# NYSE:MEC Q3 2026 Earnings Call Transcript

Generated on 11/25/2026

### Operator | Conference Call Operator:

Hello, everyone. Thank you for joining us and welcome to the 2026 third quarter Mayville Engineering Company earnings call. After today's prepared remarks, we will host a question and answer session. If you would like to ask a question, please press star one to raise your hand. To withdraw your question, press star one again. I will now hand the conference over to Stefan Neely with Valum Advisors. Please go ahead.

### Stefan Neely | Valum Advisors:

Thank you, Operator. On behalf of our entire team, I'd like to welcome you to our third quarter 2026 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 risk 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. Following our prepared remarks, we will open the line for questions. With that, I would like to turn the call over to Jack.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Thank you, Stephan, and good morning, everyone. Our third quarter results were in line with our expectations, reflecting strong demand and accelerating project volumes within our data center and critical power end market. Net sales increased approximately 18% year over year. This was supported by the continued growth in data center and critical power, the ongoing recovery in commercial vehicle, and sustained demand in construction and access. In data center and critical power, additional programs reached full production during the quarter, improving capacity utilization and driving a sequential improvement in adjusted EBITDA margin of approximately 190 basis points. At the same time, We remain in the early stages of ramping the more than $145 million in projects secured in this end market over the past year. The pace and scale of customer requirements continue to place significant demands on our people, equipment, and organization. On October 1st, we closed on the acquisition of a manufacturing facility in Thompson, Georgia, executing the capacity strategy we outlined following our second quarter equity offering. I will discuss the facility and our plans with it in more detail shortly. Operational performance across our plans remained uneven during the quarter for two distinct reasons. First, the facilities supporting data center and critical power customer program timelines continue to evolve rapidly, requiring our teams to adjust production schedules and resources in response. We also incurred approximately $3 million of data center and critical power project launch and outsourcing costs, along with premium labor costs supporting other customer programs. Second, Facilities more heavily weighted towards agriculture and power sports are operating below efficient utilization levels as customer volumes in those end markets remain soft. We are actively shifting programs across our footprint to better balance workloads and align our cost structure. This rebalancing takes time, and the resulting underutilization weighed on margins in the quarter. These costs were in line with our expectations, though. As discussed on our last call, we continue to view them as temporary. We expect them to moderate gradually as demand continues to accelerate and new awards continue to enter the launch cycle. We expect these ramp-related costs to decline through early 2027 as

equipment on order is delivered, outsource production returns in-house, and we continue to fill open positions. Importantly, we are absorbing these near-term costs deliberately because the programs we are launching today are accretive to our long-term margin profile. Finally, the demand we see today reflects a multi-year investment cycle and we believe MECC remains in the early stages of that opportunity. Our products are typically installed in the later stages of a data center build. This means the programs we are producing today support infrastructure investments that broke ground roughly three years ago. The level of investment already committed across the industry combined with our less than 5% penetration among our OEM customers gives us confidence in the long-term demand outlook. While near-term sentiment around the data center construction may fluctuate, we remain confident in the durability of this demand and the multi-year growth opportunity ahead of MECC. Moving on to some of our key end markets. Commercial vehicle net sales increased nearly 35% year-over-year reflecting improved customer demand supported by an increase in North American Class 8 production. ACT continues to project Class 8 production growth of over 8% in 2026. While its outlook for 2027 has moderated, ACT still expects production to increase approximately 9% in 2027. We remain encouraged by current build rates and the activity we are seeing from our customers. In construction and access, net sales increased approximately 9% year over year on continued improvement in non-residential construction demand. We expect this end market to remain a steady contributor as non-residential activity continues to improve. In power sports, net sales decreased by approximately 27% year-over-year, driven by continued soft customer demand as OEMs in this end market realigned their global supply chains. This trend is consistent with our expectations and is likely to persist into 2027. Military remains constrained by ongoing program transition delays and agriculture remains in a cyclical trough with no near-term inflection expected. Both are consistent with the outlook we have shared previously. Within data center and critical power, net sales increased approximately 65% reflecting accelerating demand from current customers and new project launches. This end market represented approximately 22% of total net sales in the quarter. During the quarter, we secured approximately $45 million of new data center and critical power project awards, while our qualified opportunity pipeline now exceeds $200 million. With growing demand, we continue to evaluate opportunities for customers to reserve dedicated capacity as well as arrangements where customers fund certain capital investments required to support their programs. We will continue to manage capacity and production priorities with a focus on sustainable, diversified, and profitable long-term growth. These awards secured during the quarter reflect a combination of new customer wins and continued expansion with existing major customers. These programs span a range of power gen enclosures, switchgear, switchboard enclosures, and uninterrupted power supplies. We continue to expand our share with key commercial vehicle customers as they prepare for upcoming product launches tied to the 2027 EPA regulatory changes. These programs are expected to begin entering production in late 2026 and continue ramping into 2027. Beyond commercial vehicle, we secured new business tied to model introductions with a power sports customer while also expanding our business with an agricultural customer. Turning to capital allocation, our focus remains on three priorities, investing in organic growth, continuing to reduce leverage, and pursuing selective accretive acquisitions. First, organic growth. Based on our awarded programs and pipeline, we currently expect to reach full capacity within the next 18 months. We are deploying capital now to expand our footprint ahead of that point. On October 1st, we closed on the acquisition of our Thompson, Georgia facility. Located in the southeastern United States, closer to key data center and critical power customers, this facility establishes a platform for growth in a region where our capacity has been constrained. Together with planned equipment investment, We expect this facility to add approximately $50 million of annual revenue capacity by 2028. This will extend our total revenue capacity beyond the approximately $850 million we previously disclosed. Rachele will cover the associated capital spending and the return criteria we apply to these investments. Deleveraging. We ended the quarter with a net leverage of 2.9 times, and our long-term target remains 2.5 times. As volumes ramp and profitability improves, we expect earnings growth and cash generation to drive continued progress toward that target. Third, the creative M&A. We will remain opportunistic in pursuing acquisitions that strengthen our competitive position, expand capacity, and support long-term value creation. Looking ahead, we are confident in the opportunity in front of us and in our ability to deliver profitable growth in 2027 and beyond. Before I turn the call over to Rachele, I want to address the trajectory of our margins as we navigate this period of transition for MECC. In the past, we have pointed to an approximately 15% adjusted EBITDA margin as the target for our business. We continue to see a clear path

to that level and potentially beyond. That path rests on four drivers, each of which are already in motion. First, the moderation of ramp-related costs as equipment on order is delivered and placed into service and outsourced work returns in-house. Second, improved absorption and operating leverage as our data center and critical power programs continue to ramp toward full production. Given the scale of demand in front of us, we are intentionally adding people, equipment and capacity ahead of our current levels. As volumes catch up to that resource base, we expect operating leverage to significantly improve. Third, the continued build out of our workforce. Labor availability remains tight in certain facilities. As hiring catches up, we expect to reduce our reliance on premium labor and overtime. Lastly, the normalization of demand in our agriculture and power sports and markets. Lower customer volumes in these markets are pressuring margins through underutilization, as I noted earlier. The footprint rebalancing already underway should help offset that, and the recovery in those volumes would provide additional margin support. These four drivers, combined with the continued mixed shift toward higher value data center and critical power programs, as this end market moves towards 25% of total revenue gives us confidence in the trajectory. We expect to make measurable margin improvement over the next 12 to 18 months, and I want to be clear about the shape of that progress. These drivers work on different timelines. Ramp-related costs should moderate first, beginning in early 2027. hiring and absorption improve as programs reach run rate over the course of the year and the timing of recovery in agriculture and power sports will be determined by demand in those end markets. As a result, we expect 2027 to be a year of continued growth with margins improving sequentially rather than in a single step. The benefit of this work will be most visible as we exit the year and move into 2028. We will provide our formal outlook for 2027 on our fourth quarter call. We believe these actions position MEC to deliver attractive, sustainable returns on invested capital as we capitalize on a multi-year secular growth opportunity. With that, I would like to turn the call over to Rachele.

## Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

Thank you, Jag, and good morning, everyone. Total sales for the third quarter increased 18.1% on a year-over-year basis to $170.4 million. Manufacturing margin was $18.8 million, or 11% of net sales, compared to $15.9 million, or 11% of net sales, in the prior year period. The year-over-year increase in manufacturing margin dollars was primarily attributable to improved capacity utilization driven by higher sales volumes in data center and critical power, as well as growth within commercial vehicle and construction and access end markets. This increase was partially offset by $3 million of data center and critical power launch and outsourcing costs and premium labor. Other selling, general, and administrative expenses were $8.8 million compared to $10.5 million in the prior year period. The decrease primarily reflects a decrease in non-recurring acquisition-related expenses and the realization of synergies associated with the AccuFab acquisition. Interest expense was $3 million compared to $3.4 million in the prior year period due to decreased average borrowings under our revolving credit facility partially offset by higher interest rates in the current period. Adjusted EBITDA was $17 million or 10% of net sales compared to $14.1 million or 9.8% of net sales in the prior year period. The increase was primarily due to higher sales volume and improved capacity utilization partially offset by data center and critical power project launch and outsourcing costs and premium labor. On a sequential basis, adjusted EBITDA margin improved by approximately 190 basis points. Turning now to our cash flow and the balance sheet. Free cash flow during the third quarter of 2026 was a use of $3.3 million as compared to a use of $1.1 million in the prior year period. The decrease was primarily driven by higher capital expenditures related to equipment needed to support rapidly accelerating demand in the data center and critical power end market, partially offset by higher cash flow from operations. As of September 30th, our net debt was $146.6 million. The ratio of net debt to trailing 12-month adjusted EBITDA calculated per our current credit agreement was 2.9 times. Now turning to review of our updated outlook for the full year 2026. For the full year of 2026, we currently expect net sales of between $630 million and $640 million, adjusted EBITDA of between $48 million and $52 million, and free cash flow use of between $6 million and $16 million. This outlook assumes a full year of AccuFab ownership, incremental cross-selling revenue, and continued recovery in commercial vehicle and construction and access, partially offset by ongoing softness in our agriculture and power sports end markets. Our guidance also incorporates the impact

of continued launch and outsourcing costs associated with data center and critical power programs, along with premium labor. Our updated outlook reflects two factors. First, as Jag noted, customer program timelines and data center and critical power continue to evolve, and the timing of certain project volumes has shifted into early 2027. Second, mixed within our legacy end markets is weighing on margins. Strong growth in commercial vehicle is occurring alongside continued softness in agriculture and power sports, where lower volumes are leaving portions of our footprint underutilized. As a result, we expect fourth quarter adjusted EBITDA margin to be modestly below the third quarter level. We view this as a transitional quarter and it does not change the path Jag outlined with ramp related costs beginning to moderate in early 2027 and margins improving sequentially from there. Free cash flow guidance reflects working capital investment and planned capital expenditures of $25 million to $35 million including the initial investment in the Thompson, Georgia facility. As Jag mentioned, on October 1st, we completed the acquisition of our Thompson, Georgia facility. Inclusive of the purchase price, facility improvements, and production equipment, we currently expect to invest a total of approximately $25 million in the location through 2028. Of that amount, we currently anticipate approximately $10 million of Capital Expenditures in 2027, with the remaining to be invested in 2028. When fully deployed, the investment is expected to support approximately $50 million of annual revenue capacity. The timing of the spending will be aligned with equipment lead times, customer demand, and the ramp of awarded programs. We will continue to evaluate each phase of the investment against our established return criteria including an internal rate of return of at least 15%. This phased approach allows us to add capacity as demand develops while maintaining discipline around capital deployment and cash flow. In summary, our third quarter reflected the dynamics Jag described. Strong volume growth and improving utilization and data center and critical power, partially offset by launch costs and softness in a couple of our legacy end markets. Looking ahead, our focus remains on converting higher volumes into improved profitability and cash flow. While we are not providing 2027 guidance today, we expect that improvement to build gradually over the course of the year. Ramp-related costs should moderate first, with the full benefit of improved fixed cost absorption, operating leverage, and footprint rebalancing becoming more reflected in our results by late 2027 or early 2028. We will pursue that progress while maintaining a disciplined approach to working capital and capital spending. We remain focused on reducing leverage toward our long-term target of 2.5 times while funding organic growth opportunities that meet our return criteria. We will also remain selective in evaluating additional acquisition opportunities. With that, operator, we are ready to open the line for questions.

### Operator | Conference Call Operator:

We will now begin the question and answer session. Please limit yourself to one question and one follow-up. To ask an additional question, you may re-enter the queue. If you would like to ask a question, please press star 1 to raise your hand. To withdraw your question, press star 1 again. We ask that you pick up your handset when asking a question to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question from the line of Mike Schliske with DA Davidson. Your line is now open. Please go ahead.

### Mike Shliske | Analyst, D.A. Davidson:

Yes, hi, good morning. Thank you for taking my question. Good morning, Mike. Good morning. So I wanted to just get a little more detail on the margin improvement that you discussed that will be taking place throughout 2027. I guess I'm trying to figure out what is the base or the bottom of the margin progression. Is that what we just saw? Although I guess it was up quarter over quarter, but is it what you spend the same as fourth quarter as being the base where you'll go up off of? Will there be rough first quarter, second quarter, and it comes from there up in the third and fourth quarter? Just want to see the exact trajectory or the ups and downs and where the absolute lowest point of this is.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

Hi, Mike. Yeah, so I think you're correct. Q4, as you can see, is going to be down slightly from Q3. That reflects seasonal softness and some of the shifting of the customer timelines, and then we still have the DCP ramp costs. As we move into Q1, we expect to be able to have the capital that we purchased about six months ago up and running, and that'll allow us then to reduce our outsourcing. and then that will also allow us to start reducing our premium labor. So that will happen sequentially in the first part of the year, such that in the second part of the year we will have the equipment up and running, we'll have the labor to support it, and then we'll sequentially improve as data center ramps throughout the rest of the year.

### Mike Shliske | Analyst, D.A. Davidson:

Okay. So it's, you know, 4Q, that's kind of the base. That was the main question. Thank you for that. Yes, that is the debate. Yes, and then secondly, I mean, this is very fresh news, but I wanted to get your comments on what happened in elections last night. I guess it's a two-part question there. First, any changes within the state of Wisconsin or your other immediate tax bases, any changes in party or within those states and those jurisdictions that you're looking at or thinking about? And then more broadly, you know, there's so many candidates from various positions in Congress and governor offices. They made a lot of comments about data centers and critical power as not being what they want to see within their states and things along those lines, wanting to cancel or revoke projects or slow things down, et cetera. Just curious whether, you know, the projects that you've been working with, companies that you're working with, do they all still feel fairly confident about how the data center and critical power build out? will take place, barring the very current, you know, near-term timeline changes. But more broadly, do folks still feel confident you think about the broader build-out here?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, great question, Mike. You know, I've been thinking about that since yesterday. Going into the election, right, there was significant opposition to Data Center Buildout in multiple states, whether red or blue states, didn't matter, right? There was a groundswell of opposition to Data Center Buildout. But if we all step back and think about it, what was that about, right? It was really about many of the state governments, you know, providing tax breaks to the data center operators, but also how the electrical infrastructure investments were being financed, who was paying for it, and then how the electricity costs are being shared, whether the local customers were going to bear the brunt of the cost increases, right? So that was the main reason why, you know, many of the states started putting moratoriums, et cetera. But, you know, again, I'm not a futurist, but, you know, sitting here taking it all in, right, you know, my, at least the base case is that Long-term, we need data centers to continue to be built out. No one disagrees with that. It's the matter of what's going to be the federal policy, what is going to be the state reactions to sharing of infrastructure investment costs and power generation, and also the actual sharing of the costs of electricity that is being provided to these data centers. And of course, there's a bunch of misinformation about and a water usage. Many of these data centers actually recycle their water. We're sitting here on Lake Michigan. It's not an issue at all in some of the states, but I think data center operators will get over or at least provide the right information on water usage. So you take that all in. I am very, very bullish on continued investments in data center build out for the foreseeable future. internally, we were joking about that, you know, hey, we said in our prepared remarks we could run out of capacity in the next 18 months, and someone said maybe we'll run out of capacity in 19 months instead of 18 months, right? So I think, you know, that's our current position. End of the day, given the tightness in the debt markets and some of the, you know, rationale or rather return on investment for the data center operators and the hyperscalers, that is going to drive whether the pace of build out is going to be rather than we're going to need to build data centers or not. So again, I could not be more bullish on data center build out. This election results changes nothing for us. And in fact, I'm actually cautiously optimistic that post-election, whether the states or the federal government will come back to the table with some guidelines,

some regulations, and streamline approvals of the data centers, streamline tax abatements or whatever else that they want to provide in the communities, and put some guardrails around who's going to pay for infrastructure investments and power usage and cost of electricity to these operators. Having said all of that, if you really step back and then say, you know, outside of building the actual building and the chips, right, where is the rest of the investment is going to be? And it's going to be in the electrical grid, electrical infrastructure, electrical equipment, switchgear. That's exactly where we're playing, right? All of the product lines that in DCP that we're supporting and, you know, growing with all relate to electrical infrastructure, right? So I feel really great about how we have positioned MEC to take advantage of this build-out that's coming for the next three to five years.

### Mike Shliske | Analyst, D.A. Davidson:

Great. And the other part of my question was about what's going on maybe in Wisconsin. Are there any candidates, one that, you know, we're kind of demanding for higher corporate tax rates, or any other states where you haven't been up?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, so look, I will add another one, right? We don't show up until year three of the build-out. So many of the programs that we're currently supporting, those projects broke ground three plus years ago. So we're not concerned about what might happen in the next year or so. Things will settle down. Again, I don't want to get into politics, but I think the governor-elect in Wisconsin said is actually very moderate in terms of his view on data centers. But also, we're not just supplying into Wisconsin data centers. We're supplying across the country. So as I said earlier, we expect this noise to come down a bit. And then more cooler heads prevail because we do need these investments. We're also going to put these data centers in China. You know, so we need them. We're going to get them. And then there'll be a lot more streamlined process going forward.

### Mike Shliske | Analyst, D.A. Davidson:

I apologize. I was actually just asking about broader corporate tax rates on your entire income within Wisconsin and what that might mean.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

Yeah. We don't anticipate really any significant changes. You know, Wisconsin was blue. It's remaining blue. So as far as that goes, we expect that really to continue to be the same.

### Mike Shliske | Analyst, D.A. Davidson:

Okay, perfect. I'll pass it along. Thank you so much. Thanks, Mike.

### Operator | Conference Call Operator:

Your next question from the line of Andy Kaplowitz with Citi. Your line is now open. Please go ahead.

### Andy Kaplowitz | Analyst, Citi:

Good morning, everyone. Good morning, Andy.

### Operator | Conference Call Operator:

Good morning.

### Andy Kaplowitz | Analyst, Citi:

Jag, as you know, your exposure at data centers is continuing to get larger. So how, if at all, can you better match the variability of data center starts as you go into 27? And so maybe you can improve efficiency. And is there a way to aggregate how much of the impact on your 26 in Q4 EBITDA pressure is from this timing and efficiency versus maybe the other issue you talked about, which is, you know, ag and power sports underutilization?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, I'm going to let and I'll just share that. That's a really good question, Andy. That as new entrants into this market, we're still learning on how the schedules continue to evolve for some of our DCP customers. I would say that about $20 million approximately of DCP revenues pushed out of second half of 26 into 2027. I mean, the reason I would say the main reason why, in addition to just seasonality, the main reason why, you know, we, you know, came down our Q4 margins is really because of this high, highly profitable data center revenues pushed out into first half of next year, because our customers are continued. This is more than one customer. are continuing to deal with their own supply chains and their challenges on quickly ramping up to these high volumes. So with that, let me turn it over to Rachele.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

I think Jake just hit on the biggest piece of it. If you take $20 million at 20% adjusted EBITDA, that's a significant piece of that change. You throw in a little incremental labor and launch costs, as we have not gotten to the point of full run rate production on that. that really brings our midpoint down from that 56 to that 50. So those factors really are what contribute there. As we continue to move forward and really hit that DCP ramp, as we just talked about, we'll see sequential improvement as we move through 2027. Very helpful.

### Andy Kaplowitz | Analyst, Citi:

And then, Jen, you mentioned now over a $200 million pipeline of opportunity for data centers. I think you previously said data centers could eventually be 25% to 30% of your MECs could actually be higher than that. And if you think about protecting MECs from postponements, I know you're going to say you're three years after these things start, so hopefully they don't get postponed. But this whole idea of locking in capacity with certain customers, are you closer to that? Do you think you could lock in a lot of your incremental capacity over the next 12 to 18 months?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

I continue to be optimistic on locking our capacity with our customers, Andy. We have more than one customer that we are in active conversations with to lock capacity or have some sort of capacity payment guarantees. So we're cautiously optimistic that that will happen at the same time. The pipeline continues to grow. I am more concerned about When do we have to raise our hand and then say we can't take any more new business? Because you can imagine, right, these programs, unlike our industrial programs, which could take 18 to 24 months to show up as revenue, you know, we can, you know, start producing production parts in three months and within six months of award, right? You know, we're in a full ramp for many of the DCP customers. So that means that at least for the first three to six months, I have to protect that capacity once we win a program, because I know that the ramp is coming in that particular client for that particular customer. So we're working through all of those mechanics. And then there's obviously cost to hold that capacity, not only for that six months before the full ramp hits, but also any further program delays. So as we're learning how to manage that better, The sales teams are getting smarter, getting more aggressive. So we're going back to DCP customers, I would say even in Q4, and not just talking to them, but actually charging them for delays, charging them for incremental headcount, charging them for working capital. So we're getting better at this. As we go into 2027, I feel really good about how we will be able to manage, how we manage our costs. Look, we've been in business for 81 years in the industrial markets. We've been in DCP for a year, and it's a highly fast-moving industry. So there were definitely some learnings in 2026 that will apply going into 2027. I could not be more bullish about 2027. With all the things that the teams have done, what we have put in, the incremental machine capacity that's coming online in Q1, and where we are in our hiring cycle, I feel very good about protecting our capacity, being able to charge for our capacity, and potentially locking our capacity with a couple of customers.

### Andy Kaplowitz | Analyst, Citi:

Appreciate all the color.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Thank you.

### Operator | Conference Call Operator:

Your next question from the line of Ross Sparenbleck with William Blair. Your line is now open. Please go ahead.

### Sam Carlivan | Analyst, William Blair:

Hey, good morning. This is Sam Carlivan for Ross. Thanks for taking my questions. I just want to dig into the qualified for a second. I mean, it jumped up from $125 million last quarter to $200 million. Can you give us some color on why this jumped so sharply and what kind of opportunities kind of got added? Were there larger opportunities, new customers, or is it kind of more opportunities from existing customers?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

I would say that most of the jump is from new customers that we have not done business with in the past. So obviously we won't talk about specific customers on these calls, Sam, but there's one customer that's got more than $50 million worth of three different programs. We have another European switchgear customer

that's got another $50 million approximately of new programs, and we have another U.S. customer over and others. So, I would say that over the last three months or so, we were able to continue to work with these customers, better qualify and many of these programs that these customers I just mentioned are very close to decision. So, now we can say that not only the customer is very close to decision, our chance of winning those programs is greater than 50%. And that's when we feel really good about putting that and actually raising the bar on our qualified pipeline.

### Sam Carlivan | Analyst, William Blair:

Got it. And just a follow up on that. Can you talk about what kind of the primary decisions, the factors that are leading to how these customers make decisions on where they kind of put this volume?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, so two things. One, location, location, location. So that is getting to be even more important and hence plays well with our Thompson investment. Second one is the ability to bring on a $50 million program in a three to six month period. There are not a whole lot of fabricators in North America that could do that and do that effectively. So that really plays to our strengths. because not only we have the footprint, we've been investing. Yes, we're paying the cost for it upfront. You've seen how we have outsourced, how we have hired temp labor to bring in those capabilities quickly. We could have waited until 2027 to invest in these resources and capacity, and we would have missed the boat on some of these opportunities, right? even though in the short term, right, it feels like there is a drag on the P&L, which it is, I feel really good about, right, you know, what this is going to do to us, not only in 2027, but also 2028, as we win these significantly larger programs. You know, when we started after the acquisition of AccuFab, we were winning two, three, $5 million programs. Now we're competing for 20, 30, 40, $50 million programs, right? That's the difference. and there's not a whole lot of folks on that Fab 40 list that can step up and then say, not just one or two programs, but we're competing easily seven to 10 different programs that range from 20 to $50 million in size, right? So that's the testament to MEC's experience, capabilities, and all our investments that we have made. I want to thank all of our investors for standing by us in our equity raise. We're putting that equity raise funds to good use in investments for the future.

### Sam Carlivan | Analyst, William Blair:

Got it. That's good to hear. A quick one on CV. I noticed you guys put out your preliminary 2027 expectations. commercial vehicle expecting up mid to high single digits. I mean, comparing that with the ACT growth expectations for 9% next year, can you maybe help us think about how your kind of content per truck moves up with the 2027 model year and kind of how that should flow through to revenue?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, you can also see a third bullet, right? We anticipate some strategic exits in the CV market. As we talked about in the past, in the industrial markets in general, I'll be specific to CV and ag and also construction and access. We are aggressively pursuing higher pricing from many of our customers. We expect net 20 to $30 million worth of exits next year from our industrial customers. That just gives us the opportunity to redirect that capacity towards data centers. So, you know, even though ACT is projecting 9% growth next year, let's say close to 300,000, approximately 300,000 Class A builds next year, we agree with that. at the same time, right? We might see some exits that, you know, will help us in the long run to reposition our capacity towards higher margin data center work.

### Sam Carlivan | Analyst, William Blair:

Got it. That makes sense. I will pass it along.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Thank you, Sam.

### Operator | Conference Call Operator:

Your next question from the line of Greg Palm with Craig Hallam. Your line is now open. Please go ahead.

### Greg Palm | Analyst, Craig-Hallum:

Morning, Greg. Yeah, good morning. Thanks for taking the questions. Maybe to start with, I was hoping you could unpack a little bit more about some of the, you know, call it the inefficiencies, the ramp costs, some of the schedule changes, all that stuff that's, you know, kind of impact and timing. And, you know, as we think about labor or lack thereof, some of the, you know, availability challenges, does that impact where you think you want to put a lot of this data center work relative to what you were thinking six or nine months ago?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, I'm going to start and then Rachele will jump in. That's an excellent observation, Craig. Where we thought we would have some of these programs six, nine months ago is different than where we're putting those programs in today. Many of our rural plans continue to struggle to ramp up. Across the company today, we have somewhere between 230 to 250 job openings in our plants. That number continues to go up because we continue to win new business. That's not a challenge, obviously, as well. But even if we're static, we still have 200-plus job openings in the network. So what that did was to support in the short term, we went the route of outsourcing. Then we started hiring temp labor in many of these locations. As everyone knows, welders are the hardest trade to hire right now. So we have a couple of plans where we are today paying $90 an hour plus per diem, whereas the starting wage in our factory today at the same factory is a little below $30. So our customers across the street at the same plant are also paying $90 an hour. So it's a known problem. So what are we doing about it? Number one, we restarted in multiple plants you know, boot camps to train our own welders so that, you know, we can promote within, train folks that are maybe doing a different job that can make, you know, maybe they were making $18 an hour, now they can make 30 bucks an hour, right? So we're doing some of that work, but more importantly, in that particular plant, right, we decided to pull out some of the work that had weld content, because we cannot hire welders of that location, and we started putting in actually data center work that does not have welding, right? Many of our data center projects don't have a lot of welding. So we're rebalancing the network where, you know, where is the labor available? Luska put labor, sorry, you know, programs that can be tailored to the labor availability and then move programs around, right? We did a lot of that work in Q3 in particular, and that work will continue through Q4. Again, that's what is going to help us going into 2027. At the same time, we know that we can hire a lot of people in Hazel Park, in Chicago, in North Carolina, and now in Georgia. So we're going to focus heavily towards those four locations where we can hire, you know, and many folks in all kinds of trades at these locations. So we're shifting our focus towards those locations and reordering. Where do we put world content? Where do we put assembly type content? Where do we put different type of programs? So all of that work is underway. The team has done a phenomenal job in Q3 and we feel really good about entering 2027 in mitigating some of these constraints. So the machine constraints are going to come down by Q1 with new machines now being installed in many of our plants that we paid for almost two quarters ago. And now some of the labor constraints will continue to come down as we go into first half of next year, exiting Q2. and last but not least,

the outsourcing will come back in as the machines come online. So that's how we're managing some of these challenges. But as you said, yes, that changed what our outlook was six, nine months ago, where these programs are gonna go to where we're slotting in these new programs and new wins across the network.

### Greg Palm | Analyst, Craig-Hallum:

Yeah, okay, that makes sense. Kind of related to that, your ability to reprice both kind of existing contracts and certainly some of the newer stuff in light of whether it's just higher inflationary costs, higher labor costs, etc. What are you seeing?

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, we are taking a strong position on repricing. As I answered Sam's question earlier, We do expect some strategic exits, mutually agreeable exits, if you will, and we're going to leverage price to do that because we do need some incremental capacity in some of these plans, and we're using price to exit some of our legacy programs and perhaps put in some new programs.

### Greg Palm | Analyst, Craig-Hallum:

Okay. Fair enough. Appreciate the call. Thank you.

### Operator | Conference Call Operator:

Morning, Ted. Morning, Ted.

### Ted Jackson | Analyst, Northland Capital Markets:

Good morning, guys. I was a little concerned that they didn't recognize that my hand was up, you know, waving it. Most of my questions are answered. I have a couple. I wanted to talk a little bit about ag and power sports. And, you know, I mean, power sports is a little bit of its own beast. My sense with regard to ag, though, I mean, you look at it, you know, Deere has been hiring people and talking about kind of bringing production up and, you know, components of ag. You know, if you listen to Agco's call, you know, North America was somewhat of a bright spot Most of these guys have been producing below retail demand in North America and expect to not necessarily see retail grow, at least not that much. But they do expect to see volume improvements simply because they'll be able to produce to demand instead of beneath it. Yet you're showing ag go down. And then over on power sports, if you kind of dance through power sports, It seems like some of the motorcycle side of things in the U.S. is kind of stabilized and performing well. The side-by-side market, maybe it's not doing fabulously well, but if you kind of parse it through, and maybe I'm wrong on this, but take out the recreational side and look at more of the utility side, and I assume that all kind of runs through that same line item for you, that's definitely a bright spot. And so I guess where I'm going with this is I are you, is the declines that you're putting forward with regards to your outlook for those markets, am I missing something, or is it more because you're walking away from business that, and you see everyone with this, it doesn't square, the circle doesn't square very well. I guess it might work.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Yeah, yeah. Good question. Yeah, good question, Ted. Let me address one at a time. Let me address ag first. We have to see, from a macro perspective, We have to see tariff relief and we have to see diesel prices come down for the economics to work for a former to afford a brand new large HP tractor or a new combine. So that is the challenge that I don't see that happening. I don't know, maybe last night's results might change some of that next year. Maybe we're cautiously pessimistic about it, and we'll see how it plays out next year. But some of the hiring you talked about at one of our customers, in fact, our mix of business with that customer predominantly tilts towards construction rather than ag. So ag continues to be a smaller and smaller portion of our overall sales. So we're not putting a lot of weight on ag recovery in the short run. But whenever it returns, right, we will be prepared for it. In terms of power sports, you're absolutely right. We're sitting here in Milwaukee. This morning's news talked about, you know, significant sales in our local customer. At the same time, that same customer insourced eight jobs to the U.S. and Pat on their back. What that really means is that they're outsourcing more and more of the work similar to every other PowerSports customer to Asia. We're seeing significant movement in the supply chains where they're relocating to Asia. So given that, even though the market may be stabilizing in terms of retail sales, I think from a supplier perspective, right, we continue to see declines in our business with these power sports customers. And hence, our focus, you know, we had two power sports specific factories. We already converted one to a data center focus factory. And then, you know, we continue to look for opportunities to put in more data center work into the, you know, other factories. PowerSports-centered factory as the time progresses here. So I'm not very bullish on PowerSports returning, at least for us, and we'll see what happens with Ag.

### Ted Jackson | Analyst, Northland Capital Markets:

Okay. Well, that's a great answer. Shifting over on, you know, kind of some of the outsourcing stuff. You commented in the release that you had ahead of about – And so I guess where I'm going with that is. Am I correct on that? And then that headwind that you're having with some of the costs as it relates to outsourcing of products, what do we expect for fourth quarter? And I mean, I know you're not giving 27 guidance, but maybe kind of how we should think about that headwind in the first quarter as well. That's my next question.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

Yeah. So as we shared coming into this, we expected a million to two million. that's really launch and outsourcing. So you almost have to look at it, the two added together for what we reported. We had previously shared that those would be each about half of that amount. And so that's where the disconnect is. So we haven't changed our total amount on outsourcing. We had projected second half for that would be two to three million. So you're absolutely right. It's about half of that in each of the quarters.

### Ted Jackson | Analyst, Northland Capital Markets:

the aggregate of the two that's the three million okay so that's my confusion is I'm it's an apples and oranges thing in terms of what I was looking at yeah and then my my next question is just on you know you've ordered a bunch of equipment it's all being delivered you're having you're installing it so I guess the first question on this is you know walk us through the timing of that you expect to have this equipment installed by the end of this fiscal year or installed by sometime in the first quarter and then how long will it take you to you know kind of get it installed commissioned and start being able to you know to produce off of it because that brings down two things for you and one of them is just This outsourcing revenue and then two is, you know, better asset utilization rates. So a discussion with regard to kind of the timeline for that equipment. And then, you know, maybe a discussion with regards to how you're thinking about CapEx for 27.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

The equipment is, some of it has arrived or is arriving late in Q4 to really have it up and running. That's going to be sometime in Q1. So to your point, once we get that up, that will solve a few of our problems. It will take time, though, to transition the outsourcing work back in once it's up and commissioned. But really, CQ1 is being a key player in having the equipment up and being able to move through those costs. And then as we look to 2027, you know some of these this equipment will obviously have to make a final as it arrives final payments and final pieces but as we've shared on our you know presentation our guide we're looking at 40 to 50 million next year still focused on the growth that's continued to be the big area that we are focusing on as we continue to grow in the data center and critical power space.

### Ted Jackson | Analyst, Northland Capital Markets:

Okay, so when we think about the equipment that you have, you're going to have it all in place in the fourth quarter. You'll get it commissioned in the first quarter, but we won't really see the impact from that progress in margins probably until the second quarter of 27. And then from there, you know, part of the scale will go forward. And then so that means that the first quarter, what you're really expecting to drive your margin higher is this $20 million of revenue that slipped out of the fourth quarter.

### Rachele Lehr | Chief Financial Officer, Mayville Engineering Company:

Yes, that's our, you know, improving the run rate on the DCP and getting that as a higher piece of our mix will certainly help our overall margins.

### Ted Jackson | Analyst, Northland Capital Markets:

Okay. All right. Thanks for taking my questions.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Thank you, Ted. Thanks, Ted.

### Operator | Conference Call Operator:

This concludes our Q&A. I will now turn the call back to Jag Reddy for closing remarks.

### Jag Reddy | President and Chief Executive Officer, Mayville Engineering Company:

Before we close, I want to thank our employees for their dedication and hard work this quarter and our shareholders for their continued trust in MECC. We are confident in the path we're on and in our ability to build a stronger, faster-growing, and more profitable company in the years ahead. We look forward to updating you on our progress. Thank you for joining us today.

### Operator | Conference Call Operator:

Thank you for attending. You may now disconnect.