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Julian Mitchell: Thank you, everyone, for joining here. Welcome to the third session this morning. It's my pleasure to have Trane Technologies' Dave Regnery, Chair and CEO, and Chris Kuehn, CFO. Dave and Chris, thanks very much for coming here and being with us today.

Maybe first off, I think the biggest surprise from your results a few weeks ago was the strength in those commercial HVAC orders ending 2025. Maybe help us understand kind of main drivers of that. And do you see those types of growth rates persisting into this year?

Dave Regnery: Sure, I'll start. Chris, you can add in. First of all, thanks everyone for coming. We've got a full house here today, so that's great. It's always good to be at this conference, coming down to Miami. It's a little bit warmer here, at least certainly in North Carolina right now.

Look, very strong Q4. We talked about order rates. Order rates were up over 22%. It was broad-based too, which is a good thing, right? It wasn't just one particular vertical that was strong. We had strength in many verticals. We talked on our earnings call certainly data centers was very strong, but we also saw strength in higher ed, healthcare, industrial. It was good broad-based growth.

And if you look at the pipeline, which is what I'm always looking at, and this is the activity that our account managers are working on, it remains very, very robust. And I've been in this industry a long time, and I would tell you that I haven't seen a pipeline quite this strong in a long time. It just bodes very well for the future, especially specifically in our commercial HVAC business. And I know we always want to talk about what's going on here in North America, which is important obviously to Trane Technologies. We also had a lot of strength in Europe, which is also great to see, so good things happening at Trane Technologies right now.

Chris Kuehn: You definitely saw the order acceleration into the second half of 2025 in both the EMEA commercial business and the Americas business as well. That plays into the 2026 guidance as we see typically applied systems can take call it roughly 9 months from order date to ship date. That's where we just see the growth of revenue in both of those businesses ramp throughout 2026.

Julian Mitchell: That's great. And when you're thinking about higher ed and industrial, you mentioned those, Dave, in the U.S. Education, I guess there were some concerns around that stimulus money coming off. Kind of where are we in all that? Has that already happened? And people sometimes worry about demographic pressures on higher ed. Any thoughts around that vertical in general?

Dave Regnery: Yeah, I mean, look, if you look at the fourth quarter, we had order growth in our

commercial HVAC business in 12 of 14 verticals that we track. There were 2 verticals that actually contracted a bit. One was life science and the other was K-12. But K-12, if you remember, probably a year ago I was here saying, look, we do not see K-12 falling off a cliff. And it certainly has not. A small contraction in a vertical that has had exceptional growth with all the stimulus money that was provided to it. This is a good outcome. And also, the pipeline is still very strong in K-12.

Julian Mitchell: Got it.

Dave Regnery: I think one thing that the stimulus pointed out was how underinvested this particular vertical was in. I mean, the state of this vertical needed a lot of investment, and I think that everyone sees that now. And look, this will be a strong vertical long into the future.

Julian Mitchell: And on the industrial front, I think a lot of investors are kind of hopeful of an acceleration in domestic industrial demand happening, and the PMI gave kind of license for that a couple of weeks ago. How do you see that domestic industrial environment right now?

Dave Regnery: Yeah, we see a strong pipeline, again, in that vertical. I think the mega projects that -- I don't like that terminology, but there are a lot of projects that are out there with some reshoring efforts that are taking place. Some of those projects tend to be a little bit longer to close, but we're still very optimistic of the higher tech industrial vertical.

Julian Mitchell: Great. And market share-wise, I think there's been many commercial HVAC companies have been showing good orders growth, which is good for the industry. Kind of how do you assess your market share progress in terms of I guess the bold kind of numbers around share that you see? And any thoughts around kind of technology advantage or kind of --

Dave Regnery: I want to know which CEO gets up here and says they're losing market share. Has anyone heard them? I haven't heard them myself. Look, we're very happy with our market share. But you all see the growth rates that we're able to put up versus maybe some of our direct competitors, and you could come up with your own conclusion.

But I would tell you that market share doesn't -- it's not an event, okay? It has to be over time. And a company that's going to continue to invest in innovation, a company that's going to be steadfast in how they commit to innovation, and how we commit to building our channel, that's a company that you're going to want to think long-term is going to continue to be very, very strong. And over time, we'll gain share. And that's what Trane Technologies is all about.

Julian Mitchell: And I think something you've mentioned as a contributor to share has been the sort of the direct approach, number one in selling, and then the kind of systems approach, maybe with how you think about product development. Maybe flesh out those elements a little bit more.

Dave Regnery: Yeah, at the end of the day, it's a simple philosophy. If you're talking to your

customer, that's a good place to be. If you're relying on someone else to talk to your customer for you, I mean -- when we were younger, did any of us play the telephone game? Remember that? Where I tell you something and you have 10 people and the message that comes back is totally different than what you started with. That happens too when you start not talking directly to your customer. Our philosophy has been and will continue to be that we want a direct sales force. We want a direct service organization. We like those touch points. We want to make sure that we understand what our customers' needs are today and what they will be in the future. What are the problems that our customers are seeing and how can we convince them that we are going to be different than maybe some of our competitors?

The other thing, and Julian you hit on it, is we think of everything at a system level. I know that I often get asked questions like well, what did unitary do versus what did chillers do? And I'm sure we have that data, and Chris's team can probably talk in detail at it. But at a very high level, look, we're selling solutions to our customers. And with the broadest portfolio in the industry, we can do that.

We don't tell a customer, oh, here's a VRF solution, or here's a rooftop solution, or here's an applied solution. We sit down and understand what their needs are and what's going to be the best solution for their needs. And we then, as long as the product says Trane on it, we're happy. But we're going to select that.

And it's the exact same way we think about data centers. I know we're going to talk about data centers here in a bit, but think of it at a system level. You're going to get a different outcome when you think of it at a system level. It is a competitive advantage we have. Talk to your customer, understand their needs today, tomorrow, have a broad portfolio, sell solutions, don't sell products.

Julian Mitchell:

On that point around data centers that you mentioned, how comfortable or confident are you in Trane's position? There are some technology changes going on in the industry. You're aware of them with channel partners and customers before we are. Do you feel comfortable with Trane's market share in things like CDUs and those kind of liquid cooling products versus the chillers and air handlers?

Dave Regnery:

I mean, look, at the end of the day, in the data center world, think of the thermal management system. And I know there's a lot of conversation out there right now about a particular component within the thermal system. Look at it as a system. That's how we're looking at it. And you're going to have trade-offs that exist depending on which system is going to be implemented.

And I would also tell you that we're working with many if not all of the influencers in this space. Whether that be the hyperscalers, the large co-los, or in some cases, actually the chip manufacturers, to develop what that future thermal management system looks like within a data center.

And just to put all your minds at ease, I haven't seen a future design that does not have a chiller as part of it. But there are trade-offs that exist. And if you're going to remove heat at the chip level with cold plates, you're going to have less heat that's going to go into the data hall, so you probably need less air handling in that

system. If you're going to use deionized water and you're going to have stainless steel piping, you're going to have a trade-off with CDUs. Probably less CDUs versus more. Those are the types of trade-offs that we're working with our customers on, on a continuous basis.

And you've heard me say for a long time that this is a vertical that's moving very fast from a technology standpoint. You need to be a leader, not a follower, in this technology. And you need to be working with the influencers to make sure that they know the best solutions or potential solutions.

And just to be very fair, we're learning a lot from these data center customers as well. You get a bunch of smart people in a room, you're going to come up with solutions that are maybe different than what you thought when you walked into the room. But that's good. That's great. That's great for this vertical.

The other thing I would tell you about data centers too is, when we think about our conventional, think of the other verticals, think of buildings. We always think of energy savings and we're like, oh, the customer's going to save energy. In the data center, the vertical, it's not about the energy that's saved goes to the bottom line. It's really you save the energy so you can do more computing. It's a different way to think. All they're doing is redirecting it into where they can be able to have more yield out of their data center.

But there's a lot of trade-offs and there's a lot of cool things that are happening. Some I can talk about, some I can't talk about. But think of the whole system. And there's a lot of talk about, well, these chips can run at higher temperatures. Great. Think of free cooling. Think of chillers that can have -- they can be operating as a dry cooler as well as a chiller within the same system. And being able to have flexibility as to knowing what to do when, and that's an area where Trane Technologies does really, really well.

Julian Mitchell:

Got it. And if you think about the kind of competitive landscapes in your traditional businesses versus some of the emerging ones in data center thermal management, it seems from the outside there's a lot more players in the newer areas. How confident are you that Trane can kind of have a good market share in those newer areas, even amidst a lot more competitors out there?

Dave Regnery:

Again, I think it just goes back to a system approach. Yeah, we have CDUs. We just acquired LiquidStack. If you look at their pipeline, it will be even stronger 6 months from now. But again, I think that component manufacturers are going to be selling components and Trane Technologies looking at the entire system is going to help people think through, what is the system and how do you optimize the system? It's a different approach, but if you want to talk to a hyperscaler or a co-lo, they're going to want that broader view versus just a component within that system.

And by the way, I was talking to a large co-lo the other day, and they went down the road of maybe optimizing on a part of the thermal management system. And they were basically like, we really like our relationship, we need to expand it with you to make sure that we're thinking more strategic about not what today is, but what tomorrow is and what that whole thermal system is going to look like.

Chris Kuehn:

And maybe add to that, the thermal system on the data center, it's also not just innovating on the frontend with engineering and then fabricating and manufacturing. It's also commissioning and making sure you can hit the dates that the customers are looking for to have the product on site. One of the investments we made, Dave made really, 2 years ago, was to build out a service technician training center, an advanced service technician training center that we just opened up in the fourth quarter last year in North Carolina. And think about all the suite of products that we can have service technicians on site from unitary all the way to the most complex data center chiller. And bringing customers through that to see our capabilities with nearly 4,500 service techs. It's also making sure you can commission that product in the field. And so that's end-to-end in terms of bringing the product to life and commissioning, and then also we have the service opportunity thereafter.

Dave Regnery:

If you're ever in the Davidson area, give Chris a call. He'll set up a tour for you. I get yelled at when I tell people they can just come down. We had a large co-lo that they went -- originally their first project was with another provider, and they were very disappointed with the commissioning that took place. And I was talking to this, I invited them down, I know these individuals quite well. And I said, come down to Davidson, I want to show you what we invested in and why. And I will -- I'm very confident that future orders will be coming to Trane Technologies from this particular customer when they saw our capability that we have and the detail with which we train our associates on the commissioning side of things. It's really, really exciting.

The other thing too that -- let me just talk about data center, one other thing. When you talk about innovation, I talk about the thermal management system. But some of this is thinking differently about solving issues. We bought a company about a year ago, BrainBox AI. We're taking, you probably heard me talk about we used to have great connected solutions with structured data. We now have this unstructured data. We're augmenting it, we're thinking differently, making buildings smarter. We're using that same technology in data centers, and I'll give you an example.

When you have a data center, let's just say it's a large data center, you're going to have, let's just make up a number here, 100 chillers that may all be rejecting heat at the same time. Well, it's what they call a microenvironment is created when that happens. And you could think of it as like the Delta T or the temperature rise in that particular microenvironment, it could be up to 30 degrees F from the ambient air just close by. And what we've done has been able to take weather patterns to understanding how the wind is going to be blowing versus what set of chillers you could actually use free cooling for because it's at a lower ambient versus others that you'd be doing the condensing on.

There's a lot of that type of innovation. And when you sit down with really smart people on the other side of the table and you start bringing these types of solutions, and a little bit means a lot in a data center world from an energy saving standpoint. And we're able to capitalize that with some of our thought process.

Julian Mitchell:

And you mentioned LiquidStack just now. Maybe help us understand what it

brings to Trane. And if you look out a few years, including obviously LiquidStack, any sense of kind of how, what proportion of your business in data centers could be liquid cooling related versus traditional?

Dave Regnery: I mean, first of all, LiquidStack, we've had a partnership with LiquidStack for a long time. Originally, we invested in LiquidStack because of their immersion cooling. That's still to come. That's a little bit further out. There's some different - - I can get into the technical side of that if you'd like, but they also have a great CDU line. And they also have a great pipeline of CDUs that are going to be introduced. The acquisition of LiquidStack really just fortifies our position in the CDU space. That's number one. As far as -- what was the back half of your question?

Julian Mitchell: Just around --

Dave Regnery: Oh, the percentage of liquid cooling.

Julian Mitchell: Yeah, it's hard when you think about a system --

Dave Regnery: Again, I think it depends on, what is the customer looking for? In some cases, you're going to end up with liquid cooling solutions, and we're talking here about cold plates and CDUs and a light versus just the chiller. In some cases, depending on what the need is or what the use of that data center is going to be, you're going to go to a more conventional data center. And in some cases, you're going to have hybrid. I think it's just being flexible as far as the per share. I just want a high share of hyperscalers and co-los, because at the end of the day, I know that's where we're going to add value.

And the other thing about data centers too is, we all understand the buildout that's occurring right now. Think of the service tail that's going to be associated with that. A lot of that's in front of us. A lot of that's in front of us. Even though we've been strong in data centers for decades, I would tell you that if you look at the current growth rate that's occurring there, a lot of that service work is in front of us. These 7,500 technicians, think of that number growing, think of them becoming smarter, because we're also doing a lot of work on the AI side there with our virtual engineer, ARIA. A technician now is so much smarter than maybe a technician was 3 years ago on a job site. Because they're coming there, they know exactly what's going on with that particular unit. And if there's any kind of inquiry, it's all on their phone now. It's really, really innovative what we've been able to do there.

Julian Mitchell: And when you're looking at the future changes let's say, one big one in data centers I suppose is around 800 volt direct current, more power intensity inside the IT room. Do you see any big implication on the cooling or thermal management side?

Dave Regnery: Well, I mean, 800 volts is a lot of heat. Let's just -- first of all, there's a safety requirement. If we're going to be running our units at 800 volt, we can. There's some changes that have to take place and it needs to be a safe -- I think we all understand AC/DC, but maybe not. I could talk to you offline. But there's some implications and there's some reasons why we went to AC versus DC. But that's

okay, we're okay being a disruptor there, so that very well could happen. And it probably will happen.

Just remember that the heat load is very important. Again, thinking of the thermal management system, if you're going to be using 800 DC, you're going to end up with a higher heat load. And how are those -- if you had Eaton up here, they'd be talking about the cooling effect within the busbars, etc., so that the heat within the data hall now, depending on how the infrastructure is constructed, may be higher. It may require more air handling systems versus what was in a quote conventional data center.

Julian Mitchell: Great. And then maybe moving to the other side of the spectrum on topline trends, domestic residential demand, how do you see where we are in that cycle right now on volumes? And are you confident kind of price is holding up?

Chris Kuehn: Sure, I'll start. We were very intentional in the fourth quarter of taking production days out in our residential business. We took out about 1/3 of the production days, and that's what really drove the deleverage around 60%. But what it did is it put us in position to the start of 2026 feeling that inventories were at the right level on the channel. The first quarter of 2026 will be a very tough comp for resi. We were up high teens in Q1 of last year, so it's the toughest comp of the year. And with our guidance a few weeks ago, we guided residential to flat to down 5% on a dollar basis. The comps certainly get easier as we go throughout the year. We don't think that there'll be a tariff pre-buy or refrigerant pre-buy or a challenge with the transition to refrigerant like we saw in 2025. But good business. We feel like the inventory is at the right levels and we'll kind of progress as we move throughout the year. But the key was making sure we got the inventory at the right spot.

Dave Regnery: Yeah, and Chris said it, but I'll re-emphasize it. Look, 2025 was a very strange year in residential. Two pre-buys, a refrigerant transition that did not go well for the industry, and a very short cooling season. I don't know about the weather, but the other two I'd bet won't happen again. I know there's a lot of questions. Well, structurally, has this changed? And we're not believers in that. We think we have this market sized right for us this year. Think of it being on a dollar basis flat to maybe down 5%. But this is a very strong business and it'll be strong in the future.

Chris Kuehn: And on price, the team announced a price increase just in the last 10 days. It's up to 5%. effective April 1. And so our plans are to make sure we continue to capture price to offset inflation and still get a spread on that.

Julian Mitchell: And from what you see, the competitive landscape, people are behaving themselves on the whole on price?

Chris Kuehn: Therefore. The industry has been very disciplined in that regard over many years. I mean, think about a price increase up to 5%, you generally net a couple of points of that. It's not necessarily on the topline, but it gives our teams the ability to go price effectively. But we don't see pricing going backwards.

Julian Mitchell: And I think in terms of kind of self-help, looking across Trane, you've done a lot

of heavy lifting on Europe recently. Where are we on that kind of reorganization? What kind of results should we expect this year?

Chris Kuehn: Yeah, I'll start. I mean, Europe in 2025, to be very clear, it was really about intentional investments in the channel. And it was investments around our direct sales force and adding more with some recent acquisitions we've done, Julian, that were very strong in 2 or 3 countries and let's make sure we've got the capacity to be strong in 20 countries. And at the same time, we also brought on some acquisitions, both in the transport space and a small acquisition in the commercial HVAC space, where we want to give a view to be more direct to the customer. And those businesses just came with lower margins in year one. A very intentional decision in '25. The margins came down a little bit in '25, but it's going to give us some nice growth opportunities for '26 and beyond. And our expectation is, for that region we'll see margin expansion, we'll see incrementals, organic incrementals, of 25% or better for each of our regions. I'll put EMEA in that space as well. But a great team and a great business and outperforming down to flat transport markets, outperforming very low flattish growth in commercial HVAC. It's a lot of innovation that that team drives.

Julian Mitchell: And, Chris, you mentioned incremental margins. Last year, there was a very good performance on that despite resi deleverage late in the year, transport under pressure, tariffs halfway through the year. This year, the guidance embeds the organic incrementals, you have that 25% plus, which is lower than what you did last year. Are there any notable headwinds that would cause the incremental to move down this year?

Chris Kuehn: Well, I'll start, and then Dave will jump in. You know, it's a common question, and I think it's a good one, but if we were going back a year ago, we started last year with 25% plus organic incrementals as well. And if the pipeline ever got smaller inside the company for our innovation and the investments we want to do, then maybe we'd change in January and start with a bigger number. But I'll be honest, Dave put in place many years ago a minimum 2 times a year innovation review, and what's the pipeline within across all of our businesses, and the pipelines continue to grow. We like starting at 25% with a plus sign. The last several years, we've done better than that. And we like putting out guidance we can meet or exceed. Let's see how the year kind of plays itself out. But it gives us that opportunity to make the investments and pull things ahead. And that's generally what we've been doing each and every quarter is pulling things ahead where we can.

Dave Regnery: I think I've told many people this, but I'll say it again. The easiest decision a CEO can make is to cut investments. Because in the short term, you know what happens? It goes right to the bottom line and everyone's happy. You know what happens in the long term? You start to shrink. You start to lose market share because you're not innovative. And that's not who we are as a company. Look, our model is always going to be, we'll go out with our guide of 25%. That's our model. We always want to make sure we have optionality. I'm always thinking about what's happening in the future and how we're going to be ready for that. And hopefully that's what you want me as the CEO to be thinking about.

Chris Kuehn: And strong free cash flow. Let's not forget about that.

- Chris Kuehn: Let's make sure it's high quality earnings with the cash flow that comes in as well at 100% or better.
- Julian Mitchell: Yes, I think the earnings conversion into cash is always best in class. And I think a lot of people just sort of stop at the adjusted net income line or whatever.
- Chris Kuehn: You can't spend adjusted net income. You can spend cash, yeah. That's what we make sure we're focused on.
- Julian Mitchell: And on that point, partly because the cash flow has been good, balance sheet is in very good shape, going back to that point on technology changes, clearly it's helpful as an accelerant sometimes to acquire instead of organically invest or alongside it. How do you see kind of the M&A landscape? You've done LiquidStack and folded that in completely.
- Dave Regnery: Stellar.
- Julian Mitchell: Stellar as well. I mean, how likely is it you could do say a large acquisition in liquid cooling or anywhere else?
- Dave Regnery: Look, at the end of the day, we're going to look at everything, and we get to see everything as a major HVACR global player. We'll be disciplined, and we'll make sure we look at everything. We'll make sure we understand what the value is. We're really, really good at buying technologies, as Julian said, and scaling them against a really strong channel. And don't underestimate the power of the channel. The direct sales force builds the channel. If you have a strong channel, you could put products through that channel and leverage it quickly. And that's what we've been able to demonstrate. Stellar is another great acquisition. Modular chillers. Think about all the labor constraints that are out there. This is a solution where you're taking that labor and you're putting it in the factory and you're deploying it to a job site. It's very popular in data centers. It's also going to be very popular in other verticals because it's very, very applicable.
- Julian Mitchell: Fantastic. Well, with that, we'll move to the audience.
- Dave Regnery: Well, just before I start, just in closing, I told this group earlier this morning the same thing. But look, 5 years ago, I sat up here as a new CEO and I was probably super nervous and, oh my gosh, who are all these people in the crowd? And I told everyone back then that we're a great innovator, we're a great operator. But my goal is to create a growth company. And if you look at what's happened over the last 5 years, we have a compound annual growth rate that's double digits. We were at \$12.5 billion 5 years ago. Today we're at \$21.3 billion we closed the yearend. We almost doubled the business. And I can tell you with confidence, I sit up here today and tell you that I see more opportunities in the future than I saw 5 years ago. I appreciate everyone's interest in Trane Technologies, and the future is brighter than what we saw in the past. Go ahead, Julian.
- Julian Mitchell: Thanks very much, Dave, for that. And maybe we'll switch to the first question, please. It's around do you own shares in Trane today.

- Dave Regnery: I always love this. I wish you would do this first.
- Julian Mitchell: It's meant to reflect the discussion as well, but yeah. Fairly polarized. Second question is around kind of general bias right now. Generally positive. Third. Next question. Through cycle EPS growth for Trane versus the kind of multi-industry average. Okay, everyone thinks above peers. Next question, please. It's around excess cash and we just had that discussion on M&A.
- Chris Kuehn: And we just raised the dividend 12% a couple of weeks ago.
- Dave Regnery: Don't influence the audience.
- Julian Mitchell: Bolt-on acquisitions, the biggest portion. The next question is around valuation. Where should Trane trade at on sort of current year PE?
- Dave Regnery: Hopefully we don't have any number ones here.
- Julian Mitchell: That's from a continuous sort of history I guess. Okay, so 80% in the 20s. And then the last question is, any drawbacks, any headwinds, any anchors on the valuation that are top of mind today? It's very balanced.
- Chris Kuehn: It's very balanced. Capital deployment and growth.
- Julian Mitchell: With that, thanks so much, Dave. Thank you very much, Chris.
- Dave Regnery: Thank you all. Enjoyed it