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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the nVent Electric Second Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Tony Riter, Vice President of Investor Relations. Please go ahead.

Tony Riter

Vice President-Investor Relations, nVent Electric Plc

Thank you, and welcome to nVent's second quarter 2026 Earnings Call. On the call with me are Beth Wozniak, our Chair and Chief Executive Officer; and Gary Corona, our Chief Financial Officer. Today we will provide details on our second quarter performance and outlook for the third quarter, an update to our full year outlook. All results referenced throughout the presentation are on a continuing operations basis unless otherwise stated. Before we begin let me remind you that any statements made about the company's anticipated financial results are forward-looking statements subject to future risks and uncertainties, such as the risks outlined in today's press release and nVent's filing with the Security and Exchange Commission.

Forward-looking statements are made as of today, and the company undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances. Actual results could differ materially from anticipated results. Today's webcast is accompanied by a presentation which you can find in the investors section of nVent's website. References to non-GAAP financials are reconciled in the appendix of the presentation. We will have time for your questions after our prepared remarks.

With that, please turn to slide 3, and I'll now turn the call over to Beth.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Good morning, everyone. I am pleased to share with you our outstanding second quarter results and cover some key business highlights. We had another tremendous quarter with record sales and earnings well ahead of our guidance. The better than expected sales were primarily driven by the infrastructure vertical led by data centers, along with stronger demand in our short cycle business. This was our fourth consecutive quarter with sales of more than $1 billion including Systems Protection sales of more than $1 billion for the first time. Our data center business grew across the portfolio in both the gray and white spaces. We had outstanding growth in liquid cooling, cable management, and engineered buildings. We are winning with a wide range of customers from hyperscalers to neo clouds, multi-tenants, and also through our distribution partners.

We have been investing in new products and our supply chain to be able to scale and respond to customer demand. Today we announced another new location for further capacity expansion, which I will discuss shortly. In Q2, for total nVent, we continued to have strong orders and backlog. Organic orders growth was broad-based, up low double digits. In addition, backlog remained healthy at $2.5 billion, giving us visibility through the year and into 2027. As we have previously discussed, data center orders tend to be large and lumpy, impacting growth rates quarter-to-quarter. In fact, we've had strong data center orders thus far in Q3. Our free cash flow and balance sheet are strong and our disciplined capital allocation is focused on growth and returning cash to shareholders for continued value creation. We are significantly raising our full year sales and EPS guidance to reflect our outstanding second quarter and expected broad-based growth, including continuing momentum in AI data centers.

Now on to slide 4, for a summary of our second quarter performance. Sales were up 53% and 47%, organically, led by the infrastructure verticals. New products contributed over 30 points to our sales growth and we launched 14 new products in the quarter. The EPG acquisition continued to exceed expectations, growing sales strong double digits year-over-year. Adjusted operating income grew 61% year-over-year, with return on sales of nearly 22%. Adjusted EPS grew 69% and free cash flow grew 125% year-over-year. Looking at our key verticals, sales grew across all verticals. Infrastructure led the way, with organic sales more than doubling, driven by outstanding growth in data centers and double-digit growth in power utilities. Commercial/resi grew high single digits and industrial was up low single digits.

Turning to organic sales by geography. All geographies grew led by the Americas growing very strong double digits. Europe was up mid-single digits and Asia Pacific grew double digits. Looking ahead, we believe infrastructure represents our largest long-term growth opportunity, driven by the powerful secular trends of electrification, sustainability, and digitalization. We expect the infrastructure vertical to deliver strong double-digit growth this year, supported by accelerating AI-related data center capital investment. Within infrastructure, data centers remains our most significant growth opportunity. We also see substantial opportunity in power utilities where increasing electricity demand, grid modernization and the growing power requirements of AI data centers are creating meaningful long-term tailwinds. Turning to industrial and commercial/resi, we expect each to grow mid-single digits for the year with improving demand trends in our short cycle business.

Moving to slide 5, our portfolio transformation to become a more focused, higher growth electrical connection and protection company is showing up in our results. We have intentionally increased our exposure to the high growth infrastructure vertical through both organic investments and M&A. Infrastructure made up 12% of sales at spin, expanded to 45% last year and was nearly 60% in the first half of this year. We have been significantly investing in our data center and power utilities businesses, which are rapidly growing and more capacity is needed to meet customer demand. Overall, I am proud of our nVent team and how hard everyone is working to deliver these results and support our customers. We are on track for another strong year. This wraps up my opening remarks.

I will now turn the call over to Gary for further details on our second quarter results, as well as our updated outlook. Gary, please go ahead.

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Thank you, Beth. We had another excellent quarter exceeding our guidance with record sales and EPS. Let's turn to slide 6 to review our results. Sales of $1,471 million were up 53% compared to last year. Organically, sales grew 47% well ahead of our guidance, driven by very strong data center sales. Acquisitions added $52 million to sales or 5 points to growth. Sales from EPG after May 1 became part of our organic growth. Foreign exchange was nearly a 1 point tailwind.

Adjusted operating income was $323 million, up 61%. Return on sales came in ahead of expectations at 21.9%, up 110 basis points versus last year. Price plus productivity offset inflation of more than $50 million, including more than $30 million in tariff impact. We also continued to make investments for growth in data centers and power utilities. We had record earnings well ahead of the high end of our guidance, driven by exceptional sales growth and execution by the team. Adjusted EPS grew 69% year-over-year to $1.45. We generated very strong cash flow of $167 million, up 125% year-over-year.

Now please turn to Slide 7 for a discussion on the second quarter segment performance. Starting with Systems Protection, sales of $1,072 million increased 70%. The EPG acquisition contributed 7 points to sales and has performed well. This was System Protection's first $1 billion quarter. Organically, sales grew 62%, led by the infrastructure vertical, which more than doubled due to continued strength in data centers. Industrial and commercial/resi were each flattish in the quarter. Geographically, Americas grew very strong double digits, while Europe was up mid-single digits. Asia Pacific grew double digits in the quarter. Second quarter's segment income was $248 million, up 81%. Return on sales of 23.2% increased 150 basis points year-over-year on strong volume and productivity.

Moving to Electrical Connections, sales of $399 million increased 21%. Organic sales were up 18%, and the EPG acquisition contributed 2 points to sales. Growth was broad-based across all verticals and geographies. From a vertical perspective, infrastructure and industrial each grew strong double digits. Commercial/resi was up low teens. Geographically, sales were up high teens in the Americas, Europe was up low double digits, and Asia Pacific grew double digits. Segment income was $109 million, up 15% versus last year. Return on sales of 27.3% was down 140 basis points year-over-year. The margin performance was impacted by inflation and mix partially offset by improving price and volume. Importantly, margins improved sequentially back into the high-20s.

Turning to the balance sheet and cash flow on slide 8. We ended the quarter with $256 million of cash on hand and $600 million available on our revolver, putting us in a strong liquidity position. Our debt stands at $1.5 billion after paying down nearly $70 million of our pre-payable term loan in the quarter. Our healthy balance sheet and strong liquidity position gives us financial flexibility to support our disciplined capital allocation strategy.

Turning to slide 9, on capital allocation, where we outline how we deploy capital to drive growth and sustain financial outperformance. Our framework has been consistent and is centered on disciplined growth investments and rigorous execution of our M&A strategy, while maintaining the balance sheet flexibility to consistently return capital to shareholders. Our capital allocation priority is growth, and that starts with reinvesting in the business by funding capacity expansion, innovation and the capabilities required to win in high growth verticals. This year, we continue to expect to invest approximately $130 million in CapEx, up 40%. We spent nearly $60 million in the first half, up over 50% versus last year.

Most of this increased investment is for new capacity to support growth in data centers, power utilities and supply chain resiliency. Through the first half of the year, we returned $118 million to shareholders, including share repurchases of $50 million. And we have increased our quarterly dividend by 5% compared to last year. We exited the quarter with net leverage of 1.2 times well below our target range of 2 times to 2.5 times, providing ample flexibility to invest in growth and acquisitions. Overall, our disciplined capital allocation approach positions us to prioritize growth and create long-term shareholder value.

Moving to slide 10, as Beth shared earlier, we are significantly raising our full year sales and EPS guidance again, due to our strong performance in Q2 and momentum across our portfolio. We now forecast reported sales growth of 37% to 39%, up from 26% to 28% previously. We are significantly increasing our organic sales growth guidance. We now expect to grow 32% to 34% versus our prior guidance of 21% to 23%. We are raising our full year adjusted EPS range to $5 to $5.10 versus our original guidance of $4.45 to $4.55. At the midpoint adjusted EPS is expected to grow 50% versus last year. Our tariff impact is expected to be approximately $100 million, up from $80 million previously. Largely, this is driven by our significantly higher volume growth. We continue to expect to offset the impact of inflation, including tariffs through pricing, supply chain productivity and operational mitigating actions. For free cash flow, we still expect conversion of 90% to 95%.

Looking at our third quarter outlook on slide 11, we forecast reported and organic sales growth of 32% to 35%. Pricing is expected to offset the impact of inflation, including tariffs. We also expect to continue to invest in growth, particularly in data centers and power utilities. We expect adjusted EPS to be between $1.35 and $1.38, which at the midpoint reflects 50% growth compared to last year. Wrapping up, our nVent team delivered exceptional sales and earnings performance in the first half of the year, growing sales by over 50% and adjusted EPS by over 65%. As we turn to the second half, we are well-positioned for another outstanding year.

I will now turn the call back over to Beth.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Thank you, Gary. Please turn to slide 12. We have been working on liquid cooling in data centers for over a decade. Three years ago, we executed our first significant expansion for liquid cooling, increasing our footprint to support the AI data center buildout. That expansion was not enough to keep up with the accelerating demand. So we added another facility at the beginning of this year in Blaine, Minnesota, effectively doubling our capacity. This new facility is near to our Anoka Campus, and that proximity has allowed us to use the infrastructure, resources and expertise nearby to quickly scale. We opened the Blaine site within approximately 100 working days from when we signed the lease. This site is progressing ahead of our expectations and will continue to ramp through this year.

Now, as we look ahead, given the strong orders, backlog and visibility we have with our customers on liquid cooling demand, this expansion is not going to be enough. Thus today we've announced a third facility expansion in Minnesota that is of similar size to the Blaine location and nearby, which we are calling Blaine 2. This facility is expected to open in the first half of 2027. We expect our total data center sales to be more than $2 billion in 2026, more than double last year's sales.

Wrapping up on slide 13, we had another tremendous quarter with record sales and EPS. Our portfolio transformation and the AI data center buildout are accelerating our growth. We expect another record year and have significantly raised our full year sales and EPS guidance. We believe we are well-positioned with the electrification, sustainability and digitalization trends. Our future is bright.

With that, I will now turn the call over to the operator to start Q&A.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Deane Dray with RBC Capital Markets. Please go ahead.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Good morning.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Yeah, I realize there's lots of focus on the continued hyper growth in your data center business, but I was hoping we could start off walking through the – your industrial short cycle businesses in Electrical Connections. I mean the 18% organic was three times bigger than what we had been modeling for. So Beth, I was hoping you could take us through, are we seeing an inflection here? How broad-based is that? And just to make sure we're level set, was there any kind of thing unusual that got booked this quarter? Any one timers that would have skewed that organic growth rate higher?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Hi, Dean, thank you for the question. As the quarter progressed, we saw strong orders. And as I mentioned in my prepared remarks, we saw growth across every vertical and every geography. And we were, our orders were very strong through our distribution partners, which is where we see a lot of that short cycle industrial growth. So really, it was just a nice inflection point. And as you stated, our Electrical Connections business, which has a lot of short cycle business, performed very well to execute on those orders. And there was nothing unusual, yeah.

Deane Dray
Analyst, RBC Capital Markets LLC

Q

Great. All right. Go ahead. All right. That's great to hear. And then the second question, and I know you guys hinted pretty strongly that there was more capacity expansion coming at your Analyst Day. So seeing the announcement today makes sense. A couple of questions here. How do you land on, I think it's a 60% increase in capacity. And where does this take you in terms of your current kind of order funnel? Does it take you into 2028 and just – and then, Gary, how are you managing the – as you ramp each new line just in terms of the margin impact? So there's not too much pressure on the incrementals, a lot of work goes into that. Thanks.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Well, Dean, as we look at the demand and as we look at what our customers and the visibility that we have there and as we are launching also our modular platform in fall timeframe, we knew that we needed to expand our capacity and we're looking out. So as you know, our Blaine facility, Blaine 1 that is coming on line right now, is still ramping through this year and into 2027. So as we looked at that, we knew with the demand that we're seeing that we needed to ramp another facility because it takes time to get them online. And we do believe that that takes us through 2027 and into 2028 at this time.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Dean just to pick up on the margins, as we have said consistently, we expect to continue to invest to support the infrastructure vertical, to serve the backlog that Beth talked about. That's all embedded in our guide, which is assuming mid-20s incrementals in the second half.

Deane Dray
Analyst, RBC Capital Markets LLC
Q

Good to hear. Congrats to the team. Thank you.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Thank you.

Operator: Our next question comes from Jeff Sprague with Vertical Research. Please go ahead.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

Hey, thanks. Good morning, everyone.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Good morning.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

Got to add some width to my columns here to fit all this organic growth. Hey, just thinking about the ramp here, I mean looking at Systems Protection, I think we have 8 quarters or 10 quarters now of sequential revenue growth as sort of this bow wave of activity has come through. It appears the guide sort of levels out here though so maybe even the guide is for a little bit down revenue sequentially in Q3 and more so in Q4. Isn't the seasonality of the business sort of being ironed out by this level of activity? Or perhaps there's something going on with how you stage the new production? Can you just address that, please?

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Sure. Jeff, this is Gary. I'll start off and just mention, we expect a good organic growth in the second half and in the third quarter certainly, we guided 32% to 35% in the third quarter. And keep in mind we're going to be lapping 20% organic and 50% EPS growth in the second half. Last quarter, we talked about mid-30s, two-year stack growth and actually in the third quarter, we're going to significantly accelerate 50% in Q3 at the midpoint versus 46% growth in the first half. So we're seeing nice acceleration. So I understand your question, but we really feel like the team is delivering and delivering nice momentum.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

But is there any particular internal or external supply chain issue that might hold that kind of the sequential trajectory in Q3 versus Q2?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

I think, Jeff, this is just our planning and we're being very prudent because as you know, as we ramp capacity, we're having to add in equipment, we're having to add in labor, we're having to make sure that our suppliers can respond. Certainly in Q2, we were managing those things and it worked out more favorable in terms of the growth that we saw. But as we look forward, we're just being prudent and as we ramp up to new facilities we want to ensure that we're putting the right – doing all the right planning.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

And then maybe just to follow on, I think we talked about this a little bit before, but could you just maybe address the kind of service opportunity that is being created or should be being created on the back end of all this installed base growth that you're capturing here, kind of the opportunity set there. Are you seeing traction in that regard?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

So yes, as we designed our product portfolio in liquid cooling, we always designed it with modularity in mind so that parts could be hot swappable. And as we are also investing in a service capability to support the products and as we move and see our growth from hyperscalers to other less sophisticated customers, let's say, we have that ability to help commission, install and provide that service. So that is building as we go and certainly as we launch in the full timeframe here, our new modular portfolio, that is a big element for us to support that portfolio which we see will be very broad based in terms of its appeal to the customer set.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Thank you very much.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

Operator: Our next question comes from Nigel Coe with Wolfe Research. Please go ahead.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Oh, thanks. Good morning, everyone. Thanks for the question. So, Beth, I hate to be the annoying analyst asking the question about orders, but I know they're lumpy, so we get it. But is there anything around just the cadence of product launches and the capacity ramp that's pushed orders around a little bit here and made them perhaps a bit lumpier I'm thinking of obviously about the modular product launches, et cetera. So anything around those factors driving a bit more lumpiness in orders?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

No, not really. I would say we've seen this over the last several years that these orders come in at various times and usually they're large. And as I commented through Q3 year-to-date, we've seen very strong orders. So it's – that this is just a normal in terms of these large orders that drop in.

Nigel Coe
Analyst, Wolfe Research LLC

Q

I get it. No, that's good. I just wanted to just double check on that. And then, obviously really good news on the Blaine 2 facility. Could you maybe just bring us up to speed in terms of where we are on the production ramp in Blaine 1? What's the capacity utilization and where do you think we'll be by the end of the year? And I'm just kind of amazed that you're not seeing any capacity headwinds or supply chain bottlenecks, unlike a lot of your competitors and peers in data center. So maybe just touch on where you are right now in your supply chain, et cetera.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Okay. Well, as you know, when you're ramping up, it's not just our capacity, it's also ensuring that our suppliers' capacity is also expanding. So as we ramped our own facilities, we've continued to work with our supply base to ensure that they're ramping. And that's a lot of work and as I think about our Blaine 1 facility, it's come online faster than we expected, but still ramping through the course of this year and into 2027. So it is starting to contribute, but we expect more stronger contributions from that facility as we go into 2027.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Great. Thanks, Beth.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

Operator: Our next question comes from Joe Ritchie with Goldman Sachs. Please go ahead.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC

Q

Hey, good morning, everyone.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Good morning.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

So obviously incredibly good results and demand remains really healthy. Your backlog is now kind of sitting at $2.5 billion, like basically kind of flattish, maybe down a little bit sequentially. I'm just curious like with the capacity ramp that you have coming and what you see in your pipeline is this kind of like the right backlog level for you going forward. Do you expect backlog to continue to increase from here, I know that you have a really tough comp obviously in the third quarter. Just any comments around that would be helpful?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Yeah, I mean I think it's around – with the right level, I mean it's hard to say because again when you get these lumpy orders that come in that can increase the backlog. But we're trying to turn it as well because it is important as we have a backlog that we're responding to the demand from our customers. So we worked hard in Q2 to really execute on that backlog because we know it's important to have good lead times for our customers. So is my answer to that question, that's around the right level.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

Okay. Yeah, no, fair enough. And look, it's great to see you guys turning the backlog and really impressive growth. I guess my second question is just around like the Electrical Connections margins, I know that you guys have been dealing with some like inflationary pressures as well. The growth is really good in the segment. Just how do we think about kind of like the trajectory of the margins going forward and whether you're going to be able to kind of extend those margins?

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Yeah, Joe, I'll take this. This is Gary. The first comment I'll make is about the great growth, both on the top line and the bottom line, mid-teens profit growth for EC is a tremendous contributor to our performance. And on the margin front, we did see a significant sequential step up and we expect margins to continue to improve as the pricing and productivity actions that we talked about last quarter take hold. And again that's going to be in those high 20s in line with what we discussed that that segment continues to deliver really nice growth on the top and bottom line for nVent.

Joe Ritchie
Analyst, Goldman Sachs & Co. LLC
Q

Great. Thank you, guys.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

Operator: Our next question comes from Jacob Levinson with Melius. Please go ahead.

Jake Levinson
Analyst, Melius Research LLC

Q

Hi, good morning, everyone.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Good morning, Jacob.

Jake Levinson
Analyst, Melius Research LLC

Q

All right. I think you mentioned there was a pretty strong tailwind in the distribution channel. And can you give us a sense of maybe inventories got a little too low over the last couple of years and just how much of that is maybe an inventory restock versus real underlying sell through demand?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, we look at both the sell in and sell out from our distributors and it's actually been well balanced. So, the positive note is that they're seeing strong sell through. So we actually think it's very healthy and it's real demand that we're seeing and that's the short cycle strength.

Jake Levinson
Analyst, Melius Research LLC

Q

Okay, fair enough. And just on the utility side, I'm not sure if you mentioned how much that market grew in the quarter, but yeah, that would be helpful to know for one. And two, just how do you balance the demand in that space with data center? Because I know there's not a lot of overlap with some of those products, particularly with the acquisitions that you did recently.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, yeah, power utilities grew double digits for us in the quarter. So it was very strong growth. And as we look at our whole portfolio, again I've commented before, we intentionally have shifted to data centers and power utilities. And certainly as we look at opportunities we want to ensure that we're serving our core customers and so we make prudent decisions that there has to be tradeoffs. But in some cases, we have separate facilities or depending on the product line, liquid cooling in separate facilities from where we're doing some of our power utility business. But it's overall part of our planning to ensure that we're looking far enough out talking to our customers and ensuring we can execute on all that customer demand.

Jake Levinson
Analyst, Melius Research LLC

Q

Great. Thank you, Beth. I appreciate it. I'll pass it on.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Thank you, Jake.

Operator: Our next question comes from Jeff Hammond with KeyBanc Capital Markets. Please go ahead.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, good morning, everyone. Beth, could we just count on...

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Good morning.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

...could we count on 100 days to get Blaine 2 open or is that too aggressive?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

I think that's too aggressive. I mean we are like running flat out, so I don't think we can have that repeat performance.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

All right. All right. It's good to talk about Electrical Connections again. I know you mentioned a lot about the short cycle, but I'm just wondering if this step up in acceleration like how sustainable do you think it is? And then just Gary on the margin – you had some price cost issues, nice recovery there. Are kind of – are we – where we want to be or is there more kind of price rush cost recovery into the second half, I guess how should margins looked on EC as we go forward? Thanks.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. On Electrical Connections growth, one of the things that we've really focused on is ensuring that our product portfolio, which is positioned well in – we have cable management, for example, that is used in data centers and there's a lot of construction that goes on in the gray space of data centers. So we've done a lot of work to ensure that our sales teams and our portfolio is positioned there. So we feel very good about that.

And again, the growth was broad-based across Electrical Connections and like what we do overall in nVent, we continue to come out with new products that – and we also have added capacity for some of those core lines in Electrical Connections as well to be able to really perform and execute on all that growth. So we feel good about the trajectory of that business. And I'll let Gary respond to the second part of that question.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Yeah, Jeff, as I mentioned earlier, we're really pleased with the profit contribution to nVent EC delivering mid-teens is certainly far higher than they've contributed previously. On the margin front, we saw the progress that we expected in the quarter and we expect to see continued progress as that pricing fully takes hold. And one of the things I would mention is keep in mind, we've got some acquisition contribution in that business as well. We love that business in the high 20s. And that's where I expect it to be this year.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay, great. And then just two quick ones on liquid cooling. One, just feedback, early feedback on your modular product offering and uptake. And then just if you could level set us on the $2 billion revenue for 2026 data center. What you think the mix of liquid cooling versus other is. Thanks.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

So our modular platform is going to launch later this fall and the interest is very high with a broad set of customers. And so we feel very confident about our new product offering and the growth that it's going to provide us. On the $2 billion, certainly we haven't broken that down yet, but it's a significant contribution coming from liquid cooling.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

I would just say we have broad-based impact on data centers from our portfolio. And it's really nice to see that growth contribution, as Beth talked about, the infrastructure vertical is a significant part of our business.

Jeffrey D. Hammond
Analyst, KeyBanc Capital Markets, Inc.

Q

Thanks for the time.

Operator: Our next question comes from Neal Burk with UBS. Please go ahead.

Neal Burk
Analyst, UBS Securities LLC

Q

Good morning, thanks. I wanted to ask about customer purchasing behavior for data center. I mean, it's clear that demand overall for nVent is very strong. But within your data center portfolio, can you kind of talk about how customers are purchasing your products? Like for example, are there customers or large projects who are buying just liquid cooling from nVent? Or would you say that it's generally more balanced for a typical customer between power and cooling?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, it really depends. We have customers who will buy lots that we have to offer from cooling, power, cable management to customers who might just buy a portion of a liquid cooling system as well. So we try and ensure that we understand what our customers looking for. Are they looking for more integration? Are they looking for just a part of a solution? And we're very flexible to serve across that value chain because recall we're working with hyperscalers, we're working with colos, we're working with distribution, integrators. So we're able – that's one of the things about nVent, we're able to provide solutions across that continuum from a product all the way up through an integrated solution that you might see in an e-house.

Neal Burk
Analyst, UBS Securities LLC

Q

Right. And as a follow up to that, I mean on the power utilities, [ph] growth, Beth (00:40:53), you mentioned double-digit growth, it seems like very strong double digits. Can you just talk about like the kind of drivers there? I mean I think of this business power utilities is typically kind of dependent on utility spending and maybe the mix is benefiting nVent particularly. But are you dealing more with like data center customers directly given the power constraints to the industry? Thank you.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah, certainly power is – the demand for power is being driven by data centers, by an aging grid, et cetera. And when we think about what we do for power utilities, again there's a lot that we're selling direct to utilities as well as through the distribution channel. But I would say there's also some integration or opportunities as we think of our engineered buildings and in that gray space. So we're trying to be able to serve all of those opportunities. But in general the demand for power is just increasing.

Neal Burk
Analyst, UBS Securities LLC

Q

Great. Thank you.

Operator: Our next question comes from Varun Govindaraj with Bernstein. Please go ahead.

Varun Govindaraj
Analyst, Bernstein Institutional Services LLC

Q

Good morning, everyone. Good morning, everyone. Congrats on a good [ph] trend (00:42:14)...

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Good morning.

Varun Govindaraj
Analyst, Bernstein Institutional Services LLC
Q

Quick question from my end. So what's next in terms of product vitality? Obviously, you have the new CDUs coming in the back half of the year, but as you think about your content per megawatt, where are you really looking to expand looking ahead?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Well, as we think about our overall product portfolio and new products, we're looking at how do we launch new products for these high growth verticals in general. So whether that's our modular liquid cooling, whether that's looking at some of our PDUs and new capability there, whether it's looking at our ERIFLEX, flexible bus that can be used for even medium voltage applications, we really are thinking about where are those opportunities, where we're going to see some differentiated growth in those high growth verticals. So it's broad, I mean we look at – we've been improving our new product vitality across the entire company. And I mean that's been one of the core tenets behind our growth strategy and working well for us.

Varun Govindaraj
Analyst, Bernstein Institutional Services LLC
Q

Got it. [ph] I hear you (00:43:24) thank you. And then how do you look at 800 volt DC and how that really impacts your opportunity? Any concerns about potential headwinds there? Are you already working with customers and talking about what the outlook for that is going to be? Would just love any color that you could add.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

All right. As we think about 800 volt DC and again for us, there are others who are more power players, so to speak. For us, we think about in terms of cooling and what is that going to mean at the rack level and what is that going to mean for rising heat densities and what is our offering need to support? We think about it in terms of our rack PDUs. A lot of our portfolio by the way, whether it's just in some of our power connections is already [ph] rated (00:44:06) to support higher surge capacity or load capacity. So we look at it as, you know, the industry is evolving 800 volt DC is going to have some application in data centers, but you'll still have lower voltage requirements and we just make sure we understand what it means for our roadmaps as we look at next generation products and what they need to be capable of meeting. So I think it's an opportunity for us to continue to extend what we do.

Varun Govindaraj
Analyst, Bernstein Institutional Services LLC
Q

Thank you so much. I'll pass it on.

Operator: Our next question comes from Vlad Bystricky with Citigroup. Please go ahead.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.
Q

Hey, good morning, Beth and Gary. Congrats on a nice quarter.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Thank you, Vlad.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Thanks, Vlad.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.
Q

So I just wanted to ask in terms of order patterns from customers, particularly on the utilities and data center side, are you seeing any change in sort of timing of how orders are coming in? Or customers ordering with sort of longer lead times trying to lock in capacity, if you will?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Yeah, I would say this that not necessarily for the – in the product portfolios that we play, we certainly are getting visibility from our customers, what their future demand is, so we understand that when we're planning out our capacity, but we're not – for the portfolios that we have. And keep in mind, there's different programs. So some programs are rolling off and new ones are coming in. We're typically just getting we're having those discussions on what's next is what I would say.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

And Vlad as we think about the backlog, we've said previously and continue to say that the backlog is mostly 12 months or less and that hasn't extended out.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.
Q

Got it, that's really helpful. Appreciate that. And then can you just talk about in terms of data center opportunities and potential that you see outside of North America, how you're seeing those markets develop and evolve and how are you thinking about nVent's ability to meet demand overseas as data center investment ramps in other regions.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Well, we certainly see that trend that data centers are expanding in both Europe and Asia. And what we've been ensuring is that we're both investing in our commercial capabilities in those regions, as well as setting up our manufacturing. We do have a footprint that is global. So – and some of our products today for our data centers are, we do manufacture in Europe. And so, we're thinking about – well, we have plans, I would say, just to continue to extend what we've done here in North America to be able to capture that opportunity around the world.

Vladimir Bystricky
Analyst, Citigroup Global Markets, Inc.

Q

Thanks, Beth. I'll get back in queue.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Thanks.

Operator: Our next question comes from Nicole DeBlase with Deutsche Bank. Please go ahead.

Nicole DeBlase
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah, thanks. Good morning, guys.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Good morning.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Good morning, Nicole.

Nicole DeBlase
Analyst, Deutsche Bank Securities, Inc.

Q

Maybe just a backlog question. Backlog did tick down a little bit sequentially, which is high quality problem because you were able to get so much out the door this quarter. But I guess if you look across the full year and considering the customer pipeline and your production plans, as we exit 2026 do you think backlog kind of grows from these levels?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, as we indicated, right, part of – and you're exactly right. I mean we had a strong quarter because we were executing on some of that backlog. And as Gary just commented, our backlog is typically within 12 months. So we keep adding capacity. So, we want to see that we're in balance that we're able to respond to that demand to support our customers because that's really important to have very good lead times. So it's hard to say and in any, as I mentioned, we get these lumpy orders. So, at some point in a quarter, backlog could go up, but we want to work it down. So, it's hard to say, but we're probably around the right level that we think we should be.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

And I just reiterate...

Nicole DeBlase
Analyst, Deutsche Bank Securities, Inc.

Q

Okay.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

...what Beth mentioned in her prepared comments is we're off to a really strong start here in Q3 on the order front.

Nicole DeBlase
Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Thanks, Gary. And maybe just a follow-up on that does off to a strong start, I'm sorry to ask this annoying question, but does that mean that orders are actually – order growth is actually accelerating from what you saw in the second quarter? Any comment on that? And then no one's asked the question about the M&A pipeline yet. So I'll throw that in there too what you're seeing and the level of activity.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, two things I would say on orders. One, we're seeing that short cycle strength and the other would be some of those lumpy type of orders. We're seeing some of those come in in start of this quarter. And on M&A, we have a very good pipeline and I think we continue to be disciplined and we continue to look at opportunities that are going to help, position us further in that infrastructure space. And our balance sheet is in a very healthy position.

Nicole DeBlase
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. I'll pass it on.

Operator: Our next question comes from Luke Junk with Baird. Please go ahead.

Luke L. Junk
Analyst, Robert W. Baird & Co., Inc.

Q

Good morning. Thanks for taking the questions. To start with, just Beth, curious to the extent you think we're seeing any company specific elements, especially One nVent contributing to the short cycle strength beyond just end market improvement.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Can you clarify that question? Are we seeing, I'm sorry, are we seeing...

Luke L. Junk
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, yeah. Just in terms of the short cycle strength, especially into distribution, a lot of discussion at Investor Day about improving channel to market, coverage, those types of things. It seems like we're seeing that show up in the short cycle strength to some extent. Just how you would attribute kind of what is nVent specific growth versus market tailwinds in the short cycle?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. So in terms of just that short cycle growth and through distribution and you're right, it's been a key strategy for us is to ensure that we've got strong partnerships, to ensure we're doing integrated marketing planning, to ensure that we're driving our vertical growth strategies. So I do think and introduce new products also very important. So I think it's a combination of those actions that is strongly positioning us across those distribution partners. And we just – we see strength there and again, that sell out and sell in is well balanced.

Luke L. Junk
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. And then in terms of the capacity increase in liquid cooling, just a couple of facets to that that I'd be curious to hear your thoughts on. First, in terms of the order book does it enable you to open up the order book any more, I don't know to what extent there were any constraints in terms of taking orders in the near-term before you get this capacity schedules to come online. And then as you step into these three large facilities now, just curious how you think about there being any inherent flexibility in that, especially as you're bringing modular online and theoretically ramping multiple customer programs as part of this as well. Thank you.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, certainly extending capacity as a result of us looking into getting visibility into what our customers' demands are, as well as our orders backlog. And also because we are launching a new platform coming up here. So it's all of those factors. And I think the flexibility that we have and I made this comment is the fact that we have opened up these facilities very close to our core and [indiscernible] (00:52:44) allows us to flex our resources, our infrastructure, our labor, and certainly already, we've mentioned that certain programs with hyperscalers have come online and moved to the next revision. So flexibility is really key for us. And so, there's been a lot of thought into that as we expand this capacity kind of all in a larger extended campus here in Minnesota.

Luke L. Junk
Analyst, Robert W. Baird & Co., Inc.

Q

Great. I'll leave it there. Thank you.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Thank you.

Operator: Our next question comes from Scott Graham with Seaport. Please go ahead.

Scott Graham
Analyst, Seaport Research Partners

Q

Hi, good morning, Beth, Gary, Tony, congratulations on the quarter. I wanted to ask about third quarter organic guidance, which is obviously slower than what we just saw, but it's on about a 10 point more difficult comp. And then the orders this past quarter were, in your growth business of liquid cooling seem like a little slower. And I understand the lumpiness, of course. But then you also said that, you're trying to be prudent with some guidance areas, but could you kind of wrap all that together for third quarter still looks pretty good organically is there upside to that organic number? And is that being maybe more driven by shipments from the backlog in liquid cooling?

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Yeah, I'll take that one. And look, we're really pleased with the guide that we laid out 32% to 35% in the third quarter. I think I mentioned it earlier, the two-year stack, because as you mentioned the comps get tougher, so we're being very mindful of that. The two-year stack in the third quarter is 50% growth at the midpoint, and that's acceleration from what we saw in the first half. Certainly, as Beth talked about as we went into the second quarter, there's a lot going on and – there's a lot going on and the teams did a great job to deliver against it. So it's important that we're prudent in our guidance and we'll continue to be that way to give ourselves the flexibility to execute as well as invest to support the growth in the second half and in the future.

Scott Graham
Analyst, Seaport Research Partners

Q

All right. Thank you, Gary. The other question was the mid-20s incremental margin in the second half of the year. In the past and this is before the sale of Thermal, then the 30% number was sort of bandied about. I was wondering if that's still maybe a stretch target for you.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Yeah. As we said at our Investor Day, our mid-term target was mid-20s for incrementals and that's to ensure that that we can invest to support the growth. And that's what we'll see in the second half. It's worth mentioning, we feel really good about the growth and returns that we're delivering. At the midpoint of our guidance, our EPS, this fiscal year will be more than double what we delivered in 2024. And the team is doing a great job delivering not just growth, but returns as well.

Scott Graham
Analyst, Seaport Research Partners

Q

All righty. Thank you.

Operator: Our next question comes from Brian Drab with William Blair. Please go ahead.

Brian Drab
Analyst, William Blair & Co. LLC

Q

Thank you. I wanted to ask a bigger picture question. I think a lot of the concerns around companies that have similar exposure to nVent, the concerns lately have just been around the longer term and it's really nothing new. But I guess the question is like, is 2026 and 2027 going to be great and what happens in the out years? So I'm wondering over the last few months how your conversations and – with hyperscaler and large customers have developed, what kind of visibility you're getting, are there – your broader pipeline and longer term pipeline, how far out do you have visibility to some of these projects at this point?

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

A

Well, look, we've got a visibility several years out. But I will also tell you, because we are in liquid cooling. We're working with NVIDIA and others on their roadmaps out through 2030 and trying to future proof our projects. And keep in mind, liquid cooling is, maybe it's now 10% to 15% of cooling in data centers. And as we see these high performance AI chips, we see these higher heat densities liquid cooling is going to have a very long runway in terms of just the replacement cycle and being able to match these next generation chips. So we've always said that maybe the build out of data centers at some point down the road slows, but that white space and that refresh cycle, liquid cooling capabilities are going to continue to expand.

Brian Drab
Analyst, William Blair & Co. LLC
Q

Appreciate that. Okay. Thanks, Beth. And then I know this is obvious, but maybe you could just comment on LTM orders. I think is probably a much more relevant in my mind indicator of how things are going. I mean, obviously data center revenue up 100%. It tells us how it's going, but our LTM orders that growth rate much higher than the low double-digit that you mentioned for this quarter.

Gary Louis Corona
Chief Financial Officer & Executive Vice President, nVent Electric Plc
A

Yes, Brian, they are.

Brian Drab
Analyst, William Blair & Co. LLC
Q

Thank you very much.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc
A

Thank you.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Beth Wozniak, Chair and Chief Executive Officer for any closing remarks.

Beth A. Wozniak
Chair & Chief Executive Officer, nVent Electric Plc

Thank you for joining us today. We are confident in our strategy, which is remain consistent and our ability to execute. We have many growth opportunities and multiple levers to expand margins. I'm proud of our performance in the second quarter. We will continue to focus on delivering for our customers, employees and shareholders. nVent is a top tier high performance electrical company, well-positioned for the electrification, sustainability and digitalization trends. Thanks again for joining us. This concludes the call.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.