Thought Leadership: Industrials – Q2’26

July 24, 2026

Table of Contents

Running Against the Wind: Broad-based Demand Lifts Industrial Earnings, But the Bar Keeps Moving Higher; Scrutiny Quickly Shifts to Durability, Margins, and Capacity Expansions

1. **Most early Industrial reporters are meeting or exceeding already high expectations.** Demand and supply chains have proven to be more resilient than initially feared at the outset of Q2. While the most optimistic commentary skews toward A&D and AI infrastructure providers, many note positives outweigh the negatives across the space.

2. **Strong demand seen as broad-based despite volatility.** Industrial companies are seeing strong demand across most end markets, save for housing, auto, and discretionary consumer-exposed. This is still being hedged, however, as the resumption of fighting and tariffs threaten visibility and performance.

3. **Backlogs and lean inventories add credibility to optimistic outlooks.** Executive teams report building backlogs, with most evidence indicating this is the result of genuine demand rather than restocking.

4. **Price and volume trends are both directionally positive, resulting in a healthy mix.** Pricing actions are being used to maintain – not expand – margins, with upside predominantly coming from volume. Analysts are focusing heavily on price / cost during Q&A.

5. **The tyranny of high expectations continues to weigh on stock performance.** Despite many beats across S&P 500 sectors, stock performance is not commensurate with the earnings growth. Analysts are increasingly trying to determine demand durability, how broad it is beyond AI / data centers, and the implications for capex and margins. Sizeable, long-term capacity expansion is met with skepticism, as is excessive spending / suboptimal cash flow (see Alphabet).

6. **Tariff refunds are affecting results, but disclosure granularity remains uneven.** Recognized benefits range from notable to immaterial. However, management teams have been inconsistent in the level of detail they share.

S&P 500 Earnings Snap: Earnings Season Well ahead of Expectations

Early results put the index on track for its second consecutive quarter of +20% EPS growth

27% of the S&P 500 have reported earnings to date

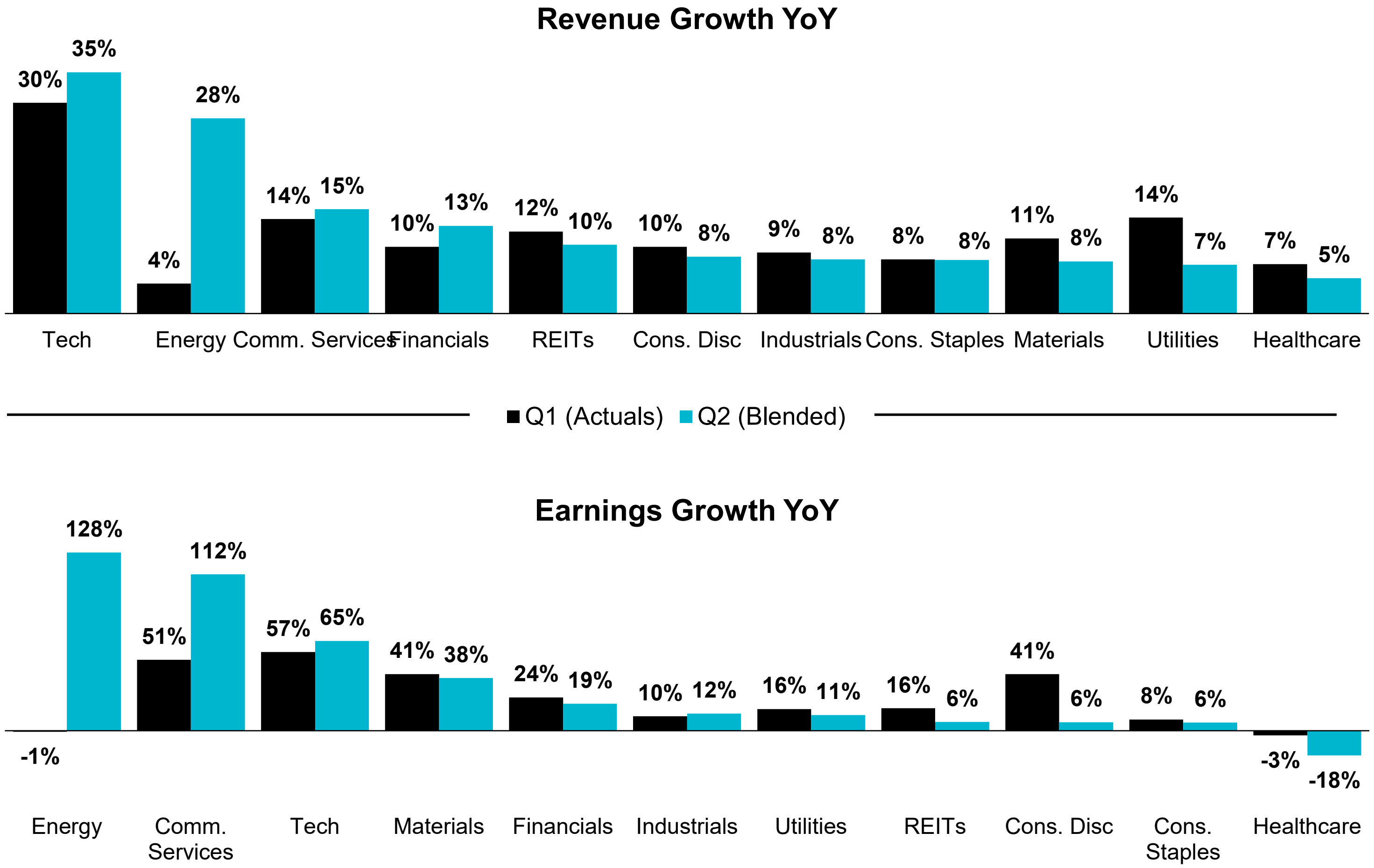
Revenue

- **80%** have reported a positive revenue surprise
- Blended revenue growth is **13.2%**
- Companies are reporting revenue **2.8%** above consensus estimates

Earnings

- **86%** have reported a positive EPS surprise
- Blended EPS growth is **37.9%** (Excluding Alphabet, 25.9%)
- Companies are reporting earnings **39.3%** above consensus estimates

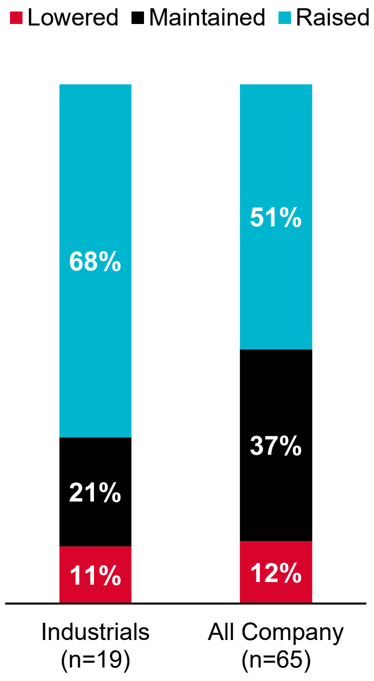
Source: FactSet; Corbin Advisors; data as of 7'24'26; blended figures reflect both actuals and estimates



Revenue Guidance: Most Industrials Raise Top-line Guides as Demand Outpaces Concerns

Most cite strong demand across end markets, led by data centers, infrastructure, and A&D

Annual Revenue Guidance Trends

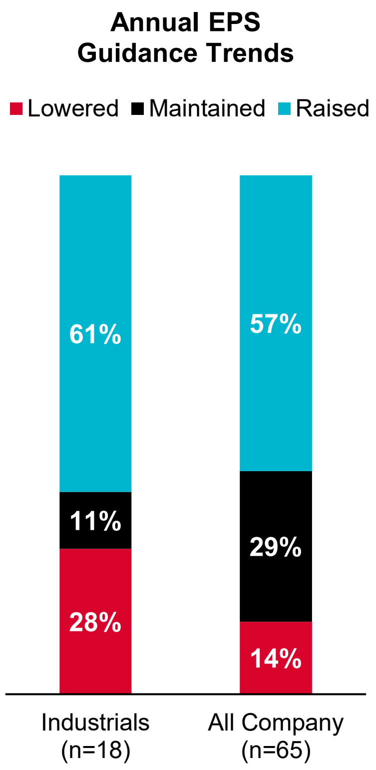


Company	Current (rounded)			vs. Prior Guidance	vs. Expectations	
(A-Z)	Low	High	Midpoint	Midpoint	Consensus	Midpoint vs. Consensus
Lowered						
Enerpac Tool A	2.9%	4.6%	3.8%	4.2%	3.6%	0.1%
Ryder System	3.0%	3.0%	3.0%	3.4%	3.6%	(0.6%)
Average	**3.0%**	**3.8%**	**3.4%**	**3.8%**	**3.6%**	**(0.2%)**
Maintained						
CSX	M-HSD	M-HSD	-	-	7.5%	-
Graco	LSD	LSD	-	-	5.6%	-
Greenbrier	(25.9%)	(22.8%)	(24.4%)	-	(23.4%)	(0.9%)
Otis Worldwide	4.6%	6.0%	5.3%	-	4.9%	0.4%
Average	**(10.7%)**	**(8.4%)**	**(9.5%)**	**-**	**(1.3%)**	**(0.3%)**
Raised						
3M	4.5%	-	4.5%	4.0%	4.1%	0.4%
Allegion	7.5%	8.5%	8.0%	7.0%	8.0%	0.0%
AZZ	9.1%	12.1%	10.6%	6.1%	10.1%	0.5%
Dover	6.0%	8.0%	7.0%	6.0%	7.2%	(0.2%)
GE Vernova	19.5%	22.1%	20.8%	18.2%	19.4%	1.4%
Lockheed Martin	6.3%	8.9%	7.6%	5.0%	5.5%	2.1%
Northrop Grumman	4.3%	5.5%	4.9%	4.3%	5.0%	(0.1%)
RTX	7.2%	8.3%	7.8%	5.0%	6.3%	1.4%
United Rentals	8.7%	10.6%	9.7%	6.6%	7.6%	2.0%
Valmont Industries	4.8%	8.4%	6.6%	4.8%	6.0%	0.6%
Vicor	32.5%	32.5%	32.5%	25.9%	32.5%	0.0%
Waste Connections	5.8%	6.2%	6.0%	4.9%	5.6%	0.4%
Wabtec	10.1%	12.8%	11.5%	10.5%	10.9%	0.5%
Average	**9.7%**	**12.0%**	**10.6%**	**8.3%**	**9.9%**	**0.7%**
Overall Average	**6.5%**	**8.4%**	**7.4%**	**7.7%**	**6.8%**	**0.5%**

Source: FactSet; AlphaSense; Corbin Advisors; data as of 7'23'26

Earnings Guidance: PPE? Pricing, Productivity, and Execution Cited as Supporting Guides

Across the sector, executives point to cost actions and execution as levers for improving EPS



Company	Current (rounded)			vs. Prior Guidance		vs. Expectations	
(A-Z)	Low	High	Midpoint	Low	High	Consensus	Guidance vs. Consensus
Lowered							
American Airlines	($0.65)	$0.65	$0.00	$(0.40)	$1.10	$0.61	$(0.61)
Enerpac Tool A	$1.84	$1.89	$1.87	$1.85	$1.92	$1.87	-
Greenbrier	$3.00	$3.15	$3.08	$3.00	$3.50	$3.03	$0.04
Otis Worldwide	$4.01	$4.05	$4.03	$4.20	$4.24	$4.18	$(0.15)
Southwest Airlines	$3.25	$4.25	$3.75	$4.00	$4.00	$3.13	$0.62
Average	**$2.29**	**$2.80**	**$2.54**	$2.53	$2.95	**$2.56**	**$(0.02)**
Maintained							
Delta Air Lines	$6.50	$7.50	$7.00	-	-	$6.68	$0.32
Lockheed Martin	$29.35	$30.25	$29.80	-	-	$29.90	$(0.10)
Average	**$17.93**	**$18.88**	**$18.40**	**-**	**-**	**$18.29**	**$0.11**
Raised							
3M	$8.80	$8.95	$8.88	$8.50	$8.70	$8.85	$0.02
Allegion	$8.85	$9.00	$8.93	$8.70	$8.90	$8.79	$0.13
AZZ	$6.75	$7.15	$6.95	$6.50	$7.00	$7.07	$(0.12)
Dover	$10.55	$10.75	$10.65	$10.45	$10.65	$10.12	$0.54
GE Aerospace	$7.65	$7.85	$7.75	$7.10	$7.40	$7.87	$(0.12)
Northrop Grumman	$28.60	$29.10	$28.85	$27.40	$27.90	$28.48	$0.37
RTX	$7.10	$7.25	$7.18	$6.70	$6.90	$6.95	$0.22
Ryder System	$14.40	$14.80	$14.60	$14.05	$14.80	$14.64	$(0.04)
United Airlines	$9.00	$11.00	$10.00	$7.00	$11.00	$10.45	$(0.45)
Valmont Industries	$22.25	$23.50	$22.88	$21.50	$23.50	$22.94	$(0.07)
Wabtec	$10.60	$10.90	$10.75	$10.25	$10.65	$10.63	$0.12
Average	**$12.23**	**$12.75**	**$12.49**	**$11.65**	**$12.49**	**$12.44**	**$0.05**
Overall Average	**$10.10**	**$10.67**	**$10.38**	**$8.80**	**$9.51**	**$10.34**	**$0.04**

Source: FactSet; AlphaSense; Corbin Advisors; data as of 7'23'26

Macro Commentary: Industrial Momentum Builds as Positive Growth Signals Expand

Management commentary points to strong end markets – both secular and broad-based; while a plethora of uncertain factors remain, it is not enough to outweigh "encouraging" industrial indicators

GE Aerospace ($353.5B, Aerospace & Defense): "There's no question that the environment remains dynamic. As we look at where we are, ***we feel very good about our position here largely on the back of customer behavior, which hasn't changed***. We've seen service orders continue to be robust."

Fastenal ($52.0B, Trading Companies & Distributors): "***Within construction, electrical, utility, infrastructure, and data center-related activity were among the strongest areas of demand during the quarter***. Non-manufacturing end markets also contributed, with ***gains across transportation, warehousing, and other industrial services*** as demand improved across customer type."

Dover ($28.9B, Machinery): "***Secular growth exposed markets should continue to lead the way, complemented by solid, broad-based demand across most of our other end markets***. The operating environment still has its share of uncertainty, geopolitics, input costs, and evolving trade and tariff background are factors we are managing closely. With that said, demand signals remain constructive across the portfolio, and the strength ***and duration of our order book gives us a level of visibility that supports the guidance increase.***"

Snap-On ($20.9B, Machinery): "***The quarter was marked with ongoing momentum and more green shoots. Progress against the whirlwind***. This is a turbulent time. ***I'm not sure I've seen more elements of uncertainty pack into a single quarter***. Ukraine, inflation, fluctuating tariffs, restructured supply chains, now piling on the impasse with Iran. It's really something."

Delta Air Lines ($55.4B, Passenger Airlines): "Turning to the current environment, ***the U.S. economy remains resilient, supported by strong employment, rising household incomes and significant wealth accumulation***. Our customers are prioritizing experiences and investing in the moments and connections that matter most to them, driving ***sustained strength and demand for air travel***."

Norfolk Southern ($74.4B, Ground Transportation): "It's really an encouraging environment right now, ***not only for truck freight and competing with the highway, but also in general for freight in the U.S***. I look at a few key indicators, and ***all of them have improved since the beginning of the year when we laid out our plan***. That includes GDP, as well as manufacturing and housing starts, which have also improved in terms of outlook. ***When I think about manufacturing, we've seen six months of sequential improvement now in the ISM manufacturing index, and that's the best post-COVID performance that we've seen. It's very encouraging for the U.S. economy***."

JB Hunt Transport Services ($27.4B, Ground Transportation): "***During the quarter, we saw an acceleration of the structural changes in the market that we discussed in April***. Truckload capacity continued to tighten from ongoing regulatory enforcement, while at the same time, many carriers continued to face higher operating costs that are not fully supported by prevailing rates. As a result, ***several industry indicators, including higher tender rejections, higher spot pricing, and lower driver employment, moved towards levels not seen since 2021 and 2022***."

Demand and Inventory: Underlying Demand Continues to Improve While Inventory Remains Lean

Infrastructure, automation, and manufacturing activity all seen as strong, though housing and markets exposed to discretionary consumer spending continue to languish; elsewhere, backlogs build with limited evidence that restocking is inflating demand

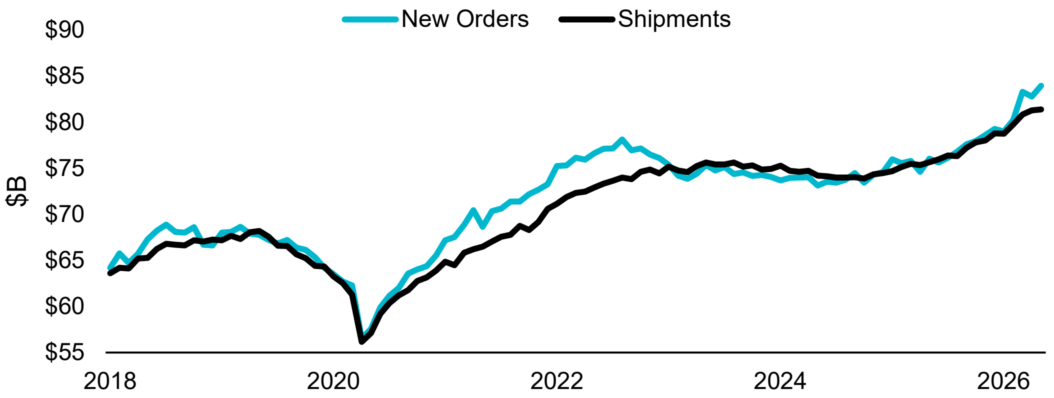
GE Aerospace ($353.5B, Aerospace & Defense): "Commercial services backlog stands at roughly $170 billion, up nearly $30 billion since the end of 2024. ***Given the sustained demand environment and existing delinquency, we are entering the third quarter with more than 95% of spare parts revenue in backlog***."

Union Pacific ($180.4B, Ground Transportation): "We look at car orders, and we're at 100% fulfilling those, and those are up slightly. And so, yes, if you look at it broadly, ***if you look at the car orders and I'm talking across the board, there is some slight uptick that's there***. You're also seeing that in the momentum that we talked about on the industrial side. That's largely a lot of our ***carload business, where we've had record average revenue per car and, candidly, record revenue***. ***So that's encouraging to us as we move into the second half***."

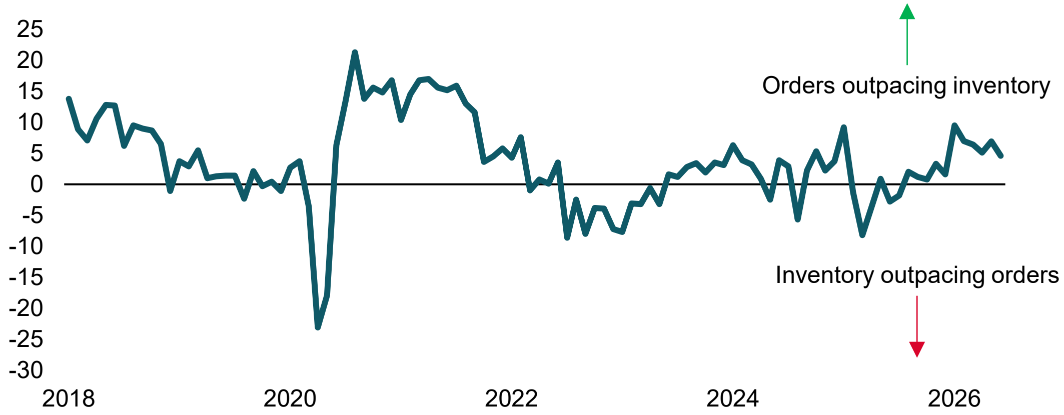
Lockheed Martin ($131.4B, Aerospace & Defense): "The backlog increase includes $65 billion of orders realized during the quarter. ***This deep book of contracts will fuel our sales growth for years to come, and we saw this top-line acceleration begin to show up in the second quarter***."

Allegion ($12.0B, Building Products): "If you look at our performance in the second quarter for residential, ***really strong electronics***, and that's driven by consumers in the retail channel, and point of sale was good. ***Inventory levels at retailers are at normal levels. This is not a big stocking order. Underlying demand was strong in the quarter***."

U.S. Durable Capital Goods excl. Aircraft[1]



ISM New Orders Less Inventories[2]



[1] Source: U.S. Census Bureau; Corbin Advisors; data through 5'1'26
[2] Source: Institute for Supply Management; Corbin Advisors; data through 6'1'26

Price / Cost: Companies Pull the Price Lever in the Face of Rising Costs

Price / cost has emerged as a leading analyst focus area during Q&A this quarter, as they assess if companies can get to neutral and whether they are prioritizing volumes over price / cost

GE Vernova ($262.3B, Electrical Equipment): "EBITDA margins expanded 320 basis points to 18.8%, ***mainly driven by favorable price and higher volume more than offsetting inflation as well as additional expenses to support capacity investments***."

3M ($89.1B, Industrial Conglomerates): "We now estimate oil inflation to be $150 million to $175 million, up from $125 million previously. ***This impact is expected to be fully covered by the price actions we implemented in Q2***. ***Though oil price/cost is dollar neutral, it impacts margin rate by 20 basis points, which we will mitigate through higher volume and better productivity***."

Fastenal ($52.0B, Trading Companies & Distributors): "At the gross margin line, we contracted approximately 75 basis points year-over-year, with price/cost representing roughly a 40-basis-point headwind. On price/cost, we improved approximately 10 basis points from the first quarter. ***Our pricing actions helped offset the ongoing impacts of tariffs and other inflation***. ***We remain focused on pricing discipline and will continue managing toward price/cost neutrality over time***."

Allegion ($12.0B, Building Products): "I do expect, for the full year, ***we will be neutral to slightly positive on PPII in the Americas***. That would be obviously expansionary in the back half. All the costs that we know about are in the outlook as inflation, ***and we've taken the necessary pricing actions to ensure that we can cover it***."

CSX ($92.8B, Ground Transportation): "As we think about pricing, ***we expect our same-store sales pricing to be stronger this year than it was last year.*** We did see truck capacity tighten over the course of the last couple of months with regulatory enforcement…***we have seen pricing accelerate in our domestic spot segment, which is a smaller portion of our business. But we've also seen it on some of our recent rail asset contract renewals. The team is constantly evaluating what market conditions look like***."

Southwest Airlines ($23.3B, Passenger Airlines): "The consumer is incredibly resilient. You just sort of put aside everything that we're doing. ***Just look at the industry, demand, pricing, revenue, production has remained incredibly robust and it's across all sectors, all geographies.*** *This is the strongest I've seen it and the broadest that I've seen strength period.* ***It does appear that consumers are prioritizing travel, and you're seeing that even in the face of higher pricing***."

Valmont Industries ($9.5B, Construction & Engineering): "***North American Utility sales increased 33.9% driven by higher pricing and volume growth supported by a robust market environment.*** Sales in North American Lighting and Transportation declined 2.4% due to lower volumes. North American Coating sales increased 16.6%, supported by healthy infrastructure and data center demand."

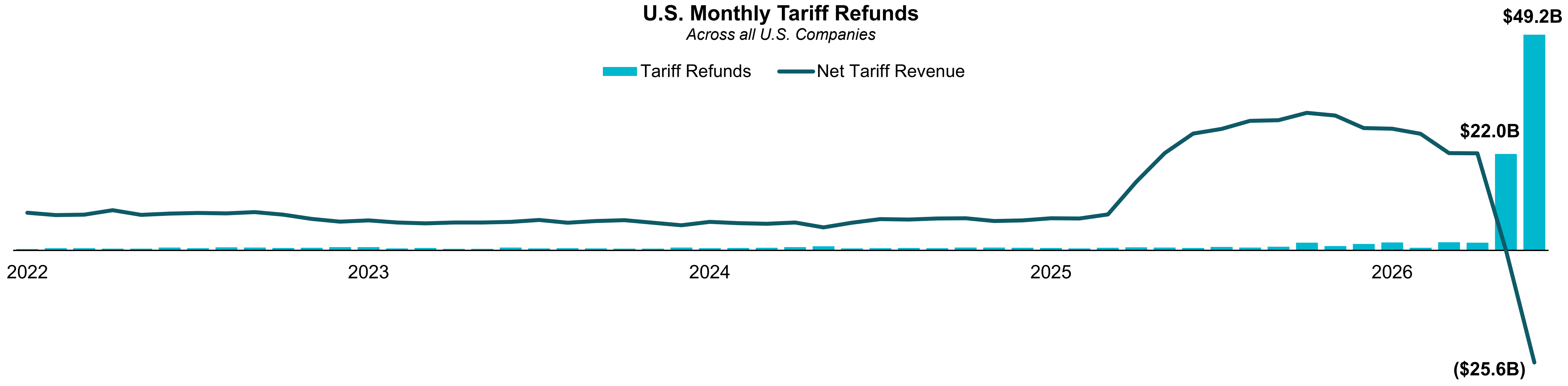
Tariffs and Tariff Refunds: Refunds Beginning to Flow through to Results

Impacts have ranged from marginal support to meaningful one-time benefits

GE Aerospace ($353.5B, Aerospace & Defense): "A little bit of help from tariffs, which ***we got a $100M refund from tariffs in the quarter.*** But in the grand scheme of things, that's not extremely material."

Graco ($12.2B, Machinery): *"**Gross margin increased 130 bps from the prior year**. The **improvement reflects price realization, improved manufacturing performance and the favorable impact of $9M in tariff refunds net of related surcharges**."*

Enerpac Tool Group ($1.7B, Machinery): "***We recognized a $6M net benefit from the expected refund of the IEEPA tariffs***. Excluding the benefit of the tariff recovery, gross margins were negatively impacted by mix, given the higher growth rate of our Heavy Lifting Technology or HLT business and continued dilution from our Service business."



Source: U.S. Customs and Border Protection; U.S. Treasury; Corbin Advisors; data through 6'30'26

Company Disclosures Reflect Material Differences in Timing and Certainty

Tariffs now being discussed as a cost and planning issue for management teams, not a constraint on demand; most companies are still excluding from guidance at this time

Sector	Discussed Tariff Refunds	Provided Amount[1]	Incl. in Guidance[2]	Excl. from Guidance
Cons. Disc.	11	4	0	7
Cons. Staples	9	4	4	4
Industrials	7	5	0	1
Health Care	4	3	1	3
Tech	1	0	0	1
Total	**32**	**16**	**5**	**16**

Hallmarks of Strong Tariff Refund Messaging
1. Quantify impact to earnings and margins
2. Provide results both including and excluding refund impact
3. Note whether including or excluding from guidance
4. Describe how refunds will be used or what they may offset

[1] Includes tariff refund, claim, or earnings benefit from tariffs directly quantified
[2] Includes management assumption, explicit or otherwise, of tariffs included in forward guidance

Notable Commentary

GE Vernova ($262.3B, Electrical Equipment): "While the U.S. market for new Onshore equipment remains soft, ***we are monitoring the outcome of Section 232 tariffs that impact wind development, which could lead to more order clarity in the second half of the year***."

3M ($89.1B, Industrial Conglomerates): "Operating profit increased $110 million, or $0.16, including a $240 million benefit from sales growth and broad-based productivity, partially offset by $30 million of investments and ***$110 million from tariff impact and stranded-cost headwind. We have not received any tariff refunds to date***."

Fastenal ($52.0B, Trading Companies & Distributors): "While ***trade and tariffs uncertainty stayed in the picture, its impact this quarter showed up through cost planning and pricing discussions rather than demand.*** As a result, activity levels remained healthy and our teams continued to see strong customer engagement."

Allegion ($12.0B, Building Products): "We announced pricing actions in the quarter to cover the higher inflation we were experiencing, and we'll continue to monitor the tariff and input cost environment to cover additional inflationary pressures if needed. As we said in Q1, we expect Americas margin expansion in 2H. ***Our outlook does not include potential IEEPA refunds due to uncertainty on future refund timing and as we prioritize communicating with our customers first. We would not expect any potential IEEPA refund to have a material impact on EPS***."

Companies Quantify Tariff Refund Impact

Management teams can differentiate by offering refund disclosures that include the size of claim, impact to earnings, and timing

Company	Sector	Quantified Impact	Impact Timing	Notes
3M	Industrials	$110M	Pending – timing unknown	Noted its impact as offset to operating profit
Deere	Industrials	$272M / 2.5% margin uplift	Recognized Q2’26 as one-time benefit	Described margin impact in quarterly and annual terms
Enerpac Tool Group	Industrials	$6M net benefit	Recognized in Q2’26	Noted that refunds helped offset pressures to gross margin
GE Aerospace	Industrials	$100M refund received	Recognized in Q2’26	Management noted not material
Graco	Industrials	$9M net benefit	Recognized in Q2’26	Contributed to gross margin expansion
Deckers Outdoor	Cons. Disc.	$120M claim size	Pending – timing unknown	Claim sized as tariffs paid
Hasbro	Cons. Disc.	$50M claim size	Pending – timing unknown	Refund in process but not recognized
Nike	Cons. Disc.	$986M / $0.52 per share	Recognized $986M in Q4’26, cash receipt in progress	Recognized full amount, collected ~$300M
Campbell’s	Cons. Staples	$0.03 - $0.04 per share	Primarily Q4’26; recoveries may extend to FY27	Described impact as being offset by higher fuel costs
McCormick	Cons. Staples	$31M full-year benefit / $0.07 per share / 1.4% margin	$28M recognized in Q2, additional $3M for full year	Provides full size, per share and margin impact
PepsiCo	Cons. Staples	1% EPS growth uplift	Expected in Q3’26	Refunds described as offset to commodity pressure
Walmart	Cons. Staples	Less than 1% of annual U.S. sales	Pending – timing unknown	Claim sized as percentage of annual U.S. sales
Agilent	Healthcare	$70M	Pending – timing unknown	Claim sized as tariffs paid
CooperCompanies	Healthcare	$15M expected earnings uplift	Potential FY26 benefit	Provided expected impact
Zimmer Biomet	Healthcare	$0.20 EPS impact / 2.0% margin benefit	Recognized in Q1’26 as one-time benefit	Described both EPS and margin impact

Demand Durability: Looking Beyond Data Centers

Analysts are increasingly determining demand durability, how broad it is beyond AI / data centers, and what it means for capex and margins; sizeable, long-term capacity expansions are being met with skepticism, as is excessive spending

United Rentals ($71.5B, Trading Companies & Distributors): "We're starting to see the industry add capacity again and you ***always wonder about supply/demand balances when we get a recovery in the CapEx numbers***…Are you starting to get a ***better look at '27 on the demand*** that this time you can stay at a pretty high level even as you're adding CapEx?"

Dover ($28.9B, Machinery): "On the heat exchangers, ***how do you land on 2x capacity*** as the right number? I mean, we've seen some of the folks in liquid cooling quadrupling capacity. So is 2x the right number? And is this brownfield? Is it greenfield? This is an extended question. I apologize, but ***everyone's focused on what the margin impact as you bring on new capacity is because it's never at peak efficiency*** on day one. So ***have you calibrated what impact that'll have on incrementals***?"

Otis ($27.3B, Machinery): "***How are you thinking about the impact of price cost in 2027?*** Is that when we start to see the impact of this steel inflation come through based on the timing of your steel purchases and ***how confident are you that you can pass that through via price*** or is it possible that ***price cost could be a challenge in '27***?"

Fastenal ($53.4B, Trading Companies & Distributors): "I want to start ***on price/cost***. You made progress, but more to go. ***When do you think you'll get to neutral***? I know that's kind of a hard question. And then, also comment on gross margins. In the third quarter, ***should we be thinking flat sequentially from the second quarter***?"

Honeywell ($77.4B, Industrial Conglomerates): "One, ***when you look at your M&A pipeline, is it evenly split between your segments***? Are there particular segments where you think you're more likely to over-index?"

Union Pacific ($180.4B, Ground Transportation): "I wanted to ask ***if you're seeing any broadening of industrial demand outside of anything related to data-center construction***, anything that you're seeing in the economic tea leaves that would tell you that we are starting to see some ***broader industrial recovery building up***."

GE Vernova ($262.3B, Electrical Equipment): "***Clearly, a lot of focus on the capacity that's been here***. You have said in the past, when your backlog and SRAs get above, like, 5x your capacity that you could ***potentially see some additional capacity increases going forward***. My question is around the industry capacity. And ***I'd be curious to hear what level of concern you have based on the plans*** that are out there today, and ***consistent with the demand environment that you're seeing***?"

CSX ($92.8B, Ground Transportation): "The ***pricing opportunity in the back half***…I understand that ***the benefits you're seeing mix and fuel wise*** and maybe not necessarily seeing some of the truckload benefits yet. So, ***help us understand when we would expect to maybe see some of those benefits come through***, as the underlying freight environment certainly has seemed to heat up a bit here in the last month, couple months or so."

The Big So What®

Backlogs and orders are strong despite a myriad of challenges;
investors now turning focus to volume conversion and unit-cost improvement

1. **Early Industrial reporters have proven they can execute despite ongoing challenges.** Companies have reported a healthy amount of beat-and-raise results, all despite inflation, tariffs, and supply constraints.

2. **Backlogs are robust, and indications point to accelerating demand broadly.** Management teams are seeing momentum building, with demand broad-based and strongest in data centers, power, infrastructure, and A&D.

3. **Pricing has been used to keep costs neutral, and volume is driving the upside.** Most companies have discussed using pricing to offset inflation rather than to expand margins. Strong results have come from better-than-expected volumes.

4. **Inventories remain lean, supporting optimistic top-line guidance.** Executives are reporting that orders are continuing to run ahead of inventories, with commentary pointing to strong underlying demand rather than restocking.

What the Street is Still Asking

1. Is demand spreading beyond power, defense, and data centers?
2. How much second-half growth is already scheduled in the backlog rather than being dependent on new orders?
3. Which companies can add volume without significantly increasing overhead?
4. Will ongoing geopolitical issues impacting supply and material constraints push planned deliveries into 2027?
5. Can price / cost remain neutral if tariffs and commodities see further increases?

corbin

Onward!

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