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nVent Electric Plc (NVT)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the nVent Second Quarter 2025 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 second quarter 2025 earnings call. On the call with me are Beth Wozniak, our Chair and Chief Executive Officer, and Gary Corona, our Chief Financial Officer. They will provide details on our second quarter performance, an outlook for our third quarter, and an update to our full-year outlook. As a reminder, all results referenced throughout this presentation are on a continuing operations basis, unless otherwise stated.

Before we begin, I'll 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 into today's press release and nVent's filings with the Securities 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 Investors section of nVent's website. References to non-GAAP financials are reconciled in the appendix of the presentation. We'll have time for questions after our prepared remarks.

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

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Thank you, Tony, and good morning, everyone. It's great to be with you today to share our outstanding second quarter results. Our portfolio transformation to become a more focused higher growth, electrical connection and protection company is delivering results and accelerating our growth. We delivered record results in the second quarter with both sales and adjusted EPS exceeding our guidance. We also had record orders and backlog in the quarter.

Organic orders accelerated, up over 20%, led by strong double-digit growth in our data solutions business. In the rest of the business, organic orders grew high-single digits. These orders, coupled with our acquisitions, have resulted in our backlog increasing more than fourfold what it was a year ago. In data centers, we are seeing strength across our portfolio and accelerating growth to support the AI buildout.

The Trachte and Electrical Products Group acquisitions performed better than expected, further strengthening our position in the high-growth infrastructure vertical, including power utilities, data centers and renewables. Our teams are doing outstanding work, executing on our integration playbook and accelerating our growth synergies. Since closing the Trachte and EPG acquisitions, we have identified new growth opportunities and are making investments to deliver on this increasing backlog and higher growth outlook. Our balance sheet is strong and our first priority for capital allocation remains the same, invest in growth.

Now onto slide 4 for a summary of our second quarter performance. Sales were up 30% and 9% organically, led by the infrastructure vertical. New products contributed over 3 points to sales growth, and we launched 50 new products in the first half. Adjusted operating income grew 18% year-over-year, with return on sales of nearly 21%. Adjusted EPS grew 28%. Looking at our key verticals, infrastructure led the way, with organic sales up over 20%, with strength in both data centers and power utilities. Commercial/Resi sales were up mid-single digits. Industrial sales were down slightly, and energy was down mid-single digits.

Turning to organic sales by geography, all key geographic regions grew. Americas grew 9% while Europe was up 10% and Asia Pacific was up low-single digits. Looking ahead, we continue to expect infrastructure to have strong sales growth across both data centers and power utilities. We expect industrial sales to grow low- to mid-single digits and Commercial/Resi to be flattish for the year. The tariff environment remains very dynamic. However, we continue to closely monitor the situation and remain agile, executing on our playbook. We are prioritizing our key growth initiatives, which include new products, high-growth verticals and acquisitions.

For guidance, we are raising our full-year sales and adjusted EPS guidance to reflect our terrific second quarter results and stronger performance in data centers and power utilities. Our organic growth and recent acquisitions are expected to more than offset the EPS impact from the thermal management business we divested in the first quarter. Overall, I'm proud of the many accomplishments by our nVent team and how we continue to perform and deliver impressive results. We are on track for a strong year.

I will now turn the call over to Gary for further details on our second quarter results and our updated outlook for 2025. Gary, please go ahead.

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Thank you, Beth. We had an excellent second quarter, exceeding guidance with record sales and adjusted EPS. Let's turn to slide 5 to review our results. Sales of \$963 million were up 30% relative to last year. Organically, sales grew 9%, driven by both volume and price. Acquisitions added \$153 million to sales or 21 points to growth, ahead of our guidance. Foreign exchange was roughly a 1-point tailwind. Second quarter segment income was \$200 million, up 18%. Return on sales came in at 20.8%, better than expected. Inflation was more than \$35 million, including approximately \$15 million in tariff impact. Price plus productivity partially offset inflation, and we also continued to make investments for growth, particularly in our data solutions business and our recent acquisitions. Q2 adjusted EPS was \$0.86, up 28%, above the high end of our guidance range. We generated robust free cash flow of \$74 million.

Now please turn to page six for a discussion of our second quarter segment performance, starting with Systems Protection. Sales of \$632 million increased 43%. The Trachte and EPG acquisitions contributed 32 points to sales and have performed well with sales up strong double digits versus a year ago, and both have robust backlogs. Organically, sales grew 10% on top of a strong quarter a year ago.

Infrastructure grew roughly 30%, with continued strength in data centers. Commercial/Resi grew mid-teens and industrial was down low-single digits. All geographies grew, led by the Americas and Europe [indiscernible] (00:17:01) low-double digits. Asia Pacific grew low single digits. Second quarter segment income was \$137 million, up 32%. Return on sales of 21.7% decreased 180 basis points year-over-year, impacted by inflation, acquisitions and growth investments.

Moving to Electrical Connections, sales of \$331 million increased 11%. Organic sales were up 7%, reflecting strong volume. The EPG acquisition contributed 4 points to sales. From a vertical perspective, infrastructure led growing high teens, industrial grew low teens, and Commercial/Resi was up low-single digits in the quarter. All geographies grew, led by the Americas and Asia Pacific, each up high-single digits. Europe grew low-single digits. Segment income was \$95 million, up 3% year-over-year. Return on sales was 28.7%, down 220 basis points, mainly due to inflation and acquisitions. That wraps up the segments for the quarter.

Turning to the balance sheet and cash flow on slide 7, we ended the quarter with \$126 million of cash on hand and \$400 million available on our revolver. We also generated \$74 million in free cash flow in the quarter. Also, we refinanced and extended our credit facility. We believe our healthy balance sheet and strong liquidity position support our disciplined capital allocation strategy.

Turning to page 8, where we outlined our capital allocation priorities. We continue to prioritize growth and execute a balanced and disciplined approach to capital allocation to deliver great returns. We are investing in the business, the R&D and CapEx for growth and supply chain resiliency. We returned \$319 million to shareholders in the first half of the year. That includes more than \$250 million in share repurchases at a great value, resulting in a lower share count. And we returned \$66 million via dividends so far this year. We exited the quarter within our targeted leverage range. We believe we are well positioned and have additional capacity for future capital deployment, with our first priority being to invest in growth.

Moving to slide nine, as Beth shared earlier, we are raising our full-year sales and adjusted EPS guidance to reflect our strong Q2 results and increased growth expectations in data centers and power utilities. We now

forecast reported sales growth of 24% to 26%. This includes expected higher organic growth and approximately 15 points from acquisitions, with foreign exchange now approximately a 1-point tailwind. For organic sales growth, we now expect to grow 8% to 10% versus our previous guidance of 5% to 7% reflecting our Q2 beat, along with increasing visibility and strength in data centers and power utilities.

We are raising our full-year adjusted EPS range to \$3.22 to \$3.30, up 29% to 33%, versus our previous guidance of \$3.03 to \$3.13. This new guidance reflects the expected tariff impacts of approximately \$90 million versus \$120 million previously. We expect to offset the impacts through pricing, supply chain productivity, and operational mitigating actions. For free cash flow, we now expect conversion in the range of 90% to 95%.

A few modeling assumptions to note. First, we are raising our CapEx forecast to approximately \$110 million versus \$100 million previously. The additional CapEx is for the increased capacity in our data solutions business and for our recent acquisitions. Also, corporate costs are now expected to be approximately \$110 million versus \$100 million previously.

Looking at our third quarter outlook on slide 10, we forecast reported sales to grow 27% to 29% with acquisitions contributing approximately 15 points to sales, and foreign exchange is now a 1-point tailwind. Organic sales growth is expected to be up 11% to 13%. Price increases, coupled with productivity are expected to offset inflation, including the tariff impacts in Q3. We expect adjusted EPS to be between \$0.86 and \$0.88, which at the midpoint reflects a 38% increase relative to last year. Wrapping up, we are pleased with our excellent second quarter performance. We delivered record sales and adjusted EPS and are well positioned for a strong second half.

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 11. Last quarter, we shared the slide with you to show the actions we have taken to transform our portfolio since then to become a more focused, higher growth, electrical connection and protection company. In the last year, we divested the Thermal Management business and acquired Trachte and EPG, reshaping our portfolio and increasing our exposure to the high-growth infrastructure vertical.

In addition, we've been investing in our data solutions business, which is growing and accelerating with the AI build-out. The infrastructure vertical, which was our smallest vertical at spin, is now the largest. We believe it has the highest growth with the trends of electrification, sustainability and digitalization. This year, the infrastructure vertical is expected to be over 40% of our sales, with data centers and power utilities, each approximately 20% of sales. Our portfolio is now a balance between short-cycle and long-cycle business, with a growing backlog. We believe we are better positioned for growth and value creation as a result.

Turning to slide 12, I would like to give an update on our position in data centers and talk about both the white space and gray space opportunities. The AI build-out is driving demand for innovative power and cooling solutions in the white space and the data center.

As we have discussed previously, liquid cooling is essential for the new chips for AI. We believe liquid cooling is growing three times faster than legacy cooling. We have talked a lot about cooling, distribution units and liquid-to-air solutions, like rear door heat exchangers. We are also seeing growth with our expertise in the overall technology cooling system, including coolant distribution manifolds. With the increase in CapEx investments and

the build-out of AI data centers, we are seeing growth across our entire portfolio, from power distribution units to our cable management offerings, including wire basket tray.

In addition, we are seeing a trend towards modular data centers using large outdoor enclosures to house all the IT hardware, including cooling. With our Trachte and EPG portfolio, we offer a range of enclosures and integration capabilities for these modular data centers. We believe we are well positioned to win. We have partnerships with chip manufacturers and data center players from hyperscalers to enterprise to multi-tenant customers. Our strong technical expertise, coupled with innovative design and the ability to manufacture at scale, are strengths. This is leading to record new orders, increasing backlog and accelerated revenue growth. To expand further, we expect to launch a whole new range of cooling solutions later this year.

Please turn to slide 13. With the build-out of AI infrastructure, we also see strong demand in the gray space of data centers. We have a focused sales initiative to sell our core portfolio in the gray space from power connections, cable management, grounding to enclosures and cooling. A trend we are seeing is customers want to expand the white space within a data center to maximize the IT footprint. In order to accomplish this, customers are moving to gray space, which contains power and other equipment to outside of the building. This is accelerating the need for outdoor enclosures, which we provide from our Trachte and EPG acquisitions. This enables us to provide integrated solutions and pull through our core nVent product offerings. With our focus on the gray space, we are seeing record orders and backlog leading to accelerated revenue growth in the gray space.

Wrapping up on slide 14, we had record performance in the second quarter, including strong double-digit growth in orders sales and adjusted EPS. Our backlog has never been larger. Our portfolio transformation is on track, delivering accelerated growth and we expect another year of significant growth and value creation. I am proud of our nVent team that is working tirelessly on growth, delivering for our customers and our shareholders. We believe we're 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

Good morning, guys. You hear me okay?

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

We can.

A

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Good morning, Deane.

A

Tony Riter

Vice President-Investor Relations, nVent Electric Plc

Good morning, Deane.

A

Deane Dray

Analyst, RBC Capital Markets LLC

Okay. Good. All right. Maybe I'll start with the disclosure today that backlog's up more than four times year-over-year and noting that you also invested to increase capacity recently by also four times. Can you talk about just the timing of converting this backlog and just kind of what's the duration of the backlog as it stands today?

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Yes. Thanks for the question, Deane. When we look at our backlog, it's really up because of a couple of different reasons. One is the growth that we're seeing in our data center solutions business. And so, yes, we had increased our capacity there and we see orders and backlog taking us through into 2026 and visibility beyond. The second is we've been growing our backlog in our Trachte business, and that is both in power utilities and data centers. And as you know, EPG just came into the portfolio, and so that is backlog that we didn't have a year ago. But as we look at across all three of those areas, we have two acquisitions in our data solutions business; we're seeing orders in backlog through 2026 and a little beyond.

A

Deane Dray

Analyst, RBC Capital Markets LLC

That's great to hear. And then just a second question, I know you can't name names, but just can you help us and give us a perspective on when we read in the news that a large hyperscaler is launching their own custom liquid-cooling platform? It raises concerns about disintermediation and barriers to entry and so forth in liquid cooling. But it's our understanding that a key part of your business model is to help these types of customers develop these

Q

custom systems. And again, that's important part of your model. We just don't know what percent that is of your business. But just any help in how we should interpret this trend would be appreciated.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

As you know, Deane, we can't comment on any of those specific relationships, but I will say this, we partner with many of the hyperscalers in some cases providing complete system solutions around liquid cooling, or often, we partner to provide a specific product, could be a CDU, could be a manifold. And so, we typically are working on a part of the solution with these hyperscalers and not all of them or many of them I would say don't want to necessarily manufacture those solutions either. So those partnerships are really key as we go forward. And what we're seeing is just we're expanding our solutions. I mentioned some new products coming out. We're expanding our engagement with various customers globally. And so we just see continued runway in the development of liquid cooling solutions.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

That's all great to hear. Congrats on all the growth.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you, Deane.

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

Nigel Coe

Analyst, Wolfe Research LLC

Q

Thanks. Good morning and great quarter. Really, really quite amazing. Seems like Sara's doing a good job at Systems Protection. So the – I'm not going to ask the questions [indiscernible] (00:32:27) which might be a little bit surprising. I think one most surprising kind of aspects of the performance was the Commercial/Resi performance in Systems Protection. I think you called out mid-teens growth, Beth, and I think the full year, you're still expecting it to be pretty flat. I think it was with the guide. Just curious what you're seeing in those end markets, and was there anything unusual in some of the channel that happened this quarter? I know that's not the full story here, but just curious there.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. When we look at our Systems Protection business and enclosures that are going into that Commercial/Resi segment, sometimes nothing unusual occurring in the quarter through our distribution channels. I'd say that our sell-out there is positive and sell-in positive. I would say that in Commercial/Resi, we're just seeing some build-out and sometimes are enclosures end up – commercial type enclosures end up in data centers and sometimes they end up in other types of building applications. We don't always get to see that full visibility, as you know, through our channel. But I would just say we're just seeing some healthy performance there. But, again, we're very cautious on that overall Commercial/Resi industry. And so that's why we're saying we expect it to be flattish for the year.

Nigel Coe

Analyst, Wolfe Research LLC

Q

And I'm guessing that if we do see these mega projects starting to shift through in 2026, 2027, that would land within your commercial/resi business, I'm assuming. But the Trachte business just seems to be on fire. I think that came in with a projection of \$250 million in 2024. I'd be curious, in dollar terms, where you're expecting Trachte to be in 2025 and what sort of backlog have you built in in Trachte right now?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Well, our Trachte business is growing at double digits and I think nicely ahead of our expectations. And we're seeing a couple of things. One is we're seeing both growth from utilities as well as data centers. And I mentioned the gray space and one of the great synergistic opportunities that we had as well is that our relationships with data center customers and OEMs, partnering with the capabilities that we have in Trachte, we've seen some new orders to provide enclosures for gray space opportunities. So it's – orders are strong, healthy backlog, growth synergies, and that's part of why we raised our guidance.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. Thanks, Beth.

Operator: Our next question comes from Julian Mitchell with Barclays. Please go ahead.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning. Maybe just to start with a question on the top line, I think the backlog you'd said was around or just under \$750 million at the beginning of the year. Wondered if you could give any sense at all of where it stands at the end of June. And when we think about that backlog conversion into sales, for the second half, should we be expecting the Systems Protection to grow organically far above Electrical?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yes. When we look at the backlog at the start of the year, it has grown. And some of that is orders that we're winning in our new acquisition, it's data solutions, liquid cooling. And of course, the backlog increased this quarter because of Avail EPG joining the business. And so we acquired that backlog, but it is growing very nicely. And yes, a lot of that backlog is in our Systems Protection business. So we will see that grow ahead of our Electrical Connections segment.

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

And Julian, the EC business will grow nicely. They had a great quarter in Q2, and we expect it to grow in a healthy way in the second half and the visibility into that backlog is one of the strong reasons that we were able to take up our guidance in the double-digit territory for organic growth in the second half.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

That's helpful. Thank you. And then just on the operating margin front, so I think it's – it looks like it's maybe sort of mid-teens incremental margins being dialed in for the year at the sort of guide midpoint and maybe a touch higher than that in the second half. I realize you have that sort of 30%-ish medium-term goal from the Investor Day a couple of years ago. So maybe you could flesh out some of the puts and takes affecting the incrementals this year. And should we see entering next year or for next year an incremental margin more akin to the medium-term aspiration?

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Yeah,. Thanks, Julian. And I'll start saying certainly we're focused on delivering fiscal year 2025 and we're not going to talk about 2026 on this call. But I think you're in the zone from an incrementals' perspective. And what I will say from margins, we did exceed our margin expectation in the quarter. We shared we were going to be down in the quarter as we got our price cost tightened up. And you see that in our guide as we think about the – as we think about the back half, as we get our price and productivity to offset the tariff-driven inflation.

So we're pleased with the direction of travel on margins, and we expect to exit the year with margin growth excluding EPG to be up as we exit the year. And look, we didn't we didn't expect to be offsetting tariffs in this year. I think the team's done a great job to do that and to exit with the business model on a healthy place in the back half of the year . We're feeling good about the shape of the P&L.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

And just a point, Gary, on the investments, you'd called those out particularly first quarter and I think Q2. And it's understandable given the extent of the volume growth you're seeing in the back half. Are the investments sort of continuing to ramp up? Anything unusual with the phasing of those?

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

No. The investments will continue to ramp as we support this acceleration in growth, and we expect that to continue. You see that both from an OpEx perspective as well as the CapEx increase that we included in the guide to support additional capacity both for our data solutions business as well as our recent acquisitions to support the growth.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Great. Thank you.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

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

Brian Drab

Analyst, William Blair & Co. LLC

Q

Hi. Good morning. Thanks for taking my questions. And first, just thinking about the final comments that you made, Beth, around the modular offering and increased focus there. Can you talk about what could the margins be relative to your existing data center business in modular? And then also how does this relate to – you're making a push to have a more standardized product to that, I believe, would be incrementally higher margin. And are those two businesses and initiatives that are related to each other as well?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Well, when we look at modular data centers, we're looking to see the enclosures from Trachte and Avail that helps those modular data centers to be in line with those portfolios. And then I would say there's pull-through from the core nVent product. And again, we expect those margins to be similar to what we see in those portfolios today. When it comes to the liquid cooling and more standardized offerings, those products will be, in some cases, sold through distribution as well as direct to customers. But as we sell more products through distribution and as we sell more modular standardized products, they tend to have a higher margin. And so, again, we're investing a lot in data solutions right now, but a lot of these new product offerings and solutions we believe will have enhanced the overall margin opportunity in that business.

Brian Drab

Analyst, William Blair & Co. LLC

Q

Okay. Yeah. Thank you very much. And then just one quick one, on Trachte and the power utilities business. Is Trachte – is some of the Trachte business now being reported in data center or is that sitting in power utilities? But is there some – is the line kind of blurred between power utilities and data center more and more?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Well, I would say this. When we look at Trachte and we've been clear to say that it sells through to utilities, but it's also seen this growing data center gray space opportunity. And as we look at that, we just – we're continuing just to track where those opportunities are. But certainly one of the growth synergies for us has been the relationships that we have in data centers that is – and has moved to more gray space, allowing us to find new growth opportunities.

Brian Drab

Analyst, William Blair & Co. LLC

Q

I guess I'm just trying to – I'm thinking about what percentage of your business is actually really driven overall by data centers. And you give us you size the data solutions piece for us, but if you take into account everything that's being driven by data center, is there any way to give us a better idea of how much of your overall business being driven by the data center industry?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. I mean, on that chart that I have in there showing our portfolio transformation, we point to our data center business being 20% and that is inclusive of what we're doing in our Trachte and Avail EPG acquisitions.

Brian Drab

Analyst, William Blair & Co. LLC

Q

Okay. I just want to clarify that. Thanks.

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

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Hey, good morning, everyone.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Good morning.

A

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Good morning.

A

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Yes. So, look, great to see the growth acceleration. It seems like we're at an inflection point. I know we have a lot of discussions around backlog and secularly growing pieces of your businesses. But maybe, Beth, you can provide a little bit more color on just short cycle, what you're seeing within like the industrial footprint and yeah, any expectations for the back half of the year would be helpful.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Okay. We've said that we industrial to be low- to mid-single-digit growth. And so, I would say that we have seen some nice growth through our distribution channel, both sell-in and sell-out, I commented earlier are positive. So, we think that, I mean, there's more growth in infrastructure, but certainly we're seeing some nice wins on the industrial side.

A

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Okay. Great. Look, and then I guess we touched on the Amazon announcement earlier. And I know it's difficult to talk specifically about one hyperscaler, but I guess, look, the trends right now have been incredibly good. Your increasing capacity. How do you just kind of foresee the next like 12 to 24 months playing out? And with the capacity additions that you are making, do you anticipate being set at least from a capacity standpoint in liquid cooling for the next couple of years? I'm just trying to understand how far out you're looking at this point.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Yes. As you know, we have made investments and are continuing to make investments. And we do believe there will be further investment in capital and capacity expansion as we go into 2026 and beyond. And so, in part, this is as the portfolio expands, as we're seeing more customers. So we're just continuing to see this accelerate and the adoption accelerate.

A

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Okay. Thank you.

Q

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Thanks, Joe.

A

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

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Yeah, thanks. Good morning, everyone.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Good morning.

A

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Good morning.

A

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Good morning. Can we just come around to the price? I just kind of want to understand a little bit better sort of where you're at in recovering tariff pressure and kind of other inflation. Obviously, we see the net productivity bar on the slide. But the nature of my question is kind of given the demand pulse that you're seeing, do you see the ability to fully recover tariff costs with price as opposed to leaning on productivity, and therefore, productivity actually can drop more through to the margin rate? And can you unpack at all how much kind of tariff-related price you might be, working on versus is there kind of base price on top of that? If you could unpack that to some degree, that would be helpful.

Q

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Yeah. A few in there, Jeff, and I'll try to chip away at them. I'll start with your question just more specifically on the waterfall and on net productivity. Keep in mind that the price that we're taking is captured in that growth in acquisition bar. And we'll continue to be diligent in managing price cost and productivity, and this team has really demonstrated that over the past few years. Our updated guidance reflects enough price to largely offset the tariff impacts. But it's important to say we came into the year with a volume driven plan and volume is going to drive our growth here in in the second half.

A

We work with our distributor partners as well as our direct customers to manage price with appropriate and adequate notification. And you'll start to see that flow through more significantly in Q3 and in Q4. And that's really embedded in what we have pointed to from a margin perspective, which is to have price and productivity offset the tariffs and exit the year with margins in a healthy place.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

And then just back to the to the modular theme, if we call it a box, right, you aspire to provide more in the box, so to speak. But I also wonder, are you being called upon to deliver a totally complete box, so to speak, that's just ready to plug in to the data center, and therefore you're pulling through other people's products and systems and also therefore then have kind of responsibility for the way things operate? Just trying to think, are you taking on kind of scope that leads to pass-through revenues or responsibility for a systems performance that goes beyond your own products and systems?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yes. As we look at both data centers, we're even in that gray space where maybe we're enclosing power. Often, we're integrating other OEMs equipment in there. And I think for modular data centers, we will see that over time, that ability to integrate more. So we're at various stages of integration and that's one of the things that we can do very flexibly. But I think over time there'll be more integration capability for us.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Understood. Thank you.

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.

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 DeBlase

Analyst, Deutsche Bank Securities, Inc.

Q

Maybe just starting with a follow up on the earlier question on comm/resi. You said that non-data-center orders were up high-single digits in the quarter. Was Comm/Resi also up in that range? Just trying to get a sense of if there could be upside to that full-year outlook.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

It is positive, I would say that. But I think we're just – we're cautious there. Especially, on the resi side, we still are cautious about impact of tariffs and other things over the course of the year. So that's why we're saying that it's flattish full year.

Nicole DeBlase

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Understood. And yeah, I agree that it's probably better to be cautious on those businesses. I guess maybe, secondly, could you just refresh us on your service offering, particularly within liquid cooling? We're hearing more from the channel that service is becoming increasingly important and there might be more demand for service from the OEM with liquid cooling systems. So just remind us how you approach that offering with customers.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. We have been building out our service offering capability. I mean, since we've been providing liquid cooling solutions, we've always had engineering support. But I would say we've been working to more formalize that service offering – opportunity. And we recognize that as we expand beyond to all different types of customers that we need to have a service and support team. So that's something that we're building out and are providing it and I think will grow over time.

Nicole DeBlase

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. I'll pass it on.

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.

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, Jeff.

Jeffrey D. Hammond

Analyst, KeyBanc Capital Markets, Inc.

Q

Maybe just to start with Avail, just kind of early integration thoughts. I know with Trachte, you found some immediate kind of throughput improvements and wondering if there's similar opportunities there. And then just I think Avail comes in kind of mostly utility, and maybe back to Brian's question, is it pretty fungible if there's a lot more demand on the data center side to kind of shift that focus more to data center versus power, not to diminish power, but just a little more color there?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Yeah. So it's been 60 days with Avail EPG. And both with Trachte and Avail, that core business was more focused on utility. But what we see growing significantly is that data center opportunity and some of that being

gray space. So, again, we still may be integrating switchgear and power for example. I would say this, we have an opportunity to invest in and increase capacity applying some of our integration playbook, lean, sourcing capabilities, things like that.

And I would say this there is some flexibility in terms of just how we apply our resources and labor to support that growth. And some of that is just by even looking at the combined Avail and Trachte acquisitions and thinking through how we can execute best on some of these new programs. So there's some good collaboration going on already. But I think, as we said, the reason that we acquired Trachte and then Avail was we're building a platform here, and so we're integrating those business with the idea that we can support the overall infrastructure growth, be it data centers or utilities, or renewables.

Jeffrey D. Hammond

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Great. And then just back to the capacity, I think you bumped CapEx this year for \$10 million – by \$10 million. But just where is the greater need to add capacity near term? Is it more on the building control solutions, more on the liquid cooling, both? It just seems like as we hear about this space going to exploding, just a lot of push for we need it now, we need it faster, and just how you're thinking about how you need to add capacity to kind of manage all that.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Well, it's both. And so we're expanding, as you know, our liquid cooling. And we've talked about that for a while. And we have to further expand that capacity and capability. And at the same time, as we acquired Trachte and Avail, we're having to expand capacity in some of our plants there. And again, we're looking at the footprint and seeing how best we do that. And so it's within our own four walls, but it's also making sure that our supply base is also ready to scale with us. And so we're pretty busy working on capacity expansion across that engineered building solutions, those two acquisitions as well as data centers.

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

And Jeff, I just build to say the teams are disciplined on this CapEx investment. We've taken that up now a couple of times in both Q1 and Q2 but are very disciplined about ensuring the returns. And I will tell you that the payback on this incremental investment is quite good for us. And as we get the capital allocation, we talk about focusing on growth. And this is the place for us to invest here both in the short and intermediate term.

Jeffrey D. Hammond

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Great. Thanks so much for the color.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Thanks.

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

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Morning, Beth and Gary. Thanks for taking my call this morning.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Good morning.

A

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

Good morning.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

So just couple quick questions from me. I guess the positive organic growth outside the US seems pretty interesting just given still kind of sluggish market trends, it seems like in areas like Europe and China. So can you talk about specifically what you're seeing outside of the US and what's driving what appears to be your outperformance versus the growth in those markets?

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Well, I would say that, it's our strategy to focus on high-growth verticals and it's our strategy to focus on our commercial go to market, including our distribution partnerships. And so we continue to drive new products as well. And I think it's really all of those things where we're increasing our position and being more successful.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Great. That's helpful, Beth. It looks like good progress there. And then just one other one for me, as you've transformed the portfolio and grown the long-cycle exposure here, can you talk about contract terms in the longer-term backlog and more specifically, I guess, your ability to protect margins given uncertainty around tariffs and commodity inflation and so forth?

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Yes. As we look at our contracts, we typically are ensuring that we have that ability, if we see some material changes due to tariffs or other reasons, to make those adjustments on the material side. And so – and those are discussions that we're having with customers, and they understand. They're also in other – they also are subject to tariffs and other things as well. So we've been able to manage that pricing through our longer-term contracts.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Great. That's great to hear. I'll get back in queue. Thanks, Beth.

Q

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Thank you.

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

Scott Graham

Analyst, Seaport Global Securities LLC

Q

Hey. Good morning. Congratulations. Thanks for taking my call. I wanted to talk about acquisitions a little bit more and I think specifically on earlier question. Are some of the targets that are in the pipeline there because you need to kind of fill out the box? And then, secondarily, if you kind of do the math on your EBITDA, your leverage targets, but my back of the envelope says you probably have about \$500 million in capacity over the next 12 months. Is that about right? And would you use stock for deals?

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

A

Well, let me start with the first part of the question, and I'll let Gary talk about – the latter part. As you know, we've had this acquisition flywheel where it starts with us looking at high-growth verticals and products that we see are differentiated where we could extend our capabilities and invest to scale. And so that's how our last two acquisitions came about.

And so it's not necessarily how do we look at filling a box, so to speak. It's just where in these data centers, utilities, infrastructure, and what are great products that allow us to build on capabilities that we have. And so, in some cases, that could be complementary products. And I think we have a great pipeline and we've been very disciplined in what we've gone after and you see us growing these portfolios and that is part of our flywheel. So the pipeline is robust and I think there's lots of opportunities as we go forward.

Gary Louis Corona

Chief Financial Officer & Executive Vice President, nVent Electric Plc

A

Hey, Scott, I'll just comment on capacity. As we mentioned in our prepared remarks, we're right within our leverage range and expect to be well below that, especially as we will have a strong second half in cash flow generation. For us, we're going to continue to be disciplined on the deals and these chunky type deals that we've done like EPG and Trachte certainly can be managed without any additional equity. So we have a nice spare capacity, and we expect to continue this flywheel going forward.

Scott Graham

Analyst, Seaport Global Securities LLC

Q

Very good. Thank you both.

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 CEO, for any closing remarks.

Beth A. Wozniak

Chair & Chief Executive Officer, nVent Electric Plc

Thank you for joining us today. I'm extremely proud of our performance in the second quarter. We will continue to focus on delivering for our customers, employees and shareholders by executing on our growth strategy. We believe 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 has now concluded. Thank you for attending today's presentation. You may now disconnect.

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