



Federal Signal Corporation

Fourth Quarter Earnings Call

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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*

Steve Barger, *KeyBanc Capital Markets*

Ross Sparenblek, *William Blair*

Walt Liptak, *Seaport*

Michael Shilsky, *D.A. Davidson*

Chris Moore, *CJS Securities*

Greg Burns, *Sidoti and Company*

PRESENTATION

Operator

Greetings, and welcome to the Federal Signal Corporation Fourth 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. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Felix Boeschen, Vice President, Corporate Strategy and IR. Please go ahead.

Felix Boeschen

Good morning, and welcome to Federal Signal's fourth quarter 2025 conference call. I'm Felix Boeschen, 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, federalsignal.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-K later today.

Ian will start today with more detail on our fourth quarter and full year financial results. Jennifer will then provide her perspective on our performance, current market conditions, our multiyear growth initiatives, and go over our 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 financial results for the fourth quarter and full year of 2025 are provided in today's earnings release. Before I talk about the fourth quarter, let me highlight some of our full year consolidated results for 2025.

Net sales for the year were \$2.18 billion, a record high for the company, and an increase of \$319 million or 17% compared to last year. Organic net sales growth for the year was \$205 million, or 11%. Operating income for the year was \$340.9 million, an increase of \$59.5 million, or 21% from last year. Net income for the year was \$246.6 million, an increase of \$30.3 million, or 14% from last year.

Adjusted EBITDA for the year was \$438.9 million, up \$88.3 million, or 25% compared to last year. That translates to a margin of 20.1% this year, up 130 basis points from last year. GAAP diluted EPS for the year equated to \$4.01 per share, up \$0.51 per share, or 15% from last year.

On an adjusted basis, we reported record full year earnings of \$4.23 per share, up \$0.89 per share or 27% from last year. Orders for the year were \$2.22 billion, an increase of \$374 million, or 20% from last year. Backlog at the end of the year was \$1.04 billion, an increase of \$45 million, or 5% from last year.

For the rest of my comments, I will focus mostly on comparisons of the fourth quarter of 2025 to the fourth quarter of 2024. Consolidated net sales for the quarter were \$597 million, an increase of (audio interference) or 27% compared to last year. Organic net sales growth for the quarter was \$85 million, or 18%. Consolidated operating income in Q4 this year was \$83.5 million, up \$13.4 million, or 19% compared to last year. Net income for the quarter was \$60.8 million, an increase of \$10.8 million or 22% from last year.

Consolidated Adjusted EBITDA for the quarter was \$119.4 million, up \$30.1 million, or 34% compared to last year. That translates to a margin of 20%, an increase of 110 basis points from last year.

GAAP diluted EPS for the quarter was \$0.99 per share, up \$0.18 per share, or 22% from last year. On an adjusted basis, EPS for Q4 this year was (audio interference) per share, an increase of \$0.29 per share or 33% compared to last year.

Orders for the quarter were \$647 million, up \$201 million, or 45% from last year. Orders in Q4 this year included \$132 million of acquired backlog.

In terms of our fourth quarter group results, ESG's net sales were \$504 million, an increase of \$108 million or 27% compared to last year. ESG's Adjusted EBITDA for the quarter was \$109 million, up \$26.1 million or 31% compared to last year. That translates to an Adjusted EBITDA margin of 21.6% in Q4 this year, up 70 basis points from Q4 last year. ESG reported total orders of \$566 million in Q4 this year, an (audio interference) million dollars or 55% from last year.

SSG's fourth quarter sales were \$93 million, up \$17 million, or 23% compared to last year. SSG's Adjusted EBITDA for the quarter were \$23.4 million, up \$7 million, or 43% from last year. SSG's Adjusted EBITDA margin for the quarter was 25.2%, up 360 basis points from last year. SSG's orders for the quarter were generally in line with last year, at approximately \$82 million.

Corporate operating expenses in Q4 this year were \$26.5 million compared to \$10.5 million last year, with the increase primarily due to a \$13 million increase in acquisition and integration-related expenses.

Turning now to the consolidated statement of operations, where the increase in net (audio interference) a \$36.7 million improvement in gross profit. Consolidated gross margin for the quarter was 28.4%, up 30 basis points compared to last year. As a percentage of net sales, our selling, engineering, general and administrative expenses for the quarter were down 110 basis points from Q4 last year.

During the fourth quarter of this year, we recognized \$13.3 million of acquisition-related expenses, up from \$300,000 in Q4 last year. The increase included an aggregate expense of \$6.8 million to increase the fair value of contingent consideration associated with the acquisitions of Hog and Standard, as well as expenses incurred in connection with the acquisition of New Way.

Other items affecting the quarterly results included a \$1.3 million increase in amortization expense, a \$1.7 million (phon) interest expense, a \$200,000 reduction in other expense, and the nonrecurrence of a \$3.8 million pretax, noncash pension settlement charge recognized in the prior-year quarter.

Income tax expense for the quarter was \$17.8 million, an increase of \$4.9 million from last year, with the year-over-year change largely due to higher pretax income levels, and the recognition of fewer discrete

tax benefits in the current year quarter compared to the prior year. Our GAAP effective tax rate for full year 2025 was 24%, including discrete tax benefits. For 2026, we currently expect a tax rate of approximately 25%, excluding any discrete tax benefits. On an overall GAAP basis, we therefore earned \$0.99 per diluted share in Q4 this year, compared with \$0.81 per share in Q4 last year.

To facilitate earnings (audio interference) GAAP earnings per share for unusual items recorded in the current or prior year periods. In the current year quarter, we made adjustments to GAAP earnings per share to exclude acquisition and integration-related expenses, debt settlement charges, and purchase accounting expense effects. In the prior year quarter, we also excluded the pension settlement charge that I just noted. On this basis, our Adjusted earnings in Q4 this year were \$1.16 per share, compared with \$0.87 per share in Q4 last year.

Looking now at cash flow, where we generated \$97 million of cash from operations during the quarter, an increase of \$7 million, or 7% from Q4 last year. That brings our full-year operating cash generation to \$255 million, an increase of \$23 million, or 10% compared to last year. Early in the fourth quarter, we executed a new, five-year (audio interference) credit facility, replacing the \$800 million credit facility that was previously in place.

During the fourth quarter, we completed the acquisition of New Way for an initial payment of approximately \$413 million; and in early January, we completed the acquisition of Mega for an initial payment of approximately \$45 million.

Our current net debt leverage ratio remains at a comfortable level even after factoring in recent acquisitions. We ended the quarter with \$501 million of net debt, and availability under our credit facility of \$925 million. With the increased borrowing capacity under our new credit facility, and our improved cash generation, we have significant flexibility to invest in organic growth initiatives, pursue additional strategic acquisitions like Mega, pay down debt, and return cash to stockholders through dividends and opportunistic share repurchases.

On that note, we paid dividends of \$5 million during the quarter, reflecting a dividend of \$0.14 per share.

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 fourth quarter performance, which included new quarterly records across net sales, adjusted EPS, and Adjusted EBITDA, thanks to the outstanding results from both of our operating groups.

Within our Environmental Solutions Group, we delivered 27% year-over-year net sales growth, a 31% increase in Adjusted EBITDA, and a 70 basis point improvement in Adjusted EBITDA margin. Contributions from acquisitions, higher production levels, and continued price realization were all meaningful year-over-year contributors.

Given continued strong order levels, and an extensive pipeline of internal market share expansion initiatives, we remain focused on building more trucks across our family of specialty vehicle businesses, and reducing lead times for sewer cleaners and four-wheel sweepers. These efforts to increase throughput across our manufacturing sites contributed to double-digit percent increases in net sales across several ESG product verticals, including sewer cleaners, safe digging trucks, street sweepers, metal extraction support equipment, and road marking and line removal trucks.

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. As in

recent years, we expect approximately half of our annual CapEx expenditures in 2026 to be focused on various growth initiatives, with the other half focused on maintenance investments.

Shifting to aftermarket, where demand remains strong, aided by contributions from acquisitions, for the quarter, aftermarket revenue increased 20% year-over-year, primarily driven by higher demand for aftermarket parts, increased service activity, and rental income growth. We are identifying new, attractive aftermarket parts growth opportunities across the enterprise, and are highly energized by the long-term prospects of our internal build more parts initiative, whereby we are vertically integrating certain parts production. Over a multiyear timeline, this initiative will allow our teams to drive increased recurring parts revenue streams, while expanding margins. Additionally, our aftermarket teams are working diligently to integrate our most recent acquisitions (audio interference).

Shifting to our Safety and Security Systems Group, the team delivered another excellent quarter, with 23% top line growth, a 43% increase in Adjusted EBITDA, and a 360 basis point improvement in Adjusted EBITDA margin. This improvement was primarily driven by a combination of volume, increases for public safety equipment in the U.S. and in Europe, proactive price/cost management, and realization of certain cost savings.

Our SSG teams are laser-focused on new product development initiatives, while surgically targeting underpenetrated customer cohorts and regions, a strategy that is yielding share gains. Additionally, we expect the recent addition of a fourth printed circuit board manufacturing line at our University Park facility to drive additional efficiency improvements in 2026.

Lastly, we had another strong year of cash (audio interference) of \$55 million of cash generated from operations. For the full year, our cash conversion was 103%, slightly ahead of our annual target of 100%.

Before I shift to current market conditions, I would like to spend a moment to update you on our refuse truck distribution strategy in Canada, now that we have completed the acquisition of New Way. As many of you know, we have extensive internal experience in the refuse market, as we have been distributing third-party Labrie refuse trucks through our Joe Johnson Equipment sales channel for more than 20 years, primarily in Canada. This existing internal refuse service infrastructure and sales expertise was an important synergy consideration as part of the New Way transaction. Prior to the acquisition, New Way had not penetrated the Canadian market at scale, creating unique market share growth opportunities for us starting in 2026. As such, beginning in the fourth quarter of 2025, we stopped taking orders for third-party Labrie refuse trucks, and instead began selling New Way through our Joe Johnson network in Canada.

Given these dynamics, we have provided additional disclosures in this morning's earnings presentation outlining our historical third-party Labrie refuse orders and sales levels to facilitate more appropriate comparisons. We will continue to provide this reconciliation as we move through 2026.

From a financial perspective, we expect to deliver the remaining \$80 million of third-party Labrie backlog over the next four quarters and eventually wind that backlog down to zero. As we wind down the sale of these lower-margin third-party refuse trucks and increase New Way sales in Canada, we expect to realize margin tailwinds in 2027 and 2028.

Shifting to current market conditions, on an underlying basis, excluding the impact of acquired backlog and third-party refuse orders, Q4 orders increased \$64 million, or 14% year-over-year, with improved demand across both our publicly-funded and industrial product lines. Within product lines, we experienced particular strength in sewer cleaners, safe digging and vacuum trucks, fueled by continued demand for infrastructure and water projects in North America, and rising safe digging adoption within the U.S. Similarly, we are seeing especially constructive demand environments for our metal extraction support equipment, and road marking and line removal products.

Lastly, I wanted to provide some context around our backlog, which stood at \$1.04 billion at the end of fourth quarter, up approximately 5% year-over-year. When I first became CEO, we put in place a multiyear growth strategy aimed at building a best in class specialty vehicle and industrial equipment growth company while decreasing the cyclical nature of earnings streams. As we've executed this strategy, both organically and through M&A, the composition of our product portfolio has changed over time.

Consequently, our business has become less backlog-intensive compared to historical periods. In fact, many of our least cyclical and fastest-growing product lines, such as aftermarket parts, are not really backlog-relevant at all. To illustrate this impact, in 2025, net sales of our backlog-intensive products, which include vacuum trucks, street sweepers, metal extraction support equipment, refuse trucks, road marking and line removal trucks, comprised approximately 45% of our sales compared to more than 50% in (audio interference).

While we internally continue to view backlog as an important metric, and our current backlog provides excellent visibility for certain product lines throughout the next six to 12 months, the overall importance of backlog relative to enterprise-wide forward sales has decreased over time as we have decreased the cyclical nature of the business. As a reminder, consistent with our long-term growth strategy, through cycles, we target annual low double-digit top line growth, split roughly evenly between inorganic and organic growth.

Looking ahead to 2026, we are laser-focused on driving three critical multiyear growth initiatives forward that will benefit the company for years to come: first, the successful integration of our recently acquired businesses; second, new product development; and third, continuing to strengthen (audio interference) the power of our platform. Let me share a couple of highlights.

First, our teams are moving full steam ahead with the integration of New Way. As a reminder, we remain committed to achieving our targeted \$15 million to \$20 million in annual synergies by the end of 2028, with approximately half of those synergies tied to cost savings, and the other half tied to various sales synergies, including the increased penetration of the Canadian market, dealer development, aftermarket parts optimization, sales channel alignment, and new product development. Consistent with the outlook we provided in our September acquisition announcement call, we are expecting the acquisition of New Way to be approximately adjusted EPS-neutral in 2026, inclusive of a preliminary estimate of intangible asset amortization expense.

Second, we were pleased to close the acquisition of Mega Equipment last month. Mega is a manufacturer (audio interference) parts and equipment for the metal extraction support equipment sector. We have been following them for a number of years, having identified the company as a highly complementary asset to our Ground Force and TowHaul businesses. We believe Mega can accelerate several of our strategic growth initiatives within this space.

As an example, Mega will substantially increase our reach into certain underpenetrated geographic regions, such as South America. As we optimize our combined sales channel between Ground Force, TowHaul and Mega, we see important cross-selling opportunities, similar to the playbook we have been deploying since 2022. We also see incremental opportunities to accelerate Mega's aftermarket parts business, which has historically represented about 25% of Mega's net sales, and we have identified several operational benefits, including production savings and freight cost (audio interference). From a financial perspective, Mega generated approximately \$40 million in net sales over the last 12 months, and we expect the acquisition to be modestly accretive to cash flow and EPS in 2026.

Third, we continue to invest in our internal centers of excellence to widen our competitive advantage within the niche markets that we operate. In 2026, we see specific opportunities to drive several sales, new product development, and dealer optimization initiatives forward across our vacuum trucks, street sweepers, multipurpose maintenance vehicle, refuse collection, road marking, and safety and security systems verticals. As part of this strategy, we acquired certain assets and territory rights in Texas in the fourth quarter, which we think will allow us to increase market share for several key product lines.

Turning now to our outlook. With the ongoing execution against our strategic initiatives, current demand backdrop, we are confident that we will have another record year in 2026. For the full year, we are anticipating net sales of between \$2.55 billion and \$2.65 billion, and adjusted EPS between \$4.50 and \$4.80 per share, notwithstanding an aggregate \$0.16 per share headwind from higher acquisition-related intangible asset amortization expense and the normalization of our tax rate.

At the midpoint, this outlook would represent another year of double-digit growth, and the highest adjusted EPS level in the Company's history. In line with our typical seasonal patterns, we expect Q1 net sales and earnings to be lower than subsequent quarters due to less aftermarket revenue capture.

Lastly, we expect CapEx to be between \$45 million and \$55 million for the year, which includes (audio interference) enhancing projects. In closing, I want to express my profound thanks to all of our employees, suppliers, dealer partners, customers and stakeholders for a tremendous 2025.

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

Operator

Thank you. We'll 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 your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star key. One moment, please, while we poll for questions. Thank you.

Our first question is from Tim Thein with Raymond James.

Tim Thein

Hi, good morning. Can you hear me okay?

Jennifer Sherman

Yes. Good morning, Tim.

Tim Thein

Hi, good morning. First question, just on, call it the midpoint of \$2.6 billion in revenues. Apologies if I missed this, is there a way to parse out—I'm not sure if you updated what you're expecting in terms of New Way and Mega and other acquisition impacts. Just trying to parse out organic versus relative to that two-six number.

Ian Hudson

Yes. Sure, Tim. I'll take this. If you think of the guide, the revenue guide, obviously in the aggregate, 17% to 22% year-over-year growth, that's about 5% to 9% is organic and the rest would be contributions from New Way and Mega. That's how it breaks down. Then, at the midpoint, that's squarely in line with what we've delivered really since 2015. Our organic growth has been a CAGR of about 7%, so that's squarely in line with the guide.

Tim Thein

Yes. Okay, excellent. Then just on the order trends, and I'm sure you have far from perfect visibility as to every order placed and what the motivation is behind it, but I'm just curious, maybe what feedback, if any, you hear from dealers in terms of—or maybe how you're seeing that order board fill out, meaning are

there any signs of maybe customers wanting to get ahead of a prebuy, meaning more of those orders may be coming later in the year? Just curious as to what, if any, impact do you think that is having in terms of order activity. Thank you.

Jennifer Sherman

Yes, I'll start with the prebuy discussion. There's been a lot of discussion around this. We have not baked any meaningful prebuy into our guidance. We're going to continue to monitor it, and we will be prepared to respond to it. The other thing I would add there is publicly-funded customers don't materially engage in prebuying, so with respect to that part of the business, we don't think it would be a significant driver where we would see traction would be on those nonpublicly revenue customers.

Tim Thein

Understood. Thank you.

Operator

Our next question is from Steve Barger with KeyBanc Capital.

Steve Barger

Hi, good morning. Thanks.

Jennifer Sherman

Hi, Steve.

Steve Barger

For the 5% to 9% organic for the consolidated guide, is that similar for both ESG and Safety, or is one expected to outgrow organically versus the other?

Ian Hudson

Yes, Steve, ESG is expected to grow at a little faster rate than SSG. SSG is probably more of a kind of a GDP-plus type rate, but you would expect ESG to be kind of a larger contributor to organic growth.

Steve Barger

Got it. Thanks for the reminder on how the mix of backlog-dependent business is changing. Maybe a two-parter: first, is it safe to say that you expect book-to-bill above one for the business units that still depend on backlog for forward visibility?

Jennifer Sherman

A couple of comments there. As we previously talked about, our lead times are still extended for sewer cleaners and four-wheel street sweepers, so we have been focused on build more trucks. I'm pleased to report that we made some really good progress during Q4. If you look at unit production combined to both Elgin and Vactor, it was (audio interference) versus Q4 of 2024, and up 13% for the full year, so we were pleased with that progress. For those particular businesses, we're very focused on getting those lead times in that six-month to eight-month range.

We provided some additional information in the slides today regarding the impact of the \$80 million third-party Labrie refuse trucks. We will not be taking orders for Labrie refuse trucks in 2026, and we'll be

delivering those throughout the year. We tried to separate that out for everybody so they understand the impact that will have. We will be taking orders for New Way, but it will take us some time to build up to those particular rates over a multiyear period.

Outside of those particular things, we would expect, over a 12-month period, the backlog would be around 1.0, a little bit better, but we wanted to call out those two particular issues as we move forward.

Steve Barger

Yes, that's great detail. Thank you. Then the second part, just a clarification. Do book and ship orders—or book and ship business, I should say, in a given quarter get reported in orders? How do we think about rental and used equipment, and how that flows through? Just for clarification.

Ian Hudson

Yes. The short answer, Steve, is yes. They do get reported in both orders and sales within the quarter. We typically don't have much backlog for rentals, if any, because typically you'll receive the request around (audio interference). That's probably an in and out within the quarter, so not a whole lot of backlog in the rental business.

Steve Barger

Yes, but rental would still show in orders, or is that just kind of a...

Ian Hudson

Yes, correct.

Steve Barger

Okay, got it. Thank you.

Operator

Our next question is from Ross Sparenblek with William Blair.

Ross Sparenblek

Hi. Good morning.

Jennifer Sherman

Good morning, Ross.

Ross Sparenblek

Hi. Nice quarter here.

Jennifer Sherman

We agree.

Ross Sparenblek

Maybe just starting with a housekeeping item. Can you help parse out the \$132 million inorganic contribution to orders in the quarter? I understand some's backlog, some's going to be incremental orders that were secured once you own the asset.

Ian Hudson

Yes, Ross. That's just the backlog that we acquired on the date of the acquisition.

Ross Sparenblek

Okay. Can you give us a sense of what the inorganic order flow look like? Just try to parse out the inorganic orders for ESG?

Ian Hudson

Yes. The difference wasn't really material from what we reported. If you strip out the acquired backlog, the delta wasn't material.

Ross Sparenblek

Okay. How should I think about that, though, since you guys did start stocking inventory in Canada for New Way and presumably the rest of the United States?

Jennifer Sherman

We didn't do anything meaningful in the one month that we owned them.

Ross Sparenblek

Okay. Well, just kind of based on early discussions, do you get the sense that you're going to have a strong adoption rate with existing dealers that might be selling other third-party refuse trucks?

Jennifer Sherman

Right now, New Way has a number of strong dealers, and we're working with them. The JJE sales arm, we've hired a number of people. We're leveraging the existing infrastructure that's in place. We're training them on the New Way equipment. They're still in early stages. We're excited about some of the opportunities that are out there. Then, in certain areas, we plan on strengthening that dealer network through either the JJE team or other additions to the network.

Ross Sparenblek

Okay, probably first quarter, though? Kind of timeline on when we should start seeing a more meaningful contribution? It just seems a little odd that you would let the Labrie phase out. You do have a backlog there. We shouldn't expect until the end of the year for the overlap of replacing Labrie with New Way inventory, correct?

Jennifer Sherman

Yes. We're taking orders since closing, and New Way has a number of strong dealers in place. There's a number of opportunities, and we're continuing to take orders. Our view on New Way's contribution to the 2026 earnings has not changed, including the amortization. We expect it to be neutral.

Ross Sparenblek

Okay. Thanks, you guys. I'll hop back in queue.

Jennifer Sherman

Thank you.

Operator

Our next question is from Walt Liptak with Seaport.

Walter Liptak

Good morning. I wanted to ask—I didn't catch it, Jennifer, in your remarks. You talked about the first quarter. I wonder if you could talk a little bit about what you're expecting seasonally and from production schedules, so we can get our modeling right.

Jennifer Sherman

Sure. We expect, in terms of earnings, the cadence to be similar to the past in terms of 19% to 20%. With respect to orders, this year, obviously New Way and part of first quarter Hog and Mega will be new, so there could be some change to the seasonality of orders. But in general, what I said in my prepared remarks is we would expect the cadence of earnings to be similar to the past.

Walter Liptak

Okay, great. I wanted to ask you about New Way and just the cost synergies, now that you've had a chance to kind of do a full financial review and look at the operations. Are you going to be able to do more with the cost synergies? I wonder about 80/20, if that's something that you're going to give them time to integrate first and then start 80/20, or do you start doing that right away with the New Way business strategies?

Jennifer Sherman

Yes. We identified the \$15 million to \$20 million by 2028. That's about half cost, and half revenue synergies. We have various teams that have been in place since we announced the acquisition in September that are working on those cost synergies and revenue synergies, 80/20. Operational optimization is absolutely a critical synergy, and we have transferred one of our best 80/20 people (audio interference) facility. The general manager of that facility is now working directly with the New Way team on 80/20 opportunities.

Walter Liptak

Okay, great. Thanks for that. Just the last one for me. I was curious about the University Park, the fourth PCB line that went in. You guys have been really successful with vertically integrating, and I wonder if this one is for demand that you already have, or is this kind of room to grow? Why did you have to add a fourth PCB line?

Jennifer Sherman

There are a couple of drivers. First of all, the team did a super job, and we installed that line. We're actually a little bit ahead of schedule in Q4. We look at it drives a couple of things, continued growth. It really accelerates new product development. It allows us to address customer needs, particularly within both our police and our signaling businesses. The short answer is accelerating new product development that seems a star in that particular area; and number two, it facilitates additional growth opportunities.

Walter Liptak

Okay, great. Thank you.

Jennifer Sherman

Thank you.

Operator

Our next question is from Mike Shlisky with D.A. Davidson.

Jennifer Sherman

Good morning, Mike.

Mike Shlisky

Good morning. Thanks for taking my questions. I wanted to start off asking about Mega and about New Way. Can you maybe share for us how 2025 fared within their own four walls as far as organic growth in those businesses? In 2025, were those both growth businesses? Do you expect them organically to be for themselves growth businesses in 2026?

Ian Hudson

Yes. I think with respect to Mega, we're obviously very excited about the combination of Mega with the Ground Force and TowHaul businesses. I think in Jennifer's remarks, she commented on how Mega brings some things to the table that we didn't necessarily have before in terms of geographic expansion. Mega had some nice organic growth in 2025. We're expecting that to continue as we go into 2026. They had revenues of about \$40 million in '25. As we go into '26, we're expecting that to grow a little bit.

As it relates to New Way, obviously, they were in the middle of a process, a sale process (audio interference). We didn't necessarily have audited financials, but the last audited financials that we had, they did \$36 million of EBITDA and about \$250 million of sales in 2024. As we talked about in September, we are expecting them to be slightly lower in 2026, just because there's some kind of normalization of trends within that industry, so that's what we've implied in our guide for 2026.

Mike Shlisky

Got it. Thank you so much. Then your comment earlier about expanding a little bit into South America was also very interesting. Was that just a comment about Ground Force and TowHaul, or are there other lines of business that you think could actually work as well in South America? Just any comments on kind of local sourcing, whether you have to have engine changeovers to kind of make that happen, because there's often some rules around locally sourced content when you try to get into South America.

Jennifer Sherman

Yes. My comments were focused on Mega and TowHaul and Ground Force. We have partners that we work with in South America. Mega has a very strong brand with respect to the chassis. It's similar to how we export other Ground Force and TowHaul products, but given the strong brand recognition of Mega, the teams are excited about the synergies for both those other products.

Mike Shlisky

Great. Just one last one for me. You had a busy 2025 for M&A. Just a sense as to the pipeline you think for 2026, and what areas you're looking to grow through organic means ahead here?

Jennifer Sherman

Yes. Our pipeline continues to be full. We're very focused on identifying companies, purchasing, integrating, delever, and then repeat. With that being said, different teams work on different opportunities. We've mentioned previously that our SSG team is looking at a number of opportunities right now. We would expect that to continue. There are some other opportunities we're looking at with respect to specialty vehicles that involve different teams than the refuse team or the mineral extraction team. M&A over the long run will continue to play a critical part in our growth, but it will meter according to bandwidth.

Mike Shlisky

Okay, outstanding. I'll pass it along. Thank you.

Operator

Our next question is from Chris Moore with CJS (audio interference).

Chris Moore

Hey, good morning, guys.

Jennifer Sherman

Good morning.

Chris Moore

Great quarter, as always. You guys were obviously ahead of the curve early in COVID, expanding capacity, and certainly recognizing it depends on mix. I'm just trying to get a sense of roughly how much annual revenue Federal Signal can currently handle with the existing infrastructure.

Jennifer Sherman

Yes. We're currently running at about 70%. I would highlight that we added some additional capacity with New Way and Mega, particularly New Way, and we're excited about that capacity. (Audio interference) some organic growth initiatives that we're incubating right now, that we expect will have multiyear benefits into '27 and '28.

I'll say what I say all the time, we are continuously tweaking our capacity at various facilities, where we might do something that is less than \$5 million-type expansion. The teams have done a super job in terms of 80/20, which one of the many benefits of 80/20 is freeing up additional capacity. We've been able to add some additional capacity. We're leveraging, as I mentioned, some of the opportunities in New Way. I can give a great example in our dump truck body business. We had excess capacity in Pennsylvania. We now are producing dump trucks in a particular facility there. I think we're in pretty good shape right now as we sit here to support our growth initiatives going forward.

Chris Moore

Got it. Helpful. Maybe just one on New Way, you've talked about the New Way acquisition being neutral to EPS in '26, potentially adding, I don't know, \$0.40 to \$0.45 EPS in '28. I'm assuming, based on prior conversations and prior comments, that would be pretty back-end loaded for 2028. Is that the way we

should be looking at that, and also kind of the margin progression from EBITDA margins from 14% to 15% to the 20% range?

Jennifer Sherman

Yes. I think we talked about (audio interference) is with the \$15 million to \$20 million of synergies that we identified by 2028 kind of evenly split between cost and revenue synergies. We'd expect those cost synergies to kind of be more evenly split as we move through that three-year period with the revenue synergies to be more back-end loaded. They take some time. A good example is we're very focused on new product development for that particular team. We have a number of products in the work, and it will take some time to get traction, for example, on those particular initiatives.

Chris Moore

Got it. That makes sense. Just any thoughts on the current tariff discussions?

Jennifer Sherman

Yes. I think that we are fortunate because, as we talked about quite last year, we're in country for country. They had a nominal impact. USMCA is important to us, particularly given the importance of our Canadian businesses, but we're not baking any meaningful impact into the guidance that we provided earlier today.

Chris Moore

Fair enough. I will leave it there. Thanks, guys.

Jennifer Sherman

Thank you, Chris.

Operator

Our next question is from Greg Burns with Sidoti.

Jennifer Sherman

Good morning, Greg.

Greg Burns

Good morning. The adjusted pro forma order number of \$64 million, how much of that is organic, and what is the contribution from acquisitions in that adjusted number?

Ian Hudson

Yes. I think what we've done, Greg, is we've stripped out the (audio interference) at the time of the acquisition, so that's the 14% year-over-year growth in Q4. The vast majority of that is organic.

Jennifer Sherman

Almost all.

Greg Burns

Okay, perfect. Then in your municipal publicly-funded markets, I know there was a lot of federal money coming post-pandemic into that market. I assume a lot of that's been allocated and spent. Is there any concern that we might see kind of a slowdown in those end markets?

Jennifer Sherman

I'll start with, as we've talked about before, we didn't see any meaningful contributions in 2024 or in '25 from those pandemic (audio interference) infrastructure projects are still ongoing. We expect those to be ongoing for several years.

Again, within that public-funded revenue bucket, water taxes is an important part of that. That's our largest single product line, which supports purchases of sewer cleaners and other types of municipal vacuum trucks, and we find that to be a growing revenue stream. Our general municipal exposure would really be around street sweepers, some of our multipurpose tractors, a small portion of our public safety systems and then a portion of refuse.

Again, as we talked about in the prepared remarks, we saw strong orders in Q4 for sewer cleaners, street sweepers. Again, we feel we've baked this into our outlook. It is really, frankly, the diversification within that public-funded revenue stream that is important to look at with respect to the order trends.

Greg Burns

Okay, thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Jennifer Sherman for any closing remarks.

Jennifer Sherman

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

Operator

This concludes today's conference. We thank you for your participation. You may disconnect your lines.