

**Trane Technologies**  
**Q2 2025 Earnings Conference Call**  
**July 30, 2025 / 10:00 AM EST**

**Operator:** Good morning. And welcome to the Trane Technologies Second Quarter 2025 Earnings Conference Call. (Operator Instructions)

I will now turn the call over to Zac Nagle, Vice President of Investor Relations.

Please go ahead.

**Zac Nagle:** Thanks, Operator. Good morning. And thank you for joining us for Trane Technologies Second Quarter 2025 Earnings Conference Call.

This call is being webcast on our website at [tranetechnologies.com](https://tranetechnologies.com) where you'll find the accompanying presentation.

We're also recording and archiving this call on our website.

Please go to Slide 2.

Statements made in today's call that are not historical facts are considered forward-looking statements and are made pursuant to the safe harbor provisions of federal securities law.

Please see our SEC filings for a description of some of the factors that may cause actual results to differ materially from anticipated results.

This presentation also includes non-GAAP measures, which are explained in the financial tables attached to our news release.

Joining me on today's call are Dave Regnery, Chair and CEO; and Chris Kuehn, Executive Vice President and CFO.

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

Dave?

**David Regnery:** Thanks, Zac, and everyone, for joining today's call.

Please turn to Slide 3.

I'd like to begin with a few minutes on our purpose-driven strategy, which enables our leading financial results. The global demand for energy is increasing at an unprecedented rate while many areas lack access to reliable power sources.

But this is not just a supply equation.

At Trane Technologies, we see tremendous opportunities on the demand side.

In an average building, we estimate a staggering 30% of energy after the meter is wasted.

Our solutions are addressing this head on, helping our customers save energy and reduce emissions with a strong return on investment.

We are setting the pace for the industry and paving the way to a more sustainable world with our leading innovation, robust customer demand and talented team.

We're well positioned to deliver differentiated shareholder value over the long term.

Please turn to Slide 4. Q2 was another strong quarter, marked by record bookings and revenues, a 90 basis point expansion in adjusted operating margins and 18% growth in adjusted EPS.

Our Enterprise and Americas Commercial HVAC organic bookings reached new all-time highs with increases of 4% and over 20%, respectively.

In our Americas commercial HVAC business, we continued to lead the industry by solving our customers' most complex challenges with Applied Solutions in large, high-growth verticals. Notably, orders for Applied Solutions surged by over 60% in the quarter and are up over 120% on a 2-year stack.

Our commercial HVAC businesses have demonstrated remarkable durability and resilience, achieving compounded growth over multiple years.

Our project pipelines are expanding, underscoring continued opportunities ahead.

Our direct sales strategy enables us to capture a significant share of these opportunities and consistently outgrow our end markets.

Our backlog remained strong at \$7.1 billion, up 6% compared to year-end 2024.

While there was a sequential decline from the first quarter of approximately \$125 million, this was due to expected backlog reductions in our shorter-cycle businesses, mainly residential.

Our commercial HVAC book-to-bill ratio exceeds 100% in all regions, further elevating our global commercial HVAC backlog.

Our services business remains robust, representing a third of our enterprise revenues.

We delivered low teens growth in the quarter and have maintained a low teens compound annual growth rate since the inception of Trane Technologies in 2020.

We are effectively managing and mitigating all enacted tariffs and inflationary impacts through our world-class business operating system. This system includes advanced mechanisms for pricing, supply chain management and scenario planning, which we leverage to offset tariffs, drive market outgrowth and minimize the impact on our customers.

As we review the key drivers for the quarter, our results were in line with expectations with two notable exceptions.

First, Americas Commercial HVAC. This business continues to be formed exceptionally well exceeding our expectations and aligning with our track record of consistent market outperformance.

Second, residential HVAC revenues fell short of our expectations due to a near-term industry shortage of R454B refrigerant cylinders.

However the strength in our Americas Commercial HVAC business more than compensated for this, positively impacting our adjusted EPS for the quarter.

Overall, we are confident in raising our full year revenue and EPS guidance, which Chris will cover in more detail shortly.

Please turn to Slide 5.

In our Americas segment, as we discussed, commercial HVAC continues to deliver standout performance.

In the first quarter of 2025, this business achieved all-time high quarterly bookings.

In the second quarter, we surpassed this record by nearly \$300 million with growth of over 20%. Revenue growth continues to be exceptional, increasing by mid-teens on top of a mid-20s growth comp in the prior year.

Our market outgrowth has been consistent compounding year after year.

For perspective, in the second quarter, 3-year stack commercial HVAC revenues are up approximately 60% with equipment up approximately 80% led by Applied.

Our growth in Applied Solutions is broad-based, aided by market outgrowth in sectors with large CapEx investments such as data centers and high-tech industrial.

These sectors require the most complex Applied Solutions and our ability to win more than our fair share of business here adds to our leading growth profile. CapEx spend in these sectors is expected to remain high over the next several years, providing further growth opportunities.

In addition, Applied Solutions carry strong service revenue tails, generating eight to 10x the equipment sale, meaning the majority of the revenue from our Applied growth is still ahead of us.

Turning to residential. Revenues were down mid-single digits due to the near-term cylinder related headwinds I discussed earlier.

However combining our strong first quarter revenues up high teens with our second quarter, our year-to-date residential revenues are up 3%.

Additionally, we saw very strong growth in the second quarter of 2024, up low teens, which was a multiple of the industry growth rate. Given the varying business models of mix of 2-step versus 3-step distribution across the industry, it's important to look at residential over the long term to get a clear picture of growth trends.

In Americas transport refrigeration, bookings were up low single digits, while revenues were down low single digits, significantly outperforming end markets, which were down over 30%.

In EMEA, Commercial HVAC bookings were down low single digits against a tough 20% prior year growth comp.

However 2-year stack bookings were strong, up high teens. Revenues were up low single digits, impacted by timing of customer shipments from Q2 into the second half. EMEA Transport organic bookings were down low single digits, while revenues were up low single digits, significantly outperforming end markets, which were down low single digits.

In Asia Pacific, the quarter met our expectations as we approach the anniversary of our tightened credit policies in China, we expect results to improve. The region is on track to meet full year 2025 expectations for flat revenues with stronger performance in the rest of Asia.

Now I'd like to turn the call over to Chris. Chris?

**Christopher Kuehn:** Thanks, Dave.

Please turn to Slide 6. This slide underscores our robust second quarter performance.

Organic revenues increased by 7%. Adjusted EBITDA margins expanded by 70 basis points and adjusted EPS rose by 18%.

Our Services business delivered impressive organic revenue growth up in the low teens, while our equipment business achieved mid-single-digit growth despite softer residential results.

Please turn to Slide 7.

Our Americas segment delivered 9% revenue growth, driven by our commercial HVAC business. Adjusted EBITDA margins increased by 120 basis points to 24%, marking a record

quarterly EBITDA for the segment. Margin expansion was fueled by volume growth, productivity and price realization despite softer residential revenue.

In EMEA, revenue growth was up 3% and adjusted EBITDA margin declined by 200 basis points, consistent with our expectations.

We are doubling down on channel investments and M&A integrations in 2025 to support our growth and position for future opportunities. These strategic investments are impacting margins this year as expected.

In Asia Pacific, revenue declined by high single digits and adjusted EBITDA margin contracted by 220 basis points, primarily due to lower volumes in China, consistent with our expectations.

Now I'd like to turn the call back over to Dave. Dave?

**David Regnery:** Thanks, Chris.

Please turn to Slide 8. 2025 is shaping up largely as expected with modest adjustments in our Americas commercial HVAC and residential outlooks.

In residential, we faced temporary headwinds mainly affecting Q2 and Q3 of 2025 due to the cylinder shortage.

We expect this issue to improve in Q3 and be resolved by year-end.

At this point in the selling season, we also believe it's prudent to factor inventory normalization into the second half outlook. The estimated revenue impact of these combined headwinds is roughly \$150 million for the second half.

We now expect residential revenues to be flat for the full year versus our prior expectations of mid- to high single-digit growth.

We expect to return to a healthy GDP plus framework over the long term.

On the positive side, our Americas Commercial HVAC business continues to exceed expectations, particularly in complex bespoke to Applied Solutions, leveraging our best-in-class operating system and direct sales force.

We have consistently outperformed our end markets over multiple years.

For 2025, we are raising our Americas Commercial HVAC outlook from high single digits to low double digits.

Overall, while we're addressing temporary challenges in residential, the strength of our commercial HVAC business more than offsets these impacts and provides clear long-term benefits for our stakeholders.

And now I'd like to turn the call back over to Chris. Chris?

**Christopher Kuehn:** Thanks, Dave.

Please turn to Slide 9.

We are raising our revenue guidance to approximately 8% organic growth, up from 7% to 8% previously and our adjusted EPS to approximately \$13.05, up 16% year-over-year and up from \$12.70 to \$12.90 previously.

With the U.S. dollar softening through the end of Q2, we now expect FX to be neutral for the year.

M&A contribution remains unchanged at 100 basis points for the year.

We expect to manage and mitigate all enacted tariff impacts through proactive measures including pricing. Based on tariffs in place as of July 28, we estimate the cost impact in 2025 to be approximately \$140 million, roughly half of our estimate provided at the end of the first quarter, and our full year organic revenue growth guidance includes an estimated pricing impact from tariffs.

The tariff environment remains dynamic, and we will provide updates as appropriate throughout the year.

We continue to target organic leverage of 25% or higher for the year, consistent with our long-term goals, and we anticipate another year of 100% or greater free cash flow conversion.

For the third quarter, we expect approximately 6% organic revenue growth and around \$3.80 in adjusted EPS, consistent with the outlook dynamics Dave highlighted earlier.

For additional details related to our guidance, please refer to Slide 16.

And please turn to Slide 10.

We remain committed to our balanced capital allocation strategy focused on deploying excess cash to maximize shareholder returns.

First, we strengthened our core business through relentless and reinvestment.

Second, we maintain a strong balance sheet to ensure flexibility as markets evolve. Third, we expect to deploy 100% of excess cash over time.

Our approach includes strategic M&A to enhance long-term returns and share repurchases when the stock trades below intrinsic value.

Please turn to Slide 11. Year-to-date through July, we've deployed approximately \$1.5 billion through our balanced capital allocation strategy including \$420 million to dividends and approximately \$15 million to M&A and \$900 million to share repurchases and \$150 million for debt retirement. These figures exclude \$260 million from M&A and \$100 million from share repurchases made earlier in the year, which were included in our full year 2024 capital deployment targets as discussed during our fourth quarter earnings call.

We have approximately \$5.3 billion remaining under repurchase authorizations, providing us with significant share repurchase optionality moving forward.

Our M&A pipeline remains active, and we will continue to be disciplined in our approach.

Overall, our strong free cash flow, liquidity, balance sheet and substantial share repurchase authorization, offer excellent capital allocation optionality as we move forward.

Now I'd like to turn the call back over to Dave. Dave?

**David Regnery:** Thanks, Chris.

Please turn to Slide 13. The Americas transport refrigeration markets have been volatile as have ACT's forecast, but the long-term outlook remains strong.

For 2026 and 2027, ACT projects a strong rebound with greater than 20% growth each year.

We're managing well through the down cycle.

We continue to invest in innovation and we look forward to adding another significant growth driver to our enterprise portfolio in 2026 and beyond.

Please go to Slide 14.

In summary, we have the optimal strategy, team and capabilities to deliver leading financial performance in 2025 and beyond.

Our uplifting inclusive culture helps us attract the best talent in the market, powering our innovation.

Our solutions offer strong returns to customers and also contribute to a sustainable world. This drives our consistent track record of leading financial performance and positions us to deliver differentiated shareholder value over the long term.

And now we'd be happy to take your questions.

Operator?

Operator: (Operator Instructions)

Our first question comes from the line of Chris Snyder with Morgan Stanley.

**Christopher Snyder:** I wanted to ask on commercial HVAC, specifically in the Americas, obviously this business has been strong for a number of years.

But the Q2 order acceleration was really a standout kind of 20% plus versus low to mid-single digit in the prior quarters.

So can you maybe just kind of talk about what end markets are driving that acceleration? Are you seeing a broadening of the strength? And do you think commercial HVAC could be getting better?

**David Regnery:** Chris, thanks for the question. This is Dave.

I'll start and let Chris add in.

Look, we had an exceptionally strong results in Q2 2025 for our commercial HVAC business here in the Americas. You said an all-time high, bookings up over 20%.

I would also tell you revenue was very strong, 2 yr stack bookings were up over 40% and it's led by Applied.

Our Applied Solutions were up over 60% in the quarter.

Our 2-year stack applied is up over 120%.

So yes, we are executing extremely well in that business.

And I would tell you, to your question, it's really broad-based growth once again. And yes, sure, we had some nice strength in health care.

We had nice strength in government.

We had strength in data centers.

We had strength in higher ed.

But as I look across the 14 verticals that we track, I would tell you the majority of them were positive, which you would expect from Trane Technologies with our direct sales force with expertise across all of these verticals.

So look that team continues to execute well. And I would just say before I turn it over to Chris, the pipeline of activity.



We do a lot of work tracking pipelines. And I would tell you that, that remains very, very strong. And the last point I'll make is our services business, once again, here we are at low teens growth, that shouldn't be a surprise to anyone because our compound annual growth rate really since the inception of Trane Technologies has been in that same range.

So very strong and I'm very proud of what that team has been able to accomplish. Chris, I don't know if you have anything you want to add?

**Christopher Kuehn:** I'll add on the bookings and the revenue growth.

If you remove data centers from the vertical very strong growth ex data centers in both revenues and bookings.

So we like that growth in data centers.

We were strong in data centers in the quarter, but you removed that very strong growth as well.

**David Regnery:** Yes. The only other thing I would add, Chris, because I know it's a typical question is, well what happened with Applied and unitary, and obviously we had a lot of strength in Applied, but I would tell you, both were positive.

So applied was stronger than unitary.

But as you would expect, because of the broad-based growth that we're seeing, we're serving again, all the verticals and some of those verticals are more dominated with unitary product versus applied.

**Christopher Snyder:** I really appreciate that. Super supportive to hear about the broadening.

But I did kind of want to follow up on what does that mean for the service flywheel.

In the past, Dave, you've talked about maybe 2-year, rough lag between when the equipment starts driving service revenues.

And if you look at commercial HVAC equipment, is top line accelerated in '23 and '24, kind of first where it was at previously.

So what does that mean kind of for the outlook for service into the back half of the year? And then any color on what's implied for the back half service growth guide.

**David Regnery:** Well you're spot on, Chris. Our service business is really built around our applied portfolio.

It doesn't mean we don't service unitary, but it's really built around our applied portfolio. And we model that it's eight to 10x versus the equipment price, what we'll get over services over the life of that asset.

It's a compounding effect, right?

So you could see that our growth has really been quite substantial for a number of years, and that compounding is now starting to impact our service business.

So look, we're at the low teens.

I'm not going to commit more to that because I think that's very healthy.

But we're putting a lot of investments in our service business, and it's a third of our company and I would tell you, it's very, very resilient, and it's got a lot of upside in the future. Chris, I don't know if you want to add anything.

**Christopher Kuehn:** Yes. And as we described Services, on a regional basis, the margins with Services are accretive to the segment margins of each of our regions. And to your point, Chris, yes, it takes maybe a couple of years post warranty to start seeing the inflection point of revenues.

But we're connected to those customers from day one.

We're making sure maintenance is getting performed, executing to service plans and that 5-year CAGR now of low double-digit services growth gives us a lot of confidence, that revenue is really in front of us when we think about these applied bookings today.

**David Regnery:** Yes. Just one other point is if you think about it today, right, Services roughly.

If you go to our commercial HVAC business, think about half equipment, half services. Another thing that's really accelerating services is these connected solutions. And we were talking about the other day, I had a meeting on how many connected buildings do we have with brain box included in that equation, we're up to over 60,000 connected buildings and millions of connected assets.

So now we're able to have a lot of structured data that we've had as Trane Technologies, adding on brain box, we're now starting to augment that with some the unstructured data, and it's -- as far as the energy efficiency that we're able to achieve in buildings now is not only getting the building to operate the way it was designed.

It's how can we even do better than that versus how the building is actually being utilized.

So it's a very exciting time at Trane Technologies, specifically in our services business.

**Operator:** Our next question comes from the line of Julian Mitchell with Barclays.

**Julian Mitchell:** Good morning. Maybe just first off, I wanted to try and understand the second half Americas organic sales growth outlook a little bit better.

So I suppose, is the sort of Americas framework, it's kind of high single digit organic growth, both Q3 and Q4, and then you have resi and transport down mid-single in both quarters year-on-year.

Is that the right way to think about that guidance?

**Christopher Kuehn:** Julian, it's Chris. Yes. We've guided the third quarter to 6% organic revenue growth. And then the implied guidance for the fourth quarter would be in that 9-ish percent range.

But think about commercial HVAC Americas being very consistent Q3 and Q4, really up low double digits in both quarters.

It's a tougher compare actually in the third quarter to prior year results in commercial HVAC up high teens and easier compare in the fourth quarter for commercial HVAC up mid-teens a year ago.

But think of that business as continuing to execute.

We've got a lot of visibility in the backlog to when projects need to be shipped and revenue.

So we see that being consistent across the quarters.

Think of transport probably more down in the third quarter as we -- as Dave explained, those markets continue to be under pressure. Maybe that's a little more flattish in the fourth quarter. And then residential, we've in the second half of the year [have taken] about \$150 million of revenue out in the second half, think of that as more in the third quarter than the fourth quarter.

So we're expecting residential to be down more in that high single-digit range for Q3. And we'll sequentially do better in the fourth quarter.

So probably that give you a little bit of context around the Americas segment.

**Julian Mitchell:** That's great, Chris. And then my second question, I suppose, just following up on that residential side of things.

Sort of help us understand on the cylinder point, the sort of progress on getting that resolved. And beyond that supply chain issue, I suppose on the demand side, are you seeing any change in customer behavior around sort of mixing down or repair versus replace anything on the competitive side shifting?

**David Regnery:** Yes. Julian, this is Dave.

Look, we started the year in Q1, very strong in residential.

We were up in the high teens. The second quarter was down 6%.

Year-to-date, we're up 3%.

Look, we have a very, very high concentration in our inventory channels a 454 product. And when we had a bottleneck that occurred really towards the end of April, we were impacted.

We reacted quickly. We've been overcharging units from the factory since May. We're working very closely with the suppliers of the refrigerants. So we know what they have committed to us. We know what they have committed to the industry.

I mean I guess the good news is, it was an impact, it's isolated, okay? And as we sit here on the -- what's it, the 30th of July, I would say that if we could argue whether it's 90% or 95% of this is behind us.

But we're looking forward, and we'll get this business back to what our framework is, which over the long term, which is a GDP plus business.

In the second half, we're forecasting inventory coming out of the channel. And we talked about having high inventory at the end of the first quarter. Unfortunately, that inventory is still there as we exited the second quarter.

So that will burn through -- and as Chris said, that will be more of an impact in Q3 versus Q4.

On your question on repair versus replace, look, it was probably a difficult quarter to be able to decipher what's happening there with the bottleneck and refrigerant.

We'll see what happens as the year progresses.

But we haven't seen anything, but again, I think it was probably the -- it was not the optimal quarter to see if that's actually moving words to repair versus replace, but we're obviously watching that very closely.

The last thing I'll say on residential is, and I know you heard me say this at the end of the first quarter when we had high teens growth. look at residential over the long term, right? There's a lot of different models out there as far as how we satisfy this channel two step, three step, and you could have one competitor look like they're gaining share and then losing share, look at the long term and look at the growth trends over the long term. And the good news is as we look forward to getting back to our framework, which is a GDP-plus business.

**Operator:** Our next question comes from the line of Scott Davis with Melius Research.

Scott Davis: It's getting to sound like a broken record, but congrats again on the numbers and great quarter. A couple of little ones.

I mean your incrementals sequentially went up from kind of 25% to 32%. Was that mostly just a mix? Or was there a timing on investment spend or any other kind of things that impacted that?

**Christopher Kuehn:** Scott, it's Chris.

I'll start.

I mean in the quarter, nice growth in our services business, right? We like the margins and services, really good productivity in the factories, and it's a hallmark to make sure that we're offsetting other inflation with productivity, and that was strong in the quarter. And then even the volume growth, we got strong leverage on that.

So all in, really just managing the full P&L here in the second quarter, but it gives us a lot of confidence that the full year will be 25% or better incrementals.

**David Regnery:** Yes. But don't think that we haven't stopped investing, Scott, because we continue to invest at a very high level back into the business.

It's all about future growth.

**Scott Davis:** Yes. Understood. Guys, you seem more confident in the China outlook this quarter than back in April. Has the entire market adjusted? I mean I know your U.S. competitors have followed suit with pricing terms and credit and such down payments, etc.

But have your foreign competitors adjusted in suit? And has there been a kind of a reset of that market with add more favorable terms for you guys?

**David Regnery:** I think it's mixed.

I mean the good news there is, look, in Asia, we've really met our expectations.

We think the full year is going to be flat.

It's a smaller part of our business, as you know but the good news is, look, we're -- our anniversary of our tightened credit policy is upon us.

So the comps certainly get easier.

But with that said, our team, if you look at the sequentials, right, and we spent a lot of time analyzing this, the sequentials are improving.

Now you got to take seasonality out of that, but the sequentials are improving from when we first put in these new credit policies to where we are today.

So look, we're very confident in saying that Asia will be flat for the year. And the good news is our China credit policies have had a 1-year birthday. So we're moving forward. Scott, I love your videos, too, so keep it up, okay?

**Scott Davis:** I'll try, thanks.

**Operator:** Our next question comes from the line of Amit Mehrotra with UBS.

**Amit Mehrotra:** Morning guys. I guess, Chris, moving to the higher end of the CapEx range. Do we think the higher CapEx translates to kind of a burning of the backlog? Or you still expect backlog to stay elevated? And just kind of related to that, I think 50% of the product revenue is sitting in backlog today.

So just curious in terms of how much visibility does that give you actually into 2026 from where we stand today.

**Christopher Kuehn:** Yes. Backlog remains elevated through the end of the second quarter. And our expectation, Amit, is that it's going to remain elevated through the balance of this year going into next year. We're building backlog already for 2026 and beyond.

We've got about \$2.5 billion in backlog for '26 and beyond at this point in time.

So it's giving us some good visibility to next year.

But with lead times really coming in over the last 18 months, 24 months, you're seeing orders getting placed at roughly a time that's maybe only six months away, nine months away from when deliveries go out, especially in the applied space.

So really then refers to what Dave talked about on pipelines, making sure we have really good insight on the pipelines and those continue to be growing.

So yes, I think backlog will remain elevated. And right now it's actually over 90% of our backlog is commercial HVAC globally and the majority of that supply.

**David Regnery:** The good news that, is we were kind of early in the CapEx, investing in capacity. And now with really the surge in our Applied Business, we're able to meet our customers' expectations from a delivery standpoint.

So no issues.

**Amit Mehrotra:** That's helpful. And then Dave, just one follow-up on growth in data centers and how that growth piece is kind of evolving.

I mean where obviously some of these next-generation chips are proliferating now more than they were before.

I noticed you guys talked about kind of expanding your liquid cooling product last month, I think, if I saw that correctly.

Can you just talk about -- I know you guys are very well positioned in that vertical and you've been doing it for a long time.

But in terms of the fastest-growing parts within the data center, can you just talk about how you guys are positioned there?

**David Regnery:** Yes. I mean I think the data center vertical, and I've been saying this for years now it's one of those verticals that moves really, really fast from a technology standpoint. And we're on it, right? We're constantly working with the data center customers, which I can't name by name, but they're constantly in our labs, and we're working together.

So yes, we did introduce a CDU, that's part of the solution.

Obviously our water cooled, air cooled portfolio is extremely important there.

Our handling systems are very important there, different aspect ratios of those air handling systems are very important there.

We like to look at things at a system level, okay?

And when you do that, you start to see where the opportunities are. And customers -- these customers want a strong partner, and they want a differentiation.

I mean I was telling the group the other day, we did a project in Australia, and I can't see who it was with.

But we measure efficiencies of systems by the COP, or coefficient of performance. And we were able to get a coefficient of performance for this customer in Australia, a very large data center, the COP was north of 10.

And that was like unheard of.

If I told someone that four years ago, they think I was kidding them, right? So this is -- these are the types of innovations that are very clever experienced engineering teams are able to develop with these data center customers.

So look, we're excited about data centers, but we're more than just data centers, you could tell that by our broad-based growth.

**Operator:** Our next question comes from the line of Andy Kaplowitz with Citigroup.

**Andrew Kaplowitz:** Hi guys, good morning. Dave or Chris, someone asked about margin, but I wanted to ask it maybe a slightly different way. Like our organic leverage was impressive despite Asia Pacific and European margins down, and I think Q2's America margin was the highest we've seen from Trane.

So I'm just trying to figure out how enduring the Americas performance is.

I know you said you want to continue to invest, but there's a lot going on, mix up, better productivity. You're burning more complex, large applied jobs.

I'm trying to figure out they're accretive or not.

So maybe just all this interplay, the durability of this Americas performance moving forward.

**Christopher Kuehn:** Andy, I'll start.

Look, I think the old tape of the mix of businesses having different margins. Hopefully, that puts us finally to rest as you think about the commercial HVAC performance in the quarter and what we were able to perform there.

But I really think it's to cross the P&L in terms of where we saw the benefits and the leverage, the strong productivity, good incrementals on volumes, price over inflation on a dollar basis and a percentage basis, but also making sure we're making the investments in the business.

So I think the second quarter is really kind of following the same playbook. Margins came in a little bit ahead but healthy leverage there. And again, the services business continues to drive margin accretion as part of a third of the portfolio of the enterprise.

So we've not changed the formula. The investment flywheel continues.

And we just say that we're really confident that we'll have growth in the full year.

**Andrew Kaplowitz:** It's helpful, Chris. And then Dave, I think you guys mentioned that your light unitary business is still doing reasonably well which is a bit of a contrast versus some of your peers.

So I know it's difficult to draw lines between larger unitary and applied.

But maybe talk about sort of that particular end market and why Trane is outperforming.

**David Regnery:** Well look, first of all, I think the unitary market is going to be much softer than the applied market, at least here in the Americas.

But look, we're performing well really.



I mean as I said, applied was much stronger than unitary, both were positive. That's a good thing. And Andy, I think it really goes to the focus we have on the broad base of the verticals that we're servicing.

There are some verticals that have more of a concentration around unitary solutions. And with the direct sales force and being able to have expertise within our regional offices, we're able to capture where those growth opportunities are.

So it's really just good execution.

I would say we're now into the kind of the book and burn kind of side of that unitary with the replacement market with high heat.

So we'll see how the year finishes out.

But we're happy with our performance right now really across our commercial HVAC businesses, but certainly here in the Americas.

**Operator:** Our next question comes from the line of Joe Ritchie with Goldman Sachs.

**Joseph Ritchie:** Chris, can you maybe just unpack the guidance increase to \$0.25 as a midpoint. And it seems like, look, FX is about a \$0.05, but are you -- and you're only increasing your organic growth by 50 basis points.

So is this just going to be better margins, better performance in the first half? Just help me unpack like the \$0.25 number?

Christopher Kuehn: Yes. Our last guide for the year was \$12.70 at \$12.90, and we said we were really at the higher end of that range three months ago, Joe.

So raising it to \$13.05 on the full year Think about that as taking the Q2 beat and then some and passing it through. FX was probably around in that range of what you're talking about.

But it really is the operational performance in the business that I think we like putting out guidance that we can meet or achieve or exceed.

And the fact is the operational performance really led by commercial HVAC and the execution in the team is really driving the performance and how we think about the outlook for the balance of the year.

On revenues, think about it as to get to the 8% on the full year versus where we were three months ago, Think of it as a stronger commercial HVAC Americas business.

We're taking that guidance up to low double digits in terms of revenue growth. Residential, we think prudently, we've reduced the revenues around \$300 million on the full year. That's about rough 1.5 points at the enterprise.

So that's a subtraction, and then we're layering in plus and minus tariff pricing where we're really trying to thread the needle between the price/cost equation there on pricing to really offset the cost.

Starting with mitigating the cost, but then ultimately trying to price for any residual.

So that's really the puts and takes on the top line and then a lot of confidence on the operational performance here driving comfort and raising the bottom line.

**Joseph Ritchie:** Got it. That makes a lot of sense, Chris. And then maybe just my follow-up. Dave, going back to your comments earlier about getting back to being a GDP plus business on the residential side of things, I know it's early, but as you're kind of thinking through maybe beyond this year and this whole -- some of the noise that we're experiencing here because of the refrigerant change. When you started thinking about 2026, is that a year where we start getting back potentially to GDP plus from a volume standpoint on resi HVAC and then also, just how are you thinking about pricing?

There's a lot of pricing that went into the system and like the unit elasticity of your dealer network or customers ultimately taking on additional price in resi.

**David Regnery:** Look, first of all, I think we had an isolated incident in Q2, number one, right? And we didn't see that coming.

I don't think the industry saw that coming.

So there's no structural problems within residential and people need to really understand that.

And we've been saying for a while that this is a GDP plus business.

So look, there's a lot of noise out there in 2025. A lot of change happening there, a little bump in the road here in Q2, we believe we're going to get back to a GDP plus business. And I'll give you a more definitive answer when we get our -- we report our fourth quarter, we talk about the guide for 2026.

But look, overall, this is a good business and don't let the noise confuse you.

It's a good solid business.

We do well here. And this is going to get back on track here. And like I said, there's no structural problems within the industry.

**Operator:** Our next question comes from the line of Steve Tusa with JPMorgan.

**Stephen Tusa:** Can you just maybe hash out for resi, what your price and mix expectations are for the back half? And then just help us parse out, I think you guys said \$75 million to \$100 million in prebuy last year. Maybe square that with the \$150 million number.

**Christopher Kuehn:** Let me start with your first question on residential.

So we're expecting in the second half. If I remove the 454B impact from volumes, which is really how we started the year and thinking about it.

But if we really want to isolate volume impact from price then we're expecting volumes to be down in the second half, more so in the third quarter based on how that \$150 million of revenue reduction in the second half, that's more, Steve, in the third quarter than it is in the fourth quarter, but we expect both quarters to see some volume reduction in the second half. Dave talked about having to get some of that inventory out of the channel as well.

So we think that that's prudent. Pricing is in that double-digit range, low double-digit range.

So net-net, it's a reduction in the second half, and that gets you to roughly flattish on residential for the full year.

**Stephen Tusa:** Yes, because your mix is included in that volume, right? That's the way you guys reported, the mix is kind of included in your volume discussion.

**Christopher Kuehn:** That's how we started it, but if I remove that mix from volume, and I say, let's just put the isolate volume. Volumes are down, right? I just think that was prudent to maybe talk about it that way this time around.

**Stephen Tusa:** Yes. Okay. And the \$75 million to \$100 million at prebuy, that came -- I don't quite recall that came mostly in the fourth, correct, last year that you guys had estimated?

**David Regnery:** Think of it is \$100 million, right? And if you remember, in Q1, we had a very strong Q1, but we said the \$100 million is still there.

I think we probably replaced the 410 with the 454 product, which is obviously that's where we had the bottleneck that occurred.

But we believe that our inventory in that independent wholesale distributor channel is still at an elevated level. Think of it in that \$100 million to \$125 million range.

And there's still a bit of noise with the 454B canister replacements.

So that's how you get to the 150, Steve, roughly.

**Stephen Tusa:** Got it. And then just one last quick one on services. Really good, obviously growth here in the low double digits.

It's decelerating a bit from the mid-teens, you guys did last year.

I think the HVAC cycle really picked up a couple of years ago.

Is there anything moving around that is influencing that? You said two years from the pickup you'd start to see an acceleration.

Is there anything going on outside of this chiller tail, if you will, in services? And I guess the implication is, is that low double-digit number that you're seeing today, does that accelerate because of all the applied stuff that you're putting in there now?

David Regnery: Well we always like to see acceleration in things.

Look, we're very happy with our service business.

We're investing a lot in it.

It is a third of the company, and it's had stellar performance really over a long period of time.

If I had to say what's changing there, it really comes to these connected solutions, Steve, I think you early on, we explained to you about how being connected to the asset like -- think of it as continuous commissioning, that has now really started to accelerate.

So hopefully, that becomes more of a flywheel in the future, and we have a lot of people working on it and it's part of the -- some of the big investments that we're making there to make sure that we can ensure that this 30% of (inaudible) be after the meter, we estimate that number to be very conservative is being wasted, right? And we know we have solutions today that can solve that. And I think as the price of energy continues to escalate that's going to become more relevant to everyone and it also provides great, great paybacks for our solutions.

So I think that you're going to hear more of that in the future.

I know you're hearing it from Trane Technologies, but you're going to hear more of that in the future because the demand side does not get enough attention.

We want to talk a lot about the supply side, the demand side, okay.

If we're wasting precious energy, that is something that we can solve relatively quickly and it provides back for customers.

**Stephen Tusa:** Right. Yes. It's good growth. It's good growth. 12% is very good growth, obviously.

**Operator:** Our next question comes from the line of Jeff Sprague with Vertical Research Partners.

**Jeffrey Sprague:** Maybe just a few nits to wrap up here on my side. Just, Chris, back to your comment about resi price mix low double digit.

I would have thought mix itself was maybe 10-ish, can you just give us a little bit more color on kind of the mix effect you're getting and then what kind of price you're actually getting on top of that?

Christopher Kuehn: Yes.

I just put a price mix together, Jeff, and that's up the low double digits here in the second half. That would be inclusive of what we're seeing on 454B and otherwise.

So mix is obviously a part of that, but I just put it together.

**Jeffrey Sprague:** Okay. And then just on tariffs, again, Chris. So you mentioned your margin positive in the quarter on tariffs.

I don't know if that was a tariff isolated number or a total kind of inflation number.

But do your expectations for the balance of the year imply that you remain margin accretive on inflation?

**Christopher Kuehn:** Yes, Jeff, my comment was really around just price and inflation, all in -- so think about inflation, not just being tariffs, but as we think about our commodities, our Tier one or Tier two and just making sure that price is staying ahead of inflation, part of our business operating system. That was my comment there.

On tariffs, look, it was a pretty modest, almost immaterial impact here in the second quarter. The pricing on tariffs, assuming what we knew as a Monday holds, and it's very dynamic as we all know with negotiations ongoing. That will ramp as it moves throughout the year.

The goal is still to keep mitigating the actual impact, but we know that if there is a net impact, we're going to have to -- plan is to price for it.

So don't think of it as it's margin accretive on tariffs.

We're going to thread the needle to make sure that it is margin neutral on a dollar basis.

We don't want this to become a profit center.

But that may take a little bit of time to get there.

But ultimately, that's our target, and we're still executing to that.

**Operator:** Our next question comes from the line of Deane Dray with RBC Capital Markets.

**Deane Dray:** I'm really interested in how many times this revenue multiplier has been talked about on the call the eight to 10x over the economic life of the business. How does that vary by - either by region or probably more by application.

I would imagine data centers got to be the highest given how complex and redundancy they have.

But maybe it's more how much connected the systems are like that continuous commissioning.

So how does that vary, the eight to 10x?

And might it go higher, the more connected the customer is?

**David Regnery:** I don't see it going more higher, okay? I think the higher would be on the energy savings and it'd probably be a different revenue stream that would be in the future on the digital side.

On the eight to 10x, think of it as it doesn't really vary by region, it would vary by product, okay? So think of it as the more sophisticated chillers are in that eight to 10x range.

Obviously unitary, we're not including that when we say that because -- and that's not the focus of our service business.

But don't think of it as a regional variation, Think of it more as a product variation. And we're obviously very strong in the chiller portfolio, and that's a big part of our service business.

So that's where we would see this eight to 10x tail.

**Deane Dray:** That's really helpful. And just a follow-up on data center, you divided up your commercial, made a reference between data center and non-data center, your competitor yesterday did the same thing. How did data center do in the quarter? So -- and what kind of growth rate are you expecting for the year for that vertical?

**Christopher Kuehn:** Deane, it's a great question. We're not going to size it there.

We haven't sized our data center business for various competitive reasons, but I think, think about the applied bookings, and that's where data center bookings would go into, I think we're getting more than our fair share. And I think it really comes down to innovation.

It comes down to those relationships that Dave talked about and having the the direct sales force that stays connected with these customers over a long period of time to innovate for the solutions today and then what they want to bring in two to three years time.

So the 120% 2-year stack of applied bookings is really indicative of our strength across all the verticals. And just important to highlight, it's not just data centers. And we don't want it to solely be that. These are verticals that have ebbs and flows, and we like having the broad-based growth,

so we're there when these verticals, if they're slower now and they return, we like having that sales force direct and exposed to that.

So that's why we just keep investing fully in our services business to make sure we're ready after the applied business comes in, we've got the ability to execute on services.

**Operator:** Our next question comes from the line of Nigel Coe with Wolfe Research.

**Nigel Coe:** I promise you no more resi questions. I think we've beaten that dead horse.

**David Regnery:** Nigel, I was going to ask you what you have in your home, but you probably won't tell me.

**Nigel Coe:** [Chuckle] I'm not going to disclose the information. It's confidential information, but I'll tell you offline.

So here we go.

So just want to pick up on the last question around the applied -- the broad-based strength and you called out education and health care. And education, we've had a lot of angst around the asset funding roll off, municipal bond issuance, etc.

And health care, we know the hospitals have got a lot of funding pressures.

So just curious, specifically within those two end markets, what do you think is driving the continued strength in order patterns?

**David Regnery:** Well education, we've been saying for a while.

Look, just because as funding, it's not behind us from a revenue stream, but it's behind us from an order stream. Don't assume that market is going to fall up a clip because if anything, the kind of heightened the demand for how underinvested in the infrastructure is of many of the schools around -- certainly here in the United States.

So look, we still see activity there, but we see really strong growth in the higher ed side of things.

And this is really where the universities are using their physical space and how they control that physical space as a way to attract students into their organization. And if you ever had the opportunity to go on a tour, they'll talk about that, about their dormitories and how they're conditioned and what they're doing for indoor air quality.

So we're seeing a lot of demand there. And as you would expect, that's right in our sweet spot. These are usually complex systems. And in some cases, they're retrofitting buildings that are extremely aged and the solutions sometimes become more complicated than you may imagine.

But we're doing really, really well now.

**Nigel Coe:** Well I'm going through that process for my second boy now so I'll definitely keep my ears up for that indoor air quality.

But I was kind of hoping you can talk about maybe sort of electrification of heat, but maybe touch in a separate question.

But in China, I know it's not a huge business for you, but we're seeing just broad-based another step down, it seems in China, which might not be a big surprise based on the stats we're seeing from the market there.

But just maybe talk about what you're seeing in China and more importantly, around pricing, around credit quality and and things like that.

Just wondering what -- there could be some risks going forward in China.

**Christopher Kuehn:** Yes. Nigel, I'll start, it's Chris.

Look, the Asia region makes up around 7% of our enterprise revenues and half of that would be China, half of that would be rest of Asia and think of that as 10-plus countries that we operate in.

We're seeing the slower markets in China. And to Dave's point, it was a year ago that we implemented the tighter credit policies there.

And now starting in the third quarter of 2025, we've got comps that are comparable to that credit policy implementation from a year ago.

So we think from a comp perspective, things certainly get easier, but we're watchful.

It's a choppy environment for sure. And it's why we're viewing still the Asia segment to be flattish on the full year with declines in China with rest in performance -- positive performance in the rest of Asia.

So let's see how it plays out, but we're investing still in that region.

It's a region-for-region methodology and a lot of great confidence in the team there.

**David Regnery:** And Nigel, your question too on electrification and heating, we now have a core portfolio of products on a global basis there, and we're making a lot of headwinds there.

It's part of this growth profile that we have.

**Operator:** Our next question comes from the line of Andrew Obin with Bank of America.

**Andrew Obin:** Just a little bit on transport.



It seems like we are at the bottom.

I know that you are referencing the ACT forecast, but the truck cycle and the refresh cycle has been very strange over the past couple of years.

What do you guys see in the channel? And when do you think it bottoms?

And I do appreciate the ACT disclosure very useful.

**David Regnery:** I mean look, at the end of the day, transport, you're right.

It's been very volatile for the last I think we kid ourselves and say we're in year three of a 2-year cycle or maybe even year four of a 2-year down cycle.

So we do see that the market is going to come back in 2026. That's what ACT's saying now.

We're looking forward to it.

The key here is make sure that you're investing in the business when it is in a downturn. And that's what we've been able to do, and we have a lot of really cool solutions that we now have in the marketplace. And one of the reasons why we're clearly outperforming the end markets is because of that.

But we're looking forward to this coming back in 2026, and we're going to be ready for it. And look, as an old President for Thermo King business in my -- earlier in my career, this is a great business, and it's going to be very successful in the future.

**Andrew Obin:** Appreciate it. And then just on data centers, as you have noted, you've introduced the CDU, but any interest in getting more scale in this area through M&A I think there might be some sort of private equity assets available down the line?

**Christopher Kuehn:** Andrew, it's Chris.

I mean as a large player, we get a chance to see just about everything that comes across from an M&A perspective.

So we'll remain disciplined.

We'll look at returns, we'll look at where we can integrate, where we can drive value. And certainly, we like the space that we're in.

We like having the partnerships that we have and then the relationships with customers over time.

But as you know we've got the financial firepower to do almost anything, but we're going to remain disciplined here around M&A.

**Andrew Obin:** But is there a sort of a limit on how big an asset -- all your acquisitions have been very prudent, but they've been really bolt-ons. Would you be willing to step up for something larger in a critical area?

Christopher Kuehn: Yes. I would just say, look, bolt-ons for us is \$1 billion or less, and that number keeps growing as we keep growing.

But look, we like the bolt-ons. We like the channel investments. We like the early stage technologies and match it up with deep channel.

And so maybe a little bit below the radar, but we've had, I think it's 25 to 30 acquisitions over the last five years and deployed over \$1 billion of capital to them.

I think been closer to \$1.5 billion.

So look, we like that flywheel.

We look at everything, and if we think that there's an option that makes sense, we'll certainly give it a look.

But we'll remain disciplined, I think, is the key message.

**Operator:** Our final question will come from the line of Noah Kaye with Oppenheimer.

**Noah Kaye:** Chris, just to go back to Jeff's question.

Can you give us the updated price assumption for the enterprise for the year and then maybe more broadly, we can talk through where pricing power is an applied given the booking strength and the fact that you're always pricing for value creation?

**Christopher Kuehn:** I think for price on the full year, think of that it's probably a bit above three points.

We delivered three points in the first quarter.

We were tracking a bit above three points in the second quarter. And for the full year, we're making tariffs in there, we're probably a bit above three points on the full year.

And then think of volume is really closer to five points on the full year.

**Noah Kaye:** Perfect. Maybe just add one more.

On EMEA, you mentioned those channel investments and the margins improving in the back half. Maybe just if you can help us think about how that translates to growth accelerating, stronger incrementals setting up into '26.

I'm sure these investments are really fortifying your channel position there.

**Christopher Kuehn:** Yes. Think of them as investments in the channel for both transport and our commercial HVAC business, thinking about where we have partners and where we want to grow share, and so those are just businesses actually part of the bolt-on acquisitions we've done over the last six or nine months. And they just come with low operating margins that impact the margins in the region.

I mean we're talking a bit around the law of small numbers here as well but very much part of our plans for the year, and you're right, what it does is that it gives us even more optionality to have formidable business forward and continuing to drive revenue growth well above what the markets are showing in both of those platforms.

So this is very modest in terms of the relative scale to EMEA, but we think the right long-term decision here. And I think it will continue to give us confidence we're going to outperform those markets in EMEA.

**Operator:** And that will conclude our question and answer session.

I'll turn the call back over to Zac Nagle for any closing comments.

**Zac Nagle:** I would like to thank everyone for joining on today's call. We much appreciate all the good questions. We'll be on the road in the coming months, and we look forward to seeing many of you there. And obviously we'll be around over the coming days and weeks to take any investor questions or analyst calls and questions.

We look forward to speaking with you soon. Thanks, and have a great day.

**Operator:** That concludes our call today. Thank you all for joining. You may now disconnect.