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Call Participants

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Presentation

Operator

Welcome to the ATS Corporation First Quarter Conference Call and Webcast. This call is being recorded on August 7, 2025 at 8:30 a.m. Eastern Time. Following the presentation, we will conduct a question-and-answer session. I will now turn the call over to Arjun Kapur, Investor Relations Associate at ATS.

Arjun Kapur

Investor Relations Associate

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 in Slide 3 of the slide deck.

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

Andrew P. Hider

CEO & Director

Thank you, Arjun. Good morning, everyone, and thank you for joining us. Before we discuss our Q1 results, I want to take a moment to acknowledge the leadership transition as they move on from ATS. I've been honored to lead this great company through a period of growth and transformation as we expanded our capabilities, strengthen our position in key markets, and created a solid foundation for the future.

While the Board conducts its CEO search, the company will be in the very capable hands of Ryan McLeod as Interim CEO with the support of our experienced senior leadership team. During this transition, ATS will drive forward with its growth strategy, enabled by the ATS business model, our well-entrenched playbook for continuous improvement.

Now to our Q1 results, which we reported today. I will update you on our business and markets and then Ryan will provide his report. ATS delivered revenue growth with solid contributions from recent acquisitions. And adjusted earnings margins in line with our expectations.

Starting with our financial value drivers. Q1 revenues were \$737 million, up 6% from Q1 last year. Order bookings were \$693 million, with good diversification across our portfolio. Adjusted earnings from operations in Q1 were \$79 million.

On to our outlook. Order backlog ended the quarter at approximately \$2.1 billion as we continue to win and deliver across our diversified portfolio of offerings. Including customer integration, standard equipment and products and services. Our funnel remains healthy, reflecting the strategic nature of the customer programs we serve. As noted in past quarters, investment timing is variable. We are closely monitoring the business environment given the dynamics of cross-border tariffs.

In parallel, we continue to advance our strategy to grow repeatable revenue through services, consumables and digital offerings. Within Life Sciences, order backlog at quarter end was \$1.2 billion. We secured wins across submarkets, including auto-injectors, radiopharma and blood glucose monitoring wearables. Our diversified Life Sciences opportunity funnel remains strong. Supported by our proven capabilities in regulated markets and deep customer relationships.

By way of example, Comecer continues to be a partner of choice for radio pharma customers who value quality and a proven track record for execution. As more customer programs advance towards commercial

readiness, Comecer is uniquely positioned to provide localized and specialized support from our new site in Indianapolis, which opened at the end of July.

Separately and discussed previously, some customers in the lab research space are taking a more measured approach to capital spending as a result of changes in U.S. government funding, although this does not change our outlook for Life Sciences overall.

In Food and Beverage, our total remains strong, and we ended the quarter with a backlog of \$229 million, an increase of 6% compared to Q1 last year. We continue to see investment in primary processing solutions, including a strong focus on aftermarket service. In addition, we are actively executing on our growth strategy for secondary processing, packaging and services further supported by the addition of Paxiom.

In energy, our funnel includes a mix of short and long-term opportunities as the nuclear industry continues to benefit from renewed investment and favorable government policy. In the near term, there is momentum from ongoing CANDU refurbishment activity, while both large-scale new builds and emerging small module reactor programs provide further potential for growth.

Drawing on our expertise in early-stage design through to modular assembly and waste handling we are well positioned to support customers across their nuclear program life cycles.

In Consumer Products, our funnel remains stable with attractive niche opportunities. Our capabilities in warehouse automation and packaging continue to resonate with customers. In transportation, our funnel remains stable, in line with expectations due to relatively lower EV end market demand. On services, we continue to advance our offerings, including our digital solutions across the range of markets we serve. Through our evolving capabilities, including our Connected Care Hub, ATS is well positioned to help customers proactively enhance system utilization and mitigate risk.

From a strategic perspective, our services portfolio is designed to strengthen customer relationships over the full life cycle of equipment ownership, reinforce our role as a trusted partner and drive reoccurring revenue. On the ATS business model, in Q1, our global team is actively engaged in key initiatives, including Kaizens, workshops and problem-solving events focused on all of our value drivers.

At our annual ABM awards, teams were recognized for excellence in innovation, reoccurring revenue, customer engagement, health and safety and overall performance, underscoring the sustained impact of our ABM culture. On M&A, our teams are active in cultivating strategic opportunities that align with our long-term growth ambitions and contribute to value creation. In the near term, our focus is on returning leverage to our target range and on realizing further synergies from our recent acquisitions.

On innovation, we continue to deploy capital and empower our teams to develop differentiated solutions that create value across our end markets. On digital innovation, we leveraged our acquisition of reality to develop and launch a new interactive and scalable virtual reality training platform for customers. In energy, we advanced the deployment of our multiplex system. Multiplex is a patent-protected concept designed for the safe, precise cutting and removal of large nuclear reactor components in decommissioning and waste handling applications. Multiplex is one example of our ability to innovate and deliver safe, efficient solutions within the highly regulated nuclear space.

Finally, in June, we held our biannual ATS Automation Summit for customers and other partners at our Cambridge campus. This event showcased the most recent solutions from across our portfolio of companies, including ATS advancements in digital transformation, intelligent automation and technology-enabled scalability. Through our workshops over several days, we focus on innovation trends in automation, including time to market as well as digitalization and AI advancements. Further positioning ATS as a thought leader for global customers.

In summary, our opportunity funnel is well diversified. And our current order backlog provides solid revenue visibility and a strong foundation for profitable growth. I'm also pleased to share that ATS was included in Time Magazine's inaugural list of Canada's best companies 2025, and we were #1 in the engineering, manufacturing and medical technology category. This recognition and our results today

reflect the continued progress we are making across our value drivers, the resilience of our business model and the dedication of our exceptional talent.

I'm proud of what we've accomplished together, and I look forward to watching ATS continue to grow and succeed. 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. Beginning with our operating results for the quarter. Order bookings were \$693 million, down 15% compared to Q1 last year, due primarily to the lower expected run rate in transportation order bookings. Q1 last year also had several larger enterprise order bookings in life sciences, which reflects normal variability. Importantly, our trailing 12-month book-to-bill ratio at the end of Q1 remained above 1, 1.7:1. Revenues for the first quarter were \$737 million, up 6.1% compared to last year. Recently acquired companies contributed 4.1% to revenue growth and foreign exchange translation added a 3.2% benefit. Q1 organic revenue growth was negative 1.2% as lower transportation revenues were only partially offset by growth in life sciences, consumer products and food and beverage.

Nevertheless, our outlook for revenue growth for the full year remains unchanged.

Moving to earnings. First quarter adjusted earnings from operations were \$78.6 million or 10.7% of revenues. This was in line with our expectations and represented an almost 40 basis point sequential improvement from Q4. Gross margin for Q1 was 29.8%, consistent with Q1 last year. On SG&A, excluding acquisition-related amortization and transaction costs, expenses in the first quarter totaled \$136.4 million, a \$20 million increase over the prior year. This increase included incremental SG&A from acquired companies and to a lesser extent, both the impact of foreign exchange translation and employee costs. As always, we continue to focus on ongoing efficiency improvements in our operations.

Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was \$4.8 million in Q1. Earnings per share were \$0.41 on an adjusted basis.

Turning to our outlook. We ended the quarter with order backlog of approximately \$2.1 billion. Q2 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. In the quarter, we incurred an additional \$2.5 million of restructuring costs as a continuation of the program announced last year. We continue to expect operating margin improvement throughout fiscal '26, although this may not be linear. ABM tools remain a critically important element of our ongoing margin expansion focus.

On tariffs, while the environment is still evolving, we have not seen a material impact to date. On order bookings intake, we continue to stay close with our customers to address their regional execution and capacity needs. On supply chain, our strategic sourcing approach is designed to protect margins and minimize disruption where possible. Of note, the majority of our exports from Canada into the U.S. are covered under the USMCA.

Moving to the balance sheet. In Q1, cash flows from operating activities were \$156 million. Our noncash working capital as a percentage of revenues was 17.3% supported by the EV settlement payment that we received in the quarter. While there may be variability between periods, we remain focused on working capital efficiency across the business and our target of 15% of revenues or less is unchanged.

During the quarter, we invested \$16.3 million in CapEx and intangible assets, and we continue to strategically invest to drive innovation and capability. On leverage, our net debt to adjusted EBITDA ratio was 3.6x on a pro forma basis in Q1, which includes full year contributions from our most recent acquisitions. The improvement from Q4 was driven by the receipt of the EV settlement payment used primarily to reduce amount owing on our credit facility. We remain committed to bring our leverage to our target range of 2 to 3x.

As we noted when we reported our year-end results, we were active on our share buyback program during Q1. The NCIB program remains an opportunistic component of our overall capital deployment strategy.

In summary, first quarter results were in line with our expectations, with solid revenue generation and improved operating margins on a sequential basis. In addition, our strong order backlog supports our outlook for growth. Before we invite questions, I want to extend my thanks to Andrew. Since he joined ATS in 2017, his leadership has been instrumental to ATS' growth as well as to our future with the legacy of disciplined execution, strategic focus and continuous improvement that he has built. Andrew, thank you.

During this leadership transition, it's business as usual. Our priorities and our plan remain unchanged. We will continue to focus on performance improvement across all of our value drivers, and we will seek to complement organic growth by cultivating strategic acquisitions. Our decentralized management structure, strong leadership team and our global team's commitment to the ATS business model will continue to serve us well.

Importantly, we remain committed to creating long-term value for our shareholders and customers through strong execution and continued growth in our targeted markets. 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] And your first question comes from the line of Joe Ritchie with Goldman Sachs.

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

Andrew, congratulations. I'm going to miss talking to you on these conference calls and but wish you nothing but the best luck.

Andrew P. Hider

CEO & Director

Thank you, Joe. Appreciate it.

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

Yes, you bet. Can we just -- can we just talk about adjusted the demand environment a little further? It doesn't seem like you guys are seeing much slippage in your business. at the same time, fully recognize that orders can be lumpy, right? And so a little bit maybe a slower start to the year. But maybe just kind of talk through the demand environment, what you're seeing, what your customers are saying, across your key end markets and kind of how you're thinking about the outlook for the rest of the year?

Andrew P. Hider

CEO & Director

Yes. Joe, maybe I'll start and then Ryan can add on. If we step back a couple of data points, First, as you're well aware, we don't look at any single quarter in isolation. We look over a period of time. And our trailing 12-month book-to-bill ratio is 1.17. So really aligned around that growth target. And really, what we outlined last quarter around, this will be a growth year for ATS, and we expect that to hold true.

If you then go in the prepared remarks, what you'll find is, in large part, our funnels remain healthy and the conversations are very engaging with our customers around their target and their approach to strategic investments. And we're in many attractive areas. If you just look at life sciences, whether it's the continued support around GLP-1 drugs and a little bit of data around that, the novel drug approvals are in line with last year, which effectively means more drugs continue to be approved. And we continue to engage with customers about their launches to radiopharma and the continued identification of new drugs or existing drugs to support cancer treatment around identification and/or treatment after you receive surgery to wearable devices and in the treatment of diabetes or even glucose monitors to -- and we've talked about this in the past, even the ongoing support for pharmacy automation or even contact lenses.

So many, many key opportunities around that space. We then go to energy. Our nuclear business remains strong, continues to be strong. Four key themes in that, and I've walked through those in the past, but it's CANDU reactors. It's decommissioning it's SMRs and its fuel requirement needed for the resurgence of nuclear energy.

To our food business that remains continued successful in its pursuit of not only ongoing business, but new areas of technology and innovation and bringing value to our customers. Transportation has really steadied out. And when we look at that business, we're winning work and pleased with where we sit. We've rightsized the business for our view of the market.

And then lastly, consumer products. We look at that market and we're monitoring that space, but we've seen it hold up and whether it's warehouse automation or even in our ability to support high-end cosmetics and so it's remained call it rather steady. So overall, our view on the year and the market is we're in a strong position, strong backlog and our book-to-bill ratio remains in line with our expectations on growth.

Ryan McLeod

Chief Financial Officer

And Joe, just -- I'll jump in with one more data point as well. So if we look over the first half of this calendar year, so really since tariffs have become -- part of the environment or have been in place. And if we exclude transportation, our orders are up over 10% year-over-year in the first 6 months of the calendar year. So as Andrew said, we've got a strong backlog, and we're very well positioned to continue to drive revenue growth for the year.

Joseph Alfred Ritchie

Goldman Sachs Group, Inc., Research Division

That's super helpful. I appreciate that. Can I just maybe quickly just kind of double click on the energy business, specifically because your backlog suddenly have a lot over year-over-year, it was -- saw a pretty material uptick sequentially. What I find interesting about that is that a lot of other companies that we look at have been talking about project delays in the energy sector. So what was it about your business this quarter that saw like a material uptick. Is it on the nuclear side? Just any color around that would be helpful.

Ryan McLeod

Chief Financial Officer

Within energy, most of the growth is coming in nuclear, as we've talked about. A lot of what we're doing in that space and the bulk of the growth is coming in refurbishment activity, so primarily around CANDU reactors. And we've seen a very strong demand environments in that space and continue to see a good outlook there. In terms of other areas, as Andrew talked about, in the SMR space and in fuel handling, that's a smaller part of our business today. And we've talked about it.

I mean, our view on the SMR market is a lot of this is in the development phase today. And represents an exciting opportunity, but more of a future opportunity for the business.

Operator

And your next question comes from the line of Maxim Sytchev with National Bank Financial.

Maxim Sytchev

National Bank Financial, Inc., Research Division

And Andrew, obviously, all the best in future and definitely, it's been a pleasure. Congrats.

Andrew P. Hider

CEO & Director

Thanks is mutual.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Wonderful. So maybe the first question, I was wondering if it's possible to get a bit of an update on the integration process and some of the cross-selling opportunity ABM kind of acceptance on the part of Avidity, Heidolph, that could be helpful.

Andrew P. Hider

CEO & Director

Yes, absolutely. And I'll start with a bit of a headline on this. Look, our funnel continues to grow here. And we see strong opportunity and there is traditional with ATS life sciences systems working with BioDot, as well as Avidity and Heidolph bringing solution sets to their markets. And so we did have some awards within the quarter, but more future view is the funnel continues to be healthy, and the addition of Heidolph has certainly been a welcome addition for the ability to bring more to the lab space and really align with a

as well as one of the business units in SP our Gen vac business. And so exciting future and see this as an area that we -- as ATS can bring higher value to our customers.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Helpful. And then -- go ahead.

Ryan McLeod

Chief Financial Officer

Sorry, just on the overall integration progress across all 3 going very well. very much in line with our expectations, ABM deployments and uptake has been very strong in all 3 businesses, some of the cost synergies as it relates to cost structure improvements, supply chain integration. We're very pleased with the process across all 3 assets.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. That's good to hear. And Andrew and, I guess, your comment around some of the research funding being under pressure in the U.S. right now. Correct me if I'm wrong, this represents less than kind of like single-digit exposure for the life sciences space, but can you just please clarify that?

Ryan McLeod

Chief Financial Officer

That's correct, Max. It's a low single-digit percentage of our business that is in that space. And so we have seen impact, but as I think Andrew said in his prepared remarks, not a material impact to our overall business or overall Life Sciences business.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. Okay. Good to hear. And then just in terms of the margin profile, I think in the past, you've mentioned that Life Sciences typically has a higher gross margin. I guess as the product mix is shifting right now, I mean, restaurants, transportation, more life sciences, food, et cetera, how should we think about the progression on margin on for basis? And I don't know if you can talk about kind of like short term versus medium term, but any color would be helpful.

Ryan McLeod

Chief Financial Officer

Yes. I mean I'll speak more to the medium term Max because we will continue to see variability quarter-to-quarter, and that's largely driven by the project portfolio and what's getting executed and kind of driving revenues within a quarter. But generally speaking, where we're targeting and expect to drive margin expansion is through gross margin. And there's some operating leverage we expect as well from where we're operating today.

But and some of that is mix tied to life sciences. Some of that is mix tied to the product and services portfolio. And then the improvement initiatives that we're driving around supply chain labor productivity in other areas. So most of that does, again, show in our gross margin over the medium term.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. And is there anything in the project pipeline, which is kind of restraining the progress when it comes to margins in the short term?

Ryan McLeod

Chief Financial Officer

No, no. No. There's nothing unusual, nothing to call out.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. And then maybe just last question. I mean, obviously, with the leadership transition, I'm just curious over around the M&A pipeline? And were you guys seeing in the market specifically? And I guess your ability to act if something were to come through tomorrow.

Ryan McLeod

Chief Financial Officer

Yes. So I mean, like I think we said in the prepared remarks, it's really business as usual. So we've got a plan for the year. The team is fully engaged on executing to that plan and as well as our strategy. And that strategy is centered on both organic and acquisition-related growth.

So M&A activity is continuing, cultivation activity is continuing. In terms of doing a deal or getting something over the finish line in the short term. That's going to be more governed by our leverage than support from the board or the ability to act in this interim period. And so we've talked about our focus is on deleveraging bring our leverage to that 2x to 3x range. Now that doesn't mean we can't do smaller tuck-in acquisitions in the short term. But again, that's from a capital deployment standpoint, our focus is on deleveraging.

Operator

And your next question comes from the line of Justin Keywood with Stifel.

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

Echo the congrats to Andrew and all the success and value creation at ATS.

Andrew P. Hider

CEO & Director

Thank you.

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

Just on the tariffs. We've seen several major U.S. CapEx announcements from ATS' Life Sciences customers. Is that translating to any increased activity with ATS assuming that there's going to be increased automation over the next several years? Or is it just announcements at this stage?

Andrew P. Hider

CEO & Director

So just to understand your question, you're saying ATS announcements or tariff announcements?

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

So ATS is life sciences customers. We've seen several increase CapEx announcements in the U.S., presumably to combat potential tariffs. Is that leading to increased conversations or order activity with ATS, assuming that there's going to be related increased automation.

Andrew P. Hider

CEO & Director

Yes. I mean if you -- so I'm going to answer your question, but I'm going to walk through it in a bit of phases here. So if you step back, whenever there's an investment, whether it's tariff onshoring, supply chain derisking, I mean we can go to labor and the lack of labor to support output, all that equates to generally a favorable automation position.

And so this would be no different. That said, it has been, I would say, more of the anomaly today in the orders that customers have cited tariff being the reason for an order. And I would just say, that is not the norm. We've aligned to more is that customers are building capability and capacity where they have demand. And we're seeing customers really align around that.

Now there is a lot of discussions for future and where they want to build the product. And so we are seeing that, and we have seen a few customers pull their decision into the U.S. versus outside of U.S. But overall, I would say we haven't seen in large part in our investment in ATS orders today. That said, whenever it's favorable like this, it would generally lead to a higher automation play and a higher position for ATS.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Understood. That's helpful. And then I want to come back on the balance sheet. Very healthy free cash flow quarter, \$140 million. I assume that includes all of the EV settlement. But just trying to understand if there was any part of that settlement that was maybe pushed into the next quarter? Or was it fully received?

Ryan McLeod

Chief Financial Officer

That was fully received and that issue is closed and behind us.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Was there any tax portion of that payment because it was announced at \$194 million. So just trying to square that with the free cash flow in the quarter.

Ryan McLeod

Chief Financial Officer

No, no tax impact. I mean there's a future tax benefit tied to the write-off. But no, there is no tax impact to the cash inflow.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Okay. And then just on the deleveraging outlook targeting to get to the 2x to 3x, any indication on timing when that could be achieved?

Ryan McLeod

Chief Financial Officer

Yes. Our expectation is we get there this year. Our biggest opportunity in addition to continuing to operate profitably and is really in working capital. And I talked about this in my prepared remarks, but our goal is to maintain working capital below 15%. We're above that target right now. And some of that is structural as we've added some acquisitions which are more product-related businesses, those have put pressure on our ability to achieve that target.

And then there's normal course variability in our larger projects and custom automation business. But we do see opportunity to improve and get that below our target this year.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

And that's fiscal year, just to clarify.

Ryan McLeod

Chief Financial Officer

Yes. Yes, correct.

Operator

And your next question comes from the line of Patrick Baumann with JPMorgan.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Andrew, congrats on the great run at ATS and the opportunity, how you go back to. Best of luck.

Andrew P. Hider

CEO & Director

Thank you.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Yes, no problem. On the margin dynamics, I know you were talking a little bit longer term, Ryan. If sales are down a little bit sequentially in the second quarter, do you think you can still drive sequential margin expansion? Or do you think margins come down a little bit in the second quarter and then resume that expansion in the second half? Because I think previously, we expect to kind of progression sequentially through the year. I just want to make sure everything is kind of lined up the way you guys are thinking about it?

Ryan McLeod

Chief Financial Officer

Yes, Patrick. So our outlook for the year has not changed, and that's both in terms of growth for the year and margin expansion for the year. I do want to reiterate that -- I mean, first, I don't expect we're going to see big jumps in our margin sequentially. And there is going to continue to be variability. It's not necessarily a linear ramp.

But we do expect margin expansion for the year. And I talked through earlier a little bit on the initiatives that we have in place tied to material productivity, labor pricing, other areas of efficiency. And so I think what we saw this quarter is probably a reasonable run rate in terms of ongoing improvement but not necessarily linear.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Okay. That makes sense. Can you talk a little bit about the food and beverage CapEx outlook in North America? I think you have a decent view there with Paxiom. Just curious what you're seeing from customers in terms of their investment plans? In that specific end market.

Andrew P. Hider

CEO & Director

Absolutely. So we've continued to see this market, not only be stable, but additional opportunities in areas where we've invested in technology and innovation. And whether it's Paxiom or our business with CFT or even Raytec in optical inspection. We've continued to see this be supportive around how we enable customers to bring food to market and meet the requirements as needed for the end consumer. And so pleased with the performance year-to-date and really look forward to seeing this business continue to expand.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

Okay. And then lastly, just on the portfolio. Is there anything in the portfolio that at this stage, you'd consider to be noncore? And you can maybe look for opportunities to kind of wind down over time or divest as you replace it with other acquired assets?

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Andrew P. Hider

CEO & Director

So I mean the short answer is no. But we've talked about in the past, our approach on capital deployment and value creation, and that includes looking at ongoing investments in the portfolio as well. And so that view of the portfolio and ongoing strategy work, that's something we refresh every year. And so that's going to continue to be how we approach it and view with a critical eye where we're generating value and what makes sense in terms of being part of ATS.

Operator

[Operator Instructions] And your next question comes from the line of Cherilyn Radbourne with TD Cowen.

Patrick Sullivan

TD Cowen, Research Division

This is actually Patrick Sullivan on the line for Cherilyn. And congrats, Andrew, on the next opportunity for you.

I appreciated the color on what you're watching in the lab space. I just want to clarify, would that be more tied to consumable side of things in the portfolio? And I just asked this because there's a recent White House action plan that outlined an interest in heavily investing in automated labs across private regulatory and academic sector. So I wanted to know kind of what capabilities ATS might have in lab automation and then kind of parse that away from the consumable lab equipment stuff.

Andrew P. Hider

CEO & Director

Yes. So maybe I'll start here. So we are in, I would say, a bit of bolt around this. And if you look -- and not to get too specific, but I'm going to walk through the businesses a little bit. When you look at cloud, that's a bit more in the lab automation side and they support that area of business. And we do view that it is in line with the ability to help labs as they look at automation for the future.

When you then go to Avidity, they're going to have some impact on the research side, but they do have as well support for enabling their portion of the process for if you do want to automate or bring a higher level of technology and insight into monitoring the lab space, and we all know where they are in that position. That is also a consumable area.

And then when we look at SP with their business, it is lab Lio Again, that is one around. It certainly can support the initiative around automation, but it is more around if you're going to run multiple drugs as a trial they would then do the vial process for that with the Genevac business. And then lastly, Heidolph is more the -- is supporting overall lab laboratory space and what they want to do, whether it's during mixing or for their process within the lab area.

So overall, I would say, within research, we're going to see some impact, but it's relatively small than ATS. If you then go to the initiative around automation, it is something that is in line with ATS, but it is still relatively small of our overall business.

Patrick Sullivan

TD Cowen, Research Division

Okay. Great. And then I guess just one more. So can you just elaborate on the multiplex system that you've recently highlighted in the opening remarks, what kind of applications are they used for? Is that used in the CANDU related work that you guys do? Is that something that's in -- more in the innovation phase side of things right now?

Ryan McLeod

Chief Financial Officer

Yes. So multiplex, very excited about this patent protected business. It is around the decommissioning area of the business and decommissioning is used in the traditional nuclear reactors. It is a normal course

process and they go through decommissioning and then often they'll recommission a new nuclear reactor. This allows them to be more efficient, more space conscious, and it is an area that truly helps in the process around decommissioning. And we have won awards, and we do have a funnel that's built around this business in this market.

Operator

And your next question comes from the line of Michael Glen with Raymond James.

Fred Gatali

Raymond James Ltd., Research Division

This is actually Fred Gatali on for Michael Glen and congrats, Andrew. Let me start with Life Sciences regarding the ordering sector business, how diversified is the business outside of GLP-1 applications? Is the book revenue concentrated in GLP-1? Or are there other emerging or growing categories for auto injectors.

Ryan McLeod

Chief Financial Officer

Yes. So the majority is -- the majority of our auto-injector business is tied to GLP-1. In terms of diversification, we have 10 active customers in that space today. So it is fairly well diversified. The other area I would point out is, while a lot of these -- a lot of the demand for these drugs is being driven by weight loss and obesity treatments in addition to diabetes treatment. There's a lot of research and work being done by these drug manufacturers around new applications. So things like cardiovascular health, neurological disorders. So it's a fast-growing area and an area we continue to see a lot of opportunity in.

Fred Gatali

Raymond James Ltd., Research Division

Great. And then on Life Sciences, further, so this is a slowdown from a much lower pace in fiscal '25. Can you just indicate what categories of products or that slower piece of bookings?

Ryan McLeod

Chief Financial Officer

So you're asking about the quarter itself?

Fred Gatali

Raymond James Ltd., Research Division

Correct.

Ryan McLeod

Chief Financial Officer

Yes. I mean, like I said, it's there are some larger programs in the prior year first quarter. Some were tied to wearables in the space. I think the auto-injector, it was still a big piece of Q1 bookings or a significant piece, but was lower year-over-year. I mean it really is, as we talked about kind of normal course variability with -- it's just timing of some larger programs.

Fred Gatali

Raymond James Ltd., Research Division

All right. And then last one for me. Just PAUSE on the timeline associated with bringing the working capital back into the 15% range -- can you talk about that? And then in addition, maybe highlight where working capital remains elevated right now? What segments or product lines?

Ryan McLeod

Chief Financial Officer

Yes. I talked a little bit about this. I think our expectation is to get there for the end of the year. And it's really in 2 areas. Part of it is kind of the structural change I talked about with adding more product-based businesses. And there, the opportunity is primarily in inventory terms a little bit on payment terms in the order to cash cycle.

In the custom automation business, that's more of a timing. And we're going to see that variability quarter-to-quarter. That's normal course for us. But overall, the opportunity there is primarily in payment terms and that order to cash cycle.

Operator

There is no further questions at this time. I will now turn the call over to Andrew Hider for closing remarks. Andrew?

Andrew P. Hider

CEO & Director

Yes. Thank you, operator, and I invite you all to participate in our Annual Shareholders Meeting, which will be all virtually today at 10:30 a.m. Eastern Time. Details are certainly in the management info circular.

Lastly, thank you for joining us. Stay safe, and goodbye for now.

Operator

That concludes today's call. Thank you all for joining. You may now disconnect.

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