



Lakeland Fire + Safety

Fiscal First Quarter 2027 Financial Results Conference Call

June 9, 2026

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

James Jenkins, *President, Chief Executive Officer & Executive Chairman*

Cameron Stokes, *Chief Commercial Officer, Global Industrials*

Barry Phillips, *Chief Revenue Officer*

Kevin Rae, *Executive Vice President, EMEA Fire Sales*

Calven Swinea, *Chief Financial 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

Gerry Sweeney, *Roth Capital Partners*

Michael Shlisky, *D.A. Davidson*

Mark Smith, *Lake Street Capital Markets*

Matthew Galinko, *Maxim Group*

PRESENTATION

Operator

Good afternoon and welcome to the Lakeland Fire + Safety Fiscal First Quarter 2027 Financial Results Conference Call.

All lines have been placed on a listen-only mode, and the floor will be open for your questions following the presentation.

During today's call, we may make statements relating to our goals and objectives for future operations, including our goals for revenue and cash flow from operations for fiscal year 2027, financial and business trends, business prospects, and Management's expectations for future performance that constitute for-looking statements under federal securities laws. Any such for-looking statements reflect Management expectations based upon currently available information and are not guarantees of future performance and involve certain risks and uncertainties that are more fully described in our SEC filing. Our actual results, performance, or achievements may differ materially from those expressed in or implied by such for-looking statements. We undertake no obligation to update or revise any for-looking statements to reflect events or developments after the date of this call.

On this call, we will also discuss financial measures derived from our financial statements that are not determined in accordance with U.S. GAAP, including Adjusted EBITDA, Adjusted EBITDA excluding FX, Adjusted EBITDA margin, Adjusted EBITDA excluding FX margin, adjusted gross profit, adjusted gross margin, and adjusted operating expenses excluding FX. A reconciliation of each of the non-GAAP measures discussed on this call to the most directly comparable GAAP measure is presented in the supplemental slides of today's presentation.

A fresh release detailing these results was issued this afternoon and is available in the Investor Relations section of our Company's website, ir.lakeland.com.

At this time, I would like to introduce your hosts for this call, Lakeland Fire and Safety's President, Chief Executive Officer and Executive Chairman, Jim Jenkins; Chief Financial Officer, Calven Swinea; Chief Commercial Officer, Global Industrials, Cameron Stokes; Chief Revenue Officer, Barry Phillips; and Executive Vice President of EMEA Fire Sales, Kevin Rae.

Mr. Jenkins, the floor is yours.

James Jenkins

Thank you, Operator, and good afternoon, everyone. Thank you for joining us today to discuss the results of our fiscal 2027 first quarter ended April 30, 2026.

Our first quarter results reflect continued progress across several important areas of the business as we position Lakeland Fire and Safety for stronger performance through the balance of fiscal 2027. Calven will walk through the financials in detail shortly, so I will provide you with a brief overview here.

Net sales for the quarter were \$47.4 million, an increase of \$0.7 million or 1.4% compared to \$46.7 million in the prior year period, supported by 11% growth in fire services. Net income was approximately \$0.4 million or \$0.04 per basic and diluted share, a meaningful improvement from a net loss of \$3.9 million or \$0.41 per basic and diluted share in the first quarter of fiscal 2026.

Adjusted EBITDA, excluding FX, improved to \$1.1 million compared to \$0.6 million in the prior year period, and adjusted gross margin improved modestly on a sequential basis to 33.6% compared to 33.5% in the

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

1-888-562-0262 1-604-929-1352 <https://viaavid.com/>

fourth quarter of fiscal 2026. We are actively managing several identifiable timing, mix, certification, transition, and operational execution factors, with clear actions underway to improve conversion of visible revenue opportunities into stronger profitability as the year progresses. Calven will provide additional detail on our margin bridge shortly.

Demand across our fire services platform remains encouraging. Our NFPA 1970-2025 certified head-to-toe fire portfolio was showcased at both FDIC 2026 and more recently at INTERSCHUTZ, where customer engagement, tender activity, and sales opportunity were strong. We believe the breadth of our certified portfolio, including turnout gear, boots, gloves, hoods, and helmets provides a meaningful competitive advantage as fire departments and distributors increasingly look for complete, reliable solutions from a global provider.

Our service platform also continues to build momentum as an important recurring revenue and customer retention opportunity. Through our independent service provider, or ISP platform, we provide inspection, cleaning, repair, rental, and decontamination services for fire departments and other safety customers. We are deepening customer relationships, creating additional touch points with fire departments, and building a recurring service model that can support higher quality revenue over time.

We continue to believe service can become an increasingly important differentiator for Lakeland Fire and Safety, not only as a revenue contributor, but as a way to strengthen retention, cross-selling, and long-term customer value. As part of this strategy, we expect to open another ISP location in Denver, Colorado, and we are expanding our Arizona PPE facility in Phoenix to support continued growth in the United States. We have also added a CO2 decontamination machine in Fresno, California to enhance our decontamination capabilities and broaden the services we can provide to fire departments and first responders.

Unlike traditional wash-only service models, CO2 cleaning allows us to offer a more advanced decontamination solution designed to help remove harmful contaminants from turnout gear and related PPE, while supporting faster turnaround, improved garment care, and broader customer service options. The addition of CO2 capability further differentiates our service platform and strengthens our position as a full service fire safety partner. In addition, we are actively pursuing small strategic M&A candidates in attractive and growing geographies within North America, where we believe we can expand our service footprint, strengthen customer relationships, and build a more durable recurring revenue platform.

In Europe, we continue to make meaningful progress repositioning LHD, including the relaunch of the LHD brand at INTERSCHUTZ. We also appointed Sascha Mueller as LHD's Director of Sales. Sascha is a veteran fire and safety executive. We view the first and second quarters as transitional for LHD as we onboard new, highly regarded sales talent, right-size the German operation, and continue driving operational improvements. While Middle East uncertainty has temporarily slowed project timing and frozen certain regional budgets, we remain focused on converting identified opportunities, improving margins, and positioning LHD for stronger performance in the back half of fiscal 2027. Kevin Rae will provide additional details on EMEA in a moment.

Eagle also continues to be well positioned following its recent notification of an intended award under the National Fire Chiefs Council National Firefighter PPE framework in the United Kingdom. Eagle gloves, hoods, and turnout gear continue to gain strength in the United States, Latin America, and Asia as part of our broader global fire portfolio.

More broadly, backlog across our U.S. fire business, including both Veridian and Legacy Lakeland fire products, continues to grow, and we are seeing similar fire-related opportunities develop across Latin America, Mexico, and Asia as the updated NFPA standards create additional customer interest in certified turnout gear, gloves, hoods, helmets, and boots. The breadth of this activity reinforces our confidence in the long-term growth potential of our global fire platform.

On the industrial side of the business, we are seeing signs of improvement in areas that had previously been affected by tariff uncertainty and broader macroeconomic headwinds. Our facilities in Vietnam and China, where we produce primarily industrial products, remain at capacity, supported by improving demand and better order visibility. We are encouraged by this progress, but remain disciplined in managing production, inventory, and customer demand to ensure that improved volumes translate into stronger operating performance.

Our disposable business also remains an important part of the portfolio. While demand has improved in certain industrial channels, we have not yet seen a meaningful recovery in the United States, nor have we seen any meaningful uptick in oil and gas turnaround activity. We believe that our U.S. industrial business can gain traction in the latter half of the fiscal year 2027, and the oil and gas business remains a future opportunity as maintenance and turnaround schedules normalize, but we are taking a measured view until order patterns become more consistent. In the meantime, we are focused on channel execution, pricing discipline, inventory alignment, and positioning the U.S. disposable business to benefit when end market demand strengthens.

Separately, we are beginning to see emerging demand for certain protective products tied to Ebola preparedness planning, and we recently received related orders from hospitals in Europe, Hong Kong, and Latin America. While we view this as a positive indication of Lakeland's continued relevance in high-risk protective applications, we are treating this as an incremental opportunity rather than a core forecast driver.

During the quarter, we completed the divestiture of our High-Performance FR and HiViz product lines for approximately \$14 million in cash proceeds. This transaction simplified the business, strengthened our balance sheet, improved liquidity, and allows us to concentrate resources more directly on our core fire services and industrial protective products businesses. The divestiture is consistent with our broader effort to reduce complexity, improve focus, and allocate capital toward the areas where we believe Lakeland has the strongest long-term growth and margin opportunities.

We also strengthened our governance and executive team during the quarter with the appointment of Lee Rideau to our Board of Directors, the appointment of Calven Swinea as Chief Financial Officer, and the appointment of Kevin Rae as Executive Vice President, EMEA Fire Sales. Lee previously served as Chief Executive Officer of NASDAQ-listed TransCat, and his strategic and M&A integration experience in the industrial markets is a valuable addition to our Board.

As we look ahead, our priorities are clear. We are making meaningful progress in strengthening margin visibility, accountability, and operating discipline across each business, product line, and region. Our teams are focused on the key levers that drive performance, inventory management, cost control, price discipline, production efficiency, and improved sales conversion. As these actions continue to build momentum, we expect margins to improve over the course of fiscal year '27, supported by traction from tenders, new sales opportunities, and growing service revenue.

We expect this momentum to begin showing through in the second quarter, although Q2 should be viewed as a stepping stone rather than the full measure of the improvement opportunity. As these actions continue to build, we expect revenue growth, margin improvement, and EBITDA expansion to become more visible in the back half of fiscal year '27, supported by inventory normalization, tender conversion, new sales opportunities, and growing service revenue.

Based on our current demand trends, the strength of our Fire Services platform, the continued development of our services business, and the actions underway to improve margin and cash generation, we continue to expect high single-digit revenue growth and positive cash flow from operations in fiscal 2027.

With that, I'd like to pass the call to our Chief Commercial Officer, Cameron Stokes, to provide an update on our Industrial and Chemical Critical Environment business.

Cameron Stokes

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

1-888-562-0262 1-604-929-1352 <https://viaavid.com/>

Thank you, Jim.

Turning now to Industrial and Chemical Critical Environment. Our Industrial business showed improved momentum across most regions in the first quarter, with the U.S. and Canada the only businesses not exceeding budget. Latin America at 119% to plan and Asia at 132% to plan delivered the strongest regional performances in Q1, attributable to disciplined commercial execution of Lakeland's safety story and tight alignment with our channel partners. The conflict in the Middle East has extended our lead times into Latin America, so we are focusing considerable efforts on mitigating any risk to our performance through tight alignment between our commercial and operations teams.

Looking across product lines, Chemical improved in most regions. Critical Environment remains a recovery priority, but we anticipate a very strong second quarter that gets us back on plan for the year. The key actions are better forecasting, demand planning, capacity resolution, and a stronger end user demand generation. Disposables performed well overall, despite a significant U.S. miss, with pricing and portfolio actions expected to support continued momentum in Q2. Wovens remain on track from a demand standpoint, though the purchasing patterns of our largest Latin American customers have required some timing adjustments in our forecast.

From an outlook standpoint, the U.S. team is being reset around clearer expectations, stronger channel engagement, improved portfolio positioning, and a better pipeline discipline. We are building a stronger end user approach in the U.S., engaging departments and end users directly to create pull through demand for our channel partners, improved specification influence, and helping our distributors win more business with Lakeland. We have strong indications that Canada will rebound in the second quarter, including a strong performance in May, and are confident Canada will achieve its budget expectations for the year.

Structural changes and new leadership in Mexico and Europe continue to show strong returns as pipelines are robust and performance is becoming more consistent and predictable. Overall, we are cautiously bullish on the outlook for Industrials this year, with heightened attention on accelerating the turnaround in the United States.

I will now hand the call over to our Chief Revenue Officer, Barry Phillips, to provide an update on our Fire Services business.

Barry Phillips

Thank you, Cameron.

Turning to the Fire Services, revenue for the first quarter was \$23.4 million, an increase of \$2.4 million, or 11%, compared to \$21 million in the prior year period. Our Fire segment represents approximately 49% of total revenue, reflecting the continued transformation of the business. The first quarter was a milestone period for our Fire portfolio. We achieved NFPA 1970 certifications for Pacific Helmets, Jolly Boots, Veridian Turnout Gear Boots and Gloves, and Lakeland Turnout Gear and Gloves, giving customers the ability to order a complete head-to-toe certified range across our brands.

At both FDIC in the U.S. and INTERSCHUTZ in Germany, we showcased the full head-to-toe product portfolio and our unified brand portfolio under the Lakeland Fire and Safety Umbrella. INTERSCHUTZ is the largest firefighting trade show in the world, held only every four years in Hanover, Germany, and new product introductions included new Pacific Structural Firefighting Helmets, new Jolly Structural Boots, new Lakeland Extraction Gloves, and a new range of Lakeland and Veridian Structural and Wildland Gear material and reflective trim options to provide advanced performance and value.

Sales activities accelerated through these certification achievements, and with our attendance at both FDIC and INTERSCHUTZ, and our market outreach, and we've now generated new product demand growth that has outpaced our prior manufacturing and stock capacity. As a result, our open order backlog has risen to

historic levels. To meet that demand, manufacturing ramp-up activities are underway at Lakeland, Veridian, Pacific, and Jolly.

On the service side, we opened a Greenfield ISP in Fresno, California. We're seeing U.S. Air Force decontamination services growth in Arizona PPE, and California PPE has expanded capacity and facility upgrades to integrate our new CO2 decontamination capabilities. Through our California ISP and our CO2 offering, we're introducing advanced decontamination performance, combining wet wash and CO2 cycles to provide firefighters with the highest level of decontamination efficacy at our riverside California facility.

Looking ahead to the second quarter, new NFPA product demand has created an open order backlog we expect to meet our Q2 budget projections in key NFPA markets for firefighting gear produced to order, while stock products such as helmets, gloves are moving out at a high double-digit pace. Global tender opportunities are building, and the INTERSCHUTZ trade fair reinforced our global Lakeland Fire and Safety head to toe product range and brand portfolio to the international market.

We are adding sales resources in North America and Europe to strengthen direct department interaction and our strategic distribution network development, and we've strengthened our sales support and marketing teams to drive lead generation, follow-up, and reporting. Our operations teams are building production capabilities to match demand, and decontamination service demand continues to grow in our U.S. and Australian sites. Our CO2 decontamination equipment has been installed in Riverside and is projected to operational by the third quarter, and we'll have our new Colorado PPE site in development now in Denver.

I'll now pass the call on to Executive Vice President of EMEA sales for fire sales, Kevin Rae, for an EMEA update.

Kevin Rae

Thank you, Barry.

Turning to EMEA. Eagle, which delivered double-digit growth in the first quarter, expects opportunities to expand in the back half of FY '27, following this recent notification of an intended award under the National Fire Chiefs Council National Firefighter PPE Framework in the U.K. This is a framework with a total potential value of £220 million over a seven-year term across all awarded suppliers. We expect this framework to present additional opportunities as it moves into implementation.

In addition to the U.K. framework, and while not always reflected directly in Eagle's reported revenue, Eagle's products continue to gain traction across the broader Lakeland Fire and Safety platform. Eagle gloves are now seeing increased adoption in the United States, while Eagle turnout gear, gloves, and hoods continue to gain momentum in Latin America and Asia, further supporting the growth of global head-to-toe fire offering.

Looking ahead to the second quarter, we expect continued momentum in LHD Australia, where decontamination services, supported by added unbudgeted activity and stronger-than-expected customer demand, are expected to drive continued growth.

With respect to LHD Germany, the second quarter should be viewed as a transitional period as we onboard new, highly regarded sales talent right-side the German operation and continue driving operational improvements. During the quarter, we completed the transition of LHD Germany's operations from vesseling to a third-party logistics model with Deckers Logistics, and we appointed a veteran fire and safety executive, Sascha Muller, as LHD Director of Sales. As we move production and logistics activity elsewhere within the platform, and the German team become more focused on commercial growth, we expect margin improvement, though that benefit is likely another quarter or two away.

While Middle East uncertainty has temporarily slowed project timing and frozen certain regional budgets, we remain focused on converting identified opportunities, improving margins, and positioning LHD for stronger performance in the back half of fiscal 2027. While not reflected directly in EMEA sales, the expected ramp-up of Jolly NFPA certified boots sales in North and South America should support improved Jolly performance as the year progresses and further strengthen our position as a global head-to-toe fire provider.

I will now hand the call over to Calven to review the financials.

Calven Swinea

Thank you, Kevin, and good afternoon, everyone.

I'll provide a brief overview of our fiscal '27 first quarter financials before diving into the details. Net sales were \$47.4 million for the first quarter of fiscal '27, an increase of \$0.7 million, or 1.4%, compared to \$46.7 million in the first quarter of fiscal '26. Adjusted gross margin was 33.6%, compared to 35.2% in the prior year period, and improved modestly on a sequential basis from 33.5% in the fourth quarter of fiscal '26.

Adjusted operating expenses excluding FX were \$14.8 million, down from \$15.9 million in the prior year period. Net income was approximately \$0.4 million, or \$0.04 per basic and diluted share, compared to a net loss of \$3.9 million, or \$0.41 per basic and diluted share in the first quarter of fiscal '26.

Adjusted EBITDA excluding FX was approximately \$1.1 million for the quarter, compared to \$0.6 million in the first quarter of fiscal 26, with an Adjusted EBITDA excluding FX margin of 2.3%, compared to 1.3% in the prior year period. We ended the quarter with cash and cash equivalents of \$17.4 million, up from \$12.5 million at the end of fiscal 26.

Turning to a few additional highlights for the quarter. On the top line, sales revenue of \$47.4 million increased 44% year-over-year, with fire services growing 11% year-over-year basis, driven by Latin America, Mexico, and Veridian. First quarter revenue came in as expected, despite lower performance in North America, primarily due to the sale of inventory and intellectual property of our HDFR and HiViz product line at the end of March. Adjusted gross profit was \$15.9 million, and adjusted gross margin was 33.6%, compared to \$16.5 million and 35.2%, respectively, in the prior year period. Lower inbound freight and duties were more than offset by sales mix and product costs, and the broader macroeconomic environment continued to weigh on margin improvement.

Adjusted operating expenses were \$14.8 million, down \$1.1 million from \$15.9 million in the prior year period. Operating expenses increased, compared to the fourth quarter, mainly due to seasonality, while our cost reduction initiatives reduced operating expenses by \$1.1 million year-over-year. Adjusted EBITDA excluding FX was \$1.1 million, up 79.6% from \$0.6 million in the prior year period, with an Adjusted EBITDA excluding FX margin of 2.3%, compared to 1.3% in the prior year period. Our year-over-year operating expense reduction more than offset lower gross margins, and we expect probability to improve as margins recover and operating expenses remain stable.

Moving to our discussion of revenue and Adjusted EBITDA excluding FX on a trailing-12-month basis. Our trailing-12-month revenue of \$193.3 million reflects the meaningful top-line growth in the business has delivered over the past year, including the full contribution of our Fire acquisitions. On a trailing-12-month basis, Adjusted EBITDA excluding FX of \$7.7 million reflects the margin pressure we experienced during the year, which we are actively working to recover. As quarterly margins improve through the balance of fiscal '27, we expect the trailing-12-month trend to follow, with meaningful operating leverage as gross margin recovers.

Moving to Slide 11, walk through our gross margin and Adjusted EBITDA bridges versus the prior year first quarter. As I noted, adjusted gross margin was 33.6% in the first quarter, compared to 35.2% a year ago, while improving sequentially from 33.5% in the fourth quarter of fiscal '26. First quarter gross margin was

below our expectations, but the drivers were clear, identifiable, and not structural. The quarter was impacted by approximately 330 basis points of items that were primarily timing-related, transitional, or tied to deliberate investment decisions designed to support future growth.

The largest impact was product mix, which represented approximately 150 basis points of margin pressure. A meaningful portion of that was tied to the acceleration of finished goods inventory for NFPA-certified products, particularly at Jolly as we prepared to support U.S. fire market launch. We made the decision to build inventory ahead of revenue conversion because product availability is essential to capturing demand. It created a short-term headwind, but also positions us to serve customers, support distributors, and convert sales as certified product becomes available.

We also incurred approximately 80 basis points of pressure from additional NFPA certification costs and transition costs associated with prior certified products. These costs are part of moving through the certification transition and preparing the updated product offering for market, and they do not represent a permanent change in the economics of the business.

Approximately 70 basis points of pressure came from the release of previously capitalized freight costs as inventory was reduced. While this affected gross margin in a quarter, it was tied to a positive balance sheet action, reducing inventory and improving working capital discipline.

Finally, our Fresno, California ISP startup costs represented approximately 30 basis points of margin pressure. These costs relate to the continued build-out of our ISP platform and should be viewed as investment in a growth initiative, not ongoing margin erosion.

Looking ahead, we are focused on sustaining and expanding our margin progress through the rest of the fiscal year. As production volumes improve, certification-related transactions costs moderate, and recent tender wins and sales opportunities convert to revenue, we expect adjusted gross margin to continue to expand through the year. To support that, we strategically increased inventory in key fire categories, including Jolly Boots, Pacific Helmets, and Veridian Gloves, and in expedited freight as we move product faster to support customer demand and market launches. Those freight costs were released through margins as related sales were realized, and we expect any near-term impact to be temporary rather than a prolonged headwind.

The key point is straightforward. First quarter margin pressure was driven by timing, certification transition, inventory positioning, capitalized freight release, and startup costs, not by a loss of pricing power or fundamental deterioration in the business model. As these items normalize and revenue conversion improves, we expect margin performance to improve through fiscal '27. Adjusted EBITDA excluding FX improved to approximately \$1.1 million from \$0.6 million in the prior year period, primarily driven by operating expense reductions, which more than offset lower gross margin. That brought our Adjusted EBITDA FX margins to 2.3%, up from 1.3% a year ago.

Slide 12 shows our revenue mix for the first quarter of fiscal '27, alongside fiscal '25 and fiscal '26, and the transformation of the business is clear on both a product and geographic basis. On the product side, fire represented approximately 49% of revenues in the first quarter, continuing the strategic pivot we have made over the past several years, from approximately 21% of revenues in fiscal '24, to approximately 38% in fiscal '25, to approximately 49% in fiscal '26. This is the clearest illustration of our shift toward the higher growth global fire protection sector, and the recent sale of HPFR and HiViz further simplifies this picture.

Geographically, our mix reflects a more diversified global footprint across the U.S., Europe, Latin America, and Asia, providing broader exposure to the global fire protection market. As our acquired businesses integrate and fire gross margins recover toward their structural potential, our growing fire concentrations are becoming a meaningful margin tailwind.

Now, turning to the balance sheet and cash flow. Let's look at the end of the first quarter with cash and cash equivalents of \$17.4 million and working capital of approximately \$92.4 million. Cash increased \$4.9

million versus the end of fiscal '26. As of April 30, 2026, we had borrowings of \$23.8 million outstanding under our revolving credit facility, with an additional \$16.2 million of available credit under the loan agreement. The Company was in compliance with all of its debt covenants as of quarter end.

Net cash provided by operating activities was \$5.8 million in the quarter, a significant improvement from the use of cash of \$4.8 million in the prior year period. The significant change was due to the HPFR and HiViz sale and the accounting for the \$11.4 million in net proceeds and related gain of \$6.5 million. During the quarter, we had \$14 million in credit line borrowings offset by \$19.1 million in payments on our debt facilities. We continue to work toward an asset-based lending structure that we believe will further strengthen our liquidity position and provide greater flexibility as we execute our operating improvement plan.

Looking now toward inventory, at the end of the first quarter, inventory was \$77.7 million, down approximately \$4.8 million from \$82.5 million at the end of fiscal '26, mainly due to the sale of HPFR and HiViz. We would expect the pace of inventory reduction to moderate in the coming quarters as sales increase and as we strategically build inventory in select fire categories to support demand. Inventory optimization remains one of the key levers in our path to improve free cash flow generation, and we will continue to manage it in a disciplined, demand-driven manner.

With that, I'd like to turn the call back over to Jim before we begin taking questions.

James Jenkins

Thank you, Calven.

The first quarter reflected continued progress against our plan. Net sales grew 1.4% to \$47.4 million, driven by 11% percent growth in Fire Services. Adjusted EBITDA, excluding FX, improved to \$1.1 million from \$0.6 million a year ago. An adjusted gross margin improved modestly on a sequential basis to 33.6% compared to 33.5% in the fourth quarter of fiscal '26.

Our NFPA 1970-2025 certified head-to-toe Fire portfolio was showcased at both FDIC 2026, and INTERSCHUTZ, where customer engagement, tender activity, and sales opportunities were strong. While the first quarter reflected a number of transitional operating items, we do not view the underlying drivers as structural. Importantly, this is not a demand story. Demand across our Fire Services platform, our Service business, and key industrial channels remains healthy, and our focus is on converting that demand cleanly into revenue, margin, and delivery performance.

As we move through the balance of fiscal 2027, our priorities are clear. Convert recent tender wins and sales opportunities across Fire Services, improve operational execution, and drive sequential margin improvement. Improve margin visibility, accountability, and operating discipline by business, product line, and region with inventory management, cost control, pricing discipline, production efficiency, and approved sales conversion remaining central to our plan. Continue building our service platform as an important recurring revenue and customer retention opportunity, deepening customer relationships, creating additional touch points with fire departments, and strengthening retention, cross-selling, and long-term customer value. Over time, we believe service can become an increasingly important differentiator and a higher quality, more recurring source of revenue for the business. Advance our balance sheet flexibility, including our work toward an asset-based lending structure to support our operating improvement plan.

Based on current demand trends, the strength of our Fire Services platform, the continued development of our Services business, and the actions underway to improve margin and cash generation, we continue to expect high single-digit revenue growth and positive cash flow from operations in fiscal 2027, and we expect margins to improve over the course of the year as we gain traction from tenders, new sales opportunities, and stronger service revenue.

We are grateful to our customers, distribution partners, and team members worldwide for their continued trust and commitment, and especially to those first responders around the world who risk their lives every single day to protect us all.

With that, we will now open the call 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 their handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from the line of Gerry Sweeney with Roth Capital Partners. Please proceed with your question.

Gerry Sweeney

Good evening, Jim and Calven and team. Thanks for taking my call.

James Jenkins

Hey, Gerry.

Gerry Sweeney

Obviously, it sounds like the Fire business is starting to take off more tenders, and you discussed the backlog, I think, really expanding. Where is that backlog today versus maybe six months ago, and how do we look at that transitioning into revenue over the course of the rest of this year? Does it continue to expand? In other words, are there even more opportunities and growth out there?

James Jenkins

Yeah. Gerry, a couple of things have changed over the course of the last six months. Obviously, the first being the certification process that had delayed some decisions, had delayed some tenders. We had reverted, as I think we had explained earlier, to selling sort of a lower volume, revenue volume, lower margin products. Those products are now being enhanced by, obviously, the turnout gear, which is sort of the gem of the offering in the Fire portfolio. Yeah, I think we're seeing clear visibility to that.

I think I'd like to have Barry Phillips sort of chime in to what he's seeing, because he's seeing a lot more of that out on the field. He and I are talking daily about how that's growing, and the challenges now are not so much on the sales, pulling in sales front, but more on making sure that Helena and her team on the op side can produce the product for the sales that we're generating.

Barry Phillips

Yeah, thanks, James. Hi, Gerry. The backlog is tied primarily to turnout gear, typically in the eight to 12-week lead time, manufacturing lead time frame, which we're pushing out a little bit on that because of capacity. We are building that up and ramping up in both Mexico and the U.S., so for Veridian and Lakeland. Then the bit of the pipeline on even the commodity products, like helmets and boots, we couldn't ship from production until we received certification, which was the middle of March, and then bulk ship a lot of that stuff over here. We're starting to flow that product into the field, and that's ramping up very quickly. The order of pace is staying a little bit ahead of the ramp up, but our operations team is doing a great job to catch up.

Gerry Sweeney

Is this order pattern, I don't want to call it the new normal because I know the NFPA standards sort of held things off, but how do we think about this order pattern versus historical normal levels? Are we outpacing it? Is there some long runway to this? Will it take several years to sort of work through this? What's the thinking on this front?

James Jenkins

I think to start, by way of example, you look at the U.K. tender, that's a seven-year program at \$220 million of value that has just kicked off. I think Kevin's on the call. Kevin, maybe you could talk a little bit about how that works. It doesn't happen overnight, obviously, but I think that process has just started for us, and we're one of only a handful of winners that are going to be able to participate in that process over the next seven years.

Kevin Rae

Sure, Jim. It's a framework which has taken two years to prepare for in terms of trialing against 10 different companies and isolated down to a framework of about four in most categories. We're in the mix now, and there are 25 brigades throughout the U.K. who will order at different time intervals in the next seven years, and there will be replacements, replenishments. It's an ongoing building picture, and we're very pleased to be successful in getting the categories of hoods, gloves, boots, and the main one, which is structural fire kit. It's a good position. It's also good testimonial for other markets throughout the world.

Gerry Sweeney

Got it. No, that's helpful. That's what I figured. It's an extended opportunity across the board. Switching gears to, I think, the ISP or the cleaning service. Obviously, it sounds as though it's going very well. You're looking to grow organically. Can you give maybe a little bit of detail on how fast that business is growing, and if you're comfortable enough, what portion of or how much revenue is it generating over a quarterly basis and what we should think about that on a growth front? Because I believe it's hyper fragmented and still early in its development.

James Jenkins

It is, Gerry. That is an area that we are urgently moving on. It's a growth market. It's a growing addressable market. My view is it's growing faster certainly than the fire product market. As a reflection, I think of the concerns that politicians and firefighters have about keeping firefighters safe after they've been on a call and keeping them out of harm's way. We've got a great leader. We actually—that was a talent acquisition in the context of purchasing California PPE and Arizona PPE in Mike Glaze. Mike has significant contacts really throughout the country in the U.S., and he continues to drive that network. We would expect regionally to be covering most of really the West Coast and probably the Mountain West and really within a fairly significant radius of those regions as we move.

We don't have to do it through M&A. I think if you look at what we've done after the acquisition of California PPE and Arizona PPE, we built out the Fresno location. We're building out a Denver location. We're increasing the capacity in the Arizona location. The growth is coming, and it's coming because I think we've identified a level of service that I think a lot of fire departments are not used to. We continue to drive that. I think the model—and if you talk to Barry and Helena, they will tell you that we want to have a uniform franchise in that regard. If you walk into Fresno or if you walk into anywhere else in the country where you might have a location, they all look the same. That's what is not the case right now in that marketplace. You do mention it's fragmented.

From a revenue perspective, I guess I'd ask Calven to chime in on the revenue front. I know it has been growing significantly. We've been investing in those businesses. I think the EBITDA margins are significant for us, and I think it's—for us, if I could get that to a \$50 million, \$60 million critical mass in revenue, the EBITDA margins are pretty significant, and I think really drive a different sort of view of our Company and its value.

Calven Swinea

Gerry, this is Calven. It's running the \$4 million to \$5 million per quarter range right now.

Gerry Sweeney

Got it.

Calven Swinea

We're still Fresno starting up and then the new one in Denver coming along.

Gerry Sweeney

Got it.

James Jenkins

Of course, we've also—let's not forget—I'm sorry, Gerry. Let's not forget Australia and Hong Kong. Hong Kong has just—is the energizer bunny. They just keep moving and they do well. Australia has seen a major uptick because the service level has been so good. Unfortunately, I guess fortunately for us, but unfortunately for Australia, there has been a very significant uptick in wildfire. Wildfire season has kicked off there, has generated significant amounts of issues for the firefighters who need to get their gear cleaned. Of course, we have some other departments who have just decided that they want more cleanings, more frequent cleanings, better cleanings. As I think we sort of articulated in the press release and in our discussion today that that was sort of an unexpected, unbudgeted surprise for us to the good.

Gerry Sweeney

Got you. Okay. I'll jump back in here. I appreciate it. Thank you.

Operator

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

Michael Shlisky

Hi, and thanks for taking my questions. Why don't I start from the OpEx line first? I guess there's two questions. First, you were down year-over-year, which was impressive. Just remind us what exactly was going on with bringing the year over year OpEx run rate down. Then secondly, as we go through the year, the first quarter, first fiscal quarter, a couple of big trade shows like FDIC in it, does OpEx actually go down further in 2Q, 3Q, 4Q on a run rate basis?

James Jenkins

Let me give that to you, Calven.

Calven Swinea

Thank you. Yeah, Mike, the restructuring efforts and cost control that we put in beginning at the end of Q3 and Q4 last year, our goal was to drive down \$1.1 million. Again, that was over for restructuring and a lot of regions and consolidation in some areas. That's where the savings came from. You're right. We've got Q1 and Q2 are going to include some trade show expense that starts to decline in the second half of the year.

Michael Shlisky

Great. Thanks for that. Then maybe I missed this, but from a pricing perspective, given the high price of oil and the high price of fuel, have you been able to properly price for some of the more very recent inflation and getting things shipped globally?

James Jenkins

We've done a really, really good job of managing our freight expense. I think I will tip the cap to Helena and her team on that front. We've actually driven our freight costs down over the course of the last a couple of months, if I'm correct. Is that right, Calven?

Calven Swinea

Yes.

Michael Shlisky

Great. Maybe one last one for me is on the inventory and working capital situation. If you back into it, you may have to see sales be up like double digits or almost double digits for the rest of the year to kind of meet, Jim, your comments on the high scale digit growth. I'm curious, Calven, how you maintain a reasonable working capital level given a company that could be in double digit growth mode for a couple quarters to come here and possibly even the first part of 2028. Just give us a little bit as to how you're able to make that happen and have the availability of products for people when they need them.

Calven Swinea

Yes, that's the key. Of course, that's in the capable hands of our Ops team. It's one, it's getting the proper visibility to the opportunities and making sure that we make the initial investment in raw materials. Of course, then we'll have the conversion. But that's really going to be talking—it's one, it's maintaining the appropriate inventory levels for kind of our standard, the normal moving product. Then we are going to have to make a little bit of investment, or we're going to have to make an investment in the fire materials beginning now, as a matter of fact, as we see the increased demand. We're going to have to fund that through careful management of accounts payable and management of our accounts receivable. Then, of course, we're looking at the AL, which will give us some financial flexibility as we go through that.

Michael Shlisky

Got it. Got it. Thank you. I'll pass it along. Appreciate it.

Operator

Thank you. Our next question comes from the line of Mark Smith with Lake Street, Street Capital. Please proceed with your question.

Mark Smith

Hi, guys. I wanted to dig in a little bit more on the ISP business here. You broke out, I think, Calven, you said four, four and a half million dollars per quarter roughly today. I assume that's globally. Can you give us insight into what the U.S. business is doing there and then maybe speak to the organic Fire Services growth domestically in the U.S. and how that trended during the quarter?

Calven Swinea

Yeah, Mark, it's a little less than half of that right now. You've got the two primary sites that we acquired and then the expansion into Fresno. Then you've got, of course, we'll have the Colorado, which we're in the process of standing up now. I think we're going to see continued growth, one, just through the green fields and just through the expansion. They're not done growing, the ones that we've acquired. Now, we're looking at an expansion of the Phoenix site. It's just not big enough to handle the business that they've got currently and having to kind of move some of that business has to get moved over to California. But we are looking to make sure that we can handle that. We'll start that. We're looking at that expansion now.

James Jenkins

Mark, we're also looking to expand. Sorr. Go ahead, Calven.

Calven Swinea

Go ahead.

James Jenkins

I was also going to say that we're also looking to expand in Australia. We're outgrowing the facilities that we have in Brisbane and in Sydney. Our ops team is taking a hard look at expansion there as well because demand is now hitting us a little bit where we want to be able to respond to that.

Mark Smith

Okay. In the ISP business, just as we look at it and maybe globally, I'm curious if you can give us more info on unit economics per location, maybe revenue per site, contribution margin, ROIC that you're seeing on these businesses as you invest in them.

Calven Swinea

Mark, I think you can see that they're going to do at least a feasible site that's going to do at least \$2 million. Then you're looking at upper double digit and a little bit higher EBITDA contribution.

Mark Smith

Okay.

James Jenkins

That's where we expect to see them, but the growth rate on those are, we will not cap at \$2 million. We have been, what we saw at Riverside when we purchased Cal PPE was, he was blowing through that number far beyond that number. That's why we had to open up the Fresno site, one to provide opportunities within Central California, but also to free up additional space and needs and demand activity in the Southern California market where he resided.

The good news is you're not capping out at those where we're seeing them hit that \$2 million mark. Then we're making decisions about expanding the businesses there or looking for other locations within close proximity.

Mark Smith

What is, I don't know if you guys have talked about it, but kind of approximate build out costs. Like if we looked at a Denver, for instance, as you build that out organically, what is the cash cost on building out a new location?

Calven Swinea

Mark, it's 350 to 500,000. We've seen it closer to the 350. I'm just giving kind of a wide range to cover all potentials.

Mark Smith

Okay. Perfect. Last one for me, just as we think about capital allocation, with the cash that you brought in from the divestiture this quarter and expectations on free cash flow this year. What's the ranking or hierarchy as we look at capital allocation from that pay down potentially at some point bringing a dividend back, ISP expansion, et cetera, where are you looking at putting the cash to work?

James Jenkins

Yeah, I'll start. Calven, I guess I'll start. Look, I think on the capital allocation front we have operating needs right now just in terms of making sure we've got enough inventory to drive the growth we have in the fire production, as well as industrials in other parts of the world. We mentioned that U.S. was a little sluggish. Other parts of the world are not, and we've got, we want to make sure we're driving capacity and efficiencies at our plants at Vietnam and China.

Then on the additional capital allocation from my money, these green fields are a lot more attractive to me than necessarily than the M&A focus, because the return on the investment is fairly significant and fairly early. I can invest 350 to 500 in a business that I know I can get to \$2 million in a 12-month period. I've got, I mean, the return on my investment is pretty swift.

Sorry about that, Calven. Go ahead.

Calven Swinea

No, that's exactly it. That's the focus that Jim just mentioned.

Mark Smith

Okay. Then debt repayment and others kind of falling under that and follow up on that status on where we are on transition to a new ABL?

Calven Swinea

Yes.

James Jenkins

We're well on our way with the ABL. We've got options. We're trying to find the best price deal for us right now. We're well under our—we're well within covenant with our current bank. We're not going to rush into it. We're going to be smart about it and try and pick the best deal we can.

Mark Smith

Perfect. Thank you.

Operator

Thank you. Our next question comes from the line of Matthew Galinko with Maxim Group. Please proceed with your question.

Matthew Galinko

Hey, thank you for taking my question. I'm wondering just maybe big picture if you could talk about how the synergies are emerging or appearing to emerge between the, I guess, the products business on the fire side and the services are you seeing interplay between them or is services almost running independently at this point? Where do you see that going in the future?

James Jenkins

Yeah, Matt. It is, it's an ISP and the first word is independent. We want to be very careful about how we manage those businesses. Right now, standalone, those businesses do incredibly well. We think, could we provide our product for rental opportunity? Could we provide our products if opportunistically, if fire department were to come and say, we're not happy with what we're currently utilizing. Yeah, we would probably look at that. But we're going to clean; we're going to be sort of agnostic when it comes to what we want to clean.

We're not going to be critical of anybody's gear. That gear is utilized to protect firefighters, and they've made a decision to be protected by that gear. We want to be very careful about any kind of cross-selling that we're doing here that would harm what I view to be our need to stay independent because these businesses will grow without the cross-selling component and that cross-selling component will be an extra added benefit. But I still want to be cautious about that.

I guess I'd like to have Barry chime in on that because I think he's got some insight on this as well.

Barry Phillips

Yes, it very much is an independent component of the business. There are opportunities that become available just because if you're servicing a fire department well, you become part of the fire department to some extent and you gain some insight on when there's opportunities and they're looking for something else. But that's not to be run through the ISP. That's just to make another connection with somebody else to provide the support that could be from the rest of our organization on the selling side.

The service piece needs to be respectful and supported as such. But then there's other aspects of service that you get involved in or can get involved in. Our New South Wales ISP, LHD in Australia has become such a tight partner with the fire service there that they're now decontaminating a broader range of equipment and supporting them in other ways and starting to do some things where we've been working with our software and asset tracking and things like that as well. There's a broader range of services you can provide, some added tie-in with whether it's cleaning equipment and support, but still at the same time remaining as a service provider and a consultant of support.

Matthew Galinko

Got it. That's helpful. Then maybe just how should we think about the attach rate to the CO2 cleaning or sort of having both methods as part of the decontamination process? Do you expect local governments to push for that, or do you think that'll be a kind of the predominant decision or too early to tell?

James Jenkins

I think, Matt, we're starting to see—it's interesting. A year ago, I would have told you too early to tell. In fact, there was considerable debate, I think, among the fire world about the benefits. But I think the benefits have been made pretty clear. I think the NFPA standard, and Barry, you can correct me if I'm wrong here, is 50% efficacy. You throw in CO2 in the mix with a wet wash and then a CO2, potentially you're talking about very close to almost 100% efficacy. For the fire chief to make a decision about protecting his people or his or her people, I think it's a pretty easy decision. It's maybe a little extra cost, but it's sleeping better at night.

Barry Phillips

Yeah, to support that, that's correct, Jim. It is 50%. It's a standard, the baseline, the minimum to be recognized as a certified ISP. The fact that the CO2 and certain levels of wet wash with the right machines and detergent can get to very high levels, but they do, they are different in what they're good at. It's the combination of the two that gets the range of materials out depending on what type of environment you've been exposed to, where one, if it's a lithium ion battery fire and what contaminants come from that, you're going to look more towards CO2. Others, solvents and oils and greases and smoke, wet wash will be better. But the combination of the two is what provides the strongest efficacy performance.

Matthew Galinko

All right. Thank you.

Operator

Thank you. I would now like to turn the call back over to Mr. Jenkins for his closing remarks.

James Jenkins

Thank you, Operator.

Thank you all for joining us for today's call and thank you to our customers and distributor partners worldwide for trusting us with your safety. Lakeland continues to be well positioned for long-term growth, and we look forward to sharing our continued progress on the next call.

If we were unable to answer any of your questions today, please reach out to our IR firm, MZ Group, who would be more than happy to assist.

Operator

Thank you and this concludes today's conference and you may disconnect your line at this time. We thank you for your participation.