

InTest Corporation
Second Quarter Fiscal Year 2025
Earnings Results Conference Call Transcript
August 6, 2025

Table of Contents

Presenters and Participants		2
Presentation		3
Question and Answer		7

Presenters and Participants

PRESENTERS

Nick Grant

President & CEO

Duncan Gilmour

CFO, Secretary & Treasurer

Shawn Southard

Investor Relations

PARTICIPANTS

Jaeson Schmidt

Lake Street Capital Markets LLC, Research Division

Richard Ryan

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

Ted Jackson

Northland Capital Markets, Research Division

Presentation

Operator

Greetings, and welcome to the InTest Corporation Second Quarter 2025 Financial Results Call. At this time, all participants are in a 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, Shawn Southard, Investor Relations for InTest. Thank you. You may begin.

Shawn Southard

Investor Relations

Good morning, everyone. We certainly appreciate your interest in InTest Corporation and thank you for sharing your time with us today. Joining me on our call are Nick Grant, our President and Chief Executive Officer; and Duncan Gilmour, our Chief Financial Officer and Treasurer. You should have the earnings release that went out this morning as well as the slides that will accompany our conversation today. If not, you can find these documents on the Investor Relations section of our website, intest.com.

Please turn to **Slide 2**, as I review 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 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 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.

Now, please turn to **Slide 4**. I'll turn it over to Nick. Nick, over to you.

Nick Grant

President & CEO, InTest Corp.

Thank you, Shawn, and good morning, everyone. Thanks for joining us for our second quarter 2025 earnings call. The second quarter played out pretty much as we expected. While the ongoing global economic and tariff uncertainties continued to drive customer hesitancy as it relates to moving forward with larger capital projects, we were able to deliver incremental improvement in the quarter. I want to take a moment and thank the entire InTest team for staying focused and delivering results through

these continuing challenges. We remain focused on driving innovation, market diversification and geographic expansion to strengthen our position in preparation for market improvements.

In the quarter, InTest delivered just over \$28 million in revenue with gross margins above 42% and received orders of nearly \$28 million as our recently introduced products continued to gain traction, while our sales teams added new customers and optimized our channel network. Once again, our funnel of opportunities has increased to a new all-time high, as customers recognize our innovative solutions are integral to their long-term capital plans.

While overall Semi and Industrial markets remain sluggish, our teams are focused on capturing opportunities in other markets that are more active, like Defense/Aero.

In the quarter, our Process Technologies Division benefited from a meaningful commercial space order and, as you probably noted, we just announced a large defense order at our Environmental Technologies Division, which was a long time coming for missile test systems to a prime defense contractor. Also in the quarter, we saw order activity gaining traction in Auto/EV, which I'll touch on shortly. During these times of uncertainty, we continue to take actions to improve profitability, and we further reduced debt by \$1.7 million. Year-to-date, we've reduced debt by nearly \$5 million, bringing our total debt down to approximately \$10 million.

Please turn to **Slide 5**. We remain committed to our Vision 2030 strategic goal of driving innovation and geographic expansion to create greater scale that can be seen in the progress we're making, building out our Malaysian facility. We announced this expansion at the end of 2023 and when the building was completed, we focused on adding engineering and supply chain talent to address our immediate bottlenecks. The buildout of the manufacturing space was recently completed, and we remain on schedule to begin manufacturing first article products in this new facility during the second half of this year, with production slated to ramp up in 2026.

Our "in the region, for the region" approach will enable us to better serve customers in the area, capitalize on a lower cost supply chain and capture logistics improvements that we expect will enhance our market competitiveness and drive growth. In addition, it will provide a lever we can use to better insulate us from potential tariff impacts. We believe the addition of manufacturing in Malaysia, along with our expanded manufacturing footprint in Europe with Alfamation, positions us well to support the global needs of our customers.

Let me now review orders and backlog on **Slide 6**. Orders for the quarter of nearly \$28 million grew 10% sequentially, reflecting strength in several markets. Demand in Auto/EV increased 40% to \$7.1 million, Life Sciences more than doubled to \$2.9 million, Safety/Security grew 74% to \$1.2 million, while Defense/Aero, Industrial and other markets also improved. Semi continued to remain weak with a decrease in orders of 24% sequentially. The \$2 million increase in Auto/EV demand was driven by wins with key Tier 1 suppliers at our Alfamation business for OEM 2027 model year program starts.

In addition, Alfamation made good progress diversifying their auto exposure with a key win in the Life Sciences space, resulting in that business achieving its highest level of orders since joining InTest. The improved demand over the trailing quarter across all markets, except Semi, reinforces that our ongoing

diversification efforts are effective, while the Semi market remains sluggish. Year-over-year orders were up 6%, Auto/EV demand grew \$2.3 million, Life Sciences grew \$1.8 million, Industrial rose \$1.2 million, and Safety/Security increased to \$1 million. These increases were partially offset as Semi orders declined \$3.7 million and other markets declined \$1 million. Defense/Aero was essentially unchanged at \$2.5 million.

Backlog at June 30 was \$37.9 million, essentially flat over the last two quarters. Backlog was \$9.8 million lower from the prior-year period, which at the time reflected the large backlog we acquired with Alfamation.

With that, let me turn it over to Duncan to review the financials and outlook with you in more detail. Duncan, over to you.

Duncan Gilmour

CFO, Secretary & Treasurer, InTest Corp.

Thank you, Nick. Starting on **Slide 7**, as Nick noted, revenue for the second quarter was \$28.1 million. Sequentially, sales to Semi increased 13% to \$10.2 million, Industrial improved 25% to \$3.8 million, Defense/Aero increased 27% to \$3.6 million, and Safety/Security grew 59% to \$0.9 million. This growth more than outpaced the combined decline of \$1.6 million across Life Sciences, Auto/EV and other markets. Compared with Q2 2024, revenue was down \$5.9 million, driven by a \$4.9 million decline in Auto/EV sales and slight declines in Life Sciences, Defense/Aerospace and other markets. This was partially offset by increases in Industrial, Safety/Security and Semi with the increase in back-end sales outpaced the decline in front end.

Moving to **Slide 8**. Second quarter gross profit of \$12 million increased \$0.9 million sequentially on higher sales volume, ongoing cost actions and the execution of tariff mitigation tactics. Compared to the prior-year period, it decreased \$1.8 million due to reduced volume.

Q2 2025 gross margin of 42.6% improved 110 basis points sequentially, driven by improved volume and ongoing cost reductions. Compared with the prior-year period, the 200-basis-point improvement reflects a more favorable product mix, combined with the impact of cost reduction efforts.

As you can see on **Slide 9**, our operating expenses of \$12.9 million also reflect recent cost reduction efforts with a sequential decrease of \$1 million, including the recently announced leadership transition. Year-over-year, operating expenses decreased \$0.6 million. We continue to implement a series of cost saving actions to improve our long-term profitability, the previously announced consolidation of our Videology Netherlands facility, which we estimate will translate into annualized savings of approximately \$500,000 beginning in 2026 remains on track. In addition, we further reduced head count during Q2, and employed austerity measures versus our budgeted 2025 spend.

Turning to **Slide 10**, you can see our bottom line and adjusted EBITDA results. For the quarter, net loss was \$0.5 million or a loss of \$0.04 per diluted share. Adjusted net earnings was \$0.4 million or a gain of \$0.03 per diluted share. Adjusted EPS reflects adding back acquired intangible amortization charges and restructuring costs. Adjusted EBITDA for Q2 was \$1.3 million.

Slide 11 shows our capital structure and cash flow. In the first half of 2025, we reduced debt by \$4.9 million, including the \$1.7 million we paid down in the second quarter. Total debt was \$10.1 million at quarter end. We have a total debt leverage ratio of 1.4x. Cash and equivalents at the end of the second quarter were \$19.2 million, down \$2.8 million from the end of the first quarter. On August 5, 2025, we entered into a covenant waiver agreement with our US-based lender through the first quarter of 2026 in exchange for pledging cash equal to US debt outstanding. At June 30, 2025, we held \$5.9 million of US-based debt. Regardless, we have more than sufficient liquidity, given our net cash position.

Turning to **Slide 12**. As Nick mentioned, given the continued uncertainty resulting from the global trade environment, we are focusing our guidance on the forward quarters only where we have better visibility. For the third quarter, revenue is forecasted to be \$28 million to \$30 million with gross margins similar to Q2 2025 and operating expenses of \$12.6 million to \$13.1 million, excluding approximately \$100,000 of restructuring expenses. Amortization and interest expense are projected to be consistent with Q2.

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.

To reiterate, we continue to be confident in the long-term fundamentals of our business and in our market position. Our customer pipeline is at the highest level in the history of our company, while we continue to expect sequential improvement in top line and profitability through the year, our visibility into the timing of orders and shipments remains limited at this point.

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

Nick Grant

President & CEO, InTest Corp.

Thanks, Duncan. With the continually changing trade conditions, companies around the world are adjusting to new market dynamics impacting pricing, supply chains, manufacturing decisions and more, which is driving many customers to remain hesitant to invest in capital projects. As they remain cautious, we continue to make progress on our Vision 2030 growth strategy and are encouraged by wins across several markets where our diversification has proven effective, our innovative new products are gaining traction and our geographic reach extends continuously further.

During the second quarter, new products represent sales of \$6 million, which was just over 20% of our total sales. One of our Vision 2030 goals is to get this vitality metric to 25% in the coming years and we're pleased with the solid progress we are making. As we have stated, the opportunity funnel across the organization has reached a new all-time high, maintaining optimism about a pending increase in capital spending. In the meantime, we are managing cost, while positioning us to be ready to capture the growth when it comes. We have a healthy balance sheet and, as Duncan noted, believe we have sufficient liquidity to manage whatever challenges the future may hold. While visibility remains limited

amid persistently weak market conditions for capital investment, most notably in the digital/analog Semi industry, we expect to deliver modest quarter-over-quarter improvement throughout 2025.

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

Question and Answer

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] The first question is from Jaeson Schmidt from Lake Street Capital Markets. Please go ahead.

Jaeson Schmidt

Yes. Thanks for taking my questions. Just want to start with today's announcement on that defense order, is this a brand-new customer for you guys? And I guess, relatedly, why did you win?

Nick Grant

Hey. Good morning, Jaeson. And, yeah, this customer is an existing customer of ours. We actually delivered three systems back at the end of – in Q4 of 2024 and this is a follow-on from those prototype units that were delivered. So, we have a long-standing relationship with this customer. Did a number of the first generation test systems and now with our – they're ramping-up next-gen systems as well as volumes.

Jaeson Schmidt

Got you. And then, understanding sort of the dynamics you laid out for the outlook, but just curious if you could comment on how customer order patterns have been so far for the first six weeks of this quarter?

Nick Grant

Yeah. We're really pleased with the order pattern we're seeing. Typically, as we've talked about in the past, the first month is softer and it continues to improve throughout the quarter. We've had a really solid start over the first few weeks here of the quarter, so we're encouraged. We continue to see the automotive industry investing for their 2027 model year programs. We're – the defense/space base remains very active and, of course, this order helps in that, but yeah, very encouraged by the start here in Q3.

Jaeson Schmidt

Okay. That's good to hear. And then, just a last one for me and I'll jump back into queue. Can you remind us what the capacity will be in the Malaysian facility? I know it will vary by – given sort of product mix, but at a high level, how should we think about capacity?

Nick Grant

Good question there. The guys have all kind of identified some products that they will start making out of there and, of course, will ramp-up more over time to better support that region. But we anticipate that facility to be able to – to do \$10 million, \$15 million for us over time here out of – to support the Asian market.

Jaeson Schmidt

Okay. Really helpful. Thanks a lot, guys.

Operator

The next question is from Dick Ryan from Oak Ridge Financial. Please go ahead.

Dick Ryan

Thank you. So, Nick, on the – coming out of Q1, you had those environmental challenges that kind of pushed them business, but then you had these strong defense orders coming in for the division, were those engineering challenges related to the defense side or were they something else and where do you stand with those issues?

Nick Grant

Yeah. The engineering challenges from Q1 were predominantly more industrial applications, I think a little bit on the defense, but the majority of those all shipped shortly after the end of the quarter by mid-quarter and that so, yeah, engineering challenges, not an issue this quarter here as we do have a new leader at that location and he's working to improve the coordination of the engineering efforts there.

Dick Ryan

Okay. That's good to hear. And on the Semi side, you had a couple of comments towards the end on the back-end business, any glimpse into 2026? What could happen on the front-end side of the business or is that still maybe a midyear sort of thing?

Nick Grant

Yeah. Our teams stay very active with the players in that space on next-generation products, and their kind of locations – new locations and things they're working on, looking at costing potentially improvements, et cetera, and design side of things. So, we're working closely with all of them. As for timing, it clearly looks like it's a 2026, kind of a rebound. Whether it's first half, second half, yet to be determined, I think it'll slowly come back, but with ramping throughout 2026, and especially if we continue to see the automotive industry improving.

Dick Ryan

Okay. And one last one, I mean, Alfamation, obviously, it's good to see the auto business and wins there, but on Life Sciences, can you provide some color? What they're providing to the Life Sciences and kind

of the outlook you might have there? Is that kind of a one-off sort of win or is there some continuation there that you might be expecting?

Nick Grant

Yeah. The team is absolutely looking to drive further diversification. The wins that they saw here were kind of follow-on on some medical device electronics for medical space there, and there's a strong pipeline of continued follow-on orders with this particular customer, but they are focused on other applications, and their technology really lends itself nicely for this space as well from electronic test perspective. So, yeah, we're focused on capturing the automotive as it comes back here, but also driving diversification.

Dick Ryan

Sure. Great. Well, I appreciate that, and good job on a solid quarter here and outlook. Appreciate it, Nick. Thanks.

Nick Grant

Yeah. Thanks, Dick.

Operator

[Operator Instructions] The next question is from Ted Jackson from Northland Securities. Please go ahead.

Ted Jackson

Thanks. Good morning.

Nick Grant

Hey, Ted. How are you doing?

Ted Jackson

I'm pretty good for a busy day. It's peak reporting season, but, you know what, I'm up to the challenge.

Nick Grant

Great.

Ted Jackson

So, I wanted to start out on book-to-bill was about 1, and you've been basically knocking around 1 the last few quarters. And to me, that tells me that, you've got – let's say, you've kind of come back where you've got a pretty decent schedule around your business in terms of, kind of, the near term. When you think about getting growth back in the business, we would expect to see that book-to-bill start trending up above that 1. And so, for those of us that sit on the outside, are there things that we should be looking for that would be kind of leading indicators to say, hey, the order activity is really picking up and you kind of describe that a bit, you just give us some guidepost maybe. That would be my first question.

Nick Grant

Yeah. We try to provide a little bit, kind of, baseline for you here with, kind of, the new products. These are certainly positioning us well to create demand out there, win some new accounts. And we had really strong quarter there in Q2 of \$2 million or a little less than \$2 million improvement over Q1 with new products and the more traction we gained, will help drive the orders, push out orders above 1 on a book-to-bill basis there. The pipeline being as – in all-time high, continuing to grow each quarter, it gives us extreme confidence that as soon as these customers get comfortable with the market dynamics and ready to kick off these CapEx projects, it's going to generate good order demands for quarters to come here.

Duncan, any thoughts from your side?

Duncan Gilmour

I think we've seen some of it. The announcement on the Defense/Aero order as an example, also seeing the Alfamation activity both auto and Life Sciences, in that case picking up. Those are all positive signs. The front-end world is not moving really right now in terms of customers actually placing orders, although, as Nick indicated, there's plenty of discussion, plenty of ongoing dialogue. Just a case of capital investment kicking off again for another cycle down the road, but likely out into 2026, but that would be another space to keep an eye on.

Back end, the back end Semi was a little soft there, as we indicated this quarter. Again, I think seeing that out in the marketplace across other analog mixed signal test type players. But again, we expect to see that continue to pick back up as hopefully the global economy stabilizes a little bit more certainty, and people start to know where to place their bets from a capital investment perspective.

Ted Jackson

On the defense order, and I probably already know the answer, because you've just given kind of what your orders were for the quarter, but did that order happen in the third quarter and hence we would see a pickup in terms of all else being equal, the Defense/Aerospace orders line when you report your third quarter?

Duncan Gilmour

Yeah. So, it was a Q3 order that came in.

Ted Jackson

So, okay. Then a question for both of you on OpEx, I mean, honestly, I mean, great expense control. I think that was lower than I expected it to be. Duncan, you talked about some head count reduction and austerity measures. Can you kind of walk through what you're doing in terms of bringing those costs down and how much of that savings is permanent in nature and how much of it will turn around, once we kind of get to a more normalized market where growth returns? And then I have one more after this.

Duncan Gilmour

Yeah. I mean, a lot of it is, so I mentioned headcounts. We have been reducing head count steadily over really the last number of quarters as volumes have dropped, direct labor, some of the operational overheads, head count has dropped. Year-over-year, we're probably down around 50 heads across the global organization, Q2 versus Q1, probably around 15 heads with a lot of those in direct labor overhead type positions. We've been adding slowly where we've seen attrition, we obviously will continue to replace the positions that are needed. And then discretionary spending areas like travel, marketing, spend, trade shows, things like that, we have been tapering down or holding back on. We would expect to continue to invest in those spaces and increase that as activity levels dictate.

So, to answer the second part of your question, some of that will come back as we see volumes pick back up. A couple of the other things we referenced, the Videology operational restructuring, those savings kick in in 2026, that's a longer-term initiative that we're driving. And we also did have in Q2, we did announce a small executive restructuring. We reduced our executive head count by one, with Rich Rogoff, who was into dedicated M&A role moving into the Environmental Technologies leadership role, which led to a net head count reduction across the executive team of one. So these are all examples of things that we've been doing. I'd say more skew towards the temporary than the permanent, but we're very focused, as you can see on spend control, as we see the as the top lines are a little softer.

Ted Jackson

Okay. And then my last question, just touching back over to the Malaysian operations as you ramp that up, kind of a give and take, how much of the – as you ramp-up manufacturing of products in there, how much of your, I don't know, you call it, revenue or however you want to think of as volume is going to be transferred from existing facilities? And then, what will the net of that be with regards to margin as you, kind of, basically take absorption down, if you would, in some areas and then, improve it obviously in Malaysia? And then when you talk about getting that to \$10 million or \$15 million in revenue, when do you see that happening?

Nick Grant

Yeah. So, yeah, we're focused on really driving growth out of that facility by better serving customers in the region, allowing us to be more competitive from a price position with a better supply chain cost base and lower labor cost on that. So, it's not like we'd be shifting a whole bunch of operations out of the US over there. We will support some customers that that have facilities in those regions out of that site. But we also anticipate this regionalization effort for bringing more activity back to the US or give us the capacity to keep our existing facilities leveraged out there. So, yeah, it's about a growth story, better competitiveness in the region and getting aggressive after the competition to drive the top line.

As for timing, it'll be a ramp-up. The groups laid out kind of a five-year plan here that will move to those kind of numbers over – during that timeframe. But obviously, things can change in two, three years down the road. And as I mentioned in the opening statements, if we need to do something from a tariff, kind of, lever that we can pull to better serve customers and minimize our costs going up as a result of tariffs, we have that lever to pull as well down the road.

Ted Jackson

Okay. Well, it was a nice solid quarter and appreciate the good guidance and I know things will turn around, and you guys are pulling all the levers you can, sounds like. So, thanks for the time.

Nick Grant

Thanks, Ted.

Operator

There are no further questions at this time. I would like to turn the floor back over to Nick Grant for closing comments.

Nick Grant

Thank you, Sassy. We appreciate you joining us today. Thank you for your time and we welcome the opportunity to answer any further questions you may have. On **Slide 14**, please note that in addition to the details regarding the replay of this call, we will be participating in several upcoming conferences later this month and next. Thanks again for participating today and have a great day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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.