



ALLIENT INC.

**FOURTH QUARTER AND FULL YEAR 2025 EARNINGS
RESULTS CONFERENCE CALL TRANSCRIPT**

MARCH 6, 2026

Table of Contents

Presenters and Participants	2
Presentation	3
Question and Answer	8

Presenters and Participants

PRESENTERS

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Chairman, President & CEO

Jim Michaud
CFO & Senior Vice President

Craig Mychajluk
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PARTICIPANTS

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JPMorgan

Gregory Palm
Craig-Hallum Capital Group

Max Michaelis
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Ted Jackson
Northland Securities

Presentation

Operator

Good day and welcome to the Allient, Inc. Fourth Quarter Fiscal Year 2025 Financial Results. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Craig Mychajluk, Investor Relations. Please go ahead.

Craig Mychajluk

Investor Relations

Yeah. Thank you and good morning, everyone. We certainly appreciate your time today, as well as your interest in Allient. On the call today are Dick Warzala, our Chairman, President, and CEO; and Jim Michaud, our Chief Financial Officer. Dick and Jim will review our fourth quarter and full-year 2025 results, provide a strategic and operational update, and share our outlook. We'll then open the line for questions.

As a reminder, our earnings release and accompanying slide presentation are available on our website at allient.com. If you're following along, please turn to **slide 2** for our Safe Harbor statement. During today's call, we will make forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated. These risks factors are outlined in our SEC filings and in the earnings release.

We will also discuss certain non-GAAP measures. We believe it will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliations of non-GAAP to comparable GAAP measures in the tables accompanying the earnings release as well as the slides.

So, with that, please turn to **slide 3** and I'll turn it over to Dick to begin.

Dick Warzala

Chairman, President & CEO

Thank you, Craig, and welcome, everyone. We entered 2025 with clear priorities, expanding structural margins, strengthening the balance sheet, and positioning the portfolio around durable secular growth drivers. As we close the year, I am pleased to say we made measurable progress on all three. We delivered a strong fourth quarter and, importantly, exited 2025 with improving momentum across the business.

The fourth quarter reflected several highlights, but it can be summarized by a few things, improving industrial demand, disciplined execution across the organization, and structural margin expansion driven by our Simplify to Accelerate NOW program. This performance was not only a function of higher volumes; it was operating leverage; it was improved mix; and it was sustained cost discipline, translating directly into stronger profitability.

We saw improving conditions in our largest vertical, Industrial. A significant automation destocking we have discussed throughout the year appears largely behind us, and ordering patterns are returning to more normalized levels. At the same time, demand for our power quality solutions supporting data center infrastructure remains strong.

Vehicle performance was stronger than expected in the quarter, primarily tied to commercial auto production timing. While we do not view that as a structural shift, it contributed to the top line in the period. Medical remains steady and consistent; and Aerospace & Defense reflected normal program timing dynamics.

So, what we experienced in Q4 was broad participation across the portfolio. That balance across verticals matters. It reinforces diversification of the model and supports the durability of our results. Equally important, the margin expansion we delivered wasn't simply volume driven. They reflected better mix when compared with last year's results, improved cost structure, and continued execution under our Simplify to Accelerate NOW initiative. The operational work we have been doing over the past few years is now clearly embedded in the model.

Turning to **slide 4** and looking at the full year, 2025 was about strengthening the foundation of the company. We set out a clear objective under our Simplify to Accelerate NOW program, reduce complexity, improve throughput, and strengthen margins in a way that is sustainable. We targeted a set of structural savings in the range of \$6 million to \$7 million for 2025; and while not yet complete, we delivered meaningful progress on that target. These savings are being realized through: optimization, where we are consolidating overlapping operations and focusing our resources where we have scale and competitive advantage; accelerated product development, where we streamlined our process and reduced time to market for our offerings; and lean manufacturing disciplines, where we improved standard work and reduced non-value-added time on our shop floors consistent with best practices that helped cut cost while improving quality and reliability. This is a journey and it never ends.

One example that speaks to all three is the transition of our Dothan facility. We announced this last year as part of our realignment strategy with the plan to focus Dothan on advanced fabrication capabilities, including machining. As a result, we transferred assembly work to facilities where we have complementary capabilities. That effort, while still a work in progress, is expected to drive down costs and reduce complexity across our North American footprint.

Overall, we delivered record gross margins for the year. We expanded operating income at a rate well ahead of revenue growth; we generated record operating cash flow; and we reduced net debt significantly, bringing leverage down to levels that give us real financial flexibility. The balance sheet today looks very different than it did a year ago, and that matters, because it allows us to invest in organic growth, support new program launches, and pursue disciplined capital allocation opportunities from a position of strength.

With that, let me turn it over to Jim for a more in-depth review of the financials.

Jim Michaud

CFO & Senior Vice President

Thank you, Dick, and good morning, everyone. Turning to **slide 5**, fourth quarter revenue increased 17% year-over-year to \$143.4 million, including 15% organic growth on a constant currency basis. The growth was driven primarily by strengthening industrial demand, particularly automation and power quality applications, as well as increased commercial automotive shipments within the Vehicle market.

From a geographic perspective, 56% of revenue was generated in the US, with the balance coming primarily from Europe, Canada, and Asia Pacific, consistent with our diversified footprint.

Let me walk you through performance by major vertical, because that's where the real story sits. Industrial revenue increased 24% in the quarter. The primary driver was strengthening automation demand as ordering patterns from our largest automation customer returned to more normalized levels following the extended destocking cycle. In addition, demand for power quality solutions supporting data center

infrastructure remain very strong. Those applications continue to benefit from electrification and digital infrastructure investment.

Vehicle revenue increased 35%. This was primarily due to increased commercial automotive shipments tied to a transitioning model program. As Dick mentioned, we view this as production schedule timing rather than a new long-term run rate. Construction markets also improved, and powersports conditions appear to have stabilized relative to earlier softness.

Medical revenue increased 9%, supported by steady demand for surgical instruments and continued traction in precise motion applications.

Aerospace & Defense declined 5%, reflecting the lumpy nature of defense and space program shipments, along with the previously announced M10 Booker Tank program cancellation. Importantly, underlying defense program activity remained solid.

Distribution channel sales increased 11%, although that remains a smaller component of total revenue.

Turning to **slide 6**, here we show the composition of our revenue over the trailing 12 months, along with the year-over-year change in each market and the key drivers of that change. This slide really highlights something important about how the business has evolved, and what you are seeing in the mix is intentional.

Industrial remains our largest vertical and is increasingly anchored by higher value applications, power quality for data center infrastructure, motion solutions tied to automation, and applications aligned with electrification. That's where we have been directing engineering focus and capital.

Aerospace & Defense continues to represent a meaningful and growing contributor. While quarterly shipments can be lumpy, the underlying program activity and pipeline remain solid; and that vertical provides longer cycle visibility.

Medical remains steady and consistent. Surgical applications continue to be reliable contributors, and our precision motion capabilities position us well in that space.

Vehicle, while still important, is a smaller percentage of the mix than it was previously. That's partly market driven, but it's also strategic. We have intentionally shifted away from lower-margin programs and toward higher-value applications across the portfolio.

So, when you step back, the mix today is more margin accretive and better aligned with durable secular growth drivers than it was just a couple of years ago. That evolution matters, because it supports the margin expansion and earnings durability we have delivered.

On **slide 7**, gross margin expanded 90 basis points year-over-year to 32.4%. The improvement was driven by higher volumes, favorable mix, and operational efficiencies from our Simplify initiative. Sequentially, gross margin moderated, largely due to a higher proportion of vehicle revenue, which carries lower relative margins. For the full year, gross margin expanded 150 basis points to a record 32.8%.

Turning to **slide 8** and the drivers behind the margin and operating income expansion, what stands out in 2025 is not just the headline results, but how we've achieved them. As Dick outlined, the Simplify to Accelerate NOW program was designed to structurally reduce complexity, improve throughput, and strengthen margins. The operating performance you see here is the financial expression of that work. The structural savings we delivered in 2024 and now 2025 are embedded in the business, and they are showing up directly in leverage and operating income expansion.

Realignment cost related to these actions during the year are primarily associated with the Dothan transition. The transition to date has been successful, not just from a cost perspective, but operationally.

We are realizing enhanced manufacturing focus in early elements of the anticipated savings. When you layer these structural improvements with improved volume and mix, the impact on leverage becomes clear.

At the operating level, we drove meaningful improvement in expense discipline. We captured upside from higher volumes while, at the same time, controlling SG&A, allowing operating income to grow significantly faster than revenue. In the fourth quarter, operating income increased 76% to \$11.4 million, or 7.9% of revenue. For the full year, operating income increased 46% to \$44 million, or 7.9% of revenue.

Turning to **slide 9**, you can clearly see how the structural margin expansion and disciplined execution translated into meaningful bottom line growth. Net income for the quarter more than doubled to \$6.4 million, or \$0.38 per diluted share. Adjusted net income was \$9.3 million, or \$0.55 per share. Adjusted EBITDA was \$19 million, or 13.3% of revenue, up 170 basis points. For the full year, net income was \$22 million, or \$1.32 per diluted share. Adjusted EBITDA was \$76.9 million, or 13.9% of revenue, representing 210 basis-point expansion year-over-year. Our full-year effective tax rate was 23.3%. For 2026, we expect our tax rate to be between 21% and 23%.

Turning to **slide 10**. This slide reflects disciplined execution against the three financial priorities we outlined at the beginning of the year. Those priorities were: improve working capital and inventory efficiency, take out structural costs, and reduce debt and strengthen the balance sheet.

Starting with cash generation, we delivered record operating cash flow of \$56.7 million for the year, up 35% from the prior year. That level of cash conversion reflects both improved profitability and better working capital management.

Inventory discipline was a major focus in 2025. Despite navigating automation normalization and rare earth considerations during the year, we improved inventory turns to 3.2 times compared with 2.7 at the end of 2024. That is a meaningful step forward. We tightened planning processes, aligned production more closely with demand signals, and reduced excess inventory that had built up during the prior cycle. Importantly, we did that while maintaining strong customer service levels.

On receivables, days sales outstanding improved to 57 days for the year versus 60 last year. That reflects better collections, stronger billing discipline, and improved customer mix. When you combine inventory turns improvement with DSO reduction, you see a structurally better working capital profile.

Capital expenditures for 2025 were \$7 million, with disciplined focus investments tied to customer programs and productivity initiatives. For 2026, we expect capital expenditures in the range of \$10 million to \$12 million, primarily supporting customer programs and growth initiatives.

So, **slide 10** is really about execution. We said we would improve working capital; we did. We said we would drive structural cost improvements; we did. And we said we will reduce debt. That shows up clearly on the next slide as the balance sheet story is directly connected to the execution we just discussed.

Total debt declined to \$180.4 million. Net debt declined to \$139.7 million, a \$48.4 million reduction year-over-year. Our leverage ratio improved significantly to 1.82 times from 3.01 at the end of 2024. Our bank defined leverage ratio ended the year at 2.34x, comfortably within covenant levels and providing meaningful headroom.

The combination of stronger earnings, improved cash conversion, and disciplined CapEx allowed us to materially deleverage in a single year. That's important for two reasons. First, it lowers financial risk and reduces interest burden over time. Second, it creates flexibility to invest in organic growth, support new program launches, and evaluate disciplined capital deployment opportunities from a position of strength.

So, when you look at **slides 10 and 11** together, they tell a clear story. Operational improvements translated into cash, cash translated into deleveraging, and deleveraging translated into flexibility. That's the financial flywheel we've been working toward.

And with that, if you advance to **slide 12**, I will now turn the call back over to Dick.

Dick Warzala

Chairman, President & CEO

Thank you, Jim. As we move through the fourth quarter, order trends improved, automation demand is stabilizing, power quality tied to data center infrastructure remained strong, and our aerospace and defense pipeline continues to provide long-term cycle visibility. Orders were up sequentially, and year-over-year, we exited with a book-to-bill ratio slightly above 1. That's important as it reflects positive momentum as we enter 2026.

Backlog ended the year at approximately \$233 million, with the majority expected to convert within three to nine months, consistent with our historical patterns. The visibility we have today supports a constructive start to the year.

As we look into 2026, we believe we are positioned to build on that momentum. At the same time, we remain realistic. The macro environment is still uneven across certain end markets. Customer capital spending can move in phases, and policy and tariff considerations remain part of the broader landscape. We continue to monitor developments closely, and we will adjust as needed.

With respect to the recent Supreme Court ruling and broader trade policy discussions, we are continuing to evaluate any potential implications. As we have discussed previously, we have taken proactive steps over the past several years to diversify our supply base, localize certain sourcing, where appropriate, and manage tariff exposure through pricing and operational adjustments. We'll remain disciplined in how we evaluate these developments and we will adjust as needed.

What gives us confidence is what we control. We control our cost structure, and it is structurally better than it was a few years ago. We control working capital discipline, and we have demonstrated that in 2025. We control capital allocation, and we strengthened the balance sheet meaningfully over the past year.

And we continue to align the portfolio around higher-value motion controls and power solutions serving durable secular drivers of electrification, automation, energy efficiency, increased defense spending, and digital infrastructure. These drivers are not short-cycle themes. They represent long-term shifts in how energy is generated and used, how systems are automated, and how infrastructure is built. Allient's technologies are directly aligned with those transitions.

We exited 2025 with improved margins, stronger cash flow, and a materially stronger balance sheet. That combination provides flexibility and resilience, and it positions us to execute through varying market conditions. We believe we're entering 2026 from a position of strength. We have an excellent opportunity to leverage the foundation we have been building through our Simplify to Accelerate NOW initiatives to simplify our organization, drive out cost, and accelerate growth rates well into the future.

With that, operator, please open the line for questions.

Question and Answer

Operator

We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Tomo Sano with JPMorgan Securities Japan. Please go ahead.

Tomo Sano

Good morning, everyone. Thank you for taking my questions. So, while the cyclical macro recovery, such as improving ISM, it is expected, Allient has clearly driven a structural growth and margin improvement through initiatives like Simplify to Accelerate NOW. So, looking ahead to 2026, which do you see as the bigger contributor to growth and margin expansions, external tailwinds or your own self-help measures? Any more color on 2026, please? Thank you.

Dick Warzala

Okay. Your first question, as I understand it, is that you're looking for what are the seculars that we expect to be generating the largest growth opportunities for us in 2026. Is that correct?

Tomo Sano

I want to get more sense of cyclical characteristics of the recovery you've seen versus the structural themes you see in 2026. Could you talk about 2026, the growth of the sales driven by cyclical recovery versus like a structurally items for the revenue side? I wanted to get some color on the margin side as well. Thank you.

Dick Warzala

Well, first off, as we've been repositioning our business and looking at where we see some of the long-cycle, longer-term drivers, and we mentioned the data center infrastructure, we do see that continuing. I believe one of the issues that has been addressed quite a bit over the last few days has been about the energy side of it and how they are going to generate power. It seems like some of the companies are stepping up to do that on their own, which, I think, was a major concern. That doesn't affect us. We do, obviously, need the power, and as the data center expansion continues, we play a pretty significant role in making sure that power is being delivered efficiently and effectively and eliminating distortion within the grid and so forth. So, I think we do see that opportunity continuing now into 2026 and into the future.

Again, it's based upon infrastructure. It's based upon capital projects. Of course, those are subject to the developments as the prime contractors and/or developers determine the right timing for those. As far as Aerospace & Defense, or let's call it defense more than aerospace, that is impacted by many factors. Given the war that's going on in Iran right now, I think it's going to take a little bit of time here to settle down for us to figure out how that will have an impact on our business. Whether it's immediate or long term, it's too soon to call. As far as the other programs go, which we've been very actively involved in with some of the key drivers in terms of defense applications, whether it's drones, whether it's missile defense and so forth, I mean, we have been a player in those markets for some time here now, and we do see that continuing. One thing that's occurring there, of course, is the requirement for defense products and suppliers to be based in North America or the US. That definitely plays into an advantage for us, as we do have a pretty significant manufacturing base and design engineering team in North America.

The other areas where we see opportunities, of course, is, we don't see Medical slowing down, with the advent of AI in Medical and the use of sophisticated diagnostic tools. Again, some of the key areas that we've been involved in for many years, we continue to participate, and we're pretty excited about that.

Automation will come, and automation comes in the form of our normal or typical industrial automation. Even in the robotic side of it, sometimes referred to as exciting areas of humanizing and so forth, again, it's another area we participated in and continue to participate in. We see growth and stabilization there.

European markets, especially Germany, seem to be remaining a little bit soft. They're not predicting any growth for 2026, so we'll see how that shakes out as the year goes along. That's the forecast that we're getting right now, that the industrial markets in Germany, in fact, may decline this year. We saw some signs that it was going to improve, but the latest information we're getting is, that may not be the case.

I think our diversification in many different markets plays well for us, and there is a good balance. We do believe that the industrial sector will continue to grow, because we do have automation in that sector, as we call it. Also, the data center infrastructure is in there as well. We do see that continuing to grow and we see defense growing, whether it's cycle timing, as Jim had mentioned; the government canceled the M10 Booker program, and that's a realignment of how they see the priorities on the battlefield going forward and the challenges that are being faced.

As far as margins are concerned, margins are a big factor based upon mix for us. I can tell you that our focus and emphasis on new applications have been in the markets and will continue to be. Our investments will be made in the markets where the margins are at or above our average. Then, our focus will continue to be our focus, and capital spending will align with that.

So, I think we are in a pretty good shape. Our book-to-bill ratio is improving. That's one of the things that we pay close attention to, to determine whether or not we have converted some of the opportunities we're working on and it's showing up in bookings that will later show up in shipments.

In this long-winded answer, I hope I've covered them all. If not, you can go ahead and ask me to add to that if necessary.

Tomo Sano

Thank you. Very helpful. Just to follow-up on capital allocation standpoint, congrats on the leverage improving and strong cash flow generations. How would you prioritize capital allocations for 2026 among organic growth, investment, M&A, and then shareholder returns, please?

Dick Warzala

Again, going into 2026, we feel that our pipeline of opportunities is quite strong, and our investments that we make will be to support what we have control over and in hand right now, which is some significant opportunities; and then, we will need to invest to realize some of those opportunities. That's going to be the majority of the investment that we see going forward.

I would also say that we are paying very close attention there in terms of the pipeline of acquisitions. We certainly have had certain areas that we won't discuss on the call here that we're paying close attention to, and if the opportunity does arise, we think we're well positioned to take advantage of that and to move forward with it.

With the Simplify to Accelerate NOW initiative, I just want to make it clear that we're not done. We had several initiatives that were well underway and executed quite successfully, but certain things were not completed in 2025 that we are carrying into 2026, and we will have the discipline to get them done and drive cost out.

We also see that we have other opportunities when we look at our infrastructure and our footprint and so forth to continue to drive cost out to become more efficient in the way we do things. So, that's not ending. That will continue. It's not like we did a mad push for a couple of years and it's all completed; it's not.

There's more opportunity ahead of us here. 2026 will not be a year that we just sit back and say, okay, let's just take a deep breath and look at what we did and move on from here. We're going to be aggressively going after some additional opportunities to improve our cost base and they're there.

Tomo Sano

That's very helpful as well. Thank you very much. That's all for me.

Operator

And the next question comes from Greg Palm with Craig-Hallum Capital Group. Please go ahead.

Greg Palm

Good morning, everybody. Congrats on a good way to finish 2025. I don't remember the last time you actually grew revenues sequentially from Q3 to Q4. Maybe it has happened once or twice, but I understand a little bit was due to some outsized growth in commercial vehicle which you talked about. Just broadly speaking, what else drove the better-than-expected seasonality that you'd normally see; and just to be clear, what trends have you seen, so far, in Q1?

Dick Warzala

Great question, Greg. Because it was abnormal, you're absolutely correct. You followed us a long time, and as we say, going into Q4, there are some unknowns. We've seen years where demand was pent up, supply chain crises, things like that, which caused some irregularities in the normal cyclical patterns that we would see during the year. We did, in fact, have a few, I'll call them, pull-ins that we hadn't anticipated, so it did elevate Q4 sales to a certain extent. One that we mentioned in the commercial vehicle side of it, was a onetime surge based upon some demand that had been sitting out there, and we see it returning to normal.

In a couple of other areas, there were a few surprises, I'll call it, and I won't mention in detail what they were. They were pulling in product; and then, as we turned the year, we saw that was reflected in a little bit lower demand in the first quarter. So, there were some offsets there that we'll be addressing. It's still early, of course. Let's see how that lands, but that is a little bit unusual.

Thank you for pointing it out, because there were three different drivers of that. One was a onetime which will reduce to normal, and the other two, we did see a little bit of reduction after they were pulled ahead as we started the year. Nothing that we see will change normal run rates on an annual basis. It was just unusual.

Greg Palm

Leaving this aside, what type of demand are you seeing right now across your markets? I mean, any change? I know things sort of strengthened as we went through 2025, but any strength? I'm just curious as you look at what's occurred over the last week, what risks or even opportunities could that bring about this year?

Dick Warzala

Our order inputs seem to be coming in quite well. We saw some improvement through the year. As you mentioned, for us, we watch that very closely because that's obviously an indicator of what we're going to see in terms of converting it into shipments. So, that's encouraging. We see some of that continuing to flow in nicely.

As far as what's happened in the last week, of course, there's no surprise, though, I guess, in saying that we're in the defense side of the business, and we certainly do supply products that are being utilized right now. How that converts into orders, we were surprised when they were heavily consumed and we didn't see production orders happening as fast as we would have expected, which indicated there was a big stockpile. We think the stockpile has been chewed up. We saw some return to starting to ship again for some defense-related products. So, if you just asked for what our gut feel is, there will need to be an increase in, certainly, some of the products that we deliver to do some replenishment. What the total amount or the impact is, is hard for us to say, But I'm sure we'll start seeing some of that fairly soon.

Greg Palm

I know you mentioned drones and that's an opportunity that you've called out a little bit more recently. Are you able to share with us any traction that you're seeing just in terms of what the opportunity set that might be emerging there?

Dick Warzala

Our company is well regarded and well respected for high-performance solutions, custom engineering, and so forth, and our activity in that market had been primarily in that space and it accelerated. It certainly accelerated as far as the pipeline of opportunities go, the prototyping that we're doing, the quoting that we're doing. It also seems to be expanding into the class one or group one, whatever way you want to describe it, the devices, and it has caught our attention.

One of the areas of opportunity for us that we see is that we know how to produce product in volume. One of the benefits that we enjoy based upon having a certain percentage of our business, as we've stated in the past, we like to keep it in the single digits of automotive, is we do know how to produce higher volume solutions cost competitively and with the use of automation. I see it as being very encouraging and I see it as a real opportunity for us to take our know-how that we have gained and developed over the years and to redeploy it into some of these other areas. The pricing and the margins may not necessarily be the same as the higher-performance custom engineered products. Certainly, the volumes do give you the opportunity from a volume standpoint and from an operating margin standpoint to be incremental to our business. So, that's an area that we see.

The shift to North America has certainly created an increase in inquiries. As I said, we've been in the business in different applications. We see our technology base that we have in electronics and controls and motors and so forth in lightweighting and composites definitely does give us an opportunity here to expand that. So, we're pretty excited about it.

Greg Palm

Okay, and I guess just last one, I recall last year you announced the facility expansion where you're doing a bulk of the data center work. I'm curious what the status is of that. Do you feel like you have adequate capacity as that's done or once it's done to capitalize, what are you seeing in terms of the opportunities out there?

Dick Warzala

To answer your question, it's coming along extremely well. It'll be late second quarter, early third quarter when it's fully operational. Timing couldn't have been better, that's all I can say. Timing couldn't have been better. The opportunities we're seeing and the fact that we had addressed it in advance to expand our capabilities and our footprint were definitely fortuitous here as the demands of the market continue to go up. I think we'll start to unfold here. Later in the year, you'll start to see some pretty significant increases in volume in that area, and our timing was good.

Greg Palm

Okay. Perfect. I appreciate all the color. Thanks.

Operator

The next question comes from Max Michaelis with Lake Street Capital Markets. Please go ahead.

Max Michaelis

Thanks for taking my questions. I just want to go back to the data center opportunity. From your comments here in the Q&A and then prepared remarks, it sounds like it would be safe to say you expect the data center opportunity to accelerate in 2026 over 2025 in terms of growth rate. Is that correct?

Dick Warzala

Yes, we do. Definitely, the opportunities are there. As Greg has asked in the previous question about the expansion to our main facility, that was underway and last year was approved and is reaching a point of completion. That's critical for us to be able to handle the increased demand that we expect to see. There was an acceleration into last year of some of the products that we produce and accelerated deliveries, and we're going to have to pay close attention to the order input rates and what we see there, because it's not a smooth incrementally improving business. You could see some fairly substantial jumps in opportunities and timing of orders; and when the demand and shipments are going to occur is not just going to be a straight line. We'll see some ramping perhaps in the third and fourth quarters of this year.

Max Michaelis

Is business growth primarily driven by new contract wins of new customers or kind of a mix between expanding wallet share with other customer or existing customers?

Dick Warzala

The market itself is expanding. We've talked in the past about some of our capabilities that put us in a very nice competitive position in the market. That's definitely driving it. There are market expansion and the technology we have to support and service that is also being recognized and accelerating some of those opportunities for us as well. You are fairly new and I appreciate you joining us as an analyst. In the past, we talked about an acquisition that we did in Wisconsin that gave us a capability and a manufacturing capability and footprint in Mexico. We've been leveraging that to a great extent here in helping us accelerate our ability to meet those demands, and it has proven to be very helpful for us as we've been addressing some of those.

So, it's been our capability, our production capability, the expansion that we're doing to continue to improve upon that, as well as our technology, which gives us a nice competitive edge in the marketplace. I'm not saying we're alone, but we clearly have a product that is recognized as high performing and very cost effective.

Max Michaelis

Okay. And then, last one for me, with the M10 Booker program coming to an end, are there any other programs you can share with us to give us an idea where you expect to head next, or is it something you can't share?

Dick Warzala

I'd rather not share. Sure, we could share, but defense programs, as we found out with M10 Booker, which was not a one-year program. That was a six-year, seven-year program. If you look at it and say there's logic behind what's happening as the battlefield is transitioning here - utilization of drones, the utilization of missiles, less boots on the ground - Booker is a larger vehicle. It's not going to go away itself for the need for those larger vehicles and boots on the ground and some applications or arenas. But what we will see is a shift towards smaller, more agile, more autonomous vehicles, and we're positioned as well on those.

So, one of the things just for us to get the message out, as we've acquired companies in the past, we looked at more of a fully integrated solution. We do provide some pretty significant advantages there, in that we can handle the electrification, we can handle actuation. So, we have motors, we have controls, we have drives, we have IO, and we have lightweighting composites, and those composites are used quite extensively. Composites aren't just for lightweighting. There are other reasons you use lightweighting, structural integrity or improved strength, EMI protection, as well as lightweighting to make them more efficient as you move towards electric or hybrid vehicles to improve battery life and so forth.

Again, we are in quite a unique position to be able to offer all of that to some of the prime contractors, in addition to one of the things that the Department of War is pushing really hard now, I mean, accelerated development. With these long design in cycle times, like a six-year, seven-year Booker program, and then canceling at the end, the speed of play is going to be absolutely critical. That's one of the things where, if you have products that are already being utilized in other markets that you can leverage, that gives you, again, a little bit of a competitive advantage in many cases, in their vehicles. Since we have been very strong in the vehicle market with some of our products, we're able to leverage those. So, COTS, commercial off the shelf products, are critical. We can leverage those and we can again apply engineering and modifications to fit them for purpose, whether it's more ruggedized, whether it's more environmental, a lighter, higher performance, and so forth.

We're very excited about it and we've made an investment. We haven't seen the returns on those investments yet, but we're highly confident that we're positioning ourselves well here for the future.

Max Michaelis

Awesome. Thanks.

Operator

Our next question comes from Ted Jackson with Northland Securities. Please go ahead.

Ted Jackson

Thanks very much. You sound so optimistic. It's really infectious. I have a couple of questions. So, Dick, on the domestication of work and its drive for you, you've been dancing around this whole thing with NDAA; there are two buckets to bringing this stuff back into the country. One is the actual manufacturing and the other is the supply chain. I think for Allient, the manufacturing bucket is pretty straightforward. Is there work that you need to do on the supply chain to bring anything into compliance with NDAA by the time it becomes fully into effect in January?

Dick Warzala

A very good question, and the answer is, there's always going to be work to be done there. There are no quick answers to some of the rare earth minerals and materials that are being utilized in some of the higher performance products here. So, you're 100% correct. We have the capacity and the capability to produce

in North America. We have ample capacity, and some of the work that we have been doing over the past few years that we've talked about, such as facility rationalization. It's there and it's to our advantage. We have about 1.2 million square feet of manufacturing space within the company. A substantial portion of that is in North America, and we've freed up a significant amount of space here that we can redeploy if there is a quick demand and a ramp-up for certain, let's just call it, initiatives that may be undertaken.

Supply chain is definitely another challenge, and we've been hot and heavy working on it. We have a team that's on it, but I cannot sit here and tell you that it's completely solved. We're subject to other governments and other policies that they may impose, but we've been working hard to minimize the impact, to solidify supply chain sources.

Some of that ramp-up has not been as quick as we would have liked to have seen it or the government would have liked to have seen it, so the government is going to have to look at that and really decide there's a desire and there's a reality and whether the two meet. I think we'll be working through some of that this year.

But it's an excellent question. It's something that we're on top of. We're doing everything we can possibly do to resource. We were already started before some of this had happened. The regionalization of supply chain had nothing to do with tariffs and duties and restrictions and all of that. It was more of a logical business decision, so we were pretty well prepared. On the other hand, we cannot control when some of the other factors that come into play could impact us.

So, Jim, do you have anything you want to add to that?

Jim Michaud

Yes. What I would tell you, Ted, and this is just really dovetailing what Dick just mentioned, the Feds are really investing billions of dollars in a number of companies here in the US, and obviously, we've been in contact with all of them. But, as Dick just mentioned, it's going to take time for all of the supply chain in and around the rare earths and the processing of materials and so forth to evolve. I don't think it's going to all happen when we hit January 1, but we have teams here that are working diligently with a variety of different suppliers and we're setting the foundation for us to partner with these companies that the government is investing in.

Ted Jackson

I didn't want to get into magnets, but the main issue for you on the supply chain side is rare earth around magnets. I mean, everyone has that problem, we have to believe that the government is well aware of that. Do you have any dialogue with the government? Do they understand that at some level you have to be practical, or are you just saying that yourself?

Dick Warzala

No, Ted, as Jim mentioned, we've been in close contact with the government and the key officials in the government working hand in hand and there's a desire and there's a push, but there's also reality of the timing of when all of this could occur. I can just tell you this, hand in hand, we're in there. We're working with the identified sources that are being supported and invested in, and we're not letting up on it. We're not stopping there. It's a continuous effort to make sure that we're working all the angles, as well as staying very close with the key government officials and activities that are being undertaken right now.

Ted Jackson

Beyond magnets, are there any other critical components or parts that you had to go out and resource or need to resource to move into compliance?

Dick Warzala

Yes, to answer your question. There are other components, but they're not as complicated or as difficult to resource. It's a cost factor more than anything. Something else that does impact that as well. Without getting into all the details of the different components that we're seeing, you are seeing certain supply shortages in pocket areas. Even electronic components, you see some things popping up. Based upon demand in other areas that are occurring, they're stressing the supply chain side of it.

But to answer your question, yes, there are other components that are key that, for instance, if you're talking about motors... for a motor to function, whether it's laminated steel, whether it's bearings, there are alternatives. The alternatives may be more costly, but there are alternatives. Magnets are a little bit unique in themselves, so highlighting the magnet side of it is important. The others are there, but they get impacted based on other factors.

Ted Jackson

So, anyway, it sounds like it will just be a topic for discussion every quarter or so, as you progress through it. You're not the only one. It's so many different companies. Just shifting over to the commercial vehicle market and the fourth quarter, you had like a pig in the pipeline with you with regard to the fourth quarter. I guess what I would want to ask on that is, one, if you could quantify it a bit to help us realign how our first quarter will look, because you typically have some seasonality from fourth to first. I think it can be helpful for all analysts in terms of just getting their 2026 numbers done.

And then, on a more macro level, it seems to me that the commercial vehicle market is very much on a rebound. You've seen a pickup in freight rates. If you listen to ACC car, Volvo and all the Class 8 guys, starting in November, they saw order activity bookings pick up substantially. It continued through January. I've talked to some of their suppliers. It continued through February. So, you're going to see a lot of that translate over into an improved demand environment, probably when we get to the back half of 2026, assuming that this continues, and it sets up well for 2027. Can you talk a little bit about what things you are supplying into that market, and how you see that market playing out as you roll through the year and through 2027.

Dick Warzala

Okay. So, is your question about what we supply into the commercial automotive or what are we supplying to the truck and construction or all of them?

Ted Jackson

I guess you could say all of them. I always try not to get too granular, but I'm always interested in more details. I'm American.

Dick Warzala

Okay. So, yes, we can echo the fact that we did see some improvements. Thanks for bringing it up, because many times people have their own definition of what's vehicle. Our definition of vehicle is commercial automotive, bus, construction, marine, agricultural, truck, and rail. That's our vehicle. That's what we consider vehicle. Also, actually, we do have powersports in there.

We have to continually remind people, when we talk about vehicle, don't get too wrapped up in thinking of us as an automotive company. We've mentioned that we have a target to keep that in single digits. The major reason for that is, it's a long lead time, design and cycle time. It's very cost competitive and it's heavily capital intensive.

We've chosen to invest our money in other areas. I've mentioned to you before that powersports has become automotive-like, commercial automotive-like, not to the same extent, but it has gone there. We did see increases pretty much across the board, and the impact of the one-time effect of the fourth quarter that you could see going forward, I would tell you, was about \$2.5 million, okay, in fourth quarter.

As far as the applications go, when you get into agricultural, construction and so forth, we're in several applications, different types of actuators and so forth, but one of the key elements fundamentally that we're in and pretty much across the board in vehicles is steering applications. It's agnostic to whether it's gas or petrol or whether it's electrification; we can be utilized in each. We're also involved in electro-hydraulics in some of the larger vehicles, again, primarily in steering area. So, we have a great expertise in steering, and that's where we focus our efforts, not just in that vehicle, but also in some of the industrial applications as well. Okay. Does that help you?

Ted Jackson

That does. And I know we're out of time, so I'll stop. Thanks again.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Dick Warzala

Well, thank you, everyone, for joining us on today's call and for your interest in Allient. We will be participating in the JPMorgan Industrials Conference in Washington, DC on March 17. As always, please feel free to reach out to us at any time, and we look forward to talking to you all again after our first quarter 2026 results. Have a great day.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Allient, Inc. (ALNT) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website (allient.com), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision. Please also refer to the opening remarks of this call for ALNT's announcement concerning forward-looking statements that were made during this call.