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Presentation

Operator

Hello. Welcome to the ATS Corporation Fourth Quarter Conference Call and Webcast. This call is being recorded on May 28, 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; and Anne Cybulski, 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 in making the statements are detailed in Slide 3 of the slide deck. Now it's my pleasure to turn the call over to Doug.

Douglas William Wright

CEO & Director

Thank you, David, and good morning, everyone. Today, ATS reported fourth quarter and annual results for fiscal 2026. For the full year, revenue and adjusted earnings from operations grew by approximately 11%, reflecting solid execution across the platform as our teams delivered innovative solutions to our global customer base. Since I joined in January, I've spent time with our business leaders and teams, which has continued to sharpen my conviction about what makes ATS distinctive.

Regardless of the end market, what consistently stands out is how focused our people are on our customers and how genuinely committed they are to innovating so that our businesses excel. This starts with our ability to engineer and deliver in markets of consequence where the depth of our expertise and the precision of our execution are what customers depend on. A good example is how we are evolving our digital twin offering, moving beyond individual project execution to support customers on a continuous basis. My priority now is translating these capabilities into stronger financial performance. We see a clear path to margin improvement and free cash flow generation through disciplined execution, a greater mix of aftermarket revenue, sharper commercial acumen, innovation and improved utilization of our asset base. Consistent with these priorities, we are taking several actions to better position the portfolio. Our businesses previously involved in transportation are being consolidated, and we are refocusing their capacity to other areas.

In particular, we are moving away from large-scale automotive projects and repositioning the related capabilities into specialized applications where our differentiation creates greater value and the return profile is more attractive. As an example, we are partnering with a customer on novel technology to break down end-of-life tires and recover reusable byproducts, bringing our engineering expertise, digital tools and life cycle support to address a complex environmental challenge. We've also advanced the integration of our aftermarket businesses directly into our operating units.

This gives each business ownership of the full equipment life cycle and is a key lever in improving both margins and the predictability of our revenue. Across the business, we continue to evaluate our portfolio based on strategic focus areas and market dynamics. Any further actions will be aligned to our goals of continuing to grow the business with improved margin performance and cash flow efficiency.

Now shifting over to the results and outlook. Q4 adjusted revenues were up more than 3% versus last year, while order bookings were down 18%, reflecting the presence of several large enterprise orders in the prior period. Of note, excluding transportation, our 3-year CAGR on adjusted revenues and order bookings is approximately 12%. This performance again reinforces to me the strength of our chosen

markets and the opportunity available to us over the longer term as we execute on our plans going forward. On profitability, Q4 adjusted earnings from operations were in line with our expectations, driven by execution against our backlog.

Now turning to outlook. We ended fiscal '26 with an order backlog of approximately \$2 billion, providing good revenue visibility. In Life Sciences, demand remains strong with a healthy backlog and a diversified funnel against a range of applications. Our Radiopharma business continues to build momentum and remains a key growth driver, supported by growing customer investment across the value chain. Demand is driven by the expanding use of targeted therapies as adoption broadens across treatment settings and cancer types. As isotope supply and production capacity expand, customers increasingly require specialized infrastructure to support complex high-value programs at scale.

As an example of our ability to innovate to meet this demand, we recently introduced Flex-Line, our sterile pharmaceutical production platform, which integrates key manufacturing steps into a single solution to help customers accelerate market entry and reduce process complexity. Entering fiscal '27, our Life Sciences funnel is broader, extending beyond any single program type into areas such as mail-order pharmacy, automated visual inspection and lab automation. On GLP-1 auto-injector equipment, we remain engaged on active programs and to continue to support customers as production requirements and delivery formats evolve. In Food and Beverage, we have a strong funnel across our core processing markets, including tomato and fresh fruit applications. We are focused on expanding into adjacent packaging and produce categories, broadening the revenue base and building resilience against the timing of customer capital spending.

In Energy, backlog increased approximately 40% year-on-year, driven particularly by nuclear, including refurbishment, life extension and new build programs. The pipeline is strong and diversified across program stages and reactor technologies. Our work on nuclear refurbishment and life-extension programs continues to progress with service opportunities expected to build as these programs advance. Alongside this space, we remain actively engaged with several small modular reactor developers across fuel systems, fuel handling, modular fabrication and waste management.

Within Consumer Products, we continue to see orders across warehouse automation and packaging applications. Funnel activity remains stable, supported by customers' ongoing focus on automation, efficiency and fulfillment capabilities. On capital allocation, with leverage now within our target range, our near-term focus is on deploying capital within our framework. As our financial flexibility increases, we expect to have the capacity to pursue larger transactions. We have a funnel in our chosen end markets, and we are in a position to act with conviction when the right opportunity arises.

In evaluating potential acquisitions, we first focus on the industrial logic. In particular, we look for businesses that can enhance our margin profile, positively affect our aftermarket and service mix and where relevant, strengthen our technical capabilities in the markets we serve. This also includes considering how an opportunity may allow us to apply our engineering and automation expertise across adjacent applications and improve performance through disciplined execution.

Our objective is to deploy capital toward opportunities that enhance long-term cash generation and support disciplined, sustainable value creation for our shareholders. In summary, we entered fiscal '27 with strong positions in our core end markets and a clear strategic focus. I'm encouraged by the alignment and accountability across the organization and by the strength of our business leaders. We begin fiscal '27 with a solid backlog and good funnel visibility. With the actions taken and underway, ATS is a more focused company, and we are positioned to translate that into higher margins, stronger cash generation and long-term value creation.

Now I will turn the call over to Anne for her financial report. Anne, over to you.

Anne Cybulski

Interim CFO, VP & Corporate Controller

Thank you, Doug, and good morning, everyone. Before reviewing our results, I'll address the reorganization activities that we disclosed today. After a thorough review of current and expected market

conditions and given our sharp focus on capital efficiency and margin expansion, we decided to reposition our transportation operations, which includes consolidating divisions and rationalizing our operational footprint. These changes are aligned with our margin expansion focus in fiscal '27 while removing dilutive revenues of approximately \$50 million. Our approach allows us to retain unique capabilities, technologies and domain expertise and redeploy them into more attractive niche industrial applications. As a result, I expect that in the coming quarters, we will no longer report transportation as a separate market vertical.

In the fourth quarter of fiscal '26, we recorded \$28.3 million of costs related to these reorganization activities, primarily from closing out legacy projects. We expect restructuring charges of approximately \$5 million in the first quarter as we complete the operational consolidation. During fiscal '27, we also expect to finalize the sale of 3 facilities currently held for sale and plan to use the proceeds to fund cash costs related to the reorganization activities. In the fourth quarter, we recorded \$9.8 million of costs related to our previously announced initiative to embed our services operations directly into our business units, including project closure costs and other related non-cash adjustments.

In addition to the Q1 cost of completing the transportation repositioning, we also expect \$5 million to \$10 million of restructuring costs in other areas of the business. Throughout fiscal '27, as we continue to pragmatically assess our strategic positions and market potential across our portfolio, there will likely be further opportunities for rationalization. That said, the fundamentals of the business remains strong, and our teams are equipped with the tools they need to drive both operational excellence and disciplined strategic execution to support our performance expectations.

With that context, I'll turn to our operating results for the quarter. Order bookings were \$704 million, down 18.4% compared to Q4 last year, which included large project awards in consumer products. Our trailing 12-month book-to-bill ratio at the end of Q4 was 0.99:1, reflecting execution against a strong backlog as previously secured orders converted to revenues. Our funnel remains healthy across our chosen end markets.

Adjusted revenues for the fourth quarter were \$744 million, up 3.2% compared to last year, including organic growth of 1.5%, along with a 1.7% benefit from foreign exchange translation. Of note, on a full year basis, organic growth was 6% and excluding transportation, was nearly 14%, reflecting strong performance relative to the market.

Moving to earnings. Fourth quarter adjusted earnings from operations were \$76.8 million, a 3.4% increase from Q4 last year, primarily on higher adjusted revenues, partially offset by increased SG&A costs. Gross margin for Q4 was 29.4% of adjusted revenues, a 36 basis point increase on Q4 last year, reflecting a higher contribution from higher-margin services and spare parts.

On SG&A, excluding adjusting items, expenses in the fourth quarter totaled \$139.5 million, a \$5.6 million increase over the prior year, mainly due to foreign exchange translation, along with higher professional fees. During the quarter, we incurred \$15.2 million of restructuring costs in addition to the transportation and services reorganization costs that I discussed earlier. Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was \$2.4 million in Q4. Going forward, we expect the run rate to normalize to approximately \$5 million per quarter. Adjusted earnings per share were \$0.36 for the quarter.

Moving to our outlook. We ended the quarter with an order backlog of approximately \$2 billion, with Life Sciences at \$1.1 billion or 55% of backlog. Energy was the year's strongest growth market with order backlog up 40% versus Q4 last year. Our order backlog across Food and Beverage, Energy and Life Sciences, markets that tend to be more highly regulated, made up nearly 80% of the total order backlog heading into fiscal '27. Based on the expected conversion of this order backlog and new orders booked and billed within the period, Q1 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 from new orders booked and billed within the quarter.

For fiscal '27, we expect modest revenue growth. Two things are worth calling out. As noted, transportation revenues are expected to step down, reflecting our decision to move away from large-scale automotive work. Within Life Sciences, we enter fiscal '27 with a more normalized backlog, having worked

through our strong bookings from fiscal '25. This does not reflect a change in the underlying Life Sciences demand picture or our expectations to outperform our chosen markets over time.

On adjusted earnings from operations margins, we expect to exit fiscal '27 with 50 to 75 basis points of improvement over fiscal '26 on a full year basis, supported by our reorganization actions and continued operating discipline. This outlook includes the reinvestment of a portion of the related savings in targeted growth areas such as nuclear and radiopharma. As we execute on our plans, our path to margin expansion will not be linear. That said, with the actions we are taking, along with disciplined execution of the ABM across the portfolio and focus on aftermarket services, we are confident in our path forward.

Longer term, our adjusted earnings from operations margin target remains 15%. The actions we have taken this past year, along with the priorities we outlined today are deliberate steps on that path. Disciplined asset efficiency is central to that journey as we improve returns on invested capital and focus on delivering long-term shareholder value. While the macro environment remains fluid amid geopolitical and trade uncertainty, we can again confirm that previously announced tariffs have not had a material impact across our regions. Most exports from Canada to the U.S. continue to fall under USMCA coverage.

With respect to revised Section 232 tariffs, the impact depends on specific customer programs and the nature of our work and at this time, is not expected to be significant. Our global decentralized operating model positions ATS to adapt effectively and support customers wherever capital is being invested. Moving to the balance sheet. In Q4, cash flows from operating activities were \$150 (sic) [149.5] million. Our non-cash working capital as a percentage of revenues was 12.1%, marking a third consecutive quarter of improvement. Sequential improvement from Q3 reflected the balance sheet impacts of the transportation reorganization along with focused discipline on working capital.

This ratio can be influenced by billing and collection activity around period ends, but the improvement is meaningful. We remain focused on driving efficient cash generation through disciplined working capital management processes and more broadly, overall asset efficiency. During the quarter, we invested \$25.4 million in CapEx and intangible assets to support innovation and further strengthen our capabilities, bringing the full year total to \$76.7 million. For fiscal '27, we expect our CapEx and intangible investment to be between \$70 million and \$90 million. On leverage, our net debt to adjusted EBITDA ratio ended Q4 at 2.8x, reflecting continued progress and marking a fourth consecutive quarter of improvement.

I'll remind you that in the event a capital deployment opportunity arises that aligns with our strict standards for shareholder value creation, we may temporarily operate above our range of 2 to 3x. In such cases, we will ensure there is a well-defined path to return to our targeted range. In summary, fourth quarter results were in line with our expectations, supported by a strong order backlog and diversified end market exposure. I am proud of and thankful to our global finance organization and our operations leaders and teams for their hard work and consistent execution across ATS during our leadership transition. Together, their efforts provide a stronger foundation and increased financial flexibility as we head into fiscal '27. We made meaningful progress throughout the year. And in Doug's first quarter as CEO, we've achieved a lot. Both working capital and leverage are within our targeted levels. Our reorganization actions and operating priorities position us to deliver improving margins and stronger cash generation over time, supporting disciplined long-term shareholder value creation. 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 comes from Michael Glen with Raymond James.

Michael W. Glen

Raymond James Ltd., Research Division

Maybe just to start with, could you give us some sense about how to think about bookings in fiscal '27 across the segments, specifically Life Sciences, how to think about bookings and backlog there?

Anne Cybulski

Interim CFO, VP & Corporate Controller

Michael, I'll start and then Doug can chime in if you'd like. So from a bookings perspective, we've characterized our Life Sciences funnel and more broadly, the remaining market verticals. Life Sciences continues to remain strong. We have some areas of continued growth including in the radiopharma space, and we expect that to continue. There are some, what I would call, moderations in timing in certain submarkets within Life Sciences, but we're pleased with the level of diversification we're seeing within that space. And we'll continue to execute on our backlog as well as focus on those growth areas throughout the year.

Michael W. Glen

Raymond James Ltd., Research Division

And do you think that backlog in the situation where we are seeing the moderation in the GLP-1 portion of the backlog, should we still think about growth in Life Science backlog over the coming year?

Anne Cybulski

Interim CFO, VP & Corporate Controller

That's our goal. And so of course, we came into fiscal '26 with a very strong backlog as a result of some of those GLP -- orders as you -- GLP-1 orders, as you noted. We've continued to work through that backlog. There's still some of that, that we have to deliver on. But in parallel, we've also seen an uptick in our radiopharma backlog. And there's other areas of focus within that portfolio that will continue to drive to our expectation to exit the year with growth.

Michael W. Glen

Raymond James Ltd., Research Division

Okay. And then just one surrounding M&A. I'm just trying to balance the commentary regarding you are doing some restructuring activity and then there's also M&A. I'm just trying to balance the 2 of those. Should we think about -- could we see M&A while some of this restructuring activity is ongoing? Or would that be completed before we see M&A? Just trying to get a sense of some of the timing.

Douglas William Wright

CEO & Director

So Michael, this is Doug. The answer is they're really independent swim lanes for us. I mean we look at restructuring as a capital deployment exercise, just like M&A. So from that context in terms of the ROI case that we look at, it's similar. But the restructuring is related to markets that we don't believe fit our long-term profile. And M&A is really about sort of future positioning either technology, aftermarket mix or customer growth or regional growth. So we really will do both of those simultaneously. They're not mutually exclusive.

Operator

Your next question comes from Max Sytchev with National Bank.

Maxim Sytchev

National Bank Financial, Inc., Research Division

The first question I had, maybe for Doug. In terms of the capital efficiency language, can you maybe talk about the biggest levers that you can see contributing to those improving metrics?

Douglas William Wright

CEO & Director

Yes. Well, I think it's broadly about, one, our margin expansion journey. So obviously, that's a big part of the return on investment equation. But within the asset base, I think the company has a very good track record, and we've demonstrated good results in working capital management. And now we're balancing that with sort of reviewing the, let's say, the asset efficiency that's not working capital related. So that would be things like return on fixed assets, how we look at our ROI of internal investments. So we really will be driving both of those simultaneously for an improved capital efficiency result.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. That's super helpful. And another question I had was on the commentary around the lab equipment space and go-to-market strategy, et cetera. I was wondering, do you mind maybe talking about the trends, the industry trends that are impacting that business kind of in general versus maybe some of the sort of ATS specifics. I'm just trying to see if there is a bit of a dislocation from that perspective or it's more market related.

Douglas William Wright

CEO & Director

It's primarily market forces. We operate in a lot of specialized sort of high consequence markets. And the nature of that is that when there's a regulatory shift or a budgeting priority change by, let's say, national labs or specific large customers, there's always a bit of risk there in those businesses in the short term. But over the long-term horizon, we feel very comfortable with our positioning in the lab equipment space. And it's a continued area of focus for our Life Sciences team, both as a vehicle for margin expansion as well as aftermarket development. And I think you'll continue to see us focusing on the lab equipment segment going forward.

Maxim Sytchev

National Bank Financial, Inc., Research Division

Okay. And one quick question just in terms of M&A. I was wondering if -- in terms of the nuclear capability, if you think deepening sort of the supply chain expertise there could be potentially also a vertical of capital deployment or if you're looking elsewhere?

Douglas William Wright

CEO & Director

So we are very excited about the potential in the nuclear segment, both in the traditional CANDU reactors where we have a very strong existing legacy position as well as in the SMR categories where we're involved with a number of customers.

And should there be an opportunity for us to deploy capital in that space, it would certainly be an area that we would consider very strongly, particularly as it relates to extending our technology position or our service position and in some cases, looking at the geographic profiles because nuclear is quite often more of a national priority in different places. So if you're going to be in the U.S. market or the U.K. market, as an example, you have to have position there. So it would absolutely be an area that will get equal treatment in the M&A discussion across the portfolio.

Operator

Your next question comes from Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne

TD Cowen, Research Division

Could you give us a sense of where recurring revenues finished as a percentage of fiscal 2026 revenue and some of the initiatives underway to move that higher in fiscal 2027 and over time?

Anne Cybulski

Interim CFO, VP & Corporate Controller

Sure, Cherilyn. I can start there and then Doug can add on. So what's sort of finished in range of our expectations, if I think about it in terms of around 1/3 of our business falls into what we would categorize as recurring. And that's where we can -- there's faster turn businesses like our products businesses as well as aftermarket and spares, those types of things. Over time, given that we know that, that part of the portfolio is -- tends to be margin accretive, our goal would be to bump that percentage up and to make it a more meaningful part of the portfolio to support the growth and margin expansion trajectory.

Douglas William Wright

CEO & Director

Cherilyn, in terms of the initiatives that drive it, I mean, I think there's really -- I classify it into 2 areas. One is around sort of focus and intention within our general management team. So everyone that runs a business at ATS has a service strategy. And some of them are strong. Some of them are aspiring to get stronger. And by having that focus and ownership, which through our organizational change that we announced last cycle, gives them all sort of what I would call a life-cycle ownership of their customer. So part of it is that. And there's also kind of to support that, there are a number of ABM tools that we have and continue to deploy to help our teams understand how to commercialize services.

Services business have a little bit of a different cadence than systems businesses. So they require different types of contracts and quotations and a lot of the underworkings of running a business. So there's a lot of tools that we're deploying that are enabling that service. In fact, one of our key President's Kaizen events that we did in the late winter was specifically related to service growth in one of our large units.

And that's something that a lot of our teams are aggressively working on. The second area is I believe strongly that our digital investments around things like digital twin, remote diagnostics, machine intelligence and the digital frontier that we're very focused on right now are really also a part of a broad service construct and I think you'll see ATS in the future talking more about physical AI and automation intelligence as key drivers to our recurring revenue stack.

Cherilyn Radbourne

TD Cowen, Research Division

Okay. That's helpful. Can you speak to how much of the 50 to 75 bps of expected margin improvement in fiscal '27 is related primarily to the transportation reorganization? And does that suggest that there might be upside if a lot of it is coming from transportation?

Anne Cybulski

Interim CFO, VP & Corporate Controller

So yes, I can take that one, Cherilyn. So I mean, what I think you saw in our disclosures today is an example of how we're thinking of managing the business going forward and the overall portfolio. And the goal is to actively manage the businesses and improve our focus on growth and margin expansion over time. And in this case, we have a multi-pronged plan to support that initial growth. And there's multiple levers that we're using to drive margin improvement, offset by some of the investments in these key areas that we know that we need to make to support the longer-term growth, including in innovation.

So while some of the 50 to 75 bps is part of the transportation reorg more broadly, we expect to continue to pull those other levers, including services being integrated into the businesses and more focus on operational improvements, including through our ABM. The ABM is -- has a powerful set of tools. And what's important just to tag that on to Doug's commentary around focus and intention is really making sure that our business leaders are positioned to use the right tools in their businesses at the right time.

So that's a bit of a long answer, but it's really a growth trajectory that we're trying to drive. And with the actions we took today with transportation, that's an example of how we're intending to manage the portfolio.

Operator

Your next question comes from Jonathan Goldman with Scotiabank.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Maybe just a housekeeping one to start. I know it's a small item, but the full year revenue guidepost for modest growth, is that gross or net of the transportation headwind?

Anne Cybulski

Interim CFO, VP & Corporate Controller

That's gross.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Okay. Perfect. And then how should we think about or maybe frame up that growth rate, the modest growth relative to your end markets?

Anne Cybulski

Interim CFO, VP & Corporate Controller

Sorry, Jonathan, let me just make sure that I clarify your previous question. So the modest growth is inclusive of the step down in transportation revenues, just so I'm clear. And sorry, can you ask your second question again?

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Yes. So like the modest growth guide for this year, how does that frame up or correspond to the growth rates of your end markets?

Anne Cybulski

Interim CFO, VP & Corporate Controller

Yes. So the way that I'm thinking about it is really, the -- call it, moderation relative to our previous performance is primarily timing related. So outside of that, that step down in transportation, our fiscal '27 guide is really about timing, program normalization, including in Life Sciences as opposed to any change in our long-term view of the markets we serve. And just to reiterate something that we included in the disclosures, our goal remains to outpace the broader automation markets that we participate in. And we feel that we're supported by good tailwinds in the markets that we serve.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

And that timing kind of reset, do you have visibility on when those programs actually will flow through?

Douglas William Wright

CEO & Director

So Jonathan, I think the way I would -- the way we understand that is through our view of our pipeline, which is really a reflection of where our customers are budgeting and planning their work. So across a majority of ATS' segments, those are strong pipelines and really -- and more diverse, particularly in Life Sciences. We've talked about this before that we've really spent a lot of time over the last year diversifying our pipeline in things like radiopharma, mail-order pharma, other med devices to diversify that sort of pipeline where we sometimes have lumpiness in it based on different variables with things like GLP-1.

So I think we have a very strong view of our pipeline. I would not characterize that as modest. But clearly, when we're dealing with the scale of the systems that we're deploying, there's always a certain amount of lumpiness in the execution. So we'll have a little bit of sort of volatility in the quarters for revenue, but it's not an indication that our markets are softening at all. In fact, I would say that there's really no real drama in our -- in any of our end markets at this stage. But there is a bit of modestness in the revenue in the near term simply because of the timing of various large orders.

Jonathan Goldman

Scotiabank Global Banking and Markets, Research Division

Okay. Got it. That's useful color. And I guess maybe one more on the working cap, really strong performance this quarter, working cap efficiency, 12%, I think, below your target of 15%. I did notice a large decline in accounts receivable. I just want to know if there's anything unusual in the quarter? And how should we think about the investment rate this year?

Anne Cybulski

Interim CFO, VP & Corporate Controller

So we're pretty pleased with the progress we've made there. The -- as I said in my prepared remarks, sometimes we can get timing differences, especially in the custom integration part of the business based on when payments are received as we work through our billing cycle and in fact, our execution on these programs. The goal is 15% or less over time. And especially with some of the product businesses that we've brought on, we -- they tend to carry a higher working capital need. So that level of performance in the quarter and going forward to stay below 15% is our expectation, and it's one that takes ongoing discipline and attention by our teams. So no change to the goal, Jonathan.

Operator

Your next question comes from Joe Ritchie with Goldman Sachs.

Aanvi Patodia

Goldman Sachs Group, Inc., Research Division

This is Aanvi on for Joe. I just wanted to follow up on what Jonathan was also asking about the 2027 guide. So I wanted to spend a minute to understand the sequential decline in backlog in the context of still a positive book-to-bill. So specifically, how does this inform your 2027 revenue outlook? And if you could maybe particularly specify your comments around the consumer products market and energy because we realize those have been really strong for now 4 to 5 quarters.

Anne Cybulski

Interim CFO, VP & Corporate Controller

Yes. So one of the -- obviously, we kind of -- we track our backlog. We track our funnels, as Doug said, the strength of our funnels, we feel good about. And so coming into this year, we had a healthy backlog that we were working off of and continue to drive the growth going forward. In Nuclear or Energy, which is primarily nuclear work, that was our strongest growth quarter -- strongest growth end market vertical in the year.

It's a relatively smaller portion of our business, but it's one that's strategically important to us. Some of that, we may see some timing factors in the order booking cycle, but we're working off of a strong backlog for that part of the business as we work through the refurbishment work that the team is executing on. And over time, we'll continue to deliver services and build out our SMR relationships and capabilities.

So that's a longer-term play for us, but one that we're excited about. Consumer Products, again, it's -- there's a number of different things in that backlog. And yes, we have seen good performance in that space. We characterize that as something that does tend to be a little bit more niche or subject to end consumer buying decisions. So -- but we've been happy with the performance of that part of the business during the year coming from a few different parts of our portfolio actually.

Aanvi Patodia

Goldman Sachs Group, Inc., Research Division

Got it. That's helpful. And maybe just my follow-up on the cash flow. So you -- it was good to see that pop in free cash flow this quarter, and now you've had 6 quarters of positive growth on that front. So I recognize that it has been an overhang on the stock previously. If you could touch upon the main drivers on that and how we should think of FCF conversion in a normal environment, that would help.

Anne Cybulski

Interim CFO, VP & Corporate Controller

Yes. So Aanvi, our goal is to -- we have a longer-term goal that we stated around free cash flow, but we're happy with the performance in the year. It is an improvement. More predictability and normalization of that in the future is something that we're focused on through the commentary we provided around how do we drive overall capital efficiency and make sure that we're in all of the areas, all of the levers that we have available to us that we're operating efficiently in that regard. So it will continue to be an area of focus for us in terms of how we think about our investment decisions, both at the corporate level, but also within our businesses.

Douglas William Wright

CEO & Director

Yes. And I actually think I could only add that working capital is a high priority within our operating rhythm with our businesses. So we look at working capital at the same -- with the same level of intensity we look at gross margin or SG&A percentage in each business as we go through their operating reviews. We incentivize around working capital performance. So it's an intense part of our management system to have our leaders accountable for working capital. It's not a finance function. It's a general management function. It's a commercial leader function. It's a factory leader function.

So it's part of our operating rhythm. It's, I think, a hallmark of -- I know from -- as a lean practitioner that working capital processes are actually a really strong signal for process acumen because it's simply harder to move the needle on working capital than it is on other things because it takes longer, and there's lots of third parties involved, suppliers or customers. So I think it's a real hallmark of ATS' operating performance is working capital. And I think you'll see us continue to be highly focused on that.

Operator

[Operator Instructions] Your next question comes from Justin Keywood with Stifel.

Justin Keywood

Stifel Nicolaus Canada Inc., Research Division

As a follow-up to the auto-injector opportunity as it relates to GLP-1, but also other applications, this subsegment was described as being 20% of backlog or revenue of the Life Sciences segment last year. Are we able to get an update of where that is today and expectations in fiscal 2027?

Anne Cybulski

Interim CFO, VP & Corporate Controller

I can speak to the numbers and then Doug can speak to the market, Justin. So we -- there's still auto-injector work in our backlog in the year. It came in where we expected it to be. Obviously, as we had executed on the work, it's come below what we had talked about before, which I think we said was in the -- you said, 20% of LS, Life Sciences backlog and 10% of overall. So it's ticked down below that, but that's sort of normal moderation as we work through the capacity build-out from last year's order bookings. But of course, we've seen some offset from the uptick in our diversified radiopharma bookings from another part of our business. So over time, we still see opportunity in that market. And I'll pass to Doug and he can comment on the market overall.

Douglas William Wright

CEO & Director

Yes. I think, Jonathan (sic) [Justin] in the long term, we believe that auto-injectors for GLP-1s and other therapies is still a growth market. Obviously, when we -- when customers are making very, very large investment decisions, it comes with a bit of lumpiness in our backlog but the real exciting part of the auto-injector market is actually the science. The number of trials that are underway for other types of products or therapies for cardiovascular, autoimmune and neurological indications.

I think as a provider to the Life Sciences industry, we're real proud of our position in helping bring these therapies to market. And there's obviously -- when we're dealing with science, there's a certain amount of volatility in the approvals of the -- through the clinical trials and the market ramps. But we're pretty confident that auto-injectors are going to be a delivery device for the long term, recognizing that there's a bit of lumpiness, but we think it's long term, going to be a great position for ATS.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

That's very helpful. And then on capital allocation, what type of multiples are in the area for the private companies versus public peers that we see are continuing to trend much higher. Is there an ability for ATS to acquire at or below its current multiple?

Douglas William Wright

CEO & Director

Well, we certainly pay attention to the multiples that we pay. Obviously, from a value creation standpoint, the math is pretty straightforward. I would say, to answer your question, Justin, we see valuations across the spectrum. There are some opportunities that are -- we can acquire at below our current multiple, and there are others that we aspire to that have a higher multiple. But really, the lens that we use is really can we make the business better, whatever price we pay, we have to make sure we get a return on capital.

And I would say, as we look at our pipeline, I think there's a pretty broad rainbow of valuations that we see. It's very esoteric depending on the scale of the company, what region it's in, the specific mix that it has, how it's performing, et cetera. But we clearly have -- we have a very disciplined way that we look at value creation, and we would not exclude any -- we wouldn't exclude or prioritize any specific assets based exclusively on the multiple arbitrage. We look at it quite holistically. So we would -- we could do it either way.

Justin Keyword

Stifel Nicolaus Canada Inc., Research Division

That's helpful. Is there a target ROIC for potential acquisitions?

Douglas William Wright

CEO & Director

Yes, greater than our cost of capital in the 3-plus year horizon. And obviously, internally, as we're comparing alternatives, higher is better than -- even -- the higher is better, but we have a threshold that our investors, our Board holds us accountable for, but it's a pretty traditional and conservative approach to -- we have to exceed our cost of capital. And then if there are competing ideas for our capital, then we obviously pick the one that has the higher one.

Operator

This concludes the question-and-answer session. I'll turn the call to Doug Wright, Chief Executive Officer, for closing remarks.

Douglas William Wright

CEO & Director

Thank you, operator, and thank you, everyone, for joining us today. We look forward to speaking to you on our Q1 call in August.

Operator

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

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