

29-Oct-2025

Carlisle Cos., Inc. (CSL)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Mehul S. Patel

Vice President-Investor Relations, Carlisle Cos., Inc.

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

OTHER PARTICIPANTS

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Joseph Nolan

Analyst, Longbow Research LLC

Keith Hughes

Analyst, Truist Securities, Inc.

Garik Shmois

Analyst, Loop Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Kelsey, and I'll be your conference operator for today. At this time, I would like to welcome everyone to the Carlisle Companies Third Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, we will conduct a question-and-answer session.

I would like to turn the call over to Mr. Mehul Patel, Carlisle's Vice President of Investor Relations. Please go ahead.

Mehul S. Patel

Vice President-Investor Relations, Carlisle Cos., Inc.

Thank you, and good afternoon, everyone. Welcome to Carlisle's third quarter 2025 earnings call. I'm Mehul Patel, Vice President of Investor Relations for Carlisle. We released our third quarter financial results today, and you can find both our press release and the presentation for today's call in the Investor Relations section of our website.

On the call with me today are Chris Koch, our Board Chair, President and CEO; along with Kevin Zdimal, our CFO. Today's call will begin with Chris providing key highlights of the third quarter. Kevin will follow Chris and provide an overview of our Q3 financial performance and our outlook for the full year of 2025. Following our prepared remarks, we will open up the line for questions.

But before we begin, please refer to slide 2 of our presentation, where we note that comments today will include forward-looking statements based on current expectations. Actual results could differ materially from these statements due to a number of risks and uncertainties, which are discussed in our press release and SEC filings.

As Carlisle provides non-GAAP financial information, we provided reconciliations between GAAP and non-GAAP measures in our press release and in appendix of our presentation materials, which are available on our website.

And with that, I will turn the call over to Chris.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thank you, Mehul. Good afternoon and thank you for joining us for Carlisle's third quarter 2025 earnings call.

Let's begin by turning to slide 3 of the presentation. Carlisle's third quarter results reflect the strength of the underlying CCM business offset by the ongoing challenging environment in both residential and nonresidential new construction. This, along with the M&A activity in our commercial channel, was communicated in our early-September commentary. The vast majority of the continued weakness in new construction is driven by the continuation of higher interest rates, affordability challenges and economic uncertainty around inflation, coupled with job stability concerns, and labor shortages.

With respect to the post M&A integration, as with any transaction, some turmoil and change was to be expected, and we anticipate that over the coming months, this will be resolved and we will return to a more stable situation. Despite this turbulence, third quarter revenues came in at \$1.3 billion, up 1% year-over-year, only slightly below the expectations we discussed on our July second quarter earnings call. This allowed us to achieve an adjusted EPS of \$5.61.

In Q3, CCM continued to execute on its Vision 2030 initiatives and delivered another solid quarter, maintaining adjusted EBITDA margin of over 30% as recurring revenue from reroofing activity provided a stable foundation amid near-term order volatility due to the previously discussed pressures in new construction demand and the temporary setbacks associated with challenges at a key distribution partner. Notably, reroofing demand, which represents approximately 70% of CCM's commercial roofing revenue, remains strong.

This momentum in reroofing activity is driven by the aging commercial building stock, a growing backlog of roofs reaching replacement age, energy efficiency mandates, new product solutions that reduce labor, and the trust our customers place in the Carlisle Experience and our premium warranties. Outside of new construction and distribution impacts, CCM's underlying business performance remained consistent with our expectations.

While CCM's performance was a bright spot, we continue to face the well-known market challenges at CWT, which have negatively impacted the business over the last six quarters. Elevated mortgage rates have led to increased monthly payment levels contributing to suppressed demand. The imbalance in sellers and buyers of homes has made transactions more difficult. US housing supply has also made it difficult to afford a home.

One estimate has shown that housing prices have risen over 45% since 2020, resulting in the medium home price of over \$430,000, which is almost five times higher than the median household income across the country. The measures of housing stock availability point to a growing gap between supply and demand, the root of the affordability problem, which is amplified by declining productivity and a shortage of skilled labor. As a result, it takes longer to build a house than it has in past decades. It's estimated that at least 3 million to 4 million additional homes need to be built to address the affordable housing shortage in the US.

Despite the near-term challenges, imbalances and volatility, we remain confident in our ability to create value for our shareholders through our Vision 2030 strategies and initiatives. Carlisle remains a market leader, operating an imperative business in the most attractive market globally. The megatrends of energy efficiency, labor savings, growing reroofing demand, and the demand for residential housing will continue to drive superior, sustainable, and best-in-class financial performance for Carlisle.

Carlisle's pivot in 2023 to a pure-play building products company has enhanced our focus on our industry-leading platforms, highlighted our leadership in attractive growth markets, and positioned us to deliver innovative building envelope solutions to our customers, all to drive superior financial returns for our shareholders.

During the quarter, we also maintained our commitment to disciplined capital deployment. We repurchased 800,000 shares for \$300 million and raised our dividend by 10%, marking our 49th consecutive annual increase. We also continued to integrate our recent acquisitions of Bonded Logic, ThermaFoam and Plasti-Fab, and they continue to meet our expectations.

Innovation is a core pillar of Vision 2030's playbook to create value, increase margins, and drive market share growth. Our innovation pipeline continues to deliver tangible marketplace results. The new products we've introduced over the past two years, including RapidLock, SeamShield, APEEL, and VP Tech are gaining meaningful commercial traction. These products are proven solutions that address real contractor pain points around installation speed, energy performance, and long-term durability.

With our increased investment and substantial focus on the understanding of the voice of the customer, we anticipate impactful and revolutionary new product introductions over the next decade. What's particularly encouraging about these new products is how these innovations align with broader industry trends. Building owners increasingly prioritize energy efficiency to reduce operating costs.

Contractors face persistent labor constraints that make productivity-enhancing products more valuable. And our innovation roadmap specifically targets these market needs. This innovation strategy also directly supports our Vision 2030 objective of generating 25% of revenue from recently introduced products. It's a key driver of our plan to grow faster than our markets while expanding margins over time.

Our M&A strategy is also creating meaningful value by expanding both our capabilities and our addressable markets. The MTL acquisition in 2024 has exceeded our expectations, allowing us to sell more content per roof through prefabricated metal edge systems, creating a more complete warranty, and enhancing our reputation as providers of complete building envelope solutions.

The Plasti-Fab and ThermaFoam integrations are also progressing and on track. We're capturing cost synergies while leveraging our national footprint to drive sales expansion. What's particularly powerful about our position in EPS insulation is our unique combination of in-house raw material production and the industry's most extensive geographic coverage in North America. This gives us structural cost advantages that enable us to serve national retail and distribution partners more effectively than any competitor.

The Bonded Logic acquisition opens an entirely new growth avenue. UltraTouch recycled denim insulation addresses the large fiberglass insulation market with a differentiated value proposition, focused on sustainability and performance. As building codes and consumer preferences increasingly favor environmentally responsible materials, we're positioned to capture share in a sizable category where we previously had no presence.

As we move into 2026, we are optimistic that M&A markets will become increasingly more productive for Carlisle. As economic conditions improve, confidence in acquisition target financials will strengthen, and the valuation gap between buyers and sellers will close, and we should see deal activity increase. This will bolster our long-term strategy of deploying capital in M&A to drive growth and market share. Meaningful bolt-on acquisitions will continue to play a significant role in our path to growth, and we hope to return to a pace of two to three acquisitions each year.

Our operational initiatives continue to deliver solid returns on capital as well. Packaging automation investments in Kingman and Fernley, footprint consolidation initiatives, and expanding in-house solutions for adhesive applications through our new Flexible FAST Adhesive product are three specific examples of key initiatives that are utilizing capital to create a fundamentally more efficient cost structure that will drive even stronger margin expansion when higher volumes return.

Beyond cost actions, we're executing growth initiatives that diversify our revenue streams. Our Home Depot relationship is expanding to include single-ply roofing, insulation, flashing and air barriers, creating new selling channels for our products. Our cross-selling efforts in retail continue to build momentum, and the Bonded Logic addition gives us an entry into attractive insulation categories where we can leverage our existing relationships.

The combination of these operational improvements and strategic growth initiatives are positioning CWT to expand margins as we move through 2026, especially if end market recovery accelerates. Our capital allocation approach remains a core competitive advantage. The \$1 billion bond issuance we completed in the third quarter provides significant strategic flexibility and cash for near-term opportunities, while keeping our net debt-to-EBITDA ratio comfortably within our 1 to 2 times target range.

This enhanced financial capacity positions us to pursue multiple value creation paths simultaneously. Year-to-date, we've deployed \$1 billion in share repurchases, taking advantage of valuation opportunities, and we are now raising our share buyback target to \$1.3 billion for the year. The 10% dividend increase, our 49th consecutive annual increase, demonstrates our confidence in the business's ability to generate cash flow.

We expect to generate approximately \$1 billion of cash flow from operating activities this year, providing substantial capacity for continued innovation investments, strategic M&A that meets our disciplined criteria, and ongoing capital returns to shareholders. Our track record of balanced, opportunistic capital deployment reflects our commitment to maximizing long-term value creation.

Looking ahead and keeping in mind the near-term transitory headwinds our markets are facing, we are revising our full year 2025 guidance to flat revenue with adjusted EBITDA margin down 250 basis points. While macroeconomic and distribution channel uncertainties persist, we remain confident in our Vision 2030 targets and ability to drive value creation through our recurring reroofing leadership, operational improvement initiatives, and consistent execution of our Vision 2023 (sic) [Vision 2030] (00:13:12) initiatives.

As a reminder, the structural advantages underpinning our businesses remain fully intact. We compete in attractive end markets with favorable long-term fundamentals. The secular trends supporting our growth, recurring reroofing demand, energy efficiency requirements, adoption of labor-saving technologies and the persistent housing shortage, all continue to create meaningful tailwinds.

As a reminder, our Vision 2030 strategy provides clear direction through four key pillars: product innovation to drive differentiation and above-market growth; operational excellence through COS; exceptional customer service via the Carlisle Experience; and strategic M&A to enhance capabilities and expand our addressable markets.

We remain firmly committed to our Vision 2030 targets of \$40 of adjusted EPS and maintaining an ROIC of 25% or greater, which we expect will generate over \$6 billion in cumulative free cash flow through 2030 along with our anticipated organic revenue CAGR exceeding 5%, and we have multiple pathways to achieve these ambitious goals.

In summary, Carlisle's third quarter performance once again showcased the earnings power of CCM. Despite the significant challenges in the new construction market and distribution channels, sales grew and adjusted EBITDA margin remained above our Vision 2030 target of 25%.

With that, I'll turn it over to Kevin to provide additional financial details and color on our outlook for 2025. Kevin?

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

Thank you, Chris, and good afternoon. I'll review our third quarter financial results starting on slide 4. We generated revenue of \$1.3 billion in the third quarter, an increase of 1% compared to the third quarter of 2024. The acquisitions of Plasti-Fab, ThermaFoam, and Bonded Logic contributed \$39 million of revenue in the quarter. Organic revenue declined 2% from the previous year as solid commercial reroofing was offset by the continuation of soft new construction activity in both residential and commercial end markets, as well as residential repair and remodel.

Adjusted EBITDA for the quarter was \$349 million, resulting in an adjusted EBITDA margin of 25.9%, a decrease of 170 basis points from the prior year. This decrease was mainly due to lower volumes at CWT and our continued investments in innovation and enhancements to the Carlisle Experience. Adjusted EPS was \$5.61, down 3% compared to last year. The year-over-year decline was the result of low organic earnings from the previously mentioned market challenges and additional net interest expense, partially offset by the benefit of share repurchases and contributions from our strategic acquisitions.

Turning to our segment performance on slide 5. CCM reported third quarter revenue of \$1 billion, essentially flat year-over-year, reflecting the current construction environment. Reroofing growth has remained stable as building owners continue to address aging roof systems that must be replaced. However, headwinds exist as macroeconomic uncertainty has continued to put pressure on new construction as cautious builders delay project starts, and the impact from near-term volatility caused by the consolidation of distributors, manufacturers, and contractors in our industry.

CCM's adjusted EBITDA was \$303 million, down 8% compared to the prior year. Adjusted EBITDA margin for the quarter was 30.2%, which declined 260 basis points primarily due to materials inflation driven by ongoing supply disruptions on ATO out of China and antidumping duties on TCP from China in addition to our continued investments in innovation and enhancements to the Carlisle Experience.

Moving to slide 6. CWT reported third quarter revenue of \$346 million, up 3% year-over-year, with the contributions from recent acquisitions. Organic revenue declined 8% from the prior year due to lower volumes resulting from continued softness in commercial new construction and residential end markets as affordability challenges and higher interest rates continue to negatively impact demand. CWT's adjusted EBITDA was \$60 million, a 13% year-over-year decline. CWT's adjusted EBITDA margin decreased 330 basis points from the prior year to 17.4% for the third quarter. This decrease was primarily the result of the impact of volume deleverage.

Turning to slide 8. Our financial position remains strong with flexibility to execute our superior capital allocation strategy. As of September 30th, we had approximately \$1.1 billion of cash and cash equivalents and \$1 billion available under our revolving credit facility. During the third quarter, we issued \$1 billion of debt. This strategic financing enhances our liquidity and provides additional capacity to pursue growth initiatives while maintaining our net debt-to-EBITDA ratio of 1 to 2 times. As of September 30th, our net debt-to-EBITDA ratio was 1.4 times, well within our target range.

Moving to slide 9. We have generated free cash flow of \$620 million in the first nine months of 2025, and we are on track to exceed our free cash flow margin target of 15% for the full year. Our strong, consistent cash generation continues to support our balanced approach to capital deployment. Year-to-date, we have invested \$199 million in the business through \$91 million of capital expenditures and \$108 million in acquisitions. We also returned over \$1.1 billion to shareholders through \$1 billion of share repurchases and \$135 million of dividends. As Chris previously mentioned, we're now increasing our share buyback target to \$1.3 billion for the full year of 2025.

Our revised full year outlook for 2025 is on slide 10. We now expect full year consolidated revenue to be flat year-over-year. This more conservative sentiment is based on our third quarter results and the fourth quarter outlook from our recent Carlisle Market Survey, which includes softer conditions in nonresidential construction compared to the prior survey. We expect CCM fourth quarter revenue to be down low-single-digits as continued strength in reroofing will be more than offset by new construction and distribution channel headwinds. CWT fourth quarter revenue is expected to increase low-single-digits as recent acquisitions are expected to more than offset continued market softness.

We anticipate full year adjusted EBITDA margins to decline approximately 250 basis points compared to 2024, with fourth quarter adjusted EBITDA margins expected to be approximately 21%, primarily due to volume deleverage and strategic investments in the business.

Before I close, I'd like to provide perspective on our current performance by highlighting Carlisle's long-term track record as shown on slide 11. Over the past 17 years, from the 2008 Global Financial Crisis, through the pandemic and subsequent supply chain disruptions, we've consistently delivered resilient strong margins across multiple economic cycles. This steady advancement reinforces our confidence in navigating today's dynamic market.

Our business fundamentals remain strong. We are executing well on our key initiatives and maintaining our focus on investing in innovation, enhancing the Carlisle Experience, and driving operational excellence through the Carlisle Operating System. Our strong balance sheet, superior capital allocation, and our proven track record of performing through challenging economic cycles gives us confidence in our ability to achieve our Vision 2030 targets and create substantial value for our shareholders.

I'll now hand it back to Chris.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thank you, Kevin. In conclusion, Carlisle delivered third quarter results that demonstrate the resilience and strength of our imperative business model. While we continue to navigate the unanticipated volatility and challenges of 2025, our focus remains clearly on our Vision 2030 strategy and the factors within our control: innovation-driven organic growth; operational excellence through the Carlisle Operating System; exceptional service through the Carlisle Experience; attracting and retaining top talent; and superior capital allocation.

As always, our results and future success would not be possible without the extremely talented and hardworking teams we have here at Carlisle. Their perseverance and commitment to stakeholder success shines exceptionally bright in these challenging times. I'd like to thank you for listening today and for your continued support and interest in Carlisle.

That concludes our formal comments. Operator, we are now ready for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] And your first question comes from Tim Wojs from Baird. Please go ahead.

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Hey, guys. Good afternoon.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Hey, Tim.

A

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Thanks for the time. Hey. I'll stick to one question as you asked. But I guess, on destocking, could you just kind of frame the impact in the third quarter and what's included in the fourth quarter? And I guess, as you had like discussions with your channel partners, I guess what's driving the destocking? And as we think about next year, do we kind of enter 2026 with kind of a clean slate from a channel inventory perspective?

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Yeah, Tim, with respect to destocking, I think as we move into Q4, we've always seen – as you know, we're going to have Q4 and Q1, they're the lightest quarters of the year, we always see some reduction in inventory from where we were in the second and third quarters. Obviously, we build inventory towards the end of the first quarter and the second quarter for the season. So, when we did our Market Survey, we actually – for the fourth quarter, we saw kind of normal seasonal patterns, somewhere around 1.5 to 2 months.

A

So really for us, there was, I would say, a normal destocking, there might have been a little bit more as certain distributors work through some things. I think we touched on this M&A transaction. As Carlisle, we've done a lot of M&A, and we understand how difficult those first years are, and you're adjusting management teams, you're doing those other things. So there could be some effect there.

But overall, we don't see a major impact on destocking. It could be a positive if we go into 2026 and we get some of the macroeconomic issues resolved, we get a little bit of a turnaround in new construction, both on the resi and non-resi. And if we can get this interest rate situation figured out and get some demand back there, it could be a real positive as we head into the Q2 of 2026.

Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

All right. Thanks a lot.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Of course.

A

Operator: Thank you. And your next question comes from Susan Maklari from Goldman Sachs. Please go ahead.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Thank you. Good afternoon, everyone.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Hello, Sue.

A

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Hi. My first question is talking a bit about the Carlisle Experience and how you can leverage that in this kind of an environment to gain share. And with that, can you talk a bit about what you're seeing in terms of the competitive backdrop and how you're leveraging the Carlisle Experience to respond to that?

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Right. Well, I think you've got a couple things going on. We've talked about declining new construction in both areas. I think people want to, obviously, use their labor more efficiently. We still have a labor shortage. Obviously, there has been even more – publicized about the impact on construction builders, construction markets from some of the immigration actions and things like that. So, I think the Carlisle Experience that we talk about, where it's the right product at the right place at the right time, we're going to show the value here in helping contractors and builders operate more effectively.

A

It also spills out into some of the other attributes, too, with – more areas, excuse me, with some of our distributors, where it can enable them to respond quicker to jobs, be a better service to their customers as well, and maybe perhaps carry lower inventory. I know at The Home Depot, one of the key relationship strengths for Henry when we looked at their acquisition was the 24-hour response time nationally was a very big competitive advantage, and I think they leveraged that to basically now if you went into Home Depot store and you look at the Henry aisle, most of it, there's very little competitive product there in the Henry space. So, I think that points to how you can distance yourself from competition with better service.

We're investing in more Carlisle Experience. One is a program right now that we've enhanced our ability to tell contractors where their shipment is, so they – much like we do on retail side, where we can see when the shipment leaves the manufacturer, and then we can see where it is in the warehouse at either UPS, United Postal Service, or FedEx, and then we can see when it's going to be delivered. We're building that capability, too. And

again, to help the contractor, the roofer, know how to deploy and when to deploy labor and not waste that, if it's not coming in, they can redeploy to a different job. So, some big competitive advantages. We measure our experience with the Net Promoter Score, and when we look at those scores, we continue to see gains from the investments we made in customer service.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's great color. And then, following up on that, can you also talk a bit about your willingness to invest in the business, given the current environment relative to the robust cash flows that you're seeing? I also noticed that it looks like you took the guide for CapEx down a bit this year. Can you just talk about the interplay between R&D, the investments long-term and what you're seeing near-term, and how that fits in with the cash generation?

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Very well. We're very lucky to generate a lot of cash flow. I think the \$1 billion that we've done, I think, the last three or four years, certainly, helps us when we have to pay increased dividends, invest in CapEx, M&A and share buybacks, and that – and I think on the R&D side, we're applying dollars right now, but when you think about what the frontend on R&D is, at least enhancing what we've been doing now, a lot of the investment is in people, processes. I'll tell you one area where we've put a lot of money is in VOC.

So, for probably the last nine months to a year, we have a new leader in our Voice of the Customer area, Vice President. Her name is [ph] Julie Eno (00:30:52). She has brought in a new process, and we're spending quite a bit money proportionately to where we were on really working through customer insights. We've got a process for doing that. It takes time. So, it's really a people process kind of investment right now. The goal there, obviously, to develop a consistent pipeline of strong concepts that are really ready for concept testing and then move through our stage-gate process. And the goal there is to generate the type of R&D outcomes that you would want to see that are hundreds of millions of dollars in revenue, not tens.

So, super pleased with what we're doing there, and on top of that, I think we've talked before about how we're investing in our R&D campus, enhancing our testing ability, enhancing our ability to test projects instead of taking our factory time to put it in a pilot line and things like this. So, that investment will increase. That's more mechanical as that, and concrete and girders and roofs and things like that, and that will take more time to build, but that will show up here in 2026 and beyond. And I think all of that, again, to take out labor from the job and increase energy efficiency, and I think we've got a good pipeline going there, but it's got to be based on that Voice of the Customer. That's a big component we want to add, because we want to make sure they hit the mark when we launch them.

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

And then, on your CapEx question...

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Okay.

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

Yeah. The CapEx was still up 30% year-over-year from 2024 to 2025, going from \$100 million to \$130 million, investing in automation, AI in factories with preventive maintenance. So, that investment continues. So, the reduction in our outlook is really we're a little too ambitious on some of the projects that we thought we'd get to in 2025 that are sliding into 2026.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Okay. That's great color. Thank you, both, and good luck with the quarter.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thanks, Sue.

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

Thank you.

Operator: Thank you. And your next question comes from David MacGregor from Longbow Research. Please go ahead.

Joseph Nolan

Analyst, Longbow Research LLC

Hey. Good afternoon. This is Joe Nolan on for David. I just wanted to ask within...

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Hey. Good afternoon, Joe.

Joseph Nolan

Analyst, Longbow Research LLC

Hey. I just wanted to ask within CCM, if you could talk about price versus volume, and if you could just give any detail on price/cost in the quarter?

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

[indiscernible] (00:33:25) pricing was flat for us in the CCM segment. So, all the offset would have been in volume, which was also flat. So, both the volume and pricing flat in the quarter. On the raw materials, as I talked about, on the ATO and TCPP, those had a negative impact of \$12 million, which was right in line with what we expected for Q3 on the raw materials.

Joseph Nolan

Analyst, Longbow Research LLC

Okay. Great. And if you could just give an update on how to think about price/cost in the 4Q, if there is anything changing there?

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

Yeah. Really very similar to what the Q3 was. We're expecting price to be flat for CCM in Q4. Raw materials, slightly lower than that, just because I'd say the fourth quarter is lower than third quarter on the volume side. So, proportionately, that's what you'll see on the raw materials side for CCM.

Joseph Nolan

Analyst, Longbow Research LLC

Q

Got it. All right. Thanks. I'll pass it on.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Thank you.

Operator: Thank you. And your next question comes from Garik Shmois from Loop Capital. Please go ahead.

Garik Shmois

Analyst, Loop Capital Markets LLC

Q

Oh. Hi. Thanks. I'm just following up on that. I was wondering if you could provide the outlook for EBITDA margins in the fourth quarter by segment.

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

Yeah. So, as we look at CCM, you'd start with the volume. We're looking for volume to be down about low-single-digits. Reroofing still strong, but that being more than offset by the weaker new construction, as well as some of the lingering distribution channel volatility that we talked about. And then, we have pricing, as I said, flat, some of the negative raw materials, that gets us down and continue to invest in what Chris was talking about, on the Carlisle Experience as well as innovation. That gets us to around 26% EBITDA margin for CCM in the fourth quarter.

And then, on the CWT side, we have revenues down low-single – or I'm sorry, up low-single-digits overall. We have organic down mid-single-digits. And then, obviously, the acquisitions are having a positive impact there to get us up low-single-digits. Pricing on CWT side down slightly, less than 1%. No real impact from raw materials in the quarter. And that gets us to margins down 250 to 300 basis points compared to the prior year as a result of that lower organic volumes.

Garik Shmois

Analyst, Loop Capital Markets LLC

Q

No. That's helpful. And just wanted to follow up on the destocking piece. Can you speak to your market share in CCM, how you're viewing that relative to the industry and what the outlook is, just given the distributor dislocation that's happening right now?

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah, Garik. Thanks. Pretty much as we said, the underlying situation at CCM is pretty much the same. I don't see any long-term market share changes that have occurred right now. If we look at what happened in Q3, and I touched on the things that can occur when you do a transaction, and you also have significant management turnover at really all levels, we did lose some share in certain areas because of really just being tied to that distributor channel partner. And so, very hard for us to change that, because in at least one of those situations, we could confirm that we don't really have any other vehicle to get that to market as direct, and they're our choice. So, that old adage of when they sneeze, we catch a cold, that's what happened there.

But as I said, and as we believe, this is temporary. It happens. We would have expected some turbulence after a big deal like that. It may continue in the third – or fourth quarter, but overall, we think they're a great distribution partner. We think it all gets sorted out, and we'll be right back in the game where we should be. So, a little minor effect maybe Q3, Q4, but long-term, no real changes.

Garik Shmois

Analyst, Loop Capital Markets LLC

Q

Okay. No. Thanks for your thoughts. Appreciate it and best of luck.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

You bet. Thanks, Garik.

Operator: Thank you. [Operator Instructions] And your next question comes from Bryan Blair from Oppenheimer. Please go ahead.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

Thanks. Good afternoon, guys.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hey, Bryan.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

Q

If the combination of channel dynamics and competitive influence drives a bit more of a direct model – a direct sale model going forward in the industry, how do you see your team's positioning there, and what are the positives and negatives if that occurs?

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Well, Bryan, I think it already has happened. I think one of our competitors publicly stated that they're already doing something like 30% of their business direct, and we would estimate that many of the other competitors are there. So, I think that dynamic is already in place. For Carlisle, frankly, we lagged it. When you look over the years, as recently as probably five years ago, we were probably doing somewhere between 3% and 5% direct. So, it wasn't – our preference have been to work with our distribution partners. They've done a great job for us.

We still feel that's the optimal way to do it. But obviously, as our competitors have taken a more direct approach, we have, too.

So, over the years, our team has already reacted. They've done a lot more work that connect directly to the end user. You can see in the Carlisle Experience, we have projects for contractors indirectly looking shipments, quoting, things like that. So we can provide that, too. We ship, as a reminder, 70% of our product direct to the job site. So we're already interfacing directly on that shipment from factory to job site. So that's fully capable. We can do that. But again, our preference has been to sell through distribution and these value distribution partners.

So, we're probably somewhere in that mid-teens direct right now. So, about half of what our competitors are doing. And I think we'd like to continue to work with our distributor partners. But as you said, things are changing and we can step up on that model as well. So, one of the things I always liked about Carlisle, we have scale, we have a factory presence, warehousing, great teams, great sales team, 600-plus reps across the country. So, I think from a flexibility standpoint, wherever the market goes, we'll be able to deal with that. I mean, we're going to follow the lead of the contractor. However they want to buy, we're going to be able to do that for them.

Bryan F. Blair

Analyst, Oppenheimer & Co., Inc.

That makes sense. Thanks for the color.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

You bet. Thank you.

A

Operator: Thank you. And your next question comes from Tomo Sano from JPMorgan. Please go ahead.

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Hello, everyone.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Hello.

A

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

Hello.

A

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Thank you. Like to talk – ask about the pricing. You mentioned that for Q4, CCM is expected to be flattish, while CWT may decline by about 1%. So, looking ahead to 2026, would you expect new products, innovation products, and high-end product launch or other factors to support price increases? It's, of course, like depending on the demand and volume side, but could you touch about that outlook, please?

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. One of the things that we would expect out of our new products and enhanced customer service is that we could extract value from that. That's why we do it, Tomo. I mean, that's our – that's the reason is we are trying to increase the content per square foot in terms of pricing and value, and we will price to value. We've talked about that.

So, as we look to 2026, certainly if the volumes can return to a healthy level, I think we can expect to see us being paid for those advantages. Now, of course, we have to demonstrate the value to the building owner, to the contractor, to the architect. We have to communicate the product enhancements we made or our Carlisle Experience, our operational excellence as value, but I think we've done a good job of that.

So the real – the thing for us is really volume. And if you look at what we've always said, sets up for a good year is that there is some level of new construction, 0.5%, 1%, but we can't have a declining new construction market. Second, we want to see rational capacity utilization which we've seen. I think the market has added factories in a very rational fashion. So that's good. We have labor shortages still, and we think that's important to drive some of this pricing. And then, lastly, the increasing reroofing demand continues to be an underlying positive that we can rely on.

So, I think if those things are in place, and the only one that's not in place now really is new construction being positive. So, if that turns around in 2026, I would expect to see some nice upward momentum on pricing.

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Q

Thank you, Chris.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

You're welcome.

Operator: Thank you. And your last question comes from Keith Hughes from Truist. Please go ahead.

Keith Hughes

Analyst, Truist Securities, Inc.

Q

Yeah. Thank you. This disruption with distribution, was this something about inventory levels or price or what was the nature of it? And is it fully resolved that we won't feel it again on the first quarter in your results?

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

I don't really know exactly what it was in those situations. I mean, I think each location probably was affected differently, integration is going on, like you said, management changes, things like that. So, across the country, it could be a variety of issues. We just know that in those situations, we didn't capture the sale. So, I think I would expect because of the group and their expertise and their past experience that they'll get this resolved rather quickly. So, we got it going into Q4 and having some effect still, but my guess is they'll get it resolved and that 2026 will be a year where they're going to want to come out and be fully intact and operational.

Keith Hughes

Analyst, Truist Securities, Inc.

Okay. And just one question on pricing in CWT specifically.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Sure.

A

Keith Hughes

Analyst, Truist Securities, Inc.

There's kind of lot of stuff going on with MDI and tariffs and antidumping and all that kind of stuff. Are you seeing pricing go up there or expected to go up near-term with some of these [ph] cost pressures (00:44:31)?

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

When we look at the raw material trends and I – and Mehul could comment on this in maybe more detail, but when I look at the trends, it's been kind of a mixed bag. Certainly, MDI in 2025 has seen an upward trend on price, but then you've got polyol that's seeing maybe a lower trend. And then, we got to EPDM polymers and they're on an increase. So, in general, when I look across our raw material basket, it's probably a little bit more biased towards increases as we go into Q4. Mehul, you want to add anything to that?

A

Mehul S. Patel

Vice President-Investor Relations, Carlisle Cos., Inc.

Yeah. Keith, just to add a little bit in terms of MDI and the antidumping duties that have been added. So, while MDI prices have gone up through the first three quarters and it's up year-over-year, I would say quarter-over-quarter now it's still flat. So, we're not seeing further increases.

A

Just to add a little bit more on CWT pricing question, Kevin noted that pricing is down less than 1% for CWT. So, we're seeing some pricing pressure on select categories, mainly underlayments, which plays in the residential roofing segment, where there's some softer demand, as well as on the insulation categories, but it's a very small amount of price.

Keith Hughes

Analyst, Truist Securities, Inc.

Okay. Thank you.

Q

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

You're welcome.

A

Operator: Thank you. There are no further questions at this time. I'll hand the call over to Mr. Chris Koch for closing remarks. Please go ahead.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

All right. Thanks, Kelsey. Hey. This concludes our third quarter earnings call. We want to appreciate everyone's time. We know you're busy. Thanks for your participation. Thanks for the great questions, and look forward to speaking with you at our next earnings call.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you very much for your participation. You may now disconnect. Have a great day.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.