

CORPORATE PARTICIPANTS

Lawrence T. De Maria – Executive Director, Investor Relations

Lee McChesney – Senior Vice President and Chief Financial Officer

Greg Martin – Senior Vice President and Chief Product and Technology Officer

Gustavo Lopez – Vice President, Product Strategy and Pricing

CONFERENCE CALL PARTICIPANTS

Ross Sparenblek – Equity Research Analyst, William Blair

PRESENTATION

Ross Sparenblek

Alright. Good afternoon. Thank you for joining us for the presentation of MSA Safety at William Blair's Second Annual Public Safety Technology Conference. I'm Ross Sparenblek, the research analyst here at William Blair, who covers MSA Safety. I'm required to inform you that for a full list of research disclosures, and potential conflicts of interest. Please visit our website@www.williamblair.com.

Joining us today from MSA we have Chief Financial Officer Lee McChesney, Chief Product and Technology Officer, Greg Martin and Vice President of Product Strategy and Pricing, Gustavo Lopez. As a quick background, MSA is a leading provider of gas detection, fall protection and firefighter gear, with an emerging connected worker strategy that we believe will have a meaningful benefit to both connected workers and also the Company's revenue profile in the coming years.

Before we begin, we welcome questions for the audience and encourage you to ask your questions as they arise. To do so, please click the white Q&A icon at the bottom of your screen. If you'd like to send a question anonymously, you can do so by selecting the 'send anonymous' checkbox before submitting. So, with that, I'll hand it over to Lee and his team for a brief presentation before heading to Q&A. Lee, the floor is yours.

Lee McChesney

Thank you, Ross, for the introduction, and thank you to everyone who's joining today. Our team certainly appreciates the opportunity to be here this afternoon and we thank you for your interest in MSA Safety.

So, as Ross mentioned, I am Lee McChesney, and I have the privilege of servicing as the Chief Financial Officer for this wonderful company. I'm joined by Greg Martin, again, who is the Chief Product and Technology Officer and Gustavo Lopez, who's the Vice President of Product Strategy and Pricing. And again, we're delighted to be with you today.

Before we get into the Q&A portion of the discussion, the three of us would like to give you about a 25-to-30-minute introduction into MSA Safety, our mission, and how we are innovating to develop a connected safety ecosystem that provides differentiated value for our customers. I'll begin today's discussion with a high-level overview of MSA Safety.

Now, before we get to the presentation, I'd ask that you be mindful of the safe harbor statements regarding forward looking information and Non-GAAP financial metrics. And I'd also note that this session is being recorded, and a transcript of today's session will be posted, along with the presentation slides, to our investor relations website following the meeting. With that said, let's dive in.

So, first at MSA Safety, our days start and end with the purpose of serving our mission, *"That men and women may work in safety and that they, their families, and their communities may live in health throughout the world."*

This sense of purpose and commitment to our customers has been unwavering since our founding 110 years ago, and continues to motivate our more than 5,000 associates around the world each and every day. We are at the forefront of industrial safety technology as our singular mission of safety drives market leading customer-driven innovation, which is one of the many competitive advantages of our company.

We are proud that our sophisticated safety products and solutions protect over 40 million workers annually across the globe and across our broad range of diverse end markets, demonstrating both a resilient business model and a true positive impact on society.

Now I like to highlight the impressive financial profile of the company. First, net sales on a trailing 12-month basis are about \$1.8 billion. Of that, about 15 percent is recurring in nature. We invest about four and a half percent of our annual sales into R&D, enabling a product vitality ratio of 37 percent. Additionally, we've been very intentional about growing a number of software developers within our product development team, which now account for almost 45 percent of all of our team around the world in the engineering space. This focus on innovation, along with productivity benefits realized through our leveraging of the MSA Business System, enables an attractive margin profile at both the gross and operating margins.

Our balance sheet is strong with a net leverage ratio today of 0.9x, and this, along with the ample liquidity we have, provides us tremendous strategic optionality as we enter the next phase of growth.

We maintain a disciplined approach to capital allocation that has balanced organic and acquisitive growth and provided strong capital returns to our shareholders. As we look forward, enabled by the balance sheet strength and the healthy liquidity I mentioned, there's a nice opportunity to deliver a similar balance between these three priority areas, approximately one third going to innovation and organic growth, a third going towards M&A and then the remaining third going to our shareholders via our long-standing dividend and share purchases to offset dilution.

Our business is highly diversified across regions, products, and markets. Our reporting structure is broken into two business segments – Americas and International. Just over two thirds of our sales are in the America Segment, which covers the U.S., Canada, Latin and South America. Our International Segment makes up the remaining third, covering sales across the rest of the world.

And we operate our business across three main categories of safety – Fire Service (39 percent of overall sales), Detection (36 percent of overall sales) and Industrial PP&E (25 percent of overall sales). Each of which serve their own broad and resilient set of end markets, and are supported by nice, strong secular trends. Let's take a closer look at each of these three.

So first, let's start with Detection, which is solutions that protect the individual worker, we call that portable, as well as facilities and critical infrastructures, which we call fixed. We've built our leading position in this business through organic growth and acquisitions and we view it as the likely leading growth category for MSA moving forward, anticipating mid to high single digit organic growth between now and 2028. Within this category, fixed detection accounts for about two thirds of overall sales and portable detection, which includes our rapidly growing cloud-based subscription program MSA+™, makes up the remaining third. One of our key differentiators in detection is our vertical integration and our ability to make our own sensor. Owning our proprietary sensor technology helps us build products that are faster, last longer, and increase customer productivity. And this is an area where we have an IP differentiation from our competitors.

In Fire Service, we have leading positions across our innovative head to toe firefighter solutions, including our SCBA, helmets and turnout gear. In recent years we've also launched our software platform for the fire service market, called Firegrid™. This is a connected firefighter platform that ties in SCBA data as well as a range of productivity solutions such as asset management and servicing analytics. Gustavo will detail our connected firefighter offering later in the presentation. In this vertical we serve large city and local municipal fire departments alike, and government funding, for example AFG [Assistance for Firefighter Grants], are important. Historically, fire Service funding has received bipartisan support and we fully expect that to continue going forward. The nature of the fire service business is that it's less exposed to economic cyclicalities. And it provides us really nice, reliable growth during periods of economic slowdown. We expect mid-single digit organic growth in fire service between now and 2028.

Then Industrial PP&E, head protection and fall protection are the two key categories comprising the majority of sales. In this product vertical we have a leading position in industrial head protection with our iconic V-Gard™ brand, and we are growing our share in fall protection. Fall protection continues to be the fastest growing segment of the safety market, and

we believe our products really have a nice right to win here. Fall protection will be a key contributor to delivering mid-single digit growth in this category over the next 4 years. Our offerings in fall protection provide both worker solutions, such as harnesses and mechanicals and system level solutions that attach to infrastructure. And we go to market in this category through industrial distributors like Grainger and Fastenal.

Now, in late 2023, we completed a comprehensive review of our strategy to understand our strengths and areas of opportunity. Those results were used to inform our path forward to drive continued profitable growth. This refreshed strategy was unveiled at our investor day earlier this year.

Now first, we remain focused on continuing to be the leader in premium safety solutions for our key product categories and markets. Second, we've defined targeted categories of accelerated growth where we believe we have, and are creating, a competitive advantage which includes continuing to evolve our connected solution offerings across our product portfolio. This will be the focal point for Greg and Gustavo's conversations today.

Next, we continue to lean into deployment and application of the Business System in all that we do across the company. It's our mindset, our toolkit to drive continuous improvement and all that we do.

And finally, we continue to be strong financial stewards of our capital, focusing on allocating capital effectively in ways that drive value for the organization and our shareholders.

And while we drive a strategy forward, all we do remains centered on advancing our mission and meeting the safety needs of our customers.

With that I'll now turn the conversation over to Greg to discuss MSA's connectivity strategy and the benefits of the connected safety platform. Thank you.

Greg Martin

Thank you, Lee. As Lee said, I'm Greg Martin, MSA's Chief Product and Technology Officer. The first thing I'd like to cover is why connectivity and why now? I've been visiting MSA customers for close to 20 years now, and what I can tell you is a lot of these needs have always existed. What you're seeing, what's been going on for the past several years now is that technology is advancing far enough, the change is simple enough, and the value that it's providing is high enough that the customers are starting to reach that tipping point and wanting to change.

One of those reasons are changing workforce demographics. You are getting different generations that are more open to change and that are more comfortable with technology. We're seeing a large workforce transition. So, when you think about some of the benefits that are provided by connectivity, there's ease in compliance, ease in training, an extra set of eyes watching what's going on. There's easier compliance and you're able to really capture data to help build a more proactive program than you've ever had before. So, when you think about a large amount of turnover in some of these industrial industries that are using gas detection, and difficulty in training a new workforce, having that extra layer of protection is very, very helpful.

Next is data availability. This is a big one. MSA has been collecting anonymized data for about a decade now. So, we have a very robust data set, and as we all know, you can't listen to anything in 2024 without hearing about AI. But if you think about AI, or even just basic analytics, you can't do anything unless you have a good data set. So, what we're able to do is start using that data to show customers the value of the connectivity. What they can get out of it and what we're really happy about is you show that to our customers, and they come back to us and say, that's fantastic, can you also do this? Can you also do that? And so, we're working with our customers very closely to continue to build out that future roadmap. And there's no shortage of opportunities in this space.

And then, lastly, around regulations and compliance there continue to be new regulations, whether it be around gas emissions, worker safety or the documentation behind it making sure that you're following all the safety protocols. This just simplifies that program. It assigns accountability of the gas detector to the user. It collects the data, it automates reports, and it just simplifies everything for our customers which they absolutely love.

So, when you look at safety, it is bigger than ever. I can't tell you how many customers I go to, whether it's the sign when you walk on site, or whether you're talking to the CEO, safety really is top of mind. And these are some big numbers on this slide. If you look at it, 80 to 90 percent of serious injuries attributed to human error. And when you really talk to safety professionals, the human error, it's not intentional. It's often not people bypassing things. It becomes so routine. It's what you're doing every day. It's so easy to do something wrong to take your mind off of something. So, having connected devices that can alert you if there is a hazard, but, more importantly, can record when things aren't going right and then a report gets written. And then you can adopt your training to better train your people in your program. Okay, if this happens, do this and you can prevent an accident from ever happening. So, if you look at the hierarchy of controls on this slide over to the right, PP&E is, and always will be foundational to this. But when you start thinking about smart connected PP&E, it's still the foundation but it's more valuable than ever.

Then when you start layering on the data that you're getting off of the PP&E, you can now build better training programs. You can have personalized training programs and, if you have people who continuously do not follow the training, do not follow the rules, you can exit them from the site before there is an accident.

The next layer that we see customers doing is getting into engineering controls. So, this is really as you start building the data gathered from the products into their standard operating procedures so that certain things can't happen. You can't enter a certain area, you can't use a device, and you can't do your job unless you followed the safety procedure beforehand. That's where we see a lot of companies heading, not just with gas detection, but with some of our other products as well.

And then you get into looking at detailed analytics of everything that you're seeing on site and where there could be a problem in the future and then changing how you do your work, and just eliminating that process to begin with, so that you don't have an accident in the future. And then, lastly, just making sure that you completely eliminate that part of the process. These insights have never been available before. So when you really look at, again, a data set that's been built out over a very long period of time. You can start pulling that all together and really impacting how our customers work, how they do their jobs and prevent incidents from ever occurring in the first place, so that they don't need to rely on the PP&E that they're wearing.

So, when we look at the change that's been occurring when we talk about connected solutions. MSA, for many, many years has sold gas detection. We've sold other types of hardware and PP&E and customers are still buying that. But when you talk about a fast-growing TAM, one of the reasons the TAM is growing so quickly here is because, in addition to just buying the hardware, there's additional software that the customers will buy with it. Whether it's asset management, software, live monitoring software or automated reporting packages. And then on top of that, there's add-on services and solutions that tie this whole thing together, like auto replenishment of gas, where it's showing up all the time full on the device.

We have some of our channel partners who are managed service providers and providing additional services through a program that we're offering. And it really all works together to provide the customer that full end to end service offering. So, we're able to meet the customer on their terms, provide them more value and, because of that, they're increasing wallet share with us and its growing the TAM. And what's really good about this whole thing is, it's really a win-win because we're then getting our solutions built into a lot of these operating procedures, which just makes us a lot stickier in the future.

So how do we view innovation? It all starts and ends with the customer. I've been to our customers countless times, and, of course, we'll go to our customers, and we'll hear short term needs and small tweaks, things that we could do to make their life easier. But we also, definitely, do not steer clear of working with our customers and understanding what are those really big needs that they're trying to meet.

How do we help them meet their goals and drive towards these north stars? In gas detection we will define a north star, we'll start working on it, and it may be something that we work on for 10 years. But the important thing is, we lay this out and we lay out our technology roadmap in iterations. So, it's not easy. We're working on something for 10 years and then there's a big bang. There are iterations that are coming out every couple of years and we're filing IP around those iterations. And what's so nice about something like a connected device, think about your cell phone with the apps that you add on the software upgrades. The device should be better two years after you bought it than the day you bought it,

and it just keeps getting better. And so, we're taking what has been our hardware north star strategy and over the last decade, really layering on the software and solutions to solve some of the bigger problems that we see in the industry. And our customers are really appreciative of that. And what's really nice about it is, if we do this right, it's extremely hard for the competition to catch us.

And so, I've talked a lot here about our portable gas detection but, really, when we think about connected workers, connected firefighters, connected work sites and connected workflows, these really cut across all of our customers. And so, when we think about leveraging our existing tech stack and how we can use that to expand and help customers in all of our markets, we're really excited about the opportunity.

So, we have spent over the last 10 years a fair amount of money building up our system, getting it to a certain point in Industrial PP&E and getting it to the certain point in Fire Service, and we're there, and it scales very nicely from this point. The more users that we add on to these developed cloud systems, the incremental cost of adding a new user, once you've really built out the cloud, is not that much. And so, we're really excited about what the future brings here. What is important for everyone to understand is whether it's by country or whether it's by market, our customers are at different points along the maturity curve and we're trying to meet them where they're at and help them understand the benefits of moving up that maturity curve. So, we're viewing this as a partnership and this what we what we decided a long time ago. I'm absolutely convinced this is the right way to go, rather than just keep adding additional features and chasing every opportunity. We want a strong, powerful, foundational system that we can build on, that our customers are happy with so we can grow with our them, and I feel like we've we're in a really good spot right now, and we're still at the start of the journey.

It's going to be an exciting journey for the coming years, and with that I'll turn it over to Gustavo Lopez, who will go into some more details around our technology.

Gustavo Lopez

Great, and thanks Greg and Lee for the handoff and the conversation. So again, just for background, I'm Gustavo Lopez, Vice President of Product Strategy and Pricing and thank you so much for your interest in MSA. I'm very happy and proud to be talking to you about a topic that I've been extremely passionate about over my 20 year journey at MSA. I've had the pleasure of having my hand in the cookie jar for a good part of this journey, so I'm glad to share some of the insights. So first, let me start by saying that everything starts and ends with the customer. So, we wouldn't be here today if we're not a customer-centric, customer driven organization and everything that we do, and our differentiation, really starts with our deep understanding and our customer intimacy in understanding behaviors and problems that our customers have, and then obviously providing solutions for that. So, what you're seeing here on this chart is really a journey that we've been on since 2005 or over the last 20 years, particularly as it relates to gas detection, and you can see how the market trends and the customer needs really have changed.

So, when we started in the journey, one of the bigger challenges was durability and, interesting with our voice a customer process, we look at spoken and unspoken customer needs. So, one of the things that our research showed us is that you would go to these facilities and customers would have a great deal of broken gas detectors and it was very difficult to manage. So, we took that task on, and designed the most rugged and durable detectors in the marketplace and built a decent amount of IP around that.

The next step in the process was really to vertically integrate our sensor technology like Lee mentioned. So, when you think about gas detection, the heart of the gas detector is the sensors. Most of our competitors are purchasing third party sensors, while we made the strategic decision to organically invest in sensing technology and build up an R&D team as well as the operational capability to design, manufacture and assess what's going on with these particular sensors.

So, what you see here is, we took the platform on the ALTAIR® 4 and ALTAIR 5 and built on that, and added the XCell sensors, which, again, were developed and manufactured right here in the United States for our customers, and gave them tremendous upside. When you think about our sensors, they last longer, they respond faster to gas readings and lower the overall total cost of ownership of our customers while maintaining the same level of durability that our customers expect, which continues to give us a differentiated advantage.

And then moving on along the continuum, you certainly are starting to see the market really migrate into data driven solutions and insights. We first started by developing a connected system through an automated test where you would have to go out there and maintain your products, calibrate them, pump, test them, ensure that they were compliant with regulations, and then this device was connected to our first cloud platform the MSA Grid™, and within this platform, customers started getting a feel for what they could do with the data – reduce their downtime, automate test standards and so forth. To Greg's point earlier, technology certainly has evolved and this next step in the journey where we are today is on a fully connected, direct to cloud, offering which really minimizes the barrier for our customers to adopt this technology.

Many customers ask, why now? I think this tipping point of technology is a big reason why. So, now you can take the ALTAIR io™ 4 on our cloud software platform and, out of the box, turn it on. It connects, it just works, and it really works as the easy button for our customers, and we believe now there's a tremendous upside and opportunity to continue to develop on top of the platform that that we've created.

So, now let me get a little more granular with the ALTIAR io 4 and our MSA Grid cloud platform. So, this [the io4] is a gas detection wearable that we recently launched over 18 months ago, and it has become the catalyst of MSA's connectivity platform, all backed by the MSA+™ subscription business model. So, what you have with the ALTAIR io4 is the most rugged gas detector with our proprietary sensors in there, built-in connectivity, both LTE and GPS, directly on the device, connected to our core platform.

So, from a customer's perspective, this gives them three key areas where they're going to gain many benefits. First, is around visibility and awareness. Now they have detailed information of their situational awareness of what is happening in a facility. So, picture yourself as a safety manager responsible for hundreds, if not thousands, of workers and contractors on site. How do you ensure that they're all working to the correct standard operating procedures? Making sure that these regulations are being met is really challenging. So, making this transparent for our customers, making it easy for them to see, has been a big area of improvement for them and why you're seeing a lot of folks really migrate to this connected ecosystem.

Secondly, streamline compliance. I've been to many customers just like Greg has over the last 20 years, and it's always amazing to me to see how many of our customers are still stuck in the pen and paper, it's difficult for them to move to a digitized system. And some of this is based on technology. Some of this is also based on how difficult it is to change, training and changing some of those components in there. Again, if you're a safety manager and you have 500 workers now moving to a different system, it can be complicated; it can be daunting. With a straight out of the box, simple and easy to use solution. You can streamline compliance and be able to provide an increased uptime to our customers, so we can meet the customers at that nice intersection of productivity and safety.

And then, lastly, there's a massive efficiency and accountability benefit to our customers. Not just to the safety manager, but also to the worker. One of the really interesting things that we've seen with this connected device is the initial concern of are workers going to be worried that this is going to be leveraged, as you know, a big brother? In fact, we're seeing quite the opposite. Workers are embracing this because they know that the safety managers have their back when they go into a potential hazardous situation, and they may be overcome with gas. You can get help to them very, very quickly. And we've seen many scenarios where that's occurred, and many save stories, which really ends in fulfilling MSA's mission. One of the things that Greg talked about in terms of climbing up the hierarchies of control. The reality of the matter is to make a dent in the 2.3 million injuries or lost time incidents that happen a year, it's imperative that we provide people better solutions, better systems, and better ecosystems. It's not just a fancier widget with additional safety features on the device itself. We have to provide them better behavior-based safety components. This tool, this ecosystem, really allows them to do that. Then they have the peace of mind that all this data is backed up to the cloud, and then you can enforce standard operating procedures and regulations directly, all from central command.

And the proof is in the pudding. This is just one of the one of the many case studies we have where the ALTAIR io4 was deployed and generated some really interesting savings with our customers. In this particular case, this customer worked in a natural gas processing facility where they competitor devices that had ongoing maintenance and durability issues. So, think of the cost, not just the standard cost of maintenance, but also think of the downtime and the lack of trust that they would have on the tools themselves in a very, very dangerous and dynamic environments. How they deployed those devices in many cases didn't have the accountability of whether Greg, Lee or Ross [examples] had the device on site

because they didn't have the ability to track it. So, they didn't really have very good worker accountability. They had many concerns over that.

So that's where our team came in and provided the ALTAIR io4. The ALTAIR is a trusted, well-known brand. You saw the journey that we've been on. One of the really interesting things about what we've seen throughout this journey is trust. We are a brand that's been around for quite some time, and we have continued to innovate with our customers. There's a tremendous amount of trust and brand equity that MSA and the ALTAIR brand have in the marketplace, so they trust it to be the tool of choice for portable gas detection.

Then they were able to easily track their compliance with the out of the box connectivity, and all the alarms were known in real time. Cutting all that time, going from a reactive system to a lot more of a proactive system, and lastly, with our subscription offering, they were able to have their cost really become manageable. So, since it is a subscription offering, we're really providing them that easy button in a monthly subscription fee. So, none of the ups and downs that you potentially would see in case an instrument would be down.

I'm not going to read the quote on the slide, but you can see how impressed the plant supervisor was. We get really proud when we see quotes like that, particularly from our customers.

And lastly, the results were really significant. For this particular customer, their maintenance costs were reduced up to 75 percent. Accuracy to SOPs and compliance improvement as well as improved worker safety.

Next, I'm going to give you a little bit of a glimpse of where we are in the journey from a firefighter perspective. So, one of the really unique things about MSA is that we're able to leverage our safety technology stack across the industries. So, like Greg talked about, the challenges across the industrial world, and the firefighting world of fire service are very similar. However, levels of maturity may be at a different spot. We believe the industrial segment is maybe a little further ahead on broader adoption, but we do, certainly, believe the fire service is going to get there, and we're in prime position to be able to capture the lion's share of that business when it does.

Very similar to what I showed on the industrial sector. There's a maturity curve in terms of customer needs starting from durability, which led to the Firehawk™ M7 launch, to technology leadership. Which, in the case of our self-contained breathing apparatus, was our G1™ SCBA. The G1 is the market leading SCBA that became a platform we've been able to build on that gets better with time. So, the G1 that the customers bought in 2014, we've been adding to it. Adding technologies like integrated thermal imaging camera, real time connectivity and really are able to deliver the promise to our customers that they bought an SCBA for the future.

We're also have been able to take that platform and regionalized it for the different markets in the world with the M1™ SCBA, which is the leading SCBA for the European segment by leveraging those electronics. And now, more recently, we're tying it all together with our FireGrid™ platform, both from an equipment management perspective and asset management as well as real time incident management during the scene.

So, the connected firefighter is really a platform very similar to our connected worker strategy that is driven from our customers, where they really want their teams to be safer and more productive.

There are three key items that we believe our customers really are expecting for us, and that we're working together with them in this partnership. First, equipment management. So, if you think of a fire department, and you think that you're going to go into an incident. You don't know when that may be. Well, when you go into an incident, you want to ensure that the PP&E that they're going to use is properly maintained, properly inspected and ready to be used. Our cloud platform gives them the ability to manage that in a much more efficient way.

Then, when you get into the incident, it's really complex, and I'll combine incident management and user interface consolidation just from customer's view. So, if I'm an incident commander and I have to manage my firefighters that are going to go into a very hectic situation that is a potential scene, there's a tremendous number of things going on. Improving situational awareness and making that situation work a little faster, a little smoother, so that I can make better decisions in real time of what's going on. There's a tremendous benefit there.

Again, from a level of maturity standpoint, this is still very early on, but we've seen really important, influential wins from very large fire departments like London and Los Angeles, who are really standardized MSA and are using our equipment and our technology very rapidly.

With that in mind, I'll hand it over to Lee to close it out and I am happy to answer any questions you all may have.

Lee McChesney

Thanks, Gustavo. Just for time's sake I'll just do a couple of quick comments here. So, hopefully, you see we're pretty well positioned to meet the growing customer demand for connected safety solutions via market leading connected worker, and firefighter platforms, along with our continued prioritization investment in R&D in this area. We're certainly dedicated to our mission, and this fuels our team each and every day. With that I'll pass it back to you, Ross, and we can start doing some QA.

Ross Sparenblek

Hey, thank you, gentlemen. To kick it off, current estimates put connectivity around five percent of the portable gas detection market. But in our own discussions with industry experts, it seems like consensus is for a material acceleration in the coming years. So maybe, can you just frame how you view the adoption curve, and what some of the larger pockets for added functionality are?

Lee McChesney

Yeah. Well, I'll start and then maybe, Greg and Gustavo can jump in. I mean to your your point, Ross, the connected industrial side, certainly the portables piece of the detection market, is our fastest growing portion of detection, and as you heard today, the connected piece of it is the fastest growing piece within that fastest portion and I think the adoption rate, we'll see, but I think we're in a good place, but maybe make some comments, and just how you think that could play out over time here, Gustavo?

Gustavo Lopez

Sure. I can take it. We're seeing a good amount of adoption. So, what's interesting is that there's two components. I think there's a component of the change management within customers as they're evolving to these types of solution. But we're looking at this market, really growing and outpacing the traditional market. It is still from a smaller base, but we expect, over the next 10 to 15 years, this market's certainly going to outpace the traditional market. And again, a lot of the drivers are what you can do with the data. So, in terms of maturity, I think there's also a geographic aspect to this as well. Some markets like the North American market and the European market are maybe a little further along the maturity curve. So, that's where we would expect to see a little faster growth, whereas the rest of the world is certainly going to get there, maybe just in a slightly slower pace.

Lee McChesney

And Ross, if I size it up, back at our investor day we've talked about it a few times, is today 15 percent of our business is recurring and we set a target for 2028 to kind of be in that 20 percent zone. Certainly, between what we're doing here in connected solutions and MSA+, and also our focus on growing out our service solutions, we think both those in combination certainly deliver that path.

Ross Sparenblek

Got it. That's helpful. Some of your competitors have taken more of a features approach, whereas I would equate the MSA strategy to more of a platform approach. Can you maybe just elaborate on why this is the best go to market strategy? And, at a high level, what should we expect with the coming roll out of a io6 within portable gas detection?

Greg Martin

Yeah, I can take that one, Ross. I mentioned this when I was talking a little bit about trust and the trust that we've established with our customers, and what we've built up with them over time. Change is hard when you talk to safety professionals. Anytime they change, even if it's for something dramatically better, there's a certain amount of risk. So, trust and brand are so important when it comes to change and when it comes to the safety industry. So, we want customers who have trust in us, and who make this change to connectivity, to have an all-around incredible experience. So, building the platform, making sure it's quote unquote bulletproof, it works with all the core functionality every time, all the time. That's what's absolutely most important to us. That's why we get up every morning. And yeah, sometimes

we could add another feature here or there but if you add more complexity to a platform without really having that bulletproof foundation, that complexity, given all the different scenarios can eventually lead to scenarios where customers have a bad experience, and we want to avoid that.

So, we really do feel that if we have the best gas detection and you add on top of it a really good connected system, and you build it out with our customers over time from a foundational standpoint, we're going to be very happy, and our customers are going to be very happy.

Ross Sparenblek

You know, the natural path seems to be a smaller connected wearable. But where are we in that journey, and how meaningful do you think it would be to be a first mover here?

Greg Martin

Gustavo, you want to take that one?

Gustavo Lopez

Yeah. So, I we're in an interesting spot, because this is certainly the high growth area here. So, when you're in the fast-paced growth area of the market, I think, certainly, being the first mover provides a tremendous amount of advantage, which we believe we're there. But I would not underestimate what Greg mentioned in terms of trust for customers to make this transition into a connected ecosystem. They have to trust the brand that they're working with, because there is a lot of risk associated with making a change. So, if a potential or current customer is making a change from what they're doing today, and how they go up the maturity curve on what you can do from a proactive or connected safety ecosystem or program, they're going to do that with a company that they trust. One of the things that makes us unique is that we are the only pure safety play out there in terms of looking at all these baskets of goods that we can offer. So, we can offer a much more comprehensive look from an industrial worker perspective. What's going on with the work site, and eventually even tying it together to what happens during a fire scene as well.

Ross Sparenblek

Ok. Quickly shifting to fire service. Here, you guys recently noted that there's 200,000 of your firefighter SCBAs that are connected today. I don't believe that's being monetized in a similar manner as the io4 within gas, but what are some of the nuances? And the differences in customer requirements and decision making when comparing the io6 6 and io4 to FireGrid?

Greg Martin

I can take that. And sorry, Ross, I also didn't answer your question about the io6, which is, let's call it the big brother of the io4. I know the market's very excited for it, we're very excited for it. Something we're working on. It expands the applications that we cover in connected portables but when you look at the fire service, I will take it back to where I opened with my very first slide, which was why connectivity and what is that tipping point in industrial and that tipping point was the technology got to a point where it was just easy. And it needs to be easy. So, think about an industrial site. You're in the same site every time, with the same people, the same buildings, the same dynamics. If you have a concrete building, you put a repeater inside of it, because the cellular is not going to work.

Now shift to the fire service. Different radios, a different location, different deployment every single time. And guess what? If you're a firefighter, your number one job is wanting to get in there and start putting out the fire. You don't want to mess around with, am I connected? Is this connectivity working? So, making that process simple and bulletproofing the connectivity part of the hardware is really the challenging part. And I think we're very far along there and we're proving that with some of our biggest customers. Once the data is in the cloud, manipulating data, analyzing the data, I don't want to say that's the easy part, but it's certainly not the hard part. The hard part is making sure, in every situation, you're getting that data, and that the customer has a great experience. So that's where we are. And I think we're really well positioned. We already have a lot of connected devices. Those connected devices have data coming in and we're starting to share that data with customers. We're getting feedback on all the things that would be valuable for both fire scene management, asset management, training initiatives, and the tipping point in fire service is when you're able to make that entire thing simple and seamless, no matter how it's deployed.

Ross Sparenblek

Yeah, that makes a lot of sense. Just one last question, we have a couple of minutes. There's a variety of other connected worker solutions on the market today, and you've kind of touched on this, but why do you believe gas detection is the proper starting point? And you guys have the right to win over time as we think about TAM expansion opportunities?

Gustavo Lopez

I can take that. So, if you look historically, portable gas detection one, it's a device that customers are already wearing. There's a decent amount, certainly, of electronics and when you think about the use case, gas detection is complicated. It's complicated to manage and it's providing you a ton of data sets from a situational awareness perspective that not all the other PP&E does. So, when you think about just that particular use case, it makes a lot of sense. If you're entering confined spaces, you want to make sure that if the gas release happens, that you find out about it right away.

Why, we believe we have a right to win is, again, you go back to the trust. You go back to the installed base that we have and our market share in the traditional space and migrating them over into this next generation of devices. So, there's that inherent trust. We have the conversations with our customers of what works for you. And, again, it's our approach to innovation safety. It's very difficult to make if you're at level zero of safety maturity, you're not going to go to level 10, but we can work with them on getting them to level one, level two, level three and helping them across the journey and solving individual needs along the way. And they know that this is a partnership, and there's growth that we can both have, and at the end of the day we're going to keep them safer and provide a heck of a lot more efficiency within their operations.

Greg Martin

One thing I would add to that, I'm not sure how familiar everyone on the call is with the safety market but in portable gas detection there's a lot of legislation around different applications, and what you have to wear. So, in a lot of these applications, you have to already be wearing a gas detector. It is required. Customers don't like to wear three things – having a gas detector and then putting on a standalone device and then having another thing on them. As much as possible, the more that you can combine all that and make it into a simple tool, along with the fact that they already have to wear the gas detector. That's one of the reasons we are seeing really good adoption in this space.

Ross Sparenblek

Thank you, gentlemen. We're out of time here but thank you for joining us. And to our audience, we hope you enjoy the rest of the conference today. Thank you.

-- End --