

**Titan International, Inc. (TWI)**  
**Transcript of Q1 2026 Earnings Call and Webcast**  
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***Company Participants***

*Alan Snyder – Vice President, Financial Planning & Analysis, and Investor Relations*

*Paul G. Reitz - President and Chief Executive Officer*

*Tony C. Eheli - Senior Vice President and Chief Financial Officer*

***Conference Call Participants***

*Linda Umwali – D.A. Davidson & Co., Research Division*

*Steve Ferazani - Sidoti & Company, LLC*

*Joseph Gomes – NOBLE Capital Markets, Inc., Research Division*

*Kirk Ludtke – Imperial Capital, LLC, Research Division*

**Presentation**

**Operator:** Good morning, ladies and gentlemen, and welcome to the Titan International, Inc. First Quarter 2026 Earnings Conference Call. [Operator Instructions]

It is now my pleasure to turn the floor over to Alan Snyder, Vice President, Financial Planning and Investor Relations for Titan. Mr. Snyder, the floor is yours.

**Alan Snyder:** Thank you, and good morning. I'd like to welcome everyone to Titan's First Quarter 2026 Earnings Call. On the call with me today are Paul Reitz, Titan's President and CEO; and Tony Eheli, Titan's Senior Vice President and CFO.

I will begin with a reminder that the results we are about to review were presented in the earnings release issued this morning, along with our Form 10-Q, which was also filed with the Securities and Exchange Commission this morning.

As a reminder, during this call, we will be discussing certain forward-looking information, including the company's plans and projections for the future that involve risks, uncertainties and assumptions that could cause our actual results to differ materially from the forward-looking information. Additional information concerning factors that either individually or in the aggregate could cause actual results to differ materially from these forward-looking statements can be found within the safe harbor statement included in the earnings release attached to the company's Form 8-K filed earlier as well as our latest Form 10-K and forms 10-Q, all of which have been filed with the SEC.

In addition, today's remarks may refer to non-GAAP financial measures, which are intended to supplement, but not be a substitute for the most directly comparable GAAP measures. The earnings release, which accompanies today's call contains financial and other quantitative information to be discussed today as well as a reconciliation of the non-GAAP measures to the most comparable GAAP measures.

The Q1 earnings release is available on the company's website. A replay of this presentation, a copy of today's transcript and the company's latest quarterly investor presentation will all be available soon after the call on Titan's website. I would now like to turn the call over to Paul.

**Paul Reitz:** Thanks, and good morning, everyone. Our first quarter marked a solid start to the year with revenues and adjusted EBITDA near the high end of our guidance ranges. That result was well earned given the continued headwinds we see in our end markets, largely due in part to the geopolitical developments that are out there.

For Titan, times like this are when we set ourselves apart from others. Our diverse product portfolio, strong global footprint and our one-stop shop distribution surrounded by the strength and the resilience of our One Titan Team is our competitive advantage. While we cannot control cycles, we can control how we respond. And our response is clear. We fight for every opportunity, we earn every customer's business, and we continue to invest in innovation to make equipment perform better. This past quarter, our results illustrate that our team continued to execute well and take operational, commercial and organizational actions as needed.

As our customers continue to contend with end market demand that is hard to predict, the natural response is to limit downside exposure with inventory being an area where many are hesitant to tie up working capital. That approach also limits their ability to respond to any instances of meaningful customer demand and as a result, this 'just-in-time' inventory paradigm really becomes a self-fulfilling prophecy, where it's 'how soon can you get me this', which is the typical response to customer orders. Throughout this cyclical trough, though, we have prioritized our ability to be highly responsive to our customers. With every sale and customer experience so vital for OEMs and our dealers, our value built on our global manufacturing footprint, our strong distribution channels and the strength of our JV and third-party partners is how we help our customers serve their end markets and their end customers every single day.

So now flipping over to the market landscape, I think it's helpful to really look at that by segment. So let's start with AG. In the U.S., farmer incomes are currently expected to be relatively flat compared with last year. Those estimates were published around the same time as the Iranian conflict. So, there is the possibility that if input costs remain high, such as diesel, that will continue to be a drag. On a positive note, though, our sense is that most U.S. farmers had already bought fertilizer for the season. So, the recent increases there should not be as big of a factor.

Used equipment inventories have continued to come down, albeit slowly as major OEMs have been making significant progress on finished goods destocking. It's obviously been a topic spoken about quite extensively over the past year. We do believe and we're seeing that sentiment is indicating a willingness to invest in the near future. We just need that catalyst that's going to stoke that fire. So taken all together, the overall AG current outlook for '26 is pointing to a slightly down year with many pointing to '27 as the likely time frame for that growth to return. Conditions are improving around the margins, but

there really is just no clear signal right now for that timing of a rebound. We do believe that could come sharply though when that happens when you look at the length of the downturn, the age of equipment, et cetera. So, for Titan, it's worth reiterating that during normal market conditions, our orders for OEMs are often a leading indicator. We've mentioned that a number of times, you think about the ordering process for us to get raw materials in, especially on the wheel side. So, with inventories lean out there in the market, it is reasonable to think that we would see some ordering later this year ahead of the anticipated '27 OEM deliveries. That is all obviously a couple of quarters away, but I wanted to highlight this point as it supports our full year guidance.

In addition, the recent news from the EPA when it comes to renewable fuel standards looks like to be another one of those somewhat supportive regulations and things that we can point to for the future as that would clearly be a good move to change those minimal renewable fuel obligations and help the overall demand picture for grains.

So, taking that all together, again, we continue to view the environment as cyclical, not structural. The elevated interest rates, tighter credit and policy uncertainty have led to this cautious behavior that we've seen across the AG sector. As we've noted before, a significant portion of our agriculture exposure is replacement driven, not discretionary. So even in down cycles, equipment must stay operational and our products remain critical components of that equation.

Lastly, what we're seeing is that, signs in the AG market is stabilizing after a multiyear reset rather than deteriorating further. While this is not a rapid recovery environment, early indicators, particularly in used equipment and farmer sentiment suggest conditions are bottoming and normalizing gradually. That type of recovery path also aligns well with Titan's operating model.

Importantly, we believe Titan is well positioned from a trade and supply chain perspective. Our U.S. manufacturing base, combined with our global production footprint provides flexibility in an environment where tariffs and trade policy continue to influence cost and sourcing decisions. We are seeing that play out now in the European wheel market where our well-established, integrated and efficient operating model that we have over there is winning us AG business at a healthy rate.

In summary, while AG remains in its down cycle today, Titan is well positioned to remain resilient through that cycle and participate as conditions improve. We don't need a sharp rebound to perform. Incremental improvement, combined with our disciplined execution supports our outlook.

Moving on down to South America. Brazilian AG has been contending with really an unfavorable political climate to kind of put that simply and nicely. That has depressed activity generally. And as a result, we've seen some softening in our AG tire sales there. Unlike their U.S. counterparts, Brazilian farmers have generally not purchased fertilizer for the next growing season. So higher costs will have a bigger impact on their activity.

Conversely, our ITM business in Brazil has been performing really well to start the year. In fact, that's surpassing our own expectations.

And so that segues nicely into our EMC business, where if you look at our EMC business last quarter, that has reported, as was the case last quarter, I should say, we once again reported the best growth of our 3 segments in EMC. Construction equipment demand in the U.S. has been a relative bright spot and looks to be well represented across a variety of end markets, giving us that confidence that demand will remain firm. Activity in Europe has gotten a little bit more muddled in terms of competitive dynamics, although the macro there continues to be supported by longer-term infrastructure investment. We have been winning business in the European construction wheel market, similar to what I noted about AG.

And lastly, flipping over to our consumer segment. We are seeing some positive trends there in Q2. We have some really nice wins coming from our team with a few different customers to start the year. So, we are seeing our consumer business growing over the course of the year when you look back and compare that to '25. Overall, inventory levels are healthy, inventory sell-out or overall sell-out, I should say, and sell-in appear good. We did see a small drop in Q1 as power sports equipment has been a bit softer with higher gas prices creating that headwind. However, business consumers in outdoor power equipment and turf, they're commercial driven, so they have inelastic demand, and they need to continue to run their equipment to service their customers. So we see that business holding up better in that submarket. So, again, I want to reiterate it for the full year in consumer, we expect to see revenue growth.

So, looking ahead to Q2, included in our guidance is an approximately \$3 million headwind in operating margins due to the impact of the war in Iran. This is coming from the sudden acceleration of many costs and the mismatch in the timing of price increases with OEM contracts. We've talked about that previously. Overall, these contracts do serve to protect us, but at times, there can be a timing difference. On a longer-term horizon, though, looking beyond Q2, we do expect the lion's share of the cost increases that will impact us in the second quarter to be directly offset with corresponding price increases.

So, in summary, I want to leave with an overarching message that much as it was last quarter, it is ultimately consistent with our long-term focus and positioning. On a daily basis, we center ourselves and our business on servicing our customers. That means having the products they need, where they need them and when they need them. It also means a continued focus on innovation, which is guided by the ultimate question of how do we help our end market users. From farmers to miners to landscapers, we have the most diverse portfolio in our sector, and we want to see our customers get the most out of their machinery investments. That North Star, if you will, is guided by -- help guide the development of our LSW lineup, which has been a big win for Titan for a number of years. I've highlighted the benefits of LSW on many of these calls, but I want to emphasize that once again, the ability LSW has to help farmers reduce their fuel usage. With fuel prices currently high due to the conflict in Iran, our LSWs offer farmers an important tool to help mitigate some of that increased fuel cost.

We do and we will continue to prioritize our investments in R&D, continue to bring these value-added products to the market and in doing so, further solidify our market-leading position in off-road wheel tires and undercarriage.

Over time, we deliberately repositioned Titan into a more structurally resilient and strategically focused organization, capable of delivering through these evolving cycles. That includes maintaining a balanced cost structure, a broad product offering and a global manufacturing and distribution footprint that's second to none. Strategic actions like the Carlstar acquisition further strengthen our ability to navigate these market cycles with greater stability.

As we look ahead, we are confident in the durability of our business model, the diversity of our product portfolio, our global footprint and most importantly, the strength of our people and our ability to continue delivering value to our customers. With that, I will turn it over to Tony.

**Anthony Eheli:** Thank you, Paul. Good morning, everyone, and thanks for joining us today. As Paul noted, our results for the first quarter were solid with revenues and adjusted EBITDA above the midpoint of our guidance ranges.

There are some important financial metrics to highlight this quarter. First, sales grew 2.9% year-over-year. EMC segment sales led our growth, expanding 11%. Gross margins improved to 14.1% and adjusted EBITDA grew to 31% -- sorry, grew to \$31 million.

Reviewing our business by segment, I'll start with EMC as it continued to lead our growth as construction remains strong. Segment revenues were up 11% to \$160 million. Geographically, sales volumes had solid growth in both the Americas and the European wheel business, driven by strong OEM demand. As was the case last quarter, the EMC segment enjoyed a nice contribution from foreign currency translation, which added 6.1% to the relative performance. While AG segment sales were relatively flat from the prior year and slightly down organically, we are encouraged by this as we have had several years of double-digit Q1 sales reductions in the segment. U.S. aftermarket sales were flat in the quarter compared to prior year, but more importantly, it is expected to grow when looking ahead. We also saw an increase in LSW sales.

Another positive note is that we had solid growth in our Europe Wheel AG business, driven by improved customer orders and are expecting to have a stronger year altogether in Europe. Our Brazilian AG business continued to moderate as farmers in Brazil are still contending with higher input costs and high interest rates. Governments in the region have been working to support their farmers by boosting renewable fuel production, thereby absorbing some of the green supply. Altogether, we expect 2026 to remain challenging in the region.

Lastly, in consumer, Q1 sales were down modestly from the prior year due to market conditions moderating due to tariffs and continued elevated interest rates.

However, on a positive note, we saw improved demand from our OEM customers, which aligns with recent analysts and recent OEM earnings reports that pointed to tough exposed businesses being less cyclical and more resilient.

Looking at margins by the segment in the quarter, EMC showed nice expansion as revenue growth allowed for better fixed cost leverage. EMC gross margin in Q1 was 11.3% versus 10.4% in the prior year. AG gross margin was slightly lower compared to prior year at 12.1% versus 12.4%. Consumer gross margin improved to 19.9% compared with 19.6% as cost reductions and productivity initiatives had a positive impact.

Moving on to SG&A. If you followed our company for any length of time, you know that we maintain a lean organization that handles market ups and downs with more predictability. For the first quarter of 2026, SG&A, including R&D, was \$57.7 million compared to \$54.4 million for the comparable period in prior year, primarily due to foreign currency and general inflationary impacts, including health care. We continue to take actions to manage and reduce our costs.

Operating cash used during the first quarter was \$47 million, which was consistent with our normal seasonal ramp in working capital, particularly accounts receivable, which increased concurrently with a sequential step-up of \$95 million in sales.

CapEx in the first quarter was \$13 million compared to \$15 million in the prior year period as we continue to be prudent and make measured investments in our business. As a result, free cash flow was negative \$60 million with net debt at quarter end of \$441 million and a leverage ratio of 4.3x. This usage of cash was in line with our expectations for the quarter, and we expect it to improve through the rest of the year. Reducing our leverage remains a key goal as we progress through the year.

Tax expense for the first quarter was \$4.6 million, which was in line with our expectations. The effective tax rate of minus 23%, as we have previously explained, is a function of where our profits and losses are distributed geographically and the applicable tax laws in each of these areas. I'll reiterate that as we see a rebound in market conditions domestically in the U.S., we expect to get back to normalized tax rate levels. For Q2 2026, we expect tax expense to be in the \$4 million to \$5 million range, which is similar on a sequential basis to Q1 this year and comparable to Q2 last year.

A strategic event of note during the quarter was our decision to close our Jackson, Tennessee plant. We recorded nonrecurring restructuring expense of approximately \$25 million associated with this decision. Of this \$25 million, it is important to note that the vast majority, approximately \$23 million was noncash. The plant closure was a long-term synergy that was identified at the time we closed the Carlstar acquisition as we knew the combined business would have excess manufacturing capacity in the U.S. and that this decision will be accretive to our earnings. We expect to complete the closure by the end of October and estimate total cash cost to close the plant to be approximately \$7 million, while yielding annual cash savings of \$5 million, which will accrue beginning next year.

Now moving on to our financial guidance for Q2 2026. Our guidance for the quarter is revenues of \$470 million to \$490 million and adjusted EBITDA of \$25 million to \$30 million. Versus last year, that guidance implies some top-line growth, along with modest reduction in bottom line performance compared with last year's Q2. The primary factors driving the bottom-line reduction are OEM pricing pressure and additional cost pressure that Paul went through related to the Iran conflict.

For fiscal year 2026, our financial guidance remains unchanged and is as follows: revenues of \$1.85 billion to \$1.95 billion and adjusted EBITDA of \$105 million to \$115 million. This guidance range is reflective of modest improvement compared to 2025 on both the top line and bottom line and reflects our belief that Titan should benefit from increased customer activity in the fourth quarter, supporting readiness for an expected AG recovery next year.

On the whole, our end markets remain dynamic as equipment buyers contend with ever-changing and challenging market conditions. We at Titan have the financial discipline and are strategically well positioned to navigate these conditions, serving our customers better than anyone else.

Thank you for your time this morning. We would now like to turn it back over to the operator for the Q&A session.

### **Question-and-Answer Session**

**Operator:** [Operator Instructions] Your first question comes from Mike Shlisky with D.A. Davidson.

**Linda Umwali:** This is Linda on for Mike. My first question is on the AG. I think in your AG commentary, you highlighted challenges, particularly in Brazil. My apologies if I missed your commentary in Europe, but could you give us a little more detail on AG markets in Europe and the rest of South America compared to North America?

**Paul Reitz:** Yes. No, it's a good question. And we are seeing some differences in those regions. And it has somewhat come on suddenly. There's always a number of different moving parts going on in the global marketplace. But starting more specifically in Europe, we've seen that market just remain more stable through time. So as the challenges in the world are out there, Europe has remained more stable.

What we're seeing in particular to Europe, though, is really getting some good wins. Our team has built a very well-established supply chain integrated network and an efficient working model. And so we've been able to pick up some nice sized wins in that business in that marketplace. And so specifically, my comments on Europe were more directed at what Titan has done specifically there to garner some new business, and we'll see that impact through the course of the year, as Tony and I mentioned. But overall, the European market has just been less susceptible to the ups and downs.

So then you flip over to Brazil, that is definitely not the case where Brazil can swing and larger movements quite rapidly. What we're seeing there outside kind of what's going on with the global AG marketplace, farmer incomes, et cetera, is just that the politics in Brazil have gotten complicated and

messy for them. Spending a lot of time with our team talking through that. It's just having an impact on business in the short term. Again, overall, I think the dynamics of Brazilian agriculture are good. And certainly, they had a strong '25. But they are facing some political headwinds right now as they work through a presidential election that has some different viewpoints on what's best for society and the economy there. So that's where our comments are directed with Brazil is that we are seeing some short-term impacts there. But again, remain positive in just the fundamentals of what's going on in Brazil.

And then North America, I mean there's been so much talk about North America. As you look back to the beginning of last year and the expectations for when the rebound was going to happen, and a lot of thoughts were that, that should have already taken place and then some global disruptions have pushed it back. We continue to see that mindset where the -- around the margins, things have continued to improve, however you want to look at it from inventory, the age of the equipment. I do believe what Secretary Bessent has been saying about the administration support towards farmers is important. I think we're at a point where it will go up. It's just, again, that continuing question of when.

What our comments are directed at is at Titan, in order for the OEMs to fulfill their orders when demand picks up, we are a strong leading indicator for that, especially on the wheel side. And so what we are saying in our guidance is that with that belief that we support as well that '27 will be an uptick for agriculture, we expect to see some orders that would start coming in later this year to support that.

And with the inventory positions in the marketplace, we believe that in the age of the equipment, there's enough factors that if things do improve, it can be a nice healthy improvement that kicks into gear in relatively short order because of the length of the downturn, which I believe we're kind of getting around that 40-month mark, which is really long in duration.

So I hope I answered your question. I kind of touched all the key areas. If you have any follow-up, let me know.

**Linda Umwali:** That's very helpful. Thank you for the color. And sticking with AG, with the commentary, what are you hearing or what are the OEMs telling you about 2027 at this point?

**Paul Reitz:** Yes, it's tough. I mean, it's still a little bit early, especially when you throw in the Iranian situation and just the spike in energy prices and costs around the world. And so a little early to kind of get those feelings for '27. We have seen -- one of our major customers did put a little uptick in for the remaining forecast for the rest of '26. But really, if they did start giving us forecast for '27, I'm not sure we would take a lot of action and spend a lot of time focused on it just yet.

As we get past Q2 into the second half of the year, that's when we'll start having those serious conversations with our OEM customers about where '27 is going. But right now, the global disruption just makes '27 pretty hard to talk about.

**Linda Umwali:** No, that makes sense. And then switching to a different topic. Have the Section 232 tariff changes that took effect in early April made any impact on your pricing and orders for 2026?

**Paul Reitz:** It will have an impact. It certainly will. It's kind of a balance between good and bad. And we've spent some time really over the last week understanding that. So depending on which part of our business we're looking at, there may be some cost increases, but other parts of our business will see some benefits as the imported products will face some cost increases.

So, my overall assessment in working with our team on the 232 changes is that we will get some cost increases that we will be able to support through price increases. And it is smaller than the amount of cost increases that our competitors will face with what's being imported. So, net-net, we should see a positive, again, assuming that our competitors are not just going to eat those 232 cost increases and that they will have to pass most, if not all of that on to the end customer. So, the net-net balance to us would be positive from the 232 changes.

**Linda Umwali:** That makes sense. And then my last question. I understand your rubber is sourced mostly from West Africa and not so much passes through the Strait of Hormuz. But do you have any of your chemicals or any, I don't know, other raw materials sourced or pass through from that region?

**Anthony Eheli:** The short answer is no. There's nothing we do that is directly impacted passing through there.

**Operator:** Your next question comes from Steve Ferazani from Sidoti.

**Steve Ferazani:** Appreciate all the commentary this morning. You certainly addressed some of the main questions I had. Appreciate that. Paul, it's been a couple of years since we've had any company that we cover point to Europe as a strength. So I want to cover a little bit about what specifically because I don't hear that a lot. So that's a nice surprise.

And also in general, your thoughts on EMC, what -- obviously, in your guide, you're assuming EMC remains very healthy. I mean that was your best margin and revenue in that segment, and it looks like 7 quarters. What can hold that up, maintain it versus what are the risks given all the geopolitical concerns?

**Paul Reitz:** Yes. No, it's good. And you're right, Europe doesn't get mentioned often, and I guess that maybe says something about the continent and what's been going on there. But for us, Europe, we -- I'm going to point to really the strength of Titan when I answer this. I mean we play the long game with what we do. We talk about that a lot with how we approach servicing our customers, how we look at this business where we want to have the most diverse product portfolio. I mean having that one-stop shop isn't just about distribution. It's a one-stop shop of having the products available for our customers. And in Europe, we took an ultimate long game started many years ago with different pieces. As I look back a year -- 10 years ago, excuse me, building an integrated supply chain that used low-cost countries. The problem with Europe is obviously the cost structure there is high. It's why the continent is not talked about in a positive way often. We built an integrated supply chain that started with a joint venture partner in China that has performed tremendous.

So we're able to service a number of needs with finished goods in markets. But a big part of that is we're able to service our own plants in Europe with components that keep our cost structure better than the competition. We also have a low-cost plant in Turkey that's fantastic that we've continued to invest in. And we're able to take components from Turkey while servicing and being by far the dominant provider to the Turkish AG market, which is, I still believe the fifth largest AG market in the world. We have a dominant market share there where we have run a competitor out of business in Turkey. We're also, again, able to supply components from Turkey into our European Wheel business.

And so with all that being said, it's really starting to pay off. I mean our structure is better than anybody else's. Wheels are critically important. They're highly engineered products that require massive investments into, not just plants and equipment, but in the tooling to service that. And we've really put the squeeze on our competitors there, and we're starting to win a lot of business. And I think as the chaos goes on in the world, that's where these decisions that Titan has made over the long term could really pay off. And Europe is really good example of that. So that's why today, I've been highlighting Europe. It's become an important part of our message for this year. We've been -- like I said, we've been talking about how we run the business for a long time. And I just want to highlight that as a strength of us as it's starting to pay off. It is in some of our Q1 numbers. It will continue to be in more of our numbers throughout the course of the year.

So then answering your question kind of EMC overall, Steve, I mean, it is clearly an area of strength just globally. Some of that maybe gets distorted on energy, AI center build, et cetera. But for us, it's been -- it performed well. And I think typical to what we say about Titan is the diversity of where and what we serve with our products. So, we picked up some strength in the U.S. We're doing good in Australia. We're continuing to see the aftermarket hold up as we reference quite frequently.

I think the part that we kind of caution some of our comments with EMC, Steve, is just around the -- primarily the German OEMs. They're facing some pretty intense competition. I do think over time, Europe has got to wake up and put some regulations in place that I know they're doing some local content rules with autos, but the large equipment manufacturers there, I think something needed as well. But we've seen our German OEM forecasts have been more volatile this year. And for many years, they were just stable as it could be. So the one spot that we're keeping a close eye on is just what happens with some of the German OEMs that -- so maybe our commentary is a little bit different than what you'll hear from some of the larger OEMs just talking about EMC in general.

**Steve Ferazani:** Got it. Got it. Appreciate all the detail on that. You covered a lot of this, but I just want to make sure I have clarity on it in terms of your 2Q guide versus full year? Because it looks like -- certainly, it sounds like lower than maybe what you were margin-wise 2Q, a little bit lower than probably where you were internally, certainly lower than us. But it sounds like you're addressing this as -- I remember post-COVID, the inflationary period where you had to rechange some of your agreements with the larger OEMs where you would get the catch up on the inflationary pressures, but there's a lag to that. Is that what you're sort of pointing to in terms of 2Q versus the rest of the year where the

margins will be particularly pressured because of inflation in 2Q and then you catch up in the second half of the year? Is that what I was hearing?

**Anthony Eheli:** Yes, it's timing in the sense that when the costs take effect, like the pricing change is based on structured contracts that have specific times, quarterly, some semiannually. So it's not -- it doesn't happen at the same time. We already have it in the contracts. What's different this time is then we have to go renegotiate. Now it's already there. We're not renegotiating anything. It's going to come through. So for the rest of the year, we don't expect to see much of an impact because we would have had that price come through outside of Q2. Now at some point, we will actually get a benefit because of the hit we are taking in Q2 now. So that's why we called out Q2 because it's just timing.

**Steve Ferazani:** Okay. So this is really -- a lot of this is thanks to a lot of those agreements you worked on 3, 4 years ago, you were ahead of this?

**Anthony Eheli:** Yes.

**Steve Ferazani:** Got it. That's very helpful. And then in terms, Paul, of your guide, so you are indicating you do expect to see that recovery on AG to at least some degree in 4Q ahead of what we hope is a better recovery in '27. What do you need to see over the next 3 to 4 months that would give you more or less confidence that, that could be coming?

**Paul Reitz:** I think it's a common answer is just some stability in the world. Farmer income, that gets beat up all the time. I mean, clearly, that -- it's getting enough government support that I'm not concerned about farmer income, but clearly, some stability. And I think it kind of comes down to psychology and sentiment really. It's -- I think farmers are wanting to purchase. They've got equipment that's aging. Inventories at most levels look okay. It's just getting that psychology and that sentiment to kick into gear and say, yes, now it's a good time to buy. It's just that confidence. And so I'm of the belief that the world is going to get more stable versus more complex, even though some days that's hard to see that, but I think we're on a path where that could happen.

So we believe that there is some uptick coming later in the year. Also, we are getting some wins kind of scattered across different parts of our business. That's also implied in the guidance. It's tough to see when you're in a flattish type environment. There are some good things going on and some good projects that we're winning. We're not really spending a lot of time highlighting a ton of that. I talked about Europe, but there's some one-offs that have been going in our favor as well. So that's built into the guidance as well. So, I think it's 2 things that are realistic and attainable. We're not shooting for the stars when we say that. And I do believe, again, AG has got to kick into somewhat of a more positive gear. And like we said in our comments, Steve, it doesn't have to be shooting to the moon. It just needs to get a little positive sentiment. I think it will -- that recovery will happen in '27.

**Operator:** Your next question comes from Joe Gomes with NOBLE Capital.

**Joseph Gomes:** So first, just kind of technically, any more restructuring or impairment charges you're going to be taking in the second quarter?

**Anthony Eheli:** Yes. Not impairments, just restructuring expenses related to moving, relocation costs and all that. Like I said in my script, it's a total cash cost of \$7 million. We've taken a piece of that this quarter in Q1. We'll take the remaining to the rest of the year. But there's no other noncash impairment happening.

**Joseph Gomes:** Okay. And then the R&D expenditure is a little bit higher than I think the consensus view year-over-year. Paul, maybe you can just give us a little idea of what you guys are looking, investing in on the R&D side these days? What can be looking forward to coming out here from the labs, so to speak?

**Paul Reitz:** Yes. It's a good question. And we actually were just talking about it yesterday. Looking back on the quarter, all the announcements that we put out on products. And for us, we see a lot of excitement where we can use the Goodyear brand in our consumer segment. We have a tire coming out or it is out. Just saw it in our plant actually on Tuesday, where you can use it in the consumer segment and run it with no air at all. So, it's not even just a run flat. We have to put an air to start with. So, it can compete against some of those higher-priced products in that segment that have a tendency to degrade over time, whereas we believe ours are going to hold up. And so, by putting that Goodyear brand on there, feel like we can get the attention of the marketplace really quick. So, we've seen a lot of excitement in our consumer division on product development.

Just like I was referencing being with that team on Tuesday at our plant, I think the words they said were we have introduced and will be introducing more products in the next year or if you take last year and this year than they did in the 10 years prior to Titan owning that consumer segment. So, it's great to see the excitement that we're having. And a lot of that is just our team has got products and well positioned in the marketplace already. So, I don't want to make it seem like we're reinventing the wheel. But we are making that wheel and that tire better, and that's what we're good at. And so the Goodyear brand is a nice way to do that.

Along with that, we're always looking for other ways to continue to invest and improve our product portfolio. We -- at Titan, Dave, Tony and I have always said, when it comes to product development, we will support that investment and we do. So that's the engine of our company. So I'm just overall, really excited about what our teams are doing and what they're coming out with. But I think that's one product I would highlight is just what we can do with the Goodyear brand on the consumer division.

**Joseph Gomes:** Okay. And then one more, if I may. I mean there's some reports out there about a broadening recovery in mining/construction equipment demand, channel destocking has run its course there. It sounds like Europe in your EMC division is doing well. Just wanted to double check with you.

You're hearing and seeing the same things as we're seeing in the broader reports out there on the construction and mining markets?

**Paul Reitz:** Yes. I would say so. I mean our business does move in a few different directions than what the global OEMs report. So, there's not just an easy comp where you can say, okay, this is how Titan's business is going to perform. We -- at Titan, where our success comes from is just having that diversity of our geographical footprint and our product portfolio. So, we do some things that are different. We have a foundry that can get us into the aftermarket in pretty unique ways so we can as aftermarket remains a more stable place than OEMs over the long run, we can service that.

For OEMs, we are seeing good orders. I think there's a lot of support out there in the infrastructure side, government investment, data centers, et cetera. So, I think on a global basis, we're able to ride that as well.

As I mentioned earlier, probably the only thing that we're watching a little bit closely is just kind of where things go in Germany. It's a big customer base of ours with our strong European manufacturing footprint we have there. So, we're watching that closely. But, Joe, I would just characterize it, I mean, we try to be as diversified as we can in everything we do and touch as many different corners as we can. So sometimes a little bit tough to just catch an OEM report and say, okay, well, that belly weather is just let's go match it up to what Titan does. And so, we want to be able to be successful over the long run. And I think there's some good short-term trends in EMC. We've seen in our numbers. And for the year, we got a good outlook of that continuing.

**Operator:** Your next question comes from Kirk Ludtke with Imperial Capital.

**Kirk Ludtke:** I was just curious if maybe -- we've talked about U.S. farm incomes a bit. And I know that's an important metric for your business. Have you been hearing anything about additional farm subsidies to help U.S. farmers offset the impact of the conflict?

**Paul Reitz:** I had a chance to hear Secretary Bessent speak to a small group 2 weeks ago. Look, when you hear him talk on TV, he always mentions the farmer, and he's good at that with his background with the South Dakota farms that he had in his family. I believe he's divested them now, but he understands the economics of farming very well. And the comments I heard from him 2 weeks ago, again, small group wasn't public. He does continue to bring up the importance of farmers to our society, our economy and the struggles they have been having. And so, I point that as a leading indicator. It's hard to take that and run to the bank with it. But I do believe he's one of the most powerful people in our administration. He's an incredible guy. He's doing an incredible job. And when he says something, I think it's important. So, I put a lot of my weight in that, Kirk, with some of the comments I made today that he just continues to reinforce the importance of making sure the farmer is taken care of. And so, it's kind of hard to tell the impact of the farmers right now, where is oil going to go? It just continues to gyrate. I think as we noted and you know, I mean, the fertilizer costs are fairly locked in for the first part of the year as they've got to continue to make more expenditures, do they need more support? Are they going to need less?

It's really tough to tell right now. But I think just look at the overall broad support that Secretary Bessent has continued to say will be there is the strength of confidence that, again, I rely on, and I put a lot of faith in that.

For us, I mean, we are -- as Tony mentioned in his comments, we've seen an increase in LSW sales. We got to continue to market that. One of the things David was working on when he was transitioning from CFO to CTO that we're continuing to work on is how we can ensure we're getting LSWs into as many hands as we possibly can? Do we need to look at how we finance them to get in the market, rent to own, whatever it may be? But these LSWs do save on fuel. It's been proven. It's not our studies, it's theirs. And as fuel costs do go up, it does give us an advantage to sell more LSWs.

And one comment I'm going to make, I'm sorry, I got a lot of thoughts in my head. I'm going to say one more thing. When we keep talking about AG, the one thing that I think has been overlooked is when the last time we've had a weather disruption for AG. One of the things that drove the farmer income and commodity prices over a long period of time is that, there was weather disruption somewhere in the world every few years. We haven't really seen anything for -- you can tell me, it's been -- seems like it's been 6, 7 years. I think at some point, something happens. And when that does, that can change commodity prices really fast. It's like with everything when you extrapolate what you see today too long into the future and then something changes and you have to change your models. I think we're looking at models that are just assuming there will never be weather disruptions again. And I just don't know if that's going to be the case.

**Kirk Ludtke:** Got it. And then with respect to Brazil, you mentioned the politics are messy. I believe that election you're referring to is in October. So is there anything -- and politicians say a lot of things, it's hard to know what actually happens once they're elected. But is there anything in that election that you think might fundamentally change the outlook for your Brazilian business?

**Paul Reitz:** Yes, that's the hard part. We don't know. So, if you look at Brazil, things happen there and they don't blink an eye, whereas if things happen here in the U.S. or Europe, it would be like an asteroid just hit the planet, and we're all going to turn to vapor. I mean it's incredible how resilient the Brazilians are. And I mean that in the highest regard.

And what they've seen is a market that was running really fast, all of a sudden because of the elections and their political elections, you think ours are volatile. Theirs are at a different level. And they could sway the economy in ways that maybe we're not as used to in the U.S. And so just in talking with our team, in fact, we'll be making a trip there in just about 3 weeks. But just in talking with our team, it's moving and gyrating quite rapidly. They don't quite know what it's going to mean. But for right now, it's created uncertainty and uncertainty creates pullback in orders. And so, we're seeing the OEMs take some weeks out of their schedule in their recent forecast. Does that continue the rest of the year all the way into October, it's really tough to tell. But things in Brazil change fast.

And so, what we do, Kirk, with our team in Brazil, what I think it is one of our strengths. I mean they've been together with us for a decade plus. They're incredibly good at managing this. The way we can shift our cost structure, the way we can adjust volumes and what our team does to handle this volatility is -- I say it many times, but I think our results prove it. I mean the strength of our team is our competitive advantage. And so, these things that go on that maybe we talk about in the U.S. are just crazy. They're used to the craziness, and they do a good -- really good job responding effectively and quickly.

So again, I'll be down there in a few weeks, maybe pick up a little more as to what we see for the back half of the year. But just in working with them through the first quarter, just had a call with them last week. It's just tough to predict the back half of the year right now, just sort of dealing with what we got in front of us today, and it's become volatile and the election has been the primary driver of that.

**Kirk Ludtke:** Got it. I appreciate it. AG exports are critical to their economy. That's not going to change. I think that would be... Is that fair to say?

**Paul Reitz:** Yes, exactly. You bet.

**Operator:** This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Reitz for any closing remarks.

**Paul Reitz:** Well, thank you. I appreciate everybody's attention. Of course, I really appreciate what the Titan team did this first quarter. I look forward to talking to everybody again next quarter. Have a great rest of your week. Thank you.

**Operator:** Thank you for attending today's presentation. The conference call has now concluded.