Sample Call Transcript

Analyst (Sarah Johnson): Thanks for making time today. The idea behind this call is that we wanted to discuss your recent performance and understand the outlook for the next few years. Let's start with the revenue drop in 2024 – we saw about an 18% decline from 2023. Can you walk us through what happened there?

CFO (Michael Chen): Sure, Sarah. As we discussed in our Q3 call last year, we made the strategic decision to discontinue our Legacy Product line, which represented about 22% of our revenue. This was the lower-margin industrial component series that we acquired back in 2019.

CEO (Paula Martinez): I'd add that while the revenue hit was significant, the Legacy line was dragging down our overall margins. The products required specialized manufacturing processes and the raw material costs had been increasing for several quarters.

Analyst: That explains the margin improvement we're seeing. So you went from roughly 25% EBIT margin in 2023 to 30% in 2024 despite lower revenue. Is this 30% margin sustainable going forward?

CFO: Yes, we believe so. With Legacy gone, our product mix is now heavily weighted toward our core offerings, which consistently deliver around 30% margins. Our operations team has also implemented several efficiency initiatives that are now fully integrated into our processes.

Analyst: Understood...now let's talk more about growth prospects. After discontinuing the Legacy line, what's your revenue outlook for the coming years?

CEO: For 2025, we're expecting a solid rebound with growth in line with the rate we saw in 2023, as we expand our core product distribution channels. New contracts with three major distributors should drive most of that growth.

CFO: For the longer run, we're projecting growth to normalize around 3%. We're being conservative with our long-term projections given the market conditions, so I'd say 3% is our base case. That's roughly in line with expected inflation.

Analyst: And for 2026 specifically, are you still expecting that transition year or will you already be at the steady state growth?

CFO: 2026 should be somewhere in between.

Analyst: And for margins...is there anything special being cooked?

CFO: There's always something! But our base case is around the current level.

Analyst: That's helpful. Now shifting gears a bit and looking at your debt levels, I notice they increased slightly in 2024 to about 80 million, putting your Net Debt to EBIT ratio at 3.0x. What's your target leverage ratio going forward?

CFO: We're comfortable with maintaining that 3.0x level. Our board has established that as our target leverage ratio for the foreseeable future. It gives us enough flexibility while maintaining our investment-grade rating.

Analyst: And capex expectations going forward?

CEO: We're maintaining our disciplined approach to capital expenditures. Most of our growth doesn't require significant fixed asset investment since we've already upgraded our primary manufacturing facilities last year.

[The call continues with detailed discussions about operational improvements, market conditions, and competitive landscape for another 20 minutes]

CEO: I'd just emphasize that the decision to exit the Legacy business positions us much better for sustainable growth. The margin profile is stronger, and we can focus R&D and sales efforts on our highest-performing product lines.

Analyst: Great, this has been very helpful. We'll update our models and might have some follow-up questions by email. Thanks for your time today.

CEO: Thanks Sarah, have a great day.

CFO: Thanks Sarah.