

ATS Corporation

Fourth Quarter Fiscal 2023 Earnings Conference Call

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PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to the ATS Corporation Fourth Quarter Conference Call and Webcast. This call is being recorded on May 18, 2023 at 8:30 am Eastern time. Following the presentation, we will conduct a question and answer session. I will now turn the call over to David Galison, Head of Investor Relations at ATS.

David Galison — Head of Investor Relations, ATS Corporation

Thank you Operator and good morning everyone. On the call today are Andrew Hider, Chief Executive Officer of ATS, and Ryan McLeod, Chief Financial Officer. Please note that our remarks today are accompanied by a slide deck which can be viewed via our webcast and available at atsautomation.com. We caution that the statements made on our 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 these statements are detailed on Slide 2 of the slide deck. Now, it's my pleasure to hand over the call to Andrew.

Andrew Hider — Chief Executive Officer, ATS Corporation

Thank you David. Good morning ladies and gentlemen, and thank you for joining us.

Today, ATS reported record fourth quarter revenues and backlog, solid bookings and adjusted earnings in line with our expectations. We completed the acquisition of ZI-ARGUS to enhance our capabilities in Asia Pacific. We also announced and closed the acquisition of Triad Unlimited.

For the fiscal year as a whole, ATS drove profitable growth and achieved the highest bookings and revenues in Company history. We also reported recorded adjusted earnings for the fiscal year even as supply chain constraints and inflation challenged our margins. The results reported today reflect strong execution across our strategic markets and our teams' application of the ABM to drive continuous improvement throughout the business.

Next, I will update you on the business and Ryan will provide his financial report.

Starting with our financial value drivers, order bookings for the quarter were \$737 million, up 16 percent year-over-year and included \$292 million of life sciences bookings and \$255 million from transportation. For the full year, bookings grew by 33 percent mainly as a result of the growth in EV in addition to solid contributions from the rest of the business, including our previous acquisitions.

Q4 revenues were \$731 million, up 21 percent from Q4 last year. For the full year, revenues increased by 18 percent. Adjusted earnings from operations in Q4 were \$102 million, up 25 percent year-over-year. Full year adjusted earnings were \$343 million, up 11.5 compared to fiscal '22. Ryan will provide further details in his remarks.

Moving to our outlook, we finished the quarter with backlog of \$2.2 billion, providing us with a solid base to work from in our key target markets moving into fiscal '24. Life sciences backlog was \$761

million at the end of the year. We secured a number of wins in Q4 with repeat customers, including assembly systems for auto injectors and contact lenses. We also brought on several new life sciences customers doing innovative work in diverse areas such as needleless blood tests and animal health. Our funnel remains strong for fiscal 2024 across our major life sciences submarkets. Our synergy funnel is growing, particularly in pharmaceutical fill-finish, and we've seen ongoing examples of collaboration across the business.

Transportation ending backlog was \$939 million, up 351 percent year-over-year with the majority of the increase in EV applications. As previously announced in January, we booked an additional US\$120 million in EV orders with a strategic customer. The market for electric vehicles is dynamic, and with over a decade of experience, ATS is well positioned to secure additional business with existing and new OEM customers. In the quarter, we had a key win with a new customer for smart battery assembly automation and booked an important order with another OEM on initial scope of work order.

In food and beverage, our funnel remains healthy following a seasonally strong second half of the fiscal year when we generated record backlog, including strong uptake for our energy efficient evaporators. We typically experience seasonal variation in bookings in this vertical relating to primary processing. In fiscal Q1, the team will be focused on delivering on our backlog ahead of the harvest season.

In energy, a growing number of countries are committing to increased power generation from nuclear energy to meet climate-related carbon reduction targets. These commitments require long term planning and investment. With our specialized capabilities, ATS can support industry participants in

several areas from the refurbishment of nuclear power plants to our early involvement with small modular reactors and grid battery storage solutions.

By way of example, we are collaborating with Bruce Power on automated solutions to support reactor refurbishment. These efforts are focused on shortening schedules, improving safety and quality, and eliminating human error all while enhancing the overall performance of Bruce Power's major component replacement projects.

In consumer products, our backlog and funnel remains stable; however, we are seeing some signs of caution in the personal care market as customers are monitoring the impact of inflationary pressures on end consumers.

On digital, all ATS businesses are working to drive innovations in our digital value proposition to our customers. Our global teams are collaborating to share best practices and support our customers where they need it most, whether that's performance visualization as a starting point, machine analytics, predictive analysis and service to improve effectiveness, or improvements to overall productivity at the factory level or across multiple factories. We are also driving digital innovation in several other areas, including digital twin and in support of customers' sustainability needs.

On aftersales services, our regional networks had a strong year-over-year and provided support to customers from across the business. Our global teams are coordinating in key focus areas, including spares and digitally enabled services, and we're seeing ongoing progress in attaching services to CapEx sales. Growing aftermarket revenues across ATS, including with new acquisitions, remains a priority. The

acquisition of Triad extends our life cycle and digitally enabled service capabilities and our ability to help customers improve overall equipment effectiveness.

On supply chain, we've seen a reduction in some raw material costs; however, we are still experiencing price volatility and inflationary pressures, particularly with electrical and mechanical parts. Lead times remain extended and increased for electrical parts in the fourth quarter. Some suppliers are starting to indicate lead times could reduce later in the year, but we have not seen this materialize in our operation. That said, for fiscal '24 we are prepared to operate with volatility in our supply chain and in the overall macro environment and expect some ongoing inflationary pressures; however, our countermeasures and savings initiatives are designed to help address these issues.

We also remain focused on long term business goals through value engineering workshops and other ongoing problem solving events as a means to drive material cost improvements that support competitiveness and long term margin growth.

Our ABM continues to bring our people together to solve problems and drive continuous improvement. During the quarter, we completed 59 ABM events across all business segments, all with a clear focus on our value drivers. In January, we held our fifth annual President's kaizen events. Six teams from across the Company's global footprint participated to drive sustainable results; for example, a multi-region team created a global virtual warehouse to enhance inventory visibility across the business, including hard-to-source parts. I personally attended three President's kaizen events in Europe and I was encouraged to see such a high level of commitment, energy and ultimately performance.

On M&A, in Q4 we were pleased to welcome Triad Unlimited and ZI-ARGUS in addition to IPCOS, which joined us in Q3. These three acquisitions are expected to bolster our digital and service offerings, and our previous acquisitions are continuing to add value. Overall, M&A funnel development remains active and healthy across all target sizes.

On sustainability, our customers are interested in both energy efficient automation as well as energy management solutions. In energy efficient automation, our CFT business saw continued success with Apollo evaporators due to gas price sensitivity in Europe. Our IWK team is collaborating with customers through its packaging confidence center to deliver sustainable and energy efficient packaging solutions. For energy management solutions, our PA business successfully launched an energy management module based on the PA Facts digital platform. In addition, two large life sciences customers are currently working with us to pilot a module and illuminate that will provide them with the ability to measure carbon footprint at the part level.

On innovation, we continue to deploy capital and leverage talent to create differentiated, enabling solutions that drive returns. A few highlights from the quarter - our Innovate Day concept was expanded to another part of the business, and we are excited to see the benefits of this ongoing fast turn idea generation in a friendly competitive environment. Our industrial automation team is developing further expertise in digital twin technology, and in particular specialized simulation techniques specific to our customers' needs. CFT is developing and improving its processing techniques in the production of fruit and vegetables juices and purees while reducing overall energy consumption and carbon footprint. Our SuperTrak pharma linear motion conveyer is being introduced to our

integrated solutions offerings in life sciences alongside platforms from ESFI and (inaudible) for pharmaceutical fill-finish applications.

In summary, we are pleased with Q4 and overall fiscal '23 performance and progress. Record order backlog gives us a strong base to start fiscal '24, where we continue to build our funnel. We expect there will be ongoing macro challenges to navigate and we are not immune; however, operational execution with the ABM as our playbook along with our choice of strategic end markets remain important strengths and advantages for ATS. We look forward to delivering continued profitable growth in fiscal '24 supported by the drive, ingenuity and dedication of over 6,500 employees globally.

Now I will turn the call over to Ryan. Ryan, over to you.

Ryan McLeod — Chief Financial Officer, ATS Corporation

Thank you Andrew, and good morning everyone.

Fiscal '23 performance reflected good execution in the context of supply chain and inflation challenges. In particular, Q4 results represented a strong finish to the year and included record quarterly revenues. This morning, I will review our operating results and then provide details on our balance sheet.

Beginning with orders, bookings were \$737 million, up 15.5 percent compared to Q4 last year. The increase was driven by organic growth of 11 percent along with 1 percent growth from acquired companies and a 4 percent benefit from foreign exchange translation. During the quarter, ATS booked another US\$120 million EV order from an existing global automotive customer as an expansion of their

program. Our trailing 12-month book-to-bill ratio at the end of the year was 1.26 to 1, positioning us well for continued revenue growth.

Moving to revenues, Q4 revenues were \$731 million, up 21.2 percent over Q4 last year. Organic revenue growth was 16.5 percent year-over-year and related primarily to increases in transportation. Recently acquired companies added approximately 1 percent to quarterly revenue growth, and foreign exchange translation created a 3.9 percent benefit compared to Q4 last year.

Our Q4 ending backlog of \$2.15 billion was 50 percent higher than Q4 last year. With continued growth in our order backlog, including the presence of large EV programs, our revenue conversion from Q1 is estimated to be in the 32 to 35 percent range of backlog. This assessment is made every quarter based on revenue expectations from existing backlog and new orders booked and billed within the quarter.

Q4 adjusted gross margin was 28.9 percent, down 70 basis points from last year when we executed higher margin programs in backlog. Additionally, the year-over-year decrease reflected supply chain headwinds, including cost inflation and longer lead times which have challenged our business this year. In the short term, we expect the supply chain environment to remain dynamic through fiscal '24. As Andrew noted, our teams are continuing to address the challenges through proven ABM tools.

Moving to SG&A, expenses were \$13.2 million higher than Q4 last year. This quarter's costs included \$17.6 million of acquisition-related amortization and \$1.5 million of acquisition-related transaction costs. Excluding these comparable items in both periods, Q4's SG&A was \$104.8 million, \$13 million higher than last year, primarily reflecting increased employee costs. Sequentially excluding the

same items, SG&A increased by approximately \$11 million over Q3, primarily due to increased employee costs and sales-related expenses.

During fiscal '23, we announced our plan to make improvements to our cost structure through targeted reductions. Our full year restructuring expenses were \$27.5 million with \$15.8 million recorded in Q4. The estimated payback period remains at approximately 18 months.

Stock-based compensation expense for Q4 was \$19.3 million, up \$18.5 million over Q4 last year. Of note, some of our non-IFRS measures have now been adjusted to exclude the impact on stock-based compensation expenses of the revaluation of deferred stock units and restricted share units resulting from the change in market price of the Company's shares between periods. We believe this adjustment provides improved insight into the Company's operating performance by eliminating volatility in earnings unrelated to operations. A full reconciliation of the adjustments for the last eight quarters has been provided in our financial filings.

Q4 adjusted earnings from operations were \$101.9 million or 13.9 percent, up \$20.3 million and 42 basis points compared to last year primarily due to revenue growth partially offset by higher costs.

Moving to the balance sheet, in Q4, cash flows generated from operating activities were \$81.4 million, an increase over the \$30 million generated in Q4 last year. Non-cash working capital as a percentage of revenue was 10.1 percent in Q4. This is an improvement from 13 percent in Q3 and in line with our stated target of being below 15 percent. Over the next several quarters, we expect our period end working capital will continue to fluctuate as we work through billing milestones on some of our larger projects.

In fiscal '23, total investments in CapEx and intangible assets were \$80.3 million. We expect our fiscal '24 CapEx to be in the \$80 million to \$100 million range in order to support growth through continued innovation and capacity to meet demand; however, there is flexibility in this planned spend.

On leverage, our net debt to Adjusted EBITDA ratio was 2.7 to 1 as of the end of Q4. As noted previously, our target leverage range is 2 to 3 times Adjusted EBITDA. We are willing to temporarily increase beyond that threshold to support short term working capital requirements or for an acquisition that fits within our framework and creates value for shareholders. Our focus is on maintaining a healthy balance sheet that allows us the flexibility to meet our strategic goals.

In summary, ATS produced strong results for the quarter, highlighting the value of the ABM and the advantage of serving growing and diversified strategic markets. We continue to move our value creation strategies forward with organic and inorganic investments and measures to counter supply chain issues and cost inflation, which remain challenges in our business. Our record order backlog supports our planned growth into fiscal '24 and our teams remain focused and motivated on delivering value for customers and shareholders through innovation and disciplined execution.

Now we will open the call to questions from our analysts. Operator, could you please provide instructions? Thank you.

Q & A

Operator

Thank you sir. Ladies and gentlemen, we will now begin the question-and-answer session.

Your first question comes from Michael Glen, Raymond James. Please go ahead.

Michael Glen – Analyst, Raymond James

Hey, good morning. Thanks for taking my questions.

Just to start, Andrew, just want to drill down into the life sciences vertical a bit more. You highlighted the auto injector win in your opening remarks. Can you just speak about, or give some insight into the relative size of your auto injector business right now, and what type of growth do you see from this business, say over the next two to three years?

Andrew Hider

Yes, good morning. Look, this area—first and foremost, our funnel continues to remain strong in life sciences, and auto injectors, while we've been in this space for a while, have really shown expansion into new solution sets into the end market, and we're seeing drug development, drug launches that will utilize this technology, so we do see this as a higher growth area of our life sciences market space. It's one that we've been and continue to offer high value for our customers, so while I'm not putting an exact number on the real opportunity, it is a strong potential and one that we view, as the market shifts to newer solutions, newer products, and get FDA approval on these products, ATS can really support our customers as they navigate this space.

Michael Glen – Analyst, Raymond James

Your expectation overall, though, would be that, like, your auto injector business would over-index your organic growth over the next few years, that would be your expectation?

Andrew Hider

Yes, so I would say in general, if you step back and look at our life sciences business, we have many areas that we view have strong tail and strong potential, and while we do view this as one opportunity and one we would put in the higher camp, there are several areas that will draw in life sciences that we view we have high value solutions for our customers, but this would be one of those areas and we have many more.

Michael Glen – Analyst, Raymond James

Okay, and then perhaps just on the ramping transportation vertical, Ryan or Andrew, are you able to perhaps give some insight into how we should think about margins trending from that business as it ramps higher and that backlog conversion takes place?

Ryan McLeod —

Yes, so I guess I'll start. I mean, the margins in that business, I think I've talked about are really in line with our corporate average, and that's been an area of growth for ATS over the last year. It's going to continue to be an area of growth given the strong performance on bookings and backlog.

In general on the gross margin line, as I said, it's in line. There's some operating leverage available in that business that as it scales up or continues to scale, we will realize; but overall, I would say it's very much in line with the rest of the business.

Michael Glen – Analyst, Raymond James

Okay, thanks for taking the questions. I'll jump back in the queue.

Operator

Thank you. The next question comes from David Ocampo of Cormark Securities. Please go ahead.

David Ocampo — Analyst, Cormark Securities

Thanks, good morning everyone.

Andrew Hider

Good morning.

Ryan McLeod

Good morning.

David Ocampo — Analyst, Cormark Securities

Andrew, if I take a look at the outlook section in your release, I think for the second straight quarter now, you guys have flagged on-shoring and re-shoring as a positive tailwind here, so I'm just

curious, have you seen any of your customers pull the trigger because of these themes, or when do you expect that to become a bigger theme, or when does it expect to show up in the results for ATS?

Andrew Hider

You know what, to give an exact example would be more of a challenge, and what do I mean by that? There is many dynamics that customers are going through right now, and let me just walk those a little bit.

One is this on-shoring and re-shoring - that's real with our customers, but additional, they're looking at their supply chain risk and they're looking at areas where—and what customers will often say is they're looking at areas where they can build capability, build their capacity where they have the demand, and so those are really a bit more in that conversation. While we do view this as an opportunity, it's really aligned with how our customers think strategically about their products. Oftentimes they'll build capability in North America and then they'll take that capability and move it to Europe, and even in this last quarter we saw a customer do this and we saw them really expand their capability and capacity in a region that they were looking to support, and so I would say we're feeling this, we're seeing this, but it really aligns with a customer's desire to really launch new solutions in the markets that they support.

David Ocampo — Analyst, Cormark Securities

Okay, got it. That makes sense.

Then maybe just a clarification question for Ryan. I take a look at the backlog turnover, last quarter you guys were guiding for 29 to 32 percent, came in closer to 34 percent. Can you walk us through what led for the higher turnover - was it FX or programs getting pulled forward?

Ryan McLeod

Yes, so a couple things, and those are two of them. If we compare to the high end of the range, you're right - roughly half of that was good program performance and executing ahead of expectation. We've talked about some of the supply chain challenges, and our teams have really done an excellent job in overcoming some of those. There was also a foreign exchange translation benefit relative to where we finished the prior quarter, and then there was also a small impact from acquisitions that weren't part of our backlog, but the main drivers I've said was really good program performance in the quarter.

David Ocampo — Analyst, Cormark Securities

Okay, got it. Those are my two. I'll hop back in queue. Thanks everyone.

Andrew Hider

Thank you.

Operator

Thank you. The next question comes from Cherylyn Radbourne of TD Cowen. Please go ahead.

Cherilyn Radbourne — Analyst, TD Cowen

Thanks very much, and good morning.

Andrew Hider

Morning.

Cherilyn Radbourne — Analyst, TD Cowen

You've recorded some absolutely massive EV bookings over the past 12 months, largely with one customer, so it was really nice to see some new customers in the EV bookings this quarter. Can you give us some perspective at a high level on the potential for follow-on orders from those customers and the associated timeline?

Andrew Hider

Yes, and Cherilyn, we're obviously proud and pleased with the progress in this space, and as a reminder and I had it in my prepared remarks, that we've been in for over a decade. We've had many customers start, and just to walk through the general process for customers when they engage with ATS is they'll often start with a pilot production line, and we saw, call it a couple of those wins within the quarter. It really does depend on the OEM or the customer working with it, with how fast the follow-on work happens, and sometimes they'll wait until the end of the project and install and align around that, or at times they'll pull in. What I can say is it does depend on the customer from a standpoint of when they trigger a follow-on.

We target customers that we view have follow-on - that is the goal, that is the target, and we do view these new wins as having potential follow-on work. All that said, we need to execute and we need to prove out the value for these customers.

Cherilyn Radbourne — Analyst, TD Cowen

Okay, that is helpful colour. Then based on what you're seeing, how long do you think it will be before your supply chain kind of normalizes, and is there anything that ATS itself plans to do differently going forward to add resiliency to its own supply chain?

Andrew Hider

Yes, so to put a number, I'm going to probably be wrong, but we're planning for the year here to really be in a proactive and not reactive, but a heightened awareness mode, and what do I mean by that? There are areas we've seen come back in line, and when we step back and look, raw materials and in certain areas within the supply chain have come back, and more in line with what we would expect. What we've seen is some areas continue to be challenged, and to call one specifically would be really electrical components continue to be a bit of a challenge for our business.

All that said, we continue to drive our supply chain as a competitive advantage and we look at areas for opportunity, and one of the areas we implemented early on was our daily visual management and identifying where we potentially have gaps, to ensure we minimize what the impact is, first and foremost on customers and in the margin of the program, and so we've continued to execute here. We do view this is going to be a challenging environment for the remainder of the calendar year. That said,

we do view that there is light at the end of the tunnel, and our team is focused around executing and really delivering on what we set out to achieve for our customers and ultimately our performance.

As we look at our own supply chain, we have taken initiative. We have taken drive into really how we want to rethink and continue to evolve. One of the areas we do now, that we might not have done in the past as detailed, as structured, is looking at the predictive aspect of when we need a product and/or when a product might be short, and what do I mean? We'll look at each project, each individual area and then determine where we potentially have inventory to fill that gap to ensure that we don't slow down production. Additionally, where we have higher risk componentry, we at times will have a secondary source, and we've done that in the past where we've been more aggressive and continue to be more aggressive around identification and pursuit of minimizing impact, and so I do view our business has really continued to evolve and outpace, but it's one that we are looking to really drive and continue to drive it in the year.

Cherilyn Radbourne — Analyst, TD Cowen

Right, that's my two. Thank you.

Andrew Hider

Thank you Cherilyn.

Operator

Thank you. The next question comes from Maxim Sytchev of National Bank Financial. Please go ahead.

Maxim Sytchev — Analyst, National Bank Financial

Hi, good morning gentlemen.

Andrew Hider

Good morning.

Ryan McLeod

Good morning.

Maxim Sytchev — Analyst, National Bank Financial

Andrew, if I may, the first question in terms of healthcare and how you're thinking about the resiliency of the outlook, and I guess specifically the question is how much exposure do you have to the biotech space, which would be sort of more dependent on external funding right now? Just wondering what your thoughts are there. Thanks.

Andrew Hider

Yes, so Max, when we look at our space, generally it's when it's beyond just the test phase and it's gone into more a production process, and so—and if you're getting at smaller areas or new drug

launches and some of the funding challenges, we haven't really seen that and we don't see that in our life sciences.

Where we see opportunity and where we continue to see opportunity is in the biologics and really the alignment around the growth of what these drugs, what these new solutions offer, and we're often aligned with that. If you look at the radiopharmaceutical with this new actinium 225 and what that can mean, as well as—you know, and I mentioned the auto injector earlier, we align with areas that have higher growth and areas that are really aligned with the strategic focus for our customers, and so I would say that that's the case in all areas that we target for expansion within our life sciences business.

Maxim Sytchev — Analyst, National Bank Financial

Okay, and then just as a follow up to biologics, are you seeing outside growth in this area specifically?

Andrew Hider

We're seeing good opportunities in this area specifically. To say outsized growth, I would say it's in line with our overall opportunity for life sciences.

Maxim Sytchev — Analyst, National Bank Financial

Okay, understood. Thank you. Then my other question pertains to the free cash flow generation, and I think, Ryan, we spoke about this maybe last quarter, like about that non-cash working capital cadence, and at what—like, at what point do you have to ramp up in order to see the

milestone payments starting to come through and start to be more positively impactful in terms of free cash, because I presume most of the drag is coming from the EV space right now. Do you mind maybe providing your thoughts or some guidance in terms of how we should be thinking about fiscal 2024, besides sort of the obvious 15 percent of revenues as a working capital dynamic? Thanks.

Ryan McLeod

Sure. I'll start there, and that is our goal to maintain working capital below 15 percent. We did—as you're aware, we did exceed that target in Q2 and then we've drawn back down to 10 percent, so the second half of the year was strong from a cash flow generation perspective, as we expected. That said, we have normal variability in our business and cash flows, and that's part of having a project-based business and the milestones, and the large projects that are part of our business today, that drives a larger variability than what we've seen in the past. Over the long-term, I think our goal is to remain below 15 percent. We're operating in that—below that target today, but we will continue to see variability in this metric at period ends. It's going to be part of our business as we're executing these large programs that have large milestone payments attached to them.

All that said, we have very good customer relationships. Programs are executing well, payments are being made in accordance with contracts, and so we are pleased with our progress here.

Maxim Sytchev — Analyst, National Bank Financial

Right. Is it also—maybe it could be useful for us to think how you guys are thinking about, like, maybe EBITDA or net income to sort of FCF conversion, sort of on a normalized basis. I'm not sure if you have some early thoughts on that.

Ryan McLeod

Yes, so again, this is a tougher metric from a quarterly perspective because of the variability. But over the long...

Maxim Sytchev — Analyst, National Bank Financial

But on an annual basis—sorry.

Ryan McLeod

Yes, even annual, some of these projects are 18 to 24 months that we're executing, so over a rolling annual period, it's certainly in the range of we would expect to be close to that 100 percent of net income, but again, there could be some variability from period to period as we've talked about.

Maxim Sytchev — Analyst, National Bank Financial

Okay, understood. Super helpful, thank you so much.

Operator

(Operator Instructions)

The next question comes from Justin Keyword of Stifel. Please go ahead.

Justin Keyword — Analyst, Stifel

Hi, good morning. Thanks for taking my call. On M&A, there was mention of active funnel in a range of potential assets. Is there any bookends to the size of assets that you're looking at, and has expectations from potential sellers, has that abated at all as compared to earlier this year?

Andrew Hider

Yes, good morning Justin. I referenced this, but our funnel is and remains healthy, and when we look at the funnel, within the funnel, there's a good mix of small, medium and large. We don't put bookends on—I mean, clearly we do have an appetite to continue. That said, we do look at businesses and the criteria is aligned around truly adding value for the organization, and as we step back and look at those, it's the four, and it's oftentimes around the market, the technology that they offer, so looking at really higher technology, higher value solutions, how we're going to operate, and then lastly the financial return, and so we have a good mix within.

We don't have bookends on size. We generally are within a certain size range, but we don't have bookends on size as we look at many opportunities. Lastly, seller's expectations, we haven't seen a marked shift. We certainly continue to cultivate and continue to stay very close with potential new adds, and it's one that, I've mentioned this in the past, we're always cultivating and we're always looking to add real strong technology, strong businesses that will continue to add value to our shareholders and our customers.

Justin Keyword — Analyst, Stifel

Understood, thank you. Then on the reorganization and final charge in Q4, did we see any of the benefits of that program show up in the margins or will it be a more gradual basis?

Ryan McLeod

No, certainly nothing material in the quarter. I talked about an 18-month payback, and so most of—the program's largely complete. From a cost perspective, it's complete. From an actions perspective, largely complete by the end of Q4, so we'll see the benefit going forward.

Justin Keyword — Analyst, Stifel

Should we see some of that benefit in Q1 or will it be a bit of a longer tail?

Ryan McLeod

Well, it's a bit of a longer tail, but again as I've said, it's roughly an 18-month impact—yes, largely towards the latter half of next year.

Justin Keyword — Analyst, Stifel

Thank you.

Operator

Thank you. The next question comes from Michael Glen, Raymond James. Please go ahead.

Michael Glen – Analyst, Raymond James

Hey. Again just looking at life sciences in the coming year, you did spend much of fiscal '23 going up against some difficult compares for the prior year. If we're thinking of overall organic for life sciences in '24 and putting all the pieces of that business together, any sort of thought on where we should think about organic growth? Should it be, like, a high single digit this year, or something different than that?

Andrew Hider

Yes, good morning, Michael. Just to kind of lay out the thinking broader on life sciences, we look at—when we look at any market, we look at them over a rolling period of time because no one quarter is going to really dictate how that market or how we're doing within the market. Just to give you some narrative on this, life sciences book-to-bill over the last trailing 12 months was above 1, and so while it was an obviously challenging compare, we continue to grow on that. As we look at the market, we do view this as opportunity and we do view this market as continuing to grow, and our funnel is healthy for this space, it continues to evolve, we continue to add new customers, new solutions. Our synergy funnel continues to grow, which we're very pleased with, and so we do view this as an area we're going to continue to drive expansion into.

Michael Glen – Analyst, Raymond James

Okay, thank you.

Operator

Thank you. Mr. Hider, there are no further questions. Back to you for closing comments.

Andrew Hider

Great, thank you, Operator.

We look forward to pursuing ongoing value creation in fiscal '24. We truly believe that our capabilities align well with the solutions we offer on a global basis. I look forward to speaking to you on our Q1 call in August. Thank you for joining us today. Stay safe and goodbye for now.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.