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Earnings Call

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CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

Call Participants

EXECUTIVES

Andrew P. Hider

CEO & Director

David Galison

Head of Investor Relations

Ryan McLeod

Chief Financial Officer

ANALYSTS

Cherilyn Radbourne

TD Cowen, Research Division

David Ocampo

Cormark Securities Inc., Research Division

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Maxim Sytchev

National Bank Financial, Inc., Research Division

Michael Doumet

Scotiabank Global Banking and Markets, Research Division

Michael W. Glen

Raymond James Ltd., Research Division

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Presentation

Operator

Welcome to the ATS Corporation Fourth Quarter Conference Call and Webcast. This call is being recorded on May 16, 2024, at 8:30 a.m. Eastern Time. Following the presentation, we will conduct a question-and-answer session.

I'd now like to turn the call over to David Galison, Head of Investor Relations at ATS. You may now go ahead.

David Galison

Head of Investor Relations

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 call over to Andrew.

Andrew P. Hider

CEO & Director

Thank you, David. Good morning, everyone, and thank you for joining us. Today, ATS reported our fourth quarter and annual results. For the fiscal year as a whole, ATS drove profitable growth supported by the highest revenues and earnings in company history. In the fourth quarter, we delivered one of our strongest bookings quarters on record, along with record revenues. Adjusted earnings were in line with our expectations.

Our value creation strategy is being advanced as we completed 4 acquisitions during fiscal '24 and continued to invest in innovation, increasing our patent portfolio by almost 10% over last year. In addition, we have been active with our share buyback program since late March, having deployed \$45 million to repurchase just over 1 million shares.

The results reported today reflect the importance of deploying our strategy in our chosen markets, along with our team's commitment to the ABM as we drive continuous improvement throughout our global operations. This morning, I will update you on the business and our markets, and then Ryan will provide his financial report.

Starting with our financial value drivers. Order bookings for the quarter were \$791 million, supported by organic growth in life sciences, food and beverage and energy. The underlying trends driving demand for ATS solutions remain favorable. For the full year, bookings were \$2.9 billion. Q4 revenues were \$792 million, up 8% from Q4 last year, including organic growth of 4%, along with our first full quarter of Avidity results.

For the full year, revenues increased by 18%. Adjusted earnings from operations in Q4 were \$96 million. Full year adjusted earnings were \$398 million up 16% compared to fiscal '23.

Moving to our outlook. Our backlog remains strong at \$1.8 billion. By market, Life Sciences backlog was \$871 million, 14% higher than Q4 last year, supported by wins across all of our major life sciences businesses, including wins in auto-injector assembly, automated pharmacy, radiopharma and pharma.

Our life sciences opportunity funnel is strong, supported by market growth in key areas, including increased demand for GLP-1 drugs, wearable devices, automated pharmacies and contact lenses. Our teams continue to offer and deliver integrated solutions to our customers from across the breadth of our life sciences operations.

To give context on the GLP-1 opportunity for ATS, revenues from auto-injector orders represented a low single-digit percentage of fiscal '24 revenues. However, with the auto-injector orders currently in our backlog and additional customer orders, we expect this to move towards a high single-digit percentage of total revenues over the next several years as demand grows for GLP-1 drugs and associated drug delivery solutions.

Additional growth drivers include potential approvals for new applications such as cardiovascular disease, combined with improved consumer access for GLP-1 drugs. In transportation, backlog was \$425 million, reflecting our ongoing execution of large programs won in the prior fiscal year combined with expected variability of program awards.

We expect to see year-over-year pressure on EV revenues as we continue to execute on our backlog. Our sales funnel and transportation reflects short-term market uncertainty as we have seen some opportunities move further out into the future. Our near-term funnel contains smaller opportunities relative to the size of the order bookings we've seen over the past 24 months. Longer term, the fundamentals remain intact, and we are well positioned to compete as the market continues to evolve.

In Food and Beverage, Q4 bookings were strong, and our ending backlog was \$230 million. We typically experience seasonal variations in bookings and revenue in this vertical related to primary processing as customers place orders ahead of the harvest season. However, the team continues to drive diversification into secondary processing and packaging, digitally enabled applications as well as its customer base to offset some of this variability.

To complement ATS' food and beverage offerings in packaging and end-of-line solutions, yesterday afternoon, we announced an agreement to acquire Paxiom, a global provider of primary, secondary and end-of-line packaging machines in food and other industries, headquartered in Montreal.

In energy, our funnel is strong, with a focus on refurbishment of existing nuclear reactors where new projects in Canada and around the world are being approved and moving towards implementation. We also have opportunities to serve customers as they build new reactors, including SMRs over the long run.

With our experience, specialized skills and proven track record in these markets, ATS is well positioned to support customers in our area of expertise. In Consumer Products, our funnel remains stable with niche opportunities in areas such as warehouse automation and consumer packaging. On after sales services, the value of our offerings to customers is clear. Customer proximity and speed of response are critical. Our service teams are focused on delivering complete life cycle solutions, including spare parts and digitally enabled services to help our customers improve their overall equipment effectiveness.

In addition, as we build momentum on higher value offerings, we drove some early Performance-as-a-Service solution wins. On our digital offerings, our funnel is strong, and we are focused on developing capabilities for our customers to utilize an integrated architecture and analyze data in an efficient manner to drive performance and value across all markets that we serve.

During the quarter, a global consumer products customer award ATS with a contract to build and service a global IoT platform. On ABM, we hosted our annual President's Kaizen events. This year's events focused on a variety of improvement areas, from new product launches to how we respond to customer inquiries for aftersales services as well as automating several manual processes to create efficiencies in how we process transactions.

The President's Kaizen week is a great demonstration of our team's collective drive for breakthrough change. The level of work we completed in a single week is a testament to the evolution of our ABM culture over time. ABM activity show strong engagement, and we measure and monitor our success to identify areas for ongoing improvement and deployment of our tools across the organization.

I'm particularly encouraged by the ongoing rollout and ABM adoption by the team at Avidity as part of our integration activities. On M&A, our funnel is active, healthy and diversified across a range of target sizes. We continue to be actively engaged in cultivating opportunities of various sizes that fit with our strategy. The acquisition of Paxiom, which we announced last night, is expected to close in the coming weeks, subject to customary closing conditions.

We are disciplined in our approach and assessment of each target, and we continue to drive integration activities at our more recently acquired businesses. Integrations are progressing in line with our expectations. On innovation, we are committed to investing capital strategically to create solutions that drive returns.

A few highlights from the quarter. In Life Sciences, our teams developed a new solution called Modulis to be used for miniaturized diagnostic devices. Modulis uses BioDto dispensing stations integrated with ATS SuperTrak conveyance platform and our Cortex vision system. Also in Life Sciences, our Comecer team has developed new innovations to address GMP Annex 1 requirements related to the manufacture of sterile medicinal products.

Finally, we are pleased to report that our PA Facts platform is the basis for a newly launched customer portal in IWK as well as for Marco Insights, a digital dashboard and machine benchmarking platform. PA Facts, which is our cloud-based IoT OT platform, also houses an energy management solution and several other increasingly scalable IoT offerings to support our customers across multiple industries.

In summary, Q4 and full year performance illustrates our continued progress as we execute on our strategy. Along with our financial results, our teams are focused on driving improvements across all of our value drivers. In fiscal '24, we saw continued strength in on-time delivery and quality, increase our internal fill rate and reduced our voluntary turnover.

We continue to be recognized as an employer of choice. We are recently included on the list of Southwestern Ontario's top employers for 2024. As we drive forward in fiscal '25, our opportunity funnel is well diversified, and we look forward to welcoming Paxiom to the ATS portfolio.

We are confident in our ability to drive our ABM culture as we continue to focus on creating shareholder value.

Now I will turn the call over to Ryan. Ryan, over to you.

Ryan McLeod
Chief Financial Officer

Thank you, Andrew, and good morning, everyone. ATS delivered solid financial results this quarter, and we finished the year with a strong balance sheet in backlog that provides good revenue visibility for fiscal 2025. Starting with our operating results for the quarter. Order bookings were \$791 million, up 7.3% compared to Q4 last year.

Year-over-year growth was led by Life Sciences with strong organic growth in bookings as well as contributions from our recent acquisitions, including Avidity. Our trailing 12-month book-to-bill ratio at the end of Q4 was 0.95:1. Excluding transportation, our trailing 12-month book-to-bill ratio was 1.12, with all other market verticals above 1. Q4 Revenues were \$792 million, up 8.3% over Q4 last year, driven by an increase in life sciences revenues of 15.6%.

Organic revenue growth was 3.5% in the quarter, while recently acquired companies added approximately 5% growth. Revenues were higher than we had expected at the outset of the fourth quarter as our teams were able to offset headwinds from the delayed EV projects with incremental site support work complemented by strong execution in our Life Sciences business.

We finished Q4 with just under \$1.8 billion of order backlog. Looking ahead, our revenue conversion for Q1 is estimated to be in the 36% to 40% range of order backlog. As a reminder, this assessment is updated every quarter based on revenue expectations from existing backlog and new orders booked and billed within the quarter.

This conversion range also factors in the impact of approximately \$150 million of transportation order backlog with one of our EV customers that remains delayed. For fiscal '25, despite expected lower revenues from EV, our business is well positioned to drive top line growth in our other markets including our largest market, Life Sciences. We expect this growth, combined with the addition of Paxiom to largely offset reduced volumes from EV. If the EV program on hold restarts, this would be additive to our expectations.

Moving to earnings. Q4 adjusted earnings from operations were \$95.9 million, down 6% from Q4 last year, primarily due to an increase in SG&A costs. Q4 gross margin, excluding acquisition-related inventory fair value charges, was 28.1%, down 71 basis points from Q4 last year, primarily reflecting some lower margin projects in the quarter compared to last year.

We consider this to be a short-term issue and expect improvement in our gross margins going forward. In the quarter, we were able to mitigate the majority of impacts from the delayed EV order backlog, and we continue to work with one of our EV customers as they solidify their battery design and realign their production schedule.

On supply chain, we are starting to see improvement in lead times, although these improvements will take a few quarters to work their way through our backlog. As a reminder, lead times on specific components have impacted our ability to drive margin expansion. Material cost pressures continue to challenge in some areas of the business, driven by higher raw material costs for our suppliers. We're actively managing and working to offset these pressures through our supply chain levers.

Moving to SG&A. Excluding acquisition-related amortization and transaction costs, Q4's SG&A was \$122.7 million, \$17.9 million higher than last year. The increase reflected incremental SG&A expenses from our acquisitions.

Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was \$4.2 million in Q4 consistent with Q4 last year. EPS was \$0.49 in Q4, up 53% over last year. Our adjusted EPS was down 11% to \$0.65 in Q4. In respect of our previously announced reorganization plan, in the fourth quarter, we incurred \$6.6 million of restructuring costs, bringing the total to \$22.8 million for the full year.

We expect that these targeted cost reductions will allow us to invest further into accelerating growth in areas of the business that provide opportunity for higher returns in support of our strategic growth plans. Q4 costs also included additional actions related to cost control measures within our EV business.

Moving to the balance sheet. In Q4, cash flows generated by operating activities were \$9.6 million. As noted in prior quarters, our operating cash flows can fluctuate between periods based on current progress billings of our larger projects, particularly in EV.

Noncash working capital as a percentage of revenue was 19% at the end of Q4, up from 17.8% at the end of Q3. This was primarily due to an increase in working capital from project milestones and billings on our large EV programs. In the short term, we expect working capital to remain above our 15% target as we work through our existing backlog.

Total year-to-date investments in CapEx and intangible assets were \$88.4 million which included \$25.9 million in Q4. For fiscal '25, our CapEx investment is expected to be in the range of \$70 million to \$90 million. On leverage, our net debt to adjusted EBITDA ratio was 2.4:1 as of the end of Q4, down from 2.7x last year. This remains in line with our targeted leverage range of 2 to 3x net debt to adjusted EBITDA.

As Andrew noted, we were active on our share buyback program as part of our overall capital deployment strategy.

In summary, our quarterly and annual performance highlighted the strength of our diversified and evolving portfolio and our positions in strategic end markets.

Bookings growth in life sciences and other market verticals provided some offset to the more measured pace of activity in the EV space compared to last year. Strong order backlog in our key markets,

particularly Life Sciences, provides good revenue visibility through fiscal '25, and we look forward to closing the acquisition of Paxiom in the coming weeks.

Overall, we're pleased with the performance of our business. The ABM remains at the core of how we operate, and we are confident in our team's ability to continue to drive long-term value creation for our customers and our shareholders.

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

Question and Answer

Operator

[Operator Instructions] Our first question comes from David Ocampo from Cormark Securities.

David Ocampo

Cormark Securities Inc., Research Division

I guess my first question, Andrew. I mean, the large enterprise EV program that you have was reduced by \$50 million. And you guys have made some pretty significant investments over the last few years to support that program in terms of investments and even working capital. Curious if there's any recourse for the adjustments and delays to your customer?

[Technical Difficulty]

Ryan McLeod

Chief Financial Officer

So -- sorry, you asked me the cancellation. So under the terms of the contract, customers are responsible for compensating us up into the point of when the work is stopped and canceled. So to call it a normal course scope change and this happens fairly regularly in our business. So in terms of investment, I mean, I think you identified it, it's primarily working capital. And our expectation is we'll cover that as part of this cancellation.

David Ocampo

Cormark Securities Inc., Research Division

Got you. Got you. And I guess, curious if you see any potential risk of a further reduction, just given the ongoing softness that we're seeing with EV demand?

Ryan McLeod

Chief Financial Officer

Well, I mean that's not our expectation. In addition to the descope that happened in the quarter, the net overall program continued to increase. The piece that was descope or canceled, it was in the design phase. So fairly early on. And so from a customer investment standpoint, it was a, call it, an easier decision to make that change. But I mean, I don't expect further cancellations that -- normal core scope changes that happens and that's happened more frequently in EV, but you are right, cancellations, as I think we've talked about it in the past are unusual.

David Ocampo

Cormark Securities Inc., Research Division

Okay. And then my last question, Ryan, is probably better suited to your RD, but net working capital was pretty blurred in the quarter at, I think, closer to 19%. And I understanding a lot of that has to do with timing of payments as it relates to EV, are there any milestone payments that we should be aware of over the next few months that could push that working capital to more normal levels?

Ryan McLeod

Chief Financial Officer

Yes, there are. But I mean, we've seen maybe first -- some of those are going to push out into further quarters, and they're based on the restart. And then normal course, as projects are getting finalized and ramped up, we'll start to see those milestones I mean more it's going to be into the Q2, Q3 time frame, but we are approaching those milestones.

Operator

Question comes from Michael Doumet from Scotiabank.

Michael Doumet

Scotiabank Global Banking and Markets, Research Division

Just curious on why the commentary on the revenue outlook excludes the revised EV order. Is it just reflecting of uncertainty around timing? And then on the commentary on the outlook, as far as the transportation funnel, your outlook indicates that some of the large orders, effectively not all of the large orders have moved further into the future. I mean, is there an expectation that you could potentially close another large order in the near term?

Ryan McLeod

Chief Financial Officer

So I'll start. It really -- we've taken that out of our expectation really just time to time. It's something and Andrew maybe talked about it, it could restart in Q1. We're staying very close with the customer. But we've taken it in our outlook because there is uncertainty around that timing. And I'll let Andrew talk about.

Andrew P. Hider

CEO & Director

Yes. And to add on to that, Michael. So there's 2 key areas that this customer is focused on. And it is the customer indication of when this will restart, but there's 2 key areas. First, it's really around the battery technology that they plan to move forward with. And then second, end market demand. And so we obviously have very, very frequent ongoing conversations, both on the work we're involved in as well as this application. So we took it off and it will be largely offset with growth in other areas. And so we're setting the business up really around the timing of the business in this program. And if the delay comes back online, it will be additive to our expectations.

As far as your second part of the question and the business and the market, just a couple of comments on this. First, we won't work in the quarter, and we continue to engage customers. We do view their approach is going to be a bit more measured in the short term, measured means they're looking at their technology, they're looking at their market demand and really aligning their expectations that are on invested for that. And so we continue to see opportunities. We've set the business up and we can be patient in the situation we sit in today.

We've taken the right action to set ourselves up, and we continue to see strength in other parts of our business. So long term, when we step back and look at EV, the market is slated to grow, call it, double over 2.5 years, 2 to 2.5 years. And ATS has strong value, and it is an organic area of focus for us. So relatively muted there, relatively low investment, strong return. And we take that return and put it in other areas of the business and continue to grow.

Michael Doumet

Scotiabank Global Banking and Markets, Research Division

Very helpful, guys. And then for the next quarter, should we expect somewhat of like a similar margin impact given the deferral so far? And maybe just a high-level question, assuming declines in transportation, how are you guys thinking about managing labor and overhead in the near term to shield yourself some potential margin variability given that the outlook still kind of remains potentially quite favorable in the longer term?

Ryan McLeod

Chief Financial Officer

Yes. So we've aligned the business, our cost structure to meet the current levels of demand. And that said, we're always going to monitor and if further adjustments are required, we'll do that. In terms of our margin outlook, part of how we were able to offset the headwinds in this quarter were tied to onset support work, and that work is continuing. And we do expect that to tail off again as these projects get ramped up on say to customers.

In the fourth quarter, I did talk about some lower margin programs that impacted our gross margin, gross margin -- sorry, those are largely behind us. And from an SG&A standpoint, sequentially, we had a little bit of additional spend really tied to people costs, and that will be more normalized through next year. So from a margin standpoint, we don't expect any headwinds going into next fiscal year.

Operator

Our next question comes from Joe Ritchie from Goldman Sachs.

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

Can we just touch on -- can we touch on the auto-injector ramp over the next several years getting to high single-digit portion revenue? I just want some clarification on that. Is there an expectation that in fiscal '25, you'll get there? And if not, maybe just talk to us a little bit about like how you expect that ramp to go in the coming years?

Ryan McLeod

Chief Financial Officer

Yes, Joe, so I'll start. So this has been the last couple of quarters, high single digit, low double-digit percentage of our overall bookings. So it's been a strong area of growth for bookings. We've started -- these programs, there are 12 to 14 months kind of on average. So we're getting into higher revenue phases. And so we're going to see that revenue contribution move from where it was in '24 low single digits up into that high single digits in quarters when we'll get into double digits. But that's how the backlog to revenue is going to unfold.

Andrew P. Hider

CEO & Director

And Joe, just to add a little bit more color on this area of this space. And I know I walked through it in my prepared remarks. We're double-digit customers in this area, strong offering with strong capability. And as a reminder, we've invested in this space and continue to invest in this space.

And we've been here or even with the EpiPen, call it, 2 decades. But we've launched with our Symphoni platform, the ability to be up to double the output of the standard process and half the footprint. So strong capability for customers that are moving into the space and/or have gained approvals. And when we see areas like cardiovascular disease or even continued approvals around GLP-1, it really is an area for strive for ATS.

Now all that said, we have many areas that we like in the life sciences space, whether it's radio pharmaceuticals or wearable devices or even in the last couple of quarters, we had strong awards from contact lenses. So we see strong tail on GLP-1 drugs and the auto-injector space and the approvals this year are actually outpacing last year. And so we see for the foreseeable future, this being a strong area of focus for ATS.

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

Got it. That's helpful. And then I guess my second question, I really want to focus on free cash flow. And just given that there was an outlay in free cash flow this past year, how do I think about this framework going forward? I know you guys have talked about net working capital getting down below that mid-teens percentage? But help me understand what the expectations are for 2025 or fiscal year '25 and then beyond?

Ryan McLeod

Chief Financial Officer

Yes. So I mean, the biggest impact on our free cash flow in '24 was working capital, and that's tied to EV. And we talked to it in the past are being higher variability given the size of these programs. And as we're

getting into latter stages, the question -- a similar question was asked, but we are going to see some of those milestones towards the middle to Q2, Q3 of our fiscal year this year. So our goal, as we talked about is to be in that 15% below range.

We've had some inventory build inside of the specific EV area, but they're pretty small overall. AR collections have continued to be quite strong. The biggest driver has really been in that EV space. As the business, I'll say the portfolio shifts into next year, we're going to see -- and we talked to a larger contribution from life sciences, from our food and energy businesses, we will see that reflected in lower working capital. But as I said, it's going to be tied to EV milestones and likely in the Q or the second half of the fiscal.

Operator

Our next question comes from Michael Glen from Raymond James.

Michael W. Glen

Raymond James Ltd., Research Division

So there's a lot of moving parts taking place in the quarter. But I'm just really interested. Could you give some updated commentary surrounded your target for 15% adjusted EBIT margin? I know there is no time frame for this, but would you say this is still within reach? Is it being pushed out? Just trying to get some indication as to that particular metric?

Ryan McLeod

Chief Financial Officer

Yes. I mean -- so absolutely, that's our target. That goal's unchanged. And I mean I'll start with our operations. We've got a number of initiatives. They're well embedded in our business, and they've served us particularly. They served as well. The supply chain, that's been an area that's performed very well even in challenging conditions over the last call it, 18 months.

We're continuing to make good progress in our aftersales business -- after sales service business, which is accretive. Other areas of focus such as standardization are continuing to progress and standardization is an interesting one, I mean. Andrew mentioned that the Symphoni platform which is the standard technology platform network we are utilizing in the auto-injector space. I mean that's a great example of how our team has identified a core technology, standardizing and really driving efficiency through the engineering process, through the assembly process.

So all of those initiatives are, I guess, well embedded. We're managing our SG&A spend. It's -- we're investing in growth areas. We've reduced spend in other areas. And we talked about the organization activities we undertook this year. All that said, there is the EV headwind in the short term from a revenue standpoint. But again, we do expect the growth in our other market verticals to largely offset and support continued margin expansion.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. And I'll ask one on the EV as well. The \$150 million in delayed. Is that -- where is that right now? Is that sitting in your bookings? Or is that contained in working capital? That's the \$150 million of delayed work?

Ryan McLeod

Chief Financial Officer

So the \$150 million is a backlog number, and it is in our backlog. Again, it's contracted. So we haven't removed it from the backlog number, but we have to taken that to our revenue expectations for the year. There's a working capital impact tied to that, but it's small. It's much smaller than the \$150 million.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. And the working capital build that we're seeing right now, like as you've said, that is really tied to EV. All the other verticals remain largely where you would want them to be.

Ryan McLeod

Chief Financial Officer

Yes, that's correct. That's correct. I do -- I would point out some of the acquisitions also changed the profile. I mean not in a material way, but Avidity, for example, is a high teen, low 20% working capital intensity business. Paxiom is more in line. It's not obviously not part of our business yet, but it's in the mid-teens. But some of those shorter-cycle businesses typically do have more inventory that's carried in the business.

And so there'll be areas of opportunity to improve those metrics. But from a portfolio, those do drive a bit of a shift over time.

Operator

[Operator Instructions] Our next question comes from Justin Keyword from Stifel.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Just on the margin contribution of projects, how should we be looking at GLP-1? Is this at about the same level, higher or lower?

Ryan McLeod

Chief Financial Officer

So at the gross margin line, it's largely in line with our life sciences business, Justin. That's typically ahead of where we are from a corporate average standpoint. They're not materially different from the life sciences portfolio.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Okay. Understood. And then on the Paxiom acquisition, 19% EBITDA margins, that's much higher than the food and beverage space as the portfolio sits today, I think it's around 10%. Is there anything unique that Paxiom is doing to drive that higher margins? And also, is there any synergy opportunities with that acquisition?

Andrew P. Hider

CEO & Director

Yes. So Justin, a couple of items. First, and I want to highlight, we've seen nice progress on the packaging and food technology portfolio. And as a reminder, CFT was low single digits, and the team is really actually actuating the plan not expanding that. So proud of the work being done.

But Paxiom really aligns well with what we view is longer term on a margin perspective. And just to give you some insight, the business is a very strong brand with the customers they serve. It's highly valued in -- not only in the solution, but their capability for servicing and supporting their customers.

And so when we went through the diligence process and we appealed and really dug into understanding their customer engagement, they have a very strong brand, a very strong name in the space they serve. And so we're pleased that they've decided to join the team.

We've been actually scouting this for, call it, close to 2 years, actively engaged for over a year around the cultivation activities. And as far as synergies goes, this fits great in line with our business. And first and foremost, it's an offset to seasonality around the harvest season.

This is -- it's primary and secondary packaging, which fundamentally means that you're in line on the packaging process. And whether it's Marco, NCC, CFT, Comecer, IWK, it's squarely in line to offer and at

higher value as we look at the adjacencies around those spaces. So first and foremost, we need to close and have them ad, but I'm very excited about this business being a part of the future for ATS and what it will offer from both a synergy and capability perspective.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Understood. That's very helpful. You answered one of my questions, Paxiom being a cultivated deal. Could you also describe your pipeline for additional transactions if it would be focused in food and beverage or other segments? And any other indication as far as target multiples and size of transaction.

Andrew P. Hider

CEO & Director

Yes. So if we step back, and I actually talked a little bit about this in the prepared remarks, but to put more meat on the bones here, the funnel is healthy and our teams continue to cultivate.

And if you look at the areas we target, we often use the phrase high consequence of failure. And it aligns well with regulated spaces, but also spaces that customers value and often niche applications. So you're going to see us targeting and continue to target life sciences applications, food safety applications, digital and services applications around really where we view high value for customers and ones that we can help support and drive synergies and take our supply chain capability and reduce their cost structure or help them reduce their overall spend to drive improvements on the bottom line.

So we've seen our funnel continue to grow, be a key area of focus. Multiples have not largely changed and targeted areas. As we continue to evolve our portfolio, we see future opportunities and Paxiom being just one of those where we think we can continue to expand upon.

Operator

Our next question comes from Patrick Baumann from JPMorgan.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Maybe just a first one, if you could help us understand mechanically why backlog was down \$100 million or so from the third quarter when the book-to-bill was 1x. And I know you mentioned something about like \$50 million of de-scoped business in that EV contract, but the decline sequentially was a bit above that. So just wondering if you could give us some color on why that was?

Ryan McLeod

Chief Financial Officer

Yes. Patrick. So that was the biggest impact was that EV cancellation. There were some other normal course scope changes, content gets removed, stations, capacity changes, things like that. There was actually 2 cancellations tied to acquisitions. Now these are smaller dollars, but businesses that were acquired and projects on hold that I would call a little bit more unusual, but the rest is really normal course.

There were some FX headwinds in the quarter as well. I mean, it's a mixture of things. But overall -- and we said it, we're in a good position with our backlog despite that delayed project.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Okay. And then my follow-up is on the 2025 outlook for flat sales. What do you expect the EV sales to be down for the year? I'm just trying to get a sense of how much growth you would need in the other markets to offset it? And then if you could talk about how it profiles because you're sort of guiding, I guess, first quarter down about 10% year-over-year. So just wondering when you expect the growth rate to flip positive to offset a slower start?

Ryan McLeod

Chief Financial Officer

Well, from a book-to-bill standpoint, that's probably the best indicator. So as we talked about the life sciences was in the 1.13 area on a trailing 12 months. Transportation was 0.58, consumer food, both 1.06, and then energy was 1.4. So organically, I mean, directionally, that's how to think about it. Given project progress where we are in the various markets. We do see a bigger ramp in the second half on revenues relative to the first.

And of course, that's going to be impacted by what we book over the next couple of quarters and then also by service revenues and in the shorter-cycle businesses that we have as well. And the other piece on transportation, I mean these projects are typically 18 to 24 months. So it's not exactly a normal annual book-to-bill cycle. But the rest of the business is -- that's the way to think about it.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

And transport being 18 to 24 months, I guess, you're just signaling that not to take the full book-to-bill impact into account for '25. Is that what your message is on that?

Ryan McLeod

Chief Financial Officer

Yes. We've said in another way, there's more time from a backlog and funnel perspective to replenish that business.

Operator

Next question comes from Maxim Sichak from National Bank Financial.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Andrew, maybe just one kind of high-level question. As we've seen a couple of protection measures being implemented in the U.S. when it comes to tariffs on Chinese EVs, syringes, that type of stuff. Just curious from a sort of a secular positioning perspective, how do you think these potential actions could be presumably positively impacting ATS down the road?

Andrew P. Hider

CEO & Director

Yes. Max, whenever there's a regulation around driving North America and European focus, it's -- it largely plays a positive for automation. And we would see this as no different. And whether it's onshore supply chain derisking meeting or driving regulation, it pulls in process around building manufacturing in a region that we have a strong position within.

And then what you'll generally find is labor shortages, labor cost, leaning heavier with automation. So we would largely see it as favorable for ATS and really strong value from what we offer for our customers.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Yes. Makes sense. And then my last question is maybe when you look at potential choices between NCIB versus kind of doing M&A because I mean you bought stock at an average, I think it was at \$45 a share. How do you think about what makes the most sense now? I mean, like obviously, I understand that every opportunity is idiosyncratic. But like what is your framework of thoughts around these 2 capital allocation strategies?

Ryan McLeod

Chief Financial Officer

Yes. So I don't think -- so Max, so in the past, we have been active. And I'll start with what we've done. So on the NCIB, we've been active repurchased just over 1 million shares deployed about \$45 million in capital. So roughly \$44 of shares is what we've been buying at what, we purchased over the last 6, 7 weeks now. And then we've also been active on M&A. So it's not really more choice. Now the NCIB is really -- we view it as opportunistic. So we don't have a set allocation in our annual planning. It's opportunistic.

It's something we regularly review with the Board from a priority perspective, M&A is going to typically take higher priority. And that's how we look at it. Of course, internal investment is also something that we're very active in funding and Andrew talked about a lot of the innovation activities that are ongoing. But that's really our approach and how we're thinking about it.

Andrew P. Hider
CEO & Director

And Matt, just to add on. Look, we are very aligned. And again, it's ongoing dialogue with the Board, internal investment, greatest return, to Ryan's point, M&A and share buybacks obviously, we aren't in a position to be able to do both. And we continue to drive a focus on capital allocation to return to shareholders.

Operator

Next question comes from Cherilyn Radbourne from TD.

Cherilyn Radbourne
TD Cowen, Research Division

I guess digging through some of the noise in the quarter, what I think you're saying is that basically notwithstanding the weakness in the EV market. You think that the strength ex EV plus the acquisition of Paxiom will enable you to deliver revenues that are basically flat to up slightly in fiscal 2025. Is that a fair statement? And if it is, can you just give some indication of the level of visibility that you have in those EV market?

Ryan McLeod
Chief Financial Officer

So Cherilyn, I'll start on just to clarify. So we said largely offset, which certainly, we're going to drive for upside. But at this point, I'd say we're comfortable that we can largely offset the EV headwinds through the growth in other parts of the business and with the addition of Paxiom and a full year contribution, from Avidity, which is the other larger, more recent acquisition.

Andrew P. Hider
CEO & Director

And Cherilyn, to add on the second part of the question. Look, this is the third largest booking quarter in our history. And if you look at the year, life sciences, strong performance, 1.13, and Ryan walked through these. But overall, we're pleased in the markets we serve and know that the targets were to continue to drive expansion and really alignment to value those areas of focus.

So the -- end of the quarter, setting up for fiscal '25 really aligned to driving expansion in the markets that we do have high value.

Cherilyn Radbourne
TD Cowen, Research Division

Okay. And so if we think about that, then the revenue mix by end market should shift favorably in fiscal 2025. We've got supply chain lead times input so you should be able to get some purchase efficiencies. And then presumably, you have continued aftermarket growth. So if we sort of combine all of that, is there any reason to think that margins shouldn't be sort of flat to better in fiscal 2020?

Ryan McLeod
Chief Financial Officer

I mean you characterized it well. Yes, I mean, like I said, our long-term goal is margin expansion in a year where top line is going to be challenged. A flat margin we would be fine with. But our focus is on long-term margin expansion.

Cherilyn Radbourne

TD Cowen, Research Division

Okay. And then the bookings were obviously a bright spot in the quarter a big jump versus \$668 million last quarter. Can you kind of help us understand the quarter-over-quarter delta and just whether there was anything lumpy in this quarter?

Ryan McLeod

Chief Financial Officer

So yes, I'm hesitating a bit because we always have things I would consider lumpy. But yes, I mean if I look at our top 10 bookings in the quarter, the average was up sequentially. I'd say the average this quarter was more in line with where we were in Q2. The largest program was in the \$50 million, \$60 million range, again, similar to where we were in Q2.

Q3, the largest was in the \$30 million range, which I would still consider a large program. And I guess I'd use the word lumpy on that one too. But yes, I mean Andrew said, we're very pleased with how we finished the year from a bookings perspective. Top 10, life sciences was very strong, but we had good diversity. There was nuclear, there was consumer, there was food in that grouping. So we're quite pleased with -- and EV as well. So we're quite pleased with the diversity in that bookings number.

Operator

There are no further questions. Mr. Hider, back to you for closing comments.

Andrew P. Hider

CEO & Director

Thank you, operator. We look forward to continuing to execute on our goal, pretty shareholder and customer value in fiscal '25. Thanks for joining us today. I look forward to speaking with you on our Q1 call in August. Stay safe, and goodbye for now.

Operator

Thank you, everyone, for attending today's call. Have a wonderful day. You may now disconnect.

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