



Ferguson

First Quarter Results Presentation

May 5th, 2026

FERGUSON

Pete Kennedy, Vice President of Investor Relations

Kevin Murphy, Chief Executive Officer

Bill Brundage, Chief Financial Officer

Questions From

Phil Ng, Jefferies

Sam Reid, Wells Fargo

John Lovallo, UBS

David Manthey, Baird

Ryan Merkel, William Blair

Keith Hughes, Truist

Introduction

Pete Kennedy, Vice President of Investor Relations

Good morning, everyone, and welcome to Ferguson's Quarterly Earnings conference call and webcast. Hopefully you've had a chance to review the earnings announcement we issued this morning. The announcement is available in the Investors section of our corporate website and on our SEC filings webpage. A recording of this call will be made available later today.

I want to remind everyone that some of our statements today may be forward-looking and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, including the various risks and uncertainties discussed in our Form 10-KT available on the SEC's website. Also, any forward-looking statements represent the Company's expectations only as of today, and we disclaim any obligation to update these statements.

In addition, on today's call, we will also discuss certain non-GAAP financial measures. Therefore, all references to operating profits, operating margin, diluted earnings per share, effective tax rate and earnings before interest, taxes, depreciation and amortisation reflect certain non-GAAP adjustments. Please refer to our earnings presentation and announcement on our website for additional information regarding those non-GAAP measures, including reconciliations to their most directly comparable GAAP financial measures.

With me on the call today are Kevin Murphy, our CEO, and Bill Brundage, our CFO. I will now turn the call over to Kevin.

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Key Highlights

Kevin Murphy, Chief Executive Officer

Thank you, Pete, and welcome everyone to Ferguson's First Quarter Results conference call.

Today I'll cover our quarterly performance highlights, the results by end market and by customer group. Bill will then review our financials and our guidance before I wrap up with a few final comments. We'll then have time to take your questions at the end.

We are thankful for our expert associates who continued to execute our growth strategy and delivered another quarter of solid results despite a challenging market. Sales of \$7.5bn increased 3.6% over the prior year, driven by organic growth of 2.8% and acquisition growth of 0.8%.

Gross margin expanded by 30 basis points to 31%, reflecting solid execution across the business.

Operating profit increased by 8.4%, expanding operating margins by 40 basis points to 8.7%. This drove a 9.1% increase in diluted earnings per share to \$2.28. We continued to execute our capital priorities. As Bill will outline in further detail, we've closed on three acquisitions and signed definitive purchase agreements on three more since the beginning of the year. We also returned \$410m to shareholders through share repurchases and dividends, and our balance sheet remains strong with net debt to EBITDA of 1.0x.

While the economic environment remains uncertain, we expect to continue to outperform the market by deploying scale locally while leveraging the long-term growth drivers of water infrastructure, large capital projects, climate and comfort, and ageing and underbuilt housing. We're confident in our ability to capitalise on these growth drivers as we provide essential water and air solutions for the complex project needs of the specialised professional.

Turning to our performance by end market in the United States. The residential end market, representing approximately half of revenue, remain challenged. New residential construction activity remained weak, and repair, maintenance and improvement work also remained soft. Overall, we continued to outperform weak markets with residential revenue down 1% for the quarter. Although the overall non-residential market remains mixed, our scale, expertise, multi-customer group approach, and value-added solutions drove strong share gains with non-residential revenue up 8% this quarter. We're pleased with the ongoing large capital project activity and continue to see solid shipments along with growth in bidding activity and open orders. Our intentional balanced approach to end markets continues to position us well.

Moving next to the first quarter revenue performance across our customer groups in the United States. Waterworks revenue grew by 5% against an 11% comparable as our highly diversified customer group drove outperformance in large capital projects, public works, municipal activities, meters, and metering technology. This allowed us to offset weaker residential activity.

The Commercial/Mechanical customer group grew 18% on top of a 9% prior year comparable. Strong performance in large capital projects, such as datacentres drove this growth, helping to balance weaker activity in traditional non-residential construction.

Industrial delivered strong growth of 10% in the quarter. Our balanced business delivered growth in key sectors, such as power generation, life sciences, pharma, and chemical.

Our Facility Supply revenue increased 3%, while Fire & Fabrication declined 6%.

Ferguson Home revenue declined 2%. However, we outperformed the challenging residential market, combining best-in-class showrooms with a digital experience serving the more resilient higher-end segment of the market.

Residential Trade Plumbing revenue declined by 2%, reflecting headwinds in both new and RMI construction.

Our HVAC customer group returned to growth, up 1% against a 5% comparable. We continue to drive our HVAC growth strategy. We're investing in expert associates, counter retrofits, greenfield expansion, and M&A. All of this supports the HVAC specialist as we're uniquely positioned to serve the growing dual-trade contractor population.

Our customer groups perform better, together sharing expertise to provide end-to-end solutions that help simplify complex projects and drive construction productivity.

Now, let me pass the call over to Bill for the financial results in more detail.

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Financial Update

Bill Brundage, Chief Financial Officer

Thank you, Kevin, and good morning, everyone.

Net sales of \$7.5bn were 3.6% ahead of last year, driven by organic revenue growth of 2.8% and acquisition growth of 0.8%, with mid-single digit price inflation.

Gross margin increased 30 basis points over last year to 31%.

We continued to drive productivity initiatives and cost discipline in the business while we invest for future growth.

Operating profit grew 8.4% to \$647m, delivering an 8.7% operating margin, with 40 basis points of expansion over the prior year. This profit growth, combined with the impact of our share repurchase programme, drove a 9.1% increase in diluted earnings per share to \$2.28.

Moving to our segment results – in the US, net sales grew 3.5%, with an organic increase of 2.9% and a 0.6% contribution from acquisitions. Operating profit of \$656m increased \$45m over the prior year, delivering an operating margin of 9.2%.

In Canada, net sales increased by 5.5%, with a 5.8% contribution from acquisitions, offset by an organic decline of 0.3%. Markets have remained subdued in Canada, particularly in Residential. Adjusted operating profit of \$5m was \$1m below last year.

Next, we continued to generate solid cash flow in the quarter. EBITDA of \$711m was \$60m ahead of the prior year. Operating cash flow was \$772m, down \$100m on prior year as we invested in working capital to support growth, partially offset by the timing of cash tax payments.

We continued to invest in organic growth through capex, investing \$92m in the quarter, resulting in free cash flow of \$688m.

Moving to capital allocation, we continue to allocate capital across four clear priorities of organic growth, bolt-on geographic and capability acquisitions, sustainably growing our dividend and returning surplus capital to shareholders when we are below the low end of our target leverage range of 1x to 2x net debt to EBITDA.

In the first quarter, as we previously mentioned, we invested \$92m into capex to drive further above market organic growth. We completed two acquisitions within our Waterworks customer group during the first quarter, including Technology Sales Associates and Chesapeake Environmental Equipment.

Subsequent to quarter end, we acquired Carrier Great Lakes within our HVAC customer group. We also signed definitive purchase agreements for two additional HVAC acquisitions – Dealers Supply Company and New England Applied Products as well as PRD Technologies Group within our Industrial customer group. We anticipate closing these three acquisitions during the second quarter.

Collectively, these acquisitions will expand and enhance our capabilities across water and waste water treatment, residential, commercial and applied HVAC, and industrial valves and flow control. The aggregate annual revenue impact of these six acquisitions is approximately \$350m.

Our overall acquisition pipeline remains healthy. Our Board declared an \$0.89 per share quarterly dividend, and we purchased \$236m in shares during the first quarter. Furthermore, given our strong financial position, the Board has approved a new \$2bn share repurchase authorisation, which replaces the existing programme.

Now, turning to guidance, we are reaffirming our Full Year 2026 guidance. While we continue to navigate an uncertain environment, we expect our markets to remain broadly flat for the year, with residential down to low-single digits and non-residential up low to mid-single digits.

We expect net sales to grow in the low to mid-single digits. We expect an operating margin range of 9.4% to 9.8%. We also expect interest expense to be approximately \$200m, capex of approximately \$350m to \$400m and an effective tax rate of approximately 26%.

We believe our strong balance sheet, agile business model, balanced end market exposure and continued strategic investments position us well as we enter the second quarter. Thank you, and I'll now pass back to Kevin.

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Conclusion

Kevin Murphy, Chief Executive Officer

Thank you, Bill. As we wrap, let me again thank our expert associates who continue to execute in a challenging environment by serving the specialised water and air professional.

Our multi-year investments position us to succeed in water infrastructure, large capital projects, climate and comfort, and ageing and underbuilt housing, and our unique multi-customer group approach and scale deployed locally give us a distinct advantage to continue to outperform.

Despite the market uncertainty we remain well positioned to continue to capitalise on the structural trends shaping our residential and non-residential markets, and we'll continue to invest in our associates in our value-added capabilities to drive productivity in a trade starved world.

Thank you for your time today. Bill and I are now happy to take your questions. Operator, I'll hand the call back over to you.

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Questions and Answers

Telephone Operator

Thank you. As a reminder, if you'd like to ask a question today, please press * followed by 1 on your telephone keypad. When preparing to ask your question, please ensure you are unmuted locally.

Our first question comes from Phil Ng from Jefferies. Phil, please go ahead your line is open.

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Phil Ng, Jefferies

Hey, guys. Congrats on a strong quarter in a choppy environment. Bill, I appreciate you guys rated the full year guide. I mean, it's very early in the year, a strong start to the year, but if you had to think about unpacking your top line outlook, you know, is there a different view in terms of how the makeup is going to look like, whether it's volumes by end markets or pricing certainly a very inflationary backdrop with some of the tariff changes as well as the Middle East war? So, just kind of help us think through the components building up to that top line profile you have laid out for us.

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Bill Brundage, Chief Financial Officer

Yeah. Thanks. Phil, thanks for the compliments and the question. If I take a step back and go back to the guide that we set out at the end of the calendar year for the full year, we talked about a belief that our markets would be broadly flat for the year with, certainly, pressure on the residential markets, and maybe those residential markets will be down low to mid-single digits with the non-res markets up low to mid-single digits. So, a broadly flat market for the year. And we talked about us continuing to outperform that market organically somewhere in the range of low to mid-single digit total growth.

We also talked about our best view of the overall inflationary environment at that point being about low-single-digit inflation for the calendar year, and we said that we would come into the year with a bit more inflation, but as we lapped those step ups from last year, that we thought that would probably moderate back into that low-single-digit range for the full year.

So, low single digit inflation with a bit of volume gets us to that low to mid-single digit total revenue growth for the year with very little acquisition activity coming into the year.

If we play through what we've seen to date in the first quarter, we've certainly seen inflation step up a touch more than we expected, so we delivered mid-single-digit inflation in the first quarter, with volumes being a bit more pressured really driven in that New Residential side of the business as well as the expected volume pressure that we had in HVAC in the first quarter.

And I think, as we look out for the rest of the year, we'd still expect that volume pressure to continue, particularly on New Residential. If you look at starts and permits across the first quarter, they're still weaker this calendar year in Q1 than they were last year, which indicates that we'll still have maybe a touch more pressure on New Resi as we go through the year.

And then on inflation, we have seen a touch more price increase announcements coming through. I tell you, it still remains a bit early, particularly when we start to look at the commodity basket in areas such as PVC. There are a lot of cost input pressures on PVC today, whether that's, you know, oil leading to resin prices and transportation costs. And so, we've seen a fair amount of price increase announcements, but it's still early, it remains to be seen how long that lasts and how that sticks in place through the market.

So, maybe taking a broad step back, our overall guidance hasn't changed. We probably would say there might be a touch more inflation with a touch more volume pressure than we originally anticipated but still think the broad revenue environment is going to be pretty similar.

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Phil Ng, Jefferies

Got you. And then, Bill, just to kind of button that up, in terms of the inflation you're potentially expecting to see, what type of impact do you think it's going to have on demand destruction? It sounds like, on the non-residential business as usual, any more choppiness on the resi side

because of this inflation? And then net-net I think coming in the year expecting gross margins to be pretty muted because you're lapping some nice inventory profit gains. Is that, potentially, an opportunity just given the inflation you're seeing across the board, and even some of the commodity categories that was a little more of a drag last year?

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Bill Brundage, Chief Financial Officer

Yeah. I think, first off on demand, demand and volume strength in non-resi still remains quite strong, driven, as we've talked about, by large capital projects as we're still seeing quite a bit of pressure on traditional non-resi. So, I don't think we view the demand picture or a risk of demand destruction on the non-resi side any different than we did a quarter ago.

Again, on resi, probably a touch more volume pressure. Whether you call that demand destruction or just a variety of factors that are pressuring the residential environment, not the least of which is mortgage rates that still remain high, uncertainty around oil prices and fuel costs for the consumer and pressured balance sheets. So, I'm not sure I would call that demand destruction, but I think it's a bit of a weaker new resi environment than we originally anticipated stepping into the year.

In terms of gross margin, we were really pleased with the 31% gross margin in the first quarter. Certainly, solid execution across the business, the teams are executing really well across our pricing teams, leveraging tools and technology, executing our product strategy and, certainly, delivering great customer service and charging for that value.

We also had pretty good own brand growth in the first quarter, and the own brand is now slightly above 10% of our total revenue, and so we're continuing to execute that product strategy. And then last, there was a bit of benefit from the sequential step up in inflation from Q4 to Q1.

So, you package that all together, Phil, it's a really solid 31% gross margin in the quarter. We would still expect that gross margins could tick down a bit as we get into Q2 and Q3, principally driven by the seasonal customer groups of HVAC and Waterworks, which are two of our most seasonal customer groups. Those will pick up a bit in the summer and become a larger share of the business, and those have carried lower gross margins in the overall total.

So, we still would expect that gross margins could come in a bit from 31%, and then, when you take a step back from the year, that's very much how we thought and talked about the year playing out.

A bit of year-over-year gross margin pressure, principally because of the outsized benefit we had last year with price increase, and then we'd offset that with SG&A leverage and then land in that 9.4% to 9.8% range for overall operating margins.

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Phil Ng, Jefferies

Appreciate all the great colour, Bill. Thank you.

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Bill Brundage, Chief Financial Officer

Thanks, Phil.

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Telephone Operator

The next question comes from Sam Reid at Wells Fargo. Sam, please go ahead your line is open.

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Sam Reid, Wells Fargo

Thanks so much, guys. Wanted to drill down a little bit more on the Waterworks business. Just looking at the growth rate here, you know, it's 5%, it's solid but it does represent a slowdown versus where you landed in the fourth quarter and throughout much of last year. Maybe just give us a finer point on the breakdown between volume and price in this segment here, and then perhaps talk to the magnitude of the residential decline that you're seeing in the Waterworks segment.

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Kevin Murphy, Chief Executive Officer

Yeah, sure, Sam. I'll start, first off on the Waterworks volume versus price. You should consider that all volume with, actually, a touch of deflation, so volumes a bit greater than that 5%, and there's really no acquisition in that. So, really all organic volume, and that's true of the prior year comparable as well.

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Bill Brundage, Chief Financial Officer

Yeah, and, Sam, if you look at plus 5 all volume, all organic, against a plus 11 comp, that's pretty strong performance. And as we said in the earlier comments, that was really driven by the diversification of the Waterworks business and the continued backlog that we are building across some of our strategic businesses, like municipal, private water authorities, meters and metering technology, public works, erosion control and stormwater management, and that diverse business is performing well against what are, candidly, quite challenged normal non-res and

residential markets, and so, you add that together with a multi-customer group approach on large capital construction, and we're really pleased with what that volume performance looks like inside that Waterworks business, again, specifically against what was a challenging PVC pipe pricing environment, that will likely see some degree of support as the changes with the current market play out.

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Sam Reid, Wells Fargo

Absolutely, guys, no, incredible, very strong results in the context of what you're seeing in the market, so congratulations there.

Maybe just switching gears, would love to hear perhaps a bit more colour on this trajectory/split between commodity and finished good pricing in Q1. And then remind me, did the guidance contemplates unannounced price increases or do you think there could be some upside to your price expectations if some of the OEMs attempt to push through more price? Thanks.

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Bill Brundage, Chief Financial Officer

Sure, Sam. If you look at the split today, so finished goods a reminder that's roughly 85% of our total revenue, and overall inflation was in that mid-single-digit range for the quarter, and commodities, as a basket, had moved back into slight inflation, so I'd call that very low single-digit inflation in the quarter.

In terms of what we're seeing in price increases, I would go back to some of my earlier comments. We have seen a bit more price increase announcements coming through on the branded side of the world, some of that driven by call it 232 tariffs, that have been announced recently, so we probably expect a bit more inflation coming through than we originally anticipated.

Our guide, however, did try to contemplate how we thought the inflationary environment would play out through the year. So, again, thought that we'd have low single-digit inflation for the full year, stepping into the year, it might be a touch higher than that.

But the big question mark, and always the hardest thing to predict, is that commodity basket so that's 15% of our revenue, as I just said, it's ticked into the low single-digit inflation range. Each of those commodities still has a different dynamic around it and they're moving at different paces and at different velocities.

So, if you if you unpack the largest component of our commodities, which would be plastic pipe, that's roughly half of that commodity basket split between Waterworks pipe as well as Plumbing small diameter pipe – we have seen both of those have been in deflation for some period of

time. They were still in deflation for the first quarter, so still down low double digits as a basket of plastic commodities. We have seen, as I mentioned, price increase announcements coming on the back of resin and transportation costs that have moved up and as a result of the Iran conflict.

It still is early though. It remains to be seen how that plays through and how that plays through in terms of those prices sticking in the market and then how long that lasts. But we would anticipate, at the current price increase announcements, that that negative, or deflationary environment on plastic, would start to minimise as we step through the year.

Copper tube and fittings have been the strongest inflationary product category for us. We are starting to lap the outside increases from last year, so I think that will still be in an inflationary territory, but we would anticipate that inflation coming down a bit.

And then steel, different components of steel are moving at different paces, but still call it in that low to mid-single digit inflation overall as a basket. And again, we'll see how that plays through.

So, overall, again, maybe a touch more inflation than we originally anticipated, and we'll continue to monitor that month in month out.

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Sam Reid, Wells Fargo

Always helpful with colour, guys. I'll pass it on. Thank you.

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Bill Brundage, Chief Financial Officer

Thank you.

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Telephone Operator

The next question comes from John Lovallo from UBS. John, please go ahead. Your line is open.

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John Lovallo, UBS

Good morning, guys. Thanks for taking my questions as well. The first one on the HVAC business, return to growth of about 1%, which was encouraging, I mean, what are your expectations for the business as we move through the year? And any thoughts you can share on Home Depot's recent entrance into the space?

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Bill Brundage, Chief Financial Officer

Yeah. Thank you, John. You know, the HVAC business, as we said, we were pleased to see it come back to growth. You look at a plus 1% against a plus 5% comparable, and 6% growth on a two-year stack a pretty good result all things considered against what is a tough residential new construction market, against what is a pretty challenged consumer right now in terms of pressure and their balance sheet and that consequential movement to more repair versus replace, and all of that against the change from a regulatory environment and what that looked like against some degree of pull forward of demand. We think we're largely through that and we're back into an environment where we can grow inside the HVAC business.

If you look at where we're headed from an HVAC perspective, we talk about climate and comfort is one of the real growth areas for us as a company, you see us continuing to focus on the specialist trade professional and making sure that we're adding expertise across the country in terms of associate base, you see us adding locations, you see us adding counter build-outs to really service that dual-trade growing contractor base more effectively than anyone else, and you see us using M&A as a good growth area to bring in talented associates with great relationships in local markets, and that was really evident during the quarter and as we move into Quarter Two.

If you talk about the Mingledorff acquisition in the Southeast, you know, clearly, we respect our retail competitor incredibly well, and that HVAC growth area was on their roadmap, so it really wasn't a surprise for us. If you look at where we stand, we have a really strong position inside the Southeast in both plumbing as well as HVAC, and we continue to build that out, both organically through counter build-out and now further strengthened by the acquisition of Dealer Supply with 17 locations in the Southeast. So, we're really pleased with what we're able to do inside that market and, more broadly, across HVAC and Plumbing as we look at the growth of the repair professional in dual trade across the United States.

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John Lovallo, UBS

Okay, that's helpful. And then, how should we think about your diesel cost exposure, and do you have any hedging mechanisms in place and, you know, have you implemented fuel surcharges?

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Bill Brundage, Chief Financial Officer

Well, we have not implemented fuel surcharges, and we do not intend to. We do not pass along surcharges as a matter of principle, from a pricing perspective.

If you think about diesel and overall fuel costs for us, it's certainly a headwind, John, but not one that I would consider overly material to the financials, and it is one that we are working every day very hard to offset with our productivity initiatives.

One of those largest initiatives that we've been really pleased with the results has been our fleet optimisation and our fleet rationalisation programme. And so, today, we've effectively offset that increase in fuel, but it will remain a bit of a headwind that we will continue to work hard to offset.

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Kevin Murphy, Chief Executive Officer

And maybe to put a finer point on Bill's comments regarding fuel surcharge, John, we have, historically, taken the position that we need to make sure that we get the broadest product offering to our customers where and when they need it. That includes our final mile trucking fleet of over 5,900 trucks, and that's roughly half of our revenue is being delivered on those trucks, and we need to make sure that that value-added service, that service that we offer, is in the price of product, and that's always been the way we've looked at it.

And additionally, you see some degree of inflation inside of our product categories that should allow us, together with the productivity measures that Bill highlighted, to keep that expense in a right controlled spot.

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John Lovallo, UBS

Great. Thanks, guys.

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Bill Brundage, Chief Financial Officer

Thanks, John.

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Telephone Operator

The next question comes from David Manthey from Baird. David, please go ahead. Your line is open.

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David Manthey, Baird

Yeah. Thank you. Good morning, everyone. First question for you guys is large commercial projects, clearly doing really well at the moment, and given the visibility of those types of jobs, could you discuss backlog as you see it and what your outlook is for the remainder of 2026 as I assume some of those are rolling off and new ones are starting up?

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Bill Brundage, Chief Financial Officer

Yeah, Dave the backlog continues to grow, our open order volume continues to grow, particularly in that Commercial Mechanical business. So, again, really pleased with that 18% growth on top of a 9% comparable.

Those comparables get tougher and tougher as we move through the year. We're going to start to lap some 18% comparables on Commercial Mechanical and double-digit growth comparables in overall non-res, but I can tell you the Commercial Mechanical backlog is up greater than that 18%.

Certainly, there can be some lumpiness on how those projects play out in terms of revenue delivery, but we don't see any slowdown still on the large capital project space and continue to believe it's going to be a strong multi-year tailwind still to come.

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Kevin Murphy, Chief Executive Officer

Yeah, Dave, as we've discussed earlier in the call that multi-customer group approach and engaging early with the owner engineering community and the contractor base is serving us well. And as we talked about Waterworks earlier a plus 5 on a plus 11, all volume good result, again, 18% growth in Commercial Mechanical on a 9% comp, 10% growth inside the industrial space, we feel good about across those customer groups that activity level. And as Bill said, we continue to build that open order volume and that bidding activity, again, understanding that there can be some lumpiness in terms of how those projects play out given their size, scale and the amount of projects that are going on.

For us, one of the things that we're really focused on is making sure that, as that large amount of activity plays through, that we've got the right inventory levels, the right supply chain solutions on large diameter steel pipe, weld fittings, flanges, especially in the current environment that we find ourselves in geopolitically, that we've got that right inventory level to keep those projects moving on time and in full.

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David Manthey, Baird

Okay. Thank you for that. Second. going back to last year, I know you were working through this \$100m in cost savings, and I'm just trying to, with the change in fiscal year, sort out where we are. Is that all behind us now? Anything left over and/or any new cost efforts as you enter calendar 2026?

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Bill Brundage, Chief Financial Officer

Yeah, Dave. It's a great question. We executed the vast majority of that in the month of April last year. So, by 1st May we were fully recognising that annualised rate, so we're just about through the end of that.

Really pleased with the cost position of the business today. If you look in Q1. costs were up just about 3%, so we got about 10 basis points of leverage on what was still a challenged revenue environment with revenue up 3.6%. So, very pleased with how the teams have executed, very pleased with some of the productivity initiatives, both from a technology and automation perspective as well as the fleet programme that I mentioned before. So, I think we're well positioned.

With that said, as we're going to lap those comparables on the cost side, I would expect that cost growth rate could step up just a touch as we move into Q2 and Q3, but believe that we're well positioned to continue to generate a bit of cost leverage as we look across the full calendar year.

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David Manthey, Baird

Sounds goods. Thanks, guys.

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Kevin Murphy, Chief Executive Officer

Thanks, Dave.

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Telephone Operator

The next question comes from Ryan Merkel from William Blair. Ryan, please go ahead. Your line is open.

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Ryan Merkel, William Blair

Yeah. Hey, everyone. Thanks for the question, and a nice job this quarter. I want to start with a question on the shape of the quarter. It seems maybe you exited at a better growth rate in March, and then can you just tell us what you're seeing so far in April?

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Bill Brundage, Chief Financial Officer

Yeah, the quarter, Ryan, I will tell you was a little choppy. We talked about this on our stub period call back in February, with just given the weather that we saw in January, February, so it's a little hard to get a read on it, but I would tell you that April has played out pretty similar to the shape of the overall quarter. So, we're still, for the month of April, in that low to mid-single digit total growth range. So, not a significant shift as we came out of Q1 and into April.

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Ryan Merkel, William Blair

Got it, okay. And then just a high-level comment on datacentres, I'm just curious, you know, what are you seeing out there? Are you winning your fair share? Is growth accelerating? And then are you also seeing like stronger orders or an earlier look at orders because that's what we're hearing from some of the peers?

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Kevin Murphy, Chief Executive Officer

We are seeing earlier looks, but that has been a real conscious effort for us over the course of the last several years as we've started to engage earlier in the process to make sure that we've got the right product set to make sure that the supply chain can take care of delivering on that project, as I referenced earlier.

The open order and bidding activity, again, continues to be robust.

We feel very good about our ability to win inside the datacentre environment. Early interaction with the owners engineering communities and the general contractors, allowing us to make sure that we've got the right product set, a multi-customer group approach and then adding value-added services that help to drive construction productivity, things like fabrication, valve and automation, it allows that project to get finished more on time, especially in light of what is a trade start world and the resources available out there.

We see our larger contractors inside the Commercial Mechanical space, in specific, growing faster, and so making sure that we can handle that volume with them is very important.

So, we think, especially as we move to liquid cooled, that continued acceleration will play on.

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Ryan Merkel, William Blair

All right, thanks. I'll pass it on.

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Telephone Operator

We'll now take our final question from Keith Hughes at Truist. Keith, please go ahead. Your line is open.

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Keith Hughes, Truist

Thank you. I guess the question, back on some of the commercial and industrial, we talk a lot about datacentres, if you could talk about you know non-datacentre business, how much that's contributing to the to the numbers you're reporting here this quarter in previous periods.

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Kevin Murphy, Chief Executive Officer

Yeah, Keith, we've been really pleased with overall large new construction capital projects, but additionally, as we've really grown in the area of maintenance, repair and operations in our core industrial business, we're very pleased with that. So, the broad-based growth of Waterways, Commercial Mechanical, and Industrial across that non-res space has been good.

When we look at datacentre activity, we see a knock-on effect of power generation and what that means with combined cycle power plants and the construction of those across the country as well as the need for water and what that means for raw water source and water treatment. And all of that dovetails nicely into the investments that we've been making over time in our Industrial business, our Waterworks diversification and then driving that multi-customer group approach.

Additionally, we've seen good activity levels in traditional onshoring of manufacturing capacity as well as the growth in pharma around things like GLP-1 production.

So, it has been more broad-based, and we think it's got a longer runway, especially when we look at water and energy inside the space.

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Keith Hughes, Truist

Okay, thanks. Just one other quick one on HVAC. I know, in the past year or so, we've seen a lot

of instances where the repair parts are growing faster in the unit themselves from portability issues. Is that still the case heading into 2026?

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Kevin Murphy, Chief Executive Officer

Keith, it is still the case. We still see more repair than we do replace for a variety of reasons, and that continued to play out through the quarter, and we think that continues to play out as we go through the year.

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Keith Hughes, Truist

Okay, thank you.

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Telephone Operator

I'll now pass back to Kevin Murphy, CEO, for closing remarks.

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Closing Remarks

Kevin Murphy, Chief Executive Officer

Yes, again, thank you for your time and we appreciate the attention and we'll talk to you as we go forward. Suffice to say we, again, want to thank our associates who have driven another fantastic performance inside the quarter as you look at growth and improvement across what is still an uncertain market.

We continue to invest in those areas of construction productivity for the water and air specialised professional and continue to play out a multi-customer group approach that engages early to drive specification and product reference to make sure that we can get a project done on time and on budget. Thank you again, and we look forward to talking to you soon.

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END

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