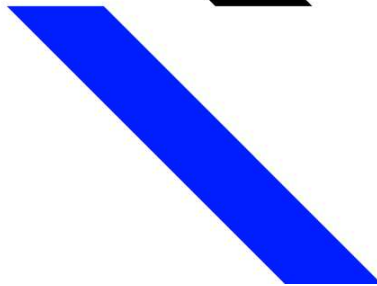
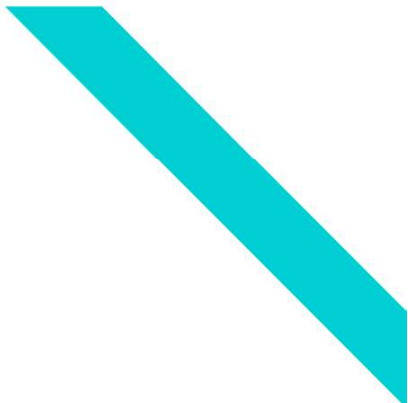


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Q4 2026 DONALDSON COMPANY, INC. EARNINGS CALL

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An LSEG Business



CORPORATE PARTICIPANTS

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- **Richard Lewis** *Donaldson Company, Inc. - President, Chief Executive Officer, Director*
- **Brad Pogalz** *Donaldson Company, Inc. - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Stefan Diaz** *Morgan Stanley - Analyst*
- **Quinn Fredrickson** *Robert W. Baird & Co. - Analyst*
- **Laurence Alexander** *Jefferies LLC - Analyst*
- **Adam Farley** *Stifel Nicolaus & Company Inc - Analyst*

PRESENTATION

Operator

Hello, everyone. Thank you for joining us, and welcome to Donaldson Company Q4 2026 earnings webcast. (Operator Instructions)
I will now hand the conference over to Sarika Dhadwal, Senior Director, Investor Relations. Please go ahead.

Sarika Dhadwal *Donaldson Company, Inc. - Investor Relations*

Good morning. Thank you for joining Donaldson's fourth quarter fiscal 2026 earnings conference call. With me today are Rich Lewis, President and CEO; and Brad Pogalz, Chief Financial Officer. This morning, we will provide a summary of our fourth quarter performance and our outlook for fiscal 2027.

During today's call, we will discuss non-GAAP or adjusted results. The fourth quarter 2026 non-GAAP results exclude pre-tax charges of \$8.9 million, including \$4.2 million of restructuring and other and \$4.7 million of business development charges. This compares to prior year pre-tax charges of \$9.5 million of restructuring and other. A reconciliation of GAAP to non-GAAP metrics is provided within the schedules attached to this morning's press release.

A quick note on the Facet acquisition. We acquired Facet on May 4, 2026. Therefore, beginning with fourth quarter results, we will report on our combined performance. For clarity and to help understand organic performance, Rich and Brad will add detail on Facet's impact in their remarks where appropriate. Please keep in mind that any forward-looking statements made during this call are subject to risks and uncertainties which are described in our press release and SEC filings.

With that, I will now turn the call over to Rich.

Richard Lewis *Donaldson Company, Inc. - President, Chief Executive Officer, Director*

Thanks, Sarika, and good morning, everyone. Fiscal 2026 was another record year for Donaldson Company, and I am proud of the way our global teams came together, demonstrating agility and resilience and finishing strong.

Led by our collective mission of advancing filtration for a cleaner world, we reached sales of \$3.9 billion, an all-time high and a 5% increase versus 2025, grew EPS 8% to a record \$3.98, expanded operating margin to a record 16%, and returned \$250 million to shareholders through dividends and share repurchases. Our execution on our clear and balanced growth strategy is yielding higher levels of performance.

In Mobile, we are building on our strong first-fit and aftermarket leadership positions, leveraging our large install base, gaining share with our OEM partners, and winning new customers. In Industrial, we are scaling our platform, increasing our aftermarket penetration, and expanding in high-growth end markets, such as Power Generation. In Life Sciences, we are applying our industry leading technologies to grow and gain share in attractive markets focused on high purity filtration.

In support of our growth strategy, we completed the largest acquisition in company history, Facet Filtration, expanding our strategic position in durable end markets, including Aerospace and Defense and Power Generation, and also strengthening our financial profile with Facet's high growth, high margins, and high percentage of aftermarket sales. We have made good progress on integration, including technical collaboration to expedite product development and testing to support growth into newer Facet target markets.

Our teams have also been working towards achieving targeted synergies. Our progress in 2026 no doubt drove the company forward. We executed strategically and financially while demonstrating structural expense discipline and driving operating leverage.

Throughout the year, we displayed our commitment to delivering for all our stakeholders, including our customers, shareholders, and employees. We continually do this through our leadership position in filtration, which was built on decades of solving our customers most difficult filtration problems, our best-in-class technology, uniquely powerful because we focus on filtration capabilities and leverage these technologies across markets.

Our ability to help customers meet evolving environmental and operational goals by helping to protect equipment, processes, and people and our clear and balanced growth strategy as described earlier. This is how we have and continue to win.

Now I will review some fourth quarter highlights. Brad will discuss the quarterly financials and fiscal 2027 guidance in more detail, and then I will return for some closing remarks. In the fourth quarter, sales surpassed \$1 billion for the first time in company history, growing 8% above prior year, driven by higher volume, including the Facet acquisition and pricing benefits.

Operating margin was 17.5%, up 110 basis points over prior year and 90 basis points sequential step up from third quarter due to gross margin expansion, including from improved operational efficiency. Adjusted earnings per share were \$1.15, 12% above 2025.

Now I'll cover some highlights by segment. In Mobile Solutions, sales were \$635 million, up 8% driven by strong volume growth and pricing. Aftermarket sales were \$512 million, up 9% with increases in all regions and in both channels. We grew double digits in our independent channel where we continue to gain share through our product availability, reliability, and consistency. We are realizing sales from the major North America fleet win we mentioned last quarter, and we are excited about further strengthening our dealer relationships and creating meaningful pull-through opportunities for incremental sales.

On the first-fit side, Off-Road sales were \$95 million, flat to prior year with strength in construction offsetting muted performance in agriculture. On-Road sales of \$29 million increased 9% as truck production began to ramp, particularly in the US and Europe. I am encouraged by the momentum we are beginning to see in our first-fit businesses in this quarter. We had several meaningful program wins across regions, positioning us well for years to come.

Another bright spot within Mobile has been our business in China. Sales were up 27% due to a nearly 40% increase in OE replacement part sales. We are winning new platforms, particularly within the Off-Road, and our growing export market is driving demand, and we are seeing our razor-and-razor-blades model at work and driving aftermarket sales strength.

In Industrial Solutions sales were \$334 million, up 8% driven by the inclusion of Facet sales, which added \$30 million or 10 percentage points of growth. Aerospace and Defense sales, which now include Facet, were \$76 million, a 61% increase versus 2025. Organic Aerospace and Defense sales declined 3% as overall supply chain constraints while incrementally improving in some areas persist.

IFS sales of \$257 million, declined 2%. Lower dust collection new equipment volumes compared against a strong quarter and prior year were partially offset by robust Power Generation new equipment. New equipment sales from our Industrial project-based businesses can be lumpy, which is why growing aftermarket penetration remains a key to our strategy. To that end, this quarter IFS

replacement part sales grew in the low single-digits and accounted for 51% of total IFS sales.

In Life Sciences, sales of \$90 million increased 10%, largely a result of double-digit growth and Disk Drive, which has been supported by strong market conditions and increasing demand for newer technologies. Solid Food and Beverage sales also contributed to the increase.

Part of our success in Food and Beverage has been driven by our ability to serve an expanding range of high purity applications, including in Food and Beverage, healthcare, pharmaceuticals, and data centers. Through our growth in these markets, we have seen increasing commonality in the capabilities required to serve them, including the underlying filtration technologies, including membrane platforms, engineering, manufacturing, and regulatory.

This same foundation extends to our microelectronics business. As such, beginning in the first quarter, we will operate our Food and Beverage and microelectronics businesses together under a new name, Process Filtration. With this focused structure, we aim to drive scalable above market growth.

In summary, I am pleased with our fiscal 2026 results. I am particularly impressed by how the Donaldson team closed out the year. We begin fiscal 2027 with robust order volumes, healthy backlogs, and focused execution. Our full year guidance, which Brad will cover in more detail in a minute, reflects our plans to build an even stronger Donaldson for the future and continue our long history of shareholder value creation.

To that end, for fiscal 2027, at the midpoint of our guidance ranges, we are forecasting record sales of over \$4.1 billion, a 7.5% increase over prior year, driven by growth in several key high-margin businesses, operating margin expansion of 90 basis points to 16.9%, earnings per share of roughly \$4.30, including approximately \$0.12 of dilution from Facet, and free cash flow conversion of approximately 95% to 105%, which is important as we maintain our commitment to return value to our shareholders.

With that, I will now turn it over to Brad, who will provide more details on the fourth quarter financials and our outlook for fiscal 2027. Brad?

Brad Pogalz *Donaldson Company, Inc. - Chief Financial Officer*

Thanks, Rich. Good morning, everyone. I want to start by recognizing the contributions from the Donaldson team over the past year. We delivered fourth quarter results ahead of expectations, capping off a year filled with significant macro uncertainty, including from tariffs and conflict in the Middle East, while also navigating a complicated execution environment, particularly in the Industrial segment.

Throughout the year, our teams had a clear focus on serving our customers and delivering results. So thank you to all of our employees for your hard work and for positioning us to build on our success in fiscal 2027.

I'll cover our financial outlook in a few minutes, but first, I'll discuss our record fourth quarter results in more detail. Note that my comments exclude the impact from the non-recurring charges Sarika referenced earlier. Fourth quarter total sales increased 8% over the prior year, and adjusted EPS of \$1.15 grew 12% due to operating margin expansion.

I want to quickly touch on the contribution to these metrics from Facet, which added approximately 3 percentage points of sales growth and diluted our EPS by \$0.06 in the quarter. Importantly, Facet's business results were in line with forecast, meaning strong sales, gross margin, and operating profit, while amortization and interest were a bit higher than previously expected.

Fourth quarter consolidated operating margin was 17.5%, an all-time high and up 110 basis points from the prior year. The sequential increase from third quarter of 90 basis points is important as it was driven by gross margin expansion, highlighting delivery on our promise of continued improvement in operating efficiency, particularly in our Industrial business. To that end, gross margin increased 190 basis points to 36.7%, an all-time company high, reflecting favorability from volume, pricing, and mix.

I want to also call out a couple of offsetting factors, specifically select input cost inflation largely related to the conflict in the Middle East, as well as continued operational inefficiencies in Power Generation. Within Power Generation, demand remains strong, and we are still stabilizing operations at our plant in Mexico following a shift in production. Consequently, we realized about 40 basis points of gross margin pressure in the quarter. I'm encouraged by the progress made, including measurable improvements in throughput, delivery performance, and execution.

Given the current trajectory, we remain confident that we will fully recover by the middle of fiscal 2027. Important to note is that the impact from footprint optimization was immaterial in the quarter as we continue to ramp productivity in the receiving facilities, and we

are still on track to deliver annualized savings of about \$10 million once we hit run rate productivity in the second half of fiscal 2027.

Now back to the P&L. Fourth quarter operating expense as a rate of sales was 19.1%, 80 basis points above the prior year. The higher rate was driven primarily by the addition of Facet run rate expenses and amortization. And we also had higher incentive compensation that was partially offset by continued structural expense discipline.

Moving to segment profitability. Mobile Solutions pre-tax margin was a record 21.3%, above internal expectations and 220 basis points above prior year due to volume leverage, pricing, and mix related to aftermarket sales strength. Industrial Solutions pre-tax margin was 16.4%, 450 basis points below prior year, pressured by the inclusion of Facet run rate expenses and amortization, organic expense deleveraging, and headwinds associated with Power Generation production shifts.

On a sequential basis, Industrial margin trended higher as expected, improving 300 basis points from the third quarter. We continue to expect margins to return to more normalized levels in the second half of fiscal 2027 as a result of sales leverage, margin recovery and Power Generation, and ramped up production following our plant closures in fiscal 2026.

Life Sciences pre-tax margin was 11.9%, above internal expectations and up 660 basis points from prior year. Volume leverage from our higher margin Food and Beverage and Disk Drive businesses, combined with continued expense discipline drove the notable improvement. In summary, we have strong momentum in our base business. And we'll also have the incremental benefit of Facet, giving us confidence we can generate another year of record performance in fiscal '27.

With that, I'll now go into the details of our outlook. Total sales are expected to grow between 5.5% and 9.5%, driven by increases in all three segments. Facet and pricing benefits are each expected to account for approximately 2 percentage points of growth, with currency adding about 1 percentage point and organic volume making up the balance.

In Mobile Solutions, sales are expected to increase between 2% and 6%, resulting from growth in both first-fit and aftermarket. Off-Road sales are projected to increase mid-single-digits, with favorable conditions in construction, while agriculture remains muted.

On-Road sales are forecast to grow high single-digits as global truck production increases. Aftermarket sales are projected to increase mid-single-digits as a result of continued share gains and higher vehicle utilization rates.

In Industrial Solutions, total sales are forecast to grow mid-teens, with approximately half the growth coming from the inclusion of Facet. IFS sales are expected to increase mid-single-digits with growth across all businesses, including dust collection and Power Generation, where we continue to benefit from the supercycle and a robust order book through fiscal 2027 and into fiscal 2028.

Aerospace and Defense sales are projected to increase over 50%, driven primarily by incremental Facet sales. Organic Aerospace and Defense sales are forecast to increase mid-teens as we work to resolve supply chain issues and deliver on our elevated backlogs. In Life Sciences, we project sales to increase between 7% and 11%, driven by continued customer demand for our Process Filtration and Disk Drive solutions.

Moving down the P&L, we expect operating margin within a range of 16.6% to 17.2%. The midpoint of our range implies a 90 basis points improvement from prior year, driven by gross margin expansion as we benefit from pricing, Facet's higher structural gross margin, and improved operational efficiency. Operating expense as a rate of sales is forecast to partially offset gross margin favorability as a result of the full year impact of Facet run rate expenses, as well as amortization of approximately \$22 million.

While the net impact of Facet on our operating margin is expected to be immaterial this year, I do want to note that Facet is accretive in terms of gross margin and operating profit dollars.

To help with modeling, I also want to highlight a few things. First, seasonality. We expect our sales and operating profit dollars to generally follow typical seasonality, with the second half of the year accounting for the majority of both. As such, we're forecasting approximately 52% of the total sales and 57% of total operating profit in the second half.

The second modeling item to highlight is interest expense. Fiscal '27 interest is expected to be between \$55 million and \$60 million, compared with \$36 million in the prior year, primarily as a result of interest on Facet-related debt. While we expect to pay down the Facet debt over the course of the year, other factors in our interest expense plan result in a fairly even split across the quarters. All in, our EPS guidance for the full year is between \$4.22 and \$4.38, including approximately \$0.12 of dilution from Facet when considering incremental amortization and additional interest expense. The midpoint of this range represents another all-time high for Donaldson and an 8% increase from prior year.

Now onto our balance sheet and cash flow outlook. Our balance sheet is in great shape. We've already paid down over \$100 million of Facet-related debt. Our leverage ratio is currently about 1.4 times net debt to EBITDA. This gives us plenty of financial flexibility to allocate capital for the future.

In terms of capital allocation, our priorities are unchanged. First, reinvest back into the company. Our R&D investments in strategically important, high growth, high margin areas allow us to maintain and expand our place as the leader in technology-led filtration. And our investments in working capital and capital expenditures ensure we are operating efficiently today and building for tomorrow. With that in mind, capital expenditures are expected to be between \$70 million and \$90 million, balanced evenly between investments in new technologies and products across all segments along with making ongoing investments in maintaining and improving the efficiency of our operational assets.

With these investments, we project cash conversion in the range of 95% to 105%, which marks a level higher than our historical averages, largely driven by more targeted capital investments, working capital management, and the completion of required annual tax payments stemming from the US Tax Cuts and Jobs Act of 2017.

Our second capital deployment priority is disciplined M&A. We're actively pursuing opportunities that strengthen our portfolio and meet our strategic and financial criteria. While we invest for profitable growth, we're also returning cash to shareholders.

Our third capital allocation priority is dividends. We consistently pay and increase our quarterly dividend, solidifying our place in the S&P High Yield Dividend Aristocrat Index. As of the end of calendar 2025, we've paid dividends for 70 years in a row, 280 quarters, and we've increased the dividend for 30 years in a row. That's a statistic we are very proud of, and we look to continue that trend.

Share repurchase is our fourth capital deployment priority and our variable lever. After pausing our repurchasing activity following the Facet acquisition, we have now restarted our program and expect to purchase about 1% of shares outstanding this year, which will offset stock compensation dilution.

Before I turn it over to Rich, I want to reiterate how pleased I am with the way we finished fiscal 2026, and I look forward to carrying this momentum into fiscal 2027.

Now I'll turn it over. Rich?

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Thanks, Brad. Each day, Donaldson Company aims to grow and deliver customer value, extending our leadership position in technology-led filtration. We do this through innovative new solutions in every segment, including ArmorSeal technology in Mobile, Stratos Mist Collector in Industrial, and products such as our LifeTec high-loading performance filter and HAMR-related disk drive technology and liquid cooling capabilities in Life Sciences.

With the acquisition of Facet, we expanded the addressable markets, which we can apply our capabilities to, and our teams are already seeing cross-selling opportunities to capitalize on. We are confident in our ability to grow and grow profitably, and we are doing so with great discipline, applying a rigorous approach to business portfolio management, ensuring each of our businesses has cleared the high bar to earn a place within Donaldson.

I am also proud of how we are growing responsibly. We are on the path to achieve our 2030 sustainability ambitions, further reducing our greenhouse gas emissions, increasing our renewable energy usage, and advancing product solutions that help reduce environmental impacts. In our most recent sustainability report, we detail some of our latest technology-led products from hydraulic oil-saving solutions in Mobile to refillable semiconductor filtration systems and next generation battery venting in Life Sciences.

And none of our success would be possible without our talented employees. And each day, we prioritize employee health and safety. Every Donaldson employee, safely home, every day. In closing, as I look ahead, I am excited about the opportunities for Donaldson Company as we continue to build upon our success.

I will now turn the call back to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Angel Castillo, Morgan Stanley.

Stefan Diaz Morgan Stanley - Analyst

Hi, good morning. This is actually Stefan Diaz sitting in for Angel. Thanks for taking my question. Maybe just starting with margins, obviously, there's some seasonality here in 4Q, but margins were a healthy 17.5%. As we look to fiscal 2027, is there any underlying operational headwinds we should be aware of, given the midpoint of the guide is closer to 17%?

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Yeah, good morning. As we enter F '27, and Brad will run you through the numbers in a little bit more detail. This is Rich. From an operational perspective, we will start the year with some continued pressure in our Industrial business. We've talked about our Power Gen business and that first half pressure that comes from clearing out our facility in Mexico. So we'll see a meaningful step up in that business in the second half.

Also, we are finishing the closure of the plants that we had initiated last year. So there'll be some volume improvements as the year goes on in that business. But I would say just in general, there's not a broad operational challenge. It's really a couple acute issues and then our normal seasonality that we'll be looking at. And then Brad can expound on that further.

Brad Pogalz Donaldson Company, Inc. - Chief Financial Officer

I think that normal seasonality is the important part. And we went through that a little bit in my remarks just to try to be clear for everybody, given that there is a back half profit tilt about 57% of operating profit landing in the second half. But I'd echo Rich's comments. It's really about execution in the Industrial business as we go ahead.

Otherwise, I think we're looking very positively at margin for the year. The one nuance I'd say is, again, back to our comments, we talked about gross margin expansion with a little bit of operating expense headwind as a function of Facet, so something to keep in mind. The amortization, just really want to put a fine point on it, \$22 million of incremental amortization as a function of that transaction that should be modeled through. And that will obviously cascade through the year. And then we get to fourth quarter of fiscal '27, where we compare against a normal quarter with Facet, given that we acquired at the beginning of this last quarter.

Stefan Diaz Morgan Stanley - Analyst

Okay, perfect. That's really helpful. Thanks for the color. And then on Facet, so there was a -- it was 6% dilutive here in 4Q and yet the fiscal '27 guidance only assumes about \$0.12 for the full year or like below that annualized rate. So what are the main drivers for this? Is it debt paydown, cost synergies, purchase accounting step-down?

Brad Pogalz Donaldson Company, Inc. - Chief Financial Officer

Yes, you've touched on two of the big ones, the purchase accounting step-down and then debt paydown. So the amortization in the quarter was -- in the fourth quarter was more substantial than an annualized rate of \$22 million, and that's a big part of it, and then some debt paydown. So the thing that I want to underscore with Facet is on a cash basis, so I'm talking business performance, less interest expense, in fiscal '27, Facet is accretive. And I think that's an important point to note.

Operator

Quinn Fredrickson, Baird.

Quinn Fredrickson Robert W. Baird & Co. - Analyst

Hey, good morning. Thanks for taking the questions. First one, Rich, just on the mid-teens organic growth guidance in Aerospace and Defense. Can you unpack what gives you confidence the supply chain issues will be resolved to enable that level of growth?

And what is the timing we should be thinking about as to when those supply constraints are resolved?

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Yeah, good morning, Quinn. Yeah, when we look at the A&D business, our teams have been managing that situation very closely now for several months. And so, we feel like we understand the issues intimately. The biggest challenge we have, frankly, going forward is the closure of our California facility that we moved into a facility in Illinois.

The good news is all of the closure costs associated with that for the most part are behind us. And so now it's really just ramping production in the new site. We have teams deployed to support them. They've got a good handle on the set of issues, and we see sort of, I call, operational data every week that shows their improvements.

So if you think about it from a timing standpoint, it will take them the first half of the year to sort of chew through that late position and return just to normalcy. When we think about our full year expectations for A&D, that is a big part of what we're expecting. The broader supply chain issues with our supply base, those are sort of transient acute issues. We feel like those are mostly under control, and we have folks managing proactively to monitor for new issues and try to head those off before they become significant headwinds.

So all in all, it's a challenge, but we feel really good about our ability to sort of work through that through the fiscal year.

Quinn Fredrickson Robert W. Baird & Co. - Analyst

Thanks. And then within Mobile, the first-fit, both Off- and On-Road, it seems like the guidance would imply no revenue dollar acceleration from the back half of this last year. Just is that conservatism? Maybe you could discuss your expectations for how an ag recovery might play out as well. That would be helpful. Thanks.

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Yeah, so if we keep it to the first-fit side in Mobile, I'll just kind of walk you through all of the end markets. We are seeing pretty broad-based strength in mining and construction. And we saw that acceleration really coming out of the holiday period last fiscal year through Q3 and Q4. That continues into next fiscal year '27. And it's pretty broad based. We see it across all the regions, and we see it really throughout the vast majority of our customer base.

The trucking recovery is materializing as expected. We've seen sharp upturns in truck build rates, specifically in the US. Our expectation is that a carry through the rest of the calendar year and likely into the first part of next calendar year. I think there's probably some uncertainty as we get into the second half of next calendar year and where this is going to go, but all signs are pointing to a nice recovery there, at least for now.

And as you mentioned on ag, what we had been seeing previously was really pretty isolated green shoots. We're starting to see a little bit more broad improvement in that market, albeit at a lower scale than the other markets. And I would say the range of outcomes across the product segments and the customer base is a little bit wider. But we're starting to see green shoots there in ag, and hopefully, that will continue to improve throughout the year.

Operator

Laurence Alexander, Jefferies.

Laurence Alexander Jefferies LLC - Analyst

So can you give a bit more detail about the underlying trends in the Life Sciences outlook and how that is setting you up for 2028, 2029? I mean, should we think about this as a steady cadence? Or are there opportunities to shift your market share position over the next, say, three, four years?

And then secondly, can you talk on Power Gen, can you just remind us on the dynamics between first-fit and replacement if there's -- given the expansion that we're seeing at the OEMs of capacity for gas turbines?

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Yeah, good morning. So let's start with your Life Science question. Broadly, if you think about Life Sciences, the two largest businesses in that segment is our Disk Drive business and our Process Filtration business. We're seeing really strong demand outlook on both sides. If you think about the Disk Drive business, it's really a combination of share and pricing, the technology shift to HAMR, which is the next generation technology that has significantly more content per drive for us.

And then finally, it's really around continued volume growth. So it's really a recipe of all three of those.

From what we see in our outlook, that has legs beyond fiscal year 2027. We would see this as having a steady growth trajectory for some time. And we're really optimistic about the technology that we're bringing to that market and our ability to continue to hold and take share.

The Food and Beverage business, Process Filtration, is a combination of Microelectronics and our historic Food and Bev. It's really a combination of new product releases and our teams just really executing well commercially.

The Microelectronics business is seeing some pretty strong tailwinds due to the data center AI build out as well as what we're seeing in some of the liquid cooling inside that business. But I would say the base business supporting Pharma, Food and Bev continues to execute really well. So we have a lot of optimism around both of those businesses.

And then on Power Gen, and Brad can correct my numbers if I'm off a little bit here, but I think we're talking about 50% first-fit, 50% aftermarket roughly. The first-fit side clearly is going very, very strong. So we're expanding the install base pretty aggressively, and we'll continue to do that for quite some time. And then that's going to turn into additional aftermarket revenue as those replacement part filters kick in a couple of years.

But overall, Power Gen, we're booked out for the better part of the fiscal year, and we see line of sight to fully load in our capacity through 2028.

Operator

Adam Farley, Stifel.

Adam Farley Stifel Nicolaus & Company Inc - Analyst

Good morning, everyone. Maybe following up on that Life Sciences question, how should we think about margins in this business going forward? Or maybe another way of asking is, what should we expect for incremental margins in this business?

Richard Lewis Donaldson Company, Inc. - President, Chief Executive Officer, Director

Well, I think, Adam, if you think about the business and we split it into sort of our new acquisitions and then sort of our traditional businesses, the traditional businesses are sort of leading margins for Donaldson, so think above company average. And ultimately, we would expect this entire business to be significantly above our company average from a margin profile.

So over time, we'll continue to work the acquisitions, and they all have really clear milestones on both product and commercial penetration. And I would say over the next 18 months, you can think about these products and some of those commercial milestones reaching some pretty significant milestones. So as those continue to mature, you can think about this business being a higher than company average margin business.

Adam Farley Stifel Nicolaus & Company Inc - Analyst

And then just shifting gears to IFS, maybe a little bit more color on the dust collection business within that. How's the first-fit piece of the business performing? Have orders trended through the quarter and into August? Are you seeing any increase from customers' willingness to deploy capital?

Richard Lewis *Donaldson Company, Inc. - President, Chief Executive Officer, Director*

Yeah, Adam, I would throw in maybe some of the other non-Power Gen IFS businesses. Clearly, dust collection is the largest piece of that, but they're all trending in a pretty similar fashion. What we've seen and since we spoke last time is an acceleration of orders through our fourth quarter. And I would say it's not to the same level we're seeing in some of our other end markets, but they are positive trends. And so the first half of last year, that business was pretty muted on the demand front, and we saw it start to improve in Q3, and we've seen an acceleration of that in Q4.

So I would say non-data center AI CapEx is improving, but certainly, we are not at the peak, but we're encouraged. We're encouraged by the uptick. And a lot of the pressure had been in the US previously, and we're starting to see some of those quotes that we have been working on turned into orders. So good signals going into F '27. We'll continue to monitor that and be agile as the year goes on.

Brad Pogalz *Donaldson Company, Inc. - Chief Financial Officer*

Adam, this is Brad. I'll just underscore one point. An important part about this business is roughly half goes through recurring revenue, and that's been hanging in okay, not growth to the extent that we've seen in the Mobile Solutions, but it is important to note that we've got this durable side that supports us when CapEx is a little bit softer like Rich was saying.

Operator

There are no further questions at this time. I will now turn the call back to Rich Lewis for closing remarks.

Richard Lewis *Donaldson Company, Inc. - President, Chief Executive Officer, Director*

I'd like to thank all of our Donaldson employees around the world for their relentless commitment, our customers for their trust, and our shareholders for their continued support. Thank you for joining us today. We appreciate your interest in Donaldson and look forward to updating you on our progress next quarter. Thank you.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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