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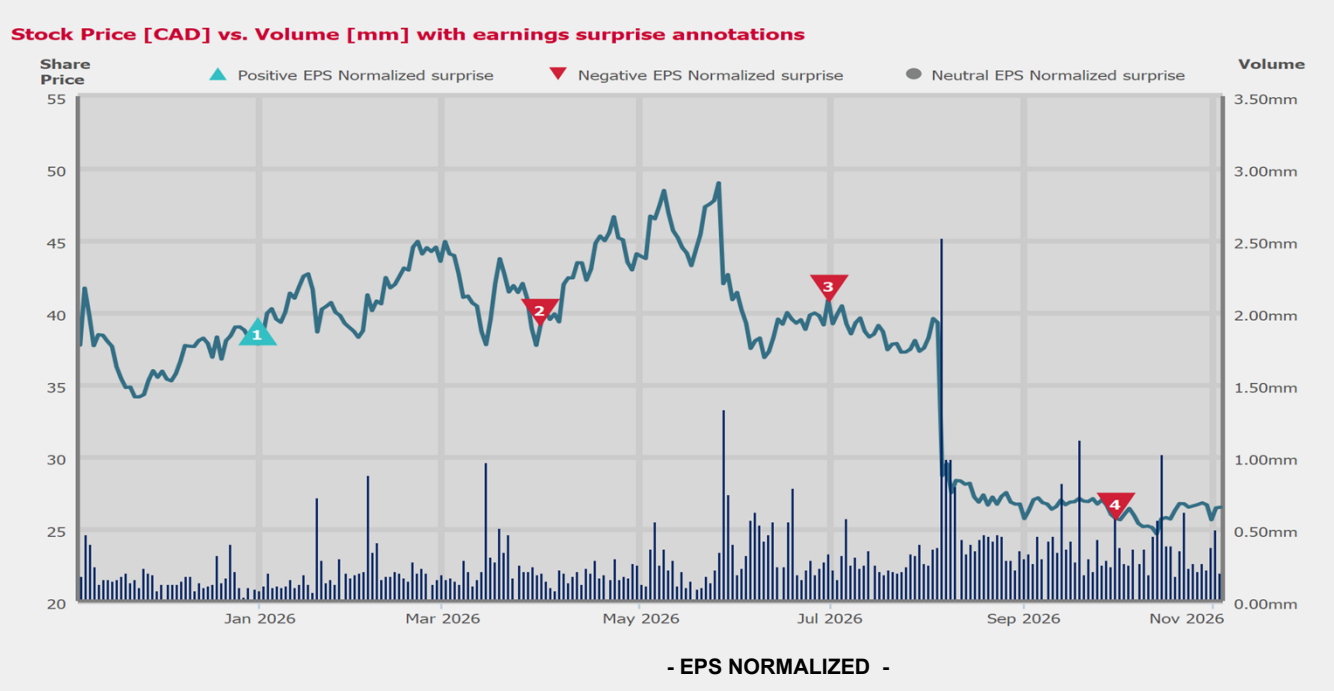
FQ2 2027 Earnings Call Transcripts

Wednesday, November 4, 2026 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2027-			-FQ3 2027-	-FY 2027-	-FY 2028-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.33	0.27	▼ (18.18 %)	0.40	1.52	NA
Revenue (mm)	679.86	665.77	▼ (2.07 %)	720.92	2855.34	NA

Currency: CAD
Consensus as of Oct-27-2026 6:33 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2026	0.44	0.48	1 9.09 %
FQ4 2026	0.44	0.36	2 (18.18 %)
FQ1 2027	0.42	0.35	3 (16.67 %)
FQ2 2027	0.33	0.27	4 (18.18 %)

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Call Participants

EXECUTIVES

Anne Cybulski
Interim CFO, VP & Corporate Controller

David Ocampo
Head of Investor Relations

Douglas William Wright
CEO & Executive Director

ANALYSTS

Cherilyn Radbourne
TD Cowen, Research Division

Frederic A. Tremblay
Desjardins Securities Inc., Research Division

Jonathan Goldman
Scotiabank Global Banking and Markets, Research Division

Justin Keywood
Stifel Nicolaus Canada Inc., Research Division

Maxim Sytchev
National Bank Financial, Inc., Research Division

Michael W. Glen
Raymond James Ltd., Research Division

Sabahat Khan
RBC Capital Markets, Research Division

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Presentation

Operator

Welcome to the ATS Corporation Second Quarter Conference Call and Webcast. This call is being recorded on November 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; 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.

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

Douglas William Wright
CEO & Executive Director

Thank you, David, and good morning, everyone. Today, we reported our second quarter results for fiscal 2027. Before I walk through my typical updates, I'll start by noting that the strength of our end markets is visible with strong growth in order bookings this quarter, especially in Life Sciences.

We continue our focus on aftermarket and improvement in our ATS business model, including refining our commercial processes. We have a clear view on the portfolio, our strategy and on driving execution across our businesses, and we're making progress on our fixed cost transformation program, which is already delivering results to set us up for the future.

At the same time, we are managing temporary delays in order bookings in some of our non-Life Sciences businesses. Specifically in relation to packaging automation equipment, what would otherwise likely have been a modest timing shift in orders has been exacerbated by Section 338 tariffs.

The Section 338 tariffs that came into effect in late August after the breakdown of trade talks between Canada and the United States affected our packaging equipment and delayed customer decision-making in response to the tariffs. At the end of October, the U.S. announced modifications to Section 338 tariffs, eliminating the impact on nearly all of the covered products. We welcome that and expect it to benefit ATS and our affected customers over time as our customers digest the various changes and advance their capital expenditure plans.

Now moving to results. Order bookings were $827 million in the quarter. In Life Sciences, we ended the quarter with our highest order backlog in ATS history. We continue to see a healthy pipeline of activity across our end markets and remain well positioned to participate in their long-term growth, particularly in Life Sciences and nuclear.

Turning to revenue. Q2 revenues were $666 million within our expectations, and our aftermarket revenues grew as we remain focused on this longer-term margin accretion driver. Adjusted earnings from operations were $57 million with an adjusted margin of 8.6% compared to 10.9% last year, reflecting lower volumes and a mix that included fewer higher-margin programs.

Turning to end markets. We ended our second quarter with approximately $2 billion of order backlog. Within Life Sciences, backlog was $1.2 billion, which is our highest backlog on record in this end market and reflects continued diversification of our opportunities. As an example, our radiopharma backlog continues to grow and is a highly attractive opportunity supported by increasing adoption of therapeutic applications and ongoing investment in isotope production.

Our capabilities in containment, automation and life cycle support position us to participate in multiple phases of that build-out. Beyond radiopharma, the funnel includes a range of medical device solutions, including diabetes and vision care, along with automated pharmacy and other evolving applications, including automated sterilization and liquid pharma visual inspection.

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In Food & Beverage, backlog was $223 million and bookings were up year-over-year for the third consecutive quarter. However, below our expectations for the year based on the cyclicality in the tomato business. Our funnel is supported by customers upgrading existing plants to improve productivity and reduce operating costs. As an example, a large share of the global keg line installed base is approaching the end of life, which is creating a replacement pipeline for us.

In Energy, backlog ended the quarter at $236 million. Our funnel remains strong, supported by investment in energy security, infrastructure modernization and new power generation for data centers. Within nuclear, CANDU refurbishment and life extension programs continue to support capital project opportunities today and life cycle service opportunities over the long term. The new build market is also advancing.

In September, the U.S. regulator issued its first construction permit for a commercial small modular reactor in Tennessee. In Ontario, construction of the Darlington SMR is advancing and 2 large-scale new builds are progressing through predevelopment and impact assessment. As this market continues to advance from licensing into construction, ATS remains well positioned given early engagement. During the quarter, we booked several additional orders with an existing SMR customer, a design order with a new customer, and we continue to build on our capabilities in this area.

In Industrial & Consumer, backlog was $312 million, and the funnel activity is stable. We continue to reposition the portfolio toward opportunities with better returns. And within our industrial business, we are broadening our pipeline into mission-critical production environments.

On capital allocation, in the quarter, we repurchased approximately 2.2 million shares for $61 million under our normal course issuer bid. The purchase of our own shares is not only based on our confidence in the long-term value of the business, but in addition, measured against our capital allocation framework, it was a compelling use of capital. Share repurchases are one part of our capital allocation program, which includes tools to evaluate organic investments, acquisitions and portfolio optimization opportunities.

To execute on that program, we've strengthened the team. We brought in 2 senior leaders in corporate development and transformation. Both leaders reflect our commitment to disciplined capital allocation and to delivering the fixed cost transformation program. We pursue opportunities only where they meet our criteria for shareholder value creation. Our acquisition funnel remains active across a number of our end markets, and we remain focused on opportunities that are strategically aligned and meet our return requirements.

In summary, Q2 results delivered strong order bookings and our highest Life Science backlog on record, which is diversified across several key growth areas. We believe that the delays due to Section 338 tariffs and other customer delays are temporary in nature, and we are actively managing the impact. Our conviction in our end markets and the growth within them is unchanged.

That conviction is supported by a healthy trailing 12-month book-to-bill ratio, strong radiopharma growth as therapies move toward commercialization, nuclear demand accelerating on the back of energy security and data center demand and a clear aftermarket opportunity. We continue to advance our fixed cost transformation program, both through a reduction of our footprint and related adjustments to our workforce. Although these adjustments are not easy, we have not wavered from our desire to build a stronger company.

With my evaluation of our businesses complete and with our team's development of clear return-driven operating models, deep strategic understanding and connection to our end markets and customers, I remain confident in the opportunities we have in front of us as a global automation player.

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. Today, I will provide an update on our outlook for fiscal 2027 and progress on our fixed cost transformation program. I'll also provide further details on our results.

I'll start with our outlook for fiscal '27. We're pleased with the strength of our order bookings and backlog, which gives us confidence in our return to top line growth over time. That said, given the order bookings delays, in particular, those related to packaging equipment and the execution time for our orders to convert to revenues, we do not expect to achieve our previous goals for modest revenue growth and for margin expansion in the year. To be more specific, while progress on our fixed cost transformation program has been meaningful, lower revenues and mix are temporarily offsetting these benefits, especially over the next several months. We expect third quarter revenues to be in the range of $640 million to $680 million.

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As a reminder, this information is based on the expected conversion of existing order backlog, together with revenues from orders anticipated to be booked and billed within the quarter. Overall, we continue to see strength in our funnel and momentum in bookings. As that continues, we have confidence in our ability to drive growth and margin improvement as we start to execute on our backlog and transform our cost base.

To that end, during the quarter, we advanced our fixed cost transformation program. As a reminder, this program is designed to drive meaningful structural changes to ATS' cost base by simplifying our operating structure, optimizing our global footprint and reducing fixed costs to better align with our current business profile and long-term growth objectives. We are committed to delivering $65 million to $75 million of annualized savings once completed or roughly 250 basis points of margin expansion. From a base of 10%, this represents approximately half of the path to our adjusted earnings from operations margin target of 15%, with the remainder from aftermarket and ABM focus.

Given the nature of the facility and reorganization activities associated with the fixed cost program, implementation will continue over the next 15 months with benefits building progressively as actions are completed within the planned time frame. Thus far, we have announced several facility closures, including in Europe that will reduce our square footage by approximately 10%. In October, we completed the planned sale of the 2 U.S. facilities previously used for our transportation business for $71.2 million, resulting in an estimated gain on disposal of approximately $12.2 million. We completed a sale leaseback of one of the facilities to support our growing nuclear business in the U.S.

The proceeds are expected to help fund the cash costs of our restructuring activities, including the fixed cost program. As a result of the actions announced to date, there will be a workforce reduction, including subcontractors of 300 to 400 globally and additional adjustments as further steps in the program are taken. We continue to expect payback on restructuring to be less than 1 year overall with some variability depending on jurisdictions.

In Q2, we recorded $21.3 million of restructuring costs. Approximately half of this was related to the fixed cost transformation program, with the remainder associated with previously announced restructuring actions, which are now complete.

With that context, I'll turn to our operating results for the quarter. Order bookings were $827 million, up 12.7% from Q2 last year. The increase reflected large enterprise orders in Life Sciences. Our trailing 12-month book-to-bill ratio was 1.05:1. We ended the quarter with an order backlog of approximately $2 billion, up sequentially from Q1. On a combined basis, Life Sciences, Food & Beverage and Energy represented more than 85% of total backlog, supporting future growth across our more highly regulated end markets.

Revenues for the second quarter were $666 million, in line with our guide. The 8.6% reduction from last year reflected a more normalized level of GLP-1-related volume, along with lower activity in non-Life Sciences businesses. However, of note, excluding GLP-1 revenues, Life Sciences were up year-over-year.

Turning to earnings. Second quarter adjusted earnings from operations were $57.4 million, a 27.4% decrease from last year. Adjusted earnings from operations margins were 8.6%, down from 10.9% in the prior year, primarily reflecting the impact of mix and absorption. Gross margin for Q2 was 28.6% of revenues, a 131 basis point decrease from last year, again, driven by mix and absorption.

On SG&A, excluding adjusting items, expenses in the second quarter totaled $128.8 million, a $5.7 million decrease from the prior year, mainly on lower employee costs. Excluding the mark-to-market impact related to changes in our share price, stock-based compensation expense was $4.2 million in Q2. Adjusted earnings per share for the quarter were $0.27.

Moving to the balance sheet. In Q2, cash flows provided by operating activities were $81 million compared to $28 million last year. Our noncash working capital as a percentage of revenues was 13.4% and within our long-term target of 15% or less. During the quarter, we invested $18.2 million in CapEx and intangible assets, bringing the year-to-date total to $33.8 million. For fiscal '27, we now expect CapEx and intangible investment to be between $60 million and $80 million. On leverage, our net debt to adjusted EBITDA ratio was 3.1x. The increase reflects lower trailing 12-month adjusted EBITDA as well as the share repurchases in the quarter. Excluding share repurchases, our net debt to adjusted EBITDA ratio was 3x.

Absent any material acquisitions or actions to optimize our portfolio, we expect to operate moderately above our target leverage range of 2 to 3x during the remainder of fiscal '27. We remain disciplined on capital allocation and any acquisition would need to be supported by a well-defined path back toward our target leverage range.

In summary, we're encouraged by growth in order bookings and backlog, and therefore, we are confident in our return to top line growth over time. In addition, we have a clear focus on aftermarket and its contribution to revenues and margin, and we drove

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improvements in free cash flow in the quarter. We continue to implement the fixed cost transformation program, and we are on track for its operational rationalization benefits to build.

We also continue to drive improvements using the ATS business model, including around commercial process acumen. With our disciplined focus across our businesses, we expect more efficient usage of our capital along with a structurally lower cost base and stronger cash generation over time.

The efforts our teams are demonstrating is evident to me every day through their deep understanding of our end markets, their drive to innovate and their connection to driving shareholder returns through the use of our operating models. I echo Doug's confidence in the opportunities that ATS has in front of us.
Now we will open the call to questions from our analysts. Operator, could you please provide instructions? Thank you.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Sabahat Khan with RBC Capital Markets.

Sabahat Khan
RBC Capital Markets, Research Division

Just the first one on the demand environment here. Maybe if you can just delve a little bit deeper into the commentary around the verticals that are seeing delays due to tariffs as sort of the customers, how have they evolved in terms of the outlook? Do you have some visibility to when that business rolls in? And then maybe you can just tie in the strength that's there in Life Sciences, where exactly that's coming from?

Douglas William Wright
CEO & Executive Director

Saba, so on the tariff situation, the impact is concentrated in our packaging consumer business. And so it's basically several lines that were manufactured in our Canadian facilities sold into the U.S. market. So it's isolated to those. It's not related to our Life Sciences products. It's really the packaging systems, both -- it was on the original list and the same products were taken off of the list at the end of October.

In terms of the -- as you said, the Life Sciences business has had a good quarter on the order side. We've -- as we've talked about with everyone over the last couple of quarters, we've been working really hard to diversify our pipeline and looking at different modalities of med device and pharma, inclusive of things like diabetes care, sterilization, liquid pharma, visual inspection, vision care.

So -- and obviously, our radiopharma business has been quite strong. So in the quarter, it was balanced across many of those things. Radiopharma was a standout performer, and we had some follow-on repeat business from several customers in the other modalities that I mentioned. So it was a really good quarter for our Life Sciences team.

Sabahat Khan
RBC Capital Markets, Research Division

Okay. And then just for my follow-up, if we look at the margin side, is it too early for that fixed cost transformation changes to contribute to margins? Just trying to get an understanding of what maybe underlying margins were if you assume flat revenue and no mix headwind? And sort of is revenue -- and kind of tied to that and the target around 15%, I guess, there is a certain level of revenue growth required to get to that range? Or with the FCTP program, you could kind of get there even with the revenues in the current range? Just sort of perspective on underlying margins and what's needed to get to that 15% on the revenue side?

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes. So Saba, I can answer that to start and then if Doug wants to add, he can. So we've made good progress on the fixed cost transformation program, and there's good momentum there. We -- as I said in my prepared remarks, we are committed to hitting that time line that we talked about in August. And about half of our restructuring costs in the quarter came from that program. So that benefit will build over time.

In the near term, as I said, we expect an impact on our margins over the next several months as we respond to the current demand environment, specifically related to order bookings and delays that we talked about. We are on track and the original dimensioning of the fixed cost transformation program remains that from a base of 10% on the same volume that we had coming out of last year that we can drive the savings regardless of top line growth, and that's our goal.

Douglas William Wright
CEO & Executive Director

Yes. And Saba, the only -- what I would add to that is that when we start to see the strength in the Life Sciences business start to accrue to the revenue growth with this really great pipeline that the team has created and now backed up by a solid bookings trend, that obviously has an effect on our margin profile as well. So we're really driving both the growth agenda to focus on growing

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segments of our business that have a higher return on investment, and we've been very specific about areas that we were fading away from and redeploying our investments into.

And then the fixed cost transformation program is really a specific focus around efficiency where we had overcapacity or overinvestment in some segments. And essentially, what we're doing, Saba, is we're taking the benefits of the fixed cost transformation program. We're actually overdriving a bit to the commitment that we've made, and we're actually reinvesting that. So you can imagine investing in new industries like radiopharma and SMR take a lot of investment. We have to hire people. We have to build facilities and service centers. So it's all oriented toward growth. So to answer your question more specifically, we will deliver good margin traction as the benefits of both the fixed cost transformation program and the strong growth that we're seeing in the favorable segments that we're aligned to start to perform.

Operator

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

Justin Keywood
Stifel Nicolaus Canada Inc., Research Division

So just following up on the bookings, substantial strength. And last quarter, there was mention of potential $100 million orders within the radiopharmaceutical space. Did any of those land in the current quarter?

Douglas William Wright
CEO & Executive Director

So thank you, Justin. I'll take that one. So the -- we did get a large incremental order in radiopharma, and we're very happy with the performance -- sequential performance in order velocity in radiopharma. And we also got a -- we had several good quality orders in other parts of the pipeline. As we've talked about with everyone a lot, we've been spending a lot of time learning how to diversify the modalities of the applications that we can serve and to provide more balance in our pipeline.

And so the strength was both in radiopharma and in medical device this quarter, which is a substantial improvement from the prior couple of quarters where we had a lot of good strength in radiopharma and med device was in the process of refactoring its pipeline. Now we're starting to see that work start to bear fruit.

Justin Keywood
Stifel Nicolaus Canada Inc., Research Division

Understood. And as we look into fiscal Q3, is there any indication of just the level of booking strength to continue as we are aware, it is quite lumpy. But historically, bookings and revenue has converged over the longer term. So that could imply there's a path for the sales level to increase gradually. It's not reflected in the fiscal Q3 guidance on the sales level, but is that an opportunity more medium term?

Douglas William Wright
CEO & Executive Director

So obviously, we've guided Q3 based on our visibility to the -- what's in the backlog and the current conditions. But as you said, ultimately, as the pipeline -- we've seen the pipeline grow, we're starting to see the backlog grow. That certainly normally portends to good revenue sequential growth in the medium term.

As you said, we had a few -- we have -- some of the investments are long-cycle investments by our customers. These are major investments on their part, whether it's radiopharma or med device. So they will be executed over many quarters. And -- so I think that the revenue growth, obviously, we're not going to guide for 2028. But as the backlog is now, particularly in Life Sciences is at historical levels and the pipeline that created that backlog continues to grow and be managed.

I think we'll start to see that process evolve toward greater revenue growth in the medium term, as you've highlighted. I think, Justin, there's also a little bit of noise that gets created by this tariff dynamic that we got a little offside on in the quarter, and that obviously affected orders. Even though our orders were strong in Q2, they were -- we had orders that were supposed to be -- that were expected that actually didn't happen in Q2 related to the 338 exposed tariffs. If you can imagine, we had half the quarter where the customer was -- and us we're trying to figure out what the heck was going on.

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So now that, that's been resolved, that will start to unlock. We would expect it to unlock. But I think the strength of the orders in the quarter, even with that impact is indicative in the health of the pipeline. So we're pretty pleased with how the -- very pleased with how the Life Sciences team performed in the quarter, and I think it will show up in our revenue in the coming quarters.

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes. And just one thing to add, Justin, as we said in our prepared remarks, we do welcome the lifting of the tariffs that caused that order delay impact to several customers, and we would expect that if that environment becomes easier for them to make decisions if and as they were related to tariffs, which we believe they were, then that will help us going forward.

Justin Keywood
Stifel Nicolaus Canada Inc., Research Division

Understood. Maybe just one quick follow-up. Any indication on the bookings that would be unlocked given that tariff uncertainty being resolved?

Douglas William Wright
CEO & Executive Director

Well, I would say, Justin, it is a fairly significant -- our packaging business was pretty material last year. And so as we look at the current situation, I don't want to -- it's a little -- we don't want to give guidance on how quickly that business is going to recover because we literally just got the news a week ago and we just had an election last night. So -- but I would say that it's a material positive order potential that we'd be hopeful for. But I want to steer clear of quantifying it simply because -- as soon as I do that, then you guys will ask whether it's Q3 or Q4 or whatever. So I want to be a little careful about that.

Operator

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

Maxim Sytchev
National Bank Financial, Inc., Research Division

I just wanted to maybe start with Healthcare and curious around just how we should be thinking about the backlog to revenue conversion? Because it feels like it's a bit sort of longer-dated projects in the backlog. So just maybe any sort of rule of thumb that we should be thinking through that would be super helpful.

Douglas William Wright
CEO & Executive Director

Yes. I think, Max, the -- as you said correctly, some of the major CapEx decisions of our customers are longer dated. And in this case, while we had a very strong orders velocity in the quarter in Life Sciences, the timing of when that is expected to be delivered is a little longer dated than we would need in order to have it show up materially in Q3 as an example. So I'd say we're building back the base of our backlog, but it will take some time to filter through into the robust revenues that one could imply with that type of orders growth. So it is a little longer dated.

And I think that's actually positive in some ways because what that's an indication of is that the market is still making decisions to deploy a significant amount of CapEx against their growth profile. This is not small -- these are not small incremental. These are whole factories that are being implemented by these customers in radiopharma and med device. So I think it actually speaks to the robustness. The reason that we're so excited about the Life Sciences market as a big piece of ATS is that from a market standpoint, there's just a lot of optimism and growth happening in that marketplace.

So as we -- particularly as we've now worked to diversify the pipeline of the different application modalities that we focus on, sometimes it's the really exciting new therapies like in radiopharma and sometimes it's just repeat business of things like diabetes care or vision care that are long-standing customers that are expanding their capacity and they're coming to ATS. So I'm pretty optimistic about the -- I'm very optimistic about the growth profile, particularly pleased with the diversification in the portfolio, the pipeline on Life Sciences, but it will take a little -- another quarter or 2 before it starts to really start to reenergize the revenue growth.

Maxim Sytchev
National Bank Financial, Inc., Research Division

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For sure. And I guess maybe a quick question for Anne then. Just in terms of thinking about comps, et cetera, do we still have 1 or 2 quarters left for kind of GLP-1 sort of tougher comp now that we have Q2 in the bag?

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes, that's about right, Max. A couple of quarters and we'll lap the previous GLP-1 order intake. That said, as part of the pipeline that Doug talked about, those types of applications remain part of the overall growth prospects, and we're happy to have that as part of the funnel.

Douglas William Wright
CEO & Executive Director

Yes. And Max, just for context on GLP-1, we -- financially, as Anne said, we will lap it. But a couple of points there. First is that we still have a number of systems that we're building and delivering. There -- I was just walking on the shop floor yesterday. There's still a lot of floor space being taken up by these systems. So we're still actively supporting customers in this market. They're still taking on capacity. And we believe that over the mid- to long term, that GLP-1 will continue to be a growth story as lumpy as it's been.

The growth dynamics, if I were to talk to your colleagues over in the pharmaceutical side of the house, the growth dynamics in GLP-1 would indicate a fairly significant incremental capacity that has to be built out over the next decade. And we are obviously very interested in supporting that as time goes on. So financially, we've lapped it. It will be a positive tailwind, if you will, going into next year -- the next calendar year. But I think the -- over the long term, I still think we're going to be having conversations about GLP-1 in a positive way.

Operator

Your next question comes from the line of Frederic Tremblay with Desjardins.

Frederic A. Tremblay
Desjardins Securities Inc., Research Division

Earlier on the call, you commented on Life Sciences orders being longer dated, understanding that that's the nature of those orders. But I was curious if, on the other end, if you're seeing opportunities to improve overall product execution and internal efficiency to help shorten that conversion from order to revenue across the organization. Any thoughts on that aspect of it?

Douglas William Wright
CEO & Executive Director

So Frederic, yes, I mean, I think to some extent, the -- our ability to offer shorter lead times to our customers becomes a competitive advantage. And in some parts of our business, we have the opportunity to do that. I think when a customer gives us their schedule for a -- when they're building a new -- something like a new factory, it's usually not really our timing that regulates the revenue cycle. It's usually the amount of engineering and execution that has to happen.

But I think it's a good point that over time, we have had a number of our units that have been working with our ABM team to compress their lead times and to improve their internal efficiency. It's actually a big driver in our ABM cost activity to -- in project-based businesses on that side of the house, experience has taught us that if we go slow, we find more opportunities to make mistakes and to have variances in our cost.

So -- I think it's a valid point. It doesn't necessarily change the -- bend the curve too much on the most recent strong bookings that we had. If it were an optimistic way to be able to do that, you'd be sure -- you can be sure that we would pull the trigger on that. But in these cases, these large orders are new factories that are not just us delivering equipment. It's a whole ecosystem of folks that have to perform. And therefore, in some cases, the longer dating is something that we have to support.

Anne Cybulski
Interim CFO, VP & Corporate Controller

I would just want to add, though, that in some cases, and this is really when we -- when I talk about the deep knowledge that our teams have of their end markets and their customers, in some cases, especially when it comes to innovative products that we're bringing to market, including some that we've launched at recent trade shows, lead time is important. But what's more important is the depth of knowledge that our teams have around where to innovate, where to invest in innovation and what our customers actually require. So both project execution and innovation and bringing our products to market faster are beneficial to our customers.

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Frederic A. Tremblay
Desjardins Securities Inc., Research Division

Great. Very helpful. And just for my follow-up, Doug, looking at the reduction in square footage and labor force as well in terms of the cost transformation program. Can you maybe expand a little bit on how you think about those initiatives relative to what should be an eventual revenue bounce back for the company given the bookings that we're seeing now and hoping to see in the future as well? How do you keep the flexibility to respond to that environment while at the same time, trying to optimize the footprint?

Douglas William Wright
CEO & Executive Director

Well, Frederic, you answered part of the question yourself. I think a lot of it has to do with our -- we have to have a flexible tactical ecosystem that allows us to adjust when conditions change. In this particular case, we were quite thoughtful in our fixed cost transformation exercise in terms of where we were reducing capacity. And we have not seen any evidence that our thesis about where growth was expected to come and where growth has occurred have changed our direction there.

So put it differently, the places like radiopharma and these med device areas that we're talking about, we are not reducing capacity there at all. In fact, we're adding capacity in radiopharma specifically. So it's really the other portions of the non-Life Sciences portion of the business where we have -- a little bit of it was the carryover effect of the transportation segment that we faded away from.

And in the food business and other parts of the system, where that fixed cost transformation program, we're still on track our thesis about where we needed to remove, where the return on investment was below standard and where the costs needed to come out. That hasn't been changed at all by the strength in the bookings. The only thing that would change our outlook there would be some dramatic change in the portfolio or some dramatic change in the end markets. But the reality is that most of what's happening in our end market dynamics right now are things that we predicted during our work that we put together the fixed cost transformation program.

And I want to make sure that you guys understand this. When we -- I know that in some industrials, there's an effort to sort of provide a kind of a universal haircut on costs across the enterprise as almost a reaction to usually some recession or some negative thing that's happening in the market. In this case, our fixed cost transformation program, maybe it's -- maybe we didn't name it properly, but it's very targeted on areas -- specific areas of the portfolio that were underperforming.

So by deduction, Frederic, the areas of the business where we're seeing the strong orders growth have -- in fact, we're getting new investments. In radiopharma, we just completed the expansion of our facility in Bologna, and we just opened up a new -- last year, we commissioned a new service center in the Central United States, and we just are starting another one in Melbourne, Australia.

So there's a significant amount of investment happening in the areas where we're seeing the growth. So I don't have -- there's not a dilemma here. It's a very surgical exercise about where we're addressing floor space and workforce where the capacity was simply oversized to the available market opportunity. And there are other areas that we're investing heavily. So that's something that I think is important for everyone to understand.

Operator

Your next question comes from the line of Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne
TD Cowen, Research Division

First question I wanted to ask was with regard to the cost structure. I think historically, we've all understood that there's been a lot of SG&A cost leverage in this business, but perhaps there's a larger fixed cost component in COGS than we previously appreciated. So certainly not asking you to give away anything that would be competitive or sensitive, but perhaps you could talk about how much of the $65 million to $75 million of targeted cost savings should fall to COGS versus SG&A?

Douglas William Wright
CEO & Executive Director

Well, Cherilyn, you're correct. There's opportunity both in SG&A and in COGS. We -- I don't want to oversimplify a very complex ecosystem, but I would say that from a -- if I were modeling things for myself, I would say that it's probably about half the benefit is going to come from COGS. Because if you think about COGS, it's obviously material and labor, but there's also indirect costs, so that's sort of nondirect workers as well as the facility cost, utilities, property taxes, all the things that go around with running an operation.

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So as you can imagine, if you have a facility -- a scaled-up facility that's running at 50% of its available capacity versus 90% available capacity, there's a big difference in the drag on the margins simply because of that fixed cost. And that's part of COGS. So it's really both. It's going to vary from unit to unit, but you can think about it as about half and half.

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes, that's right. And Cherilyn, just to add to that, I mean, I think of fixed costs, as Doug described, including -- and also including SG&A. And the reason that we mentioned Europe first is because that's where we had the most excess capacity, but also the longest lead time associated with executing on our plan. But I mean, as a reminder, what we are aiming for out of this program is that flexibility on the cost structure going forward by removing some of that excess capacity that we don't need.

Cherilyn Radbourne
TD Cowen, Research Division

Okay. That's really helpful. And then in the outlook commentary, there are some comments here about instituting broader market coverage, improved customer engagement, development of a pipeline, I think specifically as it relates to radiopharma -- so maybe you can give us a bit more detail on what that means practically?

Douglas William Wright
CEO & Executive Director

Sure, Cherilyn. I think one of the big opportunities that we have at ATS is that we have a number of businesses that have a very strong technical position, but -- and very strong reputation and experience in a given market, but they -- some of them, because of their scale, are less exposed to the global markets. One of the things that's very exciting about the Life Sciences market, in particular, is that our customers are very global. The diseases are very global, of course, the types of things that people are working on are very similar.

So as an example, our Comecer business, which is -- has a European heritage has been making very significant investments for several years now in the U.S., and we're continuing to do that. They recently, just as I mentioned in my comment to the last question, have put a position into Australia because the Melbourne area is actually a hotbed of radiopharma research and development. So we want to be there to support those customers.

So part of our work on the commercial side is recognizing where we have good product market fit, but we don't have good channel fit. So we do -- there's a model that I learned a long time ago about how you sort of -- a framework that we use that we look at sort of how our market -- how we cover a given market. Some markets are very unique region to region. But in our case, for the most part, most of the work that we do is pretty universal across the globe in terms of contact lenses, diabetes, auto-injectors. They're very similar region to region.

But some of those businesses don't have the global breadth and channel coverage. So that's presence in a market with direct salespeople, direct service people to be able to do those. So it's a really important growth vector for us. It's something that I -- we probably need to spend more time communicating with you guys because underneath the covers, we're working really, really hard on expanding our channel presence for a lot of these fast-growing markets, whether it's SMR, focusing on the U.S. and the U.K. and other SMR end markets or whether it's radiopharma, which I've already mentioned, med device, there's opportunities in Asia. So we really think that this is an area that we've got a lot of potential future growth to deliver through that broader market coverage.

Operator

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

Jonathan Goldman
Scotiabank Global Banking and Markets, Research Division

Maybe just circling back to the fixed cost transformation program. The number you outlined is $65 million to $75 million cost savings. I'm assuming that's a gross number because you're making the investments you discussed earlier in the call. What would be the net amount of the cost savings that you expect to achieve? And can you share how much you actually had in the quarter? And how should we think about the cadence of the balance of the amounts through the next 15 months?

Douglas William Wright
CEO & Executive Director

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So Jonathan, just one correction for you. The $65 million to $75 million is the net number. So we're overdriving our internal work. What we've committed to you is going to be the net result because we want to make sure that you guys can model it out in margin dollars. So we've done it that way.

Anne, do you want to comment on the other part of the question?

Anne Cybulski
Interim CFO, VP & Corporate Controller

Sorry. The other part of the question was related to -- I missed it. Jonathan, can you repeat?

Jonathan Goldman
Scotiabank Global Banking and Markets, Research Division

Yes, the cadence, maybe how much you achieved this quarter and how we should think about the balance kind of the slope?

Anne Cybulski
Interim CFO, VP & Corporate Controller

Okay. Sorry. So I mean, we talked about where we were starting based on excess capacity and the longest lead time, and that was with some of our excess capacity in Europe. We are committed to -- and so we'll expect to see some of those savings start to impact us later in the year and into next year. And as the rest of the program is executed, we're committed to the time frame that we originally outlined back in August, which was 18 months from that time and 15 months from now. And we'll report progress similar to what we did this quarter around impact on facilities and headcount.

In general, we expect related to any restructuring program that our payback will be less than 1 year. And when we think about our capital allocation and capital return framework, one of the things that I commented on in my prepared remarks was we did -- in the beginning part of Q3, we did sell a facility -- 2 facilities in the U.S. and leased 1 back. So broadly, we are aiming to have all of this work be done on a cash -- generally cash-neutral basis as we think about our investment frameworks and how we drive return.

Jonathan Goldman
Scotiabank Global Banking and Markets, Research Division

Got it. That's helpful. And then maybe switching to the decision to kind of remove the full year guidance for the modest revenue growth and the margin expansion. How much of that decision was based on the 338 tariffs and kind of the shifting and timing of projects there?

Douglas William Wright
CEO & Executive Director

Well, I think the 338 tariffs, as I think a prior question addressed this, too, we had expectation -- we had opportunities in our pipeline in Q2 that did not book directly related to 338. And therefore, that has to flow into the second half. How quickly it recovers, we've been -- we're all, I think, fairly humble in trying to predict regulatory dynamics. And so we've been humble about that. But the reality is those bookings are absolutely going to be -- we're -- the pipeline is still there, but the timing of that, had they come in, in Q2, we would have had a better second half revenue outlook very likely. But that's -- we have to play it like it is, and this is a situation where we had a fairly significant piece of our business in Canada that had expectations of packaging business coming in that had to -- we had to pull out of the revenue.

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes. And so while not all the adjustment or the removal of modest is not all related to that, a good chunk of it, it is. But there's also been -- we have some cyclicality in other parts of our business that we're working to remove as we continue to diversify the portfolio, including within our Food & Beverage businesses, there's some normal decision delays that played into that. And also, we are in the midst of repositioning our previous businesses that were previously focused on transportation and really good progress there, but there were some of those factors that also played into the change.

Jonathan Goldman
Scotiabank Global Banking and Markets, Research Division

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Okay. That's helpful. And maybe if I can squeeze one more in. Working cap performance is really strong again this quarter. Looks like year-to-date, last 2 quarters, you're pacing below your 15% target. How should we think about a run rate going forward, whether it's the second half of this year or beyond that? Because it does seem like you're punching above your weight there.

Anne Cybulski
Interim CFO, VP & Corporate Controller

Yes. I mean it's something that we're quite proud of and pleased with. It demonstrates a good level of process discipline. It's an area of focus for our ABM team and also for our leaders. Through the back half of the year, barring any typical changes or delays in terms of timing of larger milestone payments, I'd expect to stay within our range. And it's important to how we think about driving our cash returns over time. So it is part of the growth algorithm that we've talked about previously, and we've got a good focus on it.

Operator

[Operator Instructions] Your next question comes from the line of Michael Glen with Raymond James.

Michael W. Glen
Raymond James Ltd., Research Division

Anne, maybe just for the 3Q and the revenue guide, can you maybe just speak to what type of margin we should expect in 3Q? Would it be a similar margin to the 2Q performance? Just trying to get some insight there.

Anne Cybulski
Interim CFO, VP & Corporate Controller

So as we talked about, we are taking action to solve for the deleveraging that we saw in the quarter. And over the near term, I would expect some -- as I said in my prepared remarks, some pressure over the next several months. However, that doesn't take away from the work that we're driving on our fixed cost transformation program. So there are some timing elements playing into what I'd expect to see in Q3. But the revenue guide is reflective of what we know we have in our backlog, and we think we'll book and bill in the quarter.

And the only other thing that I would add is from a Q3 perspective, we do have some continued investments that we'll continue to make in our commercial activities and -- our focus on innovation, including an innovation summit that's coming up next week, which I know a lot of our teams are looking forward to. So hopefully, that helps you.

Michael W. Glen
Raymond James Ltd., Research Division

Okay. And then maybe just one on the nuclear business. I can't -- I'm not sure if you mentioned this Doug, but can you give an update on -- there were some plans communicated about expanding this business into the U.S. and the U.K. Can you give an update on that?

Douglas William Wright
CEO & Executive Director

Sure, Michael. We're really excited about what's going on in nuclear. Obviously, we have our really strong Canada-based franchise that continues to give us a good base with good growth potential. And as you've said, we have -- we are excited about the potential in the U.S. market as well as the U.K. We do have an expectation that we will be expanding facilities in the U.S. for the market there. In the nuclear market, one has to be domestic manufacturing for the most part. So we will do that.

U.K. is still a target for us. We are working to identify the right methodology to enter that market. But I would say we've had -- as we talked about, we did bring on board one new SMR customer this last quarter from a booking standpoint, and we have several others that were still very active in engineering and development.

So I think the SMR market is going to -- so far, we're seeing very good regulatory support and all of the major players that are -- have their plans in effect, we're seeing good traction. We saw the announcement of the U.S. regulator approved the site in Tennessee, which is similar to the technology that's in Darlington. And there's a lot of other opportunities that the team is also facing against.

Operator

Mr. Wright, there are no further questions on the line. I will now turn the call back to you for closing remarks.

Douglas William Wright

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CEO & Executive Director

Thank you, operator. Thank you, everyone, for joining us today. We look forward to speaking to you again on our Q3 call in February. Bye-bye.

Operator
This concludes today's call. Thank you for attending, and you may now disconnect.

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