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MSA.N - Q1 2021 MSA Safety Inc Earnings Call

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OVERVIEW:

Co. reported 1Q21 revenue of $308m.

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PRESENTATION

Operator

Good day, and welcome to the MSA First Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note 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, Drew. Good morning, everyone, and welcome to MSA's First Quarter Earnings 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 involves 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. I want to start today by thanking the MSA team for their dedication to our mission of protecting the lives of workers around the world. Yesterday, I reviewed our annual employee engagement scores and was really pleased to see the overall scores improved from our high levels a year ago. The connection our associates have with our mission was a highlight of the survey.

Today, I'll provide a quick overview of the quarter then I'll highlight 3 areas that give me confidence in our business. Beginning with the quarter. It was a challenging start to the year. Quarterly revenue was down 10% from a year ago. Our results are aligned with our expectations and the direction provided in our most recent public webcast. Keep in mind, Q1 2020 reflects a pre-pandemic environment for MSA. So it's a challenging comparison. In addition, our business is seasonally lower in Q1. Economic conditions and COVID impacts created additional pressure. We saw that pressure in January and February, followed by a strong recovery in March.

I'm optimistic that recent trends in our order book support a much brighter outlook and also recognize the road to recovery might not be a straight line. Based on economic stimulus and vaccine deployment, the U.S. is leading the recovery in our business. At the same time, the situation remains challenging in Europe, Latin America and some other smaller markets with COVID lockdowns. That said, on the whole, we're optimistic that the worst is behind us from a demand perspective.

We're staying close to the challenges associated with the supply chain. We expect resin supply to improve in Q3 and anticipate continued challenges with electronic components throughout the year. We've managed through effectively with limited constraints in production. We recognize this as an evolving situation. We've experienced inflation in these areas, and we'll manage that effectively.

As macroeconomic conditions become more favorable, I'm very confident in our position to create value for all of our stakeholders. As you've heard me say before, there are 3 key areas that continue to support my confidence in the future of MSA. We've made progress in each of these areas in the first quarter.

First, MSA's innovation engine is stronger than ever. In Q1, we continue to launch technologies that solve our customers' toughest safety challenges. Second, our continuous improvement culture positions us to achieve our long-term margin aspirations as revenue growth returns. We've made some nice progress with our manufacturing footprint. Third, we're using our balance sheet to make strategic acquisitions that strengthen our position in key markets. In Q1, we closed the acquisition of Bristol, and the integration work is on track. And our M&A pipeline remains healthy.

Starting with the first area. MSA's innovation engine and R&D pipeline, which is really the lifeblood of our business. Our engineering excellence has never been more evident than our breakthrough innovations in connected firefighter technology and connected industrial technology. I'm pleased to report that our team has celebrated exciting milestones in both of these areas.

On the fire service side, we launched the LUNAR firefighter location system. It's a big accomplishment for teams of associates across MSA that worked on this system, and it's the most technologically advanced product and software system that we've ever unveiled.

LUNAR is a handheld device that uses cloud technology to deliver fire scene management capabilities for incident commanders. It also helps search and rescue teams locate a separated firefighter, and it's a thermal imaging camera. I know the fire service is excited about this product. It will help them tremendously with their work.

Our connected platform also provided competitive advantage in industrial markets. We recently began delivery to supply one of the largest utilities in the U.S. with connected gas detection, utilizing our cloud-based GRID software. This customer is now able to use data-based insights to manage their gas detection program with greater effectiveness. They ordered thousands of ALTAIR 5XR portable gas detectors with Safety io subscriptions. Over the next few years, this will result in a total order value of over $5 million.

These are just some of the indicators I'm seeing in Q1 that our innovation engine is running strong, achieving the milestones we've expected. Long-standing investments in connected technology position us to deliver new-to-world products for our customers. This is timely as the pandemic has accelerated connected applications that will help workers become safer and more efficient.

The second area I want to highlight this morning is our continuous improvement culture. Our team is always striving to drive higher levels of productivity and efficiency throughout the organization. Along those lines, we continue to execute our gas detection manufacturing consolidation project. As we announced in 2020, we're making CapEx investments to expand our Cranberry Township gas detection center of excellence. Consolidating production will help with inventory management and having our engineering and operations teams under 1 roof will certainly drive greater effectiveness and efficiency, which will improve margins.

As part of the program, we remain on track to close a manufacturing operation in California in the third quarter of this year. And I want to thank the associates in California who've helped us prepare for this transition for nearly a year now. As you know, I worked with the team out there when we acquired General Monitors, and I'm very proud how our associates have managed through this process.

The third area I want to discuss today is using our balance sheet to make strategic acquisitions that strengthen our leadership position in key markets. At the start of the quarter, we closed the acquisition of Bristol Uniforms. Our integration plans are off to a good start. We've spoken before about the U.K. fire service market being a potential growth opportunity for MSA. We're investing organically and inorganically to penetrate this opportunity. Both the recent launch of the M1 SCBA and now Bristol are great examples of the investments we've made. And will see benefits across the entire International fire service market by having a greater range of head-to-toe solutions for our customers.

In addition to having strength in our balance sheet, we continue to move forward with an M&A pipeline focused on evaluating assets that align with our safety mission.

So to summarize, there are 3 key areas that give me confidence in MSA's future: First, MSA's innovation engine is stronger than ever. Second, our continuous improvement culture is positioning us for long-term success, and third, we're effectively using our balance sheet to grow 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.

First, looking at revenue. We expected the first quarter to present challenges versus the record quarter a year ago. As I noted on our recent webcast, we plan for difficult comparisons across several areas. We also talked about COVID lockdowns pressuring demand in Europe and labor constraints in certain factories due to precautionary contact tracing.

With that, I am pleased to say that our order pace strengthened in March and into April. Fire service order activity is healthy, and the order pace in industrial-related markets started to show year-over-year growth in March. That strength has continued into April, and that gives us good momentum moving into Q2.

Second, our profitability was pressured based on the lower revenue and trends that unfolded within gross profit. I'll provide more detail on that shortly.

And third, I continue to be pleased by our cash flow performance. We generated cash flow conversion in excess of 100% of net income. The strength of our balance sheet positions us very well to pursue additional growth opportunities across the portfolio.

Now let's take a closer look at the financial results in the first quarter, and let's start with a focus on revenue. Quarterly revenue of $308 million was down 10% from a year ago or 11% in constant currency. In constant currency, revenue in the Americas was down about 9%, while International was down 16%. The more severe International decline partially reflects the impact of COVID lockdowns in key geographies like France and Germany. Expanding on my earlier comment, we saw challenging comparisons in 3 key areas: FGFD, industrial PPE products and respiratory protection.

First, our FGFD business declined 16% compared to our very strong Q1 of last year. While much of this business is project-based and will respond slower to economic recovery, we are seeing good growth opportunities with orders up in April. The business trends in this area take time to ship, and while 1 month is not indicative of a longer-term trend, I am encouraged by the uptick in orders in April and pipeline of new opportunities.

Second, we knew industrial PPE revenue in the quarter would provide a challenging comparison. We did not start to see the impact of the pandemic until April a year ago in the industrial PPE lines. Turning to page and looking at the first quarter of this year, we had a slow start in January and February, but we saw return to growth in March and April. Orders across these areas were up 9% in March and were up double digits in April versus a year ago. We know the pace of deliveries and revenue performance could be impacted by the challenges in our supply chain, but I am especially encouraged by the improvement in demand levels across our industrial-related products.

And third, our air purifying respirators presented another tough comparison due to the initial pandemic surge last year. This landscape continues to evolve as stimulus packages are allocated to enhance PPE supplies for workers. While the pace of incoming business in 2021 has been a bit disappointing thus far, we continue to stay ready to supply these products when called upon, consistent with the MSA mission.

Touching on fire service, backlog remains very healthy in this area. It was also encouraging to see that funding allocated to our first responders and municipalities was included in the U.S. stimulus packages. This funding and the mission-critical nature of our products provides a healthy outlook for the fire service business.

Turning to profitability, gross profit declined 240 basis points from a year ago. The decline is related to 3 primary areas. First, lower demand led to lower throughput in our factories, which drove inefficiencies and inventory charges. The inventory charges were primarily related to lower demand for respiratory protection.

Second, a less favorable product mix and higher input costs impacted margins. We've made adjustments to certain pricing actions already, and we will continue to evaluate additional pricing opportunities as we navigate the inflationary pressures.

And last, our Bristol turnout gear business was about 50 basis points dilutive to overall gross profit. Gross margins for turnout gear are lower than our corporate average. That said, we expect to improve Bristol margins as we execute our integration plans.

Now I'll shift to SG&A expense. Our expense of $75 million was down 6% or about $5 million from a year ago, and this includes $2 million of costs associated with the recent acquisition of Bristol. We delivered $7 million to $8 million of savings from restructuring programs and discretionary cost savings associated with reduced travel, controlled hiring, professional services and other costs. About half of these savings are temporary, and I expect these will return to some extent as the business improves and travel opens up. The other half of the savings are structural in nature.

Overall, I remain confident in our ability to deliver the cost savings we've committed to for 2021 across the income statement. In the second quarter, we will continue to manage our cost structure very closely. However, we expect the year-over-year SG&A comp to become more difficult. I say that because our SG&A in the second quarter of 2020 was $69 million, and that number reflects the initial cost reduction activities that occurred at the onset of the pandemic.

Our quarterly adjusted operating margin was down 330 basis points on the gross profit headwinds and overall lower revenue volume. Looking at our segment performance, International margins were down 270 basis points to 8.8% of sales. What we're seeing here is the impact of the lower revenue. Our cost reductions and pricing programs remain very much on track, but it's difficult to get leverage on the double-digit sales decline. Bristol, which is in our International reporting segment, was dilutive to International margins by about 120 basis points. Looking ahead, I know we remain well positioned in this area. I say that because I believe we will see continued margin expansion in the International segment as the volume comes back online and COVID lockdowns ease.

Americas margins were down about 420 basis points to 21.7%. The gross profit challenges that I mentioned previously drove this decline. We are focused on driving improvements in our Americas segment margin performance, and I am confident in our ability to drive improvements in this area going forward.

From a cash flow and capital allocation perspective, quarterly free cash flow conversion was about 100% of net income. In fact, operating cash flow was up more than 200% compared to a year ago. We generated strong cash flow despite the P&L challenges, and I'm encouraged by the strong performance across working capital, which declined about 100 basis points as a percentage of sales from year-end, without the impact of Bristol.

As I've noted on many different occasions, growth continues to be a top priority in our capital allocation strategies. We deployed $63 million for the Bristol acquisition in the first quarter, and leverage remains very healthy at 0.7x EBITDA on a net basis. We remain active in pursuing M&A opportunities as well as funding organic projects that drive long-term growth for MSA.

As we look ahead, we're operating in a very dynamic environment. There are a number of evolving factors that will continue to influence our revenue outlook. These factors include, amongst other things, the effectiveness of the vaccine rollout, risk of additional COVID lockdowns, industrial employment rates, the pace of economic recovery and the extent of supply chain challenges as economies open back up.

Collectively, all of these variables make the outcome very hard to predict. But we know our order trends have improved in March and April, and they've improved across a number of key areas in our business. So today, I do have a greater sense of confidence heading into the second quarter.

To wrap up, my optimism is based upon our March and April order book performance. While near-term supply chain challenges could impact revenue performance, demand levels are improving. Our market positions have never been stronger, and we continue to invest in growth and productivity programs across our business. Further, I remain confident that the steps we're taking to improve our competitive position and our business model will be beneficial for MSA 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*

Thanks, Ken. While it was a challenging start to the year, the improving order book in March and April provides more optimism for the second quarter and beyond. I'm very confident that our long-term focus areas will position MSA for success in the years ahead. At this time, Ken and I will be glad to take any questions you may have. Please remember that MSA does not give guidance. Having said that, we'll now open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Richard Eastman with Robert W. Baird.

Richard Charles Eastman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Nish and Ken, thanks for the questions and the comments. I just wanted to explore this March and April improvement in bookings. Could you maybe just speak to whether that's -- is that a quarter-to-quarter uptick in the industrial PPE? Or is that -- are you kind of referencing more year-over-year? Because I think you commented that year-over-year growth was positive, but we do have this dynamic around easy comps in the second quarter. And I'm curious, if I look at kind of the product lines, especially around the industrial side, are we talking about improvement above seasonal for the second quarter, quarter-to-quarter? Or are we looking at those kind of numbers on a year-over-year basis?

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

Well, I'll touch on that, and Ken maybe can add a little color to it as we go through this. So Rick, we're really seeing some nice improvement on a sequential basis, right? From January and February, March, turned up significantly for us. We were pleasantly surprised by the pace in March when we look at a month like that in the incoming business, and then April really rebounded. The way I categorize it is March was much stronger than March a year ago. And then April was actually better than April 2019. So that really provided some real confidence in the strength of things bouncing back in a nice way.

Now we need to sustain that, obviously, as we go forward into the second quarter to see that business continue and really, it was broad. It was across all the product lines and specifically around the PPE industrial products. So it was nice to see those bounce back. And what was also a bit of a surprise was the fixed gas and flame detection products. The bookings for those products came back really strong in the month of April.

But again, we need to see that sustain itself as we get into the quarter. Ken, do you want to add some color?

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

Yes. The only color I would add there, Rick, is with respect to the reference to 2019. It is good to see the business recovering back to those levels. And if you go back to the second quarter of 2019, I think our business did right around $350 million of revenue. Our run rate of business is certainly approaching those levels. However, the one thing that is different this year in the second quarter than what we had in the second quarter of '19 are the supply chain challenges that we are navigating. So when we think about how the economies are opening back up and how everybody is turning the light switch back on in the economies, there certainly are a number of challenges across the supply chain. With that said, the order pace is definitely improving sequentially as well as year-over-year.

Richard Charles Eastman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. Okay. Very good. And then a quick one on Bristol. Can you just give us a sense of what that added in terms of revenue? Just dollars?

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

Yes. The add, Rick, was just about $4 million for 2 months of ownership. We closed that deal the latter part of January. And so we effectively owned it for 2 of the 3 months of the first quarter.

Richard Charles Eastman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then maybe the last question I have, just around gross margins. Can you -- I think you flagged kind of nicely what the delta was in basis points around the gross margin year-over-year, 50 points of that from dilution from Bristol, kind of leaves you around 190, and you suggested basis points lower.

You suggested some inventory charges in there and then kind of this favorable input cost, but suggested maybe pricing starts to match up with that going forward. But how much of that 190 basis point delta year-over-year, can we close the gap on here in the second quarter and beyond?

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

When you look at the margin in the [first quarter] (corrected by company after the call), you're right in identifying the 3 items that had an impact. 190 basis points was the impact in the organic gross profit. About 2/3 of that impact is inefficiencies, inventory charges and lower demand levels, expectations in certain product categories.

The residual 70 is really input costs and challenges that we're all seeing on the freight as well as raw material side. We are very active at evaluating additional price increases. But as you very well know, it takes some time for those to settle in. So most likely, you'll start to see positive price in Q3 as we move forward and go throughout the year. And we feel confident. It's very much like the tariff issue that we had several years ago and where we were able to raise prices in order to mitigate the impact on the gross margin line. We're moving forward using that perspective. That frame of reference is very, very accurate in how we're adjusting our pricing.

Richard Charles Eastman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. So again, about 125 basis points should be recovered with volume going forward.

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

We would hope to get those margins back to this more normal or more historical levels. It was good for us to see, Rick, if we look at Q4 to Q1. Q4, we had 41% gross profit margins and in Q1, we had 43.7%, inclusive of the Bristol acquisition, which was obviously new to our results. So excluding that, we were back above 44%. We feel like there's definitely a pathway to get back to our more normal or more historical margin profile.

Operator

The next question comes 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*

So I get that, I guess, March and April orders better year-over-year sequentially. Can you just discuss -- I'm trying to understand with regards to an inflection improvement in demand versus maybe some dealer restocking. So can you just kind of disaggregate some of the growth in the order book and what you think you're seeing in terms of like an inflection, like I said, or if there is some delivery stocking in there as well?

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

Sure, Larry. What we really saw -- we monitor the business, of course, on a day-to-day basis, looking at the incoming business across all the product groups-- and what we saw was some real strength on a day-to-day basis across all of our product groups. Now with head protection, something we'll see and we've experienced in the past is distributors will stock up a bit on head protection. So as the volume goes up for them, they'll increase their inventories, and the same holds true with the customers at the end user level. Of course, they've got their tool bins and they'll bulk up their inventory at their tool bin.

You start to get somewhat of a synergistic effect on the increase in revenue on head protection as you come out of recession. Not much different from what we saw from the recession of '15, '16. So when things turned around, I believe it was around August 2016, we started to see the same exact type of characteristics in our incoming business that we saw in the months of March and April. Coupled with that is a couple of nice size orders that came in for portable gas detection.

In the fall protection business, on the day-to-day, business really improved in a nice way for us. And again, that's just another sign of workers coming back to work and projects being ramped up. So we're just seeing some good strength across the business. It's healthy to see, and we hope that, that continues into May, June and going forward.

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

Okay. That's super helpful. Can you tie any of this recovery directly towards energy and oil and gas, which is obviously a point of concern for the broader industry over time. But prices have recovered. So are you seeing a recovery, specifically in those markets as well?

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

We have seen that. So we've seen it in a couple of projects that were cut loose for fixed gas and flame detection. In our comments, we mentioned that we saw some nice improvement there in the month of April. We're beginning to see some of those projects release the funding for gas detection, both portable and fixed. And of course, on the hard hat piece, we monitor our distribution from a geographical standpoint. We saw the Gulf Coast come back nicely, along with the oil price. The oil price is back, as you know, up to pre-pandemic levels, I believe the inventories for oil are back down to pre-pandemic levels and drilling starting to increase. There's just more activity around oil and gas, and we've seen nice response in the marketplace with the products coming through.

Operator

(Operator Instructions) The next question comes from John Tanwanteng with CJS Securities.

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

Right. This is Brendan Popson for CJS. Just wanted to ask real quick on the industrial side. Your industrial PPE, it seems like a lot of -- I just I keep hearing in the industrial space is that the employment is -- it certainly has bounced back somewhat, but it's having a hard time bouncing back fully, partially due to the increased benefits and other -- they are running through a lot of this year for workers.

And so there's just a slack in the labor market. Do you think -- are you hearing that as well from customers? And do you think you might see further strength once that happens and employment levels kind of return to pre-pandemic levels?

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

Sure, Brendan. It's hard to monitor or gauge that, but we believe that there's still some room ahead of us. We don't want to get ahead of ourselves, of course, on the recovery of business. We're really pleased with what we had in the months of March and April. It's a really good sign going forward. We don't think that, that's at peak by any stretch of the imagination. When we look at historic business going back to '19 and '18, there's certainly some upside. And when you look at the employment numbers in the industrial construction markets, there's still some opportunity for higher levels of employment.

And as we mentioned, the European markets are still in lockdown, and there's some opportunity there as those economies open up. There's certainly upside to what we saw in the months of March and April, but we don't want to get ahead of ourselves. We're pleased to see the turnaround, and hopefully that pattern continues as we get into the second and third quarter here.

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

Great. And then just following up. You mentioned -- could you elaborate more on the money that you said in the stimulus package, that there could be more coming in from the federal side. And then anything else you're seeing? I know there's been a couple more bills proposed, obviously, we'll see what those actually end up looking like or if they're passed, but any further detail there?

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

Sure. There's the funding that we've already seen; the CARES Act had $100 million of incremental funding for AFG funding for COVID related PPE products. And we saw a lot of business around APR adapters for that. That was one of the nice kickers we had in 2020 with our APR business. The December 2020 Bill, there's, I believe, $720 million for firefighters, split evenly between AFG and SAFER funds. That's fairly consistent from what we've seen in the past. There's word that there may be a couple of hundred million dollars added to either one of those, which overall could help our business. And then, of course, the bill, the $1.9 trillion bill that includes about $350 billion in funding between the state and local economies and local agencies.

That money will find its way into the fire service one way or another. We do believe that as the municipalities get some business, get some funding from the federal government that will open up some opportunities for breathing apparatus, fire helmets, turnout gear, gas detection. So we should see some additional help in that area.

And as far as the infrastructure is concerned, you really can't build anything -- we don't build anything without hard hats, fall protection, portable gas detection. So all of those stimulus dollars do point to some increased opportunity for us going forward.

Operator

And we have a follow-up 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*

Just a couple more since we have time here. As it relates to M&A, I apologize if you covered some of this earlier, I had a lot of earnings this morning. It seems like the bid/ask spreads are getting wider, it's harder to obviously get deals done coming out of this recession, whereas I think you probably wanted to do some more at the bottom, which obviously didn't happen because it's hard to do.

Are we rethinking how we go about M&A and potentially having to step up and price get things done? Or are we sticking to our guns in terms of what we've looked at before and be more patient. So just how you're thinking about M&A in the world we're in now?

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

So Larry, I'll take a shot at that and then have Ken maybe add a little more color. Obviously, we're very active in the M&A arena. With the Bristol acquisition, that was just a nice add for us. But when you look at our balance sheet, we have a lot of room and a lot of space to continue to add value to the organization. And obviously, we look for organizations, companies to acquire that really fit in with our mission.

Our pipeline is quite full. It just becomes a matter of timing when somebody wants to sell their business or a value situation and MSA getting to the point where we think we can create value for our customers and shareholders with an appropriate price level to make that acquisition. So the pipeline is very full for us. We're very active in the area. We have plenty of dry powder to go after these situations. But we will stay disciplined, and we're very conscientious about having a good return for our shareholders, adding value to the business. We'll stay focused there. So there's some nice opportunities in the pipeline. Hopefully, we can take action on some of those. Ken?

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

Yes, Larry, the only thing I would add to what Nish mentioned was if you go back to our transcript from last year's first quarter call, I mentioned that we've done some of our best acquisitions as we've come out of a recession. And in fact, if you go back to the General Monitors acquisition, which was our largest acquisition in history, we did that on the heels of the Great Recession. So today, we are very well positioned. Our balance sheet is in great shape. Our profitability and cash flow profile continued to demonstrate a very successful execution. So we feel very well positioned to use the balance sheet for the right opportunity, and the right opportunity is something in the core space. We've talked about that for some time, core products, core markets, core technologies. And so we continue to evaluate opportunities. We continue to look at new opportunities, and as Nish indicated, we are very active.

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

Okay. Fair enough. Last question for me. The respirators, obviously made that investment, which worked out over the past year. And we look kind of post-COVID. Are there some opportunities? Are you seeing real opportunities to use that respirator capacity? Or have we kind of seen the best of the respirator business?

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

There is some opportunity, Larry, going forward. There is some federal funding that could be spent for -- I don't know the exact number. Ken, you might remember the number that was there, but there's a significant amount of dollars that are being allocated for stockpiles. And so we have some product, especially with the elastomeric half mask respirator that would fit in well with that opportunity. There are opportunities as we go forward for some of the funding that's available for stockpiles.

Operator

This concludes our question-and-answer session. I would 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, 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.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
