Q1 2025 Earnings Call

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8:30am ET

Today's Hosts



Andrew Hider
Chief Executive Officer



Ryan McLeod
Chief Financial Officer

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Forward-looking statements include all statements that are not historical facts regarding possible events, conditions or results of operations that ATS believes, expects or anticipates will or may occur in the future, including, but not limited to: outlook in our markets, including macro-economic environment impacts; order funnel; value creation and growth strategy; margin expansion; ABM; disciplined acquisitions and their impact; expected benefits with respect to the Company's efforts to grow its product portfolio and after-sale service revenues; the impact of developing the Company's digitalization capabilities; the closing and completion of any planned acquisitions as anticipated; various market opportunities for ATS; expectation on transportation revenues; expanding in emerging markets; potential impacts of variability in bookings caused by the strategic nature and size of electric vehicle programs; revenue growth in other markets and due to acquisitions to offset and reduced volumes from the electric vehicle program; and Order Backlog to revenue conversion rate. Such forward-looking statements are inherently subject to significant known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. 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ATS has attempted to identify important factors that could cause actual results to materially differ from current expectations, however, there may be other factors that cause actual results to differ materially from such expectations. Forward looking statements are necessarily based on a number of estimates, factors and assumptions regarding, among others, management's current plans, estimates, projections, beliefs and opinions, the future performance and results of the Company's business and operations; the ability of ATS to execute on its business objectives; the effectiveness of ABM in accomplishing its goals; the anticipated growth in the life sciences, transportation, food & beverage, consumer products, and energy markets; assumption of successful implementation of margin improvement initiative; general economic conditions and global events, including any epidemic or pandemic outbreak or resurgence; the consequence of activist initiatives on business performance, results, or share price of the Company; and the impact of analyst reports on price and trading volume of ATS' shares. Forward-looking statements included in this presentation are only provided to understand management's current expectations relating to future periods and, as such, are not appropriate for any other purpose. Although ATS believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and ATS cautions you not to place undue reliance upon any such forward looking statements, which speak only as of the date they are made. ATS does not undertake any obligation to update forward-looking statements contained herein other than as required by law.

Non-IFRS and Other Financial Measures

Throughout this presentation management uses certain non-IFRS financial measures, non-IFRS ratios and supplementary financial measures to evaluate the performance of the Company. The terms “EBITDA”, “organic revenue”, “adjusted net income”, “adjusted earnings from operations”, “adjusted EBITDA”, “adjusted basic earnings per share”, and “free cash flow”, are non-IFRS financial measures, “adjusted earnings from operations margin”, “organic revenue growth”, and “net debt to adjusted EBITDA” are non-IFRS ratios, and Order Bookings”, “Order Backlog”, and “book-to-bill ratio” are supplementary financial measures, all of which do not have any standardized meaning prescribed within International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In addition, management uses “earnings from operations”, which is an additional IFRS measure, to evaluate the performance of the Company. Earnings from operations is presented on the Company’s consolidated statements of income as net income excluding income tax expense and net finance costs. EBITDA is defined as earnings from operations excluding depreciation and amortization. Organic revenue is defined as revenues in the stated period excluding revenues from acquired companies for which the acquired company was not a part of the consolidated group in the comparable prior period. Organic revenue growth compares the stated period organic revenue with the reported revenue of the comparable period. Adjusted earnings from operations is defined as earnings from operations before items excluded from management’s internal analysis of operating results, such as amortization expense of acquisition-related intangible assets, acquisition-related transaction and integration costs, restructuring charges, the mark-to-market adjustment on stock based compensation and certain other adjustments which would be non-recurring in nature (“adjustment items”). Adjusted earnings from operations margin is an expression of the Company’s adjusted earnings from operations as a percentage of revenues. Adjusted EBITDA is defined as adjusted earnings from operations excluding depreciation and amortization. Adjusted basic earnings per share is defined as adjusted net income on a basic per share basis, where adjusted net income is defined as adjusted earnings from operations less net finance costs and income tax expense, plus tax effects of adjustment items and adjusted for other significant items of a non-recurring nature. Free cash flow is defined as cash provided by operating activities less property, plant and equipment and intangible asset expenditures. Net debt to adjusted EBITDA is the ratio of the net debt of the Company (cash and cash equivalents less bank indebtedness, long-term debt, and lease liabilities) to adjusted EBITDA. Order Bookings represent new orders for the supply of automation systems, services and products that management believes are firm. Order Backlog is the estimated unearned portion of revenues on customer contracts that are in process and have not been completed at the specified date. Book to bill ratio is a measure of Order Bookings compared to revenue.

Following amendments to ATS’ Restricted Share Unit ("RSU") Plan in 2022 to provide for settlement in shares purchased in the open market and the creation of the employee benefit trust to facilitate such settlement, ATS began to account for equity-settled RSUs using the equity method of accounting. However, prior RSU grants which will be cash-settled and deferred share unit ("DSU") grants which will be cash-settled are accounted for as described in the Company's annual consolidated financial statements and have significant volatility period over period based on the fluctuating price of ATS’ common shares. As a result, certain Non-IFRS Financial Measures (EBITDA, adjusted EBITDA, net debt to adjusted EBITDA, adjusted earnings from operations and adjusted basic earnings per share) were revised from previously disclosed values to exclude the impact on stock-based compensation expense of the revaluation of DSUs and RSUs resulting specifically from the change in market price of the Company's common shares between periods. Management believes that this adjustment provides further insight into the Company's performance, as share price volatility drives variability in the Company's stock-based compensation expense.

Earnings from operations, adjusted earnings from operations, EBITDA and adjusted EBITDA are used by the Company to evaluate the performance of its operations. Management believes that earnings from operations is an important indicator in measuring the performance of the Company’s operations on a pre-tax basis and without consideration as to how the Company finances its operations. Management believes that organic revenue and organic revenue growth, when considered with IFRS measures, allow the Company to better measure the Company’s performance and evaluate long-term performance trends. Organic revenue growth also facilitates easier comparisons of the Company’s performance with prior and future periods and relative comparisons to its peers. Management believes that EBITDA and adjusted EBITDA are important indicators of the Company’s ability to generate operating cash flows to fund continued investment in its operations. Management believes that adjusted earnings from operations, adjusted earnings from operations margin, adjusted EBITDA and adjusted basic earnings per share are important measures to increase comparability of performance between periods. The adjustment items used by management to arrive at these metrics are not considered to be indicative of the business’ ongoing operating performance. Free cash flow is used by the Company to measure cash flow from operations after investment in property, plant and equipment and intangible assets. Management uses net debt to adjusted EBITDA as a measurement of leverage of the Company. Order Bookings provide an indication of the Company’s ability to secure new orders for work during a specified period, while Order Backlog provides a measure of the value of Order Bookings that have not been completed at a specified point in time. Both Order Bookings and Order Backlog are indicators of future revenues that the Company expects to generate based on contracts that management believes to be firm. Book to bill ratio is used to measure the Company’s ability and timeliness to convert Order Bookings into revenues. Management believes that ATS shareholders and potential investors in ATS use these additional IFRS measures and non-IFRS financial measures in making investment decisions and measuring operational results.

A reconciliation of Order Bookings and Order Backlog to total Company revenues is contained in this presentation. A reconciliation of (i) EBITDA and adjusted EBITDA to earnings from operations and net income, (ii) adjusted earnings from operations to earnings from operations and net income, (iii) adjusted basic earnings per share to basic earnings per share, (iv) free cash flow (v) organic revenue to revenue (vi) net debt and (vii) net debt to adjusted EBITDA to their IFRS measure components in each case is contained in this presentation.

Q1 2025 & Recent Highlights

Second strongest Order bookings[1] quarter on record, led by life sciences

- Q1 Order Bookings[1] up ~18% y/y to $817MM
- Q1 Revenues down ~8% y/y to $694.3MM
- Q1 Adj. Earnings from Operations[1] of $86.2 million, 12.4% adjusted earnings from operations margin[1]
- Order Backlog[1] of $1,882MM provides good revenue visibility
- Trailing twelve month book-to-bill ratio[1] of 1.18, excluding transportation
- Completed Paxiom acquisition on July 24 as expected, adding capabilities and opportunities across various markets
- On August 7, announced acquisition of Heidolph Group, a manufacturer of premium lab equipment for life sciences and pharma markets (subject to closing condition)

1. Order Backlog, Order Bookings and book-to-bill ratio are supplementary financial measures, adjusted earnings from operations is a non-IFRS financial measure, and adjusted earnings from operations margin is a non-IFRS ratio - *See "Non-IFRS and Other Financial Measures"* and *"Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures."*

Outlook

Order Backlog[1] provides good revenue visibility:

- **Life Sciences** $990MM: funnel remains strong, supported by market growth in key areas
- **Food and Beverage** $216MM: funnel remains strong; Paxiom to complement existing business
- **Energy** $109MM: funnel remains strong and includes longer-term opportunities in the nuclear industry
- **Transportation** $417MM: OEMs reducing their EV investments; transportation is expected to represent a smaller portion of ATS going forward; as a result, we are reallocating resources and adjusting cost structure
- **Consumer Products** $150MM: funnel stable; niche opportunities

- After-market and digitally enabled offerings remain areas of opportunity and focus
- ATS Business Model continues to act as our continuous improvement model to drive performance across our 8 value drivers

1. Order Backlog is a supplementary financial measures - *See "Non-IFRS and Other Financial Measures"* and *"Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures."*

Financial Results

(C$ mm, except per share data)	Q1 F2025	Q1 F2024	Y/Y Change ($)	Y/Y Change (%)
Revenues	**$694.3**	$753.6	$(59.3)	**(7.9)%**
Earnings from operations	**67.6**	79.0	(11.4)	**(14.4)%**
Adjusted earnings from operations[1]	**86.2**	102.1	(15.9)	**(15.6)%**
EBITDA[1]	**105.0**	114.7	(9.7)	**(8.5)%**
Adjusted EBITDA[1]	**106.0**	119.2	(13.2)	**(11.1)%**
Net income	**35.3**	47.7	(12.4)	**(26.0)%**
Basic earnings per share	**0.36**	0.50	(0.14)	**(28.0)%**
Adjusted basic earnings per share[1]	**0.50**	0.69	(0.19)	**(27.5)%**
Cash Flow from Operations	**(35.4)**	(107.8)	72.4	**67.2%**
Free Cash Flow[1]	**(51.3)**	(130.8)	79.5	**60.8%**
Net debt to adjusted EBITDA[1]	**2.7x**	2.4x		

Revenue Growth:	**Y/Y Q1**
Organic[1]	(12.7)%
Acquisitions	4.0 %
FX	0.8 %
Total	(7.9)%

Q2 F25 Order Backlog[1] to Revenue conversion estimate is 33% to 36% and accounts for $150 million of delayed EV program backlog (i.e. no conversion of this delayed backlog included in this range).

1. Adjusted Earnings from Operations, EBITDA, Adjusted EBITDA, and Adjusted Basic Earnings per Share are non-IFRS financial measures. Net Debt to Adjusted EBITDA and organic revenue growth are non-IFRS ratios. Free cash flow and Order Backlog are supplementary financial measures. *See "Non-IFRS and Other Financial Measures"* and *"Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures."*

Summary

- Strong, diversified Order Bookings[1], and earnings in line with expectations
- Estimated Q2-F25 Order Backlog-to-revenue conversion 33% to 36%
- Long-term outlook in strategic end-markets remains positive, despite short-term revenue and margin pressures in transportation-related businesses
- Continued focus on both organic and inorganic growth, including addition of Paxiom in July and Heidolph acquisition which is expected to close in the third calendar quarter of 2024
- New innovations adding capabilities and ABM continues to drive performance

1. Adjusted earnings from operations is a Non-IFRS Financial Measure. Order Bookings and Order Backlog are supplementary financial measures. See "*Non-IFRS and Other Financial Measures*" and "*Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures*"

Questions


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Appendix

Reconciliation of Non-IFRS Measures to IFRS Measures



Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures

The following table reconciles adjusted EBITDA and EBITDA to the most directly comparable IFRS measure (net income) (in millions of dollars):

(C$ mm)	Q1 F2025	Q1 F2024
Adjusted EBITDA	**$106.0**	**$119.2**
Acquisition-related transaction costs	1.3	0.1
Acquisition-related inventory fair value charges	1.0	—
Mark to market portion of stock based compensation	(1.3)	4.4
EBITDA	**105.0**	**114.7**
Less: depreciation and amortization expense	37.4	35.7
Earnings from operations	**67.6**	**79.0**
Less: net finance costs	19.5	16.9
Less: provision for income taxes	12.8	14.4
Net income	**35.3**	**47.7**

The following table reconciles organic revenue to the most directly comparable IFRS measure (revenue) (in millions of dollars):

(C$ mm)	Q1 F2025	Q1 F2024
Organic revenue	$658.2	$704.7
Revenues of acquired companies	29.9	15.3
FX impact	6.2	33.6
Total revenue	**694.3**	**753.6**
Organic revenue growth	**(12.7)%**	

Order Backlog Continuity (in millions of dollars)

(C$ mm)	Q1 F2025
Opening Order Backlog	$1,793
Revenues	(694)
Order Bookings	817
Order Backlog Adjustments	(34)
Ending Order Backlog	**1,882**

Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures

The following table reconciles adjusted earnings from operations to the most directly comparable IFRS measures (net income) (in millions of dollars):

(C$ mm)	Q1 F2025	Q1 F2024
Adjusted earnings from operations	**$86.2**	**$102.1**
Acquisition-related transaction costs	1.3	0.1
Amortization of acquisition-related intangible assets	17.6	18.6
Acquisition-related inventory fair value charges	1.0	—
Mark to market portion of stock based compensation	(1.3)	4.4
Earnings from operations	**67.6**	**79.0**
Less: net finance costs	19.5	16.9
Less: provision for income taxes	12.8	14.4
Net income	**35.3**	**47.7**

The following table reconciles adjusted basic earnings per share to the most directly comparable IFRS measure (basic earnings per share):

(C$)	Q1 F2025	Q1 F2024
Basic earnings per share	**$0.36**	**$0.50**
Acquisition-related transaction costs	0.01	—
Amortization of acquisition-related intangible assets	0.18	0.20
Acquisition-related inventory fair value charges	0.01	—
Mark to market portion of stock based compensation	(0.01)	0.05
	0.55	**0.75**
Less: adjustment to provision for income taxes	(0.05)	(0.06)
Adjusted basic earnings per share	**0.50**	**0.69**

Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures

The following table reconciles net debt to adjusted EBITDA to the most directly comparable IFRS measure (in millions of dollars):

(C$ mm)	F2025	F2024
Cash and cash equivalents	$185.1	$170.2
Bank indebtedness	(9.5)	(4.1)
Current portion of long-term debt	(0.2)	(0.2)
Long-term debt	(1,289.8)	(1,171.8)
Lease liabilities	(114.3)	(111.4)
Net cash (debt)	**(1,228.7)**	**(1,117.3)**

(C$ mm)	F2025	F2024
Net Debt	$(1,228.7)	$(1,117.3)
Adjusted EBITDA (LTM)	457.3	470.6
Historical Leverage (Net Debt/Adj. EBITDA)	**2.7x**	**2.4x**

The following table reconciles free cash flow to the most directly comparable IFRS measure (in millions of dollars):

(C$ mm)	Q1 F2025	Q1 F2024
Cash flows used in operating activities	$(35.4)	$(107.8)
Acquisition of property, plant and equipment	(7.1)	(18.6)
Acquisition of intangible assets	(8.8)	(4.4)
Free cash flow	**(51.3)**	**(130.8)**

Appendix: Reconciliation of Non-IFRS Measures to IFRS Measures

The following table reconciles the previously reported non-IFRS financial measures to reflect the exclusion of the stock-based compensation revaluation expenses:

(C$ mm)	Q2 F2022	Q3 F2023	Q4 F2023	Q1 F2024	Q2 F2024	Q3 F2024	Q4 F2024	Q1 F2025
Total stock-based compensation expense	$5.3	$9.9	$19.3	$10.0	$3.5	$4.7	$(4.3)	$3.7
Less: mark to market portion of stock-based compensation	1.0	5.6	15.1	4.4	(2.0)	(0.6)	(8.5)	(1.3)
Base stock-based compensation expense	**$4.3**	**$4.3**	**$4.2**	**$5.6**	**$5.5**	**$5.3**	**$4.2**	**$5.0**