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Multi Industry & Elec Equipment: DB 2026 Global Industrials Conference Wrap

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This week, we hosted DB's Global Industrials & Materials Conference

On August 11th and 12th, we hosted Deutsche Bank's Chicago Industrials Summit, during which we hosted six fireside chats (with AME, BMI, HON, IR, LII, and NVT) and attended one-on-one meetings with 10 additional companies (CARR, CTOS, ETN, GEV, HUBB, OTIS, RRX, VLTO, VRT, and WTS). In this report, we share our three key takeaways from each company we cover that attended; our unabridged notes can be found in the body of the report.

AME: Multiple growth engines driving sustained momentum across the portfolio

Three key takeaways: 1) The acceleration to 25% organic order growth in 2Q reflected a broad-based demand recovery, supported by easier comps, improving industrial spending, and multiple secular growth drivers. Importantly, strength is now spanning both short-cycle and long-cycle businesses, reinforcing management's view that the recovery is not tied to any single end market. 2) EIG is beginning to follow EMG higher, consistent with management's view that EIG typically lags EMG by 2-3 quarters. At the same time, EMG order growth has remained stronger than expected, supporting momentum across the portfolio into 2H and the full year. 3) With respect to acquisitions, FARO is on track to expand EBIT margins from ~15% to ~30% over time and AME also reiterated its expectations to achieve 10-12% cost synergies (as a % of revenue) from Indicor over the first three years post-close, excluding potential revenue synergies. We continue to see MSD+% EPS accretion from Indicor in 2027; this is not currently in consensus forecasts.

BMI: Confident tone on share gains as company works through current "air pocket" against mostly unchanged fundamental backdrop

Three key takeaways: 1) In our view, the company struck a confident tone on taking market share with its leading cellular AMI technology and first-mover advantage as peers begin to migrate towards cellular. We note that several peers have recently had management changes (Kamstrup, Xylem M&CS). Badger Meter also seems relatively better positioned to weather electronics supply and inflation headwinds. 2) Unchanged view that the current 2026 "air pocket" in activity among the larger meter players is more a coincidence than an issue with federal funding waning. Not seeing a change in 2027 water utility budgets/planning and RFP activity is not moderating. 3) Seems to be on track with qualitative 2026 guidance comments for "flattish" organic sales Y/Y with an emphasis on the "ish" and there should not be an expectation for upside here. 3Q26 revenues should expand Q/Q. 2H26 gross margins will face pressure from

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copper, electronics, tariffs, and mix (more turnkey projects), but EBIT/EBITDA margins will benefit from better volume leverage to get back towards ~25-30% incrementals.

CARR: Data center growth and residential/European stabilization drive performance, while capital allocation prioritizes organic investment

Three key takeaways: 1) While a step-up in data center revenue will dampen near-term margins—with $500m of incremental DC sales in 2H26 limiting 3Q margins due to unfavorable mix—it supports $2bn total data center revenue in 2026 ($2.5bn 2026 annualized exit run-rate) that moderates the typical seasonal revenue decline. This growth is backed by a $3–3.5bn data center backlog. 2) Americas and EU RLC markets are showing signs of stabilization, and US RHVAC sales will benefit from a 10ppt volume tailwind in 3Q/4Q (driven by the absence of last year's inventory destocking). Concurrently, European RLC revenue is also improving, as growing demand for air-to-water heat pumps and mini-splits offsets ongoing traditional boiler volume declines. 3) From a capital allocation perspective, management is prioritizing data center capacity expansion over M&A, with management investing ~$100m of incremental capex to scale its CDU and data center CHVAC businesses organically rather than acquiring high-priced assets. Near-term margin headwinds associated with this capacity expansion are viewed as acceptable trade-offs to achieve higher growth.

CTOS: Utility transmission demand and a focus on deleveraging drive the outlook, while healthy order growth confirms underlying demand

Three key takeaways: 1) Strong utility transmission demand positions the rental fleet in a "sweet spot" to capture upcoming high-voltage projects over the next 12m. This multi-year pipeline is supported by broad-based power consumption and robust quoting activity, helping to offset softer demand in non-utility lines. 2) From a capital allocation perspective, CTOS continues to prioritize reducing balance sheet leverage. Rather than pursuing unconstrained fleet expansion to capture demand, management is deliberately pacing growth and is comfortable aging a historically young fleet to protect the capital structure. 3) Healthy order momentum has continued despite a recent decline in backlog, driven by faster revenue conversion rather than slowing demand. With quotes and orders up in the M-Tns, underlying customer demand remains robust as the company successfully converts backlog to revenue.

ETN: Confident in EA margin guidance, Electrical B/B should remain >1x in 2H26, flagged upside to long-term financial framework

Three key takeaways: 1) ETN remains confident in its EA margin guidance, targeting ~30% segment EBIT margins in 3Q26, with another 200-250bps Q/Q increase to ~32-32.5% in 4Q26. Beyond 2026, the company remains committed to its ~32% medium-term segment margin target, and we continue to believe that EA segment incrementals should be very robust (35%+) in 2027, as the company laps very easy prior-year comps in 1H27. 2) Electrical B/B is expected to remain >1x in 2H26, implying that backlog will continue to grow Y/Y, despite a moderation in lead times to 12-18m following the recent capacity expansion. The negotiations pipeline remains robust. 3) We would expect ETN to raise its longer-term financial framework once again at its next Investor Day (nothing on the calendar yet), to DD organic revenue growth and an EPS CAGR well above 12%, supported by Electrical revenue closer to $40bn (including $4-5bn contribution from Boyd).



GEV: Demand remains robust, no ceiling on price, well-protected service moat

Three key takeaways: 1) Currently, GEV is booking GT slots into late 2029/2030 and in some cases into 2031. The long lead time is not curtailing demand or customer conversations, which remain very active. 2) Management still does not see a clear ceiling on its ability to raise price in Gas Power (pricing within Electrification is also still healthy), and based on prior commentary that GT pricing is up 10-20% YTD, the margin in backlog should be up DD by 4Q26 (the next time GEV will report this data point). 3) Well-defined contract terms and an insulated service moat protect GEV's backlog from cyclical risk by securing 15-20% non-refundable down payments, while the complexity of H-class turbines shields high-margin service agreements from third-party competition.

HON: Some consternation on 2027 commentary, but we view M-Tns adj. EPS growth as a prudent outlook that management was willing to share in August

Three key takeaways: 1) Management is comfortable projecting mid-teens adj. EPS growth in 2027 – while we understand this does suggest an outcome closer to $9.60 (below ~$10.00 buy-side expectations), we think it should be viewed as a prudent view as we are still very far from the start of 2027 – and we are encouraged that HON is willing to commit to above-average earnings growth at this point in the year. 2) Underpinning this outlook is MSD organic revenue growth (likely closer to the high end of MSD, as this is where HON should exit 2026) and >60bps Y/Y segment margin expansion, coupled with a tailwind from lower interest expense. 3) Order activity remained strong into July, both within short- and long-cycle businesses, and we continue to see a path towards HSD organic revenue growth in 2027 based on the underlying market trends.

HUBB: Demand remains strong and price/cost seems to be under control

Three key takeaways: 1) Demand generally remains strong, and management has high conviction in continued robust growth in 2H26 – particularly within Utility given recent orders/backlog growth. 2) Price/cost remains the biggest arbiter of margin performance, but pricing is "sticking nicely", and HUBB did not highlight incremental concerns on margins or price/cost vs. what was communicated during the 2Q earnings call. 3) We shouldn't expect another $3bn acquisition (like NSI Industries) in the next year, but leverage should come down relatively quickly given HUBB's strong FCF profile, leaving it in a position to complete further bolt-on deals, or even additional larger deals once leverage does fall.

IR: We shouldn't extrapolate July's order inflection, but management is confident in the 2H ITS margin outlook (with a return to Y/Y expansion in 2027)

Three key takeaways: 1) As noted on the 2Q26 earnings call, IR's July organic order growth accelerated into the LDD/M-Tns range, driven by improved longer-cycle inquiry-to-order conversion in ITS; short/medium-cycle momentum remained solid at +MSD. While management is not yet extrapolating July strength into a sustained DD run-rate through the rest of 3Q, a healthy funnel of long-cycle projects and improving short-cycle demand support 3-4% implied organic growth in 2H. 2) IR's margin setup should improve into 2H26 and 2027, supported by normalized +1-2% pricing, 1H pricing actions flowing through, leverage on higher volumes, productivity, and restructuring benefits. While tariffs and softer volumes have pressured ITS margins over the past 18 months, IR expects sequential improvement in 2H and views its ~28% FY26 ITS EBITDA margin guidance as a cleaner jumping-off point for a more normal cadence of margin expansion in 2027. 3) Management framed recent pricing pressure in China as



somewhat temporary (although it will likely persist for several quarters); despite LSD pricing headwinds, China ITS revenue grew LDD organically in 2Q, implying strong M-Tns underlying volume growth credited to targeted application wins, localization of IR's broader technology portfolio, and expansion beyond traditional compressor offerings into blowers, vacuums, and air treatment.

LII: BCS strength and margin discipline offsetting delayed HCS recovery

Three key takeaways: 1) The overall demand environment within HCS remains challenged, and LII is also navigating near-term volume headwinds related to exiting low-margin contracts with homebuilders and a shift towards repair (over replacement). Management attributed recent HCS volume underperformance vs. peers to its different, wholly-owned distribution structure (LII looks as if it is gaining share in times of destocking and losing share in times of restocking). 2) BCS volume growth outperformance vs. peers is slated to continue, with DD YTD volume growth in a LSD market driven by emergency replacement gains in the "third inning" of a multi-year runway, with future margin expansion fueled by Mexico and Arkansas factory productivity and a new AI-driven Field Service Management platform. 3) Management will remain disciplined with respect to capital allocation, prioritizing share buybacks and organic growth investments over expensive M&A. The integration of NSI is going well; LII believes it can double its parts attachment rate to 30% over time via a new parts network (launching in 2027) and organic expansion of its direct-to-contractor distribution footprint.

NVT: Scaling capacity to capture liquid cooling and grid utility demand

Three key takeaways: 1) Management believes its 12m backlog could continue to grow on the back of a robust order funnel, even as it continues to expand capacity via two new facilities in Blaine, MN. With respect to order growth, we are encouraged by commentary suggesting robust activity in July, particularly as NVT comes up against a tough prior-year comp in 3Q (orders +60% in 3Q25). 2) NVT is aligning directly with chip manufacturers' multi-generation roadmaps, projecting data center liquid cooling penetration will rise to 30% by 2030 (from 10-15%), where rapid <5-year chip lifecycles will force recurring replacements of entire cooling systems due to things like changing flow and pressure requirements. 3) To address capacity constraints, NVT is ramping Blaine 2.0 and expanding Trachte/EPG to capture a 25+ year power utility super-cycle—while 2H capacity investments act as near-term incremental margin headwinds. NVT's 10-13% organic CAGR through 2028 is tracking ahead of plan with 1.1x leverage providing ample capacity for active M&A.

OTIS: Repair pricing and SG&A savings support 2H service margin recovery, but retention remains a longer-term fix

Three key takeaways: 1) Management expects service margin recovery in 2H to be driven by repair micro-pricing, SG&A savings, and easing mod mix headwinds, with margins targeted at ~24% to mid-24% by 4Q. Repair pricing appears to be the most actionable lever given lower demand elasticity, while maintenance micro-pricing has been de-emphasized near-term as branches prioritize retention. 2) Retention and service quality remain the key execution focus, though improvement will likely take time, as OTIS acknowledged that internal focus had shifted away from maintenance, contributing to service quality issues and customer losses. The company is investing in targeted branches with weaker service levels but does not expect retention to improve materially this year and noted it could take roughly a year to rebuild customer confidence. 3) Longer-term



service growth remains supported by repair upside, connected units, and modernization demand, though competitive pressure and mod mix headwinds should keep margin expansion modest at ~10-20bps annually. Management sees repair as a meaningful self-help opportunity through better pricing, proactive selling, and Otis One data, while an aging installed base should continue to support modernization demand.

RRX: Strong ePOD visibility and AMC growth support the long-term growth trajectory, despite lingering pressure in consumer-exposed end markets

Three key takeaways: 1) ePOD commercialization remains on track, with initial shipments expected in 2027 and ~$15m of revenue expected in 4Q26 via percentage-of-completion accounting. Importantly, management continues to characterize demand as the key proof point rather than the debate, as customer interest remains strong and the primary execution risks remain supply chain and ultimate margin realization. 2) AMC demand trends remain healthy, supported by strong orders, backlog growth, customer supply chain de-risking, and improving industrial demand trends. Management expects AMC to benefit from volume leverage and productivity over time and emphasized that ePODs should be evaluated through a return-on-capital lens as much as a margin lens, and would remain an attractive opportunity if it delivers strong EBITDA growth and returns, even if margins ultimately settle below current expectations. 3) Resi HVAC and Pool remain challenged by ongoing channel destocking and weak consumer-driven demand, though management believes both markets are nearing a bottom; notably, Commercial HVAC grew >30% in 2Q, supported in part by data center-related demand, highlighting divergence across the portfolio.

VLTO: Confidently reiterated the step-up in 2H26 growth and margins to hit 2026 guidance

Three key takeaways: 1) VLTO confidently reiterated the step-up in growth and margins that need to occur in 2H26 to hit 2026 guidance. WQ should continue to grow ~5-6% organically in 2H26, while PQI has more of a 4Q-weighting aided by: some days benefit, less Packaging & Color headwinds, and new products from ESKO, TraceGains, and GlobalVision. 2) ChemTreat is growing solid HSD%-DD% organically with direct and indirect data center tailwinds that are starting to become a more meaningful proportion of the business. In a related vein, VLTO's "torque" to PMI/IP improvement tends to start at ChemTreat (already seeing strong growth), then the industrial exposures of Hach (seeing some pickup), and lastly the industrial exposures of PQI (auto and electronics; pickup not as widespread). 3) VLTO has broadened its capital allocation approach with the ability to toggle on buybacks where we sensed a more aggressive stance. M&A remains the priority, but clearly it can be episodic. The funnel remains active for both WQ and PQI. There was also some discussion on a potential two-way split of WQ and PQI. VLTO is constantly evaluating if it is the best owner of all of its businesses and acknowledged that one pushback to a possible breakup is that the new companies would lose scale.

VRT: Global pipeline conversion and supply chain smoothing should aid performance, no evidence of market share loss

Three key takeaways: 1) Sales cycle acceleration and rapid pipeline conversion in Europe and Asia are driving international momentum. Europe is seeing a structural inflection with 2H26 revenues expected to grow M-Tns. In APAC, the revenue outlook is favorable, driven by faster pipeline conversion and



normalization in China and India – but margins will be dampened temporarily in 2H26 due to capacity additions including a new facility in Malaysia. 2) Internal supply chain remediation is smoothing out 2Q delivery congestion, which was caused by internal coordination and allocation timing across point-level shops rather than a "golden screw" shortage. VRT is actively building redundancy and a strategic "buffer stock" of inventory to ensure a rhythmic shipping cadence in 2H26, with July on-time delivery KPIs already tracking well. 3) Management didn't place an upper limit on the Americas segment organic growth as it works to quickly bring flexible brownfield capacity online. By strategically building capacity ahead of its backlog, VRT continues to outpace overall market growth, seeing zero evidence of share loss and expecting to capture additional market share moving forward.

WTS: Robust data center activity should accelerate growth, but be aware of lumpiness

Three key takeaways: 1) Data center growth should remain robust for the foreseeable future led by its differentiated CoolVault thermal energy storage tanks paired with Watts' strong reputation, reliability, and engineering. Europe data center opportunity is perhaps underappreciated, in our view. Cautioned that data centers are adding some lumpiness to the company that is not seen at the core business. 2) While the company is hesitant to call a definitive bottom in Europe, there seems to be some stabilization with plenty of pent up demand that should at some point be released (ex. war resolution and rebuild). Restructuring work in the region has improved the structural margin profile to be high-teens in the medium-term. 3) Expecting more of the same with core end markets outside of data centers. This includes relative stability in institutional, while commercial is more challenging. Resi has been weaker. The company expects that lower interest rates and/or more stability in interest rates is needed to spur growth in its broader end markets.

Our More Detailed Notes

Ametek

Attendee: Kevin Coleman, VP Investor Relations & Treasurer

- Management noted that recent order strength is not limited to long-cycle projects, with both short-cycle and long-cycle businesses contributing. Industrial automation and Engineered Materials led the initial recovery, consistent with typical cycle patterns, while process automation and other longer-cycle businesses are now beginning to pick up, broadening the recovery across the portfolio.
- Management emphasized that AME's products are often highly customized rather than standard, off-the-shelf components. As a result, orders can be tied to customer-specific development and build cycles, which can extend timing but also support visibility once orders are placed.
- EIG is exposed to many of the same attractive end markets as EMG but also has greater exposure to longer-cycle areas such as research, energy, and power. As a result, EMG growth came through earlier, but orders have remained strong and should continue being strong in 2H, while EIG should continue to inflect as longer-cycle demand builds.
- AME sees power as an increasingly important opportunity over time, supported by utility infrastructure investment, behind-the-meter applications, research tied to higher power needs, and broader energy-security-related spending. AME's exposure is viewed as relatively balanced between power capex and opex, with no meaningful skew toward one vs. the other.
- Backlog is a little over $4bn, and management noted that the timing of backlog conversion is not materially different from historical levels despite the strong order growth. The company typically books backlog out to ~18 months, with much of the current backlog expected to ship within a 12-month timeframe.
- AME is running its supply chain in the normal course of business with the electronics and memory situation not being sizeable, it's manageable, and they can pass the cost for memory on.
- Inventory levels remain in good shape, with AME carrying some incremental inventory tied to rare earths and electronics given broader supply chain risk management. AME noted they do not have significant rare earth exposure.
- Defense modernization continues to benefit AME, and AME noted that replenishment-related discussions are real, though AME is not disproportionately tied to any single defense program.
- Space remains a relatively small but attractive secular growth driver, representing a couple percent of sales.
- AME's internal AI use cases include engineering/R&D, customer engagement, back-office functions such as financial planning, and M&A due diligence. For AME, AI is less about taking cost out near term and more about "doing more



with less" allowing the company to sustain growth while keeping headcount relatively steady.

- AME's Vitality Index reached ~25% in 2Q26, up from ~15% historically, and management appears comfortable with that level given the useful technology life of its products. Over time, management views a move from ~25% toward ~30% as a reasonable way to think about continued product innovation.
- FARO was acquired at ~15% EBIT margins, and AME continues to target a path toward ~30% EBIT margins over ~3 years. Management noted that integration efforts have been significant, including commercial integration with AME's broader business, but much of the heavy lifting is now complete and growth should begin to improve.
- AME is already operating at best-in-class margin levels, with EBIT margins in the 26-27% range and EBITDA margins ~31%. Management continues to target ~35% incrementals, which supports ~30-40bps of annual margin expansion.
- AME remains confident in its target for 10-12% cost synergies from Indicor over three years. The largest Indicor synergy buckets include sourcing, infrastructure/sales and service efficiencies, footprint rationalization, and back-office headcount opportunities. Management suggested there could be further upside if the synergy realization period extends beyond the initial three-year framework.
- Indicor has been growing somewhat above AME's organic growth rate (~6%), and serves similar markets but operates under a different model. Management also sees potential revenue synergy opportunities from bringing Indicor's 10 businesses into AME's technology and commercial infrastructure, though revenue synergies are not included in the model.
- The M&A pipeline remains strong, and management indicated that additional deal announcements are possible. AME is open to acquisitions across sectors but remains disciplined on strategic and financial fit, rather than pursuing specific end markets simply to complete deals.

Badger Meter

Attendee: Dan Weltzien, CFO

- BMI sounded a confident tone on taking market share with its leading cellular AMI technology where it has a true first-mover advantage. The company noted how its major competitors seem to all be trending towards cellular offerings and, at the margin, de-emphasizing fixed network approaches given the upfront capex spending requirement and advances in cellular technology that have mostly eliminated the certain use cases where fixed network were superior (ex. dense cities). Reinforcing this narrative is the example that, of the nine sizable projects expected to ramp shortly, seven of them were competitive conversions. Finally, it was discussed how there have been leadership changes at two main competitors in recent years including XYL M&CS segment and Kamstrup.



- BMI continues to emphasize a "choice matters" portfolio including both mechanical and static meters. Note that ~75% of BMI meter sales today are still mechanical. XYL Sensus recently exited its mechanical business and BMI sees this as a potential area to pick up some customers.
- Upbeat tone on sewer line monitoring opportunity through SmartCover and UDlive. In the US, there are ~25 million manholes and less than 0.5% are monitored today. BMI expects this business to post structural solid double-digit growth.
- PRASA seems to be tracking mostly to plan. BMI has been involved in the project all of the way back to 2017 and ultimately won the project despite not being the lowest cost product given their product withstood Hurricane Maria the best. This was challenged in court, which is not unusual for a project of this size, and went through all of the steps of the appeal. In 2Q26, a Puerto Rico congressman put out an inquiry for additional information and this appears to just be an inquiry as the governor has said to keep moving forward. BMI emphasized it is only supplying product in the project and PRASA is engaging with two installation partners. The meters should go into the ground in 2H26 and the project should take 3-5 years. Note that PRASA has aimed for closer to three years, but BMI believes roughly five years is a more prudent target.
- BMI's confidence in HSD% through the cycle growth is unchanged and it believes the current "air pocket" in project timing is truly just that and not something more ominous. When asked about the coincidence that Xylem Sensus and Roper Neptune also have a rest year, they reiterated this seems to be a coincidence and it may take time to prove that out. Water utility budgets for 2027 seem healthy and RFP activity is not moderating.
- Electronics supply and inflation pressures are real and the company highlighted this during 2Q26 earnings. Similar to COVID, BMI expects it can weather these headwinds better than peers who have downplayed the issues currently, and this could prove to be misguided ultimately.
- No change to "flattish" 2026 organic sales expectation with an emphasis on the "ish" and the view there should not be much upside expected. 3Q26 revenues should be up sequentially, but this can imply a range of Y/Y outcomes. Gross margins in 2H26 are likely to be under pressure from copper, electronics, tariffs, and mix (more turnkey projects and PRASA). Conversely, EBIT and EBITDA margins should trend better sequentially with the aid of volume leverage. BMI seemed optimistic that generating ~25-30% EBITDA incrementals Y/Y in 2H26 was feasible, but would not 100% commit to the target.
- Confidence in 2027 growth rates much better than 2026 with more air cover from project funnel. Reminder that HSD% growth through the cycle can come with years of LSD% growth as well as DD% growth.

Carrier

Attendee: Michael Rednor, VP of Investor Relations

- 3Q margins are expected to be lower due to a mix shift, specifically driven by $500m of incremental commercial sales in 2H that are entirely Data Center



(DC) related, creating a near-term margin damper Y/Y. CSA margin decline in 3Q vs. 2Q is the change in mix. Most of better RLC happened in 1H26.

- While commercial products carry lower margins than Residential & Light Commercial (RLC), Data Center (DC) sales are accretive to the overall commercial segment, which will support profitability as DC deliveries scale.
- Carrier's 4Q performance should see a much shallower seasonal decline than historically expected because high commercial and DC growth will offset the normal seasonal residential and light commercial drop-offs, driven by market share gains and ongoing investments in the segment.
- If Carrier exits the year with 20–21% margins in the Climate, Controls & Security (CSA) segment, 2027 margins will depend heavily on commercial volume drop-through, given that commercial HVAC (CHVAC) incremental margins are ~25% and RLC incrementals are over 30%.
- Carrier's DC business is currently running at a $2bn annual run-rate (up from a few hundred million a few years ago) with chillers remaining the dominant cooling technology, alongside an expanding CDU portfolio—where the 1MW is currently shipping, the 3MW launches this quarter, and the 5MW is scheduled for year-end—operating on a DTC model that requires high customer intimacy as operators seek engineering flexibility to accommodate future chip technology changes over a 3-to-5-year horizon.
- Focusing on organic expansion for the CDU and DC business—which began only 15 months ago—management is investing ~$100m of incremental capital into organic DC growth rather than acquiring expensive external assets, viewing any near-term margin headwind from ramping up facilities as a positive indicator of higher growth and sales velocity while continuing to selectively evaluate market deals.
- Underlying growth in the Americas commercial business (ex-DC) is tracking flattish to +LSD, while the DC segment in the Americas is basically doubling Y/Y; however, because Carrier is pre-building modules ahead of deliveries to handle stronger-than-expected YTD orders following a big ramp planned since 2H25, 4Q revenue will exceed production capacity, meaning this Q4 rate should not be annualized for 2027.
- While Carrier is cautiously targeting $2bn of chiller deliveries this year (with potential to exceed this if execution and customer schedules align perfectly), total DC backlog sits at $3.0–3.5bn out of the company's $8bn total backlog, and deliveries next year can support up to $1.5–2.0bn with existing capacity, with options to add plant capex in 1Q depending on backlog growth; if demand patterns shift, Carrier will manage capacity flexibly by consolidating underutilized or less efficient Americas lines into newer lines, similar to the 2024 chiller ramp completed in 8–9 months.
- Carrier does not need to bid aggressively on DC orders because decisions are won on technical specifications and efficiency requirements rather than pricing or capacity, positioning the company to capture highly profitable, long-term aftermarket opportunities.



- The long-term aftermarket opportunity for Carrier's DC chillers generates 5x to 10x the original equipment's lifecycle value through warranties, on-site technicians, upgrades, and replacement in 10 to 20 years.
- Despite a tight supply chain, Carrier has no significant internal manufacturing delays, though customer-requested customization and timing changes occasionally shift project schedules into subsequent quarters.
- While tracking normal seasonal patterns, Carrier's residential segment expects a sequential $400m to $500m step-down in Q3 sales due to tough comparisons against an exceptionally strong first half; however, the segment will benefit in 2H from a 10ppt volume tailwind in Q3/Q4 because distributor inventories are flat, compared to 2H25 when revenues fell 40% with destocking hitting 20ppts each quarter (YTD sell-in and sell-out remain identical).
- New residential construction represents ~1/3 of the residential market (with an 80/20 replacement vs. new split), where Carrier over-indexes; though per-unit margins are lower than mom-and-pop replacement sales (similar to high-volume retail), they remain highly profitable, and Carrier only wins these on its own favorable terms—such as winning a large homebuilder in 3Q25, which slightly impacted 2Q mix but blends out over the full year without acting as a persistent margin headwind.
- Competitive pricing changes in the residential market are negligible, with peers implementing announced 6–8% price increases between April and July. Carrier typically realizes 70–80% of list price increases; because its late-April hike only captured two months in Q2 (annualizing to MSD), price realization will improve in 2H within RHVAC to neutralize Q3 CSA price/cost headwinds. While tariffs have stabilized, freight and fuel surcharges continue to cause P&L volatility despite overall neutralization and productivity efforts.
- The European heating and heat pump market is stronger than expected, with stabilization in European RLC (a $4bn business). European RLC grew 7%, driven primarily by air-to-water heat pumps (50–60% of the core Viessmann portfolio), while air-to-air mini-splits (10–15% of the business) saw 20% order growth. During Viessmann diligence in 2021–22, models predicted the market would flip from 2m heat pumps and 8m boilers to 8m heat pumps by 2030; however, after Ukraine war gas spikes, the heat pump market remained flat at 2m while boilers dropped 1–2m below previous levels. While a heat pump acceleration has emerged over the last 6–12 months, the ongoing drop in boilers still affects the mix, which now stands at 20–30% heat pumps, 20–30% boilers (down from half historically), and 40% AC and aftermarket.
- Carrier's highly competitive Toshiba VRF product in Europe offers strong efficiency and cost advantages but requires deeper penetration via Viessmann's distribution; Toshiba's compression technology is utilized globally in Carrier's truck/trailer and container lines.
- Driven by EBITDA growth, Carrier's net leverage is expected to drop into the low-2s by year-end (putting the company ~1 year behind its original deleveraging timeline due to lower prior-year earnings); consequently, capital allocation remains focused on organic growth, selective M&A, dividends, and share repurchases, while debt paydown is a lower priority.

Custom Truck One Source

Attendees: Ryan McMonagle, CEO, Chris Eperjesy, CFO, and Brian Perman, Head of Investor Relations

- In the overall utility transmission market, the company is in the "sweet spot" to benefit from larger high-voltage projects ramping up over the next 12 to 24 months, with transmission equipment constituting roughly 50% of the utility rental fleet.
- Within the transmission market, spend remains in the early stages relative to the long-term pipeline, allowing utilities to easily pivot capital from generation to transmission (and back to distribution if transmission ever slows) for strong operational flexibility.
- Overall utility market demand is driven by broad-based power consumption and the resulting need for new transmission lines, rather than individual data center groundbreakings which are "3 to 4 steps away" from imminent impact.
- Management monitors the utility market cycle via customer conversations, backlog at major contractors like MasTec, investor-owned utility (IOU) 3-to-5-year forecasts, and a proprietary transmission project tracker.
- Within the rental segment, customer rental vs. buying behavior is highly variable, as large contractors prefer buying for long-duration projects but frequently pivot back to renting during the year, with transmission equipment being more heavily rented and distribution equipment more commonly purchased.
- Most rental equipment goes out on flexible month-to-month contracts, though highly specialized or niche equipment requires a 12-18 month minimum contract guarantee.
- Rental fleet expansion is deliberately paced, with management prioritizing free cash flow generation and leverage management over aggressive, uncontracted fleet growth.
- The rental fleet is entirely mobile, allowing physical rental branches to be established by literally following customer equipment to major regional projects.
- Customer concentration risk in the rental segment is low, with the top 15 customers representing 24% of rental revenue and no single customer exceeding 3%.
- The company holds an ~15-20% share of the $2–$3bn addressable utility rental market, making it one of the two largest fleets in the industry.
- Within the STEM segment, T&D accounts for 40% of revenue, while Infrastructure represents 60% (including refuse at 10% of the total segment, rail at 3%, and telecom at 3%).
- Manufacturing segment margins reside in a tight band, typically ranging from 13% to the H-tns.
- Operating leverage in manufacturing has been absent since 2021 as gross margins normalized in the 15-18% range, but stable fixed costs should yield



leverage on future volume growth despite softer demand in non-T&D lines capping prices.

- ~90% of the rental fleet is touched by the manufacturing segment (STEM), and exiting rental units are split equally among contractual RPOs, direct sales, and transfers back to STEM for remanufacturing, fleet re-entry, or wholesale auction.
- Across the total addressable market (manufacturing and rental), the company's share varies heavily by product, ranging from 50% in forestry bucket trucks to only about 1% in massive markets like dump trucks.
- The utility manufacturing space is highly concentrated at the top with major players, whereas other categories like flatbeds feature hundreds of fragmented providers.
- The manufacturing backlog currently shows very few delays, and in the current peak environment, contractors prefer to absorb the cost of idle equipment rather than return it during temporary regulatory or supply-chain delays.
- To capture more project value, the rental segment is expanding into higher-yielding ancillary services, such as providing safety gear, cones, saws, and trailers (kits) alongside the bucket truck.
- Manufacturing price/cost dynamics allow chassis price increases to be passed directly through to the customer, and while oversupplied end-markets like dump trucks face price headwinds, the company expects to fully recover costs in tighter utility markets.
- Tariff impacts on vacuum and hydro excavation trucks represent a primary pocket of cost inflation in the rental fleet, which has been successfully reflected in higher rental rates and purchase prices.
- Although the manufacturing backlog fell in 2Q due to higher delivery velocities, overall quoting activity and order intakes increased in the M-tns.

Eaton

Attendees: Chip Walker, VP IR and Molly McNamara, Senior Manager, IR

- Eaton expects to revise its "stale" March 2030 financial targets upward, indicating that the previous organic revenue growth target of 6–9% should at least be in the DD and the EPS CAGR will be well above the previously guided 12%+.
- The company's long-term organic revenue target for the electrical business is $31bn by 2030 (up from $20bn last year), with the recently acquired Boyd thermal business expected to account for north of $4–$5bn of that total by 2030.
- B/B is expected to remain above 1.0x this year even as revenues continue to ramp, supported by strong broad-based July orders and product lead times that currently sit at 12–18 months depending on the product. Hard to say TTM order growth will accelerate from current high levels, but should remain strong. Backlog due over NTM sits around 71% for the total company as of



2Q. Pre-Covid, 2019 was closer to 90%, so seeing extension of visibility. Have seen structurally higher order dollars. Not just a DC story but across most end markets.

- Historically focused on the "grey space," Eaton intentionally stayed away from the rack (focusing instead on power transformers, MV/LV switchgear, and white space UPS busbars) until the late 2024 Boyd acquisition pulled them directly into in-server liquid cooling.
- The Boyd acquisition is on pace for $1.8bn in revenue this year (up from $1bn last year, which was 10-15% aerospace, 2/3 cold plates, and 1/3 CDUs) and gives ETN a dominant ~40% market share in cold plates. Liquid cooling was largest portfolio gap but still interested in deals. Most likely $1-2bn deal size. Pipeline is active.
- Have already dialed in 50% growth for Boyd next year, drives upside to Electrical Global organic growth. Should deliver upside to Boyd revenue in 2026. Next year, if go off $1.8bn of Boyd revenue in 2026, would be at $2.8bn revenue in 2027 with $9m organic contribution. There is therefore scope for Global to outpace Americas organic growth. Boyd margins were 22.6% in 2Q26, accretive to EG segment margins. Innovating quickly and ramping capacity. Light integration activity aside from commercial aspects, go to market as one ETN
- ETN's DC content opportunity rises to ~$3.5m per MW with Boyd liquid cooling (up from ~$1.5m for traditional cloud and ~$2.9m for pre-Boyd AI), with further potential upside as on-premise power generation (expected in ~25% of projects) requires extra connection equipment.
- The hyperscaler shift to 800VDC will support high-end content pricing (potentially $3.5m/MW) as the removal of redundant UPS and low-voltage assemblies is offset by high-barrier, proprietary DC circuit breakers and chip-level protection.
- ETN has 10 Solid State Transformer (SST) pilots active with hyperscalers, with CEO-approved capex across 3 facilities to support SST orders in 2H of this year and shipments starting in 12–18 months. The unit it has produced can be placed outdoors, is immersion cooled, and offers much higher power density. Management believes it is the best available option
- ETN's $1.5bn capital expansion program across 24 projects is nearly complete, with 6 new facilities coming online next year to provide capacity advantage that seems to outpace peers.
- Now having discussions about further capacity adds required to drive upside to current $31bn long-term Electrical revenue forecast. Additional capacity will likely be layered into 2028-30 and will require additional growth capex. In the works. Underwrote 35% growth rate from 2026-30 within DCs. Reported 60% DC revenue growth in 2Q26 and 50% in 1Q26, clearly see upside. When add in future capacity, will be easier, not as heavy of a lift. Boyd adds another $4-5bn of revenue on top of the $31bn; could paint a scenario where Electrical revenue could be >$40bn by 2030.



- Acquisitions of PDI and Fibrebond have expanded ETN's footprint, with PDI establishing entry into the colocation (colo) space and Fibrebond's offsite, prefabricated modular solutions bypassing local skilled labor shortages to deliver design-to-installation within 12 months.
- Management expects a substantial 450–500 bps operating margin step-up in 2H, driven by ~300 bps of P/C lift (from April/3Q price hikes and moderating commodity costs) and 150–200 bps of productivity gains as daily shipments rise (up 25% from early 2025 through 2Q26).
- ETN's high-margin service and software business reached $2bn last year (10% of electrical revenue); while hyperscalers handle their own servicing, ETN sees massive third-party service opportunities in colos and other data centers, particularly around lithium-ion batteries (related to UPS) and cold plate maintenance.
- Feel very confident in 30% EA margins in 3Q, see 150-200bps H/H step-up in 2H related to output and productivity. Will end 2026 with very strong exit rate on margins in 4Q, Q/Q up 200-250bps, very strong exit rate. 2030 target is 32%, very committed to that. Next year, expect some improvement Y/Y from 29%, will be a nice step up because experienced peak capacity ramp pain in 1H26 so will lap the hardest part of that. Not talking about upside beyond 32% long-term EA margin target at this point, more focused on driving revenue and profit dollars at 32% margins than blindly expanding margins.
- RMT of Mobility is still on track for end of March 2027. Will cause some EPS dilution next year. Consensus EPS for 2026 stands at $16 after 2Q results, if we use that as a framework, when Mobility is carved out after owning for 1 quarter, lose 9m and have some stranded costs, net/net expect MSD% EPS dilution, pretty modest. From a modeling perspective, Dana disclosed will be a split off rather than a spin off. If do nothing, shareholders only own RemainCo. If want to own Mobility, have to participate.

GE Vernova

Attendees: Paulo Koziner, Chief Commercial and Operations Officer and Michael Lapides, VP of Investor Relations

- Customers are asking GEV to call if earlier delivery slots become available, and management indicated these discussions are effectively "stacked." GEV is engaging with utilities and offtakers to understand how it can solve for their power needs, while also working to validate whether the underlying offtake commitments are legitimate. Given its strong market share in gas turbines, GEV can speak with a broad set of market participants, cross-reference demand signals, and use that visibility to support more effective demand planning. This also helps the company assess project readiness, including whether a customer's site or pad will be prepared if a turbine becomes available for shipment.
- For developers, there is a time window in terms of risk appetite. GEV has been surprised at how far customers are willing to book out. A year ago, hyperscalers did not want to talk about shipments beyond 2027-28. Now



they are becoming more sophisticated in their planning. So, GEV is having discussions with them now into the 2030s. But there is a limit to that.

- At 63 GW and 53 GW right now for SRAs and orders as of 2Q. Thought it would be at a 60/40 split the other way, meaning more orders than slots for the full year. Have raised the year-end forecast twice, tells how much activity is out there. Still think they will be around 60% orders vs. 40% SRAs. SRAs now calling for units out to 2031. SRAs are very meaningful agreements that are not cancellable and they are holding customers to that.
- When the customer doesn't seem legit, GEV puts them in touch with an EPC before taking an order. Leveraging a dominant >50% US H-class market share, GEV has implemented highly rigid contracts featuring 15% to 20% non-refundable down payments on reservation and electrification agreements to protect against demand downturns.
- GEV currently has slots booking into the end of 2029, into 2030 if you were to call the factory, depending on project (more than half of 2031 capacity is already sold out). There is a difference in US vs. 50 Hz markets, have some 50 Hz slots open potentially. Have to maintain a certain number of slots for the service biz. GEV asks the customer whether they really need the product and if they have a plan, as they need to understand real needs/construction plans. Then they can call customers to see if there is wiggle room for other slots already booked, and always moving things around. Some projects move to the left, some move to the right, and then GEV can offer a premium priced slot if things move around.
- Hyperscalers can purchase heavy-duty gas turbines, sign LTSAs, or enter multi-year GW commitment frameworks directly and then have the utility manage it. They also buy electrification equipment and substations directly from GEV.
- DCs represent 20% of GEV's contracted power across >100 customers, keeping the business highly diversified. As AI workloads shift from training to inference, the need for uninterrupted power increasingly favors utility-scale gas turbines over behind-the-meter (BTM) reciprocating engines. While reciprocating engines can support certain training workloads, the scale and reliability requirements of inference are pushing hyperscalers toward large-scale utility partnerships and away from fragmented, smaller BTM setups unless absolutely necessary.
- GEV funded some furnace houses with casting partners a few years ago, meaning that these furnace expansions are dedicated to GEV. GEV has quality engineers on site at the furnace. GEV has improved the waste rate. They are feeling pretty comfortable about how suppliers are delivering today. This enables GEV to go out to customers and have real conversations without supply chain concerns.
- There has been an evolution in hyperscalers' planning, design, and willingness to partner with utilities/grid, meaning that the idea of starting with a BTM solution isn't as crazy as it used to be. This will lead to much smarter design in DCs - more efficient system of moving power around.



- Lean is in everything that GEV does. Greenville looks completely different today than it was 3y ago, much more efficient - machines organized differently, drives more throughput. Less of an issue when volumes are low so they have to redesign to improve throughput. Trying to evolve into doing more with less people due to investment in automation and AI; also building capacity to service what they sell to produce more components and parts. Capacity expansion leverages lean processes with robots and AI.
- GEV has said gas turbine pricing is up 10–20ppts this year, with most of the uplift expected to flow through to margins over time. Given the typical two-to-three-year period from order to shipment and the use of percentage-of-completion accounting, revenue recognition is weighted more toward years two and three than year one. As a result, the revenue currently flowing through is largely tied to 2023/early-2024 backlog. While some of that revenue was recognized last year, GEV is not yet seeing the full benefit of the more recent price increases, which were implemented in mid-to-late 2024. Management expects some of that uplift to begin showing up in 2H26.
- Not seeing any ceiling to price. Gas Power demand continues to grow, supply constraints remain very real. Seeing very strong pricing globally in both Electrification and Power.
- Concern that GEV has hit a ceiling on orders or pricing? No. A key reason is that customer behavior has shifted: buyers increasingly understand they are unlikely to receive gas turbines within two years, which has led to more orderly discussions around project sequencing three to four years out. Demand also remains concentrated among a relatively small group of large customers, roughly four to six companies, and the underlying power need still has to be served. Utilities appear more willing to plan further out as they look to address grid surge requirements and gain confidence that demand will materialize. Developers, by contrast, remain more short-term oriented and typically need a backstop, which often brings the discussion back to the hyperscalers, who may cover the SRA down payment. GEV is also having direct conversations with hyperscalers around their multi-year power plans.
- Have 5 MW and 6 MW solid state transformers in development with customers today.
- Unlike the aeroderivative market, which faces robust third-party service competition, the
- H-class service business is highly insulated. The extreme component complexity and smaller population size of H-class turbines make third-party servicing too risky for customers, securing GEV's highly predictable, high-margin LTSA cash flows.

Honeywell

Attendees: Mike Stepniak, CFO and Mark Macaluso, SVP of Investor Relations

- Management views mid-teens adj. EPS growth as achievable in 2027, driven by MSD organic growth (likely closer to the high end given this is where the company plans to exit 2026) and >100bps segment margin expansion, coupled with an interest expense tailwind as debt is paid down.



- Orders were strong in 2Q and remained strong in July, with all businesses performing well. That said, we should expect Process Technologies orders to decline Y/Y in 2H26 given that the business benefited from very large orders in 2H25 (creating tough comps); B/B should remain >1x.
- Overall, HON expects >100bps of Y/Y segment margin expansion in 2027, as underlying segment performance is augmented by the elimination of stranded costs (post-HONA spin).
- Within Process Automation & Technology (PA&T), a lot of orders are coming in on the back of the Middle East conflict, both on the long-cycle project and short-cycle catalyst sides of the business. This comes as higher oil prices drive better spreads and more reinvestment by customers. Moreover, customers are seeking out greater energy security and resiliency in the wake of the conflict, building out new facilities in Africa and India and rebuilding damaged facilities in Qatar. Order activity from the US and LatAm has also been good, and HON's LNG business is at capacity through year-end 2028.
- While PA&T orders have already been strong, the pipeline of activity coming out of the Middle East conflict has only just started – this should be viewed as a multi-year demand cycle. HON believes 75-80% of the Middle East conflict-related order activity will come from energy security/resiliency rather than pure rebuild.
- Heat exchanger demand remains robust, though management noted that many of these projects have multi-year lead times; as such, orders booked today are often more reflective of 2027-2028 revenue opportunities than near-term growth.
- An oil price of $80-100/bbl is optimal for investment and for the general economy.
- Management expects short-cycle catalyst sales to pick up in 2H26, up DD H/H and up HSD Y/Y. The Johnson Matthey catalyst business is also seeing strong demand. Johnson Matthey margins are ~half that of HON PA&T today, but management sees significant room for improvement towards HON levels over time (by optimizing operations and commercial approach).
- Beyond traditional O&G verticals, HON is also seeing a lot of growth (within Process Automation) in life sciences, cyber security, industrial automation, and data centers (power gen).
- This year, PA&T segment margins will decline, but HON sees a better setup in 2027 driven by pricing gains, mix, and lapping the dilutive Johnson Matthey catalyst acquisition (along with improving Johnson Matthey catalyst margins). This should drive Y/Y margin expansion for PA&T in 2027, particularly in 2H27.
- Management has high conviction in reaching 25% margins within PA&T by 2029 (its stated medium-term target) despite any mix headwinds that may arise.
- Part of the reason Building Automation has been able to post consistent HSD organic growth over the past several quarters is a very high investment in NPI, with a vitality ratio of ~40%. Of total growth, 3-4% is being driven by price and



the remaining 3-4% is being driven by volume. NPI here has been very strong, and growth has also been bolstered by increasing adoption of Forge. Last year, HON connected 5x the assets it connected cumulatively in the last 5Y prior.

- Data Centers currently represent ~4% of BA sales, but management would like to double this percentage in the next 3Y. Total data center content today is ~2-3% the total value of the data center, but HON thinks this can grow to 5-6% in the next 3Y. Management believes this can be done through organic investment rather than acquisitions, as deals in this space are very expensive.
- Management highlighted labor productivity and remote monitoring as key customer value propositions for BA solutions, citing examples where Honeywell's building controls allow customers to diagnose facility issues remotely, reducing truck rolls, labor costs, and downtime.
- HON has a lot of conviction in its ~29% 3Y margin target for BA, and the biggest driver of this is volume leverage, coupled with continued pricing related to NPI.
- Management has a lot of conviction in Industrial Automation reaching ~22% segment margins by 4Q26 – and then 2027 should see further improvement (off of full-year 2026 levels) driven by stranded cost reduction and improving operational execution. The ongoing business carries >20% segment margins.
- IA has already made progress improving its on-time delivery metrics. On-time delivery to first promise now sits at 80% (HON would like to get to 85%), but does acknowledge that a lot of work needs to be done to improve on time delivery to customer want date. The biggest enabler to improving on-time delivery is the SIOP process. The IA business manufactures a lot of product to customer specifications, and the supply chain needs to shorten its delivery cycle.
- This focus on on-time delivery within IA has enabled HON to stop market share losses, coupled with a renewed focus on NPI. IA is expected to grow LSD organically in 2H26 with growth accelerating into the MSD in 2027; beyond this, it is possible that IA could reach MSD+ organic growth or even HSD depending on the demand environment.
- Capex is expected to remain below 3% of sales over the next several years, supporting Honeywell's target of ~95% FCF conversion.
- Management continues to target a dividend payout ratio of ~35% and expects stranded costs associated with the portfolio separation to be largely eliminated by mid-2027.
- HON sees the greatest M&A opportunity within IA, focused on growing the core sensing & measurement business rather than moving into new adjacencies. The company does not have an aversion to gaining discrete automation exposure; its history has made it more process-focused rather than anything else.
- With respect to acquisitions in general, HON will remain disciplined and likes paying ~13x EV/EBITDA multiples for assets.

Ingersoll Rand

Attendees: Vikram Kini, Chief Financial Officer and Max Vorcheimer, Director of Corporate Development and Investor Relations

- Management characterized July orders as broad-based, with stronger long-cycle conversion across regions and end markets rather than being driven by any single geography, application, or large project. While management is not extrapolating July's LDD-to-mid-teens organic order growth as a sustained run-rate, it noted that long-cycle funnels remain healthy, delays have largely reflected timing rather than cancellations, and recent order activity supports backlog build into 2027.
- Within ITS, short-to-medium-cycle orders have been running at ~MSD pace and management believes improving PMI trends are beginning to translate into demand across most major end markets. NA remained the strongest region in 2Q, while Europe has been stable and India continues to deliver DD growth.
- IR reiterated that normalized pricing should remain in the +1-2% range over time. The company expects pricing realized in 1H26 to provide a modest tailwind into 2H26 and views +1-2% pricing as a sustainable baseline into 2027 and beyond.
- Recurring revenue remains one of IR's highest organic-growth initiatives. The company exceeded $450m of recurring revenue in 2025, compared to ~$200m at its 2023 investor day, and continues to target a pathway toward a $1bn run-rate exiting 2027. Management noted the program is expanding well beyond NA compressors into Europe, Asia, blower, vacuum, pumps, and other acquired technologies.
- China pricing remains pressured (-LSD in 2Q26) due to a competitive and deflationary environment, though management views these headwinds as temporary rather than structural. While normalization is unlikely in the near term, the company expects pricing conditions to improve gradually over the medium term.
- Despite pricing pressure, China ITS revenues grew LDD organically in 2Q, implying significantly stronger underlying volume growth. Management highlighted targeted application wins and successful localization of acquired technologies, particularly in blower, vacuum, and air treatment, as contributors to growth.
- Management believes IR remains underpenetrated in LatAm, the ME, India, and Southeast Asia relative to its position in NA, Western Europe, and China. Recent investments including new compressor manufacturing capacity in Brazil and India are intended to support share gains and above-market growth in these regions over time.
- On ITS margins, management highlighted four key drivers of expected 2H improvement: normalization of pricing, better organic volume trends, reduced mix pressure from certain lower-margin China application wins, and growing productivity benefits. The company also noted that most restructuring actions taken in late 2025 and early 2026 have now been absorbed.



- Management views the implied ~28% FY26 ITS EBITDA margin as a more appropriate base from which to resume a normal margin expansion cadence in 2027, supported by stronger volume leverage, ongoing productivity initiatives, and a healthier pricing environment.
- Within PST, IR remains particularly constructive on the life sciences portfolio, noting that all three businesses (Flow Control Solutions, biopharma, and medical devices) are performing well. While growth is expected to moderate in 2H26 due primarily to tougher life sciences comps, management continues to view the business as one of the strongest growth drivers across the portfolio.
- PST margins reached 31.5% in 2Q, and management indicated the segment remains on track toward its mid-30% margin objective, supported by pricing, productivity, and ongoing volume growth.
- Management remains highly constructive on M&A, citing a pipeline of 200+ companies and 11 signed LOIs. The company continues to target 400-500bps of annual inorganic growth, primarily through small, family-owned bolt-on acquisitions, while remaining open to larger transactions if valuation and strategic fit are attractive.

Hubbell

Attendee: Dan Innamorato, VP Investor Relations & Corporate Strategy

- Growth rate within Electrical segment has been strong, data centers have been a big part of that. Have seen improvement in non-resi as well, biggest driver of recent full-year guidance raise.
- Utility demand has been very strong throughout the year, with good growth in 1H and expected strength in 2H based on order book/backlog.
- Utility demand has been really healthy - biggest driver has been the age of infrastructure and the need for grid hardening, has been playing out over last 5-7Y, now adding load growth on top of that. This is leading to new projects, bigger projects, leading to utilities planning projects further out than typical. Driving constructive rate case in terms of need to invest and accommodate this, a lot of urgency from utility customers. Load growth drives revenue growth for them. Pace will be a little different for utilities than hyperscalers.
- Regulators have generally been supportive of investments that need to be made to the grid but there is natural pushback from consumers. Utility budgets have gone up nicely. A lot of effort has been focused on reducing bottlenecks, permitting, right of ways. Has probably helped incrementally but still a challenge.
- HUBB does not believe hyperscaler customers will opt to run data centers for 20Y on reciprocating/diesel engines, but rather think data centers will interconnect to the grid eventually. Need a substation regardless and requires same investments as a utility substation. Different sale process, typically an EPC or IPP helps the hyperscaler with install – HUBB has good depth/breadth with these customers. Project comes through as a bid and a quote, biz dev teams talk to EPCs about full package available. All



constructive in terms of incremental biz, and this is captured within HUBB's Utility segment.

- A lot of HUBB's business is still short-cycle, a lot will depend on how much Utilities can book in terms of capex next year. Have guided for MSD across cycle growth and Utility growth could be a little stronger than this, but won't grow at data center levels.
- Don't think much changes for HUBB in terms of components within an 800VDC system. Changes some design configurations within skid business but that's its general nature, designs change every few years. Net/net, 800VDC is not a huge needle mover for HUBB in either direction.
- Major margin dynamics are just price/cost math (impacts margins, neutral to OP). Plenty of volume leverage coming through on core biz. No competitive differences in markets, products tend to be spec'ed in, small % of cost, difficult to penetrate. Inflationary environment, that's the math of price/cost. Can see this play out in HUBB's history in periods of inflation.
- Price is sticking nicely. Price fatigue exists, but is not impacting HUBB's ability to get price, especially since inflation is highly visible to customers.
- The NSI integration is going well. The strategic fit with HUBB's legacy business is strong, making the integration process easier. NSI/HUBB Electrical have the same customer set, similar product types. The acquisition has been very well received by customers. Commercial efforts are only just beginning, but management feels optimistic, and demand has been healthy.
- Wouldn't expect to do another $3bn acquisition in the next year but can de-lever the balance sheet pretty quickly, can get down to 2x within a year and typically operate a little <2x. But near-term focus is to pay down debt.

Lennox International

Attendees: Alok Maskara, CEO and Geoff Dethlefsen, VP/GM, Lennox Commercial HVAC

- At the corporate level, Lennox achieved 13% cumulative growth over the last four years, driven primarily by building commercial solutions, despite European divestitures and acquisitions.
- Total company 2Q26 margins are up ~500bps compared to 2Q22, supporting the long-term corporate segment margin target of 22-23% with equal contributions expected from both the residential and commercial segments.
- On full year guidance, kept a wider-than-usual $1.00 EPS range instead of the typical $0.50 range to account for macroeconomic volatility in consumer confidence, interest rates, and gas prices.
- At the corporate level, Lennox's FY26 cash flow expectations remain unchanged despite lowered EPS guidance, supported by proactive inventory liquidation.
- In the residential Home Comfort Solutions (HCS) segment, broad industry recovery is delayed, with meaningful, non-inventory-driven market recovery now pushed to 2027 and the 2027 industry volume projected to be flattish.



- In the HCS segment, ZIP-code-level data confirms stable market share compared to four years ago. This is despite the residential new construction business that we walked away from, which clearly shows that we are gaining share in replacement—just not enough to fully offset the residential new home construction loss. So, we've lost a bit of new construction, gained a bit in replacement, and net-net, we are doing okay.
- In the HCS segment, Lennox walked away from two large new home builders (RNC) to protect margins, which will remain a volume headwind for one more quarter, while bidding on two currently active public homebuilder RFPs with strict pricing discipline.
- Regarding the residential RNC exit, Lennox historically offered builder rebates via contractors (e.g., cutting a $400 rebate check on a $2,000 list price unit), but experienced volume loss when contractors serving specific homebuilders used discounted pricing for other builders and that's what we didn't anticipate.
- To resolve rebate leakages, Lennox is deploying an AI-driven digital verification tool that requires contractors to submit official install paperwork to qualify for builder rebates.
- In the HCS segment, where manufacturer prices rose ~40% and retail consumer prices surged over 100% since COVID-19, Lennox is introducing simplified, lower-cost replacement units, side-discharge units, and consumer promotions (like $2,000 Costco rebates) to address price sensitivity. High replacement costs have driven a shift toward repairs that defer equipment replacement by 2-3 years, which management views as deferred demand that will eventually trigger a replacement cycle.
- To optimize HCS margins, Lennox is implementing freight reduction measures through the Dallas Freight Distribution Center (FDC) and plans to launch a network-wide dynamic pricing system by mid-2027.
- The HCS segment's supply chain faces ongoing disruptions, including an August 1 government ban on 43 Chinese companies that temporarily halted imports of electronic components and Nidec motors, requiring Lennox to shift to secondary suppliers via costly air freight.
- In the Building Climate Solutions (BCS) commercial segment, Lennox achieved double-digit volume growth YTD, outperforming the low-single-digit growth of the broader light commercial market through market share gains in emergency replacement (ER) and national accounts.
- In the commercial BCS segment, management considers the ER growth initiative to be in the "3rd inning" of a multi-year runway, targeting an incremental $125m in commercial sales over the next 2-3 years.
- To support BCS expansion, Lennox's historic capacity investments, including a high-volume factory in Mexico, have freed up capacity at the Arkansas plant to focus on configured-to-order national chain accounts.
- The BCS segment's second-half guidance implies a deceleration to MSD due to tougher Y/Y comps from the 2025 commercial refrigerant transition and generalized macroeconomic choppiness.





- BCS margin expansion is being driven by factory productivity improvements in Mexico and Arkansas, alongside a new AI-driven Field Service Management platform designed to transition service margins from decremental to incremental next year.
- In the parts and supplies business, Lennox aims to double its parts attachment rate from 15% to 30% over the long term, supported by the integration of recent acquisitions like Duro Dyne and Supco under NSI.
- Lennox will launch a revamped parts distribution network in March/April 2027, utilizing a Product Information Management (PIM) system to facilitate overnight delivery and compete directly with specialized distributors.
- Lennox's corporate M&A pipeline remains active but highly selective, focusing on fragmented commercial parts, service companies, and home energy controls, with all potential acquisitions required to outperform disciplined share buybacks.
- Regarding the data center cooling market, corporate management is avoiding high M&A multiples in favor of developing organic, next-generation, non-water-based direct-to-chip liquid cooling systems utilizing CO2 refrigerant.
- In the broader HVAC distribution landscape, Lennox welcomes high-multiple distributor acquisitions by competitors as validation of its own direct-to-contractor model, but will continue to organically open its own stores due to a rapid two-year payback period.

nVent Electric

Attendees: Gary Corona, CFO and Tony Riter, VP, Investor Relations and Treasury

- Following 2Q results that exceeded expectations, NVT recorded DD orders in 2Q, with management highlighting that July saw several large, lumpy data center (DC) orders that gave them the confidence to raise their top-line guidance and commit to the Blaine facility expansion. While 3Q faces a challenging Y/Y order comp of +60% from 3Q25, the 3Q guidance is set close to 2Q levels, representing a significant 2-year stack acceleration of ~50% growth in 3Q (up from 1H), though management is maintaining a prudent outlook for 2H to account for supply chain contingencies and capacity investments.
- Backlog is at unprecedented levels, with most currently managed at 12 months or less, though management expects this backlog to grow and extend past 12 months as Blaine 2.0 ramps, the modular portfolio launches, and they broaden their customer base beyond hyperscalers into longer-lead-time customers. For liquid cooling, orders typically materialize toward the end of greenfield design phases closer to actual compute deployment, and early data center commercial expansion is underway in Europe to capture growing sovereign and global hyperscaler demand.
- Only two quarters into 3-year intermediate guidance, NVT is off to a much stronger start than anticipated, meaning their 10–13% organic



sales CAGR through 2028 is currently tracking ahead (though management is not resetting it yet) as infrastructure has structurally risen to represent 60% of total revenue in 1H26, up from just 10% at the time of the spin-off.

- Total gross margins are projected to expand in 2H and for the full year, supported by pricing and productivity actions offsetting inflation, while the near-term headwind of ramping the Blaine facilities on incremental margins was fully contemplated in NVT's mid-20s incremental margin long-term goal as they prioritize long-term growth and return on investment over quarterly incremental smoothing.
- The Electrical Connections (EC) segment delivered an 18% organic growth surprise in 2Q driven by a structural shift toward infrastructure (power utilities and data centers) and the realization of pricing actions, though EC margins are expected in the high 20s this year and are structurally unlikely to return to historical 30%+ levels long-term due to this higher-growth but lower-margin infrastructure mix.
- To address current capacity constraints, NVT is ramping Blaine 2.0—which features a similar square footage to Blaine 1.0, replicates the successful Anoka facility layout, and is located in a strong metro transit area to help staff labor competitively—while also expanding capacity at Trachte and Avail EPG, with additional land available near Blaine for a potential Blaine 3.0 expansion if decided.
- New products drove an impressive >30% of revenue in 2Q26 (up from a historical baseline of ~12%) as R&D cycle times compressed from over 2 years to under 1 year, and while this 30% level is not a sustainable run rate, NVT is launching a new modular liquid cooling portfolio (including modular CDUs) in the fall to target colocation, enterprise, and neocloud clients with simpler, standardized plumbing, which will also open up a long-term service capability opportunity that hyperscalers typically do not require.
- Management expects liquid cooling penetration in data centers to grow from 10–15% currently to 30% by 2030, with short chip replacement cycles of less than 5 years driving recurring demand for entirely new cooling systems (due to changing flow rate and pressure requirements), while the transition to 800VDC acts as a net positive across both segments as higher power generation increases heat and drives demand for liquid cooling and system protection.
- The M&A pipeline remains highly active and focused on the 25+ year power utility super-cycle, as seen by the acquisitions of Trachte and Avail EPG which have grown double-digits since acquisition due to substation demand and unexpected interest from DCs utilizing modular e-houses/pods to accelerate power deployment outside the DC.
- NVT's capital allocation priorities are organic growth investments, disciplined M&A, and offsetting dilution from buybacks, which is supported by a highly conservative leverage profile of 1.1x turns that management can double if need be.



Otis Worldwide

Attendees: Imelda Suit, SVP & Treasurer and Syed Fahad Afaq, Senior Manager, Investor Relations

- Felt like when reset full year guidance in 2Q, calibrated to ensure that is de-risked, that was the intent.
- Management framed the 2H service margin recovery as being driven primarily by repair pricing already embedded in backlog, June SG&A actions, and easing modernization mix headwinds. The company suggested the bridge from 2Q to 4Q service margins is largely visible, with repair pricing representing the biggest component.
- Have seen much more competition in China service market as well as China new equipment market. Europe service market has also gotten more competitive - a lot of mechanics started their own businesses post-Covid.
- ISPs maintain ~half of elevator units worldwide, very competitive. OEMs always have a competitive advantage over ISPs - support network that aids mechanics, greater expertise in the elevator maintenance. Digital offering increases competitive advantage of OEMs generally.
- There are bigger ISPs now than in the past, have consolidated a bit more after being acquired by PE firms.
- With all the work being done internally, OTIS failed to focus on the maintenance side of the house, causing some issues with customers. Focus on outliers - branches with very low service quality (this is where OTIS is investing).
- On micro-pricing, consolidated data late last year, and saw a lot of outliers through this benchmarking work. OTIS then provided this info to branch managers, who train salespeople on how to get pricing. Have seen this work in repair - low elasticity of demand. Expect repair pricing to come through, no issue here. On maintenance, did the same exercise, but branch managers are pushing back a bit more vs. repair. It is harder to negotiate pricing without anything breaking. This is why OTIS decided to remove micro-pricing from its full-year outlook, especially since it is pushing branches to retain units, which is more important than pushing maintenance price in the near-term.
- In most mature markets, maintenance contracts have escalator clauses. Maintenance is 75% labor, 25% material costs. In EU, use CPI to escalate contracts. Tend to see good pricing in mature markets. China is very competitive. Make money in service within China, but not as much as in other regions.
- Otis One has better attachment rates - customers want it because they get better information on their unit's health. They like to see information on their unit. 1.1m out of 2.5m units has Otis One today. Trying to get to 60% by 2030, now included in all equipment shipped. More proactive sales process to customer. Also put Otis One in every mod project - change controller as part of the mod work.



- Unlikely to see improvement in retention rates this year, takes time to convince customer. Will need maybe a year or so to get retention back up. >94% retention ex-China but targeting 95%.
- China NE demand remains a challenge, down 40% since 2021 peak. Now 11% of OTIS's total sales, less material than it has been historically. May continue to go down but not at same rate as has for last 5Y and should stabilize. In the meantime, US is accelerating. Seeing demographics age in US - accessibility retrofits. Multifamily condos being built. Infrastructure - airports, metros. Multistory DCs, not a big part of biz but seeing that. India is also a growing market, as well as other parts of Asia.
- Service portfolio growth is currently running around ~3%, pressured by lower China new equipment conversions, but management believes it can improve as China headwinds moderate and OTIS focuses on higher-value markets, retention, and recapture.
- Service margins will maybe expand 10-20bps p.a. from here; mod mix headwind is the big issue.
- While China NE remains pressured, the China business is shifting more toward service and modernization, with service now roughly half of China revenue and government subsidy programs supporting modernization activity.

Regal Rexnord Corp

Attendees: Rob Barry, VP Investor Relations and Alex Scarpelli, Chief Accounting Officer

- Management indicated customer timing, rather than RRX readiness, is the primary factor driving the 1Q27 EPOD shipment start date, noting the company could begin earlier if customers were prepared to receive the units.
- RRX feels good about the EPOD supply chain, citing longstanding supplier relationships, substantial advanced material purchases, and less constraint across the low-voltage electrical supply chain than in prior years.
- Management believes customers originally pushed RRX toward modular solutions, with current awards representing an opportunity to prove out the product and economics before broader adoption.
- While Residential HVAC and Pool remain weak, Commercial HVAC continues to perform exceptionally well, growing >30% in 2Q, and benefiting in part from demand tied to data center-related investment.
- The resi HVAC weakness is being driven primarily by channel dynamics and continued destocking rather than a material deterioration in underlying end-market demand, noting RRX sits further upstream in the value chain than many OEMs.
- Pool sales declined ~mid-20% in the quarter, with management attributing much of the weakness to distributor destocking; classified pool as a more discretionary end market than Resi HVAC.



- Management noted some signs of price fatigue within OEM channels, particularly across AMC and PES, and is assuming a longer lag between inflation and pricing recovery than in prior planning assumptions.
- Discrete industrial markets accelerated during the quarter, with orders up roughly high-teens, as improving ISM trends and company-specific initiatives contributed to stronger demand.
- AMC margins were affected by tariffs and project mix during the quarter; management highlighted several high-margin projects that shifted between quarters, contributing to margin volatility.
- Excluding EPOD, management expects AMC margin improvement to be driven by volume leverage, productivity actions, and favorable mix, with incremental growth expected to outpace incremental investment spending.
- Management emphasized that EPOD should be viewed through a return-on-capital lens as much as a margin lens, indicating they would remain focused on attractive EBITDA growth and returns even if margins ultimately land somewhat below current expectations.
- The company continues to evaluate opportunities in thermal management associated with data centers, including existing motor and air-handling products as well as new product development within PES.
- Management indicated EPOD adoption currently involves only a handful of existing switchgear customers but suggested a successful rollout could create substantially larger opportunities over time.
- Rare earth-related headwinds contributed roughly 30bps of margin pressure during the quarter; management expects the impact to diminish going forward as mitigation efforts progress.
- Near-term capital allocation remains focused on debt reduction, with substantially all free cash flow beyond the dividend expected to be directed toward deleveraging until leverage moves closer to management's targeted range.

Veralto

Attendees: Sameer Ralhan, CFO

- Pricing is ~100-200bps annually for Veralto. In 2H26, pricing should moderate towards ~2% with PQI trending a bit stronger than WQ.
- Within WQ, Treatment has been growing faster with ChemTreat growing solid HSD-DD% and Trojan DD%. Note that ChemTreat has more of an industrial-focused end market exposure, while Trojan is more muni-focused. Analytics is a modestly slower growth than Treatment, with more muni focus. Growth here is more about new products and services.
- It was highlighted how investors often underestimate how much industrial exposure VLTO has. In terms of where VLTO has "torque" to an improvement in PMIs and IP, it is often seen in this order: (1) First at ChemTreat and that strength is already there; (2) Hach is a smaller industrial exposure, but seeing some benefit too; and (3) PQI with the CPG exposures within Marking &



Coding with an emphasis on electronics and automotive. Overall, perhaps ~50% of WQ could theoretically be exposed to PMI and IP and around ~1/3 of PQI.

- VLTO reiterated its 2026 guidance construct with ~3% core growth in 1H26 and that should step up to ~5-6% in 2H26 (WQ should be more steady in the 5-6% zone with the potential to over-deliver, whereas PQI will be more 4Q-weighted for growth). For 4Q26, the improvement at PQI in particular should be aided by: a small days benefit, easing Packaging & Color pressure (was more acute in 1H26 (focused on X-Rite in housing, auto, textiles), and a strong pipeline at ESKO, TraceGains, and GlobalVision. Note that margins should also be stronger in 2H26, aided by volume leverage along with accretive-margin sales from the 4Q26 pipeline of PQI revenues (focused on Packaging & Color).
- China remains weak and is bouncing along the bottom. VLTO has proactively changed its approach in the country to more of a mature market. Muni activity and housing activity remain depressed.
- LatAm had been growing nicely since spin, but has been weaker in 1H26 with some project push-outs. This is mostly in Brazil and is perhaps related to the looming Oct-2026 elections. Note that the main LatAm exposures are Brazil and Mexico.
- The company's cost takeout program is on track and the savings should be incremental to the typical 30-35% incrementals on the base business. VLTO noted there is the potential for some small benefit in 4Q26, which is not part of the formal plan.
- VLTO feels confident on its ability to handle inflation and costs in 2027. The main business potentially impacted by tariff changes is Trojan, but the products are currently USMCA approved and VLTO also stood up a US site.
- In our view, VLTO sounded more aggressive about buybacks and at a minimum expects to offset dilution (annual equity comp can run around ~$100m) with the rest opportunistic. As usual, the bias remains towards M&A when feasible, but if the intrinsic value of shares dislocates too much from the market price, the company is willing to opportunistically step in. On the M&A funnel, it remains active for both WQ and PQI and deals similar to In-Situ were noted as being the "sweet spot" (~$435m price tag with ~$80m revenues when acquired).
- The majority of the M&A VLTO has completed has been at above-company-average growth and this should help the company migrate towards the higher-end of its MSD% long-term target.
- VLTO downplayed major direct data center exposure, but highlighted that it is indirectly benefitting in several areas. For ChemTreat, if you include direct data center and adjacencies of power etc. it is "becoming an interesting number".
- PQI's core CPG business has been generally steady, and VLTO chalks this up to some shift away from larger household CPG players towards mid-size and



smaller players that are often healthier, where the company also participates. Interestingly, VLTO's pricing power tends to be better here.

- VLTO's SG&A as a percent of sales (~30%) and R&D (~5%) are higher than many peers as a result of its commercial architecture and mostly direct to customer structure. VLTO believes this helps differentiate it from competitors. Within SG&A, the G&A is fairly typical (perhaps a bit elevated due to VLTO's decentralized structure), and it is more the "S" that is elevated vs. peers, but again, this is intentional.
- No major changes in expectations on federal funding as it pertains to WQ. As a reminder, most of WQ is opex-centric to start with, and Trojan is the one area that is more capex-exposed. For Trojan, bid activity is "still pretty good" for the US and Europe, which we see as an encouraging signal.
- Finally, there was some discussion on the potential for a two-way breakup at VLTO between WQ and PQI. VLTO is constantly analyzing both businesses and if at a certain point it determines it is not the best owner it is willing to engage in strategic actions. One of the main concerns in a potential split is losing scale as there are benefits from a larger company and balance sheet with the ability to transfer leadership talent between the two.

Vertiv

Attendees: Craig Chamberlin, CFO and Thomas Niederpruem, IR Analyst

- Upward revision in 2H guidance is driven by expanded capacity in the point-level business, allowing the company to eat further into the backlog to deliver more point-level solutions.
- Management has built prudence into its 2H26 assumptions by modeling continued inefficiencies in both point-based and systems businesses, noting that perfect execution is not required to meet targets and the labor outlook remains strong.
- Europe is experiencing a structural inflection, with management forecasting 2H26 regional revenues to grow up M-tns as customers prioritize immediate compute needs over waiting for EU regulatory decisions.
- Management declined to place an upper limit on the Americas' growth capacity—even above the current 45% threshold—as the company continues to build capacity ahead of the backlog and can quickly add brownfield lines to flex supply.
- Margins in Asia will face a temporary headwind in 2H26 due to capacity additions and facility rollouts in Malaysia, though the overall 2H pipeline remains strong, supported by normalization in China and robust growth in India.
- 2Q project congestion and shipping delays were driven by internal coordination and allocation challenges across various point-level shops rather than a single component shortage or "golden screw" issue; because VRTs project business runs through a unified delivery unit requiring multiple point products to culminate together for systems like SmartRun or OneCore, delays in securing allocations from individual shops in May and June caused projects to congest on each other and blocked shipments.



- To smooth out delivery and make the shipping process more rhythmic and consistent, VRT is actively building up internal supply chain redundancy and resiliency to establish a proper "buffer stock" and safety margin, an optimization process that management expects to continue working through as a key focus in 2H26.
- 3Q inventory levels could tick up theoretically, though it is not a certainty.
- On-time delivery remains the primary KPI for tracking manufacturing inefficiency, and July performance tracked well in line with comments made on the earnings call.
- While the service business naturally lags Original Equipment (OE) due to installation and attachment timelines, it is structurally positioned to grow in line with OE over the long term.
- Only 25% of service revenue is derived from initial deployment, such as commissioning, testing, and flushing, while the remaining 75% comes from highly sticky lifecycle business including extended warranties, spare parts, and active service calls.
- Rising data center complexity is driving higher attach rates for high-value point products, and VRT is actively stepping more into predictive asset monitoring to increase customer stickiness before failures occur.
- VRT is entering the SST space organically to support the deployment of 800V architectures demanded by colocation operators for design flexibility, while remaining open to inorganic opportunities if the right asset emerges.
- Ahead of the curve as liquid cooling rapidly approaches the chip, and while liquid cooling in other parts of the data center has not yet seen meaningful traction, the company aims to be involved in any disruptive architecture.
- Remains agnostic to behind-the-meter (BTM) vs. grid-connected architectures and views BTM complexity favorably because it creates complex engineering problems that command higher-value solutions.
- VRT continues to grow faster than the broader market and management sees no evidence of market share loss, expecting to continue taking share moving forward.
- Sales cycles are accelerating across both Europe and Asia due to a faster conversion pace of expanding pipelines; in Europe, this successful conversion is expected to drive 2H revenues up M-tns, while both regions are now seeing rapid execution on pipelines that were growing but failing to convert last year.
- VRT secures strong contractual protection and early cash pre-payments, meaning revenues are secure even if customers choose to stockpile point products in third-party warehouses, and contracts prohibit return options.
- Distributed IT represents a HSD% of the business that goes through distribution but most of the business is DTC.



- The typical DC construction cycle spans 18-24 months, with grey space shipping before white space and white space equipment shipping toward the end, all of which require signed POs and secured sites.

Watts Water Technologies

Attendees: Bob Pagano, CEO and Diane McClintock, CFO

- WTS highlighted a high-quality problem of additional lumpiness with data centers that it did not historically experience in its core business. For example, a data center order could be several million into the tens of millions compared to its core business that rarely moved into the millions area. Data center construction schedules can be lumpy and WTS also has to balance forgoing some product sales to core customers to serve data center customers. Data center customers do include quite a few of the large data center players.
- The company has been gradually increasing capex spending to help support data center sales, but so far it has not required major greenfield expansion. WTS is trying to hedge against a potential downshift in activity, although there are few signs of that now. Rather, the company has been adding shifts and other approaches include adjusting current manufacturing capacity, such as with Superior Boiler, to serve data centers even if that was not their initial intention.
- WTS is in discussions with customers to leverage Nexa in data centers, but right now there is not broad adoption of the connected offering. Part of the current pushback is that Nexa relies on the cloud and data center customers are very sensitive on data security.
- CoolVault's main competitors are often smaller players and contractors are hesitant to work with them because they are less reliable. Despite the strong growth, WTS is not overly concerned about a flood of new entrants and will lean on its engineering capabilities, reputation, reliability, and established manufacturing footprint.
- Broad total company pricing is still expected to moderate to LSD% Y/Y in 4Q26 as the company laps prior year price increases. Roughly 1-2% price is the typical long-term price paired with ~30% incrementals in a typical growth backdrop.
- Europe was strong in 2Q26 on an easy comp. Europe had a couple of quarters where it had been flat. Saw some heat pump recovery in 2Q26 and that is offsetting some gas boiler declines, but even those were not as bad as recent trend. There is plenty of pent up demand in Europe and the region should benefit from the eventual war rebuilding.
- Europe margins structurally are going to be lower than the Americas given greater focus on OEM customers. That said, with the benefit of recent restructuring, the company is striving for Europe margins in the high-teens in the medium-term.
- Expecting more of the same with core end markets outside of data centers. This includes relative stability in institutional, while commercial is more



challenging. Resi has been weaker. The company expects that lower interest rates and/or more stability in interest rates is needed to spur growth in its broader end markets.

- With the M&A funnel, the company is always examining strategic opportunities that include, small, medium, and large deals.