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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the Core & Main First Quarter 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Landon Althoff, Vice President of Investor Relations. Landon, please go ahead.

Landon Althoff

Vice President-Investor Relations, Core & Main, Inc.

Good morning and thank you for joining us. I'm Landon Althoff, Vice President of Investor Relations at Core & Main. We appreciate you taking the time to be with us today for Core & Main's fiscal 2026 first quarter earnings call.

Joining me this morning are Mark Witkowski, our Chief Executive Officer; Robyn Bradbury, our Chief Financial Officer; and Brad Cowles, our President. Mark will start with a business update. Brad will then discuss the value Core & Main is providing across our smart utility and treatment plant solutions initiatives. And Robyn will follow with a review of our financial results and reaffirmed outlook for fiscal 2026. After, we will open the line for questions and Mark will wrap up with closing remarks.

As a reminder, our press release, presentation materials and the statements made during today's call may include forward-looking statements. These are subject to various risks and uncertainties that could cause actual results to differ materially from our expectations. For more information, please refer to the cautionary statements included in our earnings release and our filings with the SEC.

We will also reference certain non-GAAP financial measures during today's discussion. We believe these metrics provide useful insight into the underlying performance of our business. Reconciliations to the most comparable GAAP measures are available in both our press release and the appendix of today's investor presentation.

Thank you again for your interest in Core & Main. I'll now turn the call over to our Chief Executive Officer, Mark Witkowski.

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

Thanks, Landon, and good morning, everyone. Thanks for joining us today. Before getting into the details of the quarter, it's helpful to frame the broader demand backdrop. The fundamental drivers of water infrastructure investment remain firmly intact as utilities continue to prioritize essential water infrastructure systems that support public health and community growth, creating resilient demand across our business. This demand provides a strong foundation, while our diversified end-market exposure helps balance near-term uncertainty and supports our performance through cycles.

Against that backdrop, we delivered a solid start to fiscal 2026 with first quarter net sales of \$1.9 billion, adjusted EBITDA of \$226 million, and adjusted diluted EPS of \$0.72. These results reflect disciplined execution and the underlying resilience of our business and support our confidence in the full year outlook we communicated in March.

Our associates across the business remain focused on execution and serving our customers, leveraging the competitive strengths of Core & Main. Our local teams bring the knowledge and experience to help customers navigate the most complex projects, simplifying their supply chains, and ensuring the efficient flow of materials to keep critical infrastructure projects moving forward. That local relationship-driven model, supported by our national scale and capabilities, continues to differentiate Core & Main and positions us to deliver long-term value for our customers and shareholders.

Turning to our end markets. Municipal demand remained strong during the quarter and continues to serve as a core source of growth for the business. Activity is supported by aging water infrastructure, essential repair and replacement work, and the largely non-discretionary nature of municipal spending. These needs extend well beyond any single federal funding cycle and reflect the long-term modernization required to keep critical water, wastewater and storm drainage systems operating reliably for communities.

Approximately, 95% of water infrastructure funding is supported by state and local sources, reinforcing the durable, locally-driven nature of this market, and we continue to see a sustained pipeline of projects. These characteristics reinforce municipal as our most stable end market, and provide a strong foundation through varying economic conditions.

Non-residential demand remains mixed across project types and geographies, but overall, activity has been stable. We are seeing healthy momentum in certain project types, including data centers and manufacturing facilities, with fire protection sales benefiting from strength in data center and multifamily construction activity, as well as higher steel prices.

Data centers continue to gain momentum and we are securing a steady stream of new project wins across multiple regions of the country. These projects are particularly attractive for our business, given the significant water infrastructure required to support cooling systems as well as the broader downstream demand they create within surrounding communities.

We see data centers as a compelling long-term growth opportunity for Core & Main. These projects require significant investment in water, wastewater, storm drainage and fire protection infrastructure, and involve complex multi-phase project lifecycles that align well with our technical capabilities, product breadth and execution expertise.

Our national scale, sourcing strength, dedicated project teams and technical resources, combined with the deep relationships and local market knowledge of our branch network, position us well to capture this opportunity. We are seeing strong bidding activity and customer engagement across multiple regions, reinforcing our confidence in this growth driver.

Strong data center and manufacturing activity has largely offset softness in traditional commercial construction. Residential markets remain challenged with year-over-year declines against a strong prior-year comparison. As a reminder, residential lot development started out with optimism in the first quarter of fiscal 2025, but activity pulled back as we move throughout the second quarter and softened further in the back half of the year. Since then, conditions have largely stabilized. While we have not seen further deterioration relative to how we exited fiscal 2025, we have also not seen a meaningful improvement, which is in line with our expectations.

Near-term activity will continue to be influenced by interest rates and affordability, but we remain optimistic on the long-term outlook given the structural undersupply of housing and meaningful pent-up demand. Our teams remain focused on driving above-market growth through the strength of our value proposition and the execution of our product, customer and geographic expansion initiatives.

For example, treatment plant and smart utility solutions, including advanced metering infrastructure, software, analytics, installation and ongoing support, delivered double-digit and high-single-digit growth during the quarter, respectively. This performance reflects the breadth of our capabilities which extend well beyond product distribution to supporting customers across the full lifecycle of their infrastructure needs.

Over time, we have invested in both local and national resources to deepen our technical expertise, expand project support and broaden customer coverage, enabling us to serve a wider range of projects at greater scale and complexity. It also reflects growing customer demand for solutions that improve system visibility, reduce water loss and drive more efficient infrastructure operations. Brad will cover this in more detail shortly.

Technology also continues to be an important differentiator for Core & Main and a key enabler of our long-term growth strategy. We are focused on leveraging our industry-specific proprietary digital tools and developing AI-enabled solutions to improve productivity, enhance the customer experience and simplify workflows for both our associates and customers. Our capabilities in these areas of focus help deepen customer relationships, improve execution across our network and further reinforce our differentiated value proposition.

We also continue to expand our geographic footprint, opening five new greenfield locations in attractive markets during the quarter. We are well on track to open a record 8 to 10 greenfield locations in fiscal 2026. These openings further strengthen our local service model while extending the benefits of our national scale and capabilities into new or underpenetrated markets.

Alongside our greenfield expansion, we see a robust pipeline of acquisition opportunities across our highly fragmented industry. We remain actively engaged on a number of high-quality opportunities to expand our capabilities, extend our geographic reach, and add strong local talent and customer relationships. These opportunities would broaden our product and solutions offering, expand our addressable market and deepen our technical expertise, further strengthening our position as a trusted partner for municipal water infrastructure projects.

We see particular opportunity to continue building out our treatment plant capabilities, where we have a strong foundation and a clear path to advancing toward more comprehensive turnkey solutions, similar to what we have achieved in smart utility. While timing can vary, the pipeline remains very active and M&A remains a core pillar of our growth strategy, and we're confident in our ability to execute as these opportunities advance.

Our gross margin initiatives continued to deliver structural improvement. In the first quarter, we expanded gross margins 50 basis points year over year, driven by continued growth in private label, sourcing optimization and disciplined pricing execution, consistent with the trajectory we demonstrated in recent quarters.

We generated strong operating cash flow during the quarter, supporting continued reinvestment in the business, while returning meaningful capital to shareholders through share repurchases. Fiscal year-to-date, we have deployed \$125 million in repurchases, approximately 80% of what we did in all of fiscal 2025. Robyn will cover our cash flow and capital allocation in more detail shortly.

We're proud of our team's ability to execute in a dynamic environment. Their consistent focus and discipline, combined with the strength of our business model, positions us well to continue creating value for our customers and shareholders.

I'd like to now turn it over to Brad to spend a few minutes on two areas that continue to be important municipal growth drivers for Core & Main: smart utility and treatment plant solutions, which are strong examples of how we create value through differentiated capabilities. Both categories benefit from the breadth of our platform, deep technical expertise and ability to support larger, more complex customer projects which continue to drive above-market growth. Over to you, Brad.

Bradford A. Cowles

President, Core & Main, Inc.

Thanks, Mark, and great to be with you all today. Smart utility and treatment plant solutions continue to be compelling municipal growth opportunities for Core & Main, and clear examples of how we translate differentiated capabilities and targeted investments into sustained above-market growth. Across the country, municipalities and private utilities are increasingly focused on modernizing aging metering infrastructure to improve billing accuracy, to reduce non-revenue water, enhance system visibility, and operate more efficiently as their networks become more complex. These projects are primarily funded through local rate adjustments and operating budgets.

Many municipalities are still reliant on manual read or drive-by systems, and these legacy systems still represent a majority of the connections in the United States. They are labor intensive, less reliable and increasingly difficult to manage at scale. Advanced metering solutions with real-time, two-way communication address these challenges, while also enabling efficiencies in customer self-service and billing for the back office, and advanced analytics, proactive maintenance planning, and water loss prevention for the operations staff. But they also introduce complexity around technology integration, project sequencing and long-term lifecycle support. As a result, customers are looking for partners that can deliver complete solutions, not just hardware.

That's where Core & Main continues to differentiate. We have a leading position in smart utility solutions with access to leading manufacturers and technologies. But what truly sets us apart is how we bring these solutions to market. We provide an integrated turnkey offering that combines hardware, software, analytics, installation, project management and ongoing service through a single trusted partner. We support customers across the full project lifecycle from early assessment and system design, through installation and deployment, to software integration and long-term maintenance.

This model reduces execution risk, shortens implementation timelines, and simplifies what are often multi-year, mission-critical projects. Our ability to consistently execute at scale has enabled us to win larger, more complex contracts, including multi-year smart utility programs with some of the country's largest municipal and private utilities. When successfully implemented, these projects can often help municipalities reduce future cost increases to their end users.

In our last call, we highlighted being awarded what we believe is the largest smart utility contract in US history. That momentum continues in 2026 with several additional large and multi-year project wins. These municipal customers increasingly rely on Core & Main for system design, network infrastructure, software and analytics, installation and even ongoing support throughout the life of the asset. Our recent wins underscore the demand across municipalities of all sizes from some of the largest utilities in the country to mid-sized and local communities, reinforcing the broad and durable nature of this opportunity.

We have invested significantly to scale and enhance these capabilities. We built dedicated national smart utility and project management teams, expanded our installation and service footprint, and strengthened partnerships with leading technology providers. These partners include over a dozen software and analytics companies, along with a growing network of sensor hardware innovators, which we bring together to provide cutting-edge solutions to our municipal customers' biggest challenges.

Leveraging metering and acoustic leak detection data, we provide utility operators with advanced analytics and predictive failure models that help optimize capital deployment for proactive waterline replacements, alongside turnkey billing solutions and customer self-service portals. Together, these investments allow us to support projects of virtually any size and complexity level, while still leveraging our strong local customer relationships on the ground.

A similar execution model underpins the strong municipal growth we're seeing in our treatment plant business. Treatment plant modernization has become an important priority for utilities as facilities age, regulatory requirements increase, and communities face greater demands on water and wastewater systems. These projects are supported by a mix of funding sources, including local utility budgets, state revolving funds and other public programs, but they're ultimately driven by the essential need to maintain and modernize critical infrastructure. As a result, we continue to view investment in treatment plant infrastructure as a durable, long-term opportunity.

Treatment plant solutions are inherently complex, requiring deep technical expertise, precise coordination and the ability to deliver highly-specified products. We've made targeted investments to expand dedicated national treatment plant teams with engineering, estimating and project management capabilities. Our investments are focused on broadening the scope of products, solutions and projects we can support from local facility upgrades to large, multi-year regional treatment plants. As we scale, our ambition is to follow the needs of the customer and evolve towards a more integrated solutions and services model, similar to the capabilities we have built in smart

utility. Organic investment will continue to drive that evolution, while M&A provides an opportunity to accelerate the expansion of our treatment plant platform.

Today, treatment plant represents one of our fastest-growing product initiatives, consistently delivering double-digit growth as customers increasingly turn to Core & Main to help execute these critical infrastructure projects. Importantly, these projects tend to be less cyclical, highly visible and closely aligned with our core municipal relationships.

Together, smart utility and treatment plant solutions illustrate the power of our model, strong local relationships backed by national scale, technical expertise and disciplined investment. This scalable and repeatable approach has supported approximately 15% and 25% net sales CAGRs in smart utility and treatment plant, respectively, over the past five years, and continues to drive meaningful share gains across both categories.

Importantly, the growth we're delivering in these areas is tied to steady, long-term customer needs, modernizing infrastructure, improving system efficiency, reducing water loss and better serving communities. We remain highly confident in the municipal end markets and our ability to continue driving above-market growth as utilities seek partners that can execute complex projects reliably and at scale.

I'll now turn it over to Robyn to cover our financials.

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

Thanks, Brad, and good morning, everyone. I'll begin on page 8 of the presentation with an overview of our first quarter results.

Net sales were in line with prior year at \$1.9 billion. Organic volumes were down approximately 1% year over year, while acquisitions contributed about 1 point of growth. As a reminder, this performance is against a strong prior-year comparison when we delivered approximately 10% growth in end markets, particularly residential, were more supportive. Overall, we estimate end-market demand was down low-single digits in the quarter, driven primarily by a year-over-year decline in residential lot development on a tough prior-year comparison, partially offset by healthy municipal growth.

Municipal volumes were supported by repair and replacement activity, the largely non-discretionary nature of these projects and continued growth and market share gains across our smart utility and treatment plant initiatives.

Non-residential markets continue to show healthy activity across several project types, including data centers, but were offset by softer demand in light commercial construction, particularly retail and office-related activity. Residential softness was driven by weakness in the Sunbelt markets. This reflects slower lot development activity versus a stronger prior-year comparison. We saw steady residential lot development in the first quarter last year before a pullback in the second quarter and further declines in the back half of fiscal 2025. Sequentially, residential demand was stable relative to the fourth quarter and in line with our expectations.

Overall, pricing was stable during the quarter with increases across most of our product portfolio balanced by a year-over-year headwind from PVC. While PVC pricing remained below prior-year levels, it has been stable sequentially and we are beginning to see supplier price increases, which could become a modest sequential tailwind going forward.

Gross margin in the first quarter was 27.2%, up approximately 50 basis points versus the prior year. This improvement was driven by continued private label growth, sourcing optimization, and disciplined pricing and purchasing execution.

Total SG&A expenses increased 2% to \$299 million. This was primarily driven by strategic investments in growth, acquisition-related costs, and impacts of inflationary increases. Excluding the 3-point impact of investments and M&A, SG&A declined modestly year over year, reflecting strong cost management.

Adjusted diluted earnings per share increased approximately 6% to \$0.72, compared to \$0.68 last year. Growth was driven by higher adjusted net income and the benefit of lower share count from share repurchases. We were pleased with the 6% growth in a soft market, reflecting our continued focus on execution. Adjusted EBITDA of \$226 million was 1% above the prior year, and adjusted EBITDA margin increased 10 basis points to 11.8%, driven by 50 basis points of gross margin expansion.

Turning to the balance sheet, cash flow and capital allocation. We ended the quarter with net debt of \$2 billion and net debt leverage of 2.2 times, well within our target range. Liquidity was nearly \$1.4 billion, including \$150 million of cash, with the remainder available under our ABL facility. Operating cash flow was \$82 million, an increase of \$5 million compared to the prior-year quarter. Over the last 12 months, we've generated free cash flow yield of 6.4% of our market capitalization. That's more than double the average of S&P 500 companies and meaningfully above specialty distribution peers.

It's also worth noting that consistent with the seasonal profile of our business, the majority of our annual cash generation is expected in the second half of the fiscal year. We returned \$88 million to shareholders through share repurchases during the first quarter, reducing our share count by roughly 1.8 million shares, our highest level of open-market share buybacks in a single quarter. Including additional repurchases after quarter end, we've already repurchased 2.5 million shares through fiscal 2026, representing roughly 80% of our total buybacks for all of fiscal 2025. This level of capital deployment reflects the strength of our cash generation profile and the confidence we have in our business, while maintaining a strong balance sheet and liquidity position. That financial flexibility allows us to continue balancing shareholder returns with continued reinvestment in strategic growth opportunities.

Looking forward, we will remain opportunistic with share repurchases, supported by strong cash generation, while also maintaining the flexibility to pursue attractive growth investments and M&A that maximize long-term value.

Turning to our outlook on page 10. We are reaffirming our full year guidance we issued in March, including net sales of \$7.8 billion to \$7.9 billion, adjusted EBITDA of \$950 million to \$980 million, and operating cash flow conversion of 60% to 70% of adjusted EBITDA. We continue to expect overall end-market volumes to be roughly flat for the year, with strength in municipal markets, supported by durable funding sources and the non-discretionary nature of demand, offset by a continued cautious outlook in private construction.

Overall, we continue to expect to drive above-market volume growth through our sales and geographic expansion initiatives, including strength in smart utility and treatment plant solutions, as well as the opening of a record 8 to 10 greenfield locations in attractive markets.

As we previously mentioned, we have seen recent supplier price increases in PVC, which could provide a modest tailwind as we move through the balance of the year. At the same time, elevated geopolitical uncertainty could weigh on end-market volumes across residential and certain non-residential categories through impacts on interest rates, affordability and consumer confidence. Our reaffirmed guidance range reflects these dynamics.

On profitability, we continue to expect adjusted EBITDA margin expansion through execution of our gross margin initiatives, the realization of benefits from previously announced cost actions, and leveraging our fixed cost structure as we grow. Operating cash flow is also expected to remain strong, and our capital allocation priorities remain unchanged. We will continue to invest in the business to drive long-term growth while returning capital to shareholders through share repurchases.

We remain confident in the strength of our business and our ability to execute. Our operating model has proven resilient across varying market environments, and we continue to deliver disciplined pricing, expand margins, generate strong cash flow and gain share.

With that, I'll open the call for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Your first question comes from the line of Matthew Bouley with Barclays. Your line is open. Please go ahead.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

Good morning, everyone. Thank you for taking the questions. Maybe just starting off on the guide. So obviously, no change to the full year EBITDA guide, so maybe a fairly simple question here. But I'm just curious if – within that guide, if anything has changed within kind of the moving pieces, whether we're thinking end markets year-to-date, obviously your comments there on inflation and potential PVC price increases. Really, just is anything kind of tracking a little bit different versus your initial expectations kind of 90 days into the year? Thank you.

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

Hi, Matt. Thanks for the question. Yeah. On the guide, we maintained the guide and left it where it was given that we're still in the first quarter. Everything's come in pretty much in line with our expectations. So, the market's been in line with our expectations. Nothing's really changed from a market standpoint on what we're expecting.

I would say the only thing that's a little bit different is pricing, and I'll give you a little bit of color on the way that we're thinking about that. But pricing was about flattish in the quarter. Virtually every product category was either flat or up. PVC was a headwind just given the timing of the declines in the prior year. We have started to see price increase announcements from our suppliers, but we haven't seen that hit our revenue numbers yet. So, possible for there to be a little bit of upside in the back half of the year.

But as a reminder, PVC will still be down year over year even if we do get some uplift. What we have seen is we've seen it stabilize over the last couple of months, and that's been very positive for us. But not expecting it to be a major driver as we go throughout the rest of the year.

So, given all of that and the uncertainty still with the macroeconomic environment, we thought it was prudent to leave the guide where it is, could cause some additional inflation or tougher market. So with all of those things in mind, the guide is maintained.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

Okay. Perfect. Thank you for that, Robyn. Secondly, maybe on meters and smart utility. Brad gave really great detail there around kind of what's differentiated about your strategy, so I'm not going to ask you to rehash that. But maybe to just kind of hit on some of the specific debates you hear from some of the challenges with the OEMs more specifically over the past three, six months, etcetera. So maybe if you can – obviously, it's hard to know what's kind of going on exactly at other companies, but maybe you kind of touch on a little bit what you think may be different between what you're actually seeing and why what you're seeing is different than what a lot of these kind of OEMs are saying on the meter side. Thank you.

Bradford A. Cowles

President, Core & Main, Inc.

A

Yeah. Sure and I'll take that one. Our meter business is rich with these big projects where we are kind of uniquely positioned to take a number of solutions from different partners and integrate them, and that's where we're winning the really big, long-term projects. And that pipeline is strong. I think we have a very high win rate, and I think we're competing at sort of the top of the heap in that slice of the meter world. But there's also – for many, many years and remains, there's a lot of meter sales that go on in our, call it, our everyday business and a lot of small meter systems that have been in place for years. And those municipalities purchase meters on an ongoing basis, and that's driven by operations and maintenance and it's also largely driven by things like residential expansion.

And given that the residential market is soft, my suspicion there, I think we see it in part of our business as well, is that is a – that part of the meter market is kind of flattish to not very exciting right now. We are sort of uniquely powering our way through it on the strength of these large projects. And depending on what type of technology platform you're talking about with different meter manufacturers, they may be more concentrated kind of in that residential small project or just ongoing maintenance of those existing systems, where, I could imagine, they're seeing a little bit more pressure from just general residential slowness.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

All right. Well, perfect. Thanks, Brad, and good luck, everybody.

Bradford A. Cowles

President, Core & Main, Inc.

A

Thank you.

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Thank you.

Operator: Your next question comes from the line of Matt Johnson with UBS. Your line is open. Please go ahead.

Matthew Johnson

Analyst, UBS Securities LLC

Q

Hey. Good morning, guys. Appreciate the time here. I guess, first off, from a segment basis, I think fire protection sales were really the standout this quarter, up, I think, 17% year over year. And I think there's been some disruption at the OEM level over the past few months. So I guess, how much of the strength would you guys attribute to, call it, kind of share shifts within this vertical as opposed to kind of the core end-market strength? I think you guys called out, I think, in multifamily and data centers. And I guess, just any other thoughts you can share on the trajectory of your fire protection business this year?

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. Sure. Thanks for the question. What I would tell you is we're really excited about the performance that we've seen within our fire protection product line. We definitely benefited from a couple of areas that are, I'd say, more market related. As we did point out, we're picking up a good chunk of the data center work there, with that activities. We've seen some good progress there as those projects get more towards the completion stage. As those buildings get finalized, those fire protection systems are going in. So, we've seen an uptick there.

I'd say multifamily has been steady to a positive for us. We pick up a lot of good fire protection material from a multifamily perspective. And then, we have seen an uplift in steel pricing. And that had been, I would say, at least about a couple of years of drag on the fire protection performance, as we've pointed out historically. So, seeing some positive price there has helped that product line.

And then, yeah, I would tell you, our performance in that product line has also improved over the last, I'd say, 12 to 18 months. And I do believe we're picking up some share there. And for all those reasons, we've been really excited about that performance there.

Matthew Johnson

Analyst, UBS Securities LLC

Q

That's great. Appreciate that, Mark. And then, I guess, if we could just talk a little more about the meters business. I think sales are up, I think, 9% in the quarter. I think that's relative to, I think, 12% organic volume last quarter. So I guess, any thoughts you guys can share on just the trajectory of that business moving forward given, I think, the comp does get a lot easier next quarter? And I guess, just any other kind of color or quantification you guys can share on some of the additional large contract wins that Brad mentioned?

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. I would tell you, when you get down into a meter product line and you look at that performance on a quarter-to-quarter basis, it can move around a little bit more than, obviously, the overall business just given the very sizable projects that were awarded there. So, you'll see that move around from time to time just based on the timing of when those projects release and when we're shipping. Obviously, there's a lot of installation that has to happen there and a lot of things can adjust the timing of when we see those products go out the door. So, I wouldn't glean in anything in kind of a quarter-to-quarter basis as it relates to our meter product line. But as you've seen and what we'd laid out for long-term kind of historical growth there, being in that kind of double-digit range is our expectation for the foreseeable future just given the amount of projects and opportunities we see across the municipal network.

Operator: Your next question comes from the line of Joe Ritchie with Goldman Sachs. Your line is open. Please go ahead.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Hey. Good morning, everybody.

Q

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

Hey, Joe.

A

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

Hey. Good morning, Joe.

A

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

So I guess my first question – hey. Good morning. Yeah. So my first question is, if you think about your different end markets as the year progresses, it seems like you're probably lapping your toughest comp from a residential perspective in Q1. I mean, is it fair to assume that, like, we're at the bottom in volumes and that things should progress better as the year progresses? Just any color around that would be helpful.

Q

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

Yeah. Sure, Joe. We tried to lay out a little bit of that in the prepared remarks, but I'll give you a little bit more color on kind of as we sit here today versus where we were last year at this time. Last year at this time, we really started to feel some of the momentum softening. In particular, in the residential end market, we started to see projects getting scaled back and felt like we were starting to lose momentum. And that clearly played out as we got into the end of the second quarter and then more fully into the back half of 2025.

A

I would tell you, as we sit here today, while the end markets are coming in kind of as we expected, we do feel some momentum. There has been a lot of good project activity, a lot of bidding activity. We've been awarded a lot of really good projects. Gives us a lot of confidence about the back half of the year. We're just watching right now – just given all the uncertainty and the macro, and I think a lot of concern around energy cost – really, what the timing of release is going to be on these projects.

So, probably some – still a little bit of near-term uncertainty. But just given the fact that the backlogs are building, really, across all of our end markets and the fitting activity continues to be strong, that we feel like the momentum is there. So, it's a matter of timing and when some of these things are going to release. So, definitely feeling better than, I'd say, what we did kind of last year at this time.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

That's helpful, Mark. And I guess, my second question is, like, look, really helpful to see the greenfield expansion continuing. I guess, maybe just give us a little bit of color on like how you're prioritizing your locations, are you following customers, a little bit more comment on this call around your data center business. Are you now going to try to, like, overindex your expansion into more data center-specific regions to follow that growth? Just any color there would be great.

Q

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. Sure. What I would tell you on the greenfield side is over the last, I'd say, 12 to 18 months, we've really had, I'd say, a renewed focus on some real key markets across the US. And we wanted to reinforce our position in some of those markets to capture what we believe is our fair share in some of those areas. And some of that has resulted in identification of some new greenfield opportunities. In other cases, it's maybe additional resources or new resources that we felt like we needed in some of those critical markets. And those are critical markets for us, one, because they're large, maybe there's much more of an opportunity that we see. Or in many cases, yeah, there's a lot of good, large project activity there that we want to be able to capture.

So we're going about it in all the various ways that you would expect for us to go after just with our organic growth initiatives. But those are kind of the key drivers, is our – looking at these key markets and developing the path to continue to grow and take the market opportunity that we see.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you.

Operator: Your next question comes from the line of Sam Reid with Wells Fargo. Your line is open. Please go ahead.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

Awesome. Thanks so much, guys. Wanted to touch on the meter business here a little bit more, drilling deeper on your analytics and support. Just curious, how big is that today in the context of your overall meter business? And did I hear correctly that it was tracking up double digits?

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

I would tell you in terms of the size, that's not as critical to how we think about it as it is additional capability that we provide the municipality to have another tool as we try to drive the demand of the overall meter upgrades and technology. So still, as you think about our meter product line, the meter, the software, the billing systems is a large chunk of the revenue pieces. But what we bring is a lot of other capabilities with that, that help drive the demand and get those meter systems in place. I would say, it's a big growth area for us. But still, relative to what we're driving in terms of meter revenue, it's still relatively small.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

That helps. And then maybe switching gears back to data center, obviously, very topical for all of us. Wanting to drill down, though, and get a sense for, are there any new product lines or vendors that you've added recently that are perhaps helping drive that strength in your backlog? And then, any context in terms of just how much bigger the backlog is in data center now versus last year? Thanks.

Bradford A. Cowles

President, Core & Main, Inc.

A

Yeah. Sam, the data center work, there's a couple of things that are working in our favor, I would say. Number one, data center markets have expanded, like, the geography that – where they're looking for, number one, power, and then land and water. So now there's 15 or 18 market concentrations, if you will, where data centers are being built. And because we're present in those markets or we're further investing in those markets, we're aligned really well with where that construction activity is starting to happen across the country.

Also, the data center project type, well, what's unique about it is it demands a pretty high degree of precision, project management, you can't make mistakes, there's a high level of execution risk in those projects. And we are well suited to that, that's right in our sweet spot. We are typically aligned with the underground utility contractors in all those geographies who are the most renowned for having the capabilities to also deliver with excellence. And that's who's being sought by the general contractors and engineers and owners. But the work itself is very, very much aligned with our core business. It's not requiring us to really move into any particular new product lines or areas or fabrications. We basically have all of the elements for data center, underground waterworks product in the core of our company. So, it's playing to us really, really nicely.

Sam Reid

Analyst, Wells Fargo Securities LLC

All helpful context. Thanks so much.

Q

Operator: Your next question comes from the line of Brian Biros with Thompson Research Group. Your line is open. Please go ahead.

Brian Biros

Analyst, Thompson Research Group LLC

Hey. Good morning. Thank you for taking my questions today. On treatment plants, you delivered double-digit growth this quarter. You've talked about how you build out the capabilities to support that [ph] great growth, (01:01:57) I think 25% CAGR over the last few years. How large is treatment plants as a share of sales now? Kind of what does the backlog look like there? And maybe if there's any margin difference to consider?

Q

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

I would tell you it's in the mid-single-digit range for us and we continue to see, like you mentioned, good growth with the treatment plant side of the business, and expect that to continue just given the capabilities that we continue to add. We see it as an area that is going to continue to see good funding as we move forward.

A

So, I would tell you, the other thing that we're focused on is continuing to expand the addressable kind of product that we can distribute into treatment plant facilities. And we've made a lot of good improvements in those capabilities, some of which we've done organically. And then, we're also looking at ways to do that through M&A that continue to expand our capabilities just given the outlook we see there for treatment plant going forward.

Brian Biros

Analyst, Thompson Research Group LLC

Got it. And secondly, I guess you have a new board member recently from American Water. Has anything changed in how you kind of think about the regulated utility customer there or even anything beyond that, in capital allocation, or just any difference that is expected? Thank you.

Q

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. Thanks, Brian. Yeah. Glad you pointed that out. We did add Susan Hardwick, former CEO of American Water, to our board. She's been a wonderful addition. She brings an incredible kind of customer perspective into our boardroom and is already adding, I'd say, great value to our discussions.

Nothing I would say would change strategically what we're doing, but just adds a tremendous amount of credibility given her industry background. And I think our focus on municipal and the municipal customer inclusive of private water will continue to be major focuses of ours, and she brings us a great perspective on that.

Operator: Your next question comes from the line of Nigel Coe with Wolfe Research. Your line is open. Please go ahead.

William Vranka

Analyst, Wolfe Research LLC

Q

Hey. Good morning, guys. This is Will Vranka on for Nigel. First, wondering on...

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Hey. Good morning.

William Vranka

Analyst, Wolfe Research LLC

Q

...hey. Good morning, guys. So, the IIJA is set to expire later this year. I was just wondering how material you think this could be for you, guys. Is this funding that you'd expect to be plugged by Congress? If there's any thoughts on what the potential impact could be there. Thanks.

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

Yeah. Thanks for the question, Will. I'll take that one. On IIJA, the remaining funding is expected to hit the state revolving funds this year. That doesn't mean that there's any clips to the funding or there's any end to the funding. A lot of the funding has already hit the state revolving funds. Only about a third or less of it has hit the municipality level yet. So there's still a lot of funding out there for municipalities to use and they can use that. It's going to be in the state revolving funds for them to use and utilize.

A portion of that funding is in the grant form, and then the other portion is in low-interest loans. So a portion of that would get repaid back into those state revolving funds and used for future sources. And then, in addition to that, 95% of the funding that municipalities use for their water infrastructure is state and local, and we think that those are really strong. We're seeing municipalities increase water rates to their customers to be able to afford some of the upgrades. We're seeing municipal bonds, growth in the municipal bond issuance that's going out there. So across the board on the federal, state and local level, we see ample funding for the municipal infrastructure investments in the short, medium and long term.

William Vranka

Analyst, Wolfe Research LLC

Q

Okay. Got it. That's really helpful. Thanks, Robyn. And then, maybe for my follow-up, just to follow-on to a couple of the prior questions. Just on the data center and the treatment plant businesses, I know you've had a number of investments and initiatives ongoing that will grow those. Just any KPIs that you can provide on how those initiatives are progressing and, I guess, specifically as it relates to the number of salespeople that you've brought on, that you're targeting, and what the expected contribution is there? Thank you.

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. I would tell you, more so on the treatment plant side, where it becomes much more of a technical sale, we've added, I'd say, dozens of resources into our national teams to support our local execution on those projects. So, that's been a good area of growth. Some of those resources can also help with some of the other larger projects like data centers that are out there. But also, again, those projects, while large, are really kind of core to what we do locally. So, the existing resources of which we have hundreds of sales teams and support resources in our local teams, support large and small projects that are kind of core to what we do.

So I'd tell you, dozens of additional resources to support those complex projects that then work across the regions and really do a great job of following those projects through from bid through completion.

William Vranka

Analyst, Wolfe Research LLC

Q

Got it. Thanks, Mark.

Operator: Your next question comes from the line of Mike Dahl with RBC Capital Markets. Your line is open. Please go ahead.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

Good morning. Thanks for taking my questions. First one, Robyn, just to circle back on pricing and also maybe gross margin dynamics. You mentioned that you haven't seen the PVC price increases flow through to your revenues yet. I do think some of these increases were supposedly effective from the OEMs the past couple of months. So have you accepted price increases, and are you seeing that in your inventory? And can you kind of talk through whether there's anything assumed sort of kind of price-cost differentials, either good or bad in the next couple of quarters? And if you could also – gross margins were strong in the quarter. Were there any timing benefits on price-cost helping that in 1Q?

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

Yeah. Thanks for the question, Mike. So on PVC, we have seen price increases from our suppliers. We have sequentially seen – since the first quarter, we've seen – we've started passing along some of those price increases through our bidding and quoting activities. So, that's why I said we haven't seen them in our sales activity yet. We did do a little buying ahead of price increases on PVC and some of these other areas that are increasing. But we expect to see some of that in the – majority of that would hit in the third quarter of things that we're bidding and quoting now that are sequentially higher on the price side for those PVC items, if that makes sense.

And then, on the gross margin side, really strong quarter for us for gross margin. Our initiatives are performing well. Private label is really strong. Fire protection, we talked about being up. There's a lot of private label in our fire

protection business, so that helps lift those margins up, too. We're expecting for the remainder of the year for gross margins to kind of remain at these similar levels to what we exited the first quarter in throughout the year, which would be a gross margin benefit year over year for the full year.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

Okay. Yeah. That's very helpful. Thanks, Robyn. Shifting gears, I mean, the SG&A side, it seems like – obviously, you've got some investments in there, but the cost-outs appear to have kind of provided some control kind of on an underlying basis. Can you just update us on kind of the progress against those, what's left to realize as the end markets have remained in kind of relatively similar places? Or how are you thinking about your SG&A here, and whether or not there are other actions or opportunities there to drive further leverage?

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

Yes. Yeah. So SG&A for the quarter was up about 2%. And what I talked about earlier was – about it – there's a point of that that's M&A related. There's about 2 points that are kind of investments in things like greenfields and some of those resources we talked about to make investments into some of these big projects and complex projects. So, we've continued to make investments to support future growth.

We did have a couple of points of inflation in there, and then we've got a couple of points of those actions, cost-out savings that helped offset some of that increase. So, we feel like our SG&A is well positioned so that as go throughout the rest of the year and start seeing some growth in the back half, we'll be well positioned on our SG&A to see some good performance there.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

That's great. Thank you.

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

On the cost-out piece, it's in line with what we expected. So, we did that \$30 million in the back half of last year and we saw about a quarter of that benefit in the first quarter.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

Got it. Okay. Appreciate it.

Operator: Your next question comes from the line of Collin Verron with Deutsche Bank. Your line is open. Please go ahead.

Collin Verron

Analyst, Deutsche Bank Securities, Inc.

Q

Good morning. Thank you for taking my questions. I just want to circle back on the water treatment plant. Can you just – can you dive a little bit more into what's going on in sort of that end market? Are these new treatment plants, are they upgrades, sort of repair and break? And then, I guess, just like how meaningful can these

individual projects be for you guys from a revenue perspective? And maybe sort of dive a little bit deeper into sort of like the medium to longer-term kind of growth that this could provide you over the next several years.

Bradford A. Cowles

President, Core & Main, Inc.

A

Yeah. I'll give you some color on that. I would say, first of all, treatment plant projects range in size from very, very small, let's call them, rehabilitation or minor expansion, all the way to completely new treatment plant construction. Actually, that is a rarer case. But a treatment plant facility can get completely retrofit in a sort of rehabilitation, which is essentially, for us, a complete rebuild of all the workings of the plant and all the piping and fabrication and connectivity. So, whether it's rehabilitation or completely new construction for us, it's almost the same in-market exposure, which is great. That's what we see more often than not, is new technology, new designs, getting more out of existing facilities by essentially redoing, perhaps, one or two lines at a time, the main flows through the treatment plant.

We see this as it does not seem to be slowing. The funding has been strong. But I think more importantly, this is just a sort of a non-discretionary investment that the municipalities are – they must do because the demands on both clean water side and the sanitary sewer side are – and separating storm sewer, for that matter, just continued to be constant challenges with movement of the population, some of these large capital projects that are demanding more water than ever. So, we see it as a pretty durable, long-term trend that is driving good growth for us. Obviously, as it gets bigger, those percentage growth rates are harder and harder to come by. But we still see this as a significant above-market driver of growth for us for the foreseeable future.

Collin Verron

Analyst, Deutsche Bank Securities, Inc.

Q

That's really helpful color. Thank you. And then, I guess I just wanted to touch on your – maybe your some more near-term expectations here. You called out the tough comp that you saw on the first quarter. I think you still saw like a high-single-digit comp in 2Q, but the two-year stack, it's a little bit easier. So I guess I'm just trying to understand what your near-term sales expectations are around 2Q. Can you start to see growth this year in the second quarter? And sort of any color on how trends have been in May and the first part of June?

Robyn Bradbury

Chief Financial Officer, Core & Main, Inc.

A

Yeah. Yeah. Thanks for the question. So if you remember, last year we started to see the decline in residential in really the back part of the second quarter. So, May and June still had pretty decent performance from a residential standpoint before we really started to see that slow down in July. We are expecting, I would say, some slight growth in the second quarter with the majority of that growth kind of in the second half of the year, where we have some easier comps. And like we mentioned, we've been building momentum with bidding activity and backlog activity, and expect a lot of that to release in the back half of the year. So, flattish for the first quarter, slight growth in the second quarter, and then kind of that low to mid-single-digit growth in the third and fourth quarter of this year is how we're thinking about the seasonality.

Collin Verron

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you.

Operator: Your next question comes from the line of Keith Hughes with Truist. Your line is open. Please go ahead.

Keith Hughes

Analyst, Truist Securities, Inc.

Q

Thanks. Just one more question on the treatment center business. You talked about some acquisitions around it. Are there specific entities and branches that just work on that end-user market? Referring to that, can you give some detail [ph] what you mean there? (01:16:39)

Bradford A. Cowles

President, Core & Main, Inc.

A

Well, first of all, the way that we – our treatment plant project is ultimately going to be local. It's going to need materials, staging, packaging. Generally, the more complex the project, the more beneficial it is that we have a Core & Main store, if you will, close to the project to do all of that offsite material handling. But the teams that are executing the pre-sale process, the design, these alternative funding long iterative processes, they're engaged, those teams are generally going to be concentrated at either the regional or the national level and they work out of various virtual offices around the country.

And as the project approaches execution time, there's sort of a relationship formed with the branch that's going to carry the kind of actual logistics load, if you will. When we talk about acquisitions in the space, it's not so much the need for acquisition of our traditional footprint. And no, to be clear, there's not a branch that specifically does treatment plant product only, as all of our branches can do treatment plant product work.

The acquisitions are more – as we expand our product offering, we're really, really proximate to the next part of the product that goes the next step inside the plant, like actuated valves or engineered pipe stands or different kinds of metal fabrications that make up the bodies of the plant. And in order to sell those products, you have to have knowledge and credibility and expertise. And that's more like what we're talking about when we look at M&A, is how can we continue to bring more of that knowledge, expertise, talent and capability so that we can offer a more broad offering.

Keith Hughes

Analyst, Truist Securities, Inc.

Q

Okay. Let me ask a question on M&A, just a little bit picture – bigger picture [ph] to finish this off on. (01:18:28) M&A has been adding a modest amount in the quarter and recent quarters, [ph] below it (01:18:33) several years ago. You're very large now, large network. Are you reaching a size where acquisitions are just going to be a small amount in terms of added revenue than in previous years or are we just in a lull for deals right now?

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

A

Yeah. Thanks, Keith. As I've mentioned on previous calls, we've definitely been on a lull from an M&A standpoint and we haven't really seen a lot of deals in the space. So, what we have seen, I'd say more recently, is a pretty notable uptick in the pipeline. There have been a lot more that have come across the desk recently. I would say I couldn't be more excited about some of the opportunities that we've seen that range from small tuck-ins, right, in the core to larger opportunities like you've seen us complete in the past, and then some opportunities that are kind of right in the customer mix that we're talking about with municipal and treatment plant and some of these areas that could be really, really great opportunities for us.

So we've advanced, I'd say, a number of them through our process and they're getting in the late stages. So, I should expect that we'll get right back on track and, if not, overperform some of our M&A goals. There's no

shortage of opportunities out there. It's been more of a timing and lumpiness just from an M&A availability standpoint, but really pleased with what I'm seeing right now.

Keith Hughes

Analyst, Truist Securities, Inc.

Okay. Thank you.



Operator: We have reached the end of the question-and-answer session. I will now turn the call back to Mark Witkowski, CEO, for closing remarks.

Mark R. Witkowski

Chief Executive Officer & Director, Core & Main, Inc.

Thank you, again, for joining us today. As we close out the quarter, we are in a position of strength to deliver above-market growth, both organically and through acquisitions. While we do not expect near-term tailwinds in residential, we see plenty of opportunities to capture growth within our municipal and non-residential end markets, and we have the team and experience that deliver on our 2026 outlook.

Importantly, the long-term fundamentals underpinning our business remain firmly intact. The need to modernize aging infrastructure, support population growth and deliver reliable water systems continue to drive sustained demand. Combined with the investments we've made in the business and the depth and experience of our team, we remain confident in our ability to navigate the current environment and continue delivering durable, long-term value for shareholders.

Thank you for your continued interest in Core & Main. Operator, that concludes our call.

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

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