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Earnings Call

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Presentation

Operator

Welcome to the ATS Corporation Third Quarter Conference Call and Webcast. This call is being recorded on February 4, 2026, at 8:30 a.m. Eastern Time. [Operator Instructions] 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 Doug Wright, Chief Executive Officer; Ryan McLeod, Chief Financial Officer; and Anne Cybulski, Vice President, Corporate Controller. Please note, 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. As many of you know, this is Doug's first conference call as CEO of ATS. We're very pleased to welcome Doug as the new leader of our organization.

With that, it's my pleasure to turn the call over to Doug. Doug, over to you.

Douglas William Wright

CEO & Director

Thank you, David, and good morning, everyone. I'm pleased to be with you here today. As you know, I joined ATS in mid-January. While it's still early in my tenure, my focus has been on rapidly translating learning into action, particularly around execution discipline, margin performance and capital allocation. This focus has included spending time with our teams across the organization, building a deeper understanding of the business and our day-to-day operations.

I've also participated in our President's Kaizen Events, listening to and meeting with teams, including at our Cambridge, Ontario head office. What stood out from this year's group of Kaizens was the depth and breadth of our people's technical capabilities and the high-performance nature of our culture anchored by the ATS business model. During my career, I've had the opportunity to serve several organizations in different parts of the world, focusing on automation and diversified industrial technologies.

In bringing an analytical lens rooted in my engineering background and applied in multiple general management and CEO roles, one key takeaway for me is that companies built in a strong lean operating system are better positioned to execute and deliver sustained results. That lean culture is deeply embedded at ATS through the ABM and our focus will only get sharper going forward.

These fundamentals, along with our attractive market positions in growing end markets and our high-quality customer base have reinforced my decision to join this organization. Importantly, that foundation is supported by a deep and capable leadership bench, positioning us well to execute on our strategic priorities. In Q3, we welcomed Sarah Moore as our new Life Sciences Group Executive.

Sarah brings over 20 years of experience across Healthcare Diagnostics, Medical Devices and Life Sciences, along with a deep sector expertise and a strong operations background to lead our presence in one of our key end markets. We also recently appointed Simon Roberts, a long-tenured ATS leader to lead our Packaging & Food Technology business. This brings a leader with strong operational background to this key end market. This appointment coincided with our decision to embed our growing Services business within our operating units.

This change strengthens accountability, improves customer alignment and allows each business to manage services as a recurring margin-enhancing component of their solution offering. Our focus on people and leadership continues to be acknowledged externally. Our U.S. operations recently received a certificate of recognition from the Top Employers Institute, and we were once again named a top employer in the Waterloo area.

From an operating standpoint, I expect we can continue to build on the systems, rigor and accountability required to build long-term value with an emphasis on driving margin expansion across the portfolio. There are meaningful opportunities ahead through increased asset utilization and operating leverage, improved mix and continued advancement of the ATS business model.

That same discipline also guides our capital investment decisions across the portfolio. Our focus remains on allocating capital where it generates attractive risk-adjusted returns and enhances long-term shareholder value. We continue to evaluate opportunities that support growth and profitability, reinforce our core capabilities and remain consistent with our leverage framework.

This approach aligns with ATS' long-term capital allocation strategy and the priorities of our Board. Before I move on, I want to recognize Ryan McLeod for his contributions to ATS. Ryan has played an important role in strengthening ATS' financial foundation and building a strong finance team. We thank him for his leadership and wish him continued success in his new chapter.

Ryan's transition is orderly and planned. Anne Cybulski, a trusted member of our leadership team, will resume as interim CFO and provide the continuity. Our finance organization has been built by Ryan and Anne and is stable and capable. As I continue to deepen my understanding of the business, I'll provide additional perspectives as appropriate.

With that, I'll turn the call over to Ryan to walk through our third quarter performance and outlook.

Ryan McLeod

Chief Financial Officer

Thank you, Doug, and good morning, everyone. Before moving to the quarter, I would like to welcome Doug to ATS. Doug brings a proven track record in lean operations and a disciplined approach to capital allocation. I'm confident that under his leadership, ATS will build on its strong foundation and continue to drive value creation for shareholders.

Turning to the quarter. I'll start with a brief overview of our Q3 performance before providing an update on our end markets. Anne will provide additional financial details in her remarks. Starting with our financial value drivers. Order bookings were \$821 million, up almost 12% sequentially, supported by activity across multiple end markets. Q3 revenues were \$761 million, up almost 17% from Q3 last year, driven primarily by organic growth, including continued momentum in services.

From a profitability standpoint, adjusted earnings from operations in Q3 were \$80 million, in line with our expectations. Moving to our outlook. We ended the quarter with an order backlog of approximately \$2.1 billion. Our backlog reflects a well-balanced mix across end markets and geographies. Looking ahead, our funnel remains healthy and diversified.

Within Life Sciences, order backlog was \$1.1 billion, and revenues for the quarter were \$391 million, the second highest in ATS' history. Demand remains constructive in our end markets with ATS' global scale supporting consistent execution in multiple regions and multisite customer programs. Radiopharma led by our Comecer business remains a key growth market supported by strong customer relationships and expanded services footprint and a proven track record.

Our unique capabilities in this market are driving engagement with both established and emerging customers across the development and commercial phases of radiopharmaceutical programs. Within GLP-1 auto-injectors, ATS is executing against a healthy backlog and partnering with customers as they scale production. As device requirements evolve and new therapeutic applications emerge, our teams continue to support customers throughout the product lifecycle.

In Food & Beverage, quarter end order backlog was \$203 million. Funnel activity in Food & Beverage remains strong, driven by brand recognition in core processing markets, including tomato and other fresh fruit applications. In Energy, order backlog was a record \$296 million, up 87% over Q3 last year, driven by refurbishment and life extension projects for nuclear reactors.

These refurbishment programs are longer cycle in nature and include service components that support both execution and ongoing operational requirements. Alongside refurbishment work, activity continues to progress in new build programs, including both large-scale reactors and SMRs. ATS is engaged early in the project lifecycle, supporting front-end design, engineering and prototyping activities. This work spans fuel production, fuel handling and modular fabrication across multiple reactor technologies.

Within Consumer Products, backlog reached a record \$321 million, supported by a large enterprise warehouse packaging automation program that leverages ATS' global manufacturing and aftermarket capabilities. Consumer Products remains steady with ongoing opportunities across warehouse automation and packaging.

In Transportation, the funnel continues to reflect smaller scale opportunities in both commercial and traditional vehicle platforms. In summary, quarter reflects steady execution across our priorities, supported by a strong order backlog and diversified end markets. Before we move to the financial review, I want to take a moment to express my confidence in the depth, capability and professionalism of the organization I've had the privilege to lead. I've worked closely with Anne for many years, and I've seen firsthand the strength of her leadership and that of the broader team.

I'll be moving on knowing the business is in very capable hands, supported by a strong leadership team and an organization deeply committed to operational excellence and disciplined execution. I also want to convey my sincere appreciation to the entire ATS team for their dedication and unwavering commitment to the company's success. With this continuity in place, ATS remains firmly focused on the business and well positioned to deliver long-term value for shareholders. Now I'll turn the call over to Anne. Anne, over to you.

Michael Anne D. Cybulski
VP & Corporate Controller

Thank you, Ryan. The entire team and I wish you success in your next chapter. I share your confidence in ATS' experienced leadership and finance teams. I also echo both David's and Ryan's words of welcome to Doug. Doug, we're happy to have you on board. On to our operating results for the quarter. Order bookings were \$821 million, down 7% compared to Q3 last year due to the expected lower run rate in Transportation and the inclusion of several larger enterprise bookings in Life Sciences and Food & Beverage last year.

Notably, our trailing 12-month book-to-bill ratio at the end of Q3 remained healthy at 1.06:1. Revenues for the third quarter were \$761 million, up 16.7% compared to last year, including organic growth of 12.6%, along with a 4.1% benefit from foreign exchange translation. Of note, revenue increased in all market verticals, except for Transportation as expected. Moving to earnings. Third quarter adjusted earnings from operations were \$79.9 million, a 21.6% increase from Q3 last year, primarily on higher revenue volumes.

Gross margin for Q3 was 29.6%, a 111 basis point decrease from last year, mainly due to program mix. Put another way, the decrease is a reflection of timing of programs being executed across our market verticals, which have different gross margin profiles. On SG&A, excluding acquisition-related amortization and transaction costs, expenses in the third quarter totaled \$141.9 million, an \$11.3 million increase over the prior year, mainly due to foreign exchange translation and, to a lesser extent, increased employee costs and professional fees.

Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was \$3.1 million in Q3. Earnings per share were \$0.48 on an adjusted basis. Moving to our outlook. We ended the quarter with an order backlog of approximately \$2.1 billion. Q4 revenues are expected to be in the range of \$710 million to \$750 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.

During the quarter, we incurred \$5.5 million of restructuring costs under the program we disclosed last quarter. As we identified additional opportunities to further realign our cost structure, total costs under the program are now expected to be approximately \$20 million. The associated payback period remains unchanged. We do expect some reinvestment in strategic growth areas while also supporting our operating leverage, mainly as we move into fiscal '27.

As we head into the last quarter of this fiscal year, we are pleased with our overall revenue growth of 13.6% on a year-to-date basis, including approximately 8% organic growth. Adjusted earnings from operations are up 14% on a year-to-date basis. ABM discipline and tools will continue to support focused execution across all of our value drivers, supported by the strong lean pedigree amongst our leadership team.

In addition, Doug's experience and focus on lean discipline is clear. While the macro environment remains dynamic amid geopolitical and trade uncertainty, once again, we can confirm that we have not been materially impacted by tariffs across our different geographies. Most of our exports from Canada to the U.S. continue to be covered under the USMCA. Our global decentralized operating model positions ATS well to adapt and serve customers where capital is being deployed.

As a result, we continue to execute, maintain leadership in our key submarkets and advance our growth priorities. Moving to the balance sheet. In Q3, cash flows from operating activities were \$115 million. Our noncash working capital as a percentage of revenues was 16.4%, an improvement sequentially and also from Q3 last year. As a result, we moved closer to our targeted working capital value of less than 15% of revenues as we received some larger milestone payments before the end of the quarter.

As always, payment timing can affect this ratio around period ends, but our goal is to continue to sharpen our working capital efficiency and more broadly, overall asset efficiency. During the quarter, we invested \$16.6 million in CapEx and intangible assets, supporting innovation and the continued strengthening of our capabilities. For fiscal '26, we expect our CapEx and intangible investment to be between \$70 million and \$90 million, slightly lower than the previously disclosed range. On leverage, our net debt to adjusted EBITDA ratio was 3x, reflecting continued progress towards the top end of our target range of 2 to 3x as expected and previously disclosed.

In summary, the third quarter results were in line with our expectations, supported by a strong order backlog and diversified end market exposure. Our leadership team and global employee base remain focused on leveraging our opportunities for margin expansion and capital efficiency across our business to drive shareholder value. 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 Maxim Sytchev from National Bank Financial.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Doug, congratulations on joining the company. And maybe the first question, if I may, for you. Do you mind maybe talking about your maybe 90-day and kind of 6 months priorities in terms of what's going to be on your slate?

Douglas William Wright

CEO & Director

Sure. Thanks, Maxim. So while it's early, I do have a few observations that I'll share with the group. First, I believe that we're aligned to strong and growing end markets in the portfolio. And growth has been strong. And while there's a few areas that need some improvement, our focus will be on -- continuing to focus on those core end markets that we're in today. So we're not -- I wouldn't say that my appointment brings any outlook change in terms of the end markets that we're focused on.

Secondly, we recognize that margin expansion potential has not been realized. And I think we have a lot of runway in front of us. And while I'm not ready to establish a new target for the organization yet, our team knows that we need to do better. There's opportunity in both ABM type improvement, which are a great set of tools that we just need to drive harder at executing as well as commercial actions to get more value for the important work that our teams do.

And third, as our leverage ratios are now back into our targeted range, we will deploy capital with a high level of discipline as usual, but with an emphasis on improving our margins, our aftermarket mix and bringing in new technologies that complement our portfolio within our existing end-market framework. So those are some of the key observations I would make today, and you can kind of convert that into what I'm focused on in the early days, both with the executive team, our operating units as well as with our Board. And I really remain very optimistic for the outlook for ATS.

Maxim Sytchev

National Bank Financial, Inc., Research Division

That's excellent. And one quick question for Ryan. And Ryan, obviously, all the best, and it's been a pleasure. If I may, do you mind maybe connecting a little bit the improvement in margins that you were telegraphing at the beginning of the year and how that correlates to the gross margin change in the mix perspective and how I guess we should be thinking about modeling the rest of the year?

Ryan McLeod

Chief Financial Officer

Yes. Thanks, Maxim. I appreciate it. I'm going to let Anne walk through the margin dynamics.

Michael Anne D. Cybulski

VP & Corporate Controller

Thanks, Ryan. So Max, I would say from a gross margin perspective, we talked about mix, and it really is reflective of the -- what we're seeing the -- what we've got in our backlog and what we're executing on. I wouldn't call it anything unusual there. We've been pretty consistent in terms of performance there and in line with our expectations. We still -- as Doug said, we still got opportunities across the board, but specifically on gross margin through some of our levers that we'll continue to pull, including the usual standardization, supply chain, operational excellence initiatives.

So overall, I think some of the work we've got in our backlog right now is more -- you've seen nuclear bumping up, and we've talked about that being, generally speaking, lower gross margin, but accretive to the bottom line. So I don't think there's anything unusual, but there are some dynamics there and then the levers that we have available to us remain available, and we'll continue to focus on them.

Operator

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

Sabahat Khan

RBC Capital Markets, Research Division

Great. Just maybe starting at a high level on the revenue side. Obviously, you provided a bit of color on the outlook for each of the segments in your release. So maybe if you could just dig a little bit more into the nuclear, the Energy side and the Life Sciences side. One, were you just sort of expecting the nuclear side numbers to be that big?

Are there new orders that came through the year that drove sort of that size growth in nuclear? And then on the Life Sciences side, if you can maybe just talk about what you're seeing on the outlook there in terms of maybe things that could drive mid- to high single-digit type growth that segment seen times in the past?

Michael Anne D. Cybulski

VP & Corporate Controller

Yes. So maybe, Saba, I'll start with the numbers and then Doug can chime in on the outlook. So from an Energy perspective, as we've talked about, the majority of the work that we have in our backlog right now is focused on life extension projects, and those tend to run out over 18 to 24 months, in some cases, from a top line standpoint. That said, we also have good backlog that we're continuing to generate in terms of our participation in new builds, both SMR and traditional reactors.

And an example in the quarter, we did have an order for new build reactor for fuel fabrication. So good participation there and not specific to any one technology. So I think a good demonstration of our team's capabilities beyond the [CANDU] technology that is the majority of the life extension work.

From a Life Sciences standpoint, we've continued to build out that part of the business. And of course, we have the custom integration piece of the business, but we've also got a good portfolio from a products and services standpoint that we'll continue to focus on driving the business forward from a top line standpoint. So Doug, go ahead.

Douglas William Wright

CEO & Director

Sure. So I would just add in terms of the outlook, Saba, that the -- we've obviously -- in the nuclear side, we've obviously had a very long-standing relationship with a number of customers on the CANDU platforms, and we're really pleased that we're continuing to support those life extension and refurb programs. But inside of our pipeline and kind of looking forward, we are also active on, I would call it, a handful -- a full handful of SMR customers in the early-stage activities in both modular fabrication and fuel handling.

And we do expect that over time, these customer relationships will expand as projects gain traction and evolve into operations. Obviously, this is a long-term investment for the company to get involved early. And we have to obviously be prudent in how we manage uncertainty that comes with new technology and new regulatory frameworks, but we feel like ATS is in a strong position to support those evolving technologies as they go forward.

I would say on the Life Sciences side of things, we really are pleased with the improvement in the diversity in the -- at the application layer within the pipeline and the backlog in Life Sciences. We're really excited about some of the new innovations that our customers are working on around radiopharma, visual inspection, other med tech applications, including things like mail order pharmacy. So we believe that we

have a pretty good stable of new applications coming in that portion of our business that will allow us to help continue to support those great innovations that are happening with our customers.

Sabahat Khan

RBC Capital Markets, Research Division

Great. And then just for my follow-up, I guess, a bit more on the capital side, leverage moved in the right direction. And if you can just maybe comment a little bit on sort of the working capital target that you guys have, any initial plans there? And then understanding it's early days, but just your views on where M&A ranks in capital allocation as the leverage moves further in the right direction.

Douglas William Wright

CEO & Director

Sure. So it's a little premature for us to set new financial targets in terms of the working capital ratio, but you can be sure that in future calls with you, we will be reviewing those targets and coming forward with an updated framework. I think the team did make a lot of progress here in the last quarter on working capital. And that's -- honestly, improving working capital is actually quite hard operationally.

So I think it shows a good level of execution by the team. And of course, my job is to keep pushing to make it even better than it has been. So you can count on that. I think in terms of capital allocation models, I would think about it like this. We're not going to change our level of discipline and focus and our committed leverage architecture that we've communicated to investors. We recognize that there's a view that as our leverage ratio gets back into our targeted zone that we can become more thoughtful about deploying M&A capital, and you can be confident that internally we are doing that.

We have a pretty rich pipeline that across a number of our end markets that we are continuing to evolve. And as I'm meeting with our business unit leaders and our corporate development team and getting an understanding of what's in their pipeline, I'm pretty confident that we've got the ideas to utilize to deploy capital. But obviously, as I said, we will remain quite disciplined in how we do that, but you should expect us to favor deploying capital toward M&A going forward.

Operator

Your next question comes from the line of Patrick Sullivan from TD Cowen.

Patrick Sullivan

TD Cowen, Research Division

Like everyone said, good luck, Ryan, and then Doug, welcome to the call. I guess first question I had was, it looks like there's a specific line -- kind of aligning opportunities outside of GLP-1 in the Life Sciences sector. So I guess, has there been any updates to customer plans within that market for you guys? Is there still significant capacity that needs to be constructed? Or have advancements in other oral therapies kind of influenced capital expenditure plans more recently?

Douglas William Wright

CEO & Director

Sure. I would say, obviously, Patrick, the GLP-1 ecosystem has a lot of dynamics involved in terms of both the ramp-up of capacity that we're participating in now as we're shifting into the delivery phase of the great upfront capacity partnerships that we entered a while back. But there's still a significant amount of new therapies around GLP-1s, new delivery form factors such as multi-use devices or more sustainable concepts in the devices themselves as well as new trials and customer activities around continuing to deploy new therapies around these therapeutics.

So I would say that the long term, the auto-injector market for us with respect to GLP-1s, it will -- it's obviously going to go through its lumpiness in the order cycle. But from a revenue perspective, we still see a pretty strong pipeline of incremental opportunities to continue to support those therapies. Now being prudent, we obviously have to improve the diversity of our pipeline for other types of therapies we mentioned in our prepared remarks.

There's a lot of excitement around radiopharma, oncology and other activities that we think will -- well, we're not -- we don't think it is diversifying our pipeline, and that will start to diversify our revenue footprint as time goes on. So we're committed to continuing to work with our GLP-1 and auto-injector customers.

We recognize that there's a lot of press now about different companies guiding different views on utilization of orals and other traditional and new therapies around GLP-1s. And I would say that from our perspective, our customers are still being pretty consistent that there's a lot of long-term opportunity in GLP-1s that we'll continue to support over time, recognizing that we have to diversify the portfolio to make sure that we can keep the machine running.

Michael Anne D. Cybulski
VP & Corporate Controller

And just a small bit of extra color on the quarter. Within the quarter, we saw good examples of that diversification that Doug is referring to. Outside of GLP-1, we had orders in radiopharma and other areas of med device, which are a good demonstration of our team's capability and our capacity to execute across those submarkets. So just hopefully, that adds a little bit extra color for you there.

Patrick Sullivan
TD Cowen, Research Division

Yes, that's great. If I could ask one more. ATS often talks about cultivating assets as it relates to acquisition targets, sometimes over many years. Doug, is that approach consistent with your experience? Was that part of your mandate in previous roles? I guess any experience you can elaborate on with respect to that strategy would be great.

Douglas William Wright
CEO & Director

Yes. Thanks for the question, Patrick. I think the answer is very simple. I am very committed to the idea that I have a role and my executive team have a role in working with innovators, founders, sometimes families and other -- we work in a universe of strong levels of innovation that often start as small businesses and then evolve into opportunities to join a larger organization like ATS.

That does require a lot of kind of pick and shovel activity on the ground to cultivate those relationships. And it is something that I have a lot of experience in. And I think we'll continue to have a pretty -- a very tactical focus on getting out and meeting partners and working with them over the long term to put us in a better position to make those acquired companies feel at home inside ATS.

Operator

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

Justin Keyword
Stifel Nicolaus Canada Inc., Research Division

Just following up on the outlook for Life Sciences. We've seen some substantial CapEx investments over the last 6 to 8 months. By our math, about \$480 billion has been announced, much of which are ATS' customers. And this is in part to potentially sidestep tariffs and reshore with U.S. manufacturing. I'm wondering if that narrative is leading to increased business for ATS? Or is it just a regular business as it goes as far as new CapEx and if you have any additional color there?

Douglas William Wright
CEO & Director

So Justin, I think specifically, we probably -- I think at a high level, we certainly are aware that there's a lot of discussion within the broader sort of Healthcare and Life Sciences space around reshoring and tariff mitigations. And we certainly are probably seeing some benefit from that in our own pipeline. But I can't --

I think at the end of the day, most of our customers are being very balanced in being close to their large markets as they build out their capacity.

So I wouldn't say that it's necessarily dependent on tariff dynamics. I think it's related to just the dramatic increase in demand for these therapeutics and just needing raw capacity. And if you're doing -- if you're adding new capacity in an environment where tariffs and geopolitical items are volatile, it's kind of rational to spread your capacity out among different geographies.

I think that's common across a lot of the industrial tech landscape as well among our peers. So I think that's kind of a natural outcome. And -- but you're correct that there is still a significant amount of capacity in the pipeline. And our job is to be able to serve that whatever geography the customer decides to land in.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

Understood. That's very helpful. And then for the Transportation or EV segment, we saw continued pressure this quarter. Our expectation was it was near bottom levels last quarter. Are we at that range where we should see some stabilization going forward? And also, how strategic is the EV or Transportation segment to the overall business going forward?

Douglas William Wright

CEO & Director

Sure. So I think we look at Transportation holistically, the way we look at all of our end markets through a long-term value creation lens. And part of that specific to Transportation is we recognize that we have a lot of technology and value to bring to the EV ecosystem. But it's frankly going to be more targeted than it has been historically. I think we recognize that pursuing mega projects in the, call it, the broad Transportation sector has -- carries a lot of risk that we're not comfortable with.

But within sort of niches, within the Transportation segment, maybe it's assembly of batteries or hybrid engines or other sort of unique targeted areas where our technology can bring value and we can be rewarded appropriately for it. We still have a significant amount of pipeline in transportation, but we're going to be more cautious in how we go after the shiny objects. We're going to be more disciplined in how we pursue those projects. So it's still a market that we feel optimistic about. But on a relative scale, it will -- relative to our larger segments that we're participating in now, I think it will stay kind of in its current range.

Michael Anne D. Cybulski

VP & Corporate Controller

And Justin, just to add, I mean, that's -- what Doug said is reflective of what we see in the backlog and also in bookings in the quarter as well as the funnel. So -- and I think that's a fair reflection of what we'd expect going forward.

Operator

[Operator Instructions] Your next question comes from the line of Patrick Baumann from JPMorgan.

Patrick Michael Baumann

JPMorgan Chase & Co, Research Division

I know it's been a couple of months already, but we haven't spoken yet. So I wanted to say congrats to Doug on the new role. And also, thanks to Ryan for all the help and guidance while we've been following the company and best of luck in your new role. I had a couple of questions. First on sales.

So generally, like when I look at the quarterly -- I know you guys don't like to talk about quarterly, but when I look at the quarters over time, you see a growth rate from third quarter to fourth quarter like in the mid-single-digit range sequentially. Can you help me understand why that might not happen this year? Is it -- was there some sales pulled ahead to the third quarter maybe? Any color on that would be helpful.

Michael Anne D. Cybulski*VP & Corporate Controller*

Yes. Patrick, I can take that one. So from a -- on a full year basis, we're still expecting what we talked about before in terms of high single-digit growth, and we're happy with where we are from an organic growth perspective on a year-to-date basis, especially given some of the market dynamics. The Q3 number, I mean, there was some benefit from scope adjustments and things that just timing of execution of the program. So what we have in our guide for Q4 leaves us consistent with what we would have expected on a full year basis. And I don't think there's anything unusual that I'd call out.

Patrick Michael Baumann*JPMorgan Chase & Co, Research Division*

Okay. That's helpful. And then the second one is on backlog. And so I guess I just wanted to understand the sequential decline in context of the positive book-to-bill. It looked to me like maybe in Transport, there was a rescoping or something of that nature. Is that right? And if you could provide any color on that, that would be helpful. And then also on the orders front, like consumer looked like it had a big order in there. Could you provide any color on that?

Michael Anne D. Cybulski*VP & Corporate Controller*

Yes, I'd be happy to. So just with respect to the backlog, I mean, just -- about half of our business, roughly half is products and services. So as that portfolio continues to grow, I mean, we kind of look at a number of metrics across the board. So in our guide, we look at the shorter-term businesses. We kind of look at where we are from an execution standpoint on our larger projects. So there's some timing stuff in there. But I would say we're happy with the book-to-bill staying above 1.

And even if it does dip below 1 in any particular market or period on an individual quarter or trailing 12-month basis, if we're executing off of a healthy backlog that doesn't give us cause for concern. So I think -- and then your question on consumer, we did have -- we have had some strength in that area, again, reflective of the capabilities of the team. So that work will get executed over a normal time frame, consistent with the other work in our backlog, we typically say 12 to 18 months.

Operator

Your next question comes from the line of Jonathan Goldman from Scotiabank.

Jonathan Goldman*Scotiabank Global Banking and Markets, Research Division*

Maybe just the first one, circling back on the bookings. What are you guys thinking in terms of bookings growth this year? I'm just -- if you can give us any help parsing all the different puts and takes on funnel commentary, the strong revenue this quarter. You're lapping the enterprise orders last year, the timing as well. But how are you thinking about the full year cadence of bookings?

Michael Anne D. Cybulski*VP & Corporate Controller*

So from a -- you mean -- sorry, Jonathan, just to clarify for this year? Or what do you...

Jonathan Goldman*Scotiabank Global Banking and Markets, Research Division*

Yes for this year?

Michael Anne D. Cybulski*VP & Corporate Controller*

Yes. I mean we're -- we'll continue to -- there's -- obviously, in our Custom Integration business, there's some timing things that may impact the number. But on a full year basis, we're happy with where we've

come in from a year-to-date perspective, and the funnel is healthy across the board, as we've talked about. And even if -- and as auto-injector orders modulate based on where customers are in their buying cycles, the funnels in the rest of the submarkets remain healthy. If there's anything, Doug, you'd like to add, go ahead.

Douglas William Wright

CEO & Director

No, I think it's -- I think we've got a great pipeline, and there's obviously some economic uncertainty that we live with every day. And I think the team has calibrated the orders outlook effectively. That's why we provide a range. And -- but I think it's -- the pipeline is robust, and we've got, I think, a pretty good opportunity to continue to deliver the type of growth that we've delivered in Q3. And obviously, our job is to beat those expectations.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Okay. That's helpful. Maybe switching to SG&A. You upsized the restructuring charges this quarter. I think you talked about maybe reinvesting some of that in strategic areas. What sort of areas are you planning to reinvest those savings in? And if we're thinking about kind of payback on restructuring, is this more of a top line payback or a cost payback at this point?

Michael Anne D. Cybulski

VP & Corporate Controller

So yes, I mean, I would expect that it will be a mix. So we've -- the bump up in the range is basically just associated with some additional opportunities we've identified for efficiency across the program, including with -- associated with our services shift. I think some margin protection measures in a few parts of the business that have seen lower volumes, but nothing that I would call out that's material.

From a reinvestment standpoint, I mean, we've had a history of investing in innovation, and that's been critical to our success and will continue to be going forward. So that would be where some of the reinvestment would be as well as in areas of growth, we've talked about nuclear, which is a People business. So there, for example, in other areas -- other market focus areas, including Life Sciences. And as we work through the timing of some of this from a bottom line perspective, the piece that would flow through to operating -- to help with operating leverage would primarily be into fiscal '27 just based on the timing of the execution of the program.

Douglas William Wright

CEO & Director

Yes. And I think, Jonathan, one of the things that I'm -- as I've gotten around to meet our division leaders and talk to some of our innovators, these new therapies that are evolving in Life Sciences and these new kind of energy form factors that we're seeing evolve in our Energy business are very exciting, and I think create -- it's a great alignment between the technology that we have in-house and the needs that these customers have to support their evolution of their product as they kind of bring, in some cases, game-changing new technologies to the marketplace.

So I think it's a very prudent action for us to take our restructuring savings and redeploy investments in those growth areas. So when we talk about diversifying our pipeline and making early-stage investments in these new technologies, that's generally the destination for any incremental investment dollars that we get. And that's, I think, a pattern you'll see us repeat.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Okay. That's fulsome color. And maybe just one housekeeping one. The sequential increase in the SG&A, how much of that was due to FX?

Michael Anne D. Cybulski

VP & Corporate Controller

It would be relatively in line from a proportionate standpoint to what we saw from the top line perspective. But we can follow up with you, Jonathan, on the specific values.

Operator

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

Michael W. Glen

Raymond James Ltd., Research Division

Doug, maybe to start, we've heard a focus on margin expansion mentioned a few times. Are you able to speak to some of your prior roles, any of the margin initiatives you implemented in those roles and maybe highlight some of the success you realized in expanding margins in prior roles.

Douglas William Wright

CEO & Director

Nice to meet you, Michael. Sure. I think I kind of categorize the margin improvement opportunities in 3 areas, all of which I've had extensive experience in my prior roles. So first is amplifying the deployment of our ABM tools to find productivity opportunities. This could be reducing cost, improving lead times, which helps us drive market share. The tool set that we have inside ATS is very strong. They're very familiar tools to my prior roles that I -- companies I've served.

And I think there's just a need within the team to drive more focus in executing them, perhaps being prioritizing a little differently. So I'm pretty comfortable that we actually have the tools in mind, but we'll be working harder to more effectively deploy them where we can move the needle on margins. And it could be looking at 80/20 pricing. It could be looking at low-cost country supply chain. It could be on finding labor productivity through value stream mapping exercises at the shop floor level. All up and down the architecture of the company, we have opportunities to deploy ABM to drive more efficiency.

And I'm confident that we'll be able to accelerate that. The second area is around focusing our R&D and commercial efforts on applications within our current end markets, but that require more advanced technology and application knowledge that we have inside ATS. And that then brings us the opportunity to enjoy improved gross margins. Some of the new applications that we talked about in our pipeline and emerging into our backlog around Life Sciences, nuclear, the examples that we talked about earlier, these are all areas where the physics challenges of creating something for our customers is quite a big challenge, and we bring technology to the table to help them solve those problems, and that gives us the opportunity to have a better yield and share in that value creation.

And then the third area, which has been a focus of the company, but I think has further opportunities is in increasing our mix of aftermarket. I think being -- having a significant portion of our business being in the CapEx cycle, we recognize that from an earnings volatility standpoint, having a higher share of aftermarket can both improve our margin profile as well as smooth out the natural ebbs and flows that come with the CapEx side of the company, as one of the reasons that I supported the decision that the team made to move the services teams into the business units to provide more of an end-to-end model with our end users from -- all the way from conceptual engineering through lifetime service and support.

I think that's very logical, and it will start to allow us to pursue organic strategies to expand our service potential. And even in our capital deployment discussions, one of the criteria that we talk about is the same things. We talk about, is there a potential to employ ABM to improve the target company's performance? Do we have the ability to use the technology to create something new for our customers?

And does it improve our aftermarket mix. So both in the internal work that we're doing as well as in our capital deployment work, those are kind of the themes that I've seen work in other enterprises similar to ATS, and that's what the team and I are going to be working through. And we'll -- once we have a more definitive framework about what that's going to mean to the economic, we'll come and share that with you.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. That's a great amount of detail. And then just my second question, kind of plays off the first one, but you did see quite a move higher in the run rate on your services bucket revenue in the quarter. And are you able to give some context as to where that move higher did come from?

Michael Anne D. Cybulski

VP & Corporate Controller

I can cover that one, Michael. So there's -- included in our service revenues, we have some refurbishment work that is ongoing. And so a good chunk of the increase in the quarter came from that work. And beyond that, though, the service -- the rest of the services deliverables are tight, streams of revenue continue to perform well, but the majority of the increase was from refurbishment work, which is being executed.

Michael W. Glen

Raymond James Ltd., Research Division

And would that -- we would expect that to continue in future quarters as well?

Michael Anne D. Cybulski

VP & Corporate Controller

So that specific refurbishment program is ongoing, although nearing completion, but we -- refurbishment is an important part of our services portfolio in addition to other areas like spares, on-site support, asset management, those types of offerings.

Operator

And we have reached the end of our question-and-answer session. I will now turn the call back over to Mr. Wright for closing remarks.

Douglas William Wright

CEO & Director

Thank you, operator, and thank you, everyone, for joining us today. I'm excited to be part of the team here at ATS, and we look forward to speaking with you further on our Q4 call in May.

Operator

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

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