



## **Federal Signal Corporation**

## **First Quarter Earnings Call**

**April 29, 2026**

### **C O R P O R A T E   P A R T I C I P A N T S**

**Felix Boeschen**, *Vice President, Corporate Strategy, and Investor Relations*

**Ian Hudson**, *Senior Vice President, and Chief Financial Officer*

**Jennifer Sherman**, *President and Chief Executive Officer*

### **C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Tim Thein**, *Raymond James*

**Ross Sparenblek**, *William Blair*

**Walt Liptak**, *Seaport Global Securities*

**Chris Zyla for Steve Barger**, *KeyBanc Capital Markets*

**Chris Moore**, *CJS Securities*

**Mike Shlisky**, *D.A. Davidson*

**Greg Burns**, *Sidoti & Company*

## PRESENTATION

### Operator

Greetings, and welcome to the Federal Signal Corporation First Quarter Earnings Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance, please press star, zero on your telephone keypad.

It is now my pleasure to introduce your host, Felix Boesch, Vice President of Corporate Strategy and Investor Relations. Thank you. You may begin.

### Felix Boesch

Good morning, and welcome to Federal Signal's First Quarter 2026 Conference Call. I'm Felix Boesch, the Company's Vice President of Corporate Strategy and Investor Relations. Also with me on the call today is Jennifer Sherman, our President and Chief Executive Officer; and Ian Hudson, our Chief Financial Officer.

We will refer to some presentation slides today as well as to the earnings release, which we issued this morning. The slides can be followed online by going to our website, [federal-signal.com](https://federal-signal.com), clicking on the Investor Call icon and signing into the webcast. We have also posted the slide presentation and the earnings release under the Investor tab on our website.

Before I turn the call over to Ian, I'd like to remind you that some of our comments made today may contain forward-looking statements that are subject to the Safe Harbor language found in today's news release and in Federal Signal's filings with the Securities and Exchange Commission. These documents are available on our website.

Our presentation also contains some measures that are not in accordance with U.S. generally accepted accounting principles. In our earnings release and filings, we reconcile these non-GAAP measures to GAAP measures. In addition, we will file our Form 10-Q later today.

Ian will start today with more detail on our first quarter financial results. Jennifer will then provide her perspective on our performance, current market conditions, our multiyear growth initiatives and go over our revised outlook for 2026 before we open the line for any questions.

With that, I would now like to turn the call over to Ian.

### Ian Hudson

Thank you, Felix. Our consolidated first quarter financial results are provided in today's earnings release. In summary, we delivered strong financial results for the quarter with 35% year-over-year net sales growth, 52% operating income improvement, gross margin expansion, a 190 basis point improvement in Adjusted EBITDA margin, robust cash generation and strong order intake.

Consolidated net sales for the quarter were \$626 million, up \$162 million or 35% compared to last year. Organic sales growth for the quarter was \$70 million, or 15%. Consolidated operating income for the quarter was \$99.7 million, up \$34 million or 52% compared to last year. Consolidated Adjusted EBITDA for the quarter was \$126.3 million, up \$41.2 million, or 48% compared to last year.

That translates to a margin of 20.2% in Q1 this year, up 190 basis points compared to last year. GAAP diluted EPS for the quarter was \$1.14 per share, up \$0.39 per share or \$0.52 compared to last year. On an adjusted basis, EPS for the quarter was \$1.18 per share, an increase of \$0.42 per share or 55% from last year.

Orders for the quarter were \$623 million, up \$55 million or 10% from last year, contributing to a backlog at the end of the quarter of \$1.04 billion. In terms of our group results, ESG's net sales for the quarter were \$533 million, up \$145 million or 38% compared to last year. ESG's operating income for the quarter was \$89.1 million, up \$29.4 million or 49% compared to last year.

ESG's Adjusted EBITDA for the quarter was \$113.3 million, up \$35.8 million or 46% compared to last year. That translates to an Adjusted EBITDA margin for the quarter of 21.3%, an improvement of 130 basis points compared to last year. ESG reported total orders of \$534 million in Q1 this year, an increase of \$54 million or 11% compared to last year.

SSG's net sales for the quarter were \$93 million this year, up \$17 million or 22%. SSG's operating income for the quarter was \$23.6 million, up \$7.8 million or 49% compared to last year. SSG's Adjusted EBITDA for the quarter was \$24.7 million, up \$7.9 million or 47%. That translates to an Adjusted EBITDA margin for the quarter of 26.6%, up 460 basis points compared to last year. SSG's orders for the quarter were \$89 million, up \$1 million or 1% from last year.

Corporate operating expenses for the quarter were \$13 million compared to \$9.8 million last year, with the increase primarily due to higher acquisition and integration-related expenses and increased legal, stock compensation and incentive-based compensation costs.

Turning now to the consolidated income statement, where the increase in net sales contributed to a \$48.6 million improvement in gross profit. Consolidated gross margin for the quarter was 28.7%, a 50 basis point increase over last year.

As a percentage of net sales, our selling, engineering, general and administrative expenses for the quarter were down 150 basis points from Q1 last year.

Other items affecting the quarterly results include a \$2.2 million increase in amortization expense, a \$600,000 increase in acquisition-related expenses and a \$3.9 million increase in interest expense associated with higher average debt levels.

Tax expense for the quarter was \$21.8 million, an increase of \$6.1 million compared to Q1 last year, with the increase primarily due to the effect of higher pretax income levels, partially offset by the recognition of approximately \$1 million of excess tax benefits from stock compensation activity. Our effective tax rate for Q1 this year was 23.6%. At this time, we continue to expect that our full year effective tax rate will be approximately 25%, excluding additional discrete tax benefits.

On an overall GAAP basis, we therefore earned \$1.14 per share in Q1 this year compared with \$0.75 per share in Q1 last year. To facilitate earnings comparisons, we typically adjust our GAAP earnings per share for unusual items recorded in the current or prior year quarters. In the current year quarter, we made adjustments to GAAP earnings per share to exclude acquisition-related expenses and purchase accounting expense effects. On this basis, our adjusted earnings for the quarter were \$1.18 per share compared with \$0.76 per share last year.

Looking now at cash flow. We generated \$101 million of cash from operations during the quarter, an increase of \$65 million or 176% from Q1 last year. We ended the quarter with \$480 million of net debt and availability under our credit facility of \$939 million. Our current net debt leverage ratio remains low even after paying the full \$15 million earn-out associated with the Hog acquisition and funding the Mega Equipment acquisition during the quarter. With our financial position remaining strong, we have significant

flexibility to invest in organic growth initiatives, pursue strategic acquisitions, pay down debt and return cash to stockholders through dividends and opportunistic share repurchases.

On that note, we paid dividends of \$9.2 million during the quarter, reflecting an increased dividend of \$0.15 per share, and we recently announced a similar \$0.15 per share dividend for the second quarter.

That concludes my comments, and I would now like to turn the call over to Jennifer.

### **Jennifer Sherman**

Thank you, Ian. We are proud of our record-setting first quarter performance, which included new quarterly records across net sales, adjusted EPS and Adjusted EBITDA, thanks to outstanding results from both of our groups.

As I reflect on our start to 2026, I was particularly pleased with several items in the quarter that drove better-than-expected results versus our expectations. First, there was broad-based strength across several product verticals within each of our groups that contributed. Second, the early progress our teams made integrating Hog, New Way and Mega into the Federal Signal family. Third, the strong margin performance in the quarter with Adjusted EBITDA margins expanding 190 basis points year-over-year.

Within our Environmental Solutions Group, we delivered 38% year-over-year net sales growth, a 46% increase in Adjusted EBITDA and 130 basis point improvement in Adjusted EBITDA margin. Higher production levels leveraging the power of our platform to drive internal margin initiatives and proactive price cost management were all meaningful organic contributors.

Acquisitions also contributed \$92 million of net sales during the quarter with the New Way, Hog and Mega transactions driving notable increases in sales of refuse trucks, road marking and line removal equipment and mineral extraction support equipment. We remain focused on building more trucks across our family of specialty vehicle businesses in line with demand levels.

These efforts to increase throughput across our manufacturing sites contributed to strong net sales across several ESG product verticals, including vacuum trucks, dump truck bodies and trailers and other specialty equipment, including street sweepers, road marking and line removal trucks and water blasting equipment. From a capacity perspective, the combination of large-scale capacity expansions that we completed between 2019 and 2022, good access to labor and continued investments in several productivity-enhancing projects position us well to profitably absorb more volume into our existing footprint. In 2026, we expect approximately half our annual capital expenditures to be focused on various growth initiatives with the other half focused on maintenance investments.

Shifting to aftermarkets, where demand remains strong, aided by contributions from recent acquisitions. For the quarter, aftermarket revenue increased 18% year-over-year, primarily driven by higher demand for aftermarket parts, increased service activity and rental income growth.

As we continue to monitor this dynamic geopolitical and tariff environment alongside our dealer partners, customers and suppliers, we see our aftermarket operations as a critical competitive advantage for our customers. With a dedicated local service footprint across both Canada and the United States, including rental assets, we believe we are well positioned to continue to serve the local markets in which we operate. Moreover, our unique aftermarket ecosystem spanning parts, service, rental and used equipment offerings allows customers to access equipment in a capital-efficient manner of their choice, providing flexibility throughout various economic cycles. .

We also continue to execute on early opportunities within our Build More Parts or BMP initiative, whereby we are vertically integrating certain parts production. Over a multiyear timeframe, this initiative should allow our teams to drive increased recurring parts revenue streams while expanding margins. Our acquisition of New Way provides additional opportunity for future BMP growth.

Shifting to our Safety and Security Systems Group, where the team delivered another excellent quarter with 22% top line growth, a 47% increase in Adjusted EBITDA and a 460 basis point improvement in Adjusted EBITDA margin. This improvement was primarily driven by a combination of volume increases across our public safety and industrial signaling product verticals, proactive price/cost management and realization of certain cost savings. Our SSG teams continue to drive efficiency gains across our University Park facility, partially fueled by the successful addition of a fourth printed circuit board in the fourth quarter of last year. We are also energized by several market share initiatives aimed at penetrating historically underserved customer segments such as certain law enforcement customers and environmental disaster warning applications.

Lastly, we had an outstanding quarter of cash generation with \$101 million of operating cash flow, representing cash conversion of 144% of net income. On an annual basis, we continue to target 100% cash conversion.

Shifting to current market conditions. On an underlying basis, excluding the impact of acquired backlog and third-party Labrie refuse orders received in Q1 last year, our orders this quarter increased by \$70 million or 13% year-over-year with healthy demand across both our Environmental Solutions and Safety and Security Systems Group.

Within product lines, we experienced strength in demand for other specialty equipment, including refuse trucks and metal extraction support equipment as well as in aftermarket parts and service and warning systems. Somewhat offsetting this strength was an approximate \$20 million year-over-year reduction in international export orders spanning product lines across both groups.

While they represent a small portion of our overall net sales, we are closely monitoring any political impacts on international demand stemming from current geopolitical conflicts. Looking ahead, we are energized by the pipeline of strategic market share initiatives across the enterprise that aim to further strengthen our value proposition in the marketplace for years to come.

Lastly, our backlog stood at \$1.04 billion at the end of the quarter, essentially unchanged from the end of last year and down approximately 6% year-over-year. This decrease is principally driven by our successful execution decreasing lead times across vacuum trucks and street sweepers and the planned decline in the third-party Labrie refuse backlog, which was discontinued in the fourth quarter of 2025.

At the end of the quarter, our third-party Labrie refuse truck backlog stood at approximately \$55 million. As a reminder, net sales of our backlog-intensive products represented approximately 45% of net sales last year. As such, given the size of our backlog, we continue to enjoy strong forward visibility for our backlog-driven product lines.

Shifting now to an update on our multiyear growth strategy. As a reminder, through cycles, we target low double-digit top line growth split roughly evenly between inorganic and organic growth. At the same time, we are committed to growing profitably and have implemented associated EBITDA margin targets for our groups that we have increased several times over the past years. While we are proud of our historical track record, we are not done here. As a matter of fact, as I sit here today, I feel energized as I've ever been as I look across our set of strategic initiatives. A couple of highlights. Starting with SSG, we are formally raising our EBITDA margin targets today for our Safety and Security Group to a new range of 22% to 28% from the previous range of 18% to 24%.

As a reminder, these margin targets represent through-cycle margin targets and do not present any sort of long-term ceiling. Within our Safety and Security Systems Group, we continue to see a multitude of organic market share opportunities spanning the penetration of underserved customer segments within our domestic public safety and warning system businesses and active new product development pipeline, including several recent launches and certain geographic expansion opportunities.

These growth opportunities, coupled with our ongoing productivity investments include capacity optimization and automation within our factories, all underpin our confidence in these new margin targets. In fact, our consistent margin improvement journey throughout the last quarters has solidified two important strategic pillars for us, which we are further accelerating throughout 2026.

The first is the identification of incremental margin opportunities across the enterprise that we believe we can realize in 2027 and beyond, spanning several work streams. At the same time, we are also scaling several enterprise-wide investments starting in the second quarter of 2026 aimed at fortifying Federal Signal's competitive position to achieve continued multiyear growth.

These include investments in our internal centers of excellence with a focus on new product development, dealer development, data analytics and operations. We are also piloting two capacity optimization initiatives across our plants, whereby we are constructing additional warehousing space, allowing for prior storage space to available manufacturing capacity to support future growth initiatives.

While a small financial investment at less than \$5 million, our teams will be well positioned to capitalize on our growing Power of the Platform benefits that we have identified. As an example, we are in the early stages of utilizing our dealer development processes within our refuse collection and multipurpose maintenance product verticals.

Our dealer development team in conjunction with our data analytics team helps our direct sales and dealer development teams identify untapped growth opportunities across new, used and aftermarket services on a localized basis, an institutionalized function within our vacuum truck and street sweeper product verticals. We are in early innings across other vehicle categories.

Within sales channel optimization, we are in early phases of leveraging and scaling Hog's existing airport sales channel to capitalize on opportunities across other specialty vehicle verticals. We have also identified aftermarket growth opportunities in several historically underserved states.

On the operational side, we are working on several production simplification projects across our vacuum truck, road marking and water blasting verticals. Our procurement and aftermarket teams are working diligently on leveraging the recently acquired businesses, which have provided multiple new parts optimization opportunities spanning several existing specialty vehicle verticals.

As we have added more product verticals, the possibility for further collaboration and productivity gains continue to increase. I go through this illustrative list of initiatives to highlight the breadth of our strategic growth projects as we continue to intensely focus on solving our customers' problems.

As we scale our internal Power of the Platform infrastructure, we believe these benefits will be split roughly evenly between revenue and costs while supporting our M&A integration efforts. Lastly, we have been pleased with the early integration progress our teams are making at New Way and Mega.

We are in the early stages of reaping benefits by merging the Mega and Ground Force sales channel which we ultimately believe will drive cross-selling opportunities in historically underserved markets for our metal extraction support equipment. We are also pleased with the early performance of New Way, including execution on our cost initiatives and reaffirm our target of delivering the outlined \$15 million to \$20 million of annual synergies by the end of 2028.

Turning now to our outlook for the remainder of 2026. With our first quarter performance, our current backlog and continued execution against our strategic growth and productivity initiatives, we are raising our full year adjusted EPS outlook to a new range of \$4.80 to \$5.05 from the prior range of \$4.50 to \$4.80. We are also increasing our full year net sales outlook to a new range of between \$2.57 billion and \$2.66 billion from the prior range of between \$2.55 billion and \$2.65 billion. We are maintaining our CapEx outlook of between \$45 million and \$55 million for the year. We also remain active in the M&A markets across both of our operating groups.

With that, we are ready to open the line for questions. Operator?

**Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Our first question comes from the line of Tim Thein with Raymond James. Please proceed with your question.

**Jennifer Sherman**

Good morning, Tim.

**Tim Thein**

Good morning. Jennifer, I was surprised you didn't weave in some Michigan basketball reference into your comments. Just kind of how the first quarter played out and how that plays into the balance of the year. From a seasonal perspective, I guess the question just both from an earnings and order standpoint, the first quarter did not play out as the first quarter normally does.

I'm just curious if there was anything that went for—for you more than you thought and maybe that pulled ahead earnings? Or I'm just curious as to how we should read the first quarter basically in the context of the full year, is the spirit of the question?

**Jennifer Sherman**

Yes. I'll start with a couple of comments. Our teams just did an outstanding job. What always gives me encouragement is that it's not any one business. There was really strength across the board. Again, I just want to do a shout out to our teams group because we're continuing to execute on the programs we put in place.

With that, I'll add a couple of comments. Our acquisitions did better than expected and got off to a strong start this quarter, particularly New Way, and we saw strong performance in early days from our Mega/Ground Force teams. Then SSG had a better quarter than expected. Again, strong performance across the board with a very encouraging start with respect to the acquisitions and SSG.

With respect to the cadence of the seasonality of EPS, I'll start with that the seasonality of our earnings isn't as pronounced this year, largely due to some of the seasonality of the recently acquired businesses that are different than our legacy businesses. For the remainder of the year, we're expecting our EPS contribution to be roughly evenly split by quarter.

**Tim Thein**

Got it. Thank you. That's helpful. Then just on the—you highlighted the management of price cost as a benefit in the first quarter. There potentially what's coming down the pipe may be a little bit more inflationary dynamics. Can you just remind us in terms of how you're thinking about just how you expect that plays out? I know you have contractual agreements and the like, which is going to impact things. But can you just speak to what potentially could be coming or not in terms of raw material and other cost inflation?

**Ian Hudson**

Yes. I think, Tim, if you think about it, the major raw materials we have are really primarily steel. As we typically do, we've locked in—for the majority of our product lines, we locked—pricing is locked in through the rest of the year. With that said, we will experience some inflation on that line item in the second half of the year, even though we're locked, that is considered in the guidance that we gave today.

As it relates to our other cost increases, as everybody I expect is monitoring the freight market. That is a relatively low percentage of our overall kind of costs and sometimes is a pass-through for us. But again, that's certainly something that we're monitoring. As we've demonstrated in the past, if we need to, we have the ability to reset it by pricing as well on kind of new quotes for the second half of the year.

**Tim Thein**

Very good. Thank you.

**Jennifer Sherman**

Thank you, Tim.

**Operator**

Thank you. Our next question comes from the line of Ross Sparenblek with William Blair. Please proceed with your question.

**Ross Sparenblek**

Hey. Good morning guys.

**Jennifer Sherman**

Good morning, Ross.

**Ross Sparenblek**

Hey. Just to start off on the free cash flow, a record quarter for you. It looks like there's an unusual benefit from inventory. Is this related more to new acquisitions and kind of just pruning what you guys acquired? Or is it more of the progress on bringing down the lead times? Just anything come off it?

**Ian Hudson**

Sorry, Ross, yes, there's definitely some of that with the recent acquisitions. We ended the year probably at a higher level of working capital than necessary. There was an effort there to kind of work down some of that. I think you see that in the cash generation during the quarter.

Contribution from those acquisitions was pretty good during Q1. There's also some of that, as you mentioned, reducing the lead times. But I think overall, just a really strong management of working capital by the businesses. and just the—obviously, the increase in the earnings there. Those are the main factors.

**Ross Sparenblek**

Then just to follow-up on that and I have one more. Going forward in the second quarter, third quarter, should we expect more of an inventory benefit as well in working capital? Or is this just kind of a onetime thing to start the year?

**Ian Hudson**

Certainly, I don't—we're not expecting to be as dramatic as what we saw in Q1. We're still expecting strong cash generation for the balance of the year. I would say what we've seen in the early part of April is as well. I think we're still expecting very strong cash generation for the balance of the year. We aim for cash conversion of 100% on an annual basis. Obviously, we were ahead of that for Q1, but that is still the long-term goal.

**Jennifer Sherman**

I'll add to it. The New Way team did an excellent job of implementing Federal Signal's approach, and we saw benefits from that in Q1.

**Ross Sparenblek**

That's very helpful. Then just one more on New Way. A pretty robust quarter, much higher than we were expecting on the contribution on the top line. Any seasonal factors to be aware of? Or is this just kind of penetration in Canada, part sales synergies? How should we kind of think about the strength in the first quarter?

**Jennifer Sherman**

Yes. The teams—we're very focused on executing on synergies. The revenue synergies typically take longer. With respect to the cost side of things, we exceeded our internal expectations in terms of realization of some of those cost synergies. Again, the teams were extremely disciplined with respect to implementing this Power of our Platform. We are very pleased with the progress in Q1.

**Ross Sparenblek**

All right. That's very helpful. Great quarter guys. I'll pass it along. Thank you.

**Jennifer Sherman**

Thank you.

**Ian Hudson**

Thanks, Ross.

**Operator**

Thank you. Our next question comes from the line of Walt Liptak with Seaport Global Securities. Please proceed with your question.

**Walt Liptak**

Hey. Great quarter guys.

**Jennifer Sherman**

Thank you.

**Walt Liptak**

I wonder if you can talk a little bit more about the order growth. I think in the prepared remarks, you talked about a 13% order growth rate. I wonder if you could just go through those in a little bit more detail. Is it

industrial; is it municipal that you're seeing the order growth? What kind of products are getting the orders?

**Jennifer Sherman**

Yes, sure, absolutely. A couple of comments about the orders this quarter that are important to understand. As you know, we have a few moving pieces here given the discontinuation of the third-party Labrie refuse trucks and the impacts of the acquired backlog.

As I stated in my prepared remarks, kind of looking forward, we have about \$55 million of Labrie, these third-party refuse trucks in our backlog. As we strip out these nonrecurring items and give you the cleanest view on net sales and orders for what we view as continuing operations into 2027 and beyond, we provided a reconciliation on Page 9 of the earnings presentation.

When you look at that, orders are up 13%, but that does not—that does include the impact of New Way and some of the other acquisitions. I think one of the challenges here is there can be noise in these organic growth numbers because we've effectively merged the sales and production functions across Mega/Ground Force and our road marking businesses, MRL, Hog and Blasters.

This is a function of our 80/20 and integration growth strategies. As you think about the underlying core organic orders without the impact of Labrie or any of the acquisitions, that number was down about \$20 million, which was a reduction in international export orders as we described in the prepared remarks. Excluding that, organic orders were flat.

**Walt Liptak**

Okay. Thanks for that. Then similarly, the backlog, understanding that you did a great job with production this quarter, how should we think about the backlog? Obviously, the Labrie has come out. But have we seen backlog sort of the peak for backlog and we now see more stability in it? Or does the backlog keep coming down? How should we think about the future backlog?

**Ian Hudson**

Yes. I think, Walt, the first point would be, just as Jennifer mentioned in her remarks, our backlog relevant businesses represented about 45% of our net sales last year. To the point on the Labrie backlog, there is still \$55 million of Labrie backlog remaining, and we expect to work that down over the next few quarters. Also as we continue to reduce lead times primarily for street sweepers and sewer cleaners, backlog could come down a bit there.

Those are the kind of the main things that we could see backlog come down because of the Labrie dynamics as well as just reducing those lead times.

**Walt Liptak**

Okay. Great. Thanks for that. Maybe a last one. The Section 232 modifications that happened in April, is there an impact from that? Or you already said that you've got kind of the inflation in there, but do you have some tariff-related costs that are going up?

**Jennifer Sherman**

Yes. We don't have material exposure that we talked about before because we are mostly in country for country from both a manufacturing and a supply chain perspective. The biggest potential exposure is on the chassis side, which is a pass-through for us, as you know. The short answer is not a material impact.

**Walter Liptak**

Okay, great. Thank you.

**Operator**

Thank you. Our next question comes from the line of Steve Barger with KeyBanc Capital Markets. Please proceed with your question.

**Jennifer Sherman**

Good morning.

**Chris Zyla**

This is actually Christian Zyla on for Steve Barger. Good morning. Jennifer, you've been pretty vocal about your desire to reduce lead times and backlogs in things like vac trucks and street sweepers. Can you just give us an estimate of how much throughput you've realized with those 2019 to 2022 capacity investments that you mentioned? Is there more room for improvement kind of as we think about '26 and beyond?

**Jennifer Sherman**

Yes, absolutely. Really pleased with the progress at our vacuum truck facility and at our LGIM facility this quarter on what we call and you referenced Build More Trucks. Overall, we saw kind of 15% year-over-year improvement. Our lead times now for our sewer cleaners are running about 11 months and for our street sweepers, the four-wheel sweepers, a tick above a year.

Again, we've made nice progress. We're going to continue to make progress. We think it's really important that those lead times be in that four- to six-month range, depending on the particular product line. That will give us—we'll be able to be more nimble in terms of responding to market opportunities. Again, really pleased with the progress, and we have the capacity and labor to continue.

**Chris Zyla**

That's great color. Maybe one more, just switching gears a little bit. Just thinking about your four strategic pillars, is there an overarching technology angle that you have in place or are working on for commonality across your products? I understand the industries you serve have probably historically been laggards of technology adoption, but it seems like that's going to become more prevalent as we go through the decade. Just any thoughts on like a commonality of technology stack. Thank you.

**Jennifer Sherman**

Yes, absolutely. Our technology is segmented with respect to our SSG teams and our ESG teams and our CTO oversees that. We're looking for opportunities, for example, and we've had quite a bit of success with respect to our control systems would be an excellent example.

In addition to that, we look for opportunities across our parts and our aftermarket systems, aftermarket businesses. Again, a critical focus. Frankly, it's one of the values of the Power of the Platform, and that distinguishes us from some of our competition in that we can make these investments in this technology at the Federal Signal level, and then we can implement it across our various vehicle or SSG businesses.

**Chris Zyla**

That's great. Thanks for the color.

**Operator**

Thank you. Our next question comes from the line of Chris Moore with CJS Securities. Please proceed with your question.

**Jennifer Sherman**

Good morning, Chris.

**Chris Moore**

Good morning guys. Congrats. Maybe SSG margins, obviously, just overall exceptional, maybe even getting better. Much of that is due to internal actions. That said, maybe can you talk a little bit about the competitive landscape there? Has it changed much over the last few years? Are there a couple of players that you see consistently? I'm just interested to see kind of overall what you're seeing and what you're going up against in that marketplace.

**Jennifer Sherman**

Yes. Again, one of the things I like to talk about Federal Signal is that we have—it's not the—typically, our success is not the result of one initiative. I say internally a lot that we've got a lot of bets, a lot of different projects across the enterprise. With respect to SSG, what's encouraging, and I think one of the driving factors that why we raised those margin targets is not only what they've accomplished, but what we see in the pipeline for further opportunities. Let me provide some color on that.

New product development. That team has introduced several new products to respond to customers' needs in new end markets. We're in early innings of getting traction on that. One of the things that that team just does an exceptional job on is speed to market in terms of speed to respond to a particular customer need.

Another example would be on the in-sourcing side. That team identified the opportunity to in-source printed circuit boards, and it gives us flexibility on the new product development team and accelerates our speed to market. Then I talked about, we completed the implementation of our fourth printed circuit board line in Q4, and we're seeing the benefits of that.

In terms of the dynamics of the competitive market, it's primarily privately held competition. We're very active in the M&A market. As we move forward, that team is bringing on some new products in the second half of the year. We're making some additional investments with respect to that new product development. We're making some additional investments on the talent side of things. I feel really good about the opportunities in 2027 and beyond.

**Chris Moore**

Got it. Very helpful. Maybe just one on New Way. Obviously, J.J. been distributing Labrie refuse trucks for a long time in Canada. You aren't taking any new orders there, looking to start ramping sale of the New Way refuse trucks. Can you kind of compare and contrast the two truck lines? Is there anything on the Labrie trucks that's hard to match or that you'll have to incorporate into the New Way trucks in order to get the longer-term Labrie owners to consider making that switch?

**Jennifer Sherman**

Yes. I think what's important there is both companies make a good ASL, the Automated Side Loader. We would say that we're very pleased by the start. These are demo-intensive products. We're in the middle of and very early innings of our Canadian strategy. We've also talked about our dealer development, that's going to be important as we work with those valued dealer partners to grow their market share.

I would argue that one of the things that's really critical that differentiates us is our aftermarket support. Our teams have just years and years of experience and customer intimacy that we believe that we'll be able to successfully leverage in terms of growing New Way products.

**Chris Moore**

Fair enough. Sounds good. I will leave it there. Thanks guys.

**Jennifer Sherman**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Mike Shlisky with D.A. Davidson. Please proceed with your question.

**Mike Shlisky**

Good morning.

**Jennifer Sherman**

Good morning, Mike.

**Mike Shlisky**

Can you just give us a few more comments on your international shipments in the quarter? Are some of the issues that you're facing with getting those out the door because your customers are in countries that are facing military conflict? Or is it more of a political question or tariffs? Just give us more color as to what's going on there.

**Jennifer Sherman**

Yes. I think what I was talking about in the prepared remarks was really a reduction in international export orders of about \$20 million—approximately \$20 million year-over-year. That would involve several product lines. It's not material in and of itself to any single product, but it's the aggregate impact.

That would include street sweepers. It would include a small portion of our SSG business. It would include a small portion of our road marking business. Also want to—we had a onetime large order Q1 of last year out of Mexico. That was a year-over-year comparison of those large nonrecurring—large international export orders that I was talking about in the prepared remarks.

**Mike Shlisky**

Okay. Got it. Thanks. I also wanted to ask about the increase in the SSG margin outlook. It looks really strong. I'm kind of wondering what has changed all of a sudden in that segment to make it go four full points higher? Is it a mix issue or kind of new products? Or has this been something that's been building for quite some time and now you're announcing it? I'm just trying to get a feel for what truly has changed in SSG that we haven't thought of until right now.

**Jennifer Sherman**

Yes. This is something that, as you know, we have been operating at the top end or above the previous EBITDA margin targets. As we look at the new product development—new products that we're introducing to the market, the market penetration of opportunities and what we've already achieved in terms of underserved markets and then the production efficiencies and scale that we've achieved, I highlighted the implementation of the fourth printed circuit board line, but there are many things that go into that.

Again, this is all done primarily in North America in one facility. There's opportunities to continue to expand that. I made reference to a pilot project that's small. We're putting up a warehouse to open up even more manufacturing space at our University Park facility. That's in both to support the new products that we're introducing and some M&A opportunities that we're looking at.

It really was a combination of all of those factors that gives us the confidence to make that material jump in the EBITDA margin targets. As I said in my prepared remarks, we're not done. There's a lot of opportunity for that business.

**Mike Shlisky**

Got it. Thanks for that. Maybe just one last one on mineral extraction. Can you just give us a little bit more color as to how that's been going in the last quarter or so as far as quoting activity? I'm kind of wondering if the changes to Section 232 tariffs or tariffs in general have meant a lot more quoting on domestic mineral extraction projects, or products, sorry.

**Jennifer Sherman**

Yes. I guess we'll start with Mega. As you know, we closed that acquisition in January. That was an acquisition that we had been working on for quite some time. Out of the box, initially, day one, they were selling jointly. We discontinued certain products, manufacturing at one facility. We're now manufacturing at another facility.

The results are truly blended, and they're off to a strong start in terms of the beat of the quarter. It was one of the businesses that did better than expected. Together, we've now got additional manufacturing capacity, putting the talented Ground Force and Mega team together, it gives us opportunities to penetrate previously underpenetrated markets. You are correct, we are seeing increased activity in the states.

**Mike Shlisky**

Okay. Thank you so much.

**Operator**

Thank you. Our next question comes from the line of Greg Burns with Sidoti & Company. Please proceed with your question.

**Jennifer Sherman**

Good morning, Greg.

**Greg Burns**

Good morning. You mentioned just now just maybe looking at some acquisition opportunities on the SSG side of the business. Can you just talk about maybe the pipeline you see there? What you're looking for? Is it scale in existing businesses, maybe new product lines or geographic expansion? Do you think you might get something done this year?

**Jennifer Sherman**

Yes. Great question. As we talked about, we really started cultivating that pipeline about two years ago. We have spent a lot of time over the last couple of years in terms of meeting with different founders or second generation. We're encouraged by the opportunities in both '26, '27 and beyond. They would come in a couple of different flavors.

One would be audible and visual warning devices that serve different end markets. One of the drivers, frankly, of building a warehouse in University Park is to open up additional manufacturing capacity for both new products we're introducing and for acquisitions that we might integrate into that particular building.

It is a very attractive niche for us. We think there are opportunities to leverage our channel, which would be important, leverage manufacturing. Given the investments that are material that we've made in printed circuit board lines, there would be opportunities. One, obvious cost and efficiency synergy. We think police is the largest portion of our SSG business.

There'll be opportunities within that police car upfitting the products that we utilize there to expand our portfolio of products. That gives you some flavor. Some of them are smaller, but they kind of range in all different sizes. But the team is actively working on those as we speak.

**Greg Burns**

Okay. It was great to see the margin uplift in the SSG side of the business. But with the breadth of all the projects, internal projects you have outlined today, what is your view on maybe the potential for further margin gains on the ESG side of the business?

With all of these projects that you have ongoing, what is the timeframe or maybe the realization of maybe some of the revenue and margin benefits? Are these more implemented this year in '27/'28 benefits? I'm just trying to understand maybe the durability of kind of the margin trajectory of the business.

**Jennifer Sherman**

Yes. Let me say is, this 18% to 24%, that is something we've been very clear about, and I'll continue to reiterate, that is not a ceiling. If you look at the Power of the Platform and the investments that we're making, we continue to believe there are opportunities to further increase those EBITDA margin targets.

Some of that, as we talked about, is going to depend on the cadence of achieving both the revenue and cost synergies in the various ESG acquisitions. As we talked about when we bought New Way, it was below our target EBITDA margin. We're only one quarter in. Obviously, we're off to a good start, but more work to be done.

Again, reaffirming our confidence in achieving those synergy numbers of \$15 million to \$20 million by 2028, but it's always going to vary quarter-to-quarter. Again, directionally, we're extremely confident that our current EBITDA margin targets are not a ceiling, and we'll continue to strive over the long term to improve those and raise those.

**Greg Burns**

I agree. Thank you.

**Operator**

Thank you. Our next question comes from the line of Tim Thein with Raymond James. Please proceed with your question.

**Tim Thein**

Thank you. Just a two-parter on the same topic on ESG orders. There was an earlier question asked, and I didn't pick it up, but the split between how the orders performed between the publicly funded versus your industrial customer base. Then part b) of that, Jennifer, was I didn't follow—I think you said orders when you—you need to slice and dice them, but I thought you said after doing that, they came out to be flat. What did you mean by that, assuming I heard that correctly?

**Jennifer Sherman**

Yes, I'll start and then Ian can pick up. What I was talking about is a couple of things that is really important to understand about the orders for Q1. It's, one, the discontinuation of the third-party Labrie refuse trucks and the impacts of acquired backlog.

Second would be, as I talked about earlier, we've really merged the Mega/Ground Force and also our road marking businesses. It's becoming—across both sales and production functions—it's becoming increasingly difficult to parse out which was a Mega order and which was a Ground Force order. The same thing applies to the MRL, Hog and Blasters roadmarking businesses.

I was trying to give some context in terms of the orders. In addition to that, I said that our international export orders were down about \$20 million. Orders were up 13%. But when you exclude the international organic orders were flat.

**Ian Hudson**

Yes. I think, Tim, looking at the split between the two, industrial is probably a little stronger than the publicly funded side of the business, again, mostly because the public side of the business was—that was where we had some of those fleet orders in Q1 of last year from international markets.

**Tim Thein**

Okay. All right, thank you very much.

**Operator**

Thank you. We have reached the end of the question-and-answer session. I would like to turn the floor back over to CEO, Jennifer Sherman, for closing remarks.

**Jennifer Sherman**

Thank you. We would like to express our thanks to our stockholders, employees, distributors, dealers and customers for their continued support. Thank you for joining us today, and we'll talk to you next quarter.

**Operator**

Thank you. This concludes today's conference, and you may disconnect your lines at this time. Thank you, and have a great day.