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MSA.N - Q3 2025 MSA Safety Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and welcome to the MSA Safety third-quarter 2025 earnings conference call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Larry De Maria. Please go ahead.

Larry De Maria - MSA Safety Incorporated - Executive Director of Investor Relations

Thank you. Good morning, and welcome to MSA Safety's third-quarter 2025 earnings conference call. This is Larry De Maria, Executive Director of Investor Relations. I'm joined by Steve Blanco, President and CEO; Julie Beck, Senior Vice President and CFO; and Stephanie Sciuillo, President of our Americas segment.

During today's call, we'll discuss MSA's third-quarter financial results and provide an update on our full-year 2025 outlook. Before we begin, I'd like to remind everyone that the matters discussed during this call may include 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 a number of risks, uncertainties, and other factors that may cause our actual results to differ materially from those discussed today.

These risks, uncertainties, and other factors are detailed in our SEC filings. MSA Safety 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. The non-GAAP reconciliations are available in the appendix of today's presentation. The presentation and press release are available on our Investor Relations website at investors.msasafety.com.

Moving on to today's agenda, Steve will first provide an update on the business. Julie will then review our third-quarter financial performance and 2025 outlook. Steve will then provide closing remarks and open the call for your questions.

With that, I'll turn the call over to Steve Blanco. Steve?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thanks, Larry, and good morning, everyone. Thank you for your continued interest in MSA Safety. Before we start, first, I'd like to welcome Julie Beck to MSA.

Julie brings extensive experience across all aspects of finance from her previous public and private company experiences. Her leadership and financial acumen will be a tremendous asset to our team. And I'm excited to partner with her in the next chapter of serving our mission of safety for our customers.

I also want to extend my heartfelt thanks to Elyse Brody for her outstanding leadership and dedication while serving as interim CFO. Elyse stepped into the role with grace and professionalism, and her contributions during this transition have been invaluable.

So on behalf of the Board and the executive team, we're deeply grateful for her continued commitment and support. Please join me in welcoming Julie and thanking Elyse for her exceptional work.

Now let's move on to our review of the third quarter. I'm on slide 4. In the third quarter, consolidated reported sales growth was 8% with 3% organic, and adjusted earnings per share were \$1.94. Our team continued to perform well, delivering a solid quarter despite encountering stronger-than-expected, near-term headwinds in the Fire Service.

This was based on sustained strength in Detection, along with healthy expansion of Industrial PPE driven by Fall Protection. A decline in the Fire Service partially offset growth. The M&C TechGroup acquisition contributed \$15 million for the quarter. We're pleased with M&C's performance thus far and its integration into the MSA business.

Looking at sales by product categories, Detection's 6% organic growth was driven by strength in both fixed and portable instruments. More than half of absolute growth in portables came from connected devices. Organic sales in Fire Service declined 3% year over year. In the U.S., the market dynamics surrounding AFG (Assistance to Firefighters Grants) funding and the NFPA (National Fire Protection Association) standard change had a moderate impact on the quarter, while International markets were mixed. Organic sales of Industrial PPE increased 7%, with growth across all main categories. Fall Protection continued its recent strength, with double-digit organic growth.

Moving to orders, order pace across our product categories was encouraging, albeit mixed. Detection orders were up double digits, and Industrial PPE orders increased mid-single digits. A double-digit decline in Fire Service orders was principally due to the near-term market dynamics in the Americas as well as the U.S. Air Force comp. I'll address these in more detail in a few minutes. Sequentially, the backlog declined in the third quarter due entirely to timing in the Fire Service. Overall backlog remains within normalized levels. Moving forward, we expect to see a near-term negative impact from the Fire Service order pace in the Americas, following the U.S. government shutdown. Our overall book-to-bill was slightly below 1.

Turning to slide 5. I want to provide some notable progress we've made across the pillars of the ACCELERATE strategy in the third quarter before providing an update on the current dynamics surrounding the Fire Service.

First, we continued to strengthen our leadership in industrial safety technology through customer-driven new product development and continued momentum in these key growth accelerators. I'm pleased to note that we recently introduced the ALTAIR ioTM 6 multi-gas connected portable device and the new H2[®] V-Gard safety helmet at this year's National Safety Congress.

The io 6 is the latest example and addition to the MSA+ platform and is designed for confined space monitoring and sampling solutions. While we do not expect it to provide a significant near-term lift in revenue, we see it as a valuable product that will contribute to the long-term build-out of our connected ecosystem in portable gas detection.

The H2 helmet is a full-brim type 2 helmet that joins our extensive market-leading lineup of industrial safety helmets. And from a growth perspective, we continue to experience the benefits of our investments in our need-it-now inventory within Fall Protection, leading to excellent performance in this strategic growth accelerator for the second straight quarter. Centered on customer experience, the organization has been able to decrease

lead times and secure new business with better availability. Year to date, sales in Fall Protection are up double digits organically. Second, on the operational and commercial side, we continue to execute our tariff mitigation programs in the third quarter. As a reminder, we are targeting price/cost neutrality in the first half of 2026.

We also had another strong quarter for MSA+. I'm pleased to note that not only did we win a sizable competitive tender, but another large customer served as a reference, further emphasizing our solutions benefits and why we remain optimistic about this new customer adoption.

Finally, our M&A pipeline remains active and our strong balance sheet positions us well for growth-oriented deployment and cash returns to shareholders as part of our disciplined capital allocation strategy.

Turning to slide 6. I'd like to take a moment to provide some insights into the current conditions affecting the Fire Service market in the Americas, including the timing of AFG funding here in the U.S., our largest market for this product category.

As we approach year-end, there are two dynamics for consideration in this market: the NFPA certification process, which usually occurs every five or so years; and the annual release of federal Assistance to Firefighters Grants or AFG, which is typically released in the summer months through September.

As we've mentioned, NFPA standard years often see increased short-term volatility as customers decide when to renew their fleets. Nothing has changed here, and we still expect to see approval sometime by early 2026, if not sooner.

What is different this year is the timing of the funds released from the AFG program. This program, as always, has been fully funded. But award notifications were issued historically late this year, coming at the very end of September.

Then the U.S. government shutdown has slowed funding for the awarded departments, creating additional layers of complexity. This had a moderate effect on our revenue in the third quarter. The larger impact is on order timing in the Fire Service. The delays in receiving the orders will shift some revenue into 2026. Again, our pipeline remains strong. It's a matter of timing.

We successfully navigated the approval processes before and seen similar market conditions. And we're fully prepared to serve our customers in the Fire Service and to deliver the products and solutions they need to keep themselves and our communities safe.

With that, it's now my pleasure to turn the call over to Julie to discuss our financial performance in the third quarter. Julie?

Julie Beck - MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer

Thank you, Steve, and good morning, everyone. We appreciate you joining the call. Thank you for those kind words, Steve. And thank you to the entire MSA team for doing such a great job in my orientation to MSA.

This is a wonderful opportunity to work with a company that offers innovative products and solutions, great people with a continuous improvement mindset, and a strong balance sheet, providing the optionality to create shareholder value.

I am truly grateful for the chance to join MSA and support the mission of safety, which has been a central theme in my career. Anyone who knows me understands I am passionate about what I do. And MSA is a perfect fit for me with a fantastic culture.

I see tremendous opportunity to work with the team here, continue MSA's journey, and make a meaningful contribution. I have been so impressed with the commitment that everyone here displays for the work they do and the mission we serve. I look forward to meeting all of you over time.

With that, let's start on slide 7 with the quarterly financial highlights. Third-quarter sales were \$468 million, an increase of 8% on a reported basis or 3% organic over the prior year. M&C added 4% to overall growth, and currency translation was a 1% tailwind based on the strengthening euro.

As expected, GAAP gross margins continue to face pressure this quarter, declining to 46.5%, down 140 basis points from last year. Gross margins reflect inflation, tariff, and transactional FX increases, partly offset by price increases and productivity gains. We are beginning to see the tariff impact become more noticeable in the second half, aligning with our mitigating pricing strategies. And our aim remains to balance this by the first half of 2026.

GAAP operating margin was 20.1%, with an adjusted operating margin of 22.1%, which was down 50 basis points from a year ago due to the contraction in gross margins, partially offset by effective SG&A management and variable compensation adjustments. However, our adjusted operating margins increased 70 basis points from the second quarter.

We are diligently focused on SG&A productivity, pricing, and tariff mitigation plans to counter headwinds. Quarterly GAAP net income totaled \$70 million or \$1.77 per diluted share. On an adjusted basis, diluted earnings per share were \$1.94, up 6% from last year.

Now I'd like to review our segment performance. In our Americas segment, sales increased 5% year over year on a reported basis or 3% organic, as high single-digit organic growth in Detection and low single-digit growth in Industrial PPE was partially offset by a low single-digit contraction in Fire Service.

Currency translation was less than 1% tailwind in the quarter. Adjusted operating margin was 28.3%, down 240 basis points year over year. Margin contraction was mainly due to inflation, tariffs, and FX, partially offset by price and effective SG&A management and variable compensation adjustments.

In our International segment, sales increased by 16% year over year on a reported basis, with a 7% contribution from M&C, a 5% increase on an organic basis, and a tailwind from FX. Double-digit organic growth in Industrial PPE and mid-single-digit growth in Detection was partially offset by a low single-digit contraction in Fire Service. Adjusted operating margin was 16%, 240 basis points above last year, driven by higher volume, effective SG&A management, and the impact of M&C.

Now turning to slide 8. We delivered robust free cash flow of \$100 million or 144% of earnings. Quarterly operating cash flow was up 33% from a year ago. As expected, CapEx returned to our normal range, following the increase in the second quarter. Year to date, free cash flow was \$189 million, up \$41 million from last year, representing 99% conversion.

As for capital allocation actions taken in the quarter, we returned \$21 million to shareholders through dividends and invested \$12 million in CapEx. Our year-to-date share buybacks offset dilution for the full year. We have \$130 million remaining on the current authorization. And we expect to repurchase shares in the fourth quarter, following the strong free cash flow generation we have delivered so far this year.

We also repaid \$50 million of debt in the quarter, as net debt was \$459 million compared to \$532 million in the second quarter. We ended the quarter with net leverage of 1.0x, and our weighted average interest rate was 4.1%. As Steve mentioned earlier, our balance sheet and ample liquidity of \$1.1 billion continue to position us well to invest in our business, and we maintain an active M&A pipeline.

Let's turn to our 2025 outlook on slide 9. We maintain our low single-digit full-year organic growth outlook. Overall, our business remains healthy. Certainly, the fourth quarter is impacted by timing in the Fire Service and the US.. government shutdown. But the fundamentals there are healthy as we work through current events.

The timing of AFG funds being released and approval of the next NFPA standard remain key variables for the balance of the year that are beyond our control. We believe that the AFG timing delay and the ongoing U.S. Government shutdown will impact a portion of our fourth-quarter sales. However, we expect continued momentum in Fall Protection and Detection as key performance tailwinds.

Given some of the moving pieces out there, I'd like to help your modeling a little bit. We have delivered 4% reported growth, including 2% organic growth year to date through September; and remain on track to be within our low single-digit organic outlook.

However, the later-than-normal AFG grant awards and subsequent U.S. Government shutdown will impact us in the fourth quarter. While this is dynamic, we now anticipate that the shutdown will take roughly 1% of growth off the full-year organic pace we were on, mostly in Fire Service. In the event of a prolonged Government shutdown, we could see additional sales shift from the fourth quarter to 2026. Again, this is simply a timing issue, and we remain confident in our Fire Service business.

In addition to our low single-digit organic growth outlook, we continue to expect M&C to add approximately 2 points to full-year revenue growth and FX to be about 1% positive. Our below-the-line items are unchanged from our previous outlook.

In conclusion, we remain confident in our business and our ability to navigate macro uncertainty and timing challenges. Our resiliency is truly a strength. With that, I'll now turn the call back to Steve.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thank you, Julie. I'm on slide 10. To close, I'm proud of our team's execution and thank all of our associates for their continued commitment to serving our mission of safety in the third quarter. I remain encouraged that we will continue to deliver strong shareholder value as we execute our ACCELERATE strategy to drive long-term profitable growth.

With that, I'll turn the call back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Rob Mason, Baird.

Robert Mason - *Robert W. Baird & Co Inc - Senior Research Analyst*

Hi, good morning, Steve, and hi, Julie.

And, Julie, thanks for the additional color around thinking about the fourth quarter. I was trying to do some quick math here. But if I think I interpreted your comments correctly, it sounds like we probably won't see much of the normal seasonal uplift in the fourth quarter. I assume that's all just due to the Fire Service. Is my math correct?

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

Correct. That's correct. We're relatively consistent between Q3 and Q4, maybe a slight uptick.

Robert Mason - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah. And then, Steve, so we've tracked the awards coming at the very end of September but the dollars are slower to follow behind that, I guess? Does that preclude your customers from placing orders? Do they wait until they have the dollars in hand? I'm just curious, maybe to parse the timing a little further.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah, Rob. Typically, when FEMA releases these funds, they have up to a year to actually go spend the money. But what usually happens is a pretty large contingent of the fire departments act pretty quickly when they get the funds, when they get the awards.

And so they go through a process, certainly, and we can walk through that. But they go through the process and then they action that. But with the Government shutdown, there's a step they have to take where they have to go in and basically, I guess, you could say, accept the award from the Government.

So that's a little slower. And plus, historically, we've always had the funding sooner than this. This was just at the very end of September right before the shutdown. So usually, what you'd see is you'd see a buildup in incoming, as you know, of the order pace in late Q3 and certainly into early Q4, which was delayed a little bit.

Robert Mason - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah. Okay. And maybe just last question, I'll get back in the queue. Julie, again, nice work, and team, on the operating expense controls in the quarter. There was the mention around maybe some variable comp adjustments.

The thought was maybe we're tracking to \$108 million-per-quarter-type SG&A number. It was below that, obviously, in the third. But is that more of a normalized rate, or have you made some adjustments to that?

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

Yes. We would expect that our fourth-quarter SG&A would return to more normal levels.

Robert Mason - *Robert W. Baird & Co Inc - Senior Research Analyst*

Very good. Okay. Thank you.

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

Thank you.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thanks, Rob.

Operator

Ross Sparenblek, William Blair.

Ross Sparenblek - *William Blair & Company, L.L.C. - Analyst*

Hey, good morning, guys.

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Good morning, Ross.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Hey, maybe just touching on margins here. FX has recently flipped to a tailwind, as you guys called out. Can you maybe just remind us of the cross-currents with that transactional risk and then also maybe some of the other moving parts?

Julie Beck - MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer

Yeah. So, we had some transactional FX that was negative in the quarter. But really, we've seen some overall inflation in the supply chain, as well as we saw a much higher tariff impact in Q3 as the tariffs are hitting the income statement now in Q3.

I would say that our costs are up primarily in inflation and tariffs, and just a slight bit more in transactional FX.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Okay. And then just on that inflation, anything specific to call out?

Julie Beck - MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer

I would say that when you look at general inflation, you see that overall in the supply chain, wage inflation through the various tiers of the supply chain are causing general inflation to go up. We'd also see some inflation in electronic components. We'd see inflation in metallics and some of those things that are impacting our costs.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Okay, very helpful. I'll hop back in the queue. Thank you.

Operator

Saree Boroditsky, Jefferies.

James Ko - Jefferies Group LLC - Analyst

Hello. Good morning. This is James, on for Saree. Thanks for taking questions.

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Good morning.

James Ko - Jefferies Group LLC - Analyst

Yeah, good morning. Kind of going back to Fire Service here, you noted that pipeline remains strong here. So, I believe there is a lot of pent-up demand here. It's just near-term uncertainties impacting conversion here. So how should we think about Fire Service going into 2026 once all these near-term headwinds clear out?

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Yeah. Thanks for the question. So, if you look at it, first, on the short-term basis, we typically have a really strong end of the year because of the Assistance to Firefighters Grant releases that we talked about earlier. So, that typically rolls into fire departments placing orders. And certainly, we want to get the equipment to them so they can do their jobs. So that makes the end of the year typically pretty strong. The nuance here, as we already talked, is that that's pushed a little bit, at least, for some of it depending on the timing.

As you get into 2026, I would say you're probably going to have, excluding when the firefighter grant awards occur, we should have a consistent year with what we'd expect this year to be on as far as the demand cycle.

Globally, there's some nice things going on in certain regions, we had some international pressure based on some delays in Asia, specifically Mainland China, that I think get fixed maybe a little bit in 2026. Certainly, we expect that. North America in our big market, we would expect to be fairly consistent year over year.

I think what you'll start seeing as we get into the out-years, we're really optimistic of the Fire Service. You get 2027, 2028, 2029, it should be a really good business. Next year should be solid. But beyond that, I think it should be a really good business.

James Ko - Jefferies Group LLC - Analyst

Got it. Great color. And as a follow-up, I think you guys are still expecting early 2026 for NFPA approval timing. But are there any risk that this could be further delayed? Or is that a pretty constant timeline?

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Yeah. Again, this is a government agency. We don't control when they decide to pull the trigger here. But we certainly have gotten a lot of feedback from the market and others that they expect to really come through with the approval early next year at the latest. It might be yet this year. I think they're lining those things up.

And as we've talked before, we've gone through all the process. We're ready. We certainly know our product is ready. We don't know what the competitive landscape is. But I think there's a relatively high confidence that that should be taken care of and the approval issued no later than early 2026. Again, we don't have control over that, but that's our expectation.

James Ko - Jefferies Group LLC - Analyst

Got it. Great. Thanks so much.

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

You bet.

Operator

Michael Shlisky, D.A. Davidson.

Linda Umwali - *DA Davidson & Co - Analyst*

Hi, good morning. This is Linda Umwali on for Mike Shlisky. Thank you for letting us ask questions.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Hi, Linda.

Linda Umwali - *DA Davidson & Co - Analyst*

I'll start with this, should we be concerned about the Federal Government shutdown? And I know Julie touched on that more broadly affecting your military business. Will any of the demand that may be held up by the shutdown eventually be made up once it is all over? And if you could quantify that for us, that would be great.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah. We do have some additional impact outside of the Fire Service, not as meaningful, but some from a Detection perspective, where we see some delays occurring. I wouldn't say it's something that we're overly concerned, assuming this thing gets settled sometime in the next few weeks. For us, we're managing it. We would expect that then to come through after the fact. But again, from a quantification, it's just a much smaller scale; certainly impactful to the business in the U.S. to some degree, but not significant other than the Fire Service. So, and most of the demand we have, I think we're okay when we think about the defense side or Government spending.

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

And just to clarify, we are forecasting that we will have sales growth in the fourth quarter. And we're forecasting that we will have a slight margin uptick in the fourth quarter, as well as sales are up for the whole fiscal year. Just to clarify that.

Linda Umwali - *DA Davidson & Co - Analyst*

Thank you for that. Yeah, thank you for the clarification. And then I was wondering if you guys could update us on the MSA+ subscriptions. Has that ramped up through 2025?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Another strong quarter for MSA+. It continues to be performing very well in the market. We had a few signature wins, which, we didn't ship a couple of them in the third quarter, but they came in. Very pleased with that. As I noted in the prepared remarks, over half of the growth in portable instruments are from MSA+.

So it's performing right where we hoped it would. It continues to do really well. I think what's really, for us, exciting and really cool is the fact that we have this full portfolio, we have this diversity of capability for the customer.

It actually has allowed us and enabled the customer to choose these different options, which then has allowed us to grow share in Detection, in the portable gas Detection space, not just with the MSA+ connected solution, but with our continued best-in-market traditional solution.

So I think that total suite of solutions, the customer gets to see it all from us. And we want them to pick the best solution for their needs, and it's really played out well in both cases.

Linda Umwali - *DA Davidson & Co - Analyst*

Got it. Nice. And then, I wanted to click back on the Fire Service business. So, the Americas organic growth was negative. But the International Fire was also negative, and the International business did not have a similar NFPA and shutdown issues. Can you provide more commentary on what's happening there? And could it stay negative in the fourth quarter after last year's, I think, double-digit gain?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

So when you think of the International Fire Service, there's a couple of dynamics that we're seeing play out. One is, in Asia-Pacific, we have seen some delays in order timing. Especially in Mainland China, they're doing some activities which have delayed some activity. We expect that to come in probably later in this quarter as well as into 2026. So, order pace should improve there, and we expect those orders to start flowing in.

And then in Europe, there has been some funding shift from fire to defense for some European countries. Again, really, we see some of that on the larger tenders. So, you might see 10%-ish, 15% fewer units. The interesting thing is –it's because they're trying to add investment and funding for defense.

So what that means for us is inside the Industrial business, if you think of the protective ballistic helmet business, in Europe, that has been very strong. And we're seeing the benefits of that. And a little bit of softness on the for International Fire Service that the team is going to work through. And I'd say if you put those two together, that's what you saw in International in Q3.

I think Q4, you'll see some uptick in International, as some of those orders come in, we just talked about and then 2026, we're pretty optimistic with.

Linda Umwali - *DA Davidson & Co - Analyst*

That's great. Yeah, thank you for the color. And then one last one. So, one area of the 3Q results that was a little surprising was that you did not have many restructuring costs, which were close to zero after being like \$1 million or \$2 million a quarter on average for quite some time. Do you have any major restructuring plans for the next few quarters that we should include in our model going forward?

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

No, thanks for your question. No, we don't have any major restructurings to include in the model.

Linda Umwali - *DA Davidson & Co - Analyst*

Great. Thank you for your time this morning.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thank you.

Operator

Jeff Van Sinderen, B. Riley.

Richard Magnusen - *B. Riley Securities Holdings Inc - Analyst*

Hello. This is Richard Magnusen, in for Jeff Van Sinderen. Thank you for taking our call. My question goes back regarding the ALTAIR io 6 that you introduced recently. So, the io 6 and io 4 detectors, they address different needs.

Are there any other detector application situations that you're working on, where you can give us more detail where you see this MSA+ family going? And maybe can you elaborate on expanding software applications and even how to accelerate subscription revenue growth?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

So, hey, thanks for the question. So, if I think of io 6, certainly, it will provide nice long-term coverage. It's really a great solution for confined space and the sampling applications our customers have. Your comment about innovation, absolutely, we continue to innovate in this space. And I think the team is doing a nice job really looking at how we continue to expand capabilities.

Nothing to speak of today that we would share publicly on what the next one or when that might be. But the connected solutions we have in portables, we feel really good about. And we think the io 6 will build upon that.

When you think of it outside of that space, we have other solutions that allow us to have this expansion in the recurring revenue model. And I think the team is doing a nice job really trying to match the customer with where they're at and their buying behaviors. So, that's a focus the team has.

And as we talked with our ACCELERATE strategy, it's a focus that we continue to lean in on. And I think what I like and what we've talked about is, we mentioned this during the Investor Day, when we launched the ACCELERATE strategy.

But we said, hey, the key categories here where we know we can compete and win very effectively and have the right to really compete is Detection, Fall Protection; and certainly, we're going to get through the hump on Fire Service. That's the communication we had.

And you look at the performance the team has delivered, and it's matched that up exactly, right? We've continued to grow the Detection business. We're doing that through share growth and addressing some growth in TAM. And then Fall Protection has been a nice tailwind as well, and we expect both of those to continue.

Richard Magnusen - *B. Riley Securities Holdings Inc - Analyst*

All right. Thank you.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thank you.

Operator

Brian Brophy, Stifel.

Brian Brophy - *Stifel, Nicolaus & Company Inc - Equity Analyst*

Yeah, thanks. Good morning, everybody. Appreciate you taking the question.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Good morning.

Brian Brophy - *Stifel, Nicolaus & Company Inc - Equity Analyst*

Good morning. Curious the latest you're seeing on some of your short-cycle businesses, hard hats, anything else to comment on? Curious what you're seeing from that perspective? Thanks.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah. Thanks for the question, Brian. PPE was strong for the quarter, specifically because of the Fall Protection I just mentioned. But we're also seeing some growth in the protective ballistic helmets we talked about.

The markets are still mixed. Head protection in some areas, pretty solid; other areas, it's just kind of choppy. It's really been a similar story throughout the year, Brian. We haven't seen that change a heck of a lot yet. It's not down significantly. It's not up significantly. From quarter to quarter, we're just seeing it kind of continue on as the employment has been fairly stable overall. And it's market-specific.

So, if you think of the markets we participate in, some markets such as manufacturing, nonresidential construction, a little softer and have been. Energy is okay. It depends on which piece of energy. If you look at downstream, midstream, pretty solid, and we compete pretty well. And then the upstream side, softer, and we don't expect that to change too much.

I think the nice thing as we look forward, there's some sentiment that seems to be improving in this regard, and the channel seems to be sharing that as well. So, we'll see how that plays out. But it's a continuation of what we've seen really throughout 2025.

Brian Brophy - *Stifel, Nicolaus & Company Inc - Equity Analyst*

Understood. That's helpful. And then maybe just a little bit more color on how the M&C integration is going, and maybe some of your latest thoughts on potentially moving some of that product through your U.S. distribution and when we might start to see some benefits there from some cross-sell activity?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah. So, the M&C business, we're really pleased with. They've done a nice job; I think the whole team, it's been a great fit and really pleased with how our team and their team have embraced each other to work together. They're laser-focused on integrating this and looking at opportunities for growth.

And we had a nice cross-functional discussion with the team here in the U.S. in the third quarter. And they've identified some really nice growth areas. The third quarter was pretty nice here. The U.S., we've unlocked some nice opportunities that the team thinks long term, we can do really well with.

I think that's going to be a great business, that we'll see continued tailwinds going into the long-term future. Europe, also strong; typically Germany. But as far as growth, I think the Americas is really going to shine there.

Brian Brophy - *Stifel, Nicolaus & Company Inc - Equity Analyst*

Okay. That's helpful. And then I guess, last one for me. Leverage down to about 1.0x, obviously below your long-term target. You talked about some buybacks in the fourth quarter. But just curious what you're seeing from an M&A pipeline perspective? Has there been any notable change there? And just kind of curious how active you guys have been there generally. Thanks.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah, we remain very active. I would say the pipeline is solid. We were pleased to action M&C in May. And our intent is to continue to look at deals which we have and continue to evaluate those deals to make sure they're the right fit for MSA and for our strategy. And we've got a great pipeline to do that with.

So you talked about the leverage. We gave you, as part of the ACCELERATE strategy, where we think the sweet spot is. So, it should give you some idea of what we think we can continue to do. And we expect to continue to move forward with that.

Again, you got to have the right fit where the seller has the right idea of price that the buyer has. And sometimes, those don't fit. But if they do, we certainly want to continue to action those. And the pipeline says we can do that.

Brian Brophy - *Stifel, Nicolaus & Company Inc - Equity Analyst*

Appreciate it. I'll pass it on.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Thanks.

Operator

Ross Sparenblek, William Blair.

Ross Sparenblek - *William Blair & Company, L.L.C. - Analyst*

Hey, guys. Thanks for taking the question. Just back to the price dynamic, can you maybe give us a sense of where the year-to-date price sits across the three segments? I mean, has it been broad-based, or is it more selective?

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Yeah. We'll hit this two ways. I'll talk about kind of strategically where we're at, and then maybe Julie can give some color on the specifics in the pricing side.

We really look at the price side. Ross, we did one targeted price increase in the first half of the year in the U.S. and the Americas. We did another one in Asia in the summer and a little bit more broad-based in October based on the sustained visibility to the tariff regime and some of the inflationary environment that Julie talked about.

So, that's really where we're at. So, some of those, you've got to get some flow-through certainly from those tariffs and what's in the inventory, and how that processes through and the order book that we have. And then next year, we would expect to get back on the normal cycle where we'd have our January 1 price increase, and we'll manage that.

The team also continues to work on efficiencies. I think the nice thing is you saw some of those come through, we did, quarter to quarter. And sequentially, even with the heavier pressure we had on cost, the team managed that pretty well. And I think we've got a laser focus on how we do that going forward. But maybe, Julie, you can quantify a little bit more.

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

Yeah. I think when you think about our organic growth in the third quarter, it was primarily price. So, we're seeing that price hit. We had margin improvement sequentially from Q2 to Q3. And we would expect to have a slight sequential improvement from Q3 to Q4 as well in margins. And part of that will be pricing activities, of course. And so, I hope that helps.

Ross Sparenblek - *William Blair & Company, L.L.C. - Analyst*

Yeah. That's very helpful. Thank you for that. And then just quickly on the Fire side, I mean, 1% in the fourth quarter from the U.S. shutdowns, the AFG and NFPA slippage into 2026 potentially.

I mean, can you just give us a sense of what that pipeline looks like relative to the backlog? I mean, are we talking a couple of points of growth? Or is it several points of growth going into 2026 when everything straightens out?

Julie Beck - *MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer*

Well, it's difficult to say whether some of this stuff will come through in Q4 or Q1 or Q2 of next year into 2026. But we believe that demand is strong and believe in the business going forward. But it's difficult to tell. That's why we gave a range that the fourth quarter would be impacted, and we would expect that to come back in 2026.

Ross Sparenblek - *William Blair & Company, L.L.C. - Analyst*

Okay.

Steve Blanco - *MSA Safety Incorporated - President & Chief Executive Officer*

Ross, if you think about it, that point that Julie referenced, we see enough pressure there that we think that's a fourth-quarter challenge that will push into Q1, Q2, Q3.

Now, again, it all is predicated on when the fire departments, especially with this NFPA standards change, that might change their thought process of when they want to buy. But it will be sometime in 2026 for that specific point. You can't really lock it down one quarter to the next.

Ross Sparenblek - *William Blair & Company, L.L.C. - Analyst*

Well, I think, I mean, instead of just looking at the organic decline this year and taking out some of the large orders for the comps, there's probably some other pent-up demand that's in that pipeline that's just kind of hard to visualize right now. Do you think that's fair?

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Yeah. I think the Air Force comp was tough. I think the way you could think about this is 2026 demand-wise is probably going to be similar to a normal year, 2024, 2025 demand, excluding this AFG grant thing.

That's how I kind of look at it. You get past 2026, you probably are going to start to see a bit different quantified demand curve start to tick up, I would anticipate, in the latter half of the decade. But 2026 is going to be probably pretty solid and consistent with what we would expect in the 2024, 2025 demand outside of, as you noted, those extremely large orders.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Yeah. That's extremely helpful. And then just one last one on the Detection side. Could you help us quantify the split of growth between the fixed and portable?

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Fixed was double digit. Portable was single digit. And again, portable, great strength as we've talked just before, really good growth in the connected space. The fixed business has been really solid. I think what we look at and what we try to come back to on the fixed business, it's another example of the diversity we have.

We really like when we get some nice capital investment in some big projects. But even when you don't on that fixed business, you've got this continuation. And that's what we're seeing. You see this day-to-day business continue on because we have such a strong, large installed base.

So, when a customer expands their site and they don't necessarily have a large project spend, we're still seeing the benefit of that. And the fixed is playing out that way. It's a great diverse business that continues to perform very well.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Okay. Almost get the sense that fixed has kind of stepped up and is structurally higher now? Is that fair, or is it just kind of a lumpy project activity?

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

I think, certainly the project business is going to be a bit lumpy. And I'll tell you, right now, project business, capital investment-wise, the world is an interesting place. The Middle East is still pretty heavy on some project business, but it's super competitive.

And the U.S., we see a lot of things coming into the future on this that I think is going to be good. The rest of the world is a little more challenged. But when you look at the fixed business, it's similar to what we said during the strategy cycle.

I think the business is going to be solid. It's going to continue to grow, and we diversified it. You've got the SMC acquisition. You've got the Bacharach acquisition, along with our solutions that are good for mainstream energy as well as clean energy. So, I think it's really good. Now add to that, M&C. So, it should be a good space.

Ross Sparenblek - William Blair & Company, L.L.C. - Analyst

Fantastic. All right. Well, thank you for taking the questions. Looks like a good quarter.

Steve Blanco - MSA Safety Incorporated - President & Chief Executive Officer

Thank you.

Julie Beck - MSA Safety Incorporated - Senior Vice President, Chief Financial Officer, & Treasurer

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Larry De Maria for any closing remarks.

Larry De Maria - MSA Safety Incorporated - Executive Director of Investor Relations

Okay. Thank you. We appreciate you joining the call this morning and for your continued interest in MSA Safety.

If you missed a portion of today's call, an audio replay will be made available later today on our Investor Relations website and will be available for the next 90 days. We look forward to updating you on our continued progress again next quarter.

Operator

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

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