Mesa Laboratories

First Quarter 2027 Earnings Call

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PRESENTATION

Operator

Good afternoon and thank you for joining us to discuss Mesa Laboratories First Quarter 2027 Earnings Call.

At this time, all participants are in a listen-only mode. A replay of this webcast will also be made available on our website after the call. Following our prepared remarks, we will open the line for questions. To ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. If anyone should require Operator assistance during the conference, please press star, zero.

As a reminder, this conference is being recorded.

Our speakers today are Siddhartha Kadia, President and Chief Executive Officer; John Sakys, Vice President and Chief Financial Officer; and Doug Farrell, Investor Relations.

It is now my pleasure to introduce Doug Farrell. Thank you. Mr. Farrell, you may begin.

Doug Farrell

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, project, and target, 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 differ materially 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, and other factors described in our filings with 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 in this call, including adjusted operating income on a trailing 12-month basis. The relevant definitions and GAAP reconciliations may be found in our earnings release and the supplemental reconciliation posted on the investor relations section of our website at mesalabs.com.

With that, let me turn the call over to Mesa's CEO, Siddhartha Kadia.

Siddhartha Kadia

Thank you, and good afternoon everyone.

This is my first earnings call as Mesa's CEO and I want to use it the way I intend to use every call going forward: To be direct with you about what's working, what's not yet working, and what I have decided to do about it.

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I've learned a lot in my first 100 days, and I'm excited about what I've found. Excited enough that I wanted to talk with you earlier than we had originally planned. We had committed to a first call alongside our second quarter results this fall. I didn't want to wait that long. So, because it is early, think of today as the appetizer, not the dinner. Dinner comes in the fall at our next earnings call when I put full-year guidance in front of you alongside first half results.

Because this is our first call together, let me tell you up front how I would like you to hear it. My take on this company in one sentence: Mesa is a set of durable, regulation-embedded franchises with real and growing earnings power that had fixable execution problems. I intend to run this company and this calls with the level of directness you can set your calendar by.

Here's the shape of what you'll hear today. Three areas I'll update you on. A direct look at where we fell short this quarter and why, where we are investing for growth, and the shape of our margin and balance sheet.

I am going to keep this at an altitude a CEO should—the themes, the diagnosis, and the direction—and let John Sakys, my CFO, take you into the bridge building so the handful of things I most want you to remember, don't get lost in numbers.

I did not spend my first 100 days writing a vision statement. I spent them inside the Company. I have personally visited every Mesa site with more than 25 employees. I have now met with more than half of our employees worldwide. I attended our global sales meeting with 150 members of our Commercial team and I spent time with dozens of our key customers across the United States, Europe, and Asia.

My engagement is not a listening tour. It is how I'm installing what I want this company to run on—a growth mindset—and an obsession with winning more loyal customers. Loyal customers are the most valuable asset a business like ours can build; they buy again, they buy more, and they tell others.

I did not come in with a thesis I needed the data to confirm. I came in to find out what's actually true about this company. You'll see one area, sterilization and disinfection controls, SDC, where reported revenue was soft and where I want to share a more precise diagnosis than the one you've heard before. I'm going to walk you through exactly what I found because owning what I find is the job.

My review didn't only surface problems in SDC, it also revealed opportunities we weren't moving on fast enough. The clearest one, accelerating the next-generation Gyrolab platform at the heart of our BPD franchise. I'll come back to that. These are not vague intentions, they are decisions I have made.

If you take three things away from this call, let it be this:

One, the core operating model is working and fiscal years and trailing 12 months, not the quarters, are the truth. Biopharmaceutical Development, a business that declined almost 30% a quarter ago, grew 5% year-over-year. Calibration Solutions grew 7.6% year-over-year, continuing a steady contribution to Mesa's overall business. These are recurring regulation-driven businesses, and quarter-to-quarter revenues will fluctuate. SDC reported revenue was down this quarter – delivery reliability issue, not a demand issue. I'll walk you through it in a moment.

Measured the way this franchise should be measured by fiscal year and trailing 12 months, SDC grew from $93 million in fiscal 2025 to over $101 million in fiscal 2026, and stands at roughly $101 million on a trailing basis today, up about 5% from a year ago. Quarterly results can fluctuate based on fulfillment timing, but the underlying health of the franchise is best reflected in our trailing 12-month revenue and adjusted operating income, and both continue to move in the right direction.

The second thing to take away from this call, the portfolio is being actively managed. Every business in this portfolio has to earn its place on returns, on margin profile, and on strategic fit. Our core franchises, SDC,

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BPD, and Calibration Solutions are strong, high-margin businesses we will invest behind. Clinical Genomics is being managed deliberately, and this quarter reflects that discipline, essentially flat, in line with what we expected.

Finally, the third thing. From here, the work is execution and focus, not acquisition. We made real progress on the balance sheet. We paid down nearly $9 million of debt this quarter. Our net leverage ratio as defined under the terms of our credit facility stands at 1.85 times. We intend to keep strengthening it from here into the range of 1.5 to 1.75 turns as we move through this fiscal year.

But I want to be clear about where my focus is, because it is not on acquisition. The near-term value in this company's self-help, executing on the businesses we already own, and deliberately reallocating capital, effort, and management mindshare towards the part of the portfolio that offer the most profitable growth. At our next earnings call in November, alongside first half results, I'll give you a full-year guidance. That's a commitment, and I expect to be held to it. Our broader portfolio and capital allocation work continues and I'll bring you into it when it's ready.

I'll now discuss the results of each of our franchises.

Let me start with BPD. BPD grew 5% organically this quarter versus a decline of almost 30% in the same business just a quarter ago. That's an encouraging swing, but I want to be precise about what it is and what it isn't because you should not take one quarter as a victory lap. Is this a comp or is this a fix? The honest answer is that a meaningful part of this quarter reflects easier comparisons and some catch-up in orders that have been deferred by export control processing last year. Now that's real revenue, but I won't oversell it as the proof if the turnaround is complete. It isn't yet. Here is what we are actually doing to build a durable business.

We have brought in a new general manager for BPD, and we're in the middle of rebuilding the commercial engine, the sales processes, pipeline discipline, and coverage this business needs. That work is underway, not finished, and I expect it to take the better part of a year to fully take hold. We are setting BPD up for its next phase of growth. This is a franchise built around Gyrolab, an automated immunoassay platform. As I mentioned at the start of my remarks, Gyrolab has not had a new platform launch since 2018. We have a next-generation platform in development and when I looked at the timeline for release of the new platform, I saw a clear opportunity to move with more urgency. We reprioritized our R&D portfolio to concentrate investment on this launch, and we now expect the new Gyrolab platform to launch in fiscal 2028.

I want to be clear about what that is and isn't. It's a decision we make and a pace we reset, not a product you can order today, and I'm not going to put revenue on it this afternoon. But it's exactly the kind of self-help opportunity we are now moving on, reigniting the innovation engine and bringing this franchise's next platform. It's also the clearest signal I can give you of the operating tempo I intend to run this company at. Even with the commercial work still in progress, and while we continue managing through export control processing on certain in-hand orders, I expect BPD to grow for the full year. I say that with real conviction, not just hope, because of what I'm seeing in the numbers.

Next, let me speak plainly about SDC.

Reported organic revenue was down 3.6% year-over-year for the quarter. I am not going to dress that up, though I'll show you in a moment why the same franchise is up about 5% on a trailing 12-month basis and why both numbers are true at once. I have looked at the order book and the diagnosis matters. This is a delivery reliability problem. It is not a demand problem. Let me explain both aspects of that. I'll take the demand first, because it's the shorter story.

Demand for this franchise is healthy and intact. The recurring single-use consumable base tied to processes our customers are required to run is exactly what it has always been. The order book remains substantial. What I will not tell you is that demand is surging beyond our capacity because that is not what our data says. Our recent quarters, we've been steadily serving demand, not falling further behind it.

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The problem this quarter was not that the orders overrun the factory. The problem is that we miss delivery dates on orders we already hold. That is a reliability problem, a promise-keeping problem, and it tells you the fix is standard work and process discipline inside our own four walls, not a capacity raise against the market.

Now, the reliability side. The history, briefly. In fiscal 2025, orders ran ahead of what our factory could ship. Past due backlog, orders we held but did not deliver when we promised, built through the year. We disclosed that to you beginning with our third quarter fiscal 2025 report.

In fiscal 2026, our teams attacked the backlog. I want to be more precise than we cleared it. The progress came in bursts. We made headway early. The problem came back by mid-year. By December, past due backlog was nearly back to its highest level. Then a genuinely impressive production push in the fourth quarter took it down by more than two-thirds in a single quarter to the more normalized levels we described to you in our year-end earnings release.

But a burst is not a fix. A central finding of my 100-day review is that the improvements were episodic rather than locked into the process. When the surge resources came off, throughput slipped back and past due backlog rose again this quarter, up about $1 million dollars from its year-end low. I want to size that honestly in both directions.

It is well below the peaks of last year, and it is, in fact, lower than it was a year ago but the direction is wrong. I'm telling you plainly, we are shipping late on promises we made to customers. Finding a durable fix, a delivery reliability our customers can count on, is the single biggest priority for this business.

That is also why quarterly SDC revenue looks inconsistent. When delivery timing is the variable, the reported number moves around even when the underlying franchise is steady. It's how a quarter can bring down 3.6% inside a trailing 12 months that is up about 5%. The right lens is fiscal years and trailing 12 months. On that lens, the story is simple and it's good. SDC revenue was $93.4 million in fiscal 2025, and it was $101.6 million in fiscal 2026. I'll be precise about the composition because precision is what I'm asking you to trust me on.

Only about $1 million of that year's growth came from drawing down the backlog. The substantial majority was genuine in-year demand, shipped. On a trailing 12-month basis, SDC stands at just over $100 million today, up about 5% from a year ago, even with this quarter's missed deliveries inside it. I want to tell you plainly why. Because I'd rather you understand the real cause than accept a vague apology.

It comes down to a standard we hold ourselves to. We do not release a lot until it meets our internal specifications, full stop. Because this business works with biological materials, there is real natural variability in how long it takes any given lot to clear that bar. That standard is exactly why our customers trust these products inside their own regulated processes. I'm not going to loosen our quality standards to hit a shipping date.

What we are working on is reducing the variability in the process itself, tightening cycle times without ever touching the release standard. That work is underway, and I've asked my SVP of Operations to make it his singular focus until it's done.

Finally, I want to acknowledge who is on the other end of these promises because this is why the fix matters. Our SDC products are not discretionary purchases. They sit inside our customers' quality control processes; in pharmaceutical and medical device manufacturing that itself is tightly regulated. When we ship late, we can create real disruption and extra work for people whose operations count on us.

I sat with a number of these customers over my first 100 days and I heard their frustration directly, as I should. I told them what I'll tell you. They have every right to expect better from us.

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In aggregate, our customers have continued to order from us through this period. When the product has been available, it has moved and that reflects the strength of the science and the depth of these relationships. But I want to be careful not to overstate that. Extended delays invite customers to evaluate alternatives. I'm not going to promise that has cost us nothing anywhere. That is one more reason I refuse to treat loyalty as a cushion. Our teams have proven twice that they can move this backlog. The task now is converting the surge work into standard work.

What I will commit to is a clear win on the durable fix and its trajectory when we give full-year guidance at our next earnings call in November. I'll say this much today. I like the direction of what I'm seeing so far this quarter operationally.

Switching gears now to our remaining two franchises, Calibration Solutions grew 7.6% organically year-over-year, doing exactly what this business is built to do, compounding steadily on a recurring service-driven revenue base. It doesn't generate headlines and that's precisely its value. It's the balance in the portfolio and it performed on plan.

Turning to Clinical Genomics, it was essentially flat this quarter at negative one-tenth of a percent. Inside that number, China declined 7%, a significantly slower rate of decline than last year, which is what we told you in May to expect, while the business outside China grew 0.6%. But one quarter is a data point, not a trend and I'm not going to extrapolate it in either direction. Our posture on that business is unchanged. We are managing it deliberately with full attention to its cost structure and returns, and we'll have more to share as that work progresses.

Let me step up from the individual franchise of the company as a whole. Before John takes you through all the numbers, I want to give you the one I look at first. Adjusted operating income excluding unusual items, which is how I'll refer to it throughout, was approximately $66 million on a trailing 12-month basis, up about $2.5 million from where we ended fiscal 2026. In the quarter, adjusted operating income grew nearly 20%, and our margin expanded meaningfully year-over-year. The earning power of this company is growing in both rate and dollars.

Now, let me be equally direct about how to read that, because I don't want to leave you with the wrong number. Our first quarter is structurally our lightest volume quarter. This was a strong margin print. I would caution you against simply annualizing it. We see an opportunity this year to reinvest a portion of the operating leverage this business generates to reallocate cost deliberately towards our faster growing, higher return businesses so we can accelerate them. That's a choice to compound growth, not a choice to maximize a single year's margin uptick. How we deploy that leverage is part of the strategy I'll share with you in November.

Expense discipline continued across the business and I expect us to maintain that discipline even as we redeploy some of the capacity into growth investments as the year progresses. To be clear, the SDC softness sits on the revenue line. As we make our fulfillment reliable, there is high margin volume we expect to recover over time. The backlog we ship is margin we recognize.

On the balance sheet, we paid down $8.7 million of debt this quarter bringing net leverage to 1.85 times. Strengthening our balance sheet was a deliberate priority and we are not stopping there. My intention is to keep bringing our leverage ratio down into the range of 1.5 to 1.75 turns as we exit this fiscal year. I want to be direct about what that signals.

The near-term priority for this company's capital, and frankly my own attention, is not making acquisitions. It is executing on the businesses that we own and concentrating our resources behind the highest return parts of this portfolio because that is where the most reliable value creation sits right now. This may change in the later part of the second half of the year with small distributor buyouts or tuck-in acquisitions, but our True North is disciplined capital allocation, and I'll come back to it in November.

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A word on guidance. As I committed last quarter, we'll provide full-year fiscal 2027 guidance at our next earnings call in November alongside first half results. I know some of you would prefer a full-year number today. I'd rather give you what I can stand behind, informed by a full half year of data under the operating changes we made, than anchor you to a figure 100 days into my tenure.

What I can tell you today is directional and I say it with confidence: First quarter trends are consistent with our internal plan. In May, we told you we expected this business to return to organic growth in the first quarter, and it did. Our balance sheet keeps getting stronger. We intend to keep deleveraging toward the range of 1.5 to 1.75 turns this year, and our focus is squarely on execution and concentrating resources where the returns are best.

Let me close where I began. I'm genuinely excited about what I have found here. Mesa is a set of durable, regulation-embedded franchises with real and growing earnings power. The problems we have are execution problems, which are fixable and are being fixed. At our next earnings call in November, you'll get the guidance.

With that, let me hand it to John.

John Sakys

Thank you, Siddhartha, and good afternoon everyone.

Siddhartha has taken you through the operating story of each franchise, so I'll stay in the numbers, including the consolidated income statement, balance sheet and cash flows. Unless I note otherwise, all comparisons are to the first quarter of fiscal year '26. A reconciliation of the non-GAAP measures I'm referring to is included on our Investor Relations website.

Total revenues for the first quarter were $60.1 million, an increase of 1% compared to the prior year. On a non-GAAP basis, organic revenues growth was also 1% as we had no acquisitions over the past 12 months. Core organic revenue growth, which excludes a 60 basis point tailwind from currency translation, was 0.4%. Just as we communicated in May, this returned Mesa to positive core organic growth for the quarter.

Gross profit was $39 million or 64.9% of revenues, up roughly 290 basis points from 62% in the prior year, reflecting lower spend on third party contracted labor and consultants, supply chain efficiency improvements, and a favorable product mix, partially offset by lower volumes in SDC.

Operating expenses declined 5.6% to $32 million, reflecting lower stock-based compensation and continued cost discipline, even as we increased investment in SDC, particularly sales and marketing roles, to support future organic growth. As a result, GAAP operating income increased 129% to $7 million.

On a non-GAAP basis, adjusted operating income increased 16.5% to $15 million, or $2.61 per diluted share. AOI in the quarter was negatively impacted by a legal settlement of $382,000. Excluding that item, AOI increased 19.5% to $15.4 million or 25.6% of revenues as compared to 21.7% in the prior year period or roughly 390 basis points of expansion.

Let me provide a little more context on a trailing 12-month AOI excluding unusual items number that Siddhartha discussed.

On that basis, AOI excluding unusual items was approximately $66 million or up about $2.5 million from where we ended fiscal year '26, which was effectively the improvement we delivered in this quarter since a trailing 12 month swaps last year's first quarter for this one. That improvement was driven primarily by gross profit expansion which contributed approximately $2 million, along with approximately $0.5 million of benefit from lower cash operating expenses. While sustaining these efficiencies will require continued discipline, this performance reflects progress in improving the earnings profile of the business.

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Q1 is structurally our lightest volume quarter and this was a strong margin print, so as Siddhartha said, I would caution you against annualizing the 25.6%. Indeed, we do see an opportunity this year to reinvest a portion of the operating leverage the business is generating into our faster growing, higher return businesses, and how we deploy that leverage will be part of what we lay out in November alongside full-year guidance.

I'll now walk you through the gross profit expansion division by division. First, SDC, our largest business, which represents 41% of revenues this quarter, delivered revenues of $24.5 million, an organic decline of 3.6%, reflecting the delivery timing dynamics Siddhartha walked you through. Gross profit percentage decreased 150 basis points, primarily from lower revenues on a partially fixed cost base and product mix, primarily a volume effect.

Second, BPD delivered revenues of $12.1 million, up 5% organically, on higher immunoassay hardware and consumables volumes, and, to a lesser extent, price. Gross profit percentage increased 800 basis points. A higher mix of immunoassay consumables benefits our gross profit percentage in this business, and we had supply chain efficiencies and operating leverage resulting from the revenues increase.

Third, Calibration Solutions delivered revenues of $13.3 million, up 7.6% organically. Gross profit percentage increased 350 basis points, primarily from higher revenues on a partially fixed cost base.

Lastly, Clinical Genomics delivered revenues of $10.3 million, essentially flat. Gross profit percentage increased 790 basis points primarily from price and manufacturing and supply chain efficiency improvements.

To summarize, three of our four divisions expanded gross profit percentage meaningfully, which together with continued expense discipline more than offset the volume-driven decline in SDC, our highest margin business.

We recorded non-operating expense of $2.7 million in the quarter compared to non-operating income of $3.9 million in the prior year. The swing is primarily attributable to changes in foreign currency rates, particularly unrealized currency gains and losses on an intercompany loan. This non-cash item will continue to create quarter-to-quarter volatility at non-operating expense while the loan remains outstanding.

Income tax expense was $1.5 million, or 35% on pre-tax earnings of $4.4 million. As we disclose in our Form 10-Q, we currently expect a reasonable possibility of a favorable impact on our effective tax rate within the next 12 months from a potential partial release of the U.S. valuation allowance, although the timing and amount remain subject to our ongoing assessment and other factors affecting the tax rate, including the jurisdictional mix of pre-tax income and discrete items.

GAAP net income was $2.8 million or $0.49 per diluted share, a decrease of 40.3% driven by the non-operating swing I just described, not by operations.

Turning to the balance sheet, we ended the quarter with $30.7 million of cash and cash equivalents, up from $26.9 million at March 31, 2026. During the quarter we repaid $8.7 million of debt, reducing our total net leverage ratio to 1.85 times. As Siddhartha described, we intend to keep strengthening the balance sheet from here, moving toward roughly 1.5 to 1.75 turns of net leverage as we exit fiscal year '27.

From a cash flows perspective, our operating cash flows were a meaningful highlight in Q1 and an important contributor to the strengthening of our balance sheet. Cash flows from operating activities provided $14.7 million in Q1, a $12.8 million year-over-year increase. The improvement was driven primarily by stronger customer collections across several businesses, as well as improved operating performance, including a $4 million increase in operating income.

We continue to take deliberate steps to strengthen our financial position and improve cash generation, and we remain focused on disciplined capital allocation and on preserving the financial flexibility necessary to

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support Mesa's strategic priorities. As Siddhartha noted, we will provide full-year fiscal '27 guidance at our next earnings call in November alongside first half results.

With that, Operator, we're ready to open the line for questions.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment while we poll for questions.

Our first question, we'll hear from Paul Knight with KeyBanc Capital Markets.

Paul Knight

Yes, thanks a lot and congratulations on the new role. The question I think a lot of people would have is, this has historically been a company focused on some merger and acquisition activity. What do you think are some of the key portions of the business that are easiest to build upon?

Siddhartha Kadia

Yes, Paul, that's a great question. Look, I think as I said, three of our four businesses are actually growing nicely and have really good margin and growth profile. One of them, as you know, has been challenged. We are continuing to evaluate our portfolios. I'm not going to comment on specifically where we're going to put more focus, but I can tell you in terms of reallocating capital and mindshare, we certainly dedicated more capital and mindshare to SDC, BPD, and to an extent possible to Calibration Solutions as well.

Paul Knight

John, where are you with liquidity at this juncture in terms of bank line interest rate?

John Sakys

Yes, we're currently at 1.85 times, Paul, with an effective interest rate of 5.6%. Our goal over the remainder of the fiscal year is to drive that down somewhere between 1.75 and 1.5 times.

Paul Knight

Then my last question is around the (inaudible). Have conditions eased in the China market?

Siddhartha Kadia

Good question, Paul. Listen, I think China market has structural issues. As you know, our revenue from China at this point are substantially lower than $3.5 million. It's a pretty small part of our Company's overall revenues and while the market itself has headwinds that are not easy, our exposure to the market has declined over the last two years significantly.

Paul Knight

Okay. Thank you.

Operator

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As a reminder it's star, one to ask your question.

Next we'll hear from Tycho Peterson with Jefferies.

Matt

Hey, thanks. This is Matt on for Tycho. Maybe just to go back to some of the updates on the 100-day overview. On execution, you talked about issues to fix and some of that's already started. We just love more color on where you're focused on the execution fixes, any costs associated with remedying those, and then some that have already started, where is that, and what are you looking to address? Then also, just as you think about guidance philosophy, for the print in November, would just love a little bit more color on where you think market growth for this business is as we think about the context of go-forward guidance. Thanks.

Siddhartha Kadia

Yes, thank you, Matt. Let me start with the second question first. I think for guidance, I think as I mentioned in the script, we are not going to provide any color on the guidance itself right now. Neither are we going to provide commentary on the market itself. That work is ongoing and we will be having a full disclosure in November Q2 release along with the first half results. So, I would wait for that.

I will give you a bit of color on the execution. I think execution falls into two or three places.

First of all, I found the management team to be solid. There are some fantastic people in this company. We have strong technical talent. We also have really strong general managers in place in four of our business segments. Wherever we needed to make a change, we have. For example, BPD, where we have had execution challenges in the past. We have a new general manager starting. We've also reallocated the focus by our senior most operations executive on fixing the operations issues. Part of it is actually just talent and significant resource commitment and actually, frankly, mindshare commitment has been towards areas that we know we can fix completely under our own control.

Then finally what I'll tell you, I'm also, part of the change actually is also about in our culture. While the culture of this company is strong quality culture with technical resources, I have brought with me a sense of urgency around a culture that doesn't really need a teardown, but it does need a discrimination on allocation of capital resources. That really starts with me. So what I'm adding is a growth mindset, an obsession with winning loyal customers, and a rhythm where the decisions get made quickly and efficiently with that capital reallocation in mind.

Matt

Okay, great. Thanks.

Then maybe one for you, John, just to close the loop on the SDC timing. Any finer point on what the headwind was in the quarter? I think the business was down 4% core. You talked about trailing 12 months up 5%, up mid-single. Is the delta between those two the magnitude of the impact in the quarter? Then in terms of recouping that, just to be clear, do you think that comes back this quarter? Is that the rest of this year? Just any finer point on the magnitude of the headwind from some of the fulfillment delays in the quarter and then the cadence of recouping that from here? Thank you.

John Sakys

Sure, Matt. I think what we talked about is primarily delivery execution issues. We talked about an increase in backlog of about a million dollars. But the way we like to look at this is on a 12-month basis. The business has grown over the last trailing 12 months. As we continue to work on our processes, we would expect to continue to clear that backlog. I'm not going to give you a timeframe, but we'll continue to work it and bring it down as quickly as we can.

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Matt

Super. Thank you.

Operator

This will conclude the question-and-answer session. I would like to turn the floor back to Doug Farrell for closing remarks.

Doug Farrell

Thanks very much for joining us today. I'd like to remind everyone that both Siddhartha and John will be attending the Wells Fargo Conference in Boston on September 9, so that will provide the next opportunity to have a chance to meet with Management. Thanks very much for joining us today.

Operator

Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.

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