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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and welcome to the MSA Safety Fourth Quarter and Full-Year 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 Inc - Executive Director, Investor Relations

Thank you. Good morning, and welcome to MSA Safety's Fourth Quarter and Full-Year 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 will discuss MSA's fourth quarter and full-year 2025 financial results and provide our full-year 2026 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 have 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 the fourth quarter and full-year 2025 financial performance and 2026 outlook. Steve will then provide his strategic priorities for 2026 before giving closing remarks. We will then open the call for your questions.

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

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

Thanks, Larry, and good morning, everyone. Thank you for your continued interest in MSA Safety. I'm on slide 6. We executed well within a challenging environment for 2025. We had a solid finish to the year, guided by our Accelerate strategy, centered on serving MSA's Mission for our customers and protecting over 40 million workers worldwide who trust the MSA brand.

Just within the last month, I've learned about two separate customer save stories where our solutions helped save lives. First, a worker at a water treatment facility was alerted to a flammable gas alarm by his ALTAIR 5X portable gas detector, enabling evacuation before the fire occurred. It's why customers count on the MSA brand, fast response, reliability and durability in the real world.

We also heard directly from a firefighter wearing our Globe turnout gear when he was engulfed by a flashover as he entered a structure. As he told us afterwards, "In a moment where everything went wrong, your gear did exactly what it was designed to do, and did it when it mattered most." Save stories like these remind us all at MSA, the importance of fulfilling our Mission.

Now for our business update on the fourth quarter and full-year. Our fourth quarter results reflected strong free cash flow, low single-digit reported sales growth, mid-single-digit adjusted earnings growth and sequential improvement in operating margins. Quarterly consolidated reported sales growth was 2%, with a 3% organic decline, a 3% contribution from M&A and 2% favorable FX. Adjusted earnings per share were \$2.38. Organic sales performance in the quarter was driven by continued strength in detection, which was offset by a decline in the fire service, while industrial PPE was up modestly. The M&C TechGroup acquisition contributed \$15 million to the quarter.

Looking at sales by product categories. Detection's 17% organic growth was driven especially by strength in fixed, while portable instruments also continued their growth. This growth was primarily driven by excellent performance in the Americas as we completed delivery of several large orders. Organic sales in fire service declined 21% year-over-year. The U.S. market dynamics surrounding AFG (Assistance to Firefighters Grants) funding and the U.S. Government shutdown impacted the timing of SCBA sales in the quarter as expected. We also faced the final tough year-over-year comparisons with U.S. Air Force deliveries. Organic sales of industrial PPE were up 1%. Fall protection moderated from the strong pace we saw in the previous quarters, though it retains a positive outlook.

From a full-year perspective, we effectively executed our strategy against a volatile operating environment. Net sales growth for the year was 4% on a reported basis, with 1% on an organic basis and a 2% contribution from M&A. We remain very pleased with M&C's performance and its integration into the MSA family.

Order pace across our product categories was healthy, albeit mixed, in the low-single digits year-over-year and reflected the timing dynamics in the fire service. Detection orders were about flat versus the strong FGFD comparison last year and industrial PPE orders decreased by low single digits, with fire service orders increasing by low-single digits.

Order flow improved from the third quarter following the NFPA (National Fire Protection Association) approval of our newest G1 SCBA, the release of AFG grants and the reopening of the U.S. government in mid-November. Overall, backlog remains healthy and consistent with historical levels, and we have a solid commercial pipeline. Our overall book-to-bill was slightly below 1 and above the year ago period.

Turning to slide 7. You know how dedicated we are to serving our Mission for our customers and delivering innovative products and solutions. As you can imagine, we also have our own MSA culture of safety that we live every day. I'd like to share a couple of highlights. In 2025, we delivered world-class safety levels across our organization, finishing the year with zero Lost Time Incidents.

In addition, our Total Recordable Incident Rate was 0.25, the best rate we've achieved ever. These metrics demonstrate that we live our mission every day at MSA at every facility around the world and further emphasize how doing so enables us to strengthen our culture of safety. I'm extremely proud of the MSA team. A sincere thank you to the team for their dedication and commitment in our endless journey of improvement.

Moving to slide 8. We expected 2025 to be a dynamic year when we outlined our Accelerate strategy and long-term targets in 2024, and it proved to be just that and more. However, we maintained our diligent focus on strategic execution. I'd like to share a few of our 2025 achievements. First, as we committed to, we delivered above-market growth in our key strategic Growth Accelerators, with detection up organically low-double digits and fall protection up high-single digits. Detection is now our largest product category, representing 41% of sales. In addition to the exceptional fixed detection performance, we continue to see growth in both MSA+ connected and traditional portable solutions.

Second, we continue to innovate and bring industry-leading products and solutions to market. This included launch announcements for the ALTAIR io 6 portable gas detector which advances our MSA+ ecosystem, the new H2 Full Brim Type II hard hat, our newest Globe turnout gear, the, G-XTREME PRO jacket, and our latest generation 2025 G1 SCBA, which received NFPA approval in November.

Finally, from a financial perspective, we utilized our consistent free cash flow to deploy nearly a half billion dollars into growth investments and returns to our shareholders. We welcomed M&C into the MSA family, increased our share repurchases, and raised our dividend for the 55th consecutive year.

Going to slide 9. Moving into 2026, we remain confident in our expectations for a number of key markets. That includes fire service for both our domestic and international segments. In North America, we're optimistic about the pipeline of opportunities and continued use of AFG grants in the U.S., which we expect customers to access throughout the first half of the year. Internationally, we continue to see opportunities to gain market share across our regions as our pipeline for our fire service solutions remains strong.

In the energy sector, we anticipate strong underlying global demand in 2026 and beyond. We expect to leverage the various investments in this area as well as in the industrial markets. We are well positioned for opportunities across the entire detection portfolio as well as in fall and head protection.

With that, I'd now like to turn the call over to Julie to walk through our fourth quarter and full-year 2025 results in more detail and our 2026 outlook. Julie?

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

Thank you, Steve, and good day, everyone. We appreciate you joining the call this morning. Starting on slide 11 with the quarterly financial highlights. Fourth quarter sales were \$511 million, an increase of 2% on a reported basis over the prior year. Sales were down 3% on an organic basis from the prior year, while M&C added 3% to overall growth and currency translation was a 2% tailwind.

As expected, GAAP gross margins improved sequentially, rising to 46.9%, an increase of 40 basis points from the third quarter and remaining consistent with the previous year. Year-over-year gross margin reflects the mitigating effect of our pricing strategy on tariffs and inflation as well as positive mix and favorable transactional FX. As we have previously communicated, we remain focused on achieving price/cost neutrality in the first half of 2026.

GAAP operating margin was 22.3%, with an adjusted operating margin of 23.9%, which was consistent from a year ago, as lower volume and gross margin pressures were largely offset by mitigating pricing actions, positive mix and favorable transactional FX. Sequentially, adjusted operating margins were up 180 basis points from the third quarter. Entering 2026, we remain diligently focused on SG&A productivity, pricing and tariff mitigation plans to counter headwinds and return to margin expansion.

Quarterly GAAP net income totaled \$87 million or \$2.21 per diluted share. On an adjusted basis, diluted earnings per share were \$2.38, up 6% from last year, which included a favorable adjusted effective tax rate of 23.2%, primarily due to a reduction in state income taxes.

Now I'd like to review our segment performance. In our Americas segment, sales declined 1% year-over-year on a reported basis or 3% organic as mid-20s organic growth in detection was offset by a low-20s contraction in fire service. As Steve mentioned earlier, sales in the

fire service were negatively affected by timing-related market conditions, while organic sales in our industrial PPE business were relatively consistent. M&C contributed 1 point to total growth and currency translation added a 1% tailwind for the quarter.

The adjusted operating margin was 31%, a 30-basis-point increase compared to the previous year. The margin improvement was primarily due to pricing, favorable mix and effective SG&A management, partially offset by lower volumes, inflation and tariff pressures.

In our International segment, sales increased by 8% year-over-year on a reported basis, with a 6% contribution from M&C and a 5% tailwind from FX. Organic sales declined 3% as mid-single digit growth in detection and industrial PPE was offset by a double-digit contraction in fire service, which was primarily driven by orders being pushed into 2026. Adjusted operating margin was 16.8%, 80 basis points below last year. Margin contraction was mainly due to inflation, tariff pressures and volume, partially offset by pricing and SG&A management.

Now moving on to slide 12, where I'll review our full-year results. Total net sales were \$1.9 billion, up 4% reported or 1% on an organic basis versus last year. M&C contributed 2 points to overall growth and currency translation was a 1% tailwind. We saw double-digit growth in detection and low-single digit growth in industrial PPE. Growth in industrial PPE was primarily driven by strong performance in fall protection. Sales in fire service contracted due to the challenging market conditions we have talked about.

Adjusted operating margin was 22.1%, down 80 basis points from last year on tariff, inflation and transactional FX pressures, partially offset by strategic pricing actions, positive mix and improved productivity. Adjusted diluted earnings per share were \$7.93, up 3% over the prior year. M&C contributed \$0.09 to adjusted earnings per share. We delivered a strong adjusted Return on Invested Capital (ROIC) of 20%, which included the overall impact from our acquisition of M&C and far exceeds our cost of capital. Overall, MSA's financial performance was solid, given the challenging prior year comp and the dynamic operating environment that persisted throughout 2025.

Now turning to slide 13. We generated a strong free cash flow of \$106 million in the fourth quarter, which is 122% of earnings, marking a 13% increase compared to a year ago. For the full-year, free cash flow reached \$295 million, up \$53 million from last year, with 106% conversion rate that surpassed our annual target range of 90% to 100%.

In the quarter, we returned \$61 million to shareholders via \$21 million of dividends and \$40 million of share repurchases, in line with the increase we communicated last quarter. Repurchases in the fourth quarter were equal to our total repurchases throughout the first three quarters of the year. In addition to returning cash to shareholders, we invested \$16 million in capital expenditures.

For the year, capital deployment, excluding R&D investments, totaled approximately \$420 million and included \$189 million spent on the M&C acquisition, \$162 million returned to our shareholders via share repurchases and dividends, and \$68 million in CapEx, which includes our Cranberry expansion that will further support our Accelerate strategy priorities for growth and footprint optimization. We continue to reinvest in R&D, which represented 4.3% of 2025 sales, reinforcing our commitment to being a leading safety technology provider.

Net debt at the end of the year totaled \$416 million, down \$43 million sequentially. As of year-end, we have repaid approximately \$100 million of the \$140 million we borrowed for the acquisition of M&C, and we ended the quarter with net leverage of 0.9 times. Our weighted average interest rate at quarter end was 3.9%. Our strong balance sheet and ample liquidity of \$1.2 billion continues to provide optionality and position us well to support our Accelerate strategy and invest in our business, while we maintain an active M&A pipeline entering 2026.

Let's turn to our 2026 outlook on slide 14. We are projecting mid-single digit full-year organic growth. Overall, our business remains healthy, and the pipeline is solid. Although the fourth quarter was affected by timing issues in the fire service and the U.S. Government shutdown, we expect those delays to favorably impact the year as we carry over about 1% of annual business that was delayed.

We anticipate ongoing momentum in detection and fall protection as key growth drivers, while pricing actions taken throughout 2025 and 2026 will be realized alongside moderate volume growth. We expect normal seasonal patterns throughout the year, including M&C, with the first quarter typically being the lowest of the year, implying approximately a high-40s to low-50s sales split between the first and second half. In addition to our mid-single digit organic growth outlook, we expect M&C to contribute approximately 1 percentage point to full-year revenue growth. Other items below the line include an interest expense of \$28 million to \$31 million and a tax rate in the mid-20s percent.

In conclusion, there is no question that further uncertainty and volatility exists into 2026. We remain confident in our resilient business, our pipeline and our ability to navigate macro uncertainty and timing challenges as we execute our strategy and work towards our 2028 targets.

With that, I'd like to pass it back to Steve.

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

Thank you, Julie. I'm on slide 16. Overall, we executed well in a very dynamic 2025. As we move into 2026, our strategic priorities remain rooted in our mission and disciplined execution of our strategy. We retain our focus on driving profitable growth while extending our leadership in the markets we serve.

We continue to apply the principles of the MSA Business System to drive continuous improvement in all we do. Our strong financial profile and balance sheet enabled effective capital allocation through organic and inorganic growth investments and returning capital to shareholders. We remain active and highly disciplined in our M&A approach as we continue to evaluate inorganic growth opportunities that meet our strategic and financial targets.

Moving to slide 17. I'm proud of our team's execution and thank all of our associates for their continued commitment to serving our singular Mission of safety. While there are always new challenges, I'm optimistic that we will continue to grow both organically and through acquisitions, and that we have begun to exit some of the most difficult quarterly comparisons.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Rob Mason, Baird.

Robert Mason - Robert W. Baird & Co., Inc. - Analyst

On detection, really strong quarter, obviously, and able to get some of these larger orders out the door before year-end. Steve, I seem to recall, we were thinking about that business being in the high-single digits for 2025 and I guess it grew 12% over on a local currency basis, does that delta -- is that explained by the large orders? Or did you have some other things come in, in the fourth quarter?

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

Yes. Thanks for the question, Rob. I would say it was explained by the large orders. We had a couple of really nice orders come in. We had a customer in late Q3 that asked us to execute on an order that would have been this year. So, we had an additional large order that came in. So, if you took that out, it probably would have been a 10-ish number for the year instead of the 12%. Obviously, very strong. We said high-single digits, I think, pretty early in the year, and I think the team executed very well in that. But the underlying demand continues to be super strong across most of our regions, and we're expecting the investment category for some of the end markets to continue. I mean we're not going to have that same kind of year this year, certainly, but a really solid year.

Robert Mason - *Robert W. Baird & Co., Inc. - Analyst*

Yes. And then trying to get past some of the well-documented headwinds in fire service in the fourth quarter. How do you see maybe the cadence in fire service playing out through the year? I'm sure those don't go away just on January 1, but between the first quarter and maybe you get by the midyear, how does that play out, do you think?

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

Yes, thanks. It's going to be interesting. So, when you think of the delay, typically the fire service, when they receive the funding, they've got this built-in time horizon of year-end. And part of that is they recognize there's an opportunity, they've got funding and they want to get in their orders before the price increases that most manufacturers put in, in the first quarter. So, that didn't transpire, right? They didn't have the funding, they weren't able to do that.

So, we have that pipeline. We're working through that with our customers. That's why we think most of those orders probably play out sometime in the first half for the ones that had the government delays. And then the remainder, it's probably going to be more like a normal fire service year, what you would typically expect, which would say that you would lean towards the second half again on the overall demand cycle here.

So, that's how we see this playing out this year. I think that's the best way to look at it. Except that AFG delay, we'll see some of that in the first half of the year. But the overall picture is more of a standard year, I think.

Robert Mason - *Robert W. Baird & Co., Inc. - Analyst*

I see.

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

Just to add on to that, I would say that we would expect pretty consistent growth throughout the year in terms of the revenue growth for fire service.

Operator

Mike Shlisky, D.A. Davidson.

Michael Shlisky - *D.A. Davidson & Co. (Research) - Analyst*

I'll follow up on your answer for detection, very impressive in the quarter here. And it's been a trend, you've had some good numbers. Could you maybe comment on the order of magnitude of growth you'll be seeing here in 2026 for detection? Is there, at some point, where you start seeing tough comps? Or is there enough new product coming out here that there can be a strong tailwind this year?

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

Yes. Thanks for the question, Mike. I think that last year, certainly, especially as you look at the latter half of the year, the fourth quarter, that's certainly going to be tough comps. And as I talked about with Rob's question, a couple of points that probably would have been in this year. This is going to be a good year for detection. It's early, but we probably look at it, at this stage, as mid-single digit revenue growth this year, even with the comps we had last year. And I think at this stage in the game in February, that's how we would think about it and

how we're looking at it for the year. And so, the growth is there. We think the macro environment supports that. And certainly, our solutions in both categories of the fixed and the portable detection support that with our customer base.

Michael Shlisky - *D.A. Davidson & Co. (Research) - Analyst*

Great. And I also wanted to turn to the margin outlook. When I think back, you've got that longer-term 30 to 50 basis points a year margin goal to gain every year through 2028. Now that goal was released prior to the tariffs and things coming out more recently. But you did end up down a bit in 2025. Is there a catch-up that happens here in 2026? And then you add on top of that the 30 to 50 basis points of margin just as pricing catches up? Just some thoughts as to whether you could be seeing 100 basis points plus of margin in 2026, especially the run rate to exit the year.

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

Well, it was a dynamic 2025, for sure. The tariff situation certainly played out to impact that, as we talked about last year. I would just tell you, our overall approach on that continues to be a combination of efficiency and pricing. I think the (MSA) Business System has helped us. But, as we noted last year, we've implemented some price increases, and, for us, our focus was the long-term and executing in a way that we position ourselves for neutralizing on the price cost in the first half of this year. And we are right where we anticipated we'd be. So, you should see that continue to improve. You saw it sequentially in the fourth quarter. So, you'll see that continue as we look forward.

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

Yes. Just to add on to that, I would expect that our margins improve sequentially. So, we recover that price/cost neutrality at the end of the second quarter, and we would expect to return to those 30% incremental margin targets this year.

Operator

Ross Sparenblek, William Blair.

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

Looking at slide 9 on the end market assumptions. First off, thanks for providing that. I was curious to see that the infrastructure bucket is expected to be neutral this year. Energy and chemicals are up. Can you maybe just provide a little more color on the project activity you're seeing in the funnel? And anything else you can speak to that kind of underwrite those assumptions for the year?

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

Yes. Thanks for the question, Ross. When we think of 2026, certainly 2025 was choppy in industrial. We did see chemical and energy had continued investment. And the thesis was pretty good in most of the regions around the world.

I would anticipate, and the team believes, what we're hearing and seeing is 2026 will be similar. In a couple of the regions, you'll probably see it build up in the second half. We know of some announced investments. If you think of Europe, for example, they really haven't had as much investment going on, but we do see some of that playing out in the second half, probably some improvement in China with that regard. Middle East was strong all year. Expect that to continue most of this year, if not all. And the Americas is in a similar story as well. So, we see that as some tailwinds.

From a market dynamic perspective, there's a need for energy across the globe. And certainly, our customers and others are really trying to make sure they're well prepared for that. And I just would say, the overall, at least in our view, when you compare or put together our activity in the Accelerate strategy along with the market dynamics we're expecting, we feel like we're in a pretty good place for 2026.

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

Okay. And then maybe just on the portables, it seems like it was a little bit more measured growth in the quarter. Anything stand out there as we think about maybe perhaps tougher comps? Or is it the switch over to [ALTAIR](added by company after the call) io 6 that's causing a pause? Just, any updates around portable gas?

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

Well, thanks. The portable business again, continued to grow in both categories. When I say both categories, both 4 gas categories. So, again, portables includes single, the dual gas and then the 5 gas, which we'll see the io 6 come out later to replace our 5X or be an option for the 5XR.

So, the 4 gas has been growing exceptionally well. Last year was our best year ever for units. And what's interesting is the revenue for the year, the io 4, the MSA+ piece of the business is in just over 10% of portables. But when you look at units, you're close to twice that, which gives you a little bit of color of that being something that's going to continue to pay dividends because of the subscriptions as we go forward. So, that grew at a really nice rate. It was a fantastic business for us, and it's shaping up to do the same in 2026.

Operator

Tomo Sano, J.P. Morgan Chase.

Ethan Coyle - *J.P. Morgan Securities LLC - Analyst*

This is Ethan on for Tomo. How should we view the mid-singledigit growth outlook on pricing and a volume standpoint, considering roughly like 1 point of it is from the fire service delay?

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

I think we're going to get contribution from both. So, I would say you're going to see both, probably lean more towards the price side, right, Julie?

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

Yes.

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

But you'll get contribution from both. A little bit more on the pricing side.

Ethan Coyle - *J.P. Morgan Securities LLC - Analyst*

And would we expect this to be more of a first half weighted on a volume standpoint versus price? Or can we see pricing due to tariffs flow through in the first half?

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

Yes. So, we'll have some more pricing early on because we have a carryover from last year and pricing actions that we took that are going to start to flow through at the beginning of the year here in the first six months, as we talked about. So, we'll see it in the first half.

Operator

Jeff Van Sinderen, B. Riley FBR.

Jeff Van Sinderen - *B. Riley Securities, Inc. - Analyst*

Most of my questions were answered. But, when you look at the competitive landscape, how are you seeing that evolve in detection? What do you think the key factors are that are driving new business wins for you in detection? In other words, why do you believe your customers are choosing you versus competitors in latest wins? And then anything more you can say about product innovation that could drive upgrades or new business wins in detection?

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

Yes. Thanks for the questions. So, if I start with the landscape, there's some really strong competitors in this space. What I feel like we have done a nice job of is try to stay close to the customer and understanding our VOC, the voice of the customer, in a way where we create solutions based on the challenges they have. So, when you look at our portfolio and you think about detection, I'll break it out because I think it's a really interesting storyline.

Detection and fixed, we've expanded through some great acquisition activity as well as matching up the needs from the voice of customers. So, we've got this traditional gas detection that's been really a strength for the Company. But then you add to that, last year, we launched a new flame detector that has really taken off and done very well. We've got the field server and the controller business that came from an SMC acquisition a few years ago. Now that's integrated with our platform. So, it's now a holistic solution for the customer on how they can communicate for a site.

And now you're adding to that, we're seeing some growth, and you should see more of that this year, with our refrigeration businesses from Bacharach. And then last year, of course, we added M&C from the processing side. So, the fixed side, we've continued to build out a business that has expanded some our TAM and also created an opportunity for us to have more holistic solutions for our customers. So, it's really somewhat of a one-stop shop that they're able to access. And I think that's an advantage, and that's something that our customers appreciate.

The portable side, this is a space where, predominantly, most of them buy a discrete product, they have for a long time. We expect a piece of that business is to continue doing that. But then this connected work, the MSA+ we have on the (ALTAIR) io 4. There's not many competitors that have that. There are some that certainly are in the connected space, but we feel like our solutions match that VOC I talked about, ease of use, durable, a very reliable product that is very accurate, and that's really what our customers are gravitating to.

We're not the low cost, but we are really, when you look at it from a customer's eyes, we're typically the best when it comes to cost of ownership over the long-term. So, I think that's what we kind of look at and hopefully continue to do going forward, which really feeds into the second half of your question, the innovation. I talked about in the prepared remarks, a number of new product launches we had, all of those being informed by what our customers are telling us, and you'll see that continue to roll forward into 2026. As we think of how we

allocate capital, it all starts with organic growth and rolls out from there, and we'll continue to do that. I think this year, our capital investments, 2/3 or more are related to growth investments, right, Julie?

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

That's correct, yes.

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

Hopefully, that helps give you a little color on that.

Jeff Van Sinderen - *B. Riley Securities, Inc. - Analyst*

No, that's great. And then just as a follow-up to that, I know you mentioned Bacharach. Is there anything, just in the refrigerant area, and I think about H-VAC there, is there anything that you're doing there that's being applied in the data center area for new data center builds or even retrofits?

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

There is a bit. Yes. The short answer is yes. When we think of data center build-out, certainly, for us, it would be more on the fixed monitoring, and you hit the key area in the Bacharach area. So, we do have opportunities there.

We also have it in some other fixed monitoring, but that's the key category. We had a nice order a couple of weeks ago. It's not going to be the big change in our growth story, but it certainly is complementary to what we do. And when they build those sites, that's certainly an opportunity for us on the industrial PPE as well.

Operator

Brian Brophy, Stifel.

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

So, just a modeling question. SG&A, how should we be thinking about that this year?

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

Yes. So, SG&A, I would say, in the first quarter, kind of consistent with the fourth quarter. And I would say SG&A as a percentage of sales is relatively consistent from 2025 to 2026. We're going to have some nice growth projects that we're going to fund in SG&A this year, and so we're excited about that.

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

Okay. That's helpful. And then, just wanted to get an update on what you're seeing from some of your shorter-cycle businesses. Obviously, we've seen PMI flip back above 50, but then there's some more mixed signals from an employment standpoint. So, just kind of curious what you're seeing there near term?

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

Yes. Thanks for the question. So, the fourth quarter was similar to 2025 overall, choppy. You'd have a good month and kind of choppy and then it would decelerate a little bit. We see 2026 cautiously optimistic when it comes to that industrial space on the short cycle. We've seen improving demand so far play out, which actually is a really good thing. We're hoping that holds.

The PMI you talked about, we were pleased to see that. But the indicators from the channel seem to be that as well. There seems to be some building optimism of perhaps getting out of this, I'll just say, this choppiness that we've seen for, what, the last 18-plus months. So, we're hopeful that's the case. Early indicators seem to support that.

Brian Brophy - Stifel, Nicolaus & Company, Inc. - Analyst

Okay. And then one last one, more of a big picture question. You touched on this a little bit, but obviously, you've had a lot of success with portables on the connectivity side. Curious how you're thinking about expanding connectivity across additional product lines and how we should be thinking about any progress on that front this year?

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

Thanks for the question. So, we look at it as how do we interact in a way that the customer wants us to interact? It all starts with the customer as we think about how we're addressing those challenges I referenced earlier. Every one of our G1 SCBAs is connected right now for availability for the customer to access.

It's a matter of making sure that we continue to kind of build out that ecosystem in a way that enables value for the customer that we can support. I would expect that would be the next horizon that you might see some growth in, but it's really a longer-term play, Brian, as you think forward. I think we start with detection, portable specifically, and we're having a lot of discussions where we're pulling customers for some of these workshops, some VOC workshops on where they want it to be informed in the longer-term, for sure. And we'll be well prepared for that.

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 Inc - Executive Director, Investor Relations

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. Thank you.

Operator

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

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