orders of $31.8 million declined 15% sequentially after two consecutive quarters, a very strong order flow. Orders in Q1 were a little lower sequentially in three end markets; Life Sciences after an outsized Q4 of orders that were driven by Alfamation program timing, safety and security, and semi where orders declined modestly from Q4 as customers prioritized fulfillment of their prior quarters orders. That said, we are seeing a healthy quote activity and strengthening sales funnel for back-end semi. These order declines were offset by continued strength in Auto/EV, Defense/Aerospace and Industrial.

To give you some color on the orders we received this quarter, Alfamation secured a multi-year program in Mexico, spanning displays and hardware variants in many different models of automobiles. And we continue to see meaningful activity from leading EV and battery customers. These are the kinds of wins that illustrate the value of the platform we have built, and demonstrate the commercial momentum we are seeing. On a year-over-year basis, quarter one orders for 25% led by Auto/EV and Defense/Aerospace semi orders declined. Auto/EV and Defense/Aerospace were standouts. Auto/EV more than double due to Alfamation's order activity that was driven by new model introductions and vehicle platform refreshes.

In Defense/Aerospace, our orders almost tripled as sustained armament replenishment and capacity expansion programs continue to drive engagement. Quarter end backlog of $51.8 million declined 4% sequentially from near record levels at the end of Q4, but increased 36% year-over-year. Approximately 50% of the current backlog is expected to shift beyond Q2, providing meaningful forward revenue visibility.

With that, I'll turn it over to Duncan to walk through the detailed financial results, starting with revenue on **Slide 7**.

Duncan Gilmour
CFO, Secretary & Treasurer, InTest Corp.

Thank you. Rich. Starting on **Slide 7**. On a sequential basis, revenue in Q1 increased $1.1 million, or 3%, from $32.8 million in Q4 to $33.9 million. This increase was primarily driven by semi, which increased by $3.6 million on back-end semi shipments from prior year backlog. Auto/EV contributed an additional $1.6 million, reflecting strong second half 2025 order flow from Alfamation's automotive customer base and Safety/Security, which was up $0.6 million.

Defense/Aerospace contributed a more modest $0.3 million increase, partially offsetting these gains were a $3.7 million decline in industrial that followed an unusually strong fourth quarter, as well as decreases of $0.8 million and other and $0.5 million in Life Sciences. Compared to Q1 2025, revenues increased $7.2 million, or 27%, from $26.6 million in Q1 2025. The increase over the prior year period reflects a continued gradual improvement in the capital spending environment and penetration into less semi correlated end markets.

Sales in Defense/Aerospace accounted for $3 million of the year-over-year increase, followed by Life Sciences at $1.9 million and Auto/EV and semi at approximately $1.5 million each. Safety/Security and Industrial contributed an additional $0.5 million and $0.2 million, respectively. Partially offsetting these gains was a $1.4 million decline in other, which represents revenue from a range of additional end markets we serve, including specialty consumer electronics, university research and telecom.

Turning to **Slide 8**. Gross margin increased modestly by 10 basis points sequentially from 45.4% in Q4 2025 to 45.5% in Q1 2026. Gross margin outperformed our guidance of approximately 44%, tracking closer to the Q4 2025 level as products and customer mix proved more favorable than anticipated due to higher than expected back-end semi shipments from backlog. On a year-over-year basis, first quarter gross margin expanded by 400 basis points from 41.5%. The expansion was driven by higher revenue volume, a favorable shift in product and customer mix, specifically, the growing contribution of higher margin Alfamation products and manufacturing efficiency initiatives implemented throughout 2025 that continued to benefit the cost structure in the current period.

Moving on to **Slide 9**. Operating expenses for the first quarter were $14.5 million, an increase of $0.8 million sequentially, driven primarily by restructuring costs associated with the CEO transition. We recorded approximately $0.7 million of non-recurring restructuring expense in connection with the CEO transition that became effective on March 31, 2026. As with restructuring charges in prior periods, we excluded them from our calculation of non-GAAP adjusted net income and adjusted EPS. On a year-over-year basis, we generated $7.2 million and incremental revenue, while absorbing only $0.5 million of incremental operating expenses, which resulted in a reduction in operating expenses as a percentage of revenue to 42.7%.

Slides 10 and **11** collectively illustrate our Q1 profitability. Starting with **Slide 10**. For the first quarter, net income was $0.8 million. Adjusted EBITDA was $3.2 million, representing an adjusted EBITDA margin of 9.3%. On **Slide 11**, on a per share basis, net income was $0.06 per diluted share. Adjusted EPS, which adds back tax effected, acquired intangible amortization charges and restructuring charges, was $0.16 per diluted share.

Slide 12 shows our capital structure and cash flow. During the first quarter, we reduced our US term debt by approximately $1 million through scheduled principal payments. Continuing the cadence of debt pay down, that contributed to a $4.1 million reduction in US term debt during full year 2025. Total reported debt, however, increased modestly to approximately $8.5 million at March 31, 2026, from $7.5 million at December 31, 2025. The difference reflects short-term working capital borrowings at our Alfamation subsidiary during the quarter, via a relatively low interest receivables factoring arrangement.

We continue to have availability under our $30 million delayed draw term loan facility and our $10 million revolving credit facility, providing us with liquidity to support both organic growth initiatives and our M&A pipeline. We ended the quarter with approximately $56 million in liquidity, including cash, cash equivalents and restricted cash of $15.7 million. Turning to **Slide 13** and our financial guidance for the year. We are introducing Q2 guidance and are raising our fiscal 2026 guidance to reflect our Q1 outperformance and some improvement in market conditions. For the second quarter of 2026, we project revenue of $32 million to $34 million, gross margin of approximately 45%, operating expenses of $13.8 million to $14.2 million, and amortization of $0.7 million.

Turning to our full year raised guidance. I note that our guidance assumes no material impact, positive or negative, from changes in the broader economic and/or geopolitical environment. For the full year 2026, we now expect revenue of $130 million to $135 million. At the midpoint, this represents growth of approximately 16% over 2025, $113.8 million. This guidance reflects the diversified demand, particularly in Industrial, Aerospace/Defense, Auto/EV and Life Sciences supported by our backlog, but does not contemplate a meaningful rebound in semi sales at this time, though, as Rich noted, we are seeing early signs of a demand wave building.

Gross margin of approximately 45% and operating expenses of $55 million to $57 million, reflecting higher variable selling costs. Amortization of $2.6 million and interest expense of approximately $0.3 million, with an effective tax rate estimated to be 18%. We expect amortization expenses to be higher in the first half of the year than in the second half, as certain intangible assets reached the end of their amortization lives. Finally, we expect capital expenditures of 1% to 2% of revenue, consistent with our historical investment levels.

With that, if you turn to **Slide 14**, I will now turn the call back over to Rich.

Rich Rogoff
President & CEO, InTest Corp.

Thanks, Duncan. Before we open to questions, I wanted to share with you my thoughts about our roadmap going forward as we execute InTest's next phase of growth. First, we have a growing backlog and a platform of engineered solutions that our customers rely on in demanding applications. The work ahead is to deepen those relationships, respond to evolving customer requirements with speed and precision, extend our coverage into adjacent programs, geographies, and convert that commercial momentum into durable revenue growth.

Second, we are going to intensify our focus on operating leverage and adjusted EBITDA expansion. We have demonstrated that our business model is designed to generate strong operating leverage. While we continue to drive revenue growth, we will look to identify manufacturing cost improvements by advancing factory and supply chain efficiency initiatives to remove friction, lift throughput and unlock platform synergies. It also means honing our operating expenses, ensuring investments are deployed to the highest returning commercial and product opportunities.

Third, we intend to continue to allocate capital in a disciplined fashion. Our near-term focus is on targeted organic investments in product development and global customer expansion, building on the platform we have already assembled. We will pursue M&A selectively where the synergies are clear and the integration risk is manageable. In the near-term, I will spend my time meeting customers, engaging our employees and visiting our facilities. These interactions are essential to execution, ensuring our teams are aligned on the priorities, focused on the highest impact work and positioned to deliver. In addition, I will be fleshing out the roadmap and developing an operational plan for the company, along with goals and objectives for the team at InTest. I look forward to sharing this operational plan with you on future earnings calls.

To summarize, I believe the opportunity and strategy are clear. The platform is strong and I am committed to delivering strong profitability from these strengths.

With that, operator, please open the call to questions.

Question and Answer

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Ladies and gentlemen, we will wait for a moment while we poll for questions. Our first question comes from Max Michaelis with Lake Street Capital Markets. Please state your question.

Jaeson Schmidt

Hi, guys. This is Jaeson on for Max. Thanks for taking my questions. I just want to start with the Life Sciences segment. You call that out and then prepared remarks. Curious if the momentum you're seeing is broad-based or concentrated at a few accounts or in a few specific programs?

Rich Rogoff

Yeah. Jaeson, hi. Thanks. Thanks for the question. At the moment, we're realizing the backlog and the orders that we're taking in some specific areas. But as we grow, those are specialized test equipment, usually designed for customers. And as we grow our intimacy with these different customers, we see it expanding broader than just the one or two customers.

Jaeson Schmidt

Got you. That's helpful. And then just looking at the semi market, understanding that it doesn't sound like you're baking in large expectations into the rest of this year. Just curious what you're seeing from an order activity or quoting activity standpoint currently here in Q2?

Rich Rogoff

Yeah. As I mentioned in my remarks earlier that we're seeing increased order activity and quote activity coming through the pipeline, and the funnel looks fairly strong. But we're not -- we're cautiously optimistic. We haven't seen it roar back at this point. But we do see the activity picking up, which leads us to signs of the future being better than it has been.

Jaeson Schmidt

Okay. That's helpful. I'll jump back into queue. Thanks a lot, guys.

Operator

The next question comes from Ted Jackson with Northland Securities. Please state your question.

Ted Jackson

Thanks very much. Hey, Richard, I think you – you're an old hand at this for your first quarterly call, you're pro. So congratulations.

Rich Rogoff

Thank you.

Ted Jackson

First question. On like on the strength in the quarter, you've commented that some of it was executing against backlog and your commentary on semi was that, your stuff in backlog that came out in the quarter that perhaps wasn't expected. And so I guess the question of getting to scale want to kind of back into what's going on in the business is how much of the stronger quarter was from timing of things maybe coming into backlog that you hadn't expected and how much of the upside and the quarter came from business just being, things that you didn't see. What I'm saying kind of what we're doing, like new kind of revenue? That's my first question.

Rich Rogoff

Yeah. Let me try to answer that. And Duncan can add color as he sees as well. I think the business overall the strength is there. We're seeing it across the different markets. And it's a result of us being intimately engaged with the customers and trying to solve their needs. So while, maybe one business goes up and down on a cycle, the other one goes up and down on a cycle at a different ratio. That's the nice part about the diversity and the market space, right.

And so while we're – we've stated we've seen slower semi, Life Sciences and Aerospace/Defense for example have been up. And that's a result of the teams being engaged with the customers at an intimate level. So I would say, it's based on strength and not just realizing backlog, which I think is what you were trying to ask. And we see the...

Ted Jackson

Well, it's more about what the mix was between strength and backlog and where I'm really kind of getting to is, I mean, you beat by over $2 million relative to kind of expectations and expectations were at the higher end of your previous range. So if you had expectations and just tack $2 million on, you're basically at your guidance. But if you actually look at the midpoint of your previous guidance, your take-up, if you would for 2026 would be closer like around $4 million to see on your on going in with this in terms of revenue guidance.

And so I'm trying to kind of sort of bogey and get a sense of, how much of that change is driven from your view that you're seeing more strength in your markets and how much of it was maybe as a result of just kind of getting into some of your backlog of more than you thought you said, that's kind of where I was heading to is my question?

Duncan Gilmour

Yeah. I mean, I think, as you can see from our guidance, taking our guidance up $5 million on both ends of the ranges, we are a little bit more optimistic about the full year. I think Q1, we did deliver a little bit more from backlog of our semi and our semi space as we kind of indicated. The order activity for semi not quite as strong. You can see that in the order numbers. As Rich mentioned, I think we are seeing a lot of activity in that space, funnels looking strong. So that cautious optimism is still there.

Broadly speaking outside of semi, which I just talked about specifically there, the other markets are performing pretty well, happy really with what we're seeing there from an order intake funnels, so on and so forth. I think the dynamic you're seeing, we probably shipped a little bit more from our semi backlog than we anticipated with our Q1 guide, as I think the driver of that slight Q1 delta that I think you're highlighting.

Ted Jackson

Okay, okay. So if I really step back the change in guide really is, it's not that being driven per se by maybe a little more revenue, right, coming out of backlog than anticipated. Fundamentally, it's improved, market outlook across your segments?

Rich Rogoff

Yes. No, no. Absolutely.

Ted Jackson

Yeah. Okay. My next question of going back into just kind of the semi and it's more about the quoting strength that you're seeing the activity. Can you talk a little bit about, maybe at a, I mean I assume when you're talking about that most of that is, is back-end oriented or is it back in front. And then where are you seeing that from a geography standpoint?

Rich Rogoff

Yeah. So you're correct. It's our focus, primary focus anyway is still in the back-end test space, mixed signal, higher power devices as they're coming through from a perspective of testing as well as temperature control. Obviously, the front-end semi business is still slower. Reminder that we're on the very front-end, right, in the silicon carbide manufacturing space if you will the wafer itself. So that's still on the slower side. But we are seeing some signs of activity there mostly about ramping up of existing equipment, not so much of adding new equipment. So we expect hopefully that will change. But so far have not seen any uptick in that market.

Ted Jackson

Is there a particular geography where you're seeing more activity than others?

Rich Rogoff

No. I would say it's across the board. Obviously a lot of back-end test is out of Asia, but we're seeing some strengths in Europe and US as well some activity picking up.

Ted Jackson

Okay. I have some more questions, but I'm not hog. I'll get out of line and jump back in queue. Thanks.

Rich Rogoff

Thanks, Ted.

Operator

Our next question comes from Dick Ryan with Oak Ridge Financial. Please state your question.

Dick Ryan

Thank you, and welcome aboard, Rich in your new role. Same question, more high level, Rich. I mean, you've had your fingers into most of the other and most of the segments of the business since you've been on board, either in the consulting side or further responsibility there, and trying to coordinate that with the commentary from the news release and the slide deck of removing operational frictions and working together. When you look at the portfolio, there's a lot of commonality and touch points to end markets. When you talk about the friction side, is that more supply chain, bringing Malaysia into the answer, or is it the divisions working amongst themselves?

Rich Rogoff

I think, as any good business does, we're going to try to optimize all of it. And you're never optimized. You're always looking on how to get better, of course. So in a nutshell, I think it is on the commercial side how our businesses can work together better, benefiting us to penetrate customers deeper and wider at the same time. And obviously on the operational side, how we can become even more efficient and utilize our supply chains, our operations, our businesses, our locations more effectively. And we'll continue to look at that as we should. We've been doing that as you recall, we've had restructuring charges over the last year where we're optimizing our footprint. We're going to continue and even more aggressively approach some of those things.

Dick Ryan

Okay. And on selective M&A comment, is it still kind of in the environmental space that you'd like to build out, or are there other priorities moving up the list now that you've had a little bit more time in the role?

Rich Rogoff

Yeah. I would think to say that in general, it would be in the environmental space still, but more importantly, it will be something that fits the business, whether environmental or electronic test or vision, that has good synergies. And we can realize those cost synergies and those operational efficiencies.

Dick Ryan

Okay. Thank you.

Rich Rogoff

You're welcome.

Operator

Our next question comes from Ted Jackson with Northland Securities. Please state your question.

Ted Jackson

Thanks. Okay. I'm just back for a couple other questions. You commented with regards to Alfamation and the Defense/Aerospace having some strength in terms of order activity, quoting activity. You specifically mentioned with Alfamation, the Mexican market in the Auto/EV battery and such. And so I wanted to maybe see if you could give a little more color on both of those segments with regards to Alfamation, you've been expanding beyond Auto, but is there, are we looking at like some renewed strength in Auto as we go through a model cycle change? And then in the Defense/Aerospace maybe just some colors as what you see driving the strength there in any beyond just the generic that we're going to war with everyone we want to these days? Thanks.

Rich Rogoff

Sure, Ted. So on the Alfamation side maybe let me start with that. The Auto space is, as you know, it's been down for 18 months or so, maybe two years' time. And we are seeing those new model refreshes start to pick up pace and come out. So that's a lot of the strength. I think Duncan has talked about this prior, actually calls the strength and orders that we saw in the last two quarters, Q3 and Q4, specifically with Alfamation. A lot of that was around Auto as well as Life Sciences. So we are seeing that now and we're seeing a lot of activity still around that. And again, these are custom solutions for the auto supply market. And so as we get involved in more of those activities, we see positive momentum there at the moment. And we hope it continues.

On the Defense/Aerospace side, yeah, it has a lot to do with capacity expansions to recoup from the use of the armaments, but also new technologies that are being introduced. And the activity is occurring primarily here in the US. It has been, but we're seeing it expand to places like Europe. Activity requests are coming in from there.

Ted Jackson

Okay. And then my next question is, you commented about really kind of doing a better job of tying to different parts of InTest together and being able to drive operational efficiencies. And also, probably expand kind of your addressable markets through being able to work closer together with it relates to some of the restructuring efforts that you're doing. Could you comment about like for us on the outside what would we be looking for in terms of metrics to see that you're having success? Is it going to be improved gross margins? Is it going to be reductions and OpEx or just slowing growth and OpEx, maybe a little color in terms of kind of what are the bogeys? And for those of us that follow the company, how will we see that translate into your financial statements? Thanks.

Rich Rogoff

Yeah. I think, I need a few more days to figure that out, I guess. No, I think the focus is to as we guided towards our vision 2030, that's still our sort of our North Star to achieve that. And we haven't changed that focus at the moment as far as changing our guidance for the year or anything like that. No, we've put that out and we're aligned with that and we'll continue to work on some of those efficiencies. And I'll be happy to come back in the next earnings call or two and give you some more details as we flesh that out over the next 90 days or so.

Ted Jackson

Okay. All right. Well, thanks for the follow-ups too. And congrats on the quarter again.

Rich Rogoff

Thank you.

Operator

[Operator Instructions] Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Rich Rogoff for the 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 additional questions. Please reach out to our Investor Relations team to coordinate our continued dialogue. On **Slide 15**, please note the details regarding the replay of this call, as well as our upcoming investor events schedule. We will publicize additional conference attendances by a press release, advisories and on our IR website. Thanks again for participating today and have a great day.

Operator

Ladies and gentlemen, the conference call of InTest Corporation has now concluded. Thank you for your participation. You may now disconnect your lines.