

corbin

Thought Leadership: This Week in Earnings Guidance, Tariffs, and Industrials Sector Beat

April 25, 2025

The weeks are intense, and we appreciate your continued partnership as we take into consideration the knowns and unknowns and collaborate to ensure our clients build trust and credibility with “the Street”. In these dynamic environments, stripes can be earned and it is our mission to support this outcome!

This piece is a tad on the longer side, but chock-full of real-time research, actionable insights, and company communication examples. We do this for you, our valued clients, so we hope you find it timely and insightful.

Our thought leadership this week addresses:

- **Key events**
- **Guidance trends post-tariff announcements starting on April 2nd**, including communication examples
- **Earnings snap**, covering S&P 500 stats to date
- **Spotlight on Industrials in “The Sector Beat”**

Key Events this Week

Purchasing Managers’ Index (PMI)

- **A preliminary reading of S&P Global’s flash Composite PMI showed U.S. business activity expanded at a slower pace in April**, with the index easing to 51.2 from March's 53.5. The figure — just above the 50 threshold that separates growth from contraction — points to a softening in private sector momentum. **Manufacturing activity continued to grow modestly, with the Manufacturing PMI inching up to 50.7 from 50.2.** However, the **Services PMI fell to 51.4 from 54.4** — a sign that demand in the dominant services sector may be losing steam. *(Source: S&P Global)*

Housing

- **U.S. existing-home sales fell 5.9% in March from the prior month** to a seasonally adjusted annual rate of 4.02M, **marking the largest MoM decline since November 2022.** *(Source: National Association of Realtors)*

Jobless Claims

- **Initial claims for state unemployment benefits increased 6,000 to a seasonally adjusted 222,000** for the week ended April 19, above consensus of 220,000. **Continuing claims fell 37,000 to a seasonally adjusted 1.84M.** *(Source: Labor Department)*

Durable Goods

- **Orders for durable goods — items ranging from toasters to aircraft meant to last three years or more — jumped 9.2% last month** after slightly downwardly revised 0.9% gain in February. **U.S. manufactured goods surged in March on strong demand for commercial aircraft, but activity elsewhere was muted, likely as businesses exercised caution** against the backdrop of a darkening economic outlook caused by tariffs. *(Source: Commerce Department)*

Tariffs

- **President Trump is considering exemptions for automakers from some tariffs** announced by his administration. The plan would **exempt auto parts from tariffs on imports from China that Trump imposed to counter fentanyl production** as well as levies on steel and aluminum, and would be separate from 25% tariffs on imported vehicles as well as 25% tariffs on imported auto parts that is scheduled to take effect by May 3. (Source: *Financial Times*, *CNBC*)
- Governor Kathy Hochul and New York Attorney General Letitia James announced that **New York State and a coalition of 11 other states are suing the Trump administration for “illegally imposing unprecedented tax hikes on Americans” in the form of tariffs** issued under the International Emergency Economic Powers Act. (Source: *New York State*)

Guidance Trends Post-Tariff Announcements

In light of the uncertain trade policy backdrop in the wake of President Trump’s April 2nd reciprocal tariff announcement and subsequent 90-day pause announced on April 9th, we have been fielding more questions from our clients about guidance treatment, investor expectations, and whether companies will be expected to include tariff impacts in updated outlooks or potentially augment or withdraw annual guidance policies.

While still early in the Q1’25 reporting season, we have been closely monitoring earnings for any shifts in guidance and tariff impact inclusion. Specifically, we analyzed¹:

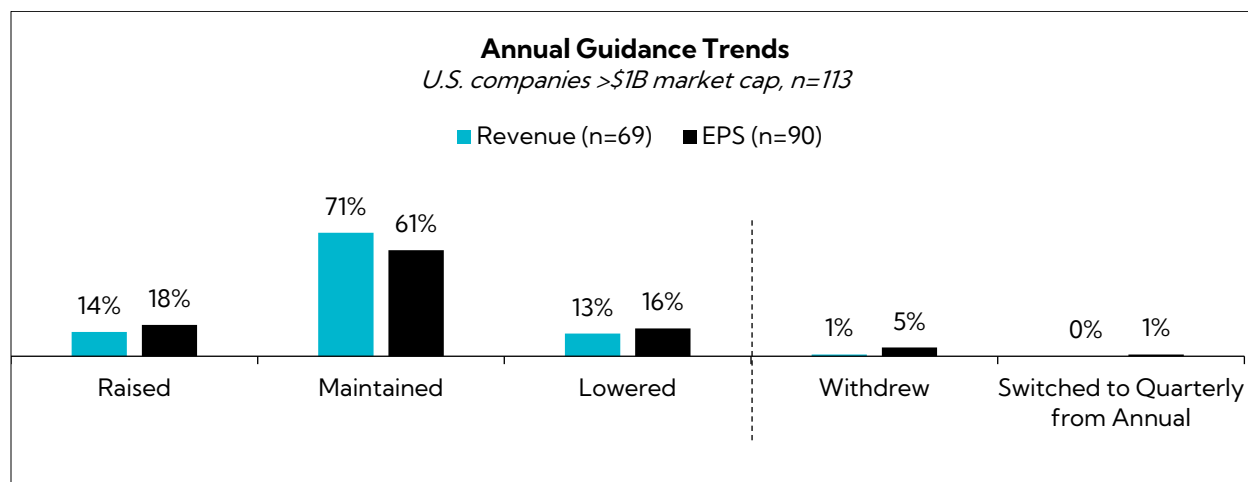
- **Overall Guidance Approach:** 113 U.S. companies >\$1B in market cap across all sectors that have reported earnings to date; specifically, evaluating changes to guidance cadence or withdrawals
- **Tariff Inclusion/Exclusion:** 74 S&P 500 companies that provided annual revenue and/or EPS guidance; specifically, evaluating whether tariff impact is included in guidance assumptions

Overall Guidance Approach

To date, the majority of companies have *not* changed their approach to guidance, with only 1% of companies withdrawing annual revenue guidance and 6% withdrawing annual EPS guidance or switching from annual to quarterly. Specifically, only a handful U.S. companies of at least \$1B in market cap — predominantly Airlines — are the only companies to do so, and several of these do not provide “traditional” revenue and EPS guidance.

More than 70% of companies analyzed *Maintained* annual revenue guidance, in line with what the majority of surveyed investors and analysts expected heading into earnings season per our **Inside The Buy-Side® Earnings Primer®** and **Industrial Sentiment Survey®** findings. Similar percentages *Raised* or *Lowered* revenue guidance, though a notable proportion of Healthcare, mainly med tech, companies (40%, total n = 15) are increasing their forecasts. As well, similar results are identified for annual EPS guidance.

¹ As of 4pm ET 4/24/25



Companies Withdrawing Annual Guidance To Date²

	Company	Ticker	Sector	Market Cap (\$B)
U.S.				
1	Delta Air Lines	DAL	Airlines	\$26.7B
2	Southwest Airlines	LUV	Airlines	\$14.2B
3	Avery Dennison ³	AVY	Containers & Packaging	\$13.3B
4	Masco	MAS	Building Products	\$12.4B
5	Skechers USA	SKX	Footwear & Accessories	\$7.0B
6	American Airlines	AAL	Airlines	\$6.2B
7	Alaska Air	ALK	Airlines	\$5.0B
8	Visteon Corp	VC	Automobile Components	\$1.9B
9	Carter's Inc	CRI	Apparel Retail	\$1.3B
10	QCR Holdings ⁴	QCRH	Regional Banks	\$1.2B
11	Frontier Group	ULCC	Airlines	\$0.7B
12	Aehr Test Systems	AEHR	Semiconductor Equip. & Mat.	\$0.3B
UK				
13	Alphawave Semi	AWE.LN	Semiconductors	\$1.2B
14	PageGroup	PAGE.LN	Staffing & Employment Services	\$1.0B
15	Character Group	CCT.LN	Leisure	\$0.06B
16	Belluscura	BELL.LN	Medical Devices	\$0.004B
Switzerland				
17	Logitech	LOGN.CH	Computer Hardware	\$10.7B

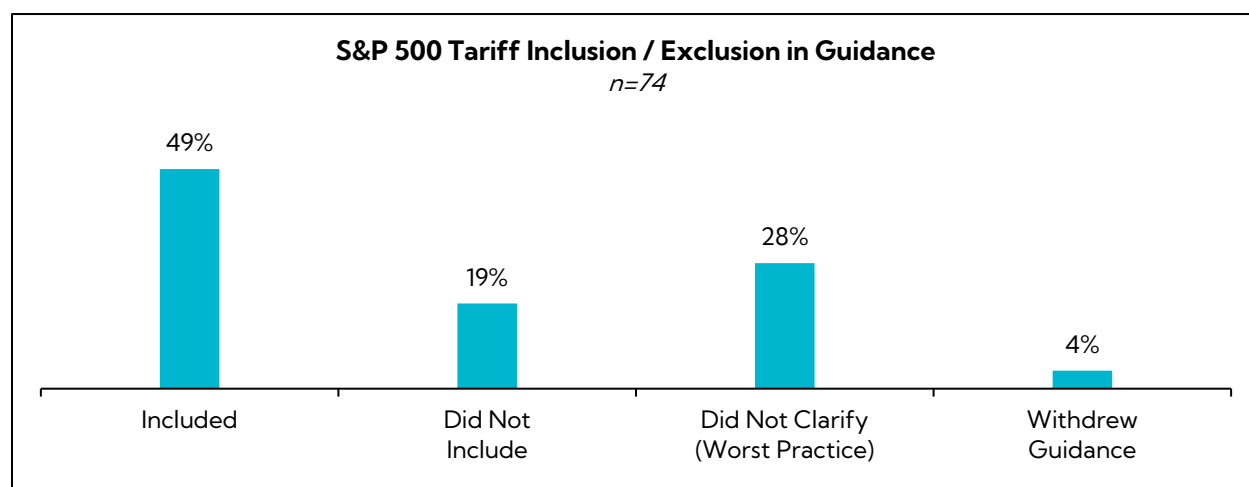
² Note: As of 12pm ET 4/25/25; withdraws reflect any major KPI such as revenue, EPS, EBIT/EBITDA

³ Avery Dennison Earnings Presentation: "Shifting to quarterly from full-year guidance due to macro uncertainty"

⁴ QCR Holdings suspended FY loan growth guidance, provided quarterly guidance instead "due to heightened uncertainty"

Tariff Inclusion/Exclusion

As for the inclusion of tariffs in annual guides, we evaluated 74 S&P 500 companies that have provided either annual revenue or EPS guidance following the April 2nd reciprocal tariff announcement⁵ and analyzed their assumptions. At this time, 49%, moved to include the effects of reciprocal tariffs in annual forecasts.



For companies that have elected to include the impacts of tariffs within guidance assumptions, the approach is often to explicitly call out tariff-related impacts beneath updated guidance tables or within the "Outlook" or "Market Conditions" commentary sections. For example, Avery Dennison noted in its earnings presentation that current outlooks reflect "LSD direct impact to total material cost," while Lennox International referenced their "geographic cost profile" assumptions in their tariff mitigation plans. Others, such as GE Aerospace and Baker Hughes, included high-level commentary on pricing and supply chain adjustments embedded in updated guidance figures. In several cases, these mentions were also paired with references to sourcing adjustments or ongoing reviews of operational exposure to the tariffs.

View or download the PDF below [Tariff Communication Examples Q1'25](#) for company communications related to guidance and tariffs.

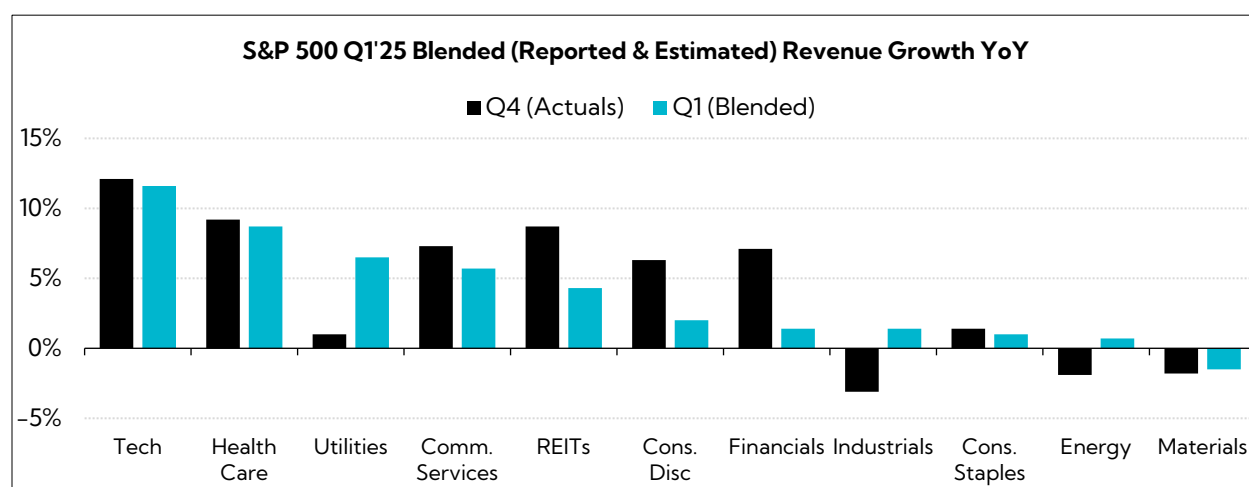
⁵ As of noon 4/25/25

S&P 500 Earnings Snap

- **36%** of the S&P 500 has reported earnings to date

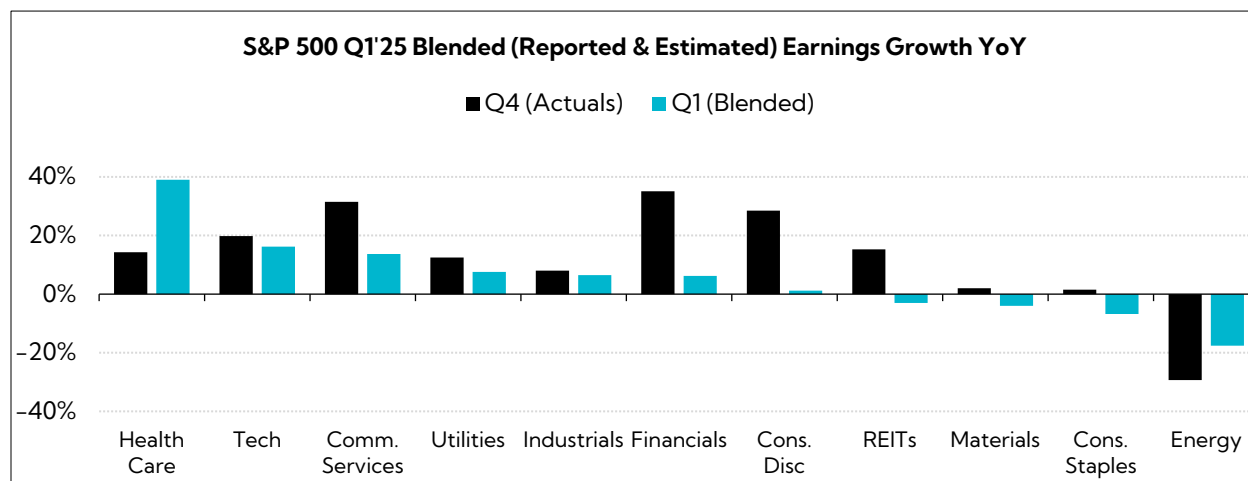
Q1'25 Revenue Performance

- **63% have reported a positive revenue surprise**, above the 1-year average (61%) and below the 5-year average (69%)
- **Blended revenue growth** (combines actual reported results for companies and estimated results for companies yet to report) is **4.4%**
- Companies are **reporting revenue 1.0% above consensus estimates**, slightly above the 1-year average (+0.9%) and below the 5-year average (+2.1%)



Q1'25 EPS Performance

- **73% have reported a positive EPS surprise**, below both the 1-year average (77%) and the 5-year average (77%)
- **Blended earnings growth** (combines actual reported results for companies and estimated results for companies yet to report) is **9.7%**; **excluding the Healthcare sector, growth would fall to 6.2%**
- Companies are **reporting earnings 7.2% above consensus estimates**, above the 1-year average (+6.1%) and below the 5-year average (+8.8%)



The Sector Beat — Industrials

Industrial Guidance: Initial Trends

At the beginning of each quarter, we analyze annual revenue and EPS guidance provided by U.S. Industrial companies with market caps greater than \$1B that have reported to date. Below are our findings. For comparison purposes, we provide an “All Company” benchmark, which tracks a basket of U.S. companies⁶ across all sectors that have reported earnings to date (n = 113).⁷

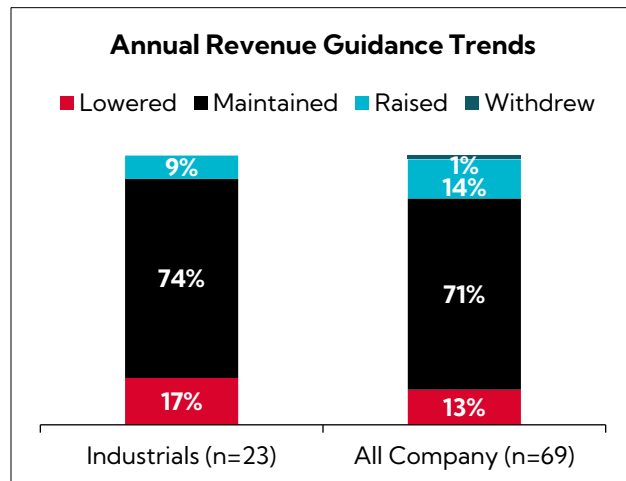
Guidance Breakdown by Industry

Industry	# of Companies
Aero & Defense	8
Building Products	5
Machinery	5
Passenger Airlines	4
Electrical Equipment	3
Distributors	2
Transportation	2
Conglomerates	1
Construction & Engineering	1
Total	31

⁶ >\$1B in market cap

⁷ As of 4pm ET 4/24/25

Revenue Guidance



To date, nearly three quarters of Industrials *Maintained* annual revenue guidance, in line with what the majority of surveyed investors and analysts expected heading into earnings as measured by our [Industrial Sentiment Survey®](#). However, roughly double the proportion of Industrial companies are *Lowering* annual forecasts versus *Raising*. None have *Withdrawn* revenue guidance to date.

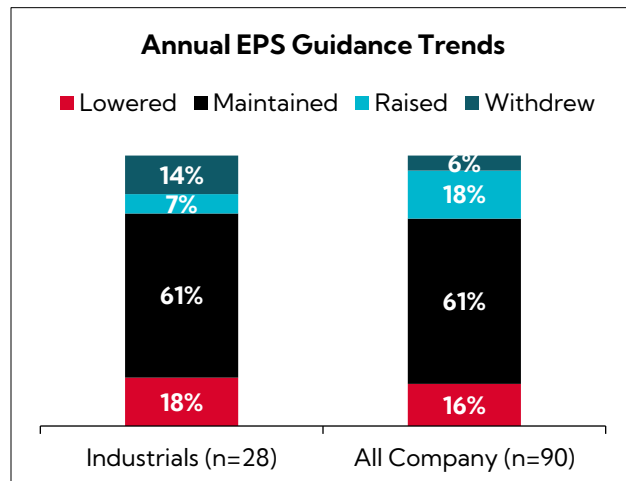
- Companies that **Lowered** guidance ($n = 4$)
 - 75% lowered the top and bottom of the original range
 - One company, Ryder, lowered the bottom and kept the top intact
 - Average midpoint of -1.4% growth versus 2.3% last quarter
 - Average spread decreased by 120 bps to 2.7%
- Companies that **Maintained** guidance ($n = 17$)
 - Average midpoint of 3.9% growth
 - Average spread of 2.5%
- Companies that **Raised** guidance ($n = 2$)
 - One company, Vertiv, raised the bottom and top of the original range, while Otis raised the top only
 - Average midpoint of 10.5% growth versus 7.4% last quarter
 - Average spread decreased by 30 bps to 2.3%
- Overall midpoints assume 3.6% annual growth vs. 4.1% analyst estimates, on average
- 56% included April tariff impacts in their guidance, 26% were unclear or did not explicitly indicate inclusion or exclusion of tariff impacts, while 18% did not include tariff impacts

Annual Revenue Guidance Summary

Company Guidance							Street Expectations	
Company*		Current (rounded)			Δ vs. Prior Guidance		Consensus	Midpoint vs. Consensus
(A-Z)	Sub Industry	Low	High	Midpoint	Midpoint	Spread		
Lowered								
Greenbrier ^U	Machinery	-11.1%	-5.5%	-8.3%	-7.1%	-2.9%	-9.3%	1.0%
Hexcel ^N	Aero & Defense	-1.2%	2.5%	0.7%	-4.5%	-1.5%	4.0%	-3.4%
L3Harris ^U	Aero & Defense	0.4%	1.8%	1.1%	-2.1%	-0.5%	2.7%	-1.6%
Ryder ^U	Transportation	1.0%	1.0%	1.0%	-1.0%	0.0%	2.3%	-1.3%
Average		-2.7%	-0.1%	-1.4%	-3.6%	-1.2%	-0.1%	-1.3%
Maintained								
3M ^Y	Conglomerates	0.5%	1.5%	1.0%	-	-	0.6%	0.4%
Acuity ^Y	Electrical Equipment	12.0%	17.2%	14.6%	-	-	13.3%	1.3%
Allegion ^Y	Building Products	1.0%	3.0%	2.0%	-	-	2.5%	-0.5%
AZZ ^U	Building Products	3.0%	9.3%	6.2%	-	-	6.4%	-0.3%
Carlisle ^Y	Building Products	MSD	MSD	-	-	-	-	-
Dover ^Y	Machinery	2.0%	4.0%	3.0%	-	-	3.1%	-0.1%
GE Aerospace ^Y	Aero & Defense	LDD	LDD	-	-	-	-	-
GE Vernova ^N	Electrical Equipment	3.0%	5.9%	4.5%	-	-	5.2%	-0.7%
General Dynamics ^N	Aero & Defense	3.0%	5.9%	4.5%	-	-	5.2%	-0.7%
Lennox ^Y	Building Products	2.0%	2.0%	2.0%	-	-	1.6%	0.4%
Lokheed Martin ^N	Aero & Defense	3.8%	5.2%	4.5%	-	-	4.6%	-0.1%
Northrop Grumman ^Y	Aero & Defense	2.4%	3.6%	3.0%	-	-	3.2%	-0.2%
Pentair ^Y	Machinery	0.0%	2.0%	1.0%	-	-	1.0%	0.0%
RTX ^N	Aero & Defense	2.8%	4.0%	3.4%	-	-	4.2%	-0.8%
United Rentals ^U	Distributors	1.7%	4.9%	3.3%	-	-	2.8%	0.5%
Valmont ^Y	Const. & Engineering	-1.8%	3.1%	0.7%	-	-	0.5%	0.1%
Wabtec ^N	Machinery	3.3%	6.1%	4.7%	-	-	5.5%	-0.8%
Average		2.6%	5.2%	3.9%	0.0%	0.0%	4.0%	-0.1%
Raised								
Otis ^Y	Machinery	2.4%	3.8%	3.1%	3.2%	-0.7%	1.7%	1.4%
Vertiv ^Y	Electrical Equipment	16.4%	19.5%	18.0%	3.1%	1.2%	14.6%	3.4%
Average		9.4%	11.7%	10.5%	3.1%	0.3%	8.1%	2.4%
Overall Average		2.2%	4.8%	3.5%	-0.4%	-0.2%	3.6%	-0.1%

*"Y" = yes, included tariff impacts in guidance, "U" = unclear, or did not explicitly indicate inclusion in guidance, "N" = no, did not include impact of tariffs in guidance; AAL, ALK, DAL, GATX, MAS, TXT, UAL and UNP do not provide annual revenue guidance

EPS Guidance



The majority of Industrial companies *Maintained* annual EPS guides, in line with the broader All Company benchmark. Continuing, 18% have *Lowered* guides amid the uncertainty, while a mere 7% have *Raised*. Notably, 14% have elected to *Withdraw* annual EPS forecasts, predominantly stemming from the passenger airline sub-sector.

- Companies that **Lowered** guidance ($n = 5$)
 - 100% lowered the top and bottom of the original range
 - Average spread decreased from \$0.42 to \$0.35
- Companies that **Maintained** guidance ($n = 17$)
 - Average spread of \$0.51
- Companies that **Raised** guidance ($n = 2$)
 - Lennox, raised the bottom and maintained the top of the original range, while Wabtec did the inverse
 - Average spread decreased from **\$0.96 to \$0.93**
- 58% included April tariff impacts in their guidance, 21% were unclear or did not explicitly indicate inclusion or exclusion of tariff impacts, while 21% did not include tariff impacts

Annual Adj. EPS Guidance Summary

Company Guidance								Street Expectations	
Company*		Current (\$)			Δ vs. Prior Guidance			Consensus	Midpoint vs. Consensus
(A-Z)	Sub Industry	Low	High	Spread	Low	High	Spread		
Lowered									
Dover ^Y	Machinery	\$9.20	\$9.40	\$0.20	-\$0.10	-\$0.10	\$0.00	\$8.22	-\$1.09
Hexcel ^N	Aero & Defense	\$1.85	\$2.05	\$0.20	-\$0.20	-\$0.20	\$0.00	\$2.12	\$0.17
L3Harris ^U	Aero & Defense	\$10.30	\$10.50	\$0.20	-\$0.25	-\$0.35	-\$0.10	\$10.63	\$0.23
Northrop Grumman ^Y	Aero & Defense	\$24.95	\$25.35	\$0.40	-\$2.90	-\$2.90	\$0.00	\$28.11	\$2.96
Ryder ^U	Transportation	\$12.85	\$13.60	\$0.75	-\$0.15	-\$0.40	-\$0.25	\$13.17	-\$0.06
Average		\$11.83	\$12.18	\$0.35	-\$0.72	-\$0.79	-\$0.07	\$12.45	\$0.44
Maintained									
3M ^Y	Conglomerates	\$7.60	\$7.90	\$0.30	-	-	-	\$7.74	-\$0.01
Acuity ^Y	Electrical Equipment	\$16.50	\$18.00	\$1.50	-	-	-	\$16.94	-\$0.31
Allegion ^Y	Building Products	\$7.65	\$7.85	\$0.20	-	-	-	\$7.76	\$0.01
AZZ ^U	Building Products	\$5.50	\$6.10	\$0.60	-	-	-	\$5.90	\$0.10
Carlisle ^Y	Building Products	\$22.25	\$22.25	\$0.00	-	-	-	\$22.06	-\$0.19
GATX ^Y	Distributors	\$8.30	\$8.70	\$0.40	-	-	-	\$8.64	\$0.14
GE Aerospace ^Y	Aero & Defense	\$5.10	\$5.45	\$0.35	-	-	-	\$5.42	\$0.15
General Dynamics ^N	Aero & Defense	\$14.75	\$14.85	\$0.10	-	-	-	\$14.85	\$0.05
Lokheed Martin ^N	Aero & Defense	\$27.00	\$27.30	\$0.30	-	-	-	\$27.22	\$0.07
Otis ^Y	Machinery	\$4.00	\$4.10	\$0.10	-	-	-	\$4.11	\$0.06
Pentair ^Y	Machinery	\$4.65	\$4.80	\$0.15	-	-	-	\$4.54	-\$0.18
RTX ^N	Aero & Defense	\$6.00	\$6.15	\$0.15	-	-	-	\$6.10	\$0.02
Textron ^U	Aero & Defense	\$6.00	\$6.20	\$0.20	-	-	-	\$6.11	\$0.01
United Airlines ^N	Passenger Airlines	\$11.50	\$13.50	\$2.00	-	-	-	\$10.34	-\$2.18
Union Pacific ^U	Transportation	HSD	LDD	-	-	-	-	-	-
Valmont ^Y	Const. & Engineering	\$17.20	\$18.80	\$1.60	-	-	-	\$18.08	\$0.08
Vertiv ^Y	Electrical Equipment	\$3.45	\$3.65	\$0.20	-\$0.05	\$0.05	\$0.10	\$3.54	-\$0.01
Average		\$10.47	\$10.98	\$0.51	\$0.00	\$0.00	\$0.01	\$10.58	-\$0.14
Raised									
Lennox ^Y	Building Products	\$22.25	\$23.50	\$1.25	\$0.25	\$0.00	-\$0.25	\$22.97	\$0.09
Wabtec ^N	Machinery	\$8.35	\$8.95	\$0.60	\$0.00	\$0.20	\$0.20	\$8.55	-\$0.10
Average		\$15.30	\$16.23	\$0.93	\$0.13	\$0.10	-\$0.03	\$15.76	-\$0.01
Overall Average		\$11.18	\$11.69	\$0.51	-\$0.15	-\$0.16	-\$0.01	\$11.44	\$0.00
Withdrew									
Alaska Airlines	Passenger Airlines								
American Airlines	Passenger Airlines								
Dela Airlines	Passenger Airlines								
MASCO	Building Products								

*"Y" = yes, included tariff impacts in guidance, "U" = unclear, or did not explicitly indicate inclusion in guidance, "N" = no, did not include impact of tariffs in guidance; GBX, GEV, and URI do not provide annual EPS guidance

Industrial Earnings Call Analysis Summary

In addition, we analyzed the earnings calls for this group and the broader Industrial universe to identify key themes.

While overall performances across the sector at this stage in Q1 reporting season show Industrials delivering top- and bottom-line beats at a healthy pace, this earnings season is anything but typical. With the volatile trade policy backdrop casting a pall over expectations for the year ahead, the focus during conference calls has been squarely on outlooks and how management teams are thinking about guidance and navigating their way through the "fog" of tariffs.

Though we haven't seen broad-based guidance withdrawals at this point, Airlines have been quick out of the gate with Southwest, American, and Alaska Air all following Delta this week in pulling 2025 guidance due to sluggish demand and heightened macroeconomic and tariff uncertainty. Executives across other industries paint a similar picture, pointing to softer outlooks, limited visibility, and "hesitancy" among their customers.

As one would expect with tariffs top of mind, mitigation plans have featured heavily during earnings calls, with executives highlighting steps to dampen the impact, both already underway and planned, such as supply chain optimization and pricing actions. In addition, several emphasized relatively favorable positioning due to localized manufacturing footprints or USMCA tariff exemptions.

That said, even for those that describe the direct tariff impact as limited, concerns around the broader impact on customers and end-market demand are prevalent — apart from Defense, which is benefitting from geopolitical turmoil. Amid analyst questions around pull-forward demand and implications for potential drags in the second half of 2025, some executives pointed to lessons learned "from the last go-round" and discussed measures such as capping orders and raising prices to prevent buy-ahead behavior.

Further, while executives express confidence in their ability to push through higher prices, commentary suggests most are taking a measured approach with increases, wary of potential demand destruction and closely watching the interplay between higher prices and order volumes.

Key Industrial Earnings Themes

Macro & Outlook: "The Hits Just Keep on Coming"; Broad-Based Uncertainty Disrupts Planning across Industries, Resulting in Both Customer and Executive Consternation

- **Pentair (\$14.4B, Machinery):** *"I don't say this in a flippant or a joking way: this is probably the most exhaustive quarter I can ever remember participating in. I say that because we run so many different scenarios and so many different alternatives of what this could be. I think about the way this quarter played out, the way the announcements came, the way you heard about them, the reactions, the counter tariffs, there were retaliatory tariffs, tariffs were in, then paused; everybody is looking and seeking a solution. Right now, a lot of projects that are getting completed now were put in motion a while ago and you're just at the stage where you're going to finish that pool or you're going to finish that particular need in that housing development. The bigger decisions and the way the channel is going to react is still out there in a couple of quarters, depending on what scenario we see play out."*
- **Snap-On (\$17.7B, Machinery):** *"I don't think we've seen an interlude so packed with economic news – government shakeups, tariff bursts, the administration declaring that there's likely to be pain before the Renaissance emerges. I mean, the hits just keep on coming. You can see that uncertainty in a more formal way in the Consumer Sentiment Index. It dropped precipitously, decreasing by 30% just since December, the second lowest rating ever. And it particularly impacted the perspective of our grassroots economy, like our technician customers. It prompted an avoidance of longer payback finance items that outran the Tools Group, pivoting to quicker payback products. It created the pause in our upward trajectory that's visible in the quarter's numbers."*
- **3M (\$79.2B, Industrial Conglomerates):** *"Starting with the macro environment, we see a softer outlook than the start of the year. Market forecasts have been lowered, reflecting weaker consumer spending and lower demand in industries such as auto and electronics. We continue to believe we can grow above macro due to progress on all our commercial excellence initiatives and focus on new product introductions. However, due to the softer market, we're trending to the lower end of our 2% to 3% range."*
- **Masco (\$14.7B, Building Products):** *"We experienced significant changes in the geopolitical and macroeconomic environment, including the enactment of new and broad reaching tariffs. The extent of the tariffs currently imposed on imports from China is substantial and will increase our overall costs considerably, particularly in our plumbing segment. As we have done in the past, we are rapidly responding to the shifting economic landscape. However, a high level of uncertainty remains around how these changes and associated higher prices will ultimately impact demand trends across our industry moving forward. Therefore, we will not be providing full year financial guidance this quarter."*
- **MSC Industrial Direct (\$4.3B, Trading Companies & Distributors):** *"There remains hesitancy and caution among our customer base around future production levels due to tariff uncertainty, potentially looming inflation, and sustained high interest rates. We feel well positioned, however, to navigate this uncertain environment."*

- **Fastenal (\$44.5B, Trading Companies & Distributors):** *"We have limited visibility and share our customers' uncertainty over how current trade policy may impact demand over the course of 2025. However, Fastenal has historically been able to win market share during periods of disruption on the strength of our nimble sales force, our frugal and adaptive culture, and the weight of the technologies and global supply chain resources we can apply to finding solutions to customer challenges. That is our expectation in the current environment."*
- **United Airlines (\$22.6B, Airlines):** *"There's a tremendous amount of uncertainty in the economy right now and we've already seen a reduction in demand and correspondingly, in revenue, but we've seen stability at that lower demand level in the last six weeks. And the silver lining is we also expect a significant reduction in our fuel cost. If demand remains stable for the balance of the year, that combination of revenue decline and fuel cost reduction, along with the fact that we built a significant contingency into our initial guide, leaves me cautiously optimistic that we can still deliver full year EPS within our guidance range of \$11.50 to \$13.50. We also recognize that there's a real risk of the US economy going into a recession. If we enter a recession, we are modeling an additional 5-point reduction in total revenue for the remainder of the year on average per quarter."*

Tariffs & Mitigation Efforts: Companies Lean on Localization, USMCA Compliance, and Dynamic Pricing as Buffers to New Tariff Regime; Be Prepared to Outline the Mitigation Playbook on Upcoming Calls

- **Snap-On (\$17.7B, Machinery):** *"It's an environment that will require urgent action to adjust, to optimize it, to take advantage. We are, of course, not immune to the challenge of tariffs, but we believe Snap-on is greatly advantaged by our manufacturing strategy to make in the markets where we sell and enable quick adjustment to the changing production landscapes that are likely to happen. We already have the facilities, 36 factories around the world, 15 right here in the USA, many of which we've just expanded. We're positioned well with American products. Our major product lines are already made in America using American steel, and our U.S. plants already produce some version of almost all our product lines. What that means is no extended ramp ups for relocated products. We already have the resident know-how right here in the USA. And for the select freights placed in America where we use some high tariff components, we have 21 factories outside the U.S. sourcing activities in several location, and that gives us access to a myriad of alternative sources."*
- **Greenbrier Companies (\$1.6B, Machinery):** *"It is important to mention that our North American operations are USMCA compliant. It's a bit of an understatement to say that the macroeconomic landscape has been noisy and dominated by fluctuating rhetoric and actions on trade policies and tariffs. But to be clear, our products have not been the target of proposed or enacted tariffs. However, tariffs are impacting the cost of our inputs, predominantly steel, and structural changes in how our customers operate. Thanks to our excellent procurement team, we have confidence in our ability to protect margins from the most immediate impact on our supply chain. In fact, we've raised our*

full-year aggregate gross margin guidance as well as our guidance for operating margin despite lowering our delivery and revenue guidance."

- **Acuity Brands (\$8.1B, Electrical Equipment):** "There is **obviously uncertainty in the marketplace, specifically with regards to tariffs**. We approach tariffs as the **equivalent of a supply shock**, and our financial priorities are, first, to manage the dollar impact and, second, to manage the margin impact. Across the company, **we have taken pricing actions in response to tariffs that were in place through the end of March**. As the tariff policy continues to evolve, **we will continue to take necessary pricing actions, and we will work to accelerate our productivity efforts**. We will continue to focus on factors within our control and take actions as needed. **As long as the USMCA holds, Mexico is a big advantage for us**. We've **maintained our manufacturing footprint here in the U.S.**, so roughly 20% of our manufacturing happens here. Net-net, we feel as good as we can about what our global supply chain looks like, and on the margin, we're advantaged versus our competitors."
- **Vertiv (\$27.5B, Electrical Equipment):** "Let me take a moment to provide some clarity around our tariff mitigation strategy. **In the U.S., we have strong local capacity, and we continue expanding it**. We have capacity in Mexico. **Most of our Mexico capacity and production is already USMCA-qualified, and we are driving towards 100% qualification goal. A single-digit portion of our demand is sourced from China, and we are deploying or have already deployed lower tariff or no tariff alternatives**. A small portion of the U.S. demand comes from other regions, predominantly from EMEA, and of course that is being optimized. We have a comprehensive set of actions under way. **The commercial aspects of tariff mitigation are important. We have already taken some price actions in the market and will take more as necessary**. Discussions with our customers about existing orders' pricing actions, where needed, are also part of the mitigation strategy."
- **Fastenal (\$44.5B, Trading Companies & Distributors):** "**Supply chains have gotten more expensive, and a part of our response over time will be incremental pricing**. We have been proactively engaging with our customers for several months. And **in April, we took our first actions, which we believe will contribute 3% to 4% of price in Q2'25 with the potential for that to double in H2'25**, depending on the pace and execution of our actions. We **have taken no actions on the deferred portion of their reciprocal tariffs but may need to**, should those ultimately go into force."

Demand & Growth: Global Uncertainty Serves as a Boon for Defense Co's. — Everyone Else...It's a Bit Complicated; With Forward Visibility Clouded, Caution — Not Confidence — is Guiding Most Inventory and Demand Strategies, and Pull-Forward Evidence is Hard to Pin Down

- **Northrop Grumman (\$73.8B, Aerospace & Defense):** "**For our industry, demand ultimately stems from the global threat environment**. Over the past decade, this environment has grown increasingly complex with the reemergence of peer adversaries, making the pace of innovation and production crucial for deterrence. As a result, **our global customers are increasing their investments in national security**. In the U.S., we **continue to see signs that defense spending will increase, driven by a few ongoing developments**."

- **RTX (\$176.8B, Aerospace & Defense):** *"On the defense side, we're encouraged that the continuing resolution passed with funding for key priorities, including next-generation adaptive propulsion, standard missile effectors, LTAMDS radars and our Coyote counter UAS system. **There's also a growing commitment to increase defense budgets globally.** Of note, the European Union has pushed for an additional \$850B in defense spending over the next four years, focused on munitions and integrated air and missile defense products, which are fully aligned to our core capabilities, such as Patriot, NASAMS, Coyote and F-35. These are all battle-proven and tested systems that our partners and allies rely on each and every day for national security. **Additionally, we have strong and long-standing international co-production and co-sustainment agreements with European companies...that position us well to help meet the increased demand across the region.**"*
- **Delta Air Lines (\$28.5B, Airlines):** *"Coming into 2025, we were positioned for another year of strong growth. However, **given broad economic uncertainty around global trade, growth has largely stalled.** The impact has been most pronounced in domestic and specifically in the main cabin, with softness in both consumer and corporate travel."*
- **United Airlines (\$22.6B, Airlines):** *"It's **clear softer macroeconomic environment is driving both volatility in the market and softer demand for travel.** But even in that strained environment, **United just had the highest first quarter pre-tax margin since COVID began,** and we **expect to be one of only two airlines that are profitable in the first quarter** and our resilience is further demonstrated by the fact that if the environment remains relatively weaker but stable, we can stay within our full year guidance range. However, **we read the same headlines as you. And so, we think that there's a reasonable chance that bookings could weaken from here.**"*
- **Greenbrier Companies (\$1.6B, Machinery):** *"Certainly, **the uncertainty in the market is being a headwind to demand for some of our customers,** particularly as they think through how this might impact traffic patterns. **We've navigated escalations and tariffs in the past, and our contracts do include pass-through language.** That said, we'll continue to work with our customers to navigate and mitigate any impacts from tariffs."*
- **J.B. Hunt Transport Services (\$14.8B, Ground Transportation):** *"On the pull-forward discussion, this will be our third consecutive quarterly call where we don't have a bunch of customers telling us that they have pulled forward shipments. Now, **is it possible some have and just haven't talked about it? That's certainly possible. And we don't want to be guessing at whether or not it was pull-forward or not.** There are a few conversations [where] clearly there has been some, but we're struggling to get direct customer feedback about that. So again, we continue to look for feedback from our customers every single month, every single quarter about what's happening with their own demand. And again, **everybody's remaining cautious with their feedback and they're trying to adapt their plans to the environment that they're in.**"*
- **Zurn Elkay Water Solutions (\$5.6B, Building Products):** *"We're minimizing the amount of pure buy ahead from a price perspective because we've got other customers that **needed as opposed to someone buying it and putting it on a shelf.** That's for the MRO piece. I would tell you there is not a lot of people that are buying drains and large backflow forward just based on the size and space constraints. So, **we want to maintain a high level of availability. We don't want to get into a position where we're creating***

waste by expediting things or working overtime for something that's not really needed in the moment. We are managing the backlog to date in ways that make sense for our customers, protect what's been bought to a degree and seek more clarity on what the rest of the year looks like. "

- **Pentair (\$14.4B, Machinery):** *"As far as the overall environment of what we're looking at, I would say that we're capping the order strategy, primarily the learning from the last supply chain issue we had, where if we let the channel just buy whatever it wants to buy, it's going to try to get ahead of all of the potential increases and you can create shadow inventory in inventory. So, we're working with our top customers and giving them an ability to order at sell through rates, which then gives them the necessary inventory they have to meet the demand, but doesn't get us in a situation where we get behind or disruptive in the supply chain again. Just the learning from the last go around."*
- **Acuity Brands (\$8.1B, Electrical Equipment):** *"People may have slowed some orders down in [our] Q2 to try and get a lay of the land. And then they accelerated those orders once they realized we were increasing prices. That's the simplest explanation of the up and down. As we look forward, we'll have to see what the total impact is on everybody and then, as a result, the decisions that people take on demand going forward. We're more in steady-as-she-goes mode right now. It's too early to tell what the impact will be on demand."*

Pricing: Companies Take a Measured Approach with Increases; While Optimistic on Cost Pass-Through, Demand Elasticity Remains a Watchpoint
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- **3M (\$79.2B, Industrial Conglomerates):** *"Just to be clear on the pricing, we're trying to be pretty smart, strategic, and surgical about this. And we're not doing this without interaction with our customers. In many cases, when we put out a surcharge, it's through consultation with the distributor or a customer. There's some receptivity to a certain amount based upon the individual customer for a period of time. There's an understanding that volume won't deteriorate. If we start to get to a point later in the year where we feel like we ought to be pushing price out to accommodate or to offset more of the tariff risk and there's a volume impact, we're going to have to take that under consideration. But outside of the macro erosion, we're not expecting much demand deterioration from a volume perspective because of the way we're being smart about pricing."*
- **MSC Industrial Direct (\$4.3B, Trading Companies & Distributors):** *"It's really difficult to go back to prior cycles here because this is a little bit of uncharted water in terms of, number one, the fluidity and just how fast things are moving and changing. Number two, the scope. But if I pull it back to the headline, we would expect to get price through. We're going to lean on our inflationary and tariff playbook here. And particularly early stages of an inflation cycle, we would expect to be price/cost positive as we have been in other cycles."*
- **Acuity Brands (\$8.1B, Electrical Equipment):** *"As we rolled out our price increases, the first round of price increases that are out there, the market reacted as it usually does. So, the order volume reacted as it has when we've done these pricing activities in the past. So, there's a balance. It's too early to declare what the impact will be on demand"*

for this next round of changes. So, we'll need a little bit of time to settle before we'll be able to definitively decide what we think the demand shape is going to be like for the rest of the year."

- **Lennox International (\$19.9B, Building Products):** *"[Regarding the price elasticity of volume demand], our products are mostly replacement and are a necessary must-do/have. So the impact to us is going to be lower than some of the other discretionary spend since it's non-discretionary. But we took all of that and given limited visibility we just wanted to draw a line in the sand and have that dialogue that we are having right now. I mean, this could all change if the China tariff gets withdrawn tomorrow and the impact is less. And then we would simply look at lower pricing and higher volume in that case. We just wanted to give you guys a framework to analyze and get our thoughts together."*
- **Zurn Elkay Water Solutions (\$5.6B, Building Products):** *"The perspective I would offer is there could be some demand destruction, but we don't know to the degree what that is at this point. If I had to call it now, we would benefit from the net price increases on our top-line guide for the course of the year. And obviously, that would probably have, at a minimum, some relatively positive EBITDA impact. But it's a little bit too early to make any of those calls at this juncture."*
- **Valmont Industries (\$5.7B, Construction & Engineering):** *"On pricing, we mentioned that we had \$80M of tariff exposure. About half of that is through pricing, and the other half is through supply chain movements and activities to avoid tariffs. As you look through the year, and you look at our guidance, we expect higher pricing, possibly lower volumes, that's included in our guidance, but we feel very good about where we are. With respect to lags on pricing, things that are in backlog are generally not repriced. So, in Utility, the bid market, that's pretty much immediate passed on backlog. We'll see the effect on that more in the second half as we have new orders being produced."*
- **Watsco (\$20.5B, Trading Companies & Distributors):** *"I don't think we're seeing any real pushback yet from customers. It's such a newsworthy subject, the tariffs, that most contractors and consumers were assuming that there's going to be higher prices. How much of that price has been relayed to the consumer? We really don't have visibility to that. The OEMs have been very prudent as far as getting the price increases out. We have the technology to implement the price increases instantaneously. So, it really hasn't been that much of an issue to date. We'll have to wait and see what happens in Q2 and Q3, as far as how long these price increases stay and what the impact has on the consumer."*
- **RTX (\$176.8B, Aerospace & Defense):** *"On pricing, we've been operating in a highly inflationary environment over the last several years. We've gotten pretty proficient at knowing where and how to pass along higher costs through pricing. Again, the situation is fluid. There are a number of variables that are out there. We came into the year with a number of levers we would potentially pull if we saw things change in the marketplace. We're going to let things play out. And then to the extent that we see some softening or other things, then we're going to go and execute on that playbook. But again, we know how to push pricing. You've just got to be balanced about it given where we are with our customers."*

Around the World: Global Demand Signals Show Signs of Resilience Depending on the End Market, but Regional Divergence Grows Sharper; Defense Budgets Ramp in Europe, Green Shoots Emerge in India, Southeast Asia, and Brazil, While China Remains a Recurring Headwind

- **RTX (\$176.8B, Aerospace & Defense):** "I would say that the *focus of the EU on ramping up presents an opportunity for Raytheon*. If you think of the countries, Poland is up close to 5%. The UK has talked about taking spending up Germany, obviously. There was obviously the EU announcement for support for the \$850 billion of additional defense spending over the next four to five years. *We've got a very strong European installed base, so we've got strong demand in the region and strong partnerships overall. Overall, on Raytheon's demand signal, that hasn't changed.* There are some timing issues that will recover in the year, which we expected. *But the global demand remains strong.*"
- **Valmont Industries (\$5.7B, Construction & Engineering):** "*We believe it bottomed out in Brazil and after a tough year, we're seeing stabilization.* We're seeing order activity increasing into Q1. *Q2 should also be a strong quarter for us. But, it's still not has recovered. The margins are still under pressure there.* The EBITDA margins are not as high as they were in the past, but improving. *They're still profitable.* And we're investing with our dealers in our growth and the potential. *And we know that that region will drive growth in the future.*"
- **Masco (\$14.7B, Building Products):** "We did particularly well in international plumbing. That *continues to be strong for us in Central Europe.* We're seeing and *getting more stabilization specifically in our home country of Germany,* where we're the share leader and that continues to go well. Of course, *we're having a little bit of a slowdown, if you will, in China.* It's higher end part of our business. So, *that's giving us a little bit of a mix hit geographically* when we think about the overall international plumbing demand in China."
- **Boeing (\$128.5B, Aerospace & Defense):** "Regarding deliveries, *our plan for the rest of the year was to deliver roughly 50 airplanes to customers in China.* There is strong demand for these airplanes and *we are actively assessing options should we need to redirect the 41 China airplanes* that are already built or currently in production. *We will continue to monitor the demand situation and if tariff related impacts expand beyond China,* we would expect to see additional pressure."
- **GE Aerospace (\$213.4B, Aerospace & Defense):** "As we think about the second half of the year, there is a lot more uncertainty given the volatility around the macro trends. But *we've embedded a certain amount of conservatism in our guide around departures* that we spoke about and issues *arising from the tariffs in China.* So, given that, *we've reduced our expectations for spare engines and spare parts deliveries to China.* Now, some of them will get diverted to other customers, but will probably still be an impact."
- **Otis Worldwide (\$40.8B, Machinery):** "*Demand in Asia Pacific also remains robust,* with orders growth greater than 20%, *primarily driven by India and Southeast Asia.* This strength was *offset by continued weakness in China, where orders declined greater*

than 20%. This was in line with our expectations and we continue to expect the New Equipment market to stabilize later this year. New Equipment orders in EMEA were down MSD, partially due to a tough compare with declines in Europe offsetting strength in the Middle East."

In Closing

As we noted coming into earnings season in our [Inside The Buy-Side® Industrial Sentiment Survey®](#), what lies ahead is unlikely to be a straight line. The first-order effects of tariffs — higher input costs, pricing adjustments, and selective supply chain shifts — are being actively addressed by companies and embedded, to varying degrees, in guidance and messaging. Yet, as the year unfolds, the more opaque second- and third-order impacts are beginning to surface — in some cases quietly, and in others, with a louder echo.

Jack in the Box, citing macroeconomic headwinds compounded by tariff-driven cost pressures, [announced](#) a dividend cut — a red flag that capital allocation preferences may shift defensively across sectors if pressure persists. Meanwhile, Intel's [announcement](#) of targeted layoffs and a broader restructuring plan signals that companies are not only tightening cost controls, but also recalibrating for softer end-market demand and a more structurally uncertain policy landscape. Likewise, Dow is [delaying](#) its \$3.5B Path2Zero growth project in Alberta, attributing the decision to persistently weak market conditions and heightened macro volatility. Taken together, these moves reflect a still nascent but growing recognition that the cumulative impact of policy shocks may extend beyond immediate margin compression and into deeper operational and strategic resets.

Now more than ever, realism, agility, and transparency are paramount. Executives who have a clear-eyed view of risk exposure, scenario planning, and the potential duration and depth of downstream effects will be best positioned to execute and win investor trust until the tsunami-sized wave settles.

As always, please reach out if you have any questions about your earnings approach this quarter and we will connect you with one of our experts. We will continue to highlight evolving themes in our ongoing weekly earnings **Sector Beat** coverage to provide insightful information on the macroeconomic landscape and factors impacting market sentiment.

Up next week: Consumer Discretionary Sector Beat.