S&P Global
Market Intelligence

Mesa Laboratories, Inc.

NasdaqGS:MLAB

Earnings Call

Monday, November 9, 2026 9:30 PM GMT

CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 10

Call Participants

EXECUTIVES

John V. Sakys
VP & CFO

Siddhartha Chandrakant Kadia
CEO, President & Director

Unknown Executive

ANALYSTS

Paul Richard Knight
KeyBanc Capital Markets Inc., Research Division

Unknown Analyst

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Mesa Labs Second Quarter 2027 Earnings Conference Call. [Operator Instructions] I will now hand the conference over to Doug Farrell, Investor Relations. Doug, please go ahead.

Unknown Executive

Thank you, operator. Joining me on the call today is Mesa's CEO, Siddhartha Kadia; and CFO, John Sakys. Please be advised that our remarks today, including answers to your questions, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements include those relating to future financial and operational results, future taxes, future strategic and operational initiatives, new products and our future net leverage ratio. Words such as seek, expect, plan, intend, anticipate, believe, could, should, estimate, may, target, project and similar expressions may also identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those currently anticipated. Those include risks relating to market acceptance of and demand for our products, our ability to execute on strategic, commercial and operational initiatives and achieve the anticipated benefits from those initiatives.

Potential issues relating to our manufacturing, fulfillment, supply chain performance, possible changes in customer purchasing patterns, the development and success of new products and product launches, regulatory matters, the effect on our business of capital allocation decisions and debt reduction initiatives, expected tax rates, national and global economic conditions.

Our ability to achieve our fiscal '27 guidance, the timing, cost and benefits of the savings plan and restructuring program, potential impairment charges, share repurchases and other factors described in our filings within the Securities and Exchange Commission, which are incorporated by reference. We disclaim any obligation to update these forward-looking statements.

In addition, we will provide certain non-GAAP financial information on this call, including adjusted EBITDA, adjusted operating income, organic and constant currency organic revenue growth, revenues, excluding Clinical Genomics and combined gross profit for our Quality Control and life science tools businesses, each for the quarter and where noted on a year-to-date or trailing 12-month basis.

The relevant definitions and reconciliations to the most directly comparable GAAP measures may be found in our earnings release and in the supplemental reconciliation posted in the Investor Relations section of our website at mesalabs.com.

With that, let me turn the call over to Siddhartha.

Siddhartha Chandrakant Kadia
CEO, President & Director

Thank you, and good afternoon, everyone. In August, I told you I would use every one of these calls the same way to be direct about what's working, what is not yet working and what we have decided to do about it. That has not changed. I also told you that August was the appetizer and that the dinner would come in November. Full year guidance alongside our first half results. This is that call.

So before anything else, let me read back what we said we would do because I think consistency is the first thing you should be able to hold us to. We said I would give you a clear read on the durable fix in SDC. I'll give you that read in a moment, and it's a mixed one, which is why I want to be precise about it. We said the next Gyrolab platform will launch in fiscal 2028. That is still the plan. We said Clinical Genomics was being managed deliberately and that we would have more to share as that work progressed.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

On October 13, we announced how we are changing the way we manage our business for profitability. We said we would keep strengthening the balance sheet towards 1.5x to 1.75x turns of net leverage by the end of the fiscal year. We are at 1.75x already within that range with two quarters to go, down from 1.85x at the end of June. I said acquisitions were not my near-term priority and that I would come back to capital allocation today. I will. And we said we would give you full year guidance on this call. We are doing that today, and you will see that it shows real and growing earnings power.

So a quarter of real progress, one franchise that had a disappointing quarter for reasons I'll explain, the decisions we made in October and our first full year guidance. Let me take you through it.

Before I do, one welcome. Sanket Shah joined Mesa on November 2 as our General Counsel, as we announced today. He strengthens the leadership team we are building, and I'm glad to have him with us. Next, I have four core messages for you. If you take four things away from this call, let it be this. First, growth is building led by our two steadiest franchises. Organic revenues grew 2.6% in the second quarter, up from 1% in the first. Excluding Clinical Genomics , which we are reshaping, revenues grew about 5% in the quarter and about 3% in the first half. Sterilization and Disinfection Control grew in the mid-teens organically, and Calibration Solutions grew in the low single digits. The two franchisees doing what they are built to do.

Biopharmaceutical development had a weak quarter for reasons that are about timing rather than demand, and I'll be specific about them. Revenues will move between quarters in a business like ours. What I want you to watch is the direction and the direction is up. For the full year, we expect adjusted EBITDA to grow faster than revenues.

Second, we acted on Clinical Genomics , and we are reinvesting where the returns are. On October 13, we announced a savings plan that is expected to reduce our annualized operating costs by approximately $9.3 million. We are reinvesting approximately $4.3 million of those savings, primarily in commercial capacities in the businesses and regions where we see the most opportunity for profitable growth and in key corporate positions. Our total expected net annualized cost reduction is approximately $5 million. Clinical Genomics is now being managed for profitability, not for scale.

Third, a capital allocation strategy agreed with the Board that starts with the balance sheet. Our capital allocation started in October when we moved capital out of Clinical Genomics and into our more profitable businesses. And that work continues because every business competes for capital on the returns it earns.

Together with the Board, we have now completed a review of our capital allocation strategy and the priorities are simple. We invest in our own businesses where we see the best returns for profitable growth. We keep the balance sheet strong. We repaid $20.1 million of debt in the first half, and our net leverage is 1.75x. As we earn it, we will bring distributors in-house and then add small tuck-ins in our Quality Control businesses.

Alongside those priorities, the Board has authorized a share repurchase program of up to $40 million through December 2028, which gives us the flexibility to repurchase shares opportunistically while we continue to reduce debt.

Fourth, our first full year guidance. Today, we are giving full year guidance for the first time, revenues and adjusted EBITDA. I built it the way I told you I would on a first half year of data under the operating changes we made and conservatively because the number you can count on is worth more than a number that flatters a quarter. In the first half, adjusted EBITDA grew 20.9% on revenues up about 1.8%. For the full year, our guidance has it growing 5% to 8% even after the reinvestment and lower Clinical Genomics revenues.

Next, let me address sterilization and disinfection control, the read that I promised. Let me start where I spent the most time in August. I told you SDC had a delivery reliability problem, not a demand problem. And then I would give you a clear read on the durable fix in November. Here it is. First, the results. SDC grew 14.6% organically in the second quarter. I want to be precise about what that number is. Most of it is comparison. Delivery delays caused past due backlog to build in the second quarter last year. During the second quarter of this year, past due backlog remained roughly steady and at a substantially lower level

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

than a year ago. For the trailing 12 months, SDC revenues were $103.9 million, up 8.5%, the highest 12 months in this franchise's history. And on a first half basis, SDC grew about 5%. Those are the right lenses for this franchise.

Second, the fix. In August, I said the job was converting surge work into standard work. On most of our product lines, we've done that. The manufacturing issues behind the delays have been resolved and then those lines are now shipping on a schedule our customers can plan around. That is real, and it's our team's work. In September, the FDA inspected our Bozeman facility, where we make biological indicators and issued no observations.

But I promised you a clear read, not a victory lap. So here is the part that is not finished. One key product line, the one that carried the largest share of our past due backlog has only been partially resolved. We are just in the problem. We have the right people working on it, and it remains the single biggest priority in this business. Until it is fixed, SDC will not be as reliable as it should be, and I will not tell you it is.

So the honest way is this, the durable fix is in place for most of the franchise. It is not yet in the place for all of it, and demand has been there throughout. Our customers have continued to order from us. And as product has become available, it has moved. That tells you what this franchise is worth once delivery is fully reliable.

Next, Calibration Solutions. That business grew about 3.5% organically on top of nearly 11% growth a year ago. Calibration Solutions is a recurring service-driven business that compounds quietly, and it did that again this quarter. We are adding business development capacity here as part of the reinvestment I described to expand the geographic reach of this business.

Now on to Biopharmaceutical Development. Biopharmaceutical Development had a weak quarter. Revenues declined 8.2% organically, and I want to tell you exactly why. Because the reasons are not a lack of demand. The first reason is export controls. As I said in August, export control processing on certain in-hand orders has been taking longer than we expected and delays have continued through the second quarter. The second reason is simpler and more disappointing. A number of shipments missed our second quarter close by a few days. Those orders were in hand and shipped by mid-October, so they will be third quarter revenues.

I won't pretend that's a good quarter. It is not. But it's a quarter where revenues moved from one period to the next, not one where the customers walked away. The commercial rebuild around our general manager is continuing. The Gyrolab next-generation platform remains on track to launch in fiscal 2028, and I continue to expect this business to grow for the full year.

Finally, Clinical Genomics , what we announced on October 13. In August, I said we are managing Clinical Genomics deliberately with full attention to its cost structure and returns and that we have more to share as that work progressed. On October 13, we shared our restructuring and savings plan. Clinical Genomics revenues declined 8.8% in the quarter, mainly from the timing of consumables orders from a large customer with China modestly lower. But over several years, the pattern has been one of declining revenues, and that is the reason we decided to restructure the business.

Going forward, we'll focus Clinical Genomics on pharmacogenomics and oncology and on customer accounts that use the mast array at scale, and we've sized the organization for that. Revenues will be lower as a result, but we expect the profitability to be meaningfully higher in dollar terms as costs come out. Further, gross profit percentage is expected to improve because the revenues we are stepping away from are the lowest margin revenues in this business. We are already seeing what that focus looks like with customers.

Our three largest Clinical Genomics customers have each renewed with us for the terms of 2 to 3.5 years, in fact, the longest, 3.5 years with our largest customer. Commitments of that length from account that use the mast array at scale are exactly the kind of relationships we are building this business around.

Let me say a word about why. Whatever business we own, our job is to run it as well as it can be run to be good stewards of it. A business that consumes cash leaves very few choices about how to invest in it. The business that earns its keep and generates cash gives us many more options. In Clinical Genomics ,

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

we are building a focused profitable business that we expect to generate cash. That is the right way to run any business we own, and it is what puts us in a position to make good long-term decisions.

The restructure was not a decision to exit any specific end market. If a customer use the instrument at scale, we want to serve them wherever they are. It was a difficult decision for the people affected, which is why we've approached that with due care.

How I'm starting to think about the company. Before I discuss the company as a whole, I want to share how I'm starting to think about our portfolio because it is how I will think about where we put capital. When I look across our four businesses, they fall naturally into two pairs - Sterilization and Disinfection Control and Calibration Solutions have a great deal in common. They serve many customers, primarily the regulated manufacturers and health care providers. They run on a high volume of transactions with a similar commercial approach and they make products in regulated manufacturing environments. What they have in common is that our customers use them to show that their processes are under control. I've started to think of them as our Quality Control businesses.

Similarly, Biopharmaceutical Development and Clinical Genomics are different than Quality Control businesses. They serve fewer customers, mainly biopharmaceutical companies, contract research organizations and clinical research laboratories with fewer commercial transactions and longer sales cycles. I've started to think about them as our Life Sciences tools businesses.

To put numbers to that, I can simply add together the segments we already report. In the first half of fiscal 2027, revenues from our Quality Control businesses were $77.2 million and from our Life Sciences tools businesses, $45.3 million. Our Quality Control businesses generated combined gross profit, a non-GAAP measure of $51.3 million or 66.4% of revenues compared with $27.6 million or 61% of revenues for our Life Sciences tools businesses. We also incur more sales and marketing and research and development expense in our Life Sciences tools business than we do in our Quality Control businesses.

As I started to think about the company this way, I see our Quality Control businesses as the foundation we build on through both internal investments and acquisitions, the natural home for tuck-in acquisitions such as adding products and technologies that complement what we already sell. Our Life Sciences tools businesses will build primarily through internal investment like the new platform BPD is investing in for the growth. We'll continue to report our four segments, and that's how John will take you through the quarter.

The savings plan and margin is the next thing I'll talk about. Let me step up to the company as a whole. The savings plan we announced on October 13 is expected to reduce annual operating costs by approximately $9.3 million through a global restructuring program, a smaller facilities footprint in San Diego and reduced third-party spending. We plan to reinvest about $4.3 million in business development capacity in Calibration Solutions, commercial resources, primarily in Asia and key corporate positions for an expected net annualized cost reduction of approximately $5 million. The actions are underway, and we expect them to be substantially complete by the end of this fiscal year with the full benefit in our cost base by the end of fiscal 2028.

I said in August that I would reinvest a portion of our operating leverage rather than maximize one year's margin. That is what this is, costs moving out of the part of the portfolio with lowest returns and into the parts with the highest.

Let me now turn to capital allocation because this is where the way I think about the portfolio becomes decisions that matter for the value of the company. The journey started with the decision we announced on October 13, moving capital out of Clinical Genomics where it earned the least and into the businesses where it earns the most. That was the first step, not the last. We'll keep testing every business against that same question and move resources to where they earn the most.

I gave you our priorities at the top and the order matters. We have options because our business generates significant cash from our operations. Our own business comes first. The best returns available to us are inside Mesa. The commercial capacity we are adding to Calibration Solutions and in Asia, the next-generation Gyrolab platform and reliable manufacturing and Sterilization and Disinfection Control. If we find more opportunities to grow organically than we expect, that is where the capital goes first.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Next is the balance sheet. We reduced debt by about $20 million this year, and we'll keep reducing it. A strong balance sheet is what lets us act when the right opportunity comes other than when we have to.

On acquisitions, let me pick up exactly where I left off in August. I said then that acquisitions are not my near-term priority and that this might change later in the second half with small distributor buyouts or tuck-in acquisitions. And then I would come back to it today. Here is where that stands. Our first job is still earnings, delivering the savings plan, delivering the guidance I'll give you in a moment and keeping the balance sheet strong.

Within those parameters, we expect to bring a small number of distributors in-house. Those are capability building moves. In markets where we already sell through others, they give us direct access to our customers and the service relationship that goes with it. And when our earnings record is in place, we expect to turn our attention to the small tuck-ins in our Quality Control businesses, markets that we know, channels we already own and the kind of deal we have done well before. That is the sequence I described in August, and we'll earn our way to it.

Acquisition opportunities in life science tools tend to be larger or to come at higher valuations, so we would expect to be much more selective there. And with the balance sheet where it is now, our Board has authorized a share repurchase program of up to $40 million through December 2028. I want to be clear about how we intend to use it opportunistically and with discipline and never at the expense of the balance sheet. The test for every one of these capital allocation decisions is the same. Does this dollar earn more here than anywhere else we could put it?

Now the guidance I promised you. From today, we guide on adjusted EBITDA, the measure most of our peers use and close to the measure in our credit facility. Through the end of this fiscal year, we'll also report adjusting operating income, the measure I used in August, and John will take you through how the two reconcile.

For fiscal 2027, we expect revenues of $250 million to $255 million and adjusted EBITDA of $66 million to $68 million. Four things about how to read that. It is company level guidance. We are not guiding individual businesses. It includes the savings plan and its reinvestment and the lower Clinical Genomics revenue that comes with the decision we made and excludes the restructuring charges, which John will take you through.

Finally, compared with adjusted EBITDA of about $63 million in fiscal 2026, the guidance has adjusted EBITDA growing about 5% to 8% on revenues up about 0% to 2%. I built this guidance conservatively on purpose. In August, I said I would rather give you a number I can stand behind than anchor you to one in my first 100 days. The same principle applies now on a full half year of data. Our job is to deliver it and then do it again.

One more point on timing. With the changes we are making, our results will not move in a straight line from quarter-to-quarter. We expect third quarter revenue to be about flat compared with last year, mainly because Clinical Genomics revenues stepped down as we reshape that business. Outside Clinical Genomics , we expect our businesses to keep growing. Please judge us on the full year.

Finally, let me close where I began in August. Mesa is set of durable regulation embedded franchises with real and growing earnings power and fixable execution problems that we are fixing. This quarter, more of that fixing showed up in the numbers and one important piece did not yet. You'll hear about both from me every quarter.

With that, let me hand it to John.

John V. Sakys
VP & CFO

Thank you, Siddhartha, and good afternoon, everyone. I'll stay in the numbers for today's call. I'll first discuss the income statement, the restructuring, statement of cash flows and the balance sheet and then the mechanics of our guidance. Unless I note otherwise, comparisons are to the second quarter of fiscal year 2026.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Total revenues were up $62.3 million, up 2.6%. With no acquisitions in the past 12 months, organic growth was also 2.6% and constant currency organic growth, which excludes a currency headwind of about 50 basis points, was 3.1%. For the first half, organic growth was 1.8%. Gross profit was $39.9 million or 64% of revenues, up 250 basis points from 61.5%.

Now by division. SDC gross profit as a percentage of revenues increased 260 basis points to 69.9%, primarily due to lower contract labor and consultant costs as the prior year included spending on manufacturing process improvement initiatives and third-party production support and higher revenues on a partially fixed cost base.

BPD's gross profit percentage increased 670 basis points to 65.1%, primarily due to favorable product mix as higher-margin immunoassays revenues and consumables representing a greater proportion of the division's revenues and lower margins in the prior year from the impact of tariffs and foreign currency. Calibration Solutions gross profit percentage declined 110 basis points to 59.6% primarily due to unfavorable product mix and higher transportation costs. And Clinical Genomics declined 80 basis points to 53.9%, primarily due to unfavorable product mix as higher-margin consumables represented a lower portion of revenues as well as lower revenues on a partially fixed cost base.

Operating expenses declined 3.4% to $31.5 million, primarily due to lower stock-based compensation as the prior year included costs associated with multiyear equity awards granted to our former CEO, lower expense related to estimated uncollectible accounts receivable and lower amortization as certain intangible assets became fully amortized.

GAAP operating income increased 77.6% to $8.4 million. Net income was $4.3 million or $0.75 per diluted share compared with $0.45 a year ago. Adjusted EBITDA increased 21.1% to $17.3 million or 27.8% of revenues compared with 23.5% a year ago. Beyond depreciation, amortization and stock-based compensation, we adjust for the foreign currency impact of certain intercompany loans, a $0.2 million loss this quarter. As Siddhartha mentioned, we will continue to report Adjusted Operating Income, or AOI, and AOI excluding unusual items through the end of this fiscal year.

The two measures were within $10,000 of each other this quarter, but adjusted EBITDA grew faster than the 13.7% growth in AOI, excluding unusual items because of how last year's severance costs were treated. The $848,000 of severance included in the second quarter last year reduced adjusted EBITDA as it was not incurred under an approved restructuring plan and therefore, did not qualify for exclusion under our definition.

AOI, excluding unusual item contrast, excluded those costs, resulting in a higher prior year comparison. On a trailing 12-month basis, adjusted EBITDA was $68.6 million or 27.3% of revenues compared with $53.5 million a year ago.

Turning to the restructuring. We incurred no restructuring charges in the second quarter because the restructuring program was approved after quarter end. We expect total pretax charges of $2.6 million to $3.4 million, net of approximately $0.3 million of noncash stock-based compensation reversals, primarily in the second half of this fiscal year. Related cash costs are expected to total approximately $2.9 million to $3.7 million, substantially all of which we expect to pay within the next 12 months using cash generated from operations. Because these charges are incurred under a Board-approved plan, we will exclude them from adjusted EBITDA measures and show them separately in our reconciliations.

During the quarter, we also amended our credit facility to increase the restructuring-related charges that may be excluded from our covenant leverage calculation. Below operating income, nonoperating expense was $2.4 million compared with $2.7 million in the second quarter of the prior year. Interest expense declined 25% to $2.1 million, reflecting lower average debt. Lower rates on our variable rate borrowings were offset by replacing the 1 3/8% convertible notes, which matured in August 2025 with higher rate borrowings under our credit facility.

The remainder is primarily the intercompany loan remeasurement, which will continue to create quarter-to-quarter volatility while the loan is outstanding. Income tax was $1.7 million, an effective rate of 28.1%, which differs from the 21% statutory rate, primarily due to the valuation allowance on U.S. deferred taxes.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

As disclosed in our Form 10-Q, there is a reasonable possibility that we could partially release our U.S. valuation allowance within the next 12 months, which would favorably affect our effective tax rate. The timing and amount of any release remains subject to our ongoing assessment and other factors could also affect our effective tax rate. Net income was $4.3 million or $0.75 per diluted share compared with $0.45 in Q2 of the prior year, an increase of 75%.

Turning to cash flow and the balance sheet. Operating cash flow for the first half was $18.8 million, up $8.7 million, driven by higher operating income and strong first quarter collections and capital expenditures were $0.9 million. We used the cash to repay $20.1 million of debt net in the first half, including $11.4 million in the second quarter, and we ended the quarter with $22.3 million of cash and $57.8 million available under our revolver. And that leaves our total net leverage ratio at the 1.75x Siddartha mentioned against a covenant maximum of 3.5x. Since quarter end, we have repaid an additional $5 million of revolver borrowings.
With that, operator, we're ready to open the line for questions.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Audio Gap] [Operator Instructions] Your first question is from the line of Matt Stanton with Jefferies.

Unknown Analyst

Maybe just to start on the guide. I think the midpoint suggests kind of 1% or so in the back half of the year here. You guys did 2% in the first half. So I guess maybe just talk about what gets worse into the second half, that's just comps or the decision in Clinical Genomics?

And then just more broadly, guidance philosophy. It sounds like you want kind of a prudent realistic bar to execute against, but just talk about kind of the back half setup and just general philosophy. And if you were to point to some upside drivers in the back half of the year on the guide, what would those be? [Audio Gap]

Operator

We are currently experiencing a technical difficulty. Please stand by while we resolve this issue. [Operator Instructions] [Audio Gap]

Siddhartha Chandrakant Kadia
CEO, President & Director

Matt, I'm picking up on your question. I'm assuming you can hear me. You asked about the guidance. First of all, we are not guiding halves or quarters. We are guiding for the full year. The second half does carry the Clinical Genomics reset we chose. It is going to reduce the Clinical Genomics revenues.

Also, the reinvestments that we made are actually starting ahead of the savings. And a comparison with a very strong fourth quarter last year, if you recall, when SDC shipped a large part of its past due backlog as the production recovered in the fourth quarter. So in balance, I think it's a pretty well-balanced forecast. And our job is to deliver the full year number. I'd rather be held to that than to a quarter.

Unknown Analyst

It sounds like you're going to kind of manage it for profitability, but it's going to be a bit of a headwind here in the back half of '27 into '28. Just maybe any update just in terms of after you spend more time on this asset, like why it makes sense to hold on to it at all? It sounds like you run it for profitability and some of the cost savings will show up there, but it's dilutive to growth. Maybe it's accretive to margins after the restructuring. But just any broader thoughts on the Clinical Genomics business within the portfolio here?

Siddhartha Chandrakant Kadia
CEO, President & Director

Yes. I think it's a great question. And look, I think, of course, we've given all consideration to that question. No decision has been made about the portfolio itself. What we decided in October, Matt, is to run the clinical business to be profitable and generating cash, focused on pharmacogenomics and oncology and on some super high utilization accounts. And I think as you saw, we announced that the top three accounts since we actually did all of that have renewed multiyear contracts with us for the largest one being for almost 3.5 years ongoing.

And so our philosophy is actually to run every business we own as if we are the best stewards for that. Once the business is in the right shape with the profitability, it gives us more choices than the one that doesn't produce cash and doesn't have the same level of profitability. So -- our job is to get it there. And then we can think about more things that we can do.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Every dollar of cash it generates right now is a great value for our shareholders, no matter what kind of value they put to it. And I think our work is not to make significant more profit by restructuring that we just announced.

Operator

Your next question is from the line of Paul Knight with KeyBanc Capital Markets.

Paul Richard Knight
KeyBanc Capital Markets Inc., Research Division

The China market grew 20% in the quarter. What -- was that genomics? What was driving China growth?

Siddhartha Chandrakant Kadia
CEO, President & Director

No, Paul, very nice to talk to you again as well. No, genomics actually declined slightly in China. Most of the growth is coming from pretty robust businesses that we have in China for all the businesses, especially SDC and portions of BPD as well. If you recall, Calibration Solutions does not have any China footprint per se, [indiscernible] very small amount.

Paul Richard Knight
KeyBanc Capital Markets Inc., Research Division

Okay. And then these top three customers in Clinical Genomics , are they 1/3, 1/2? What portion are they of the business?

Siddhartha Chandrakant Kadia
CEO, President & Director

I don't think we have exactly disclosed that in the past because I think it depends on sort of what the total business will be, but I think it's closer to 25%.

Paul Richard Knight
KeyBanc Capital Markets Inc., Research Division

Okay. And then as you kind of evaluated these businesses in the short time that you've had, I guess you see acquisition opportunity in SDC and Calibration. Is it a fragmented market? What's the nature of what is in that SDC and Calibration M&A environment?

Siddhartha Chandrakant Kadia
CEO, President & Director

Yes. In fact, if I can directly contrast it with life sciences tools, which is, of course, much more heavily contested marketplace and valuations tend to be premium or actually I would say, full oftentimes. The assets are of scale that, frankly, are much larger for us compared to sort of where our balance sheet will permit us right now.

And frankly, our strength and market position in SDC and CalSol is very strong, and there's a lot more availability of tuck-ins in that marketplace. Not to speak of kind of our own access to our own channels because we still have a lot of business going through distribution there. So we have multiple ways to actually add to our portfolio, whether that's a product or a complementary product in the current markets that we serve or going and accessing our own channels directly or frankly, going into adjacencies of what we do every day. And valuations tend to be much less full than the genomics or bioprocess kind of businesses.

Operator

There are no further questions at this time. I will now turn the call back to Doug Farrell for closing remarks. Please go ahead.

Unknown Executive

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Thank you very much, operator. As a reminder, management will be hosting one-on-one meetings at several upcoming financial conferences, including the Raymond James Small Cap Conference in Napa Valley next week as well as the Southwest Small Cap IDEAS Conference in Dallas next week. And then subsequent to the Thanksgiving break, the team will be at Piper Sandler in New York, hosting investor meetings there as well. Thank you very much for joining us today.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2026 S&P Global Market Intelligence.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.