ATS Corporation

First Quarter Conference Call and Webcast

Event Date/Time: August 9, 2023 — 8:30 a.m. E.T.

Length: 45 minutes

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PRESENTATION

Operator

Welcome to the ATS Corporation First Quarter Conference Call and Webcast. This call is being recorded on August 9, 2023 at 8:30 AM Eastern time.

Following the presentation, we will conduct a question-and-answer session.

(Operator Instructions)

I'll now turn the call over to David Galison, Head of Investor Relations at ATS.

David Galison — Head of Investor Relations, ATS Corporation

Thank you, Operator, and good morning, everyone.

On the call today are Andrew Hider, Chief Executive Officer of ATS, and Ryan McLeod, Chief Financial Officer.

Please note that our remarks today are accompanied by a slide deck, which can be viewed via our webcast and available at atsautomation.com. We caution that the statements made on the webcast and conference call may contain forward-looking information, and our cautionary statement regarding such information, including the material factors that could cause actual results to differ materially from the statements, and the material factors or assumptions applied in making the statements, are detailed on Slide 2 of the slide deck.

Now it's my pleasure to turn the call over to Andrew.

Andrew Hider — Chief Executive Officer, ATS Corporation

Thank you, David. Good morning, ladies and gentlemen, and thank you for joining us.

This has been an exciting and transformational few months for ATS during which we successfully completed our U.S. IPO and New York Stock Exchange listing. This represents an important milestone and supports our strategic growth objectives while providing increased liquidity in our shares and additional flexibility for M&A.

Today we report a strong start to fiscal ‘24, including record revenues supported by solid bookings, backlog, and adjusted earnings. These results reflect our team's disciplined execution of the ATS business model. Our ABM has reached a level of maturity that allows us to refine our approach and add new tools to drive performance for our customers and shareholders.

First, I will update you on the business, and Ryan will provide his financial report. Starting with our financial value drivers. Order bookings for the quarter were $690 million and included growth in life sciences and continued strength in EV and food and beverage. Q1 revenues were a record $754 million, up 23 percent from Q1 last year, including strong organic growth. Adjusted earnings from operations in Q1 were $102 million, up 29 percent versus Q1 last year.

Moving to our outlook. We ended the quarter with order backlog of over $2 billion. This was anchored by our strong bookings in life sciences, partially offset by the expected revenue ramp up on our EV projects and execution of primary processing projects ahead of the harvest season in food and

beverage. As a reminder, the timing of customer decisions on larger opportunities can cause variability in order bookings from quarter-to-quarter.

By market, life sciences backlog was $783 million. Of note, our Q1 bookings included several key wins in strategic submarkets including contact lenses, auto injectors and diabetes care, along with pharma and radiopharma. We secured another significant order based on our symphony, our innovative high speed assembly technology. Overall, the life sciences funnel for fiscal '24 remains strong.

Transportation ending backlog was $834 million, up 124 percent year-over-year as we continue to execute on our current EV programs. Our existing programs are being executed well and are on track from a cost and timing perspective. Because of the strategic nature of EV program and large order values, this can cause variability in bookings. That said, our transportation funnel remains strong, and we remain well positioned given our significant experience and expertise in this space.

In food and beverage, quarterly bookings were solid and the ending backlog was $188 million, up 15 percent year-over-year even as our teams delivered on projects in backlog ahead of the tomato harvest season. Our funnel remains strong. Timing of the summer harvest season drives some seasonality in this vertical.

At energy, the nuclear market continues to provide long-term opportunities, including new public sector interest. The focus on clean, sustainable energy to support future subtle (phon) needs, including grid requirements for electric vehicles, is a driver for our business, as is the adoption of carbon reduction targets. ATS is well positioned to support in several areas as customers add and refurbish nuclear power

plants and commercialize small module reactors. We also have specialized skills in energy storage and continue to work with customers on select opportunities.

In consumer products, our backlog and funnel are stable. However, inflationary pressures continue to have an effect on discretionary spending in the personal care markets, which may impact timing of some customer investments.

On digital. To create real value out of production, digitization, our customers are looking for a partner who is strong in both automation integration and domain knowledge. Our teams are helping customers understand how to capture data, and more importantly, how to extract value from that data to drive impact. For example, a major global customer utilizing our IoT platform for plant performance management recently awarded us with a global management services contract for digital services. Another life sciences customer recently launched a pilot with us for a global IoT platform for performance management.

On after sales services, we are actively engaged with customers as we leverage both technology and services to provide a better customer experience and outcome. For example, our enhanced remote support platform streamlines the process of contacting ATS support simply by scanning a QR code. With one customer, this ease of contact has led to an annual remote service contract, leveraging the technology and our subject matter experts. Also, on aftersales services, our regional networks and service centers are training and onboarding new resources to support our customers in critical geographic regions. The recent acquisition of Triad provides extended capabilities to support customers with predictive maintenance.

On supply chain. Material costs and lead time pressures remain and we'll take time to work through some of our larger projects. We have started to see some improvements in both pricing and lead times in certain areas. Countermeasures that were created to combat volatility throughout much of fiscal '23 remain in effect, allowing us to stay on schedule with our operations.

Our ATS business model, our ABM playbook, continues to create a competitive advantage. During the quarter, we completed 45 ABM events across all business groups and geographies. We use our ABM tools to drive improvements in all aspects of our business, not just on the shop floor. The ABM itself is also subject to continuous improvement. We constantly challenge ourselves on ABM tools and events to drive impact and stay focused on our value drivers. I'm pleased that our ABM is evolving and improving with time and use.

In June, we hosted our annual ATS leadership conference. The theme was building the best ATS and was aligned to our three core values of people, process, and performance. It provided opportunity for our leaders to see examples of the ABM in action across our decentralized business as we drive value for our employees, customers, and shareholders.

On M&A, we recently announced and closed two acquisitions, Yazzoom in Q1 and Odyssey Validation Consultants in early Q2. Both are part of our process automation group and enhance our capabilities in AI process optimization and digital services. Our M&A funnel remains active and healthy, and with our recent equity offering and listing on the NYSE, we have the balance sheet and finance capacity to move quickly should a potential opportunity to meet our strict acquisition criteria.

On sustainability. ATS recently earned a Bronze Medal from EcoVadis, one of the world's leading providers of business sustainability ratings. This award speaks to our ongoing commitment to improve sustainability within ATS, and leverage our solutions to help customers achieve their sustainability goals. Our teams are working closely with our global customers to meet their needs through energy efficient automation and energy management solutions. We are actively monitoring regulatory developments including international reporting standards and more specific regional requirements. We look forward to releasing our next sustainability report later this year.

On innovation. We continue to deploy capital and leverage talent to create differentiated enabling solutions that generate attractive returns for our customers and shareholders. When customers visit our sites where our innovations are displayed, their enthusiasm is clear. In particular, our patented symphony technology on view at our ATS Innovation Center in Cambridge, Ontario, is a good example of our investment in leading edge technology with applications across life sciences, in addition to other possible market applications that we will explore in the future.

A few other innovation highlights from the quarter, our comecer team launched its micros machine for dispensing microfluid drops of radioisotopes used in the preparation of radiopharmaceuticals and built on its contribution to automating the production of prostate cancer therapies. Our SP team has developed its easy two bionic automated evaporator for integration into automated chemistry lines, which enables the production of pharmaceuticals that use new approaches to delivering drugs to target cells within a patient. Finally, our ATS Innovation Center develop a novel method for performing ultrasonic welding using our symphony platform that we believe have a variety of applications.

In summary, disciplined adherence to our build, grow, and expand strategy is driving positive results. Our strong backlog and funnel give us confidence moving forward with a focus on operational excellence. We'll continue to build the best ATS for our employees, customers and shareholders.

Now I'll turn the call over to Ryan. Ryan, over to you.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Thank you, Andrew, and good morning, everyone.

This was a productive quarter for ATS that included solid and diversified bookings and continued good execution across our business. Beginning with orders, bookings were $690 million, down 6.3 percent compared to Q1 last year, which included a 70 million U.S. EV order. Our trailing 12 month book to bill ratio at the end of the quarter was 1.181. In a broader context, our Q1 results ranks among the five best quarters for order bookings in ATS history.

Moving to revenues, Q1revenues were $754 million up 23.4 percent over Q1 last year. Organic revenue growth was 15.4 percent year-over-year. It was primarily due to increases in transportation related to EV battery projects. Recently acquired companies added approximately 3 percent to revenue growth and foreign exchange translation added a 5.5 percent benefit compared to Q1 last year.

Our Q1 ending backlog of just over $2 billion was 30 percent higher than Q1 last year, providing good revenue visibility for the fiscal year. Our revenue conversion for Q2 is estimated to be in the 34 percent to 37 percent range of backlog based on revenue expectations from existing backlog and new orders booked (inaudible). As a reminder, we do tend to experience seasonality in our business in the

second fiscal quarter due to seasonality in our food business and higher vacation periods in our European based businesses.

Moving to earnings. Q1 adjusted earnings from operations were $102.1 million, up 29 percent from last year, primarily due to revenue growth. Adjusted earnings from operations margin was 13.5 percent in the quarter, up 58 basis points compared to last year, reflecting higher operating leverage partially offset by lower gross margin.

Our Q1 adjusted gross margin was 28.2 percent, down 50 basis points from Q1 last year. The year-over-year decrease primarily reflected the execution of higher margin programs in the prior period due in part to supply chain cost inflation and lead time impacts in current programs being executed.

In supply chain, we have seen improvement in specific cost categories such as raw materials and freight and cost inflation has stabilized. Despite some improvement, overall volatility remains in the supply chain environment. Lead times remain extended in key areas, primarily electrical control components, which impacts our ability to drive efficiency in our supply chain in the short term. Our global supply chain teams are focused on countermeasures to help mitigate these challenges.

Moving to SG&A. Expenses were $11.5 million higher than Q1 last year. This quarter's cost included $18.6 million of acquisition related amortization and $0.1 million of acquisition related transaction costs. Excluding these comparable items in both periods, Q1's SG&A was $105 million, $13.5 million higher than Q1 last year, primarily reflecting foreign exchange translation, incremental SG&A expenses from acquisitions and increased employee costs.

Stock-Based compensation expense for Q1 was $10 million, an increase of $14 million from last year's recovery of $4 million. Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was $5.6 million in Q1 compared to an expense of $4.3 million last year.

Moving to the balance sheet. In Q1, cash flows used in operating activities were $107.8 million, primarily driven by an increase in working capital on our large EV programs. Non-cash working capital as a percentage of revenue was 15.6 percent at the end of Q1, up from 10.1 percent at the end of Q4, primarily reflecting the timing of progress in milestone billings on our large EV programs.

As I've noted previously, cash generation and period end working capital values can fluctuate depending on timing of billing milestone payments and execution of work on our larger programs. In the short term, we continue to expect working capital to remain variable and could exceed 15 percent in certain quarters as was the case in Q1.

In the first quarter fiscal '24, total investments in CAPEX and intangible assets were $23 million. This is in line with our expected fiscal '24 CAPEX spend of $80 million to $100 million, which is supporting our organic growth.

On leverage, our net debt to Adjusted EBITDA ratio was 2.0 to 1 as of the end of Q1, down from 2.7 to 1 at the end of Q4, and in line with our target leverage range of two to three times net debt to Adjusted EBITDA. Our lower sequential leverage reflects net proceeds from our recently completed equity offering that we've used to initially pay down amounts outstanding on our revolving senior secured line of credit. We ultimately intend to utilize capital from the offering to pursue strategic opportunities,

including acquisitions. As noted previously, we are willing to temporarily increase our leverage beyond our target leverage range to support short-term working capital requirements or for an acquisition that fits within our framework and creates long-term value for our shareholders.

In summary, ATS delivered solid results for the quarter, again, highlighting the strength of our strategic end markets and the value of the ABM in driving disciplined execution across all parts of the business. Our teams remain focused on serving our customers and delivering value. Going forward, we expect supply chain challenges will take some time to abate and we are continually driving existing and new countermeasures to address inflation and other persistent supply chain issues. Strong order backlog supports our immediate growth plans, and with the additional financial flexibility gained from our recent U.S. IPO, we have additional capacity to pursue organic and acquisition opportunities that meet our disciplined investment criteria and create value for our customers and shareholders.

Now we'll open the call to questions from our analysts. Operator, could you please provide instructions? Thank you.

Q & A

Operator

Thank you.

(Operator Instructions)

The first question comes from Cherilyn Radbourne of TD Cohen. Please go ahead.

Patrick Sullivan — Analyst, TD Cohen

Good morning. This is Patrick Sullivan on behalf of Cherilyn Radbourne. Thank you for taking my questions. As it relates to bookings backlog in the transportation segment specifically, previously you'd mentioned a few ongoing pilot projects with new EV customers. Are you able to provide any updates with respect to those pilot projects and whether or not there are indications for further follow on orders?

Andrew Hider — Chief Executive Officer, ATS Corporation

Yes, good morning, Patrick. We've talked about pilot and then going to production. I would say we see the same as we've seen in the past where customers are aligning their solution set with the launch of EV vehicles and we do view the pilot moving to a production, whether it's in the short term or long term. I would say no change in the dynamic with customers around this taking from an identification to a solution set in full automation.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Patrick, just as a reminder, these programs are typically longer in durations, so 12 to 18 months. That kind of gives you a bit of a sense around when further opportunities could materialize.

Patrick Sullivan — Analyst, TD Cohen

Okay, great. Thank you. Switching over to the topic of M&A. The most recent group of tuck-ins seemed to support building out the process automation platform further. One particular acquisition,

Yazzoom, which you talked about bringing more expertise in the areas of AI and ML. Can you discuss how that—those capabilities may be integrated across the larger process automation portfolio, and then whether or not there are other AI machine learning tools that ATS is either evaluating in the market or working on internally?

Andrew Hider — Chief Executive Officer, ATS Corporation

Absolutely, and Patrick, I'll take this in a bit of kind of—answer your question as it was asked. Yazzoom, really pleased with this addition, and as a reminder to set the framework, our PA business has really aligned itself with the ability to pull information and data from customer sites, to then bring it so we can take action or provide insight on said data to then drive improvements in the process. We've been continuing to build out and really enable this transition. As a reminder, because ATS has a strong position in integration and automation and domain expertise, it really enables us to support our customers to drive actionable insights. Because customers look for, just beyond a dashboard, how they can really improve their process to then improve their output.

PA has really been enabling this and has positioned themselves as a strong leader in this space, which then positions for more data analytics and more AI. That's where Yazzoom really comes in. This business, we identified one of their AI based detections of anomalies in the data where it allows us to assess and do more predictive, so we can start to understand when things get out of sequence or out of spec and take action before the machine goes down. You're going to see PA and our total business continuing to build out capability around solution sets, around capabilities in this space, around specific actionable insights. We have launched PA Fax, which is a cloud-based solution set where customers can

now be part of. If you step back, ATS as a whole, we've made a shift to enabling our solutions, our products to be digitally enabled in the field. We're continuing down that progress.

If you then step back and look at AI within the business, it's impacting every aspect of our business. I can talk about it from a standpoint of how we operate to how we innovate to how we launch solutions. As a case in point example, we now are doing incoming inspection utilizing AI where we're testing incoming products or parts. We can understand, are they having abnormalities, are they starting to get out of spec, so we can notify the supplier that they're having an issue. Not only going to even our auditing process to identify where we might want to go deeper in auditing and really enabling our ability to maximize data, maximize the impact, to then innovation and launch, just a couple examples.

Very excited, and one of them I'll highlight is our Raytec business. They have now—they're working with two customers in Italy and have highlighted this at a trade show, Fruit Logistica, where they're now doing a 360 scan on peeled tomatoes and the challenge here is not a defect in the tomato. That's usually something that's fairly easy to identify. They're looking actually for peel fragments where it might not have gotten all the peel off the tomato itself and then kick it off to reprocessing. It really enables them to become higher value to customers, higher on the quality change, higher on the impact and utilizing technology and innovation with AI to bring a full solution set to market.

It is certainly something that we're invested in, focused on and really maximizing the impact in the space that we have, but it's early in its journey and so while we're pleased with our progress, there's a lot more to go here and we're excited about what the opportunity might present itself in the future.

Patrick Sullivan — Analyst, TD Cohen

Excellent. Thank you.

Operator

Thank you. The next question comes from David Ocampo, Cormark Securities. Please go ahead.

David Ocampo — Analyst, Cormark Securities

Thanks. Good morning, everyone.

Andrew Hider — Chief Executive Officer, ATS Corporation

Good morning.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Good morning, David.

David Ocampo — Analyst, Cormark Securities

I think everyone knows that GM raised some automation supply chain concerns with their battery pack assembly, and I think you guys touched on it briefly in your prepared remarks, but I was hoping you guys could share a little bit more details on how you've been able to mitigate supply chain issues, particularly as it relates to delivering EV projects on time, which you alluded to in your remarks.

Andrew Hider — Chief Executive Officer, ATS Corporation

Yes. Our business, and if we look at the supply chain, we are seeing some improvements here, and we've actually seen lead times come down. But David, as we've walked in the past, we identified supply chain as a real target years ago, and our teams went into really a proactive countermeasure mode, identifying where we might have a gap and starting to align around how to minimize that impact. We call it daily visual management where you basically look at the business on a total level, at a regional level, at a site level, where you can understand where you have an impact and whether it's electronic or mechanical part, and then determine where you minimize that impact. Our teams have done a really excellent job around minimizing this and turning it into a real advantage for ATS.

Now we are seeing supply chain start to ease. I would say we're not back to pre-pandemic levels, but it is moving in the right direction, especially on lead time. When we then look at the EV space, look, we're a proven leader in this space. We have a track record; we've done more than 100 battery lines to date and we continue to position ourselves and look to have high value for customers that are going to navigate launching new EV solutions in the market. Continued focus, continued monitoring, but certainly something that is on our radar.

David Ocampo — Analyst, Cormark Securities

Yes, that's perfect. Then just maybe a quick one for Ryan, if I take a look at your working capital, it's above that 15 percent threshold. Should we be thinking about any big cash flow collection milestones in the next quarter or maybe even two quarters from now to drive that lower?

Ryan McLeod — Chief Financial Officer, ATS Corporation

Well, so a couple things. You're right, our goal is to maintain that below 15 percent. We've talked about these large programs causing variability and certainly we've seen that in the uptick in this quarter. I would say we're going to continue to see variability in this metric at period end. Cash flows are coming in on these projects, but they're—with large projects come large billing milestones and if they fall in the week after a quarter end or the week before, that can drive a pretty dramatic difference. But all to say that the cash collection are ongoing and we don't see any issue but the variability we will continue to see just given the size of the programs.

David Ocampo — Analyst, Cormark Securities

Got it. That's helpful. That's it for me. Thanks, guys.

Andrew Hider — Chief Executive Officer, ATS Corporation

Thank you, David.

Operator

Thank you. The next question comes from Michael Doumet of Scotiabank, please go ahead.

Michael Doumet — Analyst, Scotiabank

Hey. Good morning, guys. Just to follow up on the supply chain discussion. I wonder if you can maybe talk about to what extent it's still weighing on margins, any way you can help us understand, how much they've improved so far, again versus last year, and then how much more to go get back to that desired margin level?

Andrew Hider — Chief Executive Officer, ATS Corporation

Yes. Good morning, Michael. There is still an impact and keep in mind a lot of what we do are projects which take 12 to 18 months to complete. The supply chain impacts that we've seen over the past year in terms of inflation and lead time, those are embedded in the work that we're executing today. We've talked about in the past our team's done an excellent job in implementing mitigation and working to overcome these challenges. But it is part of our portfolio today. I'd say as we see improvement and we talked about some incremental improvement, although generally we're still not near pre-pandemic efficiency in terms of lead times. But as we see that improvement, it'll take a quarter or two, it really depends on where we are in projects, but there'll be a bit of a lag before we start to see any sort of benefit in our margins from a return to normal supply chain environment perspective.

Michael Doumet — Analyst, Scotiabank

That makes a ton of sense. Maybe on the lead times, it feels like your peers are talking about, again, moderating lead times just like you did here. Which, again, I presume it helps the supply chain, it helps the margin profile. I wonder whether the normalization of lead times means we may see a normalization of your backlog as well as your burn rate over the next couple of quarters as customers may not have to order as in advance as they did before.

Andrew Hider — Chief Executive Officer, ATS Corporation

We haven't really seen that impact in our business. What we're doing for customers, people we've been asked around double ordering and things like that, that's not an issue. We're doing typically very

strategic projects where a customer's launching a new product or they're ramping up capacity and so not the type of item you're going to double order. From a lead time perspective, we've seen some extension of our project lead times due to supply chain, but we're also able to mitigate a lot of it through some of the tools that Andrew talked about when we're looking at daily visual management around lead times on specific components and having that knowledge early in a project allows us to order. Now, the challenge is that that takes away some ability for us to drive efficiency in supply chain, but it doesn't affect schedule as much as it does affect efficiency.

Michael Doumet — Analyst, Scotiabank

Perfect. Thanks for the color.

Operator

Thank you.

(Operator Instructions)

Our next question comes from Justin Keywood of Stifel. Please go ahead.

Justin Keywood — Analyst, Stifel

Good morning. Thanks for taking my questions. On the comments surrounding digital which I assume it involves the PA business, are you able to characterize the percentage of total revenue that would be classified as digital? Also, if I heard correctly in the opening remarks, ATS is searching for a

partner in digital. If that is true, what would the criteria be and what type of form could that look like? Thanks.

Andrew Hider — Chief Executive Officer, ATS Corporation

Yes, good morning, Justin. I'll start and Ryan can add. When we look at digital, it really is going to be in line with not only our PA business, but also our services impact. One of the challenges that we've often looked at is how do you characterize revenue from AI to digital to offering full services. We do characterize this within our PA and services business and we continue to see real opportunity for growth here. We've had nice progress throughout the year. We also see real potential for the future.

As far as partnering, we often look for partners around digital. We also look for future ads like Yazzoom and others to bring that value to the market and we have a focus around owning the floor. How we mean around that is the ability to extract, bring the data to an area where you can take action on the insight and then bring that value back into customers. Whether we own, whether we partner, whether we innovate to bring solution, we are constantly looking to move up that value chain for owning the production, owning the capability for customers. As a reminder, most sites with our customer base are brownfield sites, meaning they've been in existence and they look for solutions like what PA can bring to market, where they want to digitize a production floor that maybe doesn't have the ability to have a digital output and we bring that to market.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Justin, just on the first part of your question, so in terms of software digital revenues, it's in the lowest single digit percentage of our overall revenue base today.

Justin Keywood — Analyst, Stifel

Would that be close to software as a service revenue or SaaS?

Ryan McLeod — Chief Financial Officer, ATS Corporation

Yes. Short answer is yes.

Justin Keywood — Analyst, Stifel

Okay, great. Then just on M&A, if you can provide us an update on the funnel target segments that you're looking at, any changes in multiple, and then also I believe Ryan mentioned the net debt to EBITDA in bringing that up potentially for a quarter or two on M&A and what that could look like. Thank you.

Andrew Hider — Chief Executive Officer, ATS Corporation

Sure. I I'll take the first part and then Ryan can walk through the second. Look, our funnel remains healthy and it has a good mix of small, medium, and large deals. One of the things that we've really been lining up and you know, the ABM has helped here is, is our process around when we identify to driving to the ability to either move forward or not, and really enabling that continuous improvement on cultivation as well as assessment. Our funnel remains healthy. As you know, we have a focus on how it’s cultivating; we are always cultivating and looking for technologies and IP in the spaces that we view are high

consequence of failure and whether it's life sciences or digital or capabilities that go across platforms, we are actively continuing to look into the market and continuing to build relationships. That said, we're disciplined and we're going to continuously be disciplined around ensuring that it has high value for our customers and our shareholders and making sure we maximize that value.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Justin, in terms of leverage, so we've talked about two times to three times range for leverage. We would be open to exceeding that in the short term. Three and a half potentially, but that would really depend on the asset and their profile and where we see short term working capital needs for our business. I don't want to put a definitive number out there, but it's something we would consider in the right circumstance.

Justin Keywood — Analyst, Stifel

Understood. Thanks for taking my questions.

Andrew Hider — Chief Executive Officer, ATS Corporation

Thank you.

Operator

Thank you. The next question comes from Sabahat Khan of RBC Capital. Please go ahead.

Sabahat Khan — Analyst, RBC Capital Markets

Great. Thanks, and good morning. Just a question on a larger push towards after sales service and Illuminate in the current environment, can you maybe talk about your go-to market strategy with getting more customers to activate that software and how you're pushing the aftersales service element just broadly and does that evolve as the macro backdrop evolves? Thanks.

Andrew Hider — Chief Executive Officer, ATS Corporation

I'll answer that almost going backwards and our view is it does magnify. As things become potentially uncertain, we do view services, we view the digital capability as enabling our customers to really maximize their assets in the field. We do view this as real opportunity and a continued opportunity that we can bring high value to. As far as the digital approach and how we're positioning it, we have launched tools like Demand Generation, Lead Generation. We have launched tools like Value Selling and really identifying where customers see that the most significant value. Personally, I've been on calls with customers where they'll often talk, we don't just want a dashboard anymore, you have to help us implement solutions. We do that very effectively and we've actually acquired a business I've talked about in the past called BLSG, where we take that insight and we help them implement the solution.

I do want to come back to your statement around Illuminate, and I just want to remind that Illuminate is an on-prem solution and our PA Fax is in the cloud. We're continuing to push in the cloud. It's obviously an area that both have a lot of potential, but we can offer both to customers whether they need to be on-prem or in the cloud and really maximize that performance, maximize the usage of data to improve process.

Sabahat Khan — Analyst, RBC Capital Markets

Great. Then just one on end markets; transportation's obviously become a big part of the mix, but now you're seeing growth in spaces like life sciences and so forth. Twelve, 24 months from now, what do you envision your end market mix looks like? Or does it more—do you think it evolves more and it's unclear at this point? Just curious based on the discussions you're having and where you're seeing the demand indicators, what that mix could look like one, two years from now. Thank you.

Andrew Hider — Chief Executive Officer, ATS Corporation

Yes. It's always hard to predict the percent of HS. We like the spaces we serve; we like the areas we serve, and if I can just walk through them. Life sciences, I characterize as a strong funnel and we're seeing real opportunity in areas, auto injectors, contact lenses, pharma, radiopharma, and we're continually launching new solutions in this space that have real value and high value to customers. It's hard not to reference the symphony platform. I was with the innovation team yesterday going through and they're using AI to bring solution sets around an area of auto injectors where they can identify defects early on so you don't continue to add value in the production process. We see a lot of areas that we can continue to expand and we see growth in the market itself. Life science is going to be a continued focus for us.

EV or transportation, more specifically EV, look, this is an area that we continue to see opportunity and I've talked about this with the demand and need for production to meet the market space and launching new vehicles. We see our funnel is healthy here. It is going to be more variable in that these are large programs, large projects, often starting with a pilot going to production over a period of time; and

food and beverage, pleased with the progress. We like this space. I talked about our business Raytec with optical sorting. We see continued opportunity here.

Then just to round this out with energy and nuclear, the change for nuclear being a greener energy and alignment to not only refurbishment but small module reactors is seeing real opportunity for HS. It is a niche capability within our group, and it's one that we view we can offer high value for our customers, both on the initial as well as serving and supporting. Overall, we like the mix, we like the area of focus and we're going to continue to drive both organic and potentially inorganic growth in the spaces that we view have long-term value for our shareholders.

Sabahat Khan — Analyst, RBC Capital Markets

Great. Thanks very much.

Operator

Thank you. There are no further questions. I will turn the call back to Mr. Hider for closing remarks.

Andrew Hider — Chief Executive Officer, ATS Corporation

Thank you, Operator. We look forward to pursuing ongoing value creation in fiscal '24. We believe that our capabilities align well to the long-term trends driving the need for our solutions on a global basis. If you haven't already done so, I encourage you to register for our institutional Investor Day on September 6 in New York. There you'll hear directly from members of the ATS Executive team on corporate strategy, our growth opportunities, key business groups, and our financial value drivers. More immediately, we also

invite you to participate in our annual and special shareholders meeting, which will be held virtually tomorrow, beginning at 10:00 AM Eastern time.

Otherwise, I look forward to speaking to you on our Q2 call in November. Thank you for joining us today. Stay safe and goodbye for now.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.