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MSA.N - Q2 2021 MSA Safety Inc Earnings Call

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Co. reported 2Q21 revenue of $341m.

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PRESENTATION

Operator

Good day, and welcome to the MSA Second Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note that this event is being recorded. I would now like to turn the conference over to Elyse Lorenzato. Please go ahead.

Elyse Lorenzato - *MSA Safety Incorporated - Director of IR*

Thank you, Cole. Good morning, everyone, and welcome to MSA's Second Quarter Earnings Conference Call for 2021. Joining me on the call today are Nish Vartanian, Chairman, President and CEO; and Ken Krause, Senior Vice President, CFO and Treasurer.

Before we begin, I'd like to remind everyone that the matters discussed on this call, excluding historical information, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, all projections and anticipated levels of future performance. Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed here. These risks, uncertainties and other factors are detailed in our Form 10-K filings with the SEC. MSA undertakes no duty to publicly update any forward-looking statements made on this call, except as required by law.

We've included certain non-GAAP financial measures as part of our discussion this morning, and the non-GAAP reconciliations as well as our earnings press release are available on our Investor Relations website at investors.msasafety.com.

With that, I'll turn the call over to our Chairman, President and CEO, Nish Vartanian.

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Thanks, Elyse, and good morning, everyone. As you've seen, we've accomplished a lot in the second quarter. Most importantly, we closed the acquisition of Bacharach on July 1, which I'll discuss after a brief overview of the quarter. We had a pretty good quarter. Our revenue returned to growth, up 5% from a year ago. Core product revenue was up 12%. Margins are on track as we effectively managed through inflation we see in our supply chain. I mentioned on the April call that we were optimistic that the worst was behind us from a demand perspective. I'm glad to reiterate that sentiment today. Not only did revenue come in a bit higher than our expectations, our order book continued to strengthen throughout the quarter and drove significant increase in backlog.

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Our fire service business remains strong, and we're seeing improved demand for gas detection and industrial products. Overall, our U.S. business continues to lead the recovery. Europe is starting to recover as the vaccine situation improves. Like everyone, we continue to manage through supply chain issues, which is a dynamic situation that requires daily attention. Our most challenging areas are electronic components used in our SCBA and gas detection products. Our level of revenue indicates we've done a good job of managing through these issues. Still, we did have pockets of production starts and stops and extended lead times that contributed to our backlog bill.

But even with those challenges, I remain very confident in our ability to enhance our market positions as business conditions improve. Ken will provide more color on the quarter. I'd like to now provide more insight into 3 areas that support my confidence in the long-term future of MSA as the leader in advanced safety technology. First, we continue to launch safety technologies that solve our customers' toughest safety challenges, and I'll talk about those in a moment. Second, our continuous improvement culture is driving efficiencies for our organization. The strong execution of our international margin expansion road map is 1 example. And third, we're using our balance sheet to make strategic acquisitions and investments that strengthen our leadership positions in key markets.

We recently closed the acquisition of Bacharach and the integration of our 2 organizations is off to a strong start. Starting with the first area, our innovation engine and R&D pipeline. We're bringing innovation to the fire service market in the form of connected technologies. We officially launched LUNAR this spring, and our Q2 results include about $1 million of revenue related to product sales. LUNAR, for those of you who haven't seen or read about it, is a handheld device that uses cloud technology to deliver fire scene management capabilities for incident commanders. The feedback we're getting from early adopters provides encouragement that we've hit the mark with this new technology.

We're also using our strong balance sheet to invest in other forward-thinking organizations who share similar mission to protect firefighters. And as you may have seen in our press release earlier this month, we established a joint development agreement with a Swiss autonomous drone technology company called Fotokite. We established this partnership to improve firefighter safety and enhance their capabilities when it comes to fire scene situational awareness and decision making. Fotokite is the brand name for a tethered drone system that gives incident commanders a bird's eye perspective of a fire scene without requiring a pilot. This collaboration is an exciting venture for us because it represents a new avenue to advance the MSA mission through revolutionary technology for firefighters.

The second area I want to highlight is our culture of continuous improvement and our margin expansion progress in the international business segment. Our entire international team continues to execute a playbook focused on 3 areas: Driving growth in select markets, optimizing our channels approach and delivering operational efficiencies. We've been executing this playbook for 3 years now, and it's encouraging to see the margin improvement as revenue starts to recover from the pandemic.

In the second quarter, the International segment operating margin rose 70 basis points to 16.5%. And looking back to Q2 of 2019, segment margin is up more than 350 basis points. With the pipeline of programs we have in place, we remain confident in our ability to continue driving margin expansion in international. The third area I want to highlight is how we use our balance sheet to make acquisitions that strengthen our leadership position in key markets. On July 1, we closed the acquisition of Bacharach. Bacharach is a leader in gas detection technologies, which is used in the HVAC refrigeration markets. With annual revenue of about $70 million, it's headquartered here in Pittsburgh, not far from our gas detection center of excellence, where we've recently made significant investments. Bacharach aligns well with our product and manufacturing expertise. Moreover, it provides a strong brand and access to attractive end markets that build further diversification in our gas detection business.

From an integration perspective, we'll be focused broadly on growing the business and reducing complexity. I'm very confident in our team's ability to capture value from the acquisition while strengthening the brands at both Bacharach and MSA. From a balance sheet perspective, our leverage remains healthy. If we add Bacharach into our quarter end net leverage, the pro forma would be about 1.7x net. So we're well positioned to continue investing in our business.

One additional topic I'd like to mention is our approach to ESG. Social responsibility is not new to MSA. For 107 years, we've been dedicated to helping protect the world's workers. So we help our customers achieve their own ESG goals by enhancing workplace safety. But we also focus internally on ESG objectives that help us to build greater resiliency and adaptability into our overall business model to safeguard the value that we've created. It's become clear to me that our investments in worker safety, talent, environmental sustainability, supply chain resiliency and various

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risk mitigation programs all help to create a better business model. And I believe that companies who do these things effectively will be the ones to prosper and be fit for the future.

We're prioritizing areas specific to our strategy. For example, we know that attracting and retaining a quality workforce through broad talent pipelines is not just the top business challenge for any organization today, but particularly for manufacturing companies. For that reason, we invest a lot of time and resources into talent development and retention. And for the first time, MSA was recently recognized by Forbes as one of the best employers for diversity in 2021. This recognition was based on a survey of more than 50,000 employees around the country. We were also ranked #16 on the Forbes Best Midsize Employers list, and we were #1 for engineering and manufacturing industry category. So it's encouraging to see further recognition of our efforts to create a top workplace.

So to summarize, there are 3 areas that give me confidence in MSA's future. Our innovation engine is very strong, and it continues to power new and exciting developments in safety technology. Our continuous improvement culture across all areas of our business is yielding strong results, especially in the International segment, and we're effectively using our balance sheet to grow and strengthen our business.

With that, I'll turn the call over to Ken to take you through more detail on our financial results. Ken?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Thanks, Nish, and good morning, everyone. I'll start the discussion with financial highlights centered on revenue, profitability and cash flow. We returned to revenue growth in the second quarter with total sales up 5% in constant currency. I'm pleased that our Q2 order pace tracked well above 2020 and increased high single digits from 2019. Both fire service and industrial-related products are contributing to the stronger order book. That momentum provides confidence around demand for our products as we look at the coming quarters.

Second, our operating margin of 17.2% showed a nice sequential uptick from Q1 despite $4 million of higher stock compensation expense related to our recently announced acquisition and its expected revenue and profitability contributions over the coming years, the expenses, noncash and negatively impacted operating margin by approximately 130 basis points in the quarter. And third, our cash flow performance was healthy. Receivable performance was excellent on the increase in revenue, and our inventory levels position us to deliver a stronger second half compared to the first half. We completed the Bacharach acquisition earlier this month for $337 million with an after-tax cost of debt of less than 2%. And as Nish had indicated, our balance sheet is strong, and we are positioned very well to invest in our business.

Now let's take a closer look at the financial results in the second quarter. I'll start with a focus on revenue. Quarterly revenue was up 9%, reaching $341 million. Revenue was up 5% on a constant currency basis. While we saw about a 2.5% benefit associated with the addition of Bristol, our APR business presented a 5% headwind on a year-over-year basis. In constant currency, revenue in the Americas was up 6%, while international revenues were up 3%. The international performance reflects a lag in vaccine deployment and economic recovery, which is tracking a few months behind the U.S.

Core product revenue was up 12% on growth across fire service and industrial PPE, partially offsetting a lower FGFD business. The strong core recovery was partially offset by a difficult comparison in air purifying respirators. Looking at industrial PPE, it's great to see the strong growth rates in these areas, upwards of 20% or 30% compared to 2020. It was also good to see head protection sales back at 2019 levels in the second quarter.

Touching on fire service, backlog remains very healthy, and we're excited about the recent product launches for LUNAR and connected firefighter. The mission-critical nature of our products and our strategic investments provide a healthy outlook for the global fire service business. I should note that the SCBA revenues came in ahead of 2019 levels. Our FGFD business declined 4% compared to last year on challenging comps in the Middle East. However, we continue to see incoming business strengthen through the second quarter. In June, we booked one of the largest FGFD orders in our history. Our FGFD backlog is back to pre-pandemic levels heading into the second half.

For MSA overall, quarterly incoming orders surpassed 2019 levels. At the same time, supply chain constraints with electronic components are presenting challenges to our ability to deliver in certain areas. This has resulted in backlog increasing 15% from the end of Q1, particularly in gas

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detection products. While it's difficult to predict how long the supply chain challenges will last, we expect the constraints around electronic components will persist into the second half.

Turning to profitability. Gross profit was relatively consistent compared to last year. Pricing and stronger throughput in our factories offset higher material costs. Despite a number of headwinds in margins associated with input costs, gross margins were roughly in line with prior year levels. We have implemented an off-cycle price increase to respond to the inflation that we are seeing in the U.S. across electronic components, resins and other inputs. We will continue to evaluate additional pricing opportunities through the second half as we navigate these inflationary pressures. SG&A expenses was -- were $83 million or 24.4% of sales and was up $12 million from a year ago in constant currency.

As I had indicated on the April call, we expected a difficult SG&A comp in the second quarter because of the variable comp resets at the onset of the pandemic. This trend played out as expected and impacted the quarterly comparison in SG&A by about $3 million. Quarterly SG&A also includes about $8 million of costs related to Bacharach and Bristol acquisitions, including the stock compensation of about $4 million adjustment that I spoke about previously, bacharach transaction costs of about $2 million and the remainder being the Bristol base SG&A. Our cost savings from restructuring programs effectively offset discretionary costs coming back into the business. We continue to control the controllables and bring costs back into the business at a slower pace than revenue improvements.

We expect SG&A to approximate 23.5% of sales for the second half of 2021. We invested $7 million in restructuring programs in the quarter, primarily in our International segment as we continue to execute on our margin expansion road map. Our restructuring actions have produced excellent results to date and position us well for the economic recovery. Together with the programs we had discussed in 2020, we continue to expect to deliver approximately $15 million of savings across the income statement in 2021 and annual savings of $25 million thereafter. Our quarterly adjusted operating margin was down 150 basis points from a year ago. The decline reflects the impact of the [Bacharach] (corrected by company after the call) noncash stock compensation adjustment I mentioned earlier, which is booked in our corporate segment.

Looking at our segment performance. International margins were up 70 basis points to 16.5% of sales. Our cost reductions and pricing programs remain very much on track. It's great to see the return to margin expansion for the segment as the volume starts to improve. America margins were down 140 basis points to 22.6% of sales. Variable compensation resets associated with the improved revenue performance drove 140 basis point decline in the quarter. And we continue to navigate the inflationary pressures and are assessing additional levers that will help mitigate these pressures in future quarters.

Our quarterly tax rate was 27.8% on a GAAP basis or 27.4% on an adjusted basis. There were 2 discrete items that drove the quarterly rate up. First, the statutory tax rate increase in the U.K. from 19% to 25% drove a one-time adjustment to our deferred taxes. Second, we incurred higher nondeductible expenses associated with the acquisition of Bacharach. From a cash flow and capital allocation perspective, quarterly free cash flow conversion was more than 100% of net income. While overall working capital performance was strong on improvements in receivables, we did build some inventory in the quarter, which aligns with our backlog build as well as managing supply chain risks.

Our strong balance sheet positions us well to gain share as the market rebounds. We continue to execute on a balanced capital allocation strategy. In the second quarter, we paid down $25 million of debt, funded $17 million of dividends to shareholders and invested $11 million in CapEx programs. Since we completed the Bacharach acquisition on July 1, its impact is not yet reflected on our balance sheet.

On a pro forma basis, following the acquisition, net debt-to-EBITDA would be 1.7x compared to 0.6x at June 30. We continue to expect Bacharach to provide $0.10 to $0.15 of adjusted earnings per share in the second half of 2021. In line with our existing methodology, adjusted earnings will exclude purchase accounting amortization. In connection with the acquisition, we funded $200 million of 15-year senior notes with a fixed interest rate of 2.69%. The remainder of the transaction was funded with our revolving credit facility, which we amended and extended in May to provide greater borrowing capacity and flexibility.

We also included a sustainability-linked pricing structure on our revolver. Our borrowing cost flexes up or down based on our performance on certain ESG metrics. With the pro forma debt for Bacharach, we'd expect interest expense to be in the range of $3.5 million to $4 million in Q3 and Q4 of this year. We also completed a buyout of our minority partner in our China business for about $19 million in July. China is a key market for us, and it's an important part of our growth strategy moving forward. China has consistently been accretive to MSA's growth over time. As a result,

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we continue to invest in this business, and this buyout represents a key strategic milestone for us. We funded the investment with local cash balances. And as part of this deal, we expect to repatriate between $10 million to $15 million of cash back to the U.S. in the third quarter. The transaction provides full ownership of our business in a highly strategic market as well as helping us optimize foreign cash balances.

Before we move on, let's touch on the adjustment to the product liability reserve, which drove $12 million of expense in the quarter. We increased our product liability reserve as a result of an increase in the number of asserted cumulative trauma claims pending against our subsidiary, MSA LLC. We continue to monitor development and filing rates. We plan to conduct our annual review process later this year, where we will evaluate many factors, including the potential developments in filing trends. As we look ahead, we're operating in a very dynamic environment. While the strong rebound in order pace in the second quarter and elevated backlog provide a sense of optimism heading into the second half, the supply chain challenges we are facing are having an impact. From where we operate today, the supply chain constraints are the largest variable for us. Raw material availability as well as the cost of those inputs can be difficult to predict. We're closely monitoring the situation, and we're laser-focused on executing initiatives to mitigate the impact of this on our business, both on the top line and our margin profile.

Our market positions have never been stronger, and we continue to invest in growth programs and acquisitions that support our position as the safety technology leader. We've taken a number of steps through this recession to position ourselves for strong performance upon the recovery. The Bristol and Bacharach acquisitions, significant cost takeout programs, mid-year pricing actions and expanding our borrowing capacity at historically low rates are just a few examples. I remain very confident that these actions will benefit our shareholders and stakeholders as conditions continue to improve.

With that, I'll turn the call back over to Nish for some concluding commentary. Nish?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Thank you, Ken. The return to revenue growth and improving order book positions us well for the future in the second half of 2021. My level of optimism about demand is higher today and has been since the onset of the pandemic. In the coming months, we'll remain focused on acquisition integration, evaluating additional pricing opportunities, navigating supply chain constraints, and improving our leadership positions across core markets and geographies.

At this time, Ken and I will be glad to take any questions you may have. Please remember, MSA does not give guidance. Having said that, we'll now open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question today will come from Stanley Elliott with Stifel.

Stanley Stoker Elliott - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP & Analyst*

Congratulations on the nice quarter. Nish, earlier you talked about Bacharach and being able to focus on growth and reducing the complexity. How long does that take to happen? They had such a nice product mix kind of going in. Just curious kind of what expectations should be from a ramp standpoint?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Stanley, thanks for the question and your participation here today. Yes, the Bacharach opportunity is really interesting for us. They align really well from manufacturing perspective and manufacturing technologies and R&D perspective and, of course, some markets. We sell approximately $10

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million of products into that HVAC-R market. And so we see some nice opportunity to cross-sell some products in some of our channels of distribution and some of our products through their channel. So there's some nice opportunity as we go forward to grow that business. And really, that's a key focus area for us to grow that business.

And along the way, obviously, there is some opportunities to drive some efficiencies and simplify the business model between the 2 organizations, and we'll be focused on that. That will take some time to work through. As you know, we are moving the General Monitors Lake Forest facility here into Cranberry. We've completed that expansion and are executing that and very close to getting that up and running and have also added to the General Monitors facility in Ireland. So we've got our plate full with some of the things that we've done from a manufacturing perspective. But we're really going to be focused on this from a sales and marketing standpoint as we go forward.

Stanley Stoker Elliott - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP & Analyst*

Perfect. And then I apologize, I had to hop off. I've got juggling multiple calls. But in terms of the margins in the U.S., a little bit of headwind. Did you all call out kind of what the raw material impact was given that some of the shorter cycle, higher-margin products were so strong in the quarter?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

We did not call that out specifically, Stanley, it's Ken. What we did call out was the fact that we saw about a 140 basis point decline associated with less leverage in SG&A, notably, in discretionary comp adjustments that we had, variable comp adjustments that we had in the quarter. It's a really good question. It's a very dynamic environment when it comes to pricing and cost. And I think the second quarter, we were pretty successful at managing the gross margin. But as we go forward, there's certainly a lot of risks on the horizons. And what we're seeing is orders that are in the backlog, which may have some pricing at rates that are not necessarily matched with the cost that we're seeing products come in, in the inventory side. So we're certainly managing through that. We've done a good job thus far. We've implemented off-cycle price increases, and we're looking at further price increases as we move forward.

Stanley Stoker Elliott - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP & Analyst*

Perfect. And lastly, if you do decide kind of on additional pricing since you've been very good at pricing on kind of a value-based approach, how quickly could that addition or last round of pricing start to flow through into the results?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Stanley, it typically takes us 60 to 90 days to start to see that pricing come through. So we're analyzing some different avenues we can take as we get into the third quarter, fourth quarter. We typically have a price adjustment in January. So we have a number of options that we're looking at that we pull that forward, so to speak, into 2021 and not have that price increase in January or do we do something here in the third quarter and then again in January. So we're analyzing that.

One thing that we take great confidence in is the fact that we do a nice job of maintaining a good margin profile of this business. And whether we lag a quarter or 2 when it comes to the inflationary situation that we have today, we'll catch up with that. And we'll get our margins to the appropriate level that we expect as we go forward because we think we've earned the right to do that with our market position and the value we bring to our customer base.

Operator

Our next question will come from Rob Mason with Baird.

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Robert W. Mason - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Maybe, Ken, first, nice job on the quarter. The revenue came in a little bit better it seemed than maybe what you were thinking earlier in the month, and I was just curious maybe what drove that? Was it just the mix of business that played out in your ability to fulfill that? Or did orders strengthen later in the quarter? What accounted for the upside, if you will?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Thanks for the question, Rob. And congratulations on your promotion as well. The quarter finished very strongly. When we had our webcast in the first half of June, we were seeing and we continue to see supply chain challenges. But as I had said in my prepared comments, it's a very dynamic environment. And so what we were able to do is be able to secure a source of supplies and materials in the second half of June that helped us meet some demand levels that we were seeing. So it was really -- it's a very dynamic environment. We were able to secure some additional inventories and materials that helped us meet some customer demand that we were seeing. But that was primarily the driver of that was the second half of June, we just had a really strong finish.

Robert W. Mason - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I see. And just to clarify the commentary around pricing and your price strategy, you mentioned an off-cycle price increase and perhaps evaluating something in the second half. So just to be clear, you have implemented off-cycle price increase to start the third quarter. Is that correct?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

We had earlier, Rob. We implemented a price increase during the second quarter, and we expect that to come in and see some impact on from that through the second half of the year. And now we're looking at another price increase, and the timing of that, we still haven't buttoned that up. We're really analyzing what we're seeing from an inflation standpoint, and we'll continue to make those adjustments as we go forward. We've been successful with our price increases in the past, as you know, with what we had with some of the tariffs and the challenges we had back during the Trump administration. We did a nice job of implementing price increases kind of mid-cycle there to offset that. And we're confident we'll be able to do the same here to offset inflation we see in the supply chain.

Robert W. Mason - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I see, I see. Just last question. Going back to Bacharach and may be the simplification efforts or synergies, if you want to call it that, I'm curious what is built into the expectation for the $0.25 to $0.35 contribution next year around those efforts?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Why don't you go ahead?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Sure. As we have historically done, Rob, we certainly have built some synergies into it, both on the top and on the cost -- top line as well as on the cost side. With that, this business is a very profitable business on a stand-alone basis. And we're taking a very pragmatic approach with the business to ensure that we don't lose any key talent. Talent is always a big part of our acquisition strategy. And so when we look at this business, it's no different than any of our other businesses. And so we're taking a pragmatic approach and stepped approach as we think about some of those cost synergies that we think are out there but also just being sure that we're walking that fine line and keeping the business intact because it's a very -- on a stand-alone basis, it's a very profitable and a very attractive business.

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Robert W. Mason - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Right. Right. As I recall, its international footprint, it seems to offer some opportunity for you as well. How quickly could that start to play out and contribute if you leverage your footprint?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Yes, it definitely could contribute. Its business today is comprised of approximately 75% in the U.S. and 25% abroad. We obviously have a larger footprint than they do abroad. And we think there's an opportunity to leverage that business as we think about some of our key geographies across the world. So it's certainly -- it's on the plan and certainly something that we're discussing internally and we're starting to approach some of our channels about as well.

Operator

And our next question will come from Brendan Popson with CJS Securities.

Brendan J. Popson - *CJS Securities, Inc. - Analyst*

I just want to ask on your orders outpacing 2019, but obviously, revenue was about $10 million less. So I was just thinking if you could quantify how much you think the supply chain constraints, how much revenue was the incremental backlog or revenue was pushed off in future quarters is like $15 million, $20 million? Does that make sense? Or can you help me there?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

That's exactly right. That's -- you're right in the ballpark of that. It's in the range of $20 million that we saw with that incremental backlog that was missed out on due to supply chain issues. I think that's a good number to go with.

Brendan J. Popson - *CJS Securities, Inc. - Analyst*

Okay. Great. And then looking at LUNAR, it's great to hear you guys actually give us a number even though it's small now, but obviously, a really strong start, getting $1 million. I just want to ask, is that $1 million, is that all recurring?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

No, it's not recurring revenue. So that's product sales that go into fire departments. Think of it similar to a breathing apparatus today at this point. At this point, we don't have subscription services built around LUNAR. Certainly, that's something that we're exploring, and there is some nice opportunity around that, that we're investigating. And we think for future opportunities, there will be some recurring revenue built around that on subscription service. But those are product sales, and we hope to see that build nicely as we go forward. The uptake there has been really strong.

Brendan J. Popson - *CJS Securities, Inc. - Analyst*

Okay. Makes sense. And then I mean, where is the trajectory for that? Do you have any idea where that could go in coming quarters? Is it hard to tell at this point?

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Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

It's really difficult to put a fine point on that. We see some nice growth opportunity and -- but the uptake of a new technology like LUNAR is really hard to put a fine point on. But we do think that there's nice global application for this product and the market could be a good size one for us.

Operator

Our next question will come from Larry De Maria with William Blair.

Lawrence Tighe De Maria - *William Blair & Company L.L.C., Research Division - Co-Group Head of Global Industrial Infrastructure*

I apologize as well for jumping on late. Can you specifically discuss, if you haven't already, where the book-to-bill is and the timing of the -- how it converts because obviously, it's a bit bigger. And I think you answered the last question in terms of revenue that may have been missed. But when you think about the backlog, you're getting bigger. How much of the backlog getting bigger is or how would we quantify the backlog versus real demand and strength versus supply chain issues? And where would we like to see that backlog? Just incremental color on that would be great.

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Larry, and thanks for the question. What I'll do is I'll answer that and then maybe Ken can add a little more color to it. So our book-to-bill is about 110%. And so the demand was really strong. I was and we all were quite surprised by the snapback in demand and the strength in demand throughout the second quarter. And so obviously, we had some supply chain issues as that continued. And our level of booking was well above 2019 levels. So when you look at those specific product groups and the breakout of the revenue that you can see, the growth of those in the 30% and 40% range, that's significant. So we've seen a real snapback in demand, and it's really indicative of the end markets that we've seen, in the recovery, whether it's utilities, oil and gas, the nonresidential construction market came back in a nice way. So it's broad-based. The demand for fire service products really remain strong. We saw some big orders come in for fire helmets, which was missing in 2020.

So it was nice to see that business start to come back. So it's really broad-based. And we think that the demand will continue. There's -- all systems are go from a demand standpoint. We just need to work through some of these supply chain issues as we go forward. And I think that will balance out. As you look at the markets and the end markets, that should work its way out. From an inflation standpoint, we should be able to offset that with our pricing and price increases and discipline around that and some efficiencies we'll gain in manufacturing. We'll work through some of these supply chain issues over the next few quarters. And I think we're going to land in a really good place as we go forward with this business into '22 and even '23. Ken, do you want to add to that?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Yes. The only thing I would say is the second half is going to be a challenge. It's hard to see the supply chain challenges going away in the next 30, 60 or 90 days. And so we think we're going to continue to face some of this. And as a result, some of the -- at times, from a cost perspective, it can be very volatile. We might be doing broker buys that may not be at standard prices and things like that. So it's definitely a challenging inflationary environment, a challenging supply chain environment. But I definitely would agree with what Nish had indicated. The demand level is very strong. Very, very good to see our customers coming back. It's good to see our products really -- the demand level around our products. We've talked about our market share positions for some time and how they remain strong through the recession, and now we're seeing the growth come through. So it's really a good demand environment to be in.

Lawrence Tighe De Maria - *William Blair & Company L.L.C., Research Division - Co-Group Head of Global Industrial Infrastructure*

Great. And then two, I guess, more or less products oriented questions, and I apologize if you already addressed on this, but any movement or change of direction on respirators given the investment and now obviously, the unfortunate resurgence of COVID. And you mentioned some

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firefighter buying, including obviously LUNAR, but also the hard hats or the safety hats. How do we think about the seasonal buying this year from firefighters because of carriers and government spending, could it be a bit stronger? Are we seeing it yet? Any talks, discussions? Just any color that, that could be above average and your ability to obviously satisfy the demand.

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

Yes, Larry, let me take that and I guess, in parts. I'll address the fire service market opportunities first. From a fire service standpoint, demand looks really, really good for our product. So I think that we're in pretty good shape there. We think the second half will look a lot like what we saw in previous years. Fourth quarter will be strong for us as those AFG funds are in the marketplace and customers are coming in to buy. And so we think the demand side will be really good for fire, for the breathing apparatus. I think fire helmets will continue to be good for us, of course. And the turnout gear is a matter of getting product out the door. We have a nice backlog around turnout gear. The business there remains strong. And so that's just going to be a factor of getting product out the door throughout the second half.

From an APR standpoint, as we talked about, we have some real headwinds there. 2020 was a strong year for air purifying respirators. We saw some really strong demand that tailed off. There are some opportunities around some national stock piling of respirators, I think we will see some orders from that. But I don't think that, that will really move the needle in a significant way. We're not talking about $20 million. We're talking about something in single millions of dollars, probably sub-$5 million range that we'll see here over the second half. And that will come through. And then there may be some opportunities in the future for more of that. So there are some opportunities for national stockpile, and we should see some of that, but that's not going to really move the needle, so to speak. Ken, do you want to add anything?

Kenneth D. Krause - *MSA Safety Incorporated - Senior VP, CFO & Treasurer*

Nothing to add there, Nish, a really good summary.

Lawrence Tighe De Maria - *William Blair & Company L.L.C., Research Division - Co-Group Head of Global Industrial Infrastructure*

Clarification, that was very helpful. As far as the backlog goes, and you talked about potentially more price increases, are you protected on the backlog? Or is there any risk to backlog on price given material costs or just any color on that? Or do you need to reprice anything and have the ability or we just don't even need to?

Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

There is. I had mentioned earlier, maybe you had missed it, you weren't on, but there always is a risk if backlog sits in the pipe too long. We don't see it being a material risk necessarily, but there's always a risk that you have an order that comes in say, April, doesn't ship until October and prices change a bit between those time periods. But again, it does -- I don't see that as an overly material risk because backlog is not an overly significant part of our business. We do have backlog, but a large -- a lot of our business is also book and ship business.

Operator

(Operator Instructions) Our next question will come from Chris McGinnis with Sidoti & Company.

Christopher Paul McGinnis - *Sidoti & Company, LLC - Special Situations Equity Analyst*

I was just wondering with the strength of the orders in fall protection, does that mean that you're taking share in that market? And I guess just as the economies reopen, have you maybe invested more to go out and take more share in that marketplace because I think that was prior to the pandemic initiative of yours?

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Nishan J. Vartanian - *MSA Safety Incorporated - Chairman, President & CEO*

We have seen some, obviously, a nice increase in demand for the fall protection products. And as you mentioned, we had very strong growth pre-pandemic. We had 3 years of double-digit growth. And we did feel we were taking market share during that time period, I think things just kind of retrenched a bit through 2020 where there wasn't a whole lot of market share shift during that time period. It's hard for us to tell at this point whether or not we've taken market share. We're confident that we've invested in some of the right products. We've introduced some new products. We know there's been some good uptake of those products. But it's a little too soon to say that we're taking market share here in 2021. We'll have a better view of that as we get a little deeper into the year. But we're confident with the product line we have. We think we'll continue to do well there. We think that the growth for fall protection product remains strong. It's an area of focus for a number of companies throughout the world to enhance their safety. Falls are still a #1 killer here in the U.S. of construction workers.

And as you see construction snapback, whether it's nonresidential construction or even infrastructure build, falls are going to continue to be an area of focus of construction companies and major utilities in the U.S. and throughout the world. So we think that there's some nice opportunity to continue a good growth curve with fall protection, and we believe we're well positioned with the product.

Operator

And this will conclude our question-and-answer session. I'd like to turn the conference back over to Elyse Lorenzato for any closing remarks.

Elyse Lorenzato - *MSA Safety Incorporated - Director of IR*

On behalf of our entire team here, I want to thank you again for joining us this morning. If you missed a portion of the conference call, an audio replay and transcript will be available on our Investor Relations website for the next 90 days. We look forward to talking with you again soon. Thank you, and have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.

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