29-Jul-2026

Carlisle Cos., Inc. (CSL)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Rebecca, and I will be your conference call operator today. At this time, I would like to welcome everyone to the Carlisle Company's Second Quarter 2026 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 will now hand the conference over to Mr. Mehul Patel, Carlisle's Vice President of Investor Relations. Mehul, please go ahead.

Mehul S. Patel

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

... [audio gap] (00:00:58) of second quarter 2026 earnings call. I'm Mehul Patel, Vice President of Investor Relations. We released our second quarter financial results earlier today, and you can find both our press release and a presentation for today's call in the Investor Relations section of our website. Joining me today are Chris Koch, our Board Chair, President and CEO; and Kevin Zdimal, our CFO.

Today's call will begin with Kevin, who will walk through our Q2 financial performance and updated full-year 2026 outlook. Chris will then follow with closing remarks and an overview of our long-term value creation strategy. Following our prepared remarks, we will open up the line for questions.

But before we begin, please refer to slide 2, where we note that today's comment will include forward-looking statements based on current expectations. Actual results could differ materially due to a number of risks and

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uncertainties which are discussed in our press release and SEC filings. As Carlisle provides non-GAAP financial information, we have included reconciliations between GAAP and non-GAAP measures in our press release and an appendix of our presentation materials, both of which are available on our website.

With that, I will turn the call over to Kevin on slide 3.

Kevin Philip Zdimal

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

Thank you, Mehul, and good afternoon, everyone. I will review our second quarter results and discuss our updated outlook for the full year. Let's begin on slide 3. Our record second quarter results reflect the Carlisle team's relentless focus on execution and operational discipline, continuing our track record of delivering results through challenging macro environments. Revenue was a record $1.6 billion, increasing 8% year-over-year, and adjusted EPS increased 12% to a record $7.03. These results demonstrate our unwavering commitment to operational excellence. Through disciplined pricing, productivity from the Carlisle Operating System, and strong commercial execution, we delivered solid growth and profitability despite a significant increase in petroleum-based raw materials and freight costs stemming from the conflict in the Middle East and related supply chain disruptions.

Inflation and several supplier force majeure events impacted key inputs across our roofing and insulation product lines. Our response was timely and commensurate with the cost pressure we expect in the coming months. Since the start of the conflict, we have announced three broad-based price increases and implemented freight surcharges to offset higher raw material and freight costs. As we have seen in prior inflationary cycles, price realization typically lags rising costs. As I mentioned on the first quarter call, we expected to see negative price costs in Q2 as we worked through committed quotes and the required notification period to customers. We expect the benefit of our pricing actions to build through the second half of 2026, turning positive in Q4.

Turning to slide 4. Second quarter revenue increased 8% to a record $1.6 billion, driven by solid performance in both CCM and CWT. Healthy re-roofing demand, execution of our strategic initiatives including improved traction in data centers, and a couple percentage points from customer pre-buying ahead of announced price increases more than offset continued softness in new construction.

Adjusted EBITDA increased 6% to $412 million, with an adjusted EBITDA margin of 26.2%, down 70 basis points year-over-year, as a result of the expected impact of raw material and freight costs increasing faster than pricing realization during the quarter. Carlisle Operating System productivity improvements, disciplined cost management, and synergies from recent acquisitions helped offset some of that pressure. Record adjusted EPS of $7.03 increased 12% year-over-year, was driven by higher operating earnings and share repurchases, partially offset by higher interest expense.

Moving to CCM on slide 5. CCM delivered record revenue of $1.2 billion, an increase of 8% year-over-year. Re-roofing demand remained healthy, growing approximately 3%, while commercial new construction declined mid-single digits. The vast majority of CCM's high-single-digit revenue growth resulted from strong commercial execution and the success of our strategic initiatives, while customer pre-buys ahead of announced price increases contributed a couple percentage points of growth.

Adjusted EBITDA increased 5% to $363 million, and adjusted EBITDA margin was 30.7%, down 90 basis points year-over-year. Margin performance was in line with the expectations we discussed last quarter and reflects the benefits of higher volumes, partially offsetting elevated cost inflation during the period. Importantly, CCM achieved

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margins above 30% despite significant raw material and freight inflation, underscoring the strength of our business model, the resilience of re-roofing demand, and the effectiveness of the Carlisle Operating System.

Turning to CWT on slide 6. Revenue increased an impressive 10% to $389 million through solid execution on share gain initiatives which more than offset continued softness in residential and non-residential new construction end markets. Adjusted EBITDA increased 5% to $74 million. And adjusted EBITDA margin was 19%, down 90 basis points year-over-year. While margin was impacted by the same inflationary pressures affecting CCM, CWT's margin improved 380 basis points sequentially from the first quarter. This improvement reflects the benefits of the structural efficiency initiatives we implemented over the past year and CWT's relentless focus on costs. Investments in automation, footprint consolidation, and in-house expanded polystyrene resin capacity are now largely in place and beginning to generate operating leverage. We expect those benefits to continue building through the rest of the year and drive further margin improvement in the second half.

Turning to slide 7 and our financial position. As of June 30, 2026, we had $665 million in cash and cash equivalents, and $1 billion available under our revolving credit facility. Net debt to EBITDA was 1.7 times, comfortably within our target range of 1 time to 2 times. This balance sheet strength allows us to continue investing in the business to drive organic growth, pursue disciplined M&A opportunities and return significant capital to shareholders.

Moving to cash flow on slide 8. For the second quarter, operating cash flow from continuing operations was $244 million, and free cash flow from continuing operations was $203 million, reflecting the expected working capital impacts during the peak construction season. Capital expenditures were $42 million. During the quarter, we repurchased $250 million of shares, bringing year-to-date purchases to $500 million. Including $90 million of dividends, we returned $590 million to shareholders in the first half of 2026.

Given our strong cash generation and recent stock price levels versus our internal assessment of the intrinsic value of our shares, we are increasing our full-year repurchase target from $1 billion to $1.2 billion, which will bring our total share repurchases to more than $7 billion over the last 10 years.

Now, turning to our updated outlook on slide 9. Based on our first-half performance, continued momentum in our strategic growth initiatives, and the pricing actions we have taken, we are raising our full-year 2026 revenue outlook to mid-single-digit growth, but lowering margins 50 basis points to now reflect flat adjusted EBITDA margin year-over-year. The change in our margin outlook reflects the additional raw material and freight inflation impacts stemming from the extended conflict in the Middle East and related supply chain disruptions. We expect pricing to recover those costs, but with a previously discussed lag in timing.

Importantly, our structural margin expansion initiatives remain on track and our long-term margin outlook remains unchanged. With that consolidated outlook, we now expect CCM revenue growth up mid-single digits with re-roofing up 3% to 4%, new construction down low-single digits, and pricing realization building through the second half. We expect CWT revenue growth also up mid-single digits with meaningful margin improvement in the second half as the benefits of our structural initiatives continue to build. We continue to expect full-year ROIC of approximately 25%, free cash flow margin of approximately 15%, and double-digit adjusted EPS growth in 2026.

Finally, turning to Vision 2030 financial goals on slide 10. We remain confident in our long-term targets of $40 of adjusted EPS and ROIC above 25%. Despite a challenging environment over the last two years for new construction and a difficult deal environment where sellers' expectations continue to be elevated relative to our valuation, we remain on track to meet our 2030 objectives. Through the end of 2026, we expect our adjusted EPS CAGR since launching Vision 2030 to exceed 11%. We believe that our strong operational performance, a

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relentless focus on the Carlisle Experience, investment in innovation, pursuit of accretive M&A, and superior capital allocation keeps us well positioned to achieve our long-term objectives.

With that, I'll turn the call over to Chris.

D. Christian Koch

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

Thank you, Kevin, and thank you, all, for joining us today on our Q2 earnings call. I'll begin by briefly emphasizing some points that Kevin touched on, but before I do, let me first address the rumors in the market recently regarding a Carlisle effort to acquire Owens Corning. We have not publicly commented on these rumors, and today I would like to reiterate our stance by clearly stating Carlisle does not comment on rumors or speculation.

Turning to our second quarter performance and market conditions. The quarter demonstrated exactly what we mean when we say we focus our teams on what we can control, a hallmark of our results-driven culture. Despite significant macroeconomic headwinds, including the Middle East conflict, higher oil prices, and the continued multi-year drag from new construction markets, we delivered record revenue and record adjusted EPS. We also took decisive pricing actions in response to the significant events and ongoing conflict in the Middle East. We also made meaningful progress on structural improvements at CWT and continued to convert our innovation pipeline into commercial wins.

The recent geopolitical events, along with ongoing uncertainty around future interest rates, have clouded the timing of a new construction market recovery. The increase in our revenue outlook assumes no such improvement for new construction in 2026. Instead, our revised outlook is built on continued superior capital allocation, relentless focus on operational excellence, delivering the Carlisle Experience and bringing to market the latest and innovative products and services to benefit our contractors.

As a reminder, Carlisle is uniquely positioned to benefit from being a market leader with a 109-year history built on delivering innovative products to the strongest building products market in the world, the United States. We are also benefiting from our focus on re-roofing. With 70-plus percent of our sales driven by re-roofing, we have benefited from its largely non-cyclical nature and its steady mid-single-digit growth over the last two decades. Combined with our strong cash generation, we are positioned to deliver steady performance through almost any economic environment.

With that context, I'd like to provide an update on our key Vision 2030 initiatives and why we believe Carlisle remains well positioned to create long-term value for shareholders. Innovation remains central to our organic growth strategy and underpins our efforts to deliver 5-plus percent organic growth. This quarter showed that our growing pipeline of new ideas generated by our new VOC process is translating into increased commercial momentum.

We shipped the first orders of our award-winning ThermaThin 7 polyiso insulation in June, slightly ahead of schedule. The initial project utilizing our new R-7 product was an energy efficiency building code driven win. It was all about helping a customer meet energy code requirements within a constrained roof assembly height. ThermaThin 7 was the answer. Why? Because ThermaThin 7 delivers approximately 23% higher R-value per inch than standard polyiso in many conditions, helping reduce material layers, roof height, number of delivery truckloads, crane lifts and installation time. ThermaThin 7 is one of a dozen new products we will launch in 2026, with half of them already launched in the market, including our temperature-sensing adhesive gun and 16-foot SeamShield. Additional launches, including our high-yield closed cell spray foam, are scheduled for August.

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On the retail side, Henry's UltraTouch denim insulation is now stocked in nearly half of Home Depot stores nationwide and delivering improving sales at stores it has been in for a year. While these recently introduced products will take time to ramp, more meaningful contributions will build into 2027. Our expanding new product pipeline, which will be enhanced and supported by our new addition to our Research & Innovation Center, positions us to sustain an increasing cadence of new product introductions into the next decade. Importantly, we are on track to achieve our Vision 2030 goal of generating 25% of total sales from products introduced in the past five years.

Innovation, investment and new product introductions are a significant point of differentiation in the marketplace, and we'll provide a meaningful response to competitive threats. And as the competitive landscape evolves, our focus on proprietary building envelope innovation, technical selling, code-driven application expertise, and contractor productivity tools will distance us from the competition. While innovation is a key driver to growth, I also want to spend a few minutes on M&A because capital allocation is one of Carlisle's core competencies and an important driver of long-term shareholder value creation. Our approach over the last decade has not changed. We remain focused on targets within the building envelope that add to our organic growth prospects, increase our connection to our contractors, enhance our product offering, strengthen our market positions, and increase our content per square foot. We've made a commitment to being superior capital allocators, that will not change. We seek to do deals that fit our four criteria. One, an existing organic growth story. Two, tangible hard cost synergies. Three, a strong management team. And four, the ability to deploy our Carlisle integration playbook. These are the foundation of our successful approach to M&A.

Importantly, we require a clear path to value creation. Through the Carlisle Operating System and the Carlisle Experience, we look to accelerate growth, expand margins, and improve returns while maintaining the disciplined ROIC thresholds that have guided our capital allocation for decades. Whether investing organically, pursuing acquisitions, repurchasing shares, or increasing dividends, our objective is the same. Deploy capital where it creates the greatest long-term value for our shareholders. Our track record speaks for itself. Henry is a strong example. Even against softer residential end markets, it continues to deliver on profitability we underwrote, with EBITDA margins running in line with our original deal model and synergies exceeding the initial target by 65% despite the challenging end markets.

Before I close, I want to take a moment to reflect on what I believe defines Carlisle as much as any product line or market position, and that is our track record as a superior capital allocator and what that has meant for our shareholders over the long term. Carlisle is best understood not merely as a roofing products company, but as a capital allocation story. For more than five decades, through recessions, market cycles and the transformation of our portfolio from a diversified industrial conglomerate to the focused, pure-play building products company we are today, one thing has remained constant, a relentless focus on ROIC and strong cash generation. That discipline is not a recent development. It is a foundational to who we are and how we operate, regardless of the business in our portfolio at any given time.

Our industry-leading ROIC of approximately 25% and free cash flow margin above 15% are not targets we aspire to. They are the results of this philosophy applied consistently and compounded over time. We have repeatedly converted operating profits into cash and redeployed that cash at attractive rates of return through portfolio optimization, disciplined M&A, share repurchases and dividends. The result has been sustained long-term value creation for our shareholders.

Next month, Carlisle will announce its 50th consecutive annual dividend increase. That achievement will place us in an elite group, becoming what some call a dividend king. In fact, fewer than 60 publicly traded companies in the United States today have achieved this milestone out of thousands of public companies. It is a testament to the

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durability of our business model, to the dedicated management teams that have led this business since 1976, with the same core philosophies, a commitment to financial strength and to providing our owners returns that few companies can claim they have demonstrated for half a century.

Reaching this milestone reflects the strength and consistency of Carlisle's capital allocation model. It means we have sustained margin resilience and generated strong free cash flow through every environment we have navigated, including periods of significant macro disruption, portfolio transformation and end market headwinds. We're deeply proud of this record and equally committed to sustaining it. As we look forward, that same capital allocation philosophy built on ROIC discipline and a relentless focus on value creation will continue to guide every decision we make, and our shareholders can count on that.

Stepping back, everything we accomplished this quarter connects to the same foundation. Carlisle operates an imperative business and what we believe is the world's best building products market. And we hold leading positions across key product lines. Over 70% of the non-residential building stock in North America is more than 25 years old, underpinning the recurring re-roofing demand that anchors our resilience through cycles. Those advantages give us conviction to raise our full-year revenue outlook, even without assuming any improvement in the end market demand. We remain committed to being best-in-class operators and disciplined capital allocators, delivering on our Vision 2030 strategy through growing sales both organically and with bolt-on acquisitions, expanding margins, and increasing free cash flow.

As our employees all know, they do the work necessary to fulfill our commitments and deliver on our promises. From our sales teams currently educating the market on our new products to our innovators bringing us new solutions to everyday issues, to our factory teams making our products with industry-leading safety, we recognize their efforts and thank everyone for another solid quarter. Thank you to all on the call for your time and continued interest in Carlisle.

And with that, I'll turn it back to the operator to open the line for questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. For the sake of time, we kindly request each person limit themselves to one question to give everyone the opportunity to participate in the question-and-answer session. [Operator Instructions] Your first question comes from Susan Maklari with Goldman Sachs. Susan, please go ahead.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. Good afternoon, everyone. My question is...

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Afternoon, Sue.

Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.
A

Good afternoon.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

Hello, Chris. Hello, Kevin. My question is around the Vision 2030 targets that you've outlined and talked about. Can you give us a bit more color on how the new products are positioning you to achieve those long-term targets on an organic basis? And how we should also be thinking about the improvement in the margins that you're seeing as you're realizing the benefits of the Carlisle Operating System and other efficiencies and productivity that are coming through.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Yes, Sue. Thanks for the question. Innovation, we added it in 2025, our Vision 2030 strategy. We think it's one of the key axes for Carlisle to invest in, so we're going to – and then we continue to make investments and will be at 3% hopefully within the near future. We're funding products that are really like ThermaThin 7 producing a lot of really tangible value to the contractor. We want the contractor benefit. We want to see the building owners have a benefit, and our distribution channel partners to have a preference for stocking Carlisle because of that end user demand. So, when you think about ThermaThin 7, we're creating value, as we saw an example that I mentioned in the call, by everybody in that chain and we're – but really our plan is to increase our profitability by increasing their profitability.

So, if you think about the cost per square foot, it is going up. And in R-7, insulation is higher priced, of course. So, there's a revenue growth here embedded in that scenario. But there's also increased margin. That increased margin comes from us really splitting, in essence, the profitability that we would take with the contractor, distributor and other people in the chain, including the building owners. And that shows up in different ways, whether we talk about the number of cranes you need, truckloads, installation time, labor savings, things like that, or just operating the building more efficiently. So, I think when you look at innovation, ThermaThin 7, while it might not be the biggest product we launch over the next five years, is absolutely representative of what we're trying to

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do here, by creating that value, increasing revenue, and then increasing really profitability per square foot. And remember, our goal is going to be 25% of sales, right, introduced over X amount of years. And so, that'll start to move everything up. It will start to generate organic growth on the top line and then hopefully have an impact on the margins as we go to the future.

And then, when you look at the Carlisle Operating System, I mean, we've always targeted 1% to 2% of sales as our savings during the year. COS continues to do a great job for us. We continue to, as we said in the call, think about how we spend our money. Are we doing it efficiently, return on invested capital, how do we put CapEx into the business under the COS enterprise, and think about how we perform our tasks, should we use automation? Now, we're putting in a lot of robotic equipment into the factories that increase productivity, reduce safety concerns, increase efficiency, reduce scrap, things like that. So, COS is alive and well. There are even applications around AI that COS will start to take on. So, I think you'll continue to see – well, I don't think, I know you'll continue to see COS be a contributor to that margin profile as well.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you for all that color. I'll pass it on.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

You're welcome.

Operator: Your next question comes from Tim Wojs with Baird. Please go ahead.

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

Q

Hey, guys. Good afternoon. Nice job. Maybe just first question, 8% organic growth in CCM. I know you called out a couple of points there from pre-buy, but that's definitely the strongest growth there we've seen in several quarters. Just I guess if you could give us a little bit of color on the pricing piece. And then, you have a little bit more intel than maybe we do, but what's your feel on what the market actually grew in the second quarter and how you performed relative to that?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hey, Tim, I'll take the first one on this on the market. We do our Carlisle Market Survey. I think when we look at the overall market, we're seeing the new construction pretty much where we thought it was going to be, down low-single digits. And then, when we look at re-roofing, we've said it's consistently been in that low-single digits to maybe mid-single digits. I think there be pockets, obviously, data centers are one that continue to be a higher-growth area. You see that, I think, in the PVC sales across companies. One thing I would say is there's been a little bit of a constraint on the ability to get PVC in the data center market.

And so, what we're seeing now is some of the specs are opening up, and we're seeing premium TPO be a substitute because it was a fine product to use. We can also use EPDM and other things. But in the past, it had been pretty much a PVC market. Now, it's opening up to TPO to address that need by end users and contractors to get these jobs done and get them up and running. So, obviously, opening up that aperture in the premium TPO helps us because obviously that's a sweet spot for us, and there's some nice market growth in there. But I think, overall, the market is pretty much where we thought it was. It's overall pretty much flat.

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Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.

A

Yeah. And Tim, as you look at pricing in the second quarter, that's where for us, we have pricing enhancements that we have out there. Three of them, as you know, they take time to ramp up. You have jobs, whether it's jobs that were previously dead and you protect those jobs or some pricing in place for notification with distributors. So, it takes time for all the pricing to flow through. First quarter or second quarter here was low-single digits. We expect that to ramp to mid-single digits in Q3, and then high-single digits in Q4.

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

Q

Okay, okay. That's helpful. And then, maybe just if you can help us a little bit on the modeling, just to think about kind of the price/cost impact in CCM on the EBITDA line. And then, just another question, MDI supply has been tight. Have you had any issues accessing or getting supply of MDI, and have you heard of others that have had issues with that? Thanks.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah, Tim. On the MDI, we've talked about it I think at the end of the first quarter call where I'd said, we're concerned about prices going up. And then, I think I mentioned that my concern was that eventually, if this thing continued, we'd start to get supply issues. And that's what we're seeing with MDI. And they're not necessarily all related to the Gulf and what's going on there, had some issues with chlorine and things like that. For us, we have been able to get our supply of MDI. We appreciate the supply chain and the commitment they made to Carlisle. I would say that our thoughts would be though, that there are others who might be a little bit more constrained on that, but we don't have, obviously, information that we can tell you of that for sure.

Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.

A

And then, Tim, to help you with the modeling, yes, we look at it, Q3 for CCM, we're expecting around a 29% EBITDA. Q4, we're looking around 28%. And that full year, right about 29% for CCM. CWT, we're expecting to be up for the full year, 100 basis points on EBITDA with – that's about 250 basis points in both Q3 and Q4 for improvement.

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

Q

All right. Sounds good. Thanks, everybody.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. Thanks, Tim.

Operator: Your next question comes from Tomo Sano with JPMorgan. Please go ahead.

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Hi, everyone.

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D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hello.

Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.

A

Hello, Tomo.

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Thank you for taking my questions. So, Chris, you mentioned COS at Henry, what's the one biggest driver of success there? And on CWT with a 380 basis-point sequential margin improvement, how much is coming from Kingman automation and EPS insourcing? How should we think about the second half demand [ph] and margins you have, please (00:33:15)? Thank you.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Maybe will take the how much of the margin is coming from Kingman and from the EPS and those improvements in CWT? Mehul, you want to handle that one?

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.

A

Yeah, Tomo. So, as you know, we said this in the past with those self-help initiatives and margin expansion at CWT for the full year, we're expecting around $20 million of margin expansion. And all those investments are in, so we're starting to see a contribution which did help our Q2 results. If you look at the automation piece of it, that was approximately $3 million of contribution. The footprint consolidation, another $1 million. And then, on the expanded polystyrene in-house capability that we added, that's adding around $2 million to $3 million in the quarter. But again, as I said it, for the full year, it's $20 million. So, we'll continue to see traction grow in the second half.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

And Tomo, I missed – I think we had a connection issue. I missed the first part of your question. Can you repeat that, please?

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Sure, Chris. So, what's the one biggest driver of success of COS at Henry, Carlisle Operating System at Henry, please?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

At Henry, yeah, well, I think the number one key driver to success is just culture. I think when we implement COS in any new acquisition, it tends to be something that brings people together. And we couple it up with our real two in the box, a methodology for deal integration where we're putting someone from Henry with someone from Carlisle. And I would say, at Henry, our leaders at that time, we had Steve Schwar running the one side from

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Carlisle, who is now Vice Chairman for us, running our metal business. And we had Frank Ready who runs CWT. Both very committed to driving safety, to driving efficiency, to driving being smart capital allocators in that. And so, I think it's the culture that – Henry was owned by private equity. They did an excellent job. They got a great return for their dollar.

What Carlisle brings is a different system, a different commitment to safety, and things like that. And I think once people see that at the beginning of the acquisition that they're involved, that they are – they have a framework, I think the Henry people embraced it. And that to me, the culture is really the biggest driver.

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Thank you. Appreciate it.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Thank you, Tomo.

Operator: Your next question comes from Bryan Blair with Oppenheimer. Please go ahead.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good afternoon, guys.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Good afternoon.

Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.

A

Good afternoon.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.

Q

I was hoping you could remind us of the key share gain initiatives at CWT and those certainly seem to be reading through, maybe drill down on the products and categories involved. And if it's possible, quantify the magnitude of run rate share capture.

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.

A

Yeah, the overall – Bryan, I'll take that one, share gain obviously was a huge contributor to CWT's top line performance. 8% organic growth with markets down 3%, 4%. So, overall solid performance. And it's all coming from traction and all the work that they've been doing around the share gain initiatives. So, it's mainly around the waterproofing and the spray foam parts of that business, within waterproofing – of advanced waterproofing, that's a cold fluid applied waterproofing technology that's used in the commercial space, that's growing over 50%. It's contributing approximately $15 million this year.

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The second one is UltraTouch. That's the new product that we launched to the Bonded Logic acquisition. That's in roughly half the stores. That's gaining some traction. It's probably growing, $4 million to $5 million this year. And then, within spray foam, we started a new go-to-market strategies, selling direct to contractor through our own delivery vans. We started in the southeast market. We're expanding that into additional markets out west and the southwest, but that's approximately $10 million for the full year. And then, you have pretty significant traction on what we call base share gain growth on base category, you're expanding into additional channels and distributors between wood coatings and roofing underlayment. So, all that together is driving the growth in while the markets are still down for CWTs.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.
Q

Thanks, Mehul. Appreciate all the detail.

Operator: Your next question comes from Ryan Merkel with William Blair. Please go ahead.

Ryan Merkel
Analyst, William Blair & Co. LLC
Q

Hey, everyone. Thanks for the question. Wanted to ask on price/cost, what is included in guidance for price/cost hit this year in dollars? And then, for the margin guide, was the move to flat EBITDA margins – was that all price/cost timing or is there something else in there?

Kevin Philip Zdimal
Vice President & Chief Financial Officer, Carlisle Cos., Inc.
A

Yeah, the move on the margins was 100% related to the price/cost that, as you know, we've had rapid inflation on both raw materials and freight. And so, that ends up being a negative to us for the year. The second quarter was a minus about $40 million, and the price/cost at CCM, it was immaterial. At CWT, couple million dollars there. So, that piece of it was Q2. Q3, we look to get back to neutral there. And then, Q4, a little bit positive. So, that's what flows through the year on the price/cost. But yeah, when you look at margins, that's going to have a hit on the margins. And also, as you get that additional revenue, as you know, from that pricing and you don't have the additional EBITDA dollars, that has a dilutive impact on the margins.

So, margins did go down. The outlook, as you know, on the revenue was increased from low-single digits to mid-single digits for the year. That implies high-single-digit growth in the second half at both CCM and CWT, and really both Q3 and Q4 for both of those businesses at that high-single-digit growth rate.

Ryan Merkel
Analyst, William Blair & Co. LLC
Q

All right. Very helpful. I'll pass it on. Thanks.

Operator: Your next question comes from David MacGregor with Longbow Research. Please go ahead.

David S. MacGregor
Analyst, Longbow Research LLC
Q

Yeah, good afternoon, everyone, and thanks for taking my questions.

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D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Hey, David.

David S. MacGregor
Analyst, Longbow Research LLC
Q

Let's talk about CWT. Is CWT turning the corner here? I mean, I know there's been a lot of work put in here. Frank and his team have been laser focused on the minutia of turning this thing around. It looks like it's starting to move. You've made a lot of investments, also you're realizing on those investments now. But can you get us back to like 2023 margins with a full year of 2027 benefit?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Yeah, David, I mean, the question, i.e., turning the corner, I think the whole team and Mehul knows them very well, when you look at all the initiatives, I mean, getting the UltraTouch launch and out into Home Depot, the real performance on this polyiso and shifting the market strategy and going direct and really creating value there by the team in polyurethanes, I mean, Mehul mentioned the waterproofing and things like this, all this is great. It just doesn't drive a lot of volume on dollars or EBITDA margins, right? So, what we really need is we really need that market turnaround. I mean, that's what's been holding it back.

So, when we look at – your guess is as good as mine, I hear someone, and I think I would agree with this, they said that it's not a question of resi markets of when the recovery, it is a question of when it occurs, not if. And I think that's where we are. The team continues to do what they can. We mentioned doing things under their control and they're making good progress. Pleased with everything on all fronts, from safety up to raw material production in Canada, where we're controlling more of that on EPS. So, we've got it across the business.

The issue is we need some volume. And once we get that, I – I've always said, I think I'm aspirational getting to 35% in this business over time with new products and some more M&A and bolt-on M&A there, which I think will happen. But the timing, I'd like to think we'll get through this conflict that we'll get interest rates in a better position, and we'll get homebuilding back on track, and we'll be there. But yeah, I don't see it happening before the end of year and even next year. I just see that team needing to focus on self-help, right, introducing new products, driving more efficiency, more automation, things like that to drive margin. So, margin will improve, it just will improve a lot faster if we get some volume to throw on it.

David S. MacGregor
Analyst, Longbow Research LLC
Q

So, I mean, there's a lot going on in that segment. There is a lot of diverse businesses [ph] in the lines (00:42:50), but what's the incremental margin? What should that volume when it recovers, where's the leverage at?

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.
A

Yeah, it's around 33% to 35%. And then, as Chris mentioned, as we get more operating efficiencies, our goal is to get that incremental higher.

David S. MacGregor
Analyst, Longbow Research LLC
Q

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Okay. And with regard to M&A, is this a business you would continue to allocate new capital to from an M&A standpoint? Or – I mean, I don't mean bolt-ons, but maybe something a little more transformative or a little more substantial.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

I don't think the business needs a transformative piece. I think we're starting to get really built out around this idea of the building envelope. We got MTL and we improved our position on edge metal for CCM. We start to get a little bit heavier into the metal panel business which we can expand. There could be some opportunities there. When we look at EPS, we talked about having a nationwide system of EPS manufacturing that would mimic Henry's sealants business, and one of the huge value propositions to Home Depot. So, EPS, we probably got a couple of areas still left to fill that we're working on, specifically the southeast, that'll happen.

When I look at polyurethane foams, that's been a tough market, as you know. Pricing hasn't been very good. We've had some players there that might have had some different objectives. But this move, again, I complement the team to taking a different market approach to be able to show the value to the contractor. So, I think in every one of those areas, there's opportunities to add these bolt-ons and expand. And it goes back to the four criteria really that we got to have those hard synergies. And I think when you start looking at transformative deals in CWT, you're talking now a new leg and then I wonder how we fulfill our four criteria, I think we could get the organic growth story, but I would be hard pressed to figure out how we're going to get those synergies that we talked about delivering on the Henry acquisition. So, yeah, I don't see us going in that direction as much as seeing us continue to drive the performance we have and increasing margins that way.

Operator: Your next question comes from McClaran Hayes with Zelman and Associates. Please go ahead.

McClaran Hayes
Analyst, Zelman Partners LLC

Q

Hey, good evening, guys. Yeah, maybe sticking with CWT, that segment has [ph] pressured (00:45:19) a lot of different end channels. It'd be helpful if you could share maybe what you're embedding in your volume outlook across the different end channels within CWT for the year?

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.

A

Yeah, I can take that one. So, overall markets for us, right, assuming any improvement from the first half into the second half. So, it's steady. The comps do get easier. So, from an end market standpoint, we're assuming down about 2%. You look at residential new construction, it started off down high-single digits. In the second quarter, it was somewhere between mid-single digits and high-single digits. And in the second half, things aren't getting better. But with easier comps, as I mentioned, it's going to be down low-single digits in our assumptions. The commercial new segment, that one deteriorated further. So, we're assuming down mid-single digits in the second half. And the R&R piece is for both commercial and residential, we're assuming flat. So, you put those together, overall CWT in the second half, both Q3 and Q4, down couple of points.

McClaran Hayes
Analyst, Zelman Partners LLC

Q

That's helpful. Thanks. And are you seeing any difference in your ability to pass on price across those end channels?

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Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.

A

Overall, we haven't had any challenges in majority of the business. I would say expanded polystyrene is one area where we're seeing more competitive pressure, and it's been more difficult. But waterproofing haven't had any issues within polyurethane spray foam. The initial price increase that we announced haven't had any issues, but with the MDI and polyiso, the force majeures, we're seeing elevated cost. There is some price/cost pressure, but we've been able to get the first price increase.

McClaran Hayes
Analyst, Zelman Partners LLC

Q

Thank you.

Operator: There are no further questions at this time. I will now turn the call back to Chris Koch for closing remarks.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thanks, Rebecca. This concludes our second quarter earnings call. Thanks, everyone, for your participation. And we look forward to speaking with you at the next earnings call. Thank you.

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

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