

ATS Corporation TSX:ATS

Earnings Call

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Presentation

Operator

Welcome to the ATS Corporation Second Quarter Conference Call and Webcast. This call is being recorded on November 5, 2025, 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 Ocampo, Head of Investor Relations at ATS.

David Ocampo

Head of Investor Relations

Thank you, operator, and good morning, everyone. On the call today are Ryan McLeod, Interim Chief Executive Officer of ATS; and Anne Cybulsk, Interim 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 the making the statements are detailed in Slide 3 of the slide deck. Now it's my pleasure to turn the call over to Ryan.

Ryan McLeod

Interim Chief Executive Officer

Thank you, David, and welcome to ATS. It's great to have you on the team. Good morning, everyone, and thank you for joining us today. Today, ATS reported second quarter results for fiscal '26, highlighted by strong organic revenue growth and an improvement in adjusted earnings margins in line with our expectations. These results reflect the strength of our decentralized organization and the collective efforts of our teams. During this leadership transition period, it is business as usual as we build on our culture of continuous improvement through the ATS business model with a clear focus on creating value across our diversified global portfolio. As we've previously discussed, the Board began its search for a permanent CEO over the summer and is now well into the process, while our entire senior leadership team remains intensely focused on advancing our strategic growth priorities. This morning, I will update you on the business and our markets, and Anne will provide her financial report.

Starting with our financial value drivers. Order bookings were \$734 million, up 6% sequentially, reflecting solid performance and strength across our diversified end markets. Q2 revenues were \$729 million, up 19% from Q2 last year, driven primarily by organic growth and supported by solid performance in services. Adjusted earnings from operations in Q2 were \$79 million. Moving to our outlook. Order backlog of approximately \$2.1 billion continues to provide good revenue visibility. Our opportunity funnel remains healthy and well diversified. Within Life Sciences, order backlog at quarter end remained strong at \$1.1 billion, supported by demand across submarkets. Importantly, the wider life sciences funnel includes a mix of opportunities in radiopharma, auto-injectors, diagnostic wearables and automated pharmacies. ATS works with a broad set of leading GLP-1 customers, providing diversification across platforms and drug delivery formats.

In addition, as other applications for GLP-1 therapies emerge, including for treatment of cardiovascular and neurological disorders, ATS is well positioned to support providers of drug delivery solutions. Momentum remains especially strong in the radiopharma space, supported by investments in production capacity and the advancement of new therapeutics. To support growth and meet evolving customer needs, our recently opened Comecer Competence Center in Indianapolis delivers enhanced service capabilities and faster response times for customers in North America. During the quarter, Comecer secured new wins in diagnostic and therapeutic projects, advancing next-generation capabilities for radiopharmaceutical production. Within the lab research space, government-funded customers continue to take a more measured approach to capital investment given the changing U.S. funding environment.

While orders from these customers represent a small portion of our overall business, our lab equipment businesses have been leveraging the common ABM framework to improve joint commercial initiatives

and to expand shared access to their individual customer bases. In Food and Beverage, quarter end backlog was \$218 million with customer wins in multiple regions during Q2 in primary processing and in sorting and inspection supported by internally developed products and technology. Our food and beverage funnel remains strong with customer investment focused on automation that enhances yield, quality and energy efficiency across our comprehensive solutions, spanning primary processing, inspection, primary and secondary packaging and aftermarket support. In Energy, order backlog was a record \$277 million, up 154% over Q2 last year. This increase was driven primarily by nuclear refurbishment projects as operators continue to invest in life extension programs. The nuclear funnel continues to broaden beyond refurbishment, covering service and new nuclear reactor builds, including small modular reactors.

On new builds, initial activity centers on early phase design and engineering programs that support modular fabrication of reactor structures and fuel handling systems. These programs position ATS to participate as projects move into commercial deployment. While order timing may vary, supportive policies and growing demand for clean and reliable energy, including from data centers, support a strong outlook for nuclear. In Consumer Products, our funnel remains stable with ongoing programs in personal care and household goods packaging, along with warehouse automation. In transportation, the funnel consists of relatively smaller opportunities, consistent with our expectations. Our capabilities in battery assembly allow us to win and deliver on these opportunities as they arise. Overall, our balanced exposure to regulated and growth-oriented end markets, along with a strong order backlog positions us well to navigate the current environment. Turning to the ATS business model. It remains central to how we operate and is well embedded into our culture.

I recently attended our global ABM Conference where our continuous improvement leaders from across the business demonstrated their commitment to driving the ABM, along with a renewed focus on creating impact for customers and shareholders through disciplined execution and operational efficiency. I continue to be impressed by our team's use of the ABM to drive value within their operations. This includes daily visual management tools to create immediate focus and drive problem solving as well as sustained process improvements through Kaizen and strategy deployment. On M&A, our funnel is healthy and active as we cultivate and review opportunities that align with our long-term strategic priorities. We continue to integrate our more recent acquisitions and drive further synergies, particularly through shared customer access and integrated offerings from across our portfolio. We're also working diligently to return leverage to within our target range with good progress made during the quarter.

On innovation, we have further developed our Illuminate Manufacturing intelligence platform to support new deployments of select businesses, including some of our more recent acquisitions. These efforts allow us to efficiently integrate equipment, standardize data capture and analytics and improve visibility across our installed base. The 2025 ATS Innovation Summit is being held this week, bringing together key innovation leaders from across the ATS organization. Through panels and workshops, the summit seeks to foster a unified innovation ecosystem, accelerate product development and strengthen collaboration on translating emerging technologies into customer value.

Our investment in innovation has been core to our strategy and remains a key differentiator for ATS. In summary, our results this quarter reflect good progress across our value drivers, supported by a strong backlog. Our advantages today, including our global footprint, our talented workforce aligned around our ABM culture and our strong customer relationships will serve us well in advancing our growth and long-term value creation strategy for the future. Now I will turn the call over to Anne. Anne, over to you.

Anne Cybulsk

Interim Chief Financial Officer

Thank you, Ryan, and good morning, everyone. Starting with our operating results for the quarter. Order bookings were \$734 million, down 1.1% compared to Q2 last year, which included several larger enterprise bookings in Life Sciences. This was largely offset by growth in all other markets over last year. Our trailing 12-month book-to-bill ratio at the end of Q2 remained healthy at 1.12:1 and was at or above 1 across all market verticals. Revenues for the second quarter were \$729 million, up 18.9% compared to last year, including organic growth of 12.6%, along with a 3.9% benefit from foreign exchange translation and a 2.4% contribution from acquisitions. Moving to earnings. Second quarter adjusted earnings from

operations were \$79.1 million, a 40% increase from prior year, primarily on higher revenue volumes. Gross margin for Q2 was 29.9%, a 36 basis point increase on Q2 last year.

On SG&A, excluding acquisition-related amortization and transaction costs, expenses in the first quarter totaled \$134.5 million, a \$14.5 million increase over the prior year, primarily a result of incremental SG&A from acquired companies and FX translation impact. Excluding a recovery related to forfeitures from our former CEO's departure and mark-to-market impact related to changes in our share price, stock-based compensation expense was \$4.3 million in Q2. Earnings per share were \$0.45 on an adjusted basis. Moving to our outlook. We ended the quarter with an order backlog of approximately \$2.1 billion. Q3 revenues are expected to be in the range of \$700 million to \$740 million. As a reminder, this assessment is updated every quarter, taking into account revenue expectations from current order backlog and new orders booked and billed within the quarter. This quarter, we have identified an opportunity to realign our cost structure to strategic focus areas and to drive global operational efficiencies.

We estimate restructuring costs of approximately \$15 million will be incurred in the final half of this fiscal year with an expected payback of less than 1 year. For clarity, there is no change to our expectations for full year high single-digit revenue growth as previously disclosed. We continue to expect adjusted operating margin improvement on a full year basis in fiscal '26. ABM discipline and tools help to create focus across all of our value drivers, including margin expansion. The macro environment remains dynamic, including geopolitical tensions and trade and tariff considerations. As a reminder, the majority of our exports from Canada into the U.S. remain covered under the USMCA. Our global and decentralized operating model positions us well to navigate market dynamics to serve customers where they are deploying capital.

In this environment, ATS continues to execute well, maintaining leadership in our key submarkets and driving progress on our growth priorities. Moving to the balance sheet. In Q2, cash flows from operating activities were \$28 million. Our noncash working capital as a percentage of revenues was 18.3%. And while timing of milestone billings and collections do impact this percentage, our focus on driving working capital efficiency across the business and our target of 15% remains unchanged. We expect to see improvement by the end of the fiscal year. During the quarter, we invested \$18.3 million in CapEx and intangible assets, reflecting our disciplined focus on innovation and strengthening our capabilities. For fiscal '26, we expect our CapEx and intangible investment to be within our previously disclosed range of \$80 million to \$100. On leverage, our net debt to adjusted EBITDA ratio was 3.4x.

This progress since the beginning of the year supports our expectation of reducing leverage to within our target range of 2 to 3x. In summary, we are pleased with second quarter results and with the alignment of our leadership team and global employee base as we continue to execute on our plans and drive the business forward. Our strong order backlog supports our outlook for sustained growth and our expectations for revenue and margin expansion in fiscal '26 are unchanged. ATS is leveraging our culture of continuous improvement and our embedded structural advantages to drive tangible value through a consistent disciplined approach. We are confident that our team's continued efforts will deliver value to both our customers and 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] Your first question today comes from the line of Cherilyn Radbourne from TD Cowen.

Cherilyn Radbourne

TD Cowen, Research Division

When we look at your results, the one thing that is of some concern to us is that it appears bookings momentum has slowed over the last 6 months relative to the second half of last year. So just curious what gives you confidence that, that's just normal lumpiness in the business and not something more?

Ryan McLeod

Interim Chief Executive Officer

So I mean a couple of things. First of all, I mean, when we look at the state of the business, there is normal course variability and there are some larger programs, which can really drive that. But our book-to-bill is healthy at 1.12. From a backlog perspective, we're up about 14%, 13.5%, 14% year-over-year. So we're in a really good position from a backlog standpoint. But I think importantly, to your question, funnel activity, and I talked about it a little bit in my prepared remarks, but in general, it is healthy across our vertical markets. So life sciences, really good activity. Auto-injectors remains very active. We're seeing a lot of activity in radiopharma as well as medical -- general medical device wearables, contact lenses, automated pharmacy. So a lot of activity across life sciences, which supports that outlook. Food continues to be strong. We're seeing some really good uptake and interest based on what we're doing in primary processing, packaging as well as some of the inspection and sorting capability that we have.

Consumer is stable. It's been very resilient. And transportation is as we expected, it's lower relative to where it was a couple of years ago, but there's still opportunities that are arising. I think the other area that we're seeing a lot of growth opportunity in is energy, and there's a lot happening. Refurbishment has continued to be active. We're seeing good activity in decommissioning and maybe a bit more mid- to long term, but certainly accelerating is the new nuclear space. So new builds, whether it's conventional technology or SMRs, we're seeing a lot of activity in that space and participating in a lot of early-stage projects to support the ongoing build-out that's going to be coming in that -- in the nuclear space. So overall, I mean, as I said, our funnels were very positive in terms of where they sit and support the continued growth that we expect.

Cherilyn Radbourne

TD Cowen, Research Division

Okay. That's helpful color. And then just specifically, how did the services business perform in the second quarter? And along with that, are you intending to recruit someone to replace Simon Roberts to head that segment?

Anne Cybulsk

Interim Chief Financial Officer

Cherilyn, I'll start with the numbers question. And so overall, we're happy with the performance of the service business in the quarter, also on a year-to-date basis. I would call the performance strong. There were some EV numbers in the comparatives, but really good performance across other areas of the business. And services, as you know, are kind of reoccurring in nature. So we have some in the numbers that are like upgrades that are less regular, but services remains strategic to our overall growth plans. So good performance, happy with what we're seeing across the business, and I'll let Ryan comment on the other piece.

Ryan McLeod

Interim Chief Executive Officer

Yes. So Cherilyn, the short answer is yes. I mean, first of all, we're very pleased that Simon has taken on the leadership role within our Packaging and FoodTech business. Simon is a long-time ATS executive, very experienced, knows the business very well. And aftersales is an attractive opportunity within packaging and FoodTech. So very well aligned with some of Simon's background. And we will be replacing that role, yes.

Operator

Your next question comes from the line of Sabahat Khan from RBC.

Sabahat Khan

RBC Capital Markets, Research Division

I guess just looking ahead to sort of the back half of this year and into fiscal '27, as you think about the margin trajectory, it at this point in the cycle, do you think it's more driven by some incremental initiatives you need to take on the cost reduction side? I know you announced the restructuring a little bit this morning. Or is it more from sales picking up on a more consistent basis over the next 4 to 6 quarters that sort of gets you moving towards the medium to longer-term targets you have on the margin side?

Anne Cybulsk

Interim Chief Financial Officer

So let me start with just reiterating what we're expecting on a full year basis from a margin expansion perspective. It remains an area of focus for us. There's nothing really in the backlog that I'd call out that would drive a different view. We do continue to have a number of levers available to us to drive improvement across the board on margin. We've talked about those before. And I think the growth of the business will continue to support that margin expansion expectation. On the restructuring, one of the areas that we expect to see is while we will have some cost savings from that, we would also expect to be able to reinvest some of those savings in higher growth areas of the business as well as in innovation. So overall, a number of levers available to us to continue to drive towards that longer-term objective that you referenced.

Sabahat Khan

RBC Capital Markets, Research Division

Great. And then just for a follow-up, I guess, as you think about sort of the inorganic side, it sounds like you are still sort of keeping your options open, but should we expect that to pick up in a more meaningful way when leverage sort of has in that with a 2 handle on it? Or is that something you're sort of open to right now? And if so, what are some of the end markets in focus as it relates to your pipeline?

Ryan McLeod

Interim Chief Executive Officer

So yes, I mean, we're certainly very active in cultivating, reviewing opportunities. At the same time, we are, as Anne said in her prepared remarks, focused on bringing our leverage down. And really, that provides us more flexibility. Cultivation does take time. We have seen good activity over the last several months in terms of what's happening in our funnel. But I mean, we're going to be prudent in how we go forward here, certainly conscious of where we're trading right now. I mean equity remains an option for us. And as I said, we're conscious of where we're trading right now. But for the right deal and in the right circumstance, that certainly remains an option for us. So just to go back, I mean, the U.S. listing, one of the rationale there was that does make our shares more attractive as currency and M&A. So all of those options remain on the table. But as I said, we do want to delever as that ultimately provides us more flexibility. At the same time, there's an active market right now. So we're going to find the right balance on both.

Operator

Your next question comes from the line of Maxim Sytchev from National Bank of Canada Markets.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Ryan, I was wondering if it's possible to get a bit of your general sense on the health care space. I mean we seem to be seeing more health care M&A as the pharma companies need to replace the pipelines. I guess how quickly can we see potentially sort of inflection point in terms of opportunities on that side, even though like obviously, you're quoting a pretty healthy funnel. But just curious around your general thoughts in relation to that.

Ryan McLeod

Interim Chief Executive Officer

Yes. I mean, Max, I'll probably reiterate a little bit of what I said, but we are seeing good activity in our funnel. And so if I start with auto-injector, and that's really the drug delivery format that's really being used in -- with GLP-1 drugs. We're in the middle of executing some larger programs there. But as I said, funnel activity is still encouraging. And some of that is tied to continued expansion of those drugs and consumer adoption and as well as some new therapies. And I mentioned conditions such as cardiovascular health and neurological conditions, which are -- there's research and trials ongoing to support GLP-1s as therapies for those conditions. So all of that, we do expect to drive continued growth in the auto-injector space. And we're also working with customers on new technologies there. So a lot of the drug delivery today is single-use auto-injectors, and there's a move towards fixed dosage multi-dose auto-injectors.

So rather than onetime use and throw it away, it can be used for multiple injections. So there is, as I said, a good funnel there and good activity. I think -- sorry, just Yes. The other area that I mentioned, but I'll spend a little bit more time on is radiopharma. And that's very active. There's a lot of drug discovery, drug development happening, customers moving from R&D into clinical trials and then into commercial manufacturing. And so we've been winning projects in new diagnostics and therapeutic applications, and there's a lot of activity happening in that space. And it's very exciting. And we talked -- I talked in my prepared remarks about our Comcer competence center, which recently opened in Indianapolis, and that really positions us well to provide regional support in North America, collaborate more closely with our customers and have an improved service response time for customers in that region.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Yes, that's great color. And then maybe just a question in relation to nuclear. And I'm not sure if Anne wants to take this one. But in terms of -- I mean, obviously, backlog is up significantly in that space. But how should we think about the tail of that backlog to revenue conversion? Can you -- like is there anything different in relation to these projects? Can you provide any more color there?

Anne Cybulsk

Interim Chief Financial Officer

Max, so yes, we've seen good growth in terms of the nuclear backlog, as you said. Most of the -- a good chunk of the backlog is related to the reactor refurbishment or life extension programs that are primarily CANDU technology driven. That said, there are a number of customers that we have also in the backlog that would represent our earlier participation from a design perspective in some of the new build work that is ongoing. So it's a good cross-section of customers in terms of overall weighting of the backlog. We'd expect to see that refurbishment work continue over the next, say, call it, 1.5 years to 2 years at a minimum and then be supplemented over the mid- to longer term with some of the work that we're doing on the new builds. So from an early participation standpoint on new builds, we're very active there. So -- and that's important to the longer-term play.

Operator

Your next question comes from the line of Justin Keywood from Stifel.

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

I'll start off with leverage. Does the target remain to exit this fiscal year at 3x?

Anne Cybulsk

Interim Chief Financial Officer

Just the short answer is we do expect to come back within our targeted range by the end of the fiscal year. That's our goal.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Okay. So suggest some healthy free cash flow generation over the next few quarters. And then just on the -- circling back on the nuclear, just to drill down here because in the backlog, it does show as the second largest segment, which is a bit surprising. And I understand that some of these projects are longer term in nature. But how should we see that Nuclear Energy segment as a percentage of revenue trending over the next year or over the next few years?

Ryan McLeod

Interim Chief Executive Officer

Justin, so I mean, the short answer is it's going to grow. I don't want to get too specific in terms of percentage of business. But as you noted, it's become a significant part of our backlog. The activity in that space and the funnel activity is very healthy. We are working with a number of customers in the new build space in addition to the work that we continue to execute on in refurbishment. Decommissioning also is a growing space. So there's a lot of opportunity, and it's an attractive growth opportunity for us. So it will continue to grow, but I'm not going to put a percentage on it in terms of how big of a business it will be.

Operator

[Operator Instructions] Your next question comes from the line of Jonathan Goldman from Scotiabank.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Maybe just on the backlog, when do you expect to lap the large enterprise orders?

Anne Cybulsk

Interim Chief Financial Officer

Just to make sure I heard your question, Jonathan, when do we expect to, can you repeat it? I didn't hear you.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Cycle over the large enterprise orders from last year. I think that seems like a pretty clear reason why backlog is kind of stabilized or not growing as fast. I just want to know when you would plan to lap those large tough comps from last year.

Anne Cybulsk

Interim Chief Financial Officer

So we are -- as I said in my prepared remarks, we're executing on some of those larger orders that we did book in Q2 last year. They are -- there's a number of those that are still in progress, and we continue -- we're getting into the later stages of them. That said, we continue to book new work. As Ryan talked about, the funnel is healthy. And so as we continue to execute on those larger programs, we'd expect the backlog to fill in with new work.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

And remind me, I think the larger enterprise orders have a longer delivery period beyond 12 months. Is that correct?

Anne Cybulsk

Interim Chief Financial Officer

Yes, that's right. They tend to run more in the 12- to 18-month range and sometimes up to 24.

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

Okay. Perfect. And I guess the second one for me on the working cap, what's the visibility? Or maybe what gives you confidence as we sit here today that you can hit the 15% target this year? And I don't know if that's an exit rate for the year totally, but what do you think needs to happen to get there?

Anne Cybulsk

Interim Chief Financial Officer

So there's obviously things that could affect that from a timing perspective. And the main piece of that would be related to timing of milestone billings and then collection on some of those larger opportunities. But as we continue to work through that backlog, we would expect improvement by the end of the year. Throughout Q3, I would say we'll still see that higher working capital need on some of those larger programs. But overall, our objective remains 15%. There are opportunities across the business to drive working capital efficiency, including some of our more recently acquired businesses that came on board with a heavier working capital intensity. So overall, business is focused on this, and those are the factors that will drive the improvement by the end of the year.

Operator

Your next question comes from the line of Patrick Baumann from JPMorgan.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

I had a couple of questions here. One is on Life Sciences. Any reason why the revenue seems to be coming in a little bit slow there? Just wondering if there's hesitation at all related to some of the order backlog that's been built there related to government policy and things of that nature?

Ryan McLeod

Interim Chief Executive Officer

Patrick, I mean, the short answer is no. It's largely timing on execution of projects in our backlog that drives the bulk of our revenue conversion. As I said, in my prepared remarks, so we do have some exposure to publicly funded institutions, organizations within the lab space, but it's a small part of our business. And I mean, if we step back on that, a couple of years ago or even last year, China was weak, and we've actually seen that improve in that part of the business. And now this year, with some of those funding changes that's created headwinds in North America. So -- but as I said, it's a small piece of our overall business. And we're actually -- I think I mentioned this in my prepared remarks as well, in the process -- we are in the process of doing some joint go-to-market approaches across our lab businesses to share customer lists and how we're approaching customers in certain geographies. So early days of that initiative, but we do expect that will provide some offset to some of the funding challenges that do exist within the U.S.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Got it. And have you -- I guess I missed maybe the first part of the Q&A. Did you comment on how you think margins will trend sequentially in the third quarter? And then also the \$15 million of restructuring, what's that targeted at?

Anne Cybulsk

Interim Chief Financial Officer

Patrick, yes, I did briefly mention it. But just to recap, when we think about the margin trajectory for the back half of the year, we do expect to see full year margin expansion. And that's consistent with what we've said previously. On the restructuring, the benefit of that as we execute on those initiatives will flow into -- there'll be some cost savings that we'll see as part of our overall margin expansion efforts. There's also an opportunity for us to reinvest some of those savings in higher growth areas of the business. And Ryan had flagged energy and nuclear as a growth area, and we also continue to focus on innovation. And that has really been a core of our strategy and the key to our success over the years.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

And then so if you don't want to comment on quarterly trajectory, what -- remind me what the annual margin expansion target was?

Anne Cybulsk

Interim Chief Financial Officer

We didn't peg a specific number, but we did say we were expecting to see year-over-year margin expansion compared to last year. And last year, we were at from an adjusted EBITDA perspective, 13.8%. So better than that by the end of the year through continuing to execute on the projects we've got in our backlog and driving some of the efficiencies that we've talked about through the levers that we have available to us.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

And the high single-digit revenue growth guidance that was reaffirmed for the year, can you remind me if that is organic revenue or if it's total revenue?

Anne Cybulsk

Interim Chief Financial Officer

It is total revenue. We do have in our year-to-date numbers, some M&A benefit, barring any further M&A in the back half of the year, which we don't build into our guidance. There will be no M&A benefit in the back half of the year and the FX rates will do what the FX rates are going to do. But we do still expect that high single-digit growth top line that would include continued organic growth.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

And that includes FX as well and M&A?

Anne Cybulsk

Interim Chief Financial Officer

From the first half, yes, the M&A from the first half.

Operator

Your next question comes from the line of Michael Glen from Raymond James.

Michael W. Glen

Raymond James Ltd., Research Division

Ryan, are you able to comment on what the customer feedback is with the oral application for GLP-1s? Are you seeing this impact your funnel? Or is it raising any concerns as to what the -- how this may impact future orders for auto-injector?

Ryan McLeod

Interim Chief Executive Officer

Michael, so customers in this space, they are working to develop an oral alternative. And I think that really stems from the belief that, that will drive wider consumer adoption versus an injectable. But to date, a lot of the studies and the development work, there's been some challenges with that. Some of it tied to the patient experience causing nausea. So there's a tolerability trade-off. There's also been some challenges around the active ingredients and how they get absorbed into the system. So -- but nevertheless, I do expect that's going to continue to be a focus area for customers. But to date and as we see it, that auto-injectors really remain in direct injection really remain the most reliable, effective and widely adopted delivery format for these GLP-1 drugs. Oral formulations could certainly become a complement to that if you get into maintenance phases as an example. But we continue to see that auto-injectors will have a very prominent place in drug delivery for GLP-1 therapies.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. And then can you remind us -- I believe in the past, you've indicated that GLP-1 is roughly 20% of the Life Science backlog. Are you able to give an update on where that figure sits today?

Ryan McLeod

Interim Chief Executive Officer

Yes, it's still in that range.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. And then last one for me. Just looking at the SG&A for the overall business, Anne, I believe you gave the \$134.6 million figure as the run rate ex share-based comp. Is this the right level for -- at this point in time, should we start to see leverage on SG&A, should SG&A on that adjusted basis grow slower than overall revenue growth?

Anne Cybulsk

Interim Chief Financial Officer

So that's the goal as part of our margin expansion focus internally. We do have a focus on SG&A. But as the top line grows, I would expect to see that improved leverage drop through.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Ryan McLeod for some final closing remarks.

Ryan McLeod

Interim Chief Executive Officer

Great. Thank you, operator, and thank you, everyone, for joining us today. We look forward to speaking to you on our third quarter call in February.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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