

**S&P Global**  
Market Intelligence

**Mayville Engineering  
Company, Inc.** NYSE:MEC

*Earnings Call*

*Wednesday, March 4, 2026 3:00 PM GMT*

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	7

# Call Participants

---

## EXECUTIVES

**Jagadeesh A. Reddy**  
*President, CEO & Director*

**Rachele Marie Lehr**  
*Chief Financial Officer*

## ANALYSTS

**Edward Randolph Jackson**  
*Northland Capital Markets,  
Research Division*

**Gregory William Palm**  
*Craig-Hallum Capital Group LLC,  
Research Division*

**Linda Umwali**  
*D.A. Davidson & Co., Research  
Division*

**Natalia Bak**

**Robert Samuel Karlov**  
*William Blair & Company L.L.C.,  
Research Division*

## ATTENDEES

**Stefan Neely**

# Presentation

---

## Operator

Hello, everyone, and thank you for joining us today for the Mayville Engineering Company Fourth Quarter and Full Year 2025 Results Conference Call. My name is Sami, and I'll be coordinating your call today.  
[Operator Instructions]

I would now like to hand over to your host, Stefan Neely with Vallum Advisors to begin. Please go ahead, Stefan.

## Stefan Neely

Thank you, operator. On behalf of our entire team, I'd like to welcome you to our fourth quarter and full year 2025 results conference call. Leading the call today is MEC's President and CEO, Jag Reddy; and Rachele Lehr, Chief Financial Officer.

Today's discussion contains forward-looking statements about future business and financial expectations. Actual results may differ significantly from those projected in today's forward-looking statements due to various risks and uncertainties, including the risks described in our periodic reports filed with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to update our forward-looking statements.

Further, this call will include the discussion of certain non-GAAP financial measures. Reconciliation of these measures to the closest GAAP financial measure is included in our quarterly earnings press release, which is available at [mecinc.com](http://mecinc.com). Following our prepared remarks, we will open the line for questions.

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

## Jagadeesh A. Reddy *President, CEO & Director*

Thank you, Stefan, and good morning, everyone. The fourth quarter represented a transitional period for MEC. While demand in our legacy end markets remained muted during what is typically a seasonally softer quarter, our team remained focused on positioning the business for successful execution and growth as we enter 2026. Over the past 6 months, we have experienced robust and sustained demand momentum within our Data Center & Critical Power end market. In response, we have proactively reallocated available capacity and resources to support successful project launches and meet the evolving needs of our OEM customers in this market.

As a result of these actions, our fourth quarter margin performance was pressured. We incurred and retained costs that would typically be flexed with softer demand reflecting deliberate investments to support program readiness and execution. Importantly, this margin pressure is primarily driven by early stage project inefficiencies and project launch costs as we prepare for higher volume programs rather than pricing or structural cost challenges. As these programs ramp and utilization improves, we expect margins to normalize in line with our long-term expectations. These margin dynamics are transitory in nature and importantly, position MEC to deliver profitable growth in 2026 and beyond as we capture demand in the rapidly expanding Data Center & Critical Power market.

In addition, we remain focused on executing our MBX operational excellence framework, driving disciplined process improvements across our plants. We're also advancing initiatives to optimize and rationalize our manufacturing footprint, which we expect will further enhance operating leverage as end market demand recovers.

Now turning to a review of our key markets and their respective end market outlook. Starting with commercial vehicle, we continue to [indiscernible] with net sales to this end market declining approximately 19% versus the prior year period. In their most recent report, ACT has revised its full year 2026 outlook upwards now projecting a 3.4% increase in Class 8 production in 2026. This improved

outlook reflects greater clarity surrounding the 2027 EPA emission standards, resulting in anticipated pre-buy activity and improved macroeconomic conditions.

In contrast, our construction and access market, revenues increased approximately 13% year-over-year during the quarter. This is supported by the Accu-Fab acquisition and strong nonresidential activity. Organic net sales growth in this market were approximately 11% in the quarter.

In the powersports market, net sales grew approximately 20% year-over-year driven by the impact of incremental volumes from new business wins and stabilized customer production schedules as dealer inventory levels are now in line with current demand. This was partially offset by a decrease in sales within the marine propulsion market. Net sales in our agriculture market were approximately flat year-over-year amid signs that demand is reaching a cyclical trough.

Within our Data Center & Critical Power end market, our business saw growth of approximately 13% year-over-year supported by legacy OEM demand growth and early project launches on Accu-Fab-related cross-selling opportunities. Overall, demand from OEM customers in the Data Center & Critical Power market remains strong. Our qualified opportunity pipeline now exceeds \$125 million, and the value of projects scheduled to launch in 2026 is approximately \$40 million to \$50 million.

Combined with organic growth from our legacy OEM customers, we expect Data Center & Critical Power to represent more than 20% of our revenues in 2026. Looking ahead, we expect this end market to remain a consistent growth opportunity for MEC. Based on recent market studies, we estimate our serviceable addressable market to range from \$115 million to \$185 million per gigawatt of new data center capacity installed.

Given the number of new data centers expected to come online in the U.S. in 2026, this represents a total market opportunity of approximately \$3.2 billion. We expect this market to grow at a compound annual rate of approximately 16% from 2026 through 2030. Please note, these estimations exclude server racking opportunities, which represents additional incremental upside. While we will continue to take a balanced approach to allocating capacity to this end market, the robust demand growth allows us to proactively manage our commitments. This approach ensures us to maximize footprint utilization, deliver consistent, profitable growth through the cycle and continue to invest in growth initiatives that unlock long-term value.

Before turning the call over to Rachele, I want to highlight several areas of commercial momentum that gives us confidence in our growth trajectory for 2026 and beyond. Across all of our end markets, customer engagement and bidding activity remains strong. During the fourth quarter, we secured approximately \$15 million in new project awards with Data Center & Critical Power customers. Year-to-date, total awards across our legacy markets were more than \$108 million, exceeding our annual target of \$100 million. Looking ahead to 2026, we expect total bookings across our end markets to be approximately \$140 million, supporting profitable growth as our legacy markets move toward a cyclical recovery exiting 2026.

Within our legacy end markets, we have continued to expand our share with our commercial vehicle customers as they launch new products heading into the 2027 EPA regulation changes. These products support future growth and are scheduled to begin production in late 2026 and 2027. In addition to the future expansion in commercial vehicle revenues, we secured new agriculture business on new model introductions and additional service business for a military customer.

Within the Data Center & Critical Power market, approximately \$15 million of awards secured in the fourth quarter were primarily driven by demand from major Accu-Fab customers. These substantial scopes of work span power distribution units, static transfer switches, busway components and data center cooling.

Turning to capital allocation, we closed 2025 with strong free cash flow generation. While we expect free cash flow to be softer in the first quarter, we continue to anticipate full year free cash flow conversion of approximately 50% to 60% of adjusted EBITDA. As we progress through the year, our primary use of free cash flow will remain focused on debt reduction. As we progress toward our long-term target of 2.5x leverage, we expect to become increasingly opportunistic in deploying capital towards M&A with an emphasis on further diversifying our end market exposure and supporting consistent profitable growth.

In the meantime, our priority remains disciplined capital deployment, ensuring that growth investments are targeted, return-driven and fully aligned with maintaining balance sheet strength. With respect to guidance, to provide investors with greater visibility into our business trends, we are introducing quarterly financial guidance in addition to our full year outlook. This is due to the fast-moving Data Center & Critical Power environment and developing improvements within our legacy end markets.

Rachele will cover our guidance in more detail, but I would like to highlight a few key elements of our expectations for 2026. Inclusive of a full year of Accu-Fab and associated Data Center & Critical Power cross-selling synergies we expect to realize in 2026, we anticipate full year net sales to increase relative to 2025, along with margin expansion and improved free cash flow. These expectations assume an improvement of our legacy end markets primarily during the second half of the year. In summary, MEC is entering an important transitional year one that is shaping the next phase of our growth and value creation.

While we are intentionally investing both capital and operating resources ahead of anticipated demand, we believe the foundation for sustainable growth and improved profitability is firmly in place. With disciplined execution and a clear strategic focus, we are well positioned to deliver long-term value for our shareholders and our customers.

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

**Rachele Marie Lehr**  
*Chief Financial Officer*

Thank you, Jag, and good morning, everyone. Total sales for the fourth quarter increased 10.7% on a year-over-year basis to \$134.3 million. Excluding the impact of the Accu-Fab acquisition, organic net sales declined by 5.3% compared to the prior year period. Our manufacturing margin rate was 6.6% for the fourth quarter of 2025 compared to 8.9% for the prior year period. The decrease in our manufacturing margin rate was due to \$1.2 million of Data Center & Critical Power-related project launch costs and \$1.7 million of early-stage project inefficiencies on a commercial vehicle project. This was partially offset by higher margin net sales contribution from the Accu-Fab acquisition. Excluding these temporary launch phase dynamics, our manufacturing margin rate would have been approximately 9% during the quarter.

Other selling, general and administrative expenses were \$9.7 million or 7.2% of net sales for the fourth quarter of 2025 as compared to \$7.9 million or 6.5% of net sales for the same prior year period. The increase in these expenses primarily reflects \$0.2 million in nonrecurring costs and \$1.1 million in incremental SG&A expense each associated with the Accu-Fab acquisition.

Interest expense was \$3.8 million for the fourth quarter of 2025 as compared to \$2 million in the prior year period. The increase was driven by higher borrowings resulting from the Accu-Fab acquisition, partially offset by lower SOFR base rates relative to the prior year period. Adjusted EBITDA margin was 4.7% for the quarter compared to 7.6% in the prior year period. The decrease reflects lower legacy market volumes and \$2.9 million of project launch costs and early stage project inefficiencies, partially offset by the benefit of the Accu-Fab acquisition. Excluding these items, adjusted EBITDA margin would have been approximately 7%.

Turning now to our cash flow and the balance sheet. Free cash flow during the fourth quarter of 2025 was \$10.2 million as compared to \$35.6 million in the prior year period. The year-over-year decline primarily reflects the receipt of \$25.5 million in settlement proceeds in the fourth quarter of last year related to a former Fitness customer dispute. Excluding this item, free cash flow was approximately flat year-over-year.

During the fourth quarter, we used available free cash flow to repay approximately \$10 million in debt, resulting in net debt at the end of the quarter of \$205.3 million, up from \$82.1 million at the end of the fourth quarter of 2024. Our increased debt resulted in a net leverage ratio of 3.7x as of December 31.

Now turning to a review of our 2026 financial guidance. As Jag previously mentioned, we are introducing quarterly guidance in addition to full year guidance. For the first quarter of 2026, we currently expect net sales for the quarter of between \$137 million and \$143 million, and adjusted EBITDA of between \$5

million to \$7 million. Our first quarter outlook reflects continued project launch costs and margin pressure ahead of the majority of Data Center & Critical Power project ramps, which began in the second quarter.

Additionally, free cash flow is expected to reflect normal seasonal working capital usage, incremental working capital investment to support the Data Center & Critical Power ramp-up and planned capital expenditures of \$3 million to \$5 million. For the full year, we expect net sales of between \$580 million and \$620 million, adjusted EBITDA of between \$50 million and \$60 million and free cash flow of \$25 million and \$35 million. This outlook reflects the full year of Accu-Fab ownership, \$40 million to \$50 million of incremental cross-selling revenue and a gradual improvement in the legacy end market demand, primarily in the second half of the year.

Additionally, embedded within our 2026 adjusted EBITDA guidance is \$2 million to \$3 million of cost improvements driven by our MBX operational excellence and strategic value-based pricing initiatives, net of inflationary pressures. As it relates to free cash flow, we expect our free cash flow conversion for the full year to be between approximately 50% and 60% of adjusted EBITDA, coupled with full year capital expenditures to be between \$15 million to \$20 million.

Given this outlook and our priority of repaying our debt, we expect to achieve a net leverage ratio of 3x or lower by the end of 2026. Again, 2026 will be a transitional year for us. We believe that our cost structure and working capital discipline will position us for profitable growth, strong free cash flow yield and approved adjusted EBITDA margins as we enter a phase of cyclical recovery and growth across our legacy end markets supported by elevated growth in our Data Center & Critical Power end markets. With that, operator, that concludes our prepared remarks. Please open the line for questions as we begin our question-and-answer session.

## Question and Answer

---

### Operator

[Operator Instructions] Our first question is from Michael Shlisky from D.A. Davidson.

### Linda Umwali

*D.A. Davidson & Co., Research Division*

This is Linda with DAD. My first question, starting with commercial vehicle market. In your remarks, Jag, you noted revised ACT outlook. And from the data we got overnight shows that Class 8 truck orders for February were one of the top 10 months of all time. Does this change your view on 2026? And do you think any of it pulled from 2027 orders, if this is just an emission-related pre-buy?

### Jagadeesh A. Reddy

*President, CEO & Director*

Yes. Great question, Linda. And I was expecting that question this morning. I didn't see the ACT report until I got up this morning, right? So obviously, it's fresh off the press. I was not surprised by the increase in orders in February, but obviously, we were surprised by the magnitude of increase of orders in February. We have been signals from our OEMs in the last month or so, inquiring us about another suppliers, about capacity utilization, and we have seen signals from them of potential build rate increases. What I can tell you is we have not seen any of those signals translate into demand yet. Having said that, we expect, again, given this morning's news, we expect some of this demand to accelerate the build rate increases from our CV customers, and we expect that to start showing up in mid- to late Q2. Usually, more -- for more suppliers, it's a 6-week lead time. And hence, we haven't seen that yet in our EDI feeds, but we do expect that. So with that in mind, we came into this call, expecting approximately 230,000 build rate. We'll have to wait and see if that estimate changes in the coming quarters. And that's one of the reasons why we came out with our quarterly guidance, which is new for us. These are fast-moving developments in our legacy end markets. We're seeing similarly green shoots in construction and small ag as well. So with all of that, we want it to be more nimble, not only internally, but also externally how we're communicating with our shareholders.

### Linda Umwali

*D.A. Davidson & Co., Research Division*

I appreciate the color. That's very helpful. And then switching to ag, we keep hearing about ag getting better, whether that's from John Deere -- orders from John Deere or other suppliers getting a little more bullish? Do you see any light at the end of the tunnel on that end market?

### Jagadeesh A. Reddy

*President, CEO & Director*

As some of our customers have indicated, the large ag will still be down this year, double digits, that is our customer forecast what they have publicly communicated. But we are seeing signs of improvement in small ag, lawn care, turf and forestry equipment. So we do see some green shoots, as I mentioned, in the ag business. Also I want to remind you that our ag business is close to 5% of our overall sales as much as it used to be a much larger piece of our business, with our data center business and other end markets continuing to grow and ag continuing to stay down in the last 18 to 24 months. It is now a much smaller piece of our business.

### Linda Umwali

*D.A. Davidson & Co., Research Division*

Got it. And then my last question will be on Critical Power. You mentioned some launch costs in Critical Power are providing a margin headwind in 2026. Do you think that would be complete by 2027? And what kind of margin tailwind might that be next year?

### Rachele Marie Lehr

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

*Chief Financial Officer*

Linda, this is Rachele. Just as we look ahead into 2026, we really see that being ahead of the program launches. And we really expect and anticipate most of that to start taking place to be at full run rate at the end of the second quarter. So we really expect to be at full run rate for the second half of the year. So we expect to incur more of those costs having the margin pressure in the first half. We do anticipate a little bit trailing into the second half of the year, but it's really going to be a first half impact.

**Operator**

Our next question comes from Greg Palm from Craig-Hallum.

**Gregory William Palm**

*Craig-Hallum Capital Group LLC, Research Division*

So you incurred more costs and recognized lower margins than expected back from the November call. So I guess, like looking back, what surprised you relative to that outlook? And then maybe you can just help unpack the EBITDA guide specifically for Q1? And maybe more specifically, how that margin progression looks in sort of the Q2 to Q4 time period, it sounded like there's going to be some costs that you incur in Q2 and those mostly trail off in the second half. So I just wanted to be sure we understood that right.

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. Let me start first, Greg. The headline really for us is we have won more business in data centers than we anticipated coming out of our November call. We expect our Q1 -- we're not obviously talking about Q1 bookings here, but our Q1 bookings for data centers will be significantly higher than what we have seen in the second half of last year after the acquisition. So in preparation for those launches, we're in the middle of many of those launches already for the business, we have won in Q1. So we had to bring on significant resources online, not only in December but also in Q1 as we sit here. And that's the primary reason why we were showing the margin profile that we're showing in Q1.

**Rachele Marie Lehr**

*Chief Financial Officer*

And I would add, our legacy business, we always had product launches, but we are doing that over 12 to 18 months, a much longer time, and we're able to do that. This business is 8 to 12 weeks. And so we've had to expedite that and really make investments. We have a product launch team, specific focus to this more than we've ever had before because of the speed and the intensity of which our customers are asking for things. Again, as Jag mentioned, this really did exceed our expectations and what we're winning. When we first acquired this business, we've said, "Hey, it's going to be \$1 million to \$2 million in cross-selling synergies in 2026." And here, we now are at \$40 million to \$50 million. So we've just had to invest more. And we're seeing that continue into Q1 because a lot of these won't be at their full Q1 and Q2. And as a lot of these won't be at their full run rate until the end of the year, but we want to nail it. We want to make sure we hit it out of the park with these new customers in our locations.

**Jagadeesh A. Reddy**

*President, CEO & Director*

And we are retooling 6 of our legacy plants -- MEC plants. That's a significant effort to put data center work not only what we have won so far year-to-date and last year, but what we are anticipating in 2026, right? So it's great news. Obviously, for the rest of the year and long term that we're able to quickly convert 6 of our facilities for cross-selling synergies.

**Gregory William Palm**

*Craig-Hallum Capital Group LLC, Research Division*

Okay. That's great color. And you already mentioned you're expecting that end market to represent more than 20% of revenue. I'm just curious, as we sit here today, what kind of visibility do you have into that, call it, \$125 million revenue number if you want to use that? And there's a sentence in the press release

that talks about pipeline and multiple large opportunities. Are these multiple large opportunities in that \$125 million number? Or is that something separate?

**Jagadeesh A. Reddy**  
*President, CEO & Director*

So I would say, with very good confidence that we have good line of sight to that \$120 million worth of data center business for the year, so that's number one. Number two, very little of significantly large opportunities are in that qualified pipeline number we put out.

**Gregory William Palm**  
*Craig-Hallum Capital Group LLC, Research Division*

Sorry. Say that one more time?

**Jagadeesh A. Reddy**  
*President, CEO & Director*

So some of the large -- significant and large opportunities that we are pursuing, those are either it's 1 or 0, right? So we didn't want to take into account those opportunities into -- we don't want to inflate our pipeline with those large opportunities, right? So when we talk about the \$125 million of qualified pipeline, that is -- most of that is visibility and greater than 50% confidence that we could win those opportunities. So we're excluding some significantly large opportunities in that qualified pipeline.

**Gregory William Palm**  
*Craig-Hallum Capital Group LLC, Research Division*

Okay. And just to be clear, like is there -- like when you talk about expectations for the year, if you were to win more small business or win one or a few of these large, is that something that could translate into more revenue this year above and beyond that \$120 million number? Or what should we think of that more like a 2027 event?

**Jagadeesh A. Reddy**  
*President, CEO & Director*

Yes, it's possible, Greg, and hence, our effort at quarterly guidance here. This is a fast-moving end market. And we do -- though we laid out a \$40 million to \$50 million of cross-selling synergies, our expectation is that if we continue to win at the existing win rates in this end market, right, there could be upside to that number.

**Operator**

Our next question comes from Ross Sparenblek from William Blair.

**Robert Samuel Karlov**  
*William Blair & Company L.L.C., Research Division*

This is Sam Karlov on for Ross. I guess maybe starting with Rachele, can you help us parse out some of the moving pieces within the EBITDA guidance? I mean how should we build to just an \$8 million year-over-year step-up considering 2026 includes a full year of Accu-Fab and an incremental \$40 million to \$50 million of margin accretive cross-selling?

**Rachele Marie Lehr**  
*Chief Financial Officer*

Sure. I think -- there's a couple of things to take into account here. One is our legacy business. The volumes continue to remain muted as we budgeted today. Now of course, we just talked a little bit about what we learned on CV overnight that there's some upside there. But as we look through the year, our customers are saying, our guidance is saying that we expect most of those to start to rebound sometime in the second half of the year. So we have that pressure continuing on that piece of our business. We have

a high fixed cost, 55% of our costs are fixed. And so when we have that lower utilization, we really have ongoing under absorption associated with that.

The other piece is preparing for that legacy rebound. We are carrying some talent that we continue to hold on to because it is coming. And then the third piece is those launch costs. We, like I said, really want to make sure we hit it out of the park. The speed is faster. We're ramping up talent. We're learning as we go with this. And it is exciting to see the growth that we have with that, but we really need to be focused on delivering that. So first half is really pressured by the absorption, the launch cost and then getting ready for the rebound.

**Robert Samuel Karlov**

*William Blair & Company L.L.C., Research Division*

Got it. Have you given kind of what those launch costs are expected to be for the full year? Or just any sort of range there would be helpful.

**Rachele Marie Lehr**

*Chief Financial Officer*

Not full year, but we are looking. We expect the first quarter to be very similar with the fourth quarter of launch costs for Data Center & Critical Power, \$1 million to \$1.5 million. We expect that to taper down through each of the quarters of the year.

**Robert Samuel Karlov**

*William Blair & Company L.L.C., Research Division*

Okay. Got it. I guess switching gears then I mean the \$40 million to \$50 million of in-year revenue synergies, it sounds like that's back half loaded. I mean it seems like that implies a pretty healthy exit rate exiting '26. So I don't know if you could kind of help us size that ramp and kind of what that means as we enter 2027 or the business you guys have already won?

**Rachele Marie Lehr**

*Chief Financial Officer*

Yes. I think as we look at and we're seeing for 2026, Data Center & Critical Power could be 20% of our total business. So that's significant. The adjusted EBITDA margins on that business are between 20% and 22%. So when you take that into account, knowing that the majority of that \$40 million to \$50 million is going to come in the second half of the year, we will be exiting with margins in excess of our historical. If our historical business continues to come up, that will only additionally be upside.

**Robert Samuel Karlov**

*William Blair & Company L.L.C., Research Division*

Okay. From a revenue perspective, though, as we say, call it, \$20 million in the third quarter, \$20 million in the fourth quarter, something like that. That implies an exit rate of like, call it, \$80 million. Is that the right way we should be thinking about it into 2027?

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. I think that's a pretty good assumption, Sam.

**Operator**

Our next question comes from Andrew Kaplowitz from Citi.

**Natalia Bak**

This is Natalie on behalf of Andy Kaplowitz. Maybe just first question on data centers, right? As Data Center & Critical Power segment grows and represents more than 20% of revenue. Should investors expect more customer concentration to increase as well? Or is the opportunity pipeline diversified across multiple customers within that end market?

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. Within that end market is reasonably diversified. Not only we're working with some of the blue-chip names in the Critical Power end market. We also are working with the next tier of OEMs within that end market. So I don't expect a significant concentration in that end market for us.

**Natalia Bak**

Got it. That's helpful. And then just maybe switching over to your construction access end market and then the recovery as well. You're expecting a modest recovery driven by infrastructure spending and potential rate cuts. But are you already seeing early signs of improvement in customer order patterns or conversations? Or is that recovery more of a second half expectation at this point of time?

**Jagadeesh A. Reddy**

*President, CEO & Director*

In the construction portion of that end market, we are already seeing the build rates increasing. You have seen public comments from our customers that are bringing back capacity online, bringing back employees online, right? So we're seeing that already hitting our demand and EDI rates. In access, there were some starts and stops, if you will, with particularly the rental houses increasing their demand in Q4, but then some softer commentary from our customers on the access side of the end market. So we'll have to wait and see and watch and how access developed. But in general, we are positive on the construction access end market.

**Operator**

Our next question comes from Ted Jackson from Northland Securities.

**Edward Randolph Jackson**

*Northland Capital Markets, Research Division*

We came in with 10 questions to ask and checked every one of them off. So anyway, here's a couple for you, Jag. With regards to the 20% of revenue for '26 that it could be coming from Data Center & Power. Will that -- are you going to be turning down in the legacy business to be able to ramp and hit that? Or is that just on top of what's going on within the footprint that you have for a lot of your legacy businesses? And then going even a little further. It's like if we do see a stronger turnaround in, say, commercial vehicles, which my personal opinion is that we will, will it include you from being able to get any additional business? And I've got a couple more.

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. At this stage, Ted, we believe we have enough capacity to be able to ramp up Data Center business, while we see improved run rates within our legacy business. It's not a question for 2026, I believe. It's really for us to figure out a way to continue to expand our capacity as we go into 2027. Our teams have been working feverishly over the last couple of quarters using our MBX framework to increase throughput, increase productivity. We're bringing on additional shifts in some of our plants. We're hiring more employees in some of our locations. So we're planning accordingly. And at this point, we're not going to have to turn down any of our legacy customer business, but that's something that we will continue to watch. And it also presents us some choices as we go into 2027, not necessarily for capacity reasons, but perhaps for margin and pricing reasons, right? So we will continue to evaluate those opportunities as we go into 2027.

**Edward Randolph Jackson**

*Northland Capital Markets, Research Division*

The adding shifts is interesting to me, I mean, and obviously, employees too. As I recall in the past, some of your locations, you only were running at one shift and obviously, adding additional shifts was kind of difficult because of labor restraints or constraints, excuse me. Where are you in terms of kind of current

utilization? Where are you in terms of kind of adding production shifts? And what are some of the hurdles that you're having to overcome to make that happen?

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. Without the two Accu-Fab facilities, right, if you exclude them for a second, I would say we're still around 55% on a 24/7 equipment capacity basis, right? So as we ramp up some of these volumes in our legacy factories, we're looking at automation, we're looking at extending our shift schedules, not all, but many of our plants coming out of COVID went to a 2 10-hour shifts for 4 days a week, right? So that's 20 hours a day, 4 days. But what we're doing is standardizing our shift schedules across the company. Now we're going to a 3 8-hour shifts, 5 days a week. That's one way we can immediately increase our run capacity in these plants. We're looking at automation, as I mentioned. We're looking at weekend shifts. We're looking at third shifts in some of our plants. So it's a mix of different strategies. We're employing depending on where we see capacity needed and then where we see demand coming in.

**Edward Randolph Jackson**

*Northland Capital Markets, Research Division*

Okay. Going over to when you talk about having to put resources to ramp up and hurting margins. So we're kind of dancing around all this itself. So it's people, more labor cost. Is there -- what other things go into the resources needed to position yourself to capture this growth that's impacted margins beyond obviously -- the additional shifts?

**Jagadeesh A. Reddy**

*President, CEO & Director*

Right. As we mentioned earlier, right, our traditional program launches would have taken 6 to 18 months in many cases. Now we're having to launch these new programs on a 6- to 12-week basis. I'll give you an example. We have one data center customer that in January came to us and then essentially quadrupled their demand for one of the product lines we used to make in Raleigh. So we had to shift that product line to Defiance, Ohio, one of our traditionally commercial truck plants. And we went in full force. I was part of a 15-member Kaizen team. I was on the plant floor for a full week, figuring out how do we quadruple our output through that plan for that customer. So we're rethinking how do we assemble components. We're rethinking how do we do product flow through the factories. We're rethinking logistics, right? We're having to rethink everything from scratch than what we used to do in any of our previous operations, right? So that needs project management resources, that needs engineering resources, that needs MBX resources. So all of this, we're trying to do this at 6 different locations, as I just mentioned, right, as we ramp up data center work, right? So that initial investments we're making. We're obviously having to put in some additional capital to improve productivity. We have most of the capital needed to produce these parts. But additional -- sometimes additional capital, new type of machines are automation improves throughput and productivity, right? So we're also thinking about how do we get more volume out of our factories as well for these customers. So those are all the things that we're doing. And all of that is investments we're making upfront.

**Edward Randolph Jackson**

*Northland Capital Markets, Research Division*

Okay. And then my last question, which is kind of a silly one, but just to make sure, I want to make sure I understand what the term revenue synergies mean. So when you say that you're going to have \$40 million to \$50 million in revenue synergies in 2026. Can you just give me a quick definition of what that?

**Jagadeesh A. Reddy**

*President, CEO & Director*

Yes. Anything from a data center customer that is going to be made in a legacy MEC plant, that's how we define that. As we mentioned last year the two Accu-Fab plants we acquired were at capacity when we acquired them. So we -- of course, we're trying to drive additional throughput through those two plants. And that's not considered in the cross-selling synergies, that's just productivity improvement at those two

plants. But anything we're moving out, increasing volume and new programs from data center customers that are putting into MEC plants, that's what we consider a cross-selling synergies.

**Operator**

We currently have no further questions. So I'd like to hand back to Jag for some closing remarks.

**Jagadeesh A. Reddy**

*President, CEO & Director*

Before we conclude, I want to again thank our employees for their continued strong focus and execution and our shareholders for their ongoing support. While we recognize the near-term challenges in several of our legacy markets, we are confident in the progress we are making to position MEC for durable higher-margin growth in the years ahead. We look forward to sharing our continued progress with you. Thank you for joining us today.

**Operator**

This concludes today's call. We thank everyone for joining. You may now disconnect your lines.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

© 2026 S&P Global Market Intelligence.