Belden

1st QUARTER 2025

EARNINGS RESULTS

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CORPORATE PARTICIPANTS

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PRESENTATION

Aaron Reddington, Belden Inc. – VP Investor Relations

Good morning everyone, and thank you for joining us for Belden's first quarter 2025 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 our major accomplishments during the first quarter 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 and a great start to the year. We once again executed well and delivered results ahead of expectations.

For the first quarter, our revenue and Earnings Per Share both exceeded the high end of our guidance as our solutions transformation continues to progress. Revenue totaled $625 million, up 17% compared to the prior year, and Earnings Per Share came in at $1.60, up 29% compared to the prior year.

Profitability was strong with gross margins at 39.8%, up 140 basis points year-over-year.

Adjusted EBITDA margins came in at 16.6% for the quarter, up 80 basis points year over year.

Before I move on, I want to quickly point out that gross margins of nearly 40% are the highest we have achieved since reshaping the business with our strategic solutions transformation in 2020. Performance like this highlights the benefits of our solutions transformation and gives a roadmap for future opportunities as solutions expand across the organization.

Next, demand for the quarter was steady, with performance modestly ahead of expectations given the heightened uncertainty.

Overall, our business grew organically by 11% for the quarter, led by strength in the Americas, which saw organic growth of 14%.

Orders were up modestly sequentially for the first quarter and up 18% compared to the prior year. We finished the period with a book-to-bill of 1.05, compared to 1.03 in the prior year period.

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

Trailing-twelve-month Free Cash Flow was strong at $220 million, aligned with our expectations.

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

We continued buying back our stock, deploying $100 million to repurchase 1 million shares so far this year.

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

Now please turn to slide 5.

I'd like to share a customer success story that underscores the long-term value of our relationships by illustrating how solutions open the door for deeper engagement with customers and the power of our broad product portfolio, which spans industrial and enterprise applications.

Today's example involves a long-standing solutions customer in the North American automated warehouse space. Our relationship began with deploying OT components—specifically, our industrial wireless products and applications—to improve operational efficiency. From the start, the customer saw immediate benefits to their most critical KPIs and was impressed with our team's expertise, capabilities, and product portfolio strength.

As our partnership deepened, our solutions team continued identifying new ways to enhance their operations and drive meaningful improvements to KPIs through network infrastructure upgrades.

The customer faced challenges with inconsistent physical infrastructure, which led to downtime, functionality gaps, and supply chain disruptions. In response, our team engineered a robust physical OT layer that complements the Belden products already in place.

After on-site validation of our solution, the customer was so confident in our capabilities that Belden has now been officially specified in their physical OT infrastructure. As our customer expands their footprint with new Automated Warehouse deployments across North America, we are well-positioned for ongoing and incremental revenue opportunities, which will be meaningful for our business.

It’s also worth noting that our initial engagement started with traditionally industrial products and has now expanded to include elements more commonly associated with enterprise environments. This new spec position and order illustrate the IT/OT convergence opportunity for which Belden is uniquely qualified to supply.

Combined with our industrial wireless products, our new order for copper cabling, fiber solutions, various connectors, and our IDF cabinets, positions us as a provider of a nearly complete end-to-end solution, helping to address our customers' most critical KPIs.

This example highlights two important points:

First, our solutions-driven approach allows us to build strong, enduring customer relationships that lead to repeat business and strategic spec positioning.

Second, it enables us to deliver comprehensive, end-to-end solutions that draw on the full breadth of our product portfolio—a capability unique to Belden.

As our solutions strategy continues to evolve, we expect to further bridge the gap between industrial and enterprise applications by offering unified, high-value solutions across both spaces.

We’re confident that our solutions provide superior value in the marketplace, and new and existing customers are increasingly seeing the positive impact on their operations as we grow and expand.

I will now request Jeremy to provide additional insight into our first quarter financial performance.

Jeremy Parks, Belden Inc. – CFO

Thank you, Ashish.

I will start my comments with results for the first quarter, 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 6.

Revenue for the quarter was $625 million, up 17% year-over-year, and exceeding the high end of our guidance of $620 million. Revenue was up 11% organically on a year-over-year basis, with Automation Solutions up 16% and Smart Infrastructure Solutions up 6%.

Orders for the quarter were up modestly sequentially and up 18% year-over-year, with both segments exhibiting strong growth. Automation solutions orders were up 22% year-over-year, and Smart Infrastructure Solutions orders were up 13% year-over-year.

Gross profit margins were 39.8%, increasing 140 basis points compared to the prior year.

Margins in the first quarter were strong, reflecting both normal seasonal patterns and a favorable business mix.

First quarter margins are typically higher due to segment mix, as our Smart Infrastructure segment is seasonally slower early in the year, helping lift overall margins.

EBITDA was $104 million with EBITDA margins up 80 basis points year-over-year to 16.6%.

Net income was $65 million, up from $51 million in the prior year quarter.

EPS was $1.60, up 29% and above the high end of our guidance of $1.53.

Now, please turn to Slide 7 for a review of our business segment results for the quarter.

Despite policy uncertainty, performance for our segments was slightly ahead of expectations.

Revenue in our Automation Solutions segment was up 16% compared to the prior year period, with EBITDA margins of 20.9%, up from 19.5%.

Orders in Automation Solutions were up 22% compared to the prior year with a book-to-bill of 1.09.

For the quarter, we saw strength in our more traditional industrial verticals, including Discrete and Process Manufacturing, which both achieved double-digit organic growth.

From a regional perspective in Automation Solutions, we saw continued strength in the Americas and APAC. While EMEA was our slowest growing region, it did achieve organic growth for the quarter—a welcome improvement from the prior year.

Revenue in our Smart Infrastructure Solutions segment grew 17% compared to the prior year, with EBITDA margins of 11.4%, up from 11%.

Orders in Smart Infrastructure were up 13% compared to the prior year with a book-to-bill of 0.98.

For the quarter, we saw strength in targeted verticals including Healthcare, Education, and Hospitality. These verticals present a compelling opportunity for us going forward as we look to integrate our traditional industrial and enterprise businesses into a combined solutions offering.

Broadband revenue was up year-over-year, led by strength in fiber, which was up 9% organically.

Our markets remain stable, with most customers taking a neutral stance in the short term as they await greater clarity on policy decisions and resulting implications on supply chains and end demand.

Next please turn to Slide 8 for our balance sheet and cash flow highlights.

Our cash and cash equivalents balance at the end of the first quarter was $259 million, compared to $370 million in the fourth quarter of 2024. Our cash position reflects typical seasonality and capital deployment towards share repurchases during the quarter.

Our financial leverage was a reasonable 2.0 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 trailing-twelve-months, our free cash flow was $220 million and 9% of total revenue.

Year-to-date, we repurchased 1 million shares, further reducing our share count, which is now more than 10% lower than it was at the end of 2021. We currently have $240 million remaining on our repurchase authorization.

Going forward, we see the opportunity to continue deploying capital towards 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 cash flow generating capacity.

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

Please turn to Slide 9 for our second quarter outlook.

We have executed well amid ongoing challenges; however, our customers still face heightened uncertainty as they navigate this rapidly changing environment.

Assuming the continuation of current market conditions, Revenues for the second quarter are expected to be between $645 million and $660 million , representing a 7% to 9% increase over the prior-year quarter.

Adjusted EPS is expected to be between $1.67 and $1.77, representing an 11% to 17% increase over the prior-year quarter.

We expect a tax rate of 17.5% in the second quarter and approximately 18% for the full year.

Finally, I want to quickly cover currently enacted tariffs as they relate to our guidance.

First, it is important to highlight that our strategy for many years has been to produce within region across our business lines. This strategy served us well during COVID and has once again proven beneficial as we navigate the current uncertainties.

To date, we have taken a number of mitigating actions, including sourcing changes and pricing adjustments, to offset the tariff impact.

While the situation is ever changing, we want to assure you that we are on top of the complex environment and will adjust as needed.

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, our first quarter performance exceeded expectations and set a strong foundation for the year ahead. Despite a dynamic and often unpredictable environment, our team executed with focus and consistency, delivering impressive results across the board.

Organic growth came in at 11%, order growth reached 18%, adjusted gross margins were nearly 40%, and adjusted EBITDA improved by 80 basis points compared to the prior year. These results are especially noteworthy given current market conditions and reflect the success of our ongoing solutions transformation.

We are well-positioned to benefit from major global trends such as reindustrialization, digitization, and automation—trends we believe are still in the early stages. As we look toward the second quarter, our guidance implies that customers maintain a neutral posture, and we expect near-term uncertainty around trade policy to persist.

That said, our long-term outlook remains optimistic. We continue to see meaningful upside once decision-makers have greater clarity.

In fact, we believe Belden is positioned to be a **winner** as this transition plays out. While early phases often bring uncertainty and noise, companies like Belden that are well-aligned with the direction of change are best positioned to succeed.

There are several reasons why we remain optimistic about the road ahead.

First, orders remain steady, and we see promising signals of strength beneath the surface. Growth in key regions is healthy, particularly in the Americas and APAC, and we believe that both Europe and China have likely bottomed – good news for our business. Our end markets are also holding up well, with positive momentum in both our Discrete and Process manufacturing verticals.

Second, after more than two years of contraction in global manufacturing PMIs, we’re finally seeing signs of a recovery. U.S. manufacturing PMIs recently turned positive, and we’re encouraged by Europe, as Germany's manufacturing PMIs edge closer to positive territory. These are early but positive indicators of a broader industrial recovery just around the corner.

Finally, we anticipate that a combination of key trends —reindustrialization, automation, and the integration of IT/OT—will have a positive impact on our business. As these dynamics gain momentum, we are strategically aligned to capitalize on them. The shift toward localized manufacturing will drive increased demand for automation, while the ongoing digitization of operations and IT/OT convergence will unlock new efficiencies and scalability. Our portfolio is purpose-built to support this transformation, and we believe we're uniquely equipped to support our customers as they grow and adapt to these evolving demands.

Our solutions transformation delivers results, drives incremental growth, and expands margins. With strong tailwinds from secular trends, and our continued push into innovative offerings, we see a significant runway ahead.

We remain committed to operating the business with discipline and a focus on long-term value creation. Our capital allocation strategy is guided by the same principles—making thoughtful strategic investments and decisions that support our long-term commitments.

As outlined during our Investor Day, our long-term growth algorithm remains intact. We're targeting through-cycle EPS growth of 10 to 12%, driven by mid-single-digit organic growth and steady margin expansion.

Our progress in the first quarter and the opportunity we see ahead are testaments to our team's dedication and hard work. I'm proud of what we've accomplished and even more excited about what's to come. As we continue to execute our strategy, I have no doubt that we'll reach new heights and create lasting value for all our stakeholders.

Finally, I 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.