Belden

4TH QUARTER 2024

# EARNINGS RESULTS

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## CORPORATE PARTICIPANTS

**Ashish Chand** Belden Inc. – President & CEO
**Jeremy Parks** Belden Inc. – CFO
**Aaron Reddington** Belden Inc. – VP Investor Relations

## PRESENTATION

**Aaron Reddington, Belden Inc. – VP Investor Relations**

Good morning everyone, and thank you for joining us for Belden's fourth quarter and full year 2024 Earnings Conference Call. With me today are Belden's President and CEO Ashish Chand and Senior Vice President and CFO Jeremy Parks. Ashish will provide a strategic overview of our business, and then Jeremy will provide a detailed review of our financial and operating results, followed by Q&A.

We issued our earnings release earlier this morning, and have prepared a slide presentation that we will reference on this call. The press release, presentation, and transcript of these prepared remarks are currently available online at investor.belden.com.

Turning to slide 2 in the presentation. During this call, management will make certain forward-looking statements in reliance upon the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. For more information, please review today's press release and our most recent annual report on Form 10-K. Additionally, during today's call management will reference adjusted or non-GAAP financial information. In accordance with Regulation G, the appendix to our presentation and the investor relations section of our website contains a reconciliation of the most closely associated GAAP financial information to the non-GAAP financial information we communicate.

I will now turn the call over to our President and CEO Ashish Chand.

**Ashish Chand, Belden Inc. – President & CEO**

Thank you Aaron, and good morning everyone, we appreciate you joining us.

Let's turn to slide 4 for a summary of the major accomplishments we achieved during the fourth quarter and full year, and key messages I would like to highlight. As a reminder, I will be referring to adjusted results today.

First, let me congratulate our team on another solid quarter. We once again executed well and delivered results ahead of expectations.

For the fourth quarter, our revenue and Earnings Per Share both exceeded the high end of our guidance as our solutions transformation continues to progress. Revenue totaled $666 million dollars, up 21 percent compared to the prior year, and Earnings Per Share came in at one dollar and 92 cents.

Profitability aligned with our expectations and our Adjusted EBITDA margins came in at 17.1 percent for the quarter, up 110 basis points compared to the prior year.

Second, demand for the quarter was steady as our customers remained in a neutral posture to close out a transitional year.

For the fourth quarter, orders were up modestly sequentially and up 23 percent compared to the prior year.

I am pleased to report that for the full year, our orders were up 9 percent, reaching nearly $2.5 billion dollars.

Overall, our business grew by 14 percent organically for the quarter. We saw particular strength in the Americas, with organic growth of 23 percent.

As the year progressed, we witnessed a strong and steady improvement in ordering patterns across many geographies and verticals. I am encouraged to see this progress continue, with additional upside ahead as we look further into 2025.

Finally, our business continues to generate meaningful cash flow, and we are deploying capital consistent with our capital allocation priorities.

Full year Free Cash Flow was strong at $223 million dollars, slightly ahead of prior performance and expectations.

With our ample free cash flow, our team continues to invest in high-return opportunities beneficial to shareholders.

For the year, we deployed $295 million dollars towards tuck-in acquisitions that enhanced our product portfolio and improved our solutions offerings.

Further, we continued buying back our stock. During the fourth quarter, we repurchased approximately half a million shares for $55 million dollars. That brings our full year total to 1.3 million shares for $133 million dollars.

Our balance sheet remains strong, allowing us to enhance shareholder returns in multiple ways. You can expect us to continue looking for acquisitions that support our solutions transformation and, when appropriate, returning capital to our shareholders through buybacks.

Now please turn to slide 5.

Reflecting on this past year, I’m proud of Belden's tremendous progress in executing upon our strategy outlined during our most recent Investor Day.

First, this past year, we continued strengthening our leadership in automation and infrastructure technologies by expanding our networking and data solutions portfolio with multiple significant upgrades.

Let me quickly highlight recent improvements to our OT network switching line, including our introduction of the Hirschmann BXP managed switch. Ideal for rail applications, the switch features a compact design, enhanced flexibility and interoperability, and support for high-speed data requirements. This product introduction showcases how our teams are working hard to solidify and improve our competitive positioning in key growth verticals.

Further, this year, we continued to expand and deepen our ecosystem partnerships, including our integration with AWS. After incorporating CloudRail into our technology stack this past year, we can now streamline and standardize data discovery, acquisition, and normalization and deliver it in a ready-to-use format for end customers using the AWS platform. This is a huge benefit to our customers and just one example of improvements we are making to our offerings to provide complete networking and data solutions.

Second, we made significant strides in advancing our Solutions capabilities.

As we discussed previously, 2024 was the year we expanded into smart infrastructure and brought solutions to our entire organization.

Our sales function was restructured to align with key growth verticals, empowering our teams to leverage our complete product portfolio to build compelling solutions for customers.

Further, as outlined during our Investor Day, our teams are working diligently to expand our library of common reference architectures, improve our software capabilities, and fully utilize our Customer Innovation Centers now that they are all up and running.

With our expanded focus on solutions across the entire organization, much has been accomplished this year, and our momentum going forward is significant.

Third, we demonstrated disciplined capital allocation through targeted tuck-in acquisitions. With the acquisition of Precision Optical, we enhanced our solutions capabilities by broadening our product portfolio and delivering a more comprehensive solutions offering. Our acquisition expands our fiber offering with key MSO customers benefiting from strong secular growth trends.

Finally, we demonstrated operational excellence and financial discipline during a year of improving business conditions. Revenue for the fourth quarter was up 21% year-over-year with EBITDA margins up 110 basis points. Our cash flow was strong, and we ended the year with free cash flow of $223 million dollars, or 9.1 percent of revenue, on our way towards our long-term target of 10 percent.

These accomplishments underscore our unwavering commitment to delivering sustainable earnings growth and strong free cash flow generation through the business cycle.

Now please turn to slide 6.

This quarter, I want to highlight two solutions examples from the Power Transmission and Distribution vertical to illustrate how our solutions strategy drives success in the marketplace.

The first example is a significant award from a national energy and water authority in EMEA, valued at approximately 11 million euros. This project involves upgrading the network backbone and providing support to ensure a successful deployment. The customer faced challenges with a legacy network and outdated equipment, which limited scalability. Our solutions team developed a comprehensive network design based on our XTran MPLS platform, a communications technology that delivers scalable solutions for large networks with multiple nodes. This solution enables the customer to integrate legacy applications with advanced Ethernet functionalities, all within a reliable, scalable, and easily serviceable platform.

The second example comes from a Midwest electric cooperative with a contract valued at 3 million dollars. Similarly, this customer was managing multiple legacy systems and protocols, which hindered scalability, troubleshooting, and network resilience. Our solutions team collaborated with the customer to design a network that included considerations for the utility's future digital strategy using a similar XTran solution. Belden was awarded the project after a successful proof of concept in the field utilizing our customer innovation center as a remote node.

These examples demonstrate our solutions in action. As outlined during our Investor Day, we focus on verticals and use cases where our technology is most effective and benefits from strong secular trends. In these cases, our power transmission and distribution experts leveraged key insights to quickly deliver repeatable, best-in-class designs that address real-world challenges and can be implemented efficiently.

Looking ahead, we are committed to advancing our solutions strategy by becoming trusted industry experts who provide scalable solutions leveraging Belden’s active and passive product portfolio.

We firmly believe our solutions offer superior value in the marketplace. Over time, successes like these will drive increased sales and deepen relationships with key customers, creating long-term, stickier partnerships.

I will now request Jeremy to provide additional insight into our fourth quarter and full year financial performance.

**Jeremy Parks, Belden Inc. – CFO**

Thank you, Ashish.

I will start my comments with results for the fourth quarter and full year, followed by a review of our segments, a discussion of the balance sheet and cash flow, and finally our outlook.  As a reminder, I will be referencing adjusted results today.

Now, please turn to Slide 7.

Revenue for the quarter was $666 million dollars, up 21 percent year-over-year, and exceeding the high end of our guidance of $660 million dollars. Organic revenue was up 14 percent year-over-year with both Automation Solutions and Smart Infrastructure Solutions up 14 percent.

We are encouraged to see organic growth return as conditions improve in our markets.

As expected, orders for the quarter were up modestly sequentially and up 23 percent year-over-year, with both segments exhibiting strong growth. Automation solutions was slightly positive on a sequential basis, and Smart Infrastructure was slightly negative due to typical seasonality.

Gross profit margins were 38.1 percent, as expected, decreasing 10 basis points compared to the prior year but up 30 basis points sequentially.

EBITDA was $114 million dollars with EBITDA margins up 110 basis points year-over-year to 17.1 percent.

Net income was $79 million dollars, up from $61 million dollars in the prior year quarter.

EPS was $1.92, including the benefit of approximately $0.17 due to favorable tax rates compared to our guidance. Adjusting for the tax rate benefit, EPS was $1.75, still above the high end of our guidance.

Now, please turn to Slide 8.

Revenue for the year was nearly $2.5 billion dollars, down 2 percent from the prior year. Organic revenue was down 6 percent, with Automation Solutions down 6 percent and Smart Infrastructure Solutions down 5 percent.

As business conditions continued to improve throughout the year, our orders were up 9 percent on a full year basis.

EBITDA was $411 million dollars with EBITDA margins at 16.7 percent for the year.

Net income was $263 million dollars, compared to $293 million dollars in the prior year.

EPS was $6.36, compared to our record EPS of $6.83 in 2023.

Turning now to slide 9 for a review of our business segment results for the fourth quarter.

With general market stability, performance for our segments aligned with our expectations.

For the fourth quarter, Revenue in our Automation Solutions segment was up 15 percent compared to the prior year. EBITDA margins were 20.6 percent, up from 19.2 percent.

Orders in Automation Solutions were up 3 percent sequentially, and up 21 percent compared to the prior year.

Our strongest markets for the quarter and full year included Energy and Process Manufacturing.

Despite continued softness in EMEA, we saw double-digit organic growth in our discrete market for the fourth quarter. Our discrete business grew moderately sequentially with continued improvement in the Americas and APAC.

Revenue in our Smart Infrastructure Solutions segment grew 27 percent compared to the prior year. EBITDA margins were 13.3 percent, up from 12.1 percent.

Aligned with expected seasonality, orders in Smart Infrastructure were down 3 percent sequentially and up 26 percent compared to the prior year.

For the quarter, we saw strength in growth verticals including Healthcare and Hospitality. Broadband showed strong growth compared to the prior year, and was roughly flat sequentially, again aligned with normal seasonality.

Our markets have stabilized, and most customers are taking a neutral stance in the short term as they await greater clarity on new policy decisions.

Next please turn to Slide 10 for our balance sheet and cash flow highlights.

Our cash and cash equivalents balance at the end of the fourth quarter was $370 million dollars, compared to $597 million in the fourth quarter of 2023. Our cash position reflects capital deployment during the year, primarily attributable to the Precision Optical acquisition and share repurchases.

At the end of the year, our financial leverage was a reasonable 1.8 times net debt to EBITDA, consistent with our expectations. We intend to maintain net leverage of approximately 1.5 times over the long term; however, we will fluctuate from time to time as we pursue strategic opportunities consistent with our capital allocation priorities.

For the full year, our free cash flow was $223 million dollars, ahead of previous periods. When compared to our revenue, free cash flow margins increased to 9.1 percent, up from 8.6 percent in the prior year.

Consistent with our capital allocation priorities, we deployed $436 million for M&A, share repurchases, and dividends during the year.

In 2024, we repurchased 1.3 million shares, further reducing our share count, which is now 10% lower than it was three years ago. We currently have $340 million dollars remaining on our repurchase authorization.

Going forward, we see the opportunity to continue deploying capital towards both acquisitions and share repurchases. As our solutions offerings expand, our margins continue to strengthen - leading to increased cash flow. This steady flow of capital allows us to make strategic, high-return investments that further enhance our capacity to generate incremental cash flow.

As a reminder, our next debt maturity is not until 2027, and all of our debt is fixed with rates averaging 3.5 percent.

Please turn to Slide 11 for our first quarter outlook.

For the first quarter, we anticipate order patterns aligning with typical seasonality and expect our customers to remain in a neutral posture as they navigate this dynamic environment.

Revenues are expected to be between $605 million dollars and $620 million dollars, representing a 13% to 16% increase over the prior-year quarter.

Adjusted EPS is expected to be between $1.43 and $1.53, representing a 15% to 23% increase over the prior-year quarter.

Guidance includes the impact of a stronger US dollar relative to other major currencies.

As such, for the first quarter, we expect a currency exchange headwind of approximately $15 million dollars in revenue and $0.05 in EPS compared to prevailing rates in the prior quarter.

At current rates, we expect a similar impact in each quarter for the balance of the year.

We expect a tax rate of 18.3 percent in the first quarter and nearly 20 percent for the remaining three quarters of the year.

That concludes my prepared remarks. I would now like to turn the call back to Ashish.

**Ashish Chand, Belden Inc. – President & CEO**

Thank you, Jeremy.

To summarize, 2024 was a strong year for Belden, and our team executed well despite the dynamic environment. As outlined earlier, we continue positioning our business for the massive opportunity ahead.

Business conditions steadily improved this past year, with Revenue, EBITDA, and EPS increasing each quarter.

In fact, if you compare the second half of the year to the first, you will see that our revenue increased 16 percent, EBITDA increased 23 percent, and EPS increased 32 percent.

Orders also showed positive momentum, increasing sequentially each quarter and reaching nearly $2.5 billion for the year, up 9 percent compared to 2023.

Our key growth regions are improving nicely. The Americas was up 23 percent organically in the fourth quarter, led by outperformance in the US.

Finally, in the most recent quarter, we saw particular strength in our Energy, Process Manufacturing, and Broadband markets. By focusing on key growth verticals where our products and solutions have a competitive advantage, our business is primed to capitalize on long-term secular growth drivers.

Looking forward to the first quarter, our guidance implies that customers maintain a neutral posture. We expect policy and implications to be clarified over the next few months, and despite this short-term uncertainty, we anticipate customers will move quickly and deploy capital accordingly.

Our view on the opportunity ahead for us in 2025 remains unchanged, with meaningful upside once decision-makers have more certainty.

While we are not guiding beyond the first quarter, I can confidently say that I expect 2025 to be a year of record performance for Belden. I anticipate that we will see many new highs for the business, well above those of the past, for the following reasons:

First, orders this past year have largely stabilized, with some verticals showing healthy and growing demand. As I mentioned earlier, our key growth regions are also improving, and channel checks indicate that we are nearly through destocking with a return to growth going forward.

Second, after more than two years of manufacturing PMIs in contraction territory, we are seeing signs of a rebound in activity, which is expected to positively impact our business.

Finally, reindustrialization in the US is set to accelerate, and we have strategically aligned our business to capitalize on this trend. Our solutions transformation is delivering results, driving incremental growth and margin expansion. Major secular trends and our continued push into solutions provide us with a significant runway ahead as our teams innovate.

We enter 2025 in a position of strength, with our underlying trends moving in the right direction.

Now, regarding the $8 EPS target, let me take a moment to summarize what has transpired since our Investor Day last year.

On the plus side, the fourth quarter was strong. We exceeded expectations, continued to grow orders, and saw many of our verticals and regions turn positive compared to the prior year. For the first quarter, we see performance aligned with normal seasonality, which reflects a continuation of the trends we saw in the fourth quarter.

This is all good and supports our previously articulated pathway to achieving $8 in EPS in 2025.

On the other hand, we are seeing incremental headwinds that make achieving the target slightly more challenging.

First, as Jeremy articulated, the US dollar continues to strengthen, creating a currency translation headwind into 2025.

Further, short-term friction persists today, which risks delaying the uptick in demand we would expect in our business for the balance of the year. We can only achieve $8 in 2025 if business conditions improve beyond the first quarter.

To conclude, our posture on $8 dollars has not changed, and excluding the currency headwind, our expectations for 2025 remain just as positive.

Rest assured, we will continue to operate the business to benefit our shareholders, making prudent strategic investment and capital allocation decisions to support our long-term commitments.

As outlined in our investor day, our growth algorithm will deliver long term shareholder value. We are targeting through-cycle EPS growth of 10 to 12 percent longer-term, driven by mid-single-digit organic growth and consistent margin expansion.

Belden’s progress last year and the opportunity ahead in 2025 are a testament to our team's hard work and dedication. I am excited about our long-term potential as we continue to execute our strategy and create lasting value for our stakeholders.

I also want to take a moment to recognize the valuable contributions of our associates over the past quarter. Your efforts and commitment are greatly appreciated, and I thank you for your unwavering support as we transform Belden.

That concludes our prepared remarks; operator, please open the call to questions.