

EE/MI

Q1 Distributor Survey – Waiting to See What Sticks

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Steady Sales to Start 2025 – Calendar Q1 distributor sales were up ~2.7%, on 0.4% volume growth and 2.3% of price. The overall result was consistent with the average growth seen in 2024 and the Q4 exit rate, though the components of growth flipped sequentially with price picking up and volumes decelerating. The general pickup in pricing reflects some early tariff-related movements from OEMs, with another leg higher expected in Q2 as the broader swath of tariffs take hold. Growth in Q1 came in shy of the ~5% level distributors were anticipating at the time of our Q4 survey in January. Some distributor contacts called out unfavorable weather in the quarter as a weight on volumes. The two-year growth stack expanded 30bps sequentially to 5.9%. By category, Low Voltage Electrical sales were most robust in Q1, up 5.6% on solid contributions from both price and volume. Utility T&D saw modest 1.9% growth driven by 2.8% of price. Automation sales were down 2.5% on soft volumes.

Monitoring Tariffs, No Discernible Slowdown Yet – Tariffs were naturally the key topic of discussion in our conversations with distributors. While a few saw activity start to stall intra-quarter or at the start of April, this type of commentary was not universal. Some believe strength seen toward the end of the quarter and the early part of April may have been related to inventory building ahead of tariff-related price increases. Beyond the potential to impact project economics, the administrative effort required to navigate the tax regime is clearly a source of angst. While a degree of tariff implementation was expected following President Trump’s victory in the ’24 election, the scope of the response has been wider than anticipated, and a clunky rollout with several pauses and stutter steps has only added to the confusion and frustration. However, actual underlying activity is projected to remain solid in the near-term, with distributors indicating 5.3% growth for Q2, similar to the 4.6% consensus average for a group of public distributors. The general view is that, absent a broader resolution to global trade disputes, it will take ~6 months for the tariff dynamics to work their way through the system and enable a return to “business as usual”. Some level of project slippage seems inevitable but it sounds like there are enough “elephants” to hunt such that 2025 should be relatively insulated. A number of distributors did caution that if tariffs are still in place by the fall, this would meaningfully dampen activity into 2026.

Read to OEMs – The survey results and commentary are generally supportive of our Q1 estimates. We have HUBB organic sales modeled up 0.8% including Electrical up 3% and Utility down modestly (0.5%), compared to the survey results of Electrical up 5.8% and Utility T&D up 1.9%. Our NVT estimates for Systems Protection (Enclosures) up 0.5% and Electrical Connections (Electrical & Fastening) up 1.5% appear well supported by the survey results. We are modeling total ETN Electrical up 7.9% for Q1 (Americas +10%). Strength in project work, where equipment may at times bypass distribution and go direct to the customer/project and therefore not be captured in our survey, is especially relevant for ETN, and partially explains the delta between our estimates and the survey in recent quarters. ROK had generally outperformed our survey in the post-COVID period likely reflecting excess channel fill, before underperforming the survey result throughout calendar 2024. We have total core sales for ROK modeled down 5.6% this quarter (calendar Q225). The historical regression suggests a 4.6% decline for ROK’s North American business.

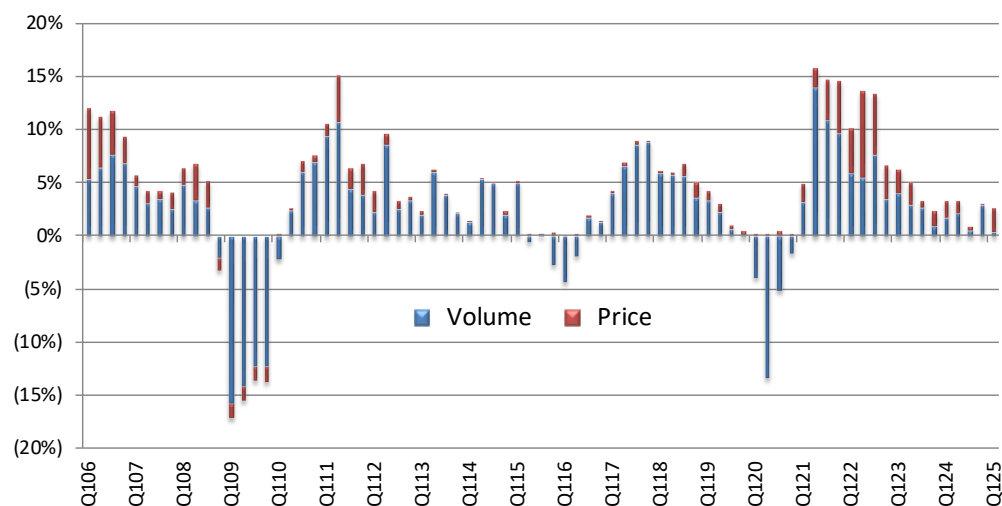
Ticker	Rating	TP	Price
ABB	HOLD	\$55	\$50.15
AYI	HOLD	\$275	\$239.76
ETN	BUY	\$330	\$277.53
HUBB	BUY	\$410	\$353.43
NVT	BUY	\$68	\$49.86
ROK	HOLD	\$295	\$229.38
SIE-DE	BUY	€250	€180.68
SU-FR	HOLD	€262	€197.00

Key Highlights from Survey

- Q1 2025 distributor sales grew 2.7%, a similar result to the Q4 exit rate of 3.1% and in line with the total 2024 average
- The two-year growth stack increased sequentially for the second straight quarter, up 30bps to 5.9%
- The composition of sales growth was essentially flipped from Q4, with price picking up to 2.3% from 0.2% and volumes decelerating to 0.4% from 2.9%
- Distributors are expecting sales up 5.3% on average in Q225; the average of our current Q225 estimates for ETN Electrical, HUBB, NVT, ROK, and Schneider is 6%
- Low Voltage Electrical sales saw the strongest growth rates as the only category to report volume growth (up 3.2%)
- A pickup in pricing (2.8%) drove growth in Utility T&D sales, with volumes down modestly
- Automation results remain choppy, with volumes down 3.3%, partially offset by 80bps of price

In this report, we present the results of our Q1 2025 proprietary North American Distributor Survey. We surveyed 33 distributor branch managers in total throughout North America capturing more than \$1 billion in revenues. Although the sample revenue represented by our coverage universe is a relatively small proportion of our group’s total revenue, the true power of the survey revolves around the directional growth and anecdotal commentary about end market conditions, which are salient indicators for our entire group. Companies such as Eaton, Hubbell, Rockwell, nVent, Schneider (Square D) and ABB are well represented in the survey because they sell primarily through distribution. Of the 33 distributors, 14 sold electrical equipment, 10 focused on T&D utility customers and 9 sold automation equipment. Based on this sample composition, it is not surprising to see Eaton, Hubbell, nVent, Schneider and ABB the most widely represented firms in our survey.

Figure 1: Distributors Report Volume Up 0.4%, Price up 2.3%



Source: Company Reports and Vertical Research Partners

Figure 2: VRP Distributor Survey Results

Industry	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324	Q424	Q125
All Distributors	(3.7%)	(13.0%)	(4.7%)	(1.5%)	5.0%	15.8%	14.7%	14.7%	10.2%	13.7%	13.5%	6.7%	6.4%	5.1%	3.3%	2.4%	3.3%	3.4%	0.9%	3.1%	2.7%
Volume	(3.9%)	(13.3%)	(5.2%)	(1.7%)	3.3%	13.9%	10.8%	9.6%	5.8%	5.5%	7.7%	3.5%	4.0%	2.9%	2.7%	0.9%	1.7%	2.1%	0.5%	2.9%	0.4%
Price	0.2%	0.3%	0.5%	0.2%	1.7%	1.9%	3.9%	5.1%	4.4%	8.2%	5.8%	3.2%	2.4%	2.2%	0.6%	1.5%	1.6%	1.3%	0.4%	0.2%	2.3%
Total Utility T&D	5.2%	(11.2%)	3.7%	2.3%	5.6%	13.9%	14.6%	17.1%	10.0%	11.8%	11.9%	6.6%	6.3%	8.0%	4.0%	1.9%	6.9%	5.0%	1.7%	3.5%	1.9%
Volume	5.0%	(11.5%)	3.3%	2.1%	3.9%	12.1%	10.8%	11.2%	5.2%	2.8%	6.5%	3.1%	3.9%	4.7%	3.2%	0.1%	5.1%	3.8%	1.1%	3.5%	(0.9%)
Price	0.2%	0.3%	0.3%	0.2%	1.7%	1.7%	3.8%	5.9%	4.8%	9.0%	5.4%	3.5%	2.4%	3.3%	0.8%	1.8%	1.8%	1.2%	0.6%	0.0%	2.8%
Total Automation	(4.9%)	(18.2%)	(9.6%)	(4.5%)	4.1%	11.4%	10.1%	9.6%	3.8%	10.2%	8.5%	3.6%	7.6%	1.3%	3.0%	3.2%	(0.4%)	0.3%	(0.9%)	3.9%	(2.6%)
Volume	(5.3%)	(18.5%)	(10.0%)	(4.8%)	2.9%	9.9%	6.2%	5.2%	(0.3%)	2.7%	3.1%	0.9%	4.7%	(0.9%)	2.3%	1.9%	(2.8%)	(1.5%)	(1.5%)	3.5%	(3.3%)
Price	0.3%	0.3%	0.4%	0.3%	1.2%	1.5%	3.9%	4.4%	4.1%	7.5%	5.4%	2.7%	2.9%	2.2%	0.7%	1.3%	2.4%	1.8%	0.6%	0.4%	0.8%
Total Low Voltage Electrical	(5.0%)	(13.2%)	(4.1%)	(1.9%)	4.5%	20.5%	17.5%	16.1%	15.1%	16.9%	8.9%	5.4%	5.5%	3.2%	2.1%	2.7%	4.0%	1.5%	2.4%	5.8%	0.8%
Volume	(5.1%)	(13.4%)	(4.6%)	(2.1%)	2.7%	18.2%	13.5%	11.2%	10.8%	8.6%	10.9%	5.6%	3.5%	4.1%	2.7%	0.9%	1.5%	3.1%	1.4%	2.1%	3.2%
Price	0.1%	0.2%	0.5%	0.2%	1.8%	2.3%	4.0%	4.9%	4.3%	8.3%	6.3%	3.3%	1.9%	1.4%	0.5%	1.2%	1.2%	0.9%	0.1%	0.3%	2.6%

Source: Company Reports and Vertical Research Partners

Q125 Distributor Anecdotes and Outlook

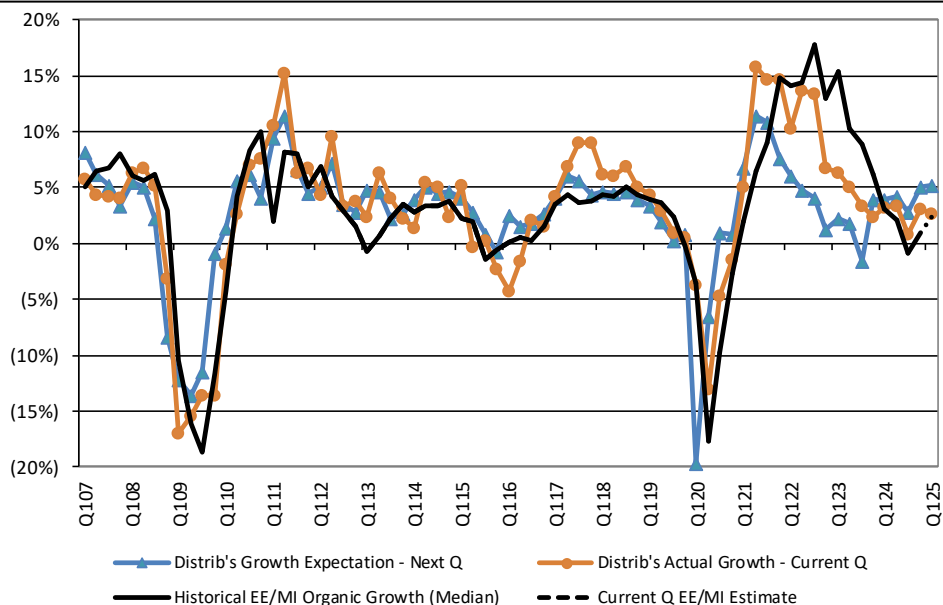
Below we summarize commentary and anecdotes from our distributor contacts. Looking forward, distributors are expecting sales up 5.3% on average for Q2 2025. This is similar to the 5.1% growth expected in Q1, which proved somewhat optimistic. We noted at the time that the 5.1% average was influenced by a few high-single digit/low-double-digit expectations (median growth was 1.5%) and suspected (correctly) that results would fall somewhere in between the median and the average. Our average Q225 estimate for ETN Electrical, HUBB, NVT, SU, and ROK is ~6%. The general tone from distributors continues to suggest a strong H2, though tariff friction has injected some risk to the outlook.

Figure 3: Summary of Key Distributor Anecdotes

- "Inventory is high, but that was part of our plan for this year"
- "We saw a very strong March cancel out a poor February"
- "Tariffs are a wild card. Some vendors have raised prices 4/1, others are holding off."
- "Tariffs are having a short term impact on pricing"
- "When the February tariffs were announced, from then on things have been in a status quo"
- "Decisions getting delayed pending what will be the outcome"
- Industrial automation markets soft
- "Lots of quotation activity but none of it generating sales"
- Labor concerns cropping up again, related to both factory construction and in-plant workers
- Startups are emerging to offer switchgear specifically to support data centers
- "Don't see us changing forecast/budget in 2025, but if we have these tariffs still in November, 2026 gets murky"
- "Do think some manufacturers are facing push back on price...lot of poker games going on"
- "Sounds like solar is probably going to take a hit because of political dynamics...opportunity that LNG more than offsets it"
- "Had terrific Q1, price goes up and people order ahead...through mid-April we're booming, but it will slow"
- "Think we are taking some orders for inventory that's not tied to market demand"
- Long-term views generally optimistic despite short-term friction
- "Haven't seen or heard about major price increases yet...five years ago, it felt like every other day there was a 10-20% increase out there"
- "People will switch out and adjust"

Source: Company Reports and Vertical Research Partners

Figure 4: Distributors Expecting Q225 Up ~5.3%



Source: Company Reports and Vertical Research Partners

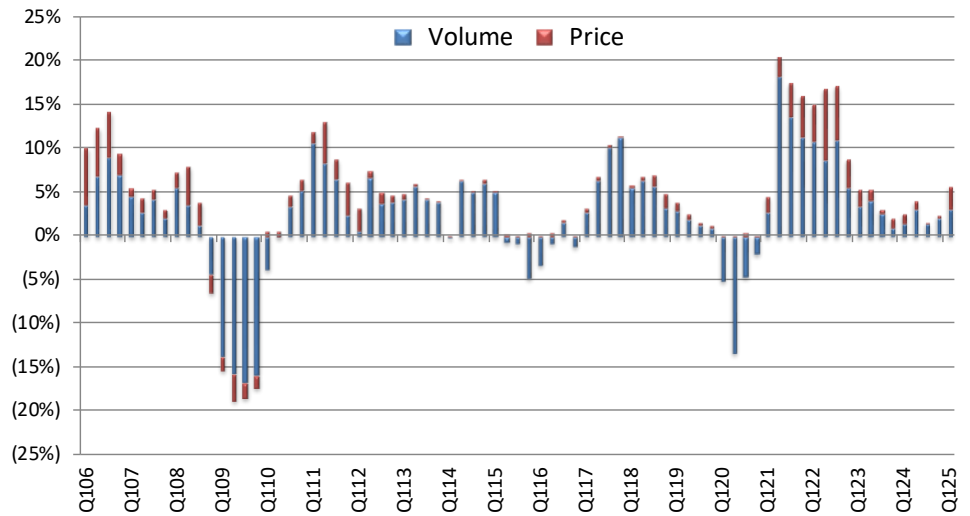
Q1 End-Market Review

The data center vertical continues to be a primary driver of activity, and is seen as least susceptible to tariff-related pauses or pushouts relative to commercial construction or other industrial end markets. On the energy front, it sounds like renewables (particularly solar) are being deemphasized in favor of LNG projects, though engineering talent is a key constraint. Skilled labor availability was also mentioned as a gating factor for Utility T&D work. Industrial activity remains generally subdued, with some particular indications of softness from ROK distributors in the Midwest. Food & Beverage was relatively soft. Residential construction is being driven by ongoing strength in multi-family housing (“outside of California and Illinois”). Institutional construction markets are generally solid, with strength in healthcare (hospitals, labs) and university spending offsetting a softer K-12 educational end market. Infrastructure investment is supporting strength in water markets. We would note that our polling methodologies of end markets can result in real-time sentiment (i.e. current month’s pulse), versus what actually occurred in the quarter and view these reads as more directional indicators of activity.

Low Voltage Electrical

Low Voltage Electrical sales grew 5.8% in Q1, with solid contributions from both price (2.6%) and volume (3.2%) The two-year stack accelerated to 8.5% from the ~4.5% range in H2 2024. Results came in broadly in line with the ingoing forecast from distributors for ~6% growth. Electrical has the strongest Q2 outlook among categories, expected up 6.7%. We continue to hear of robust data center activity, with distributors describing an almost universally robust demand environment despite the equity market gyrations.

Figure 5: Low Voltage Electrical Volume up 3.2%, Price up 2.6%

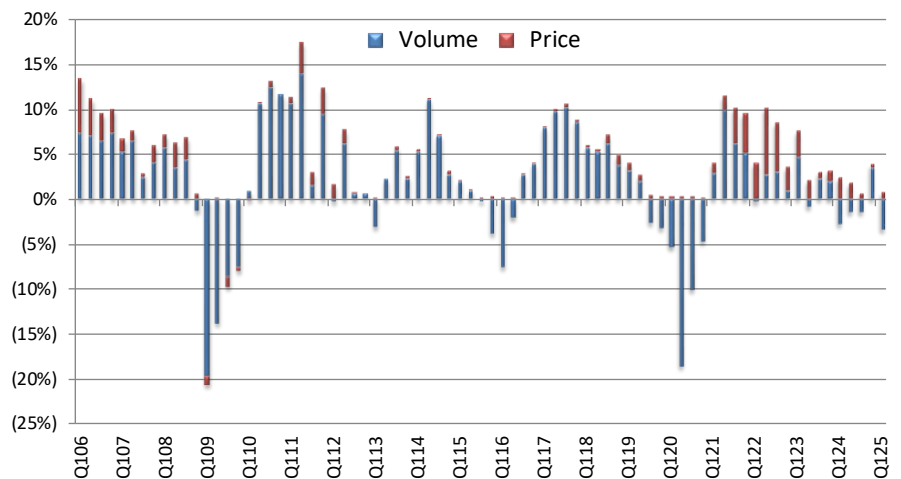


Source: Company Reports and Vertical Research Partners

Automation

Automation sales remain choppy, following up Q4 growth of 3.9% that was the strongest among product categories with a soft Q1 showing. Volumes declined 3.3% after 3.5% growth in Q4, while price picked up 40bps sequentially to 0.8%. Distributors had mainly attributed the Q4 strength to easier comps, with machine OEM demand in particular still broadly soft. Automation sales growth has been erratic and has generally lagged Electrical and Power since turning negative back in H219 when a general industrial recession seemed likely. The post-COVID recovery was initially limited by the supply chain crunch that disproportionately impacted automation given a relatively higher intensity of electronic components. Now the industry is managing through excess channel inventories and weak OEM machine builder demand ([link](#)).

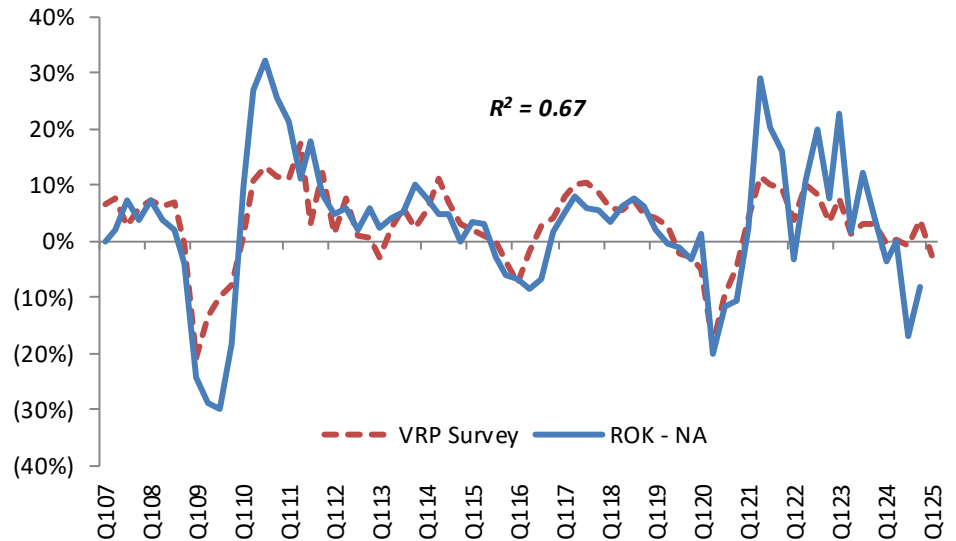
Figure 6: Automation Volume Down 3.3%, Price up 0.8%



Source: Company Reports and Vertical Research Partners

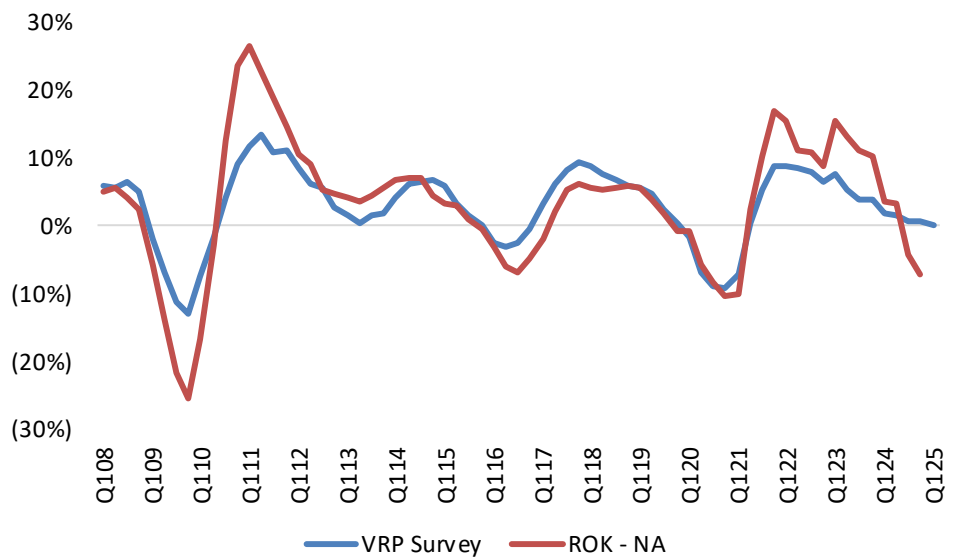
The historical correlation between our survey and ROK’s North American sales is high (the US & Canada represent ~60% of total ROK sales) and implies ROK NA should decline 4.6% in its FQ2. We have total core sales for ROK modeled down ~5.6%. Smoothing the quarterly volatility out with a four-quarter average shows ROK had been over-performing the survey results for the past several years, before reverting back and under-performing in the last four quarters. We suspect it may be another couple of quarters before the channel correction is completed and ROK re-synchronizes to our survey.

Figure 7: Survey Predicts ROK NA Sales Down ~4.6%



Source: Company Reports and Vertical Research Partners

Figure 8: ROK NA Organic Sales vs. VRP Survey (4Q Average)

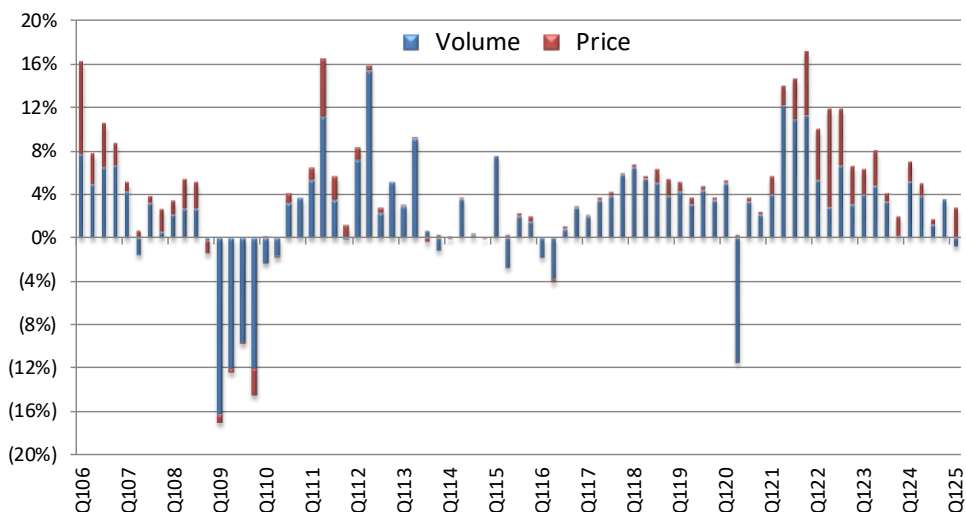


Source: Company Reports and Vertical Research Partners

Utility T&D

Utility T&D results remained solid in Q1, with sales up 1.9% against a 6.9% comp, driven by pricing gains. The two-year growth stack of 8.8% accelerated from the ~5.5% level seen in H2 2024. Aside from the decline in the peak COVID impact (Q220), distributors have reported growth in Utility T&D in every quarter since Q316. While Q125 did mark the first quarter of volume decline since 2016 (again excluding the COVID Q2), we view this as more of a natural slowdown after a period of record growth, and see continued support for our positive bias on the [US T&D outlook](#). Natural disasters (i.e. hurricanes and wild fires) and national security concerns have kicked off investment in grid modernization and hardening, a key priority of several major US utilities. Additionally, increased deployment of renewable energy capacity spurred by state policies is also driving demand for grid hardening. For Q1 we are modeling HUBB's Utility Solutions segment down 0.5% organically with a 1% volume decline partially offset by half a point of price.

Figure 9: Utility T&D Volume Down 0.9%, Price Up 2.8%

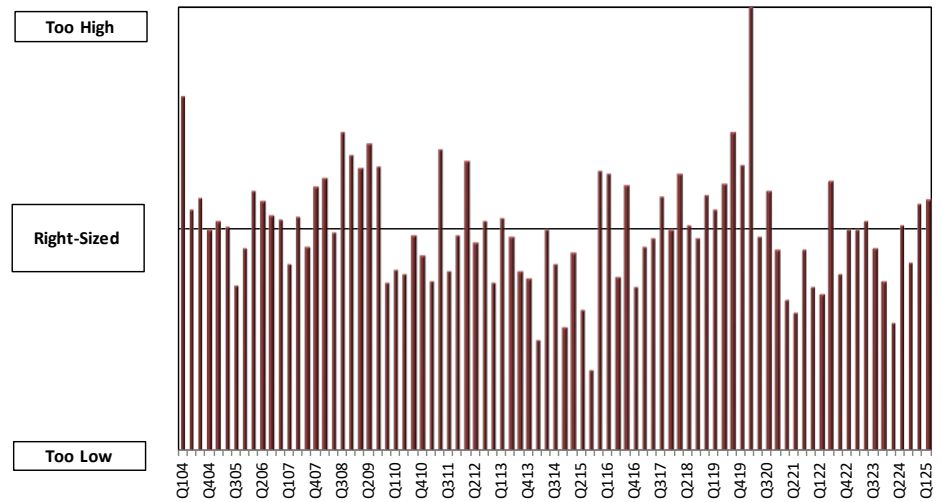


Source: Company Reports and Vertical Research Partners

Inventories

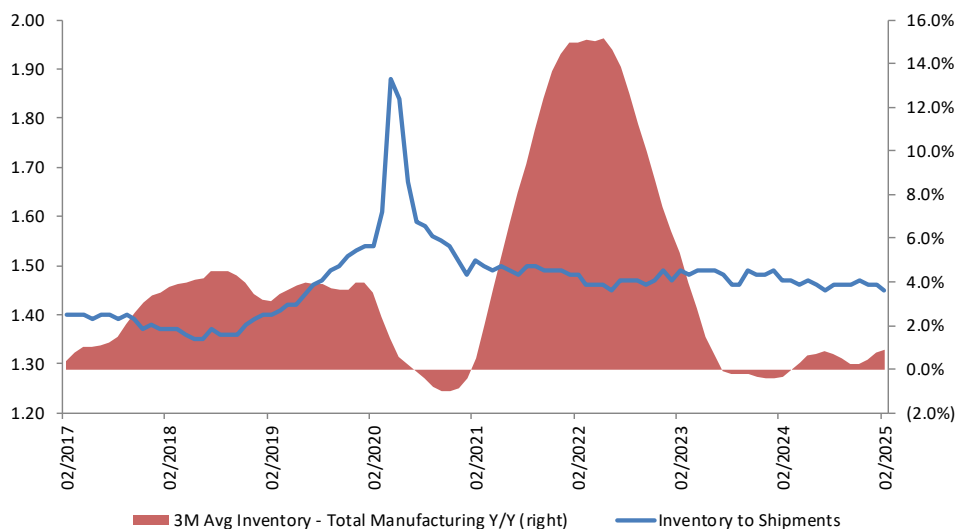
Our inventory index reading for Q1 showed branch level inventories relatively stable with Q4, and generally in the “right-sized” range. There remains some discussion around what distributors consider “normal” with some making the strategic decision to hold higher stocks to be able to compete on availability. Manufacturing inventory/sales ratios as reported by the US Census Bureau do appear to have established a higher “new normal” in the post-pandemic period. Inventories have seen some significant swings after a record level spike in Q120 as things came to a quick halt with the COVID outbreak. Inventories previously were trending higher for about a year, which may have been partially tied to tariff pre-buys.

Figure 10: Inventories Bouncing Around Normal Levels



Source: Company Reports and Vertical Research Partners

Figure 11: Manufacturing Inventory/Sales Through February 2025

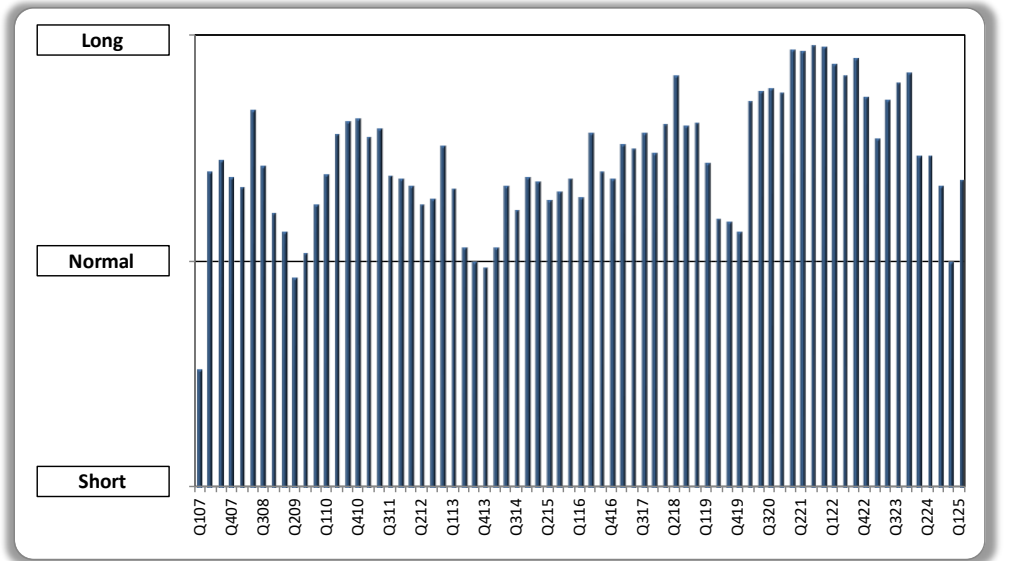


Source: Census Bureau

Lead Times

Lead times took a step back up in Q1 after normalizing in Q4. We note that the baseline for “normal” is undoubtedly influenced to some degree by post-COVID dynamics, similar to the inventory dynamic noted above. Switchgear continues to be the single biggest issue in terms of availability. Electrical fuses and other small circuitry components are believed to be contributing to the broader switchgear shortages, though absolute capacity constraints, large volume orders, and a generally increased demand pull (including a perceived crowding out from large data centers) are all contributing factors. We picked up on the emergence of a number of smaller switchgear players aimed at serving data centers exclusively, as the larger manufacturers, despite announced expansion plans, are apparently allocating blocks of their capacity to maintain their positions in other verticals (healthcare, wastewater, etc.).

Figure 12: Lead Times Take a Step Back Up in Q1

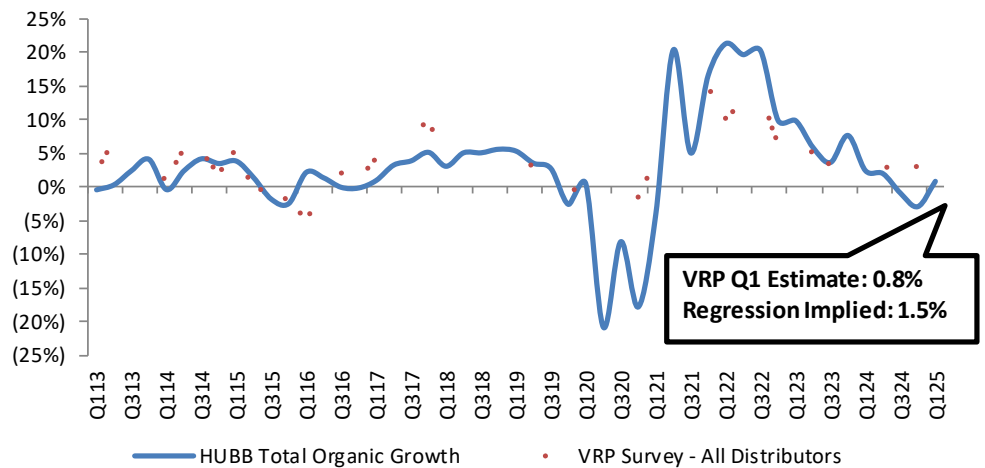


Source: Company Reports and Vertical Research Partners

HUBB, ETN, NVT versus VRP Survey Results

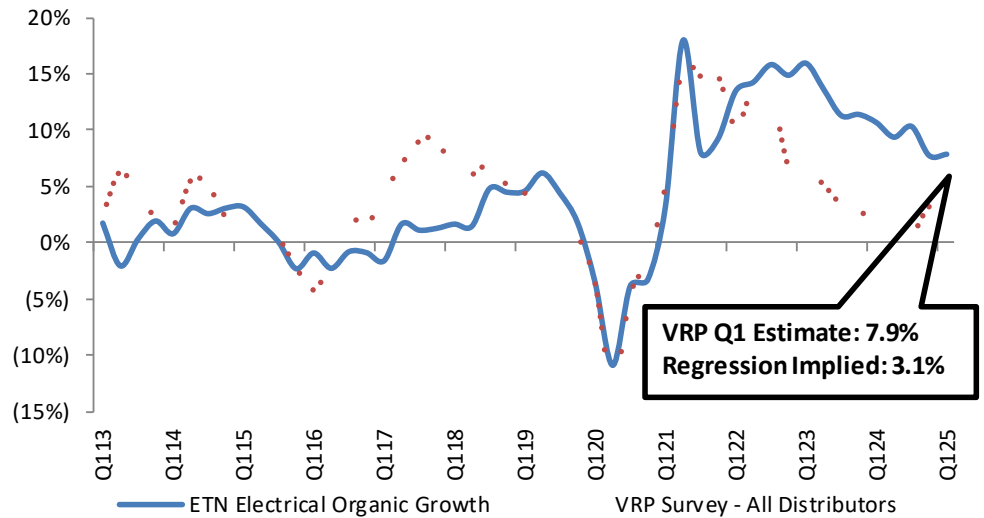
Our survey does not typically yield the very high mathematical correlations (R^2) on ETN, NVT and HUBB, like we see on ROK and WCC. However, the relationship between our survey results and company performance is visually clear. In addition, we see evidence that the survey often leads some elements of business for these companies. For example, there have been several quarters where our Power survey results actually lead directional turns in HUBB Power by a quarter or two. Mathematically, this reduces the R^2 because the data series are moving in different directions, but the signal from the survey is valuable.

Figure 13: Survey Regression Implies HUBB Organic Sales Up 1.5%



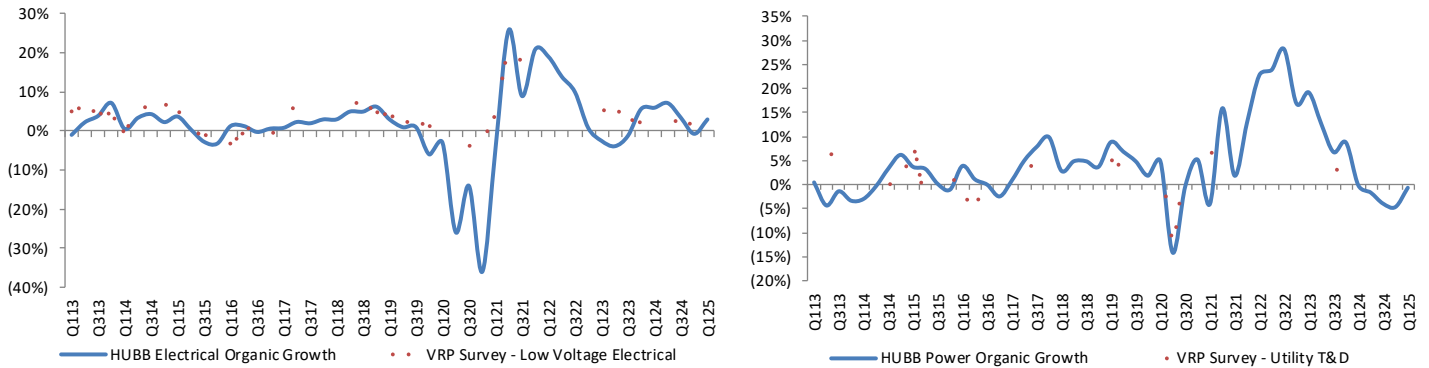
Source: Company Reports and Vertical Research Partners

Figure 14: Survey Regression Implies ETN Electrical Organic Sales Up 3.1%



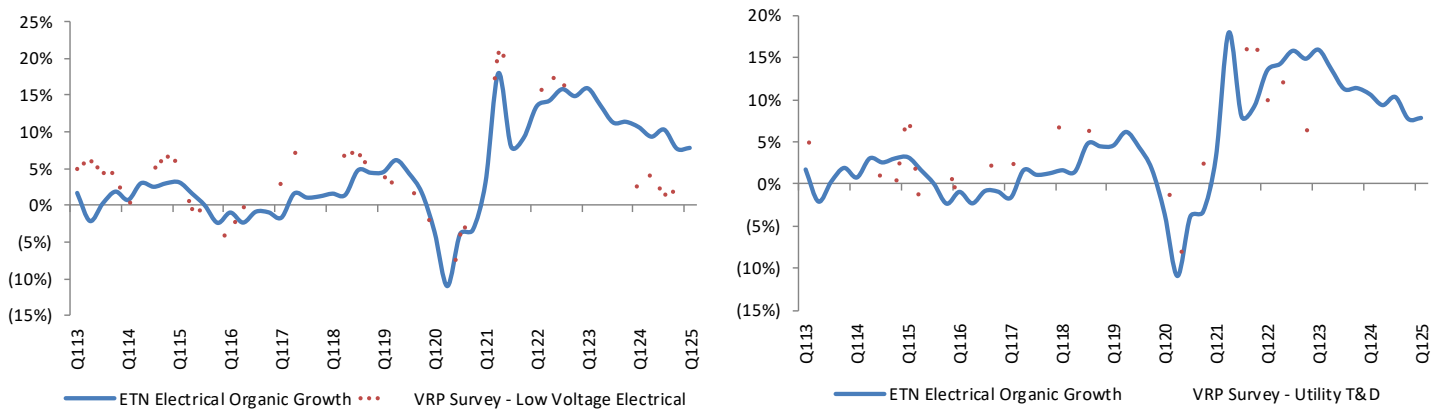
Source: Company Reports and Vertical Research Partners

Figure 15: HUBB Electrical/Power Organic Growth vs. VRP Distributor Survey (HUBB Q1 VRP Estimate)



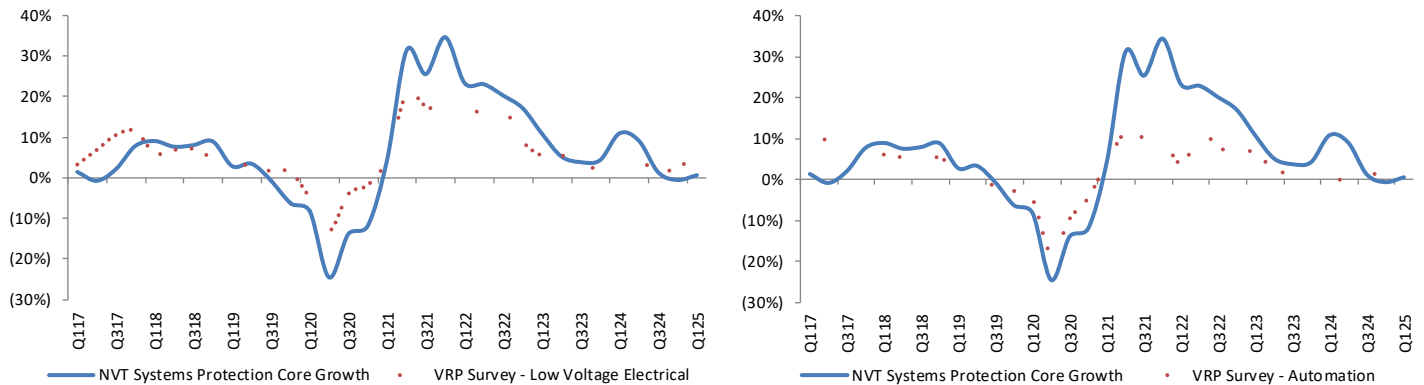
Source: Company Reports and Vertical Research Partners

Figure 16: ETN Electrical Organic Growth vs. VRP Distributor Survey (ETN Q1 VRP Estimate)



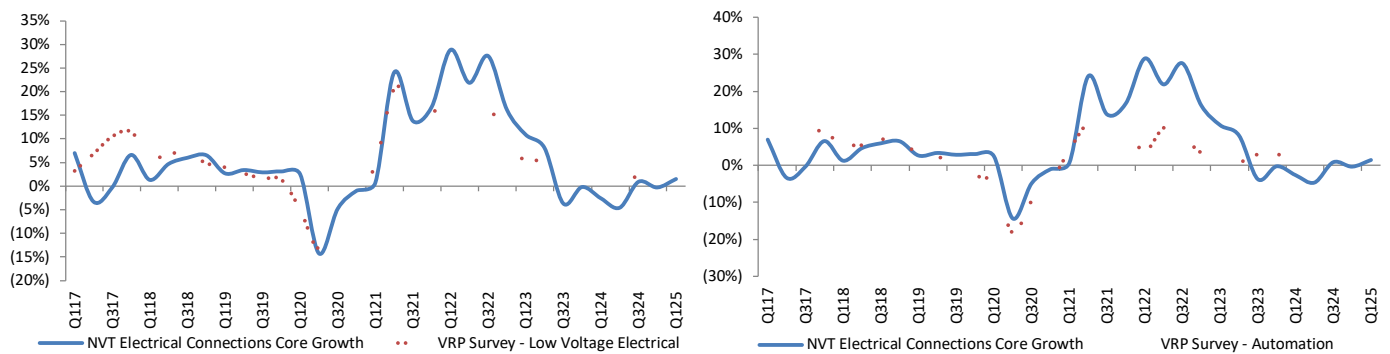
Source: Company Reports and Vertical Research Partners

Figure 17: NVT Systems Protection Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)



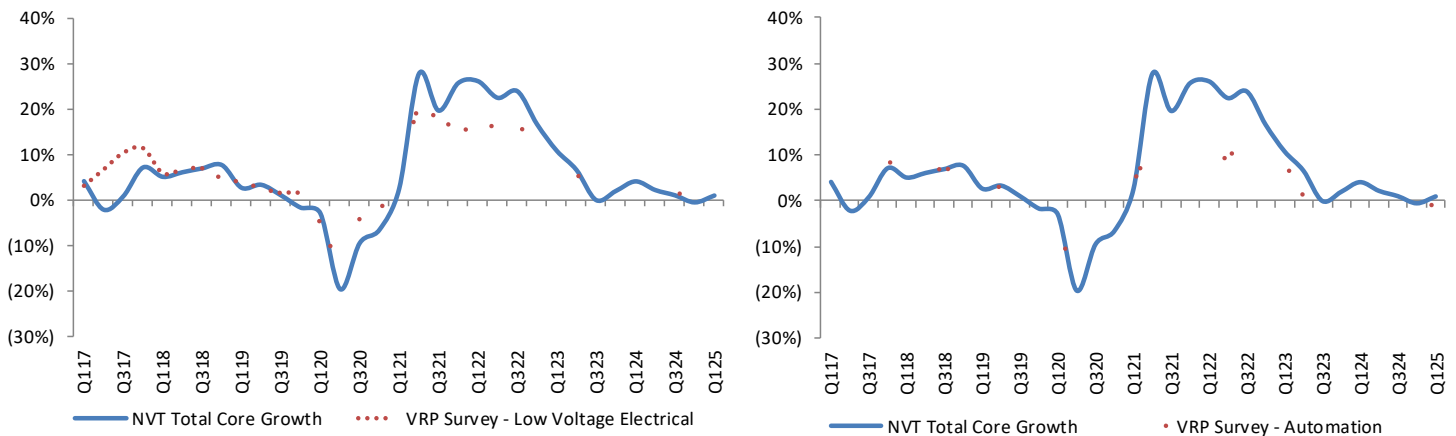
Source: Company Reports and Vertical Research Partners

Figure 18: NVT Electrical Connections Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)



Source: Company Reports and Vertical Research Partners

Figure 19: NVT Total Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)



Source: Company Reports and Vertical Research Partners

Public Distributor Growth Rates and Commentary

Our efforts to forecast sales growth for our coverage list have focused on the distribution channel, and our primary analytical technique has been our quarterly survey of individual branch and regional sales managers. In an attempt to better frame the surveyed growth estimates, we calculated the consensus growth rates for selected publicly traded distributors. The selected public distributors accounted for 2024 sales of more than \$62 billion. As a reasonability check, the implied growth rates for these companies should generally fall in line with our survey estimates. We would note that we would expect the benefit of price to reasonably be in-line with what our distributor contacts would report. However, we expect there to be divergences in volume – many of the public distributors listed below are much larger and continue to aggressively seek share gains from smaller private distributors thereby leading to volumes above what our survey would indicate. New store openings can also skew public company growth rates higher than our survey results might suggest.

The estimated equally-weighted average/median calendar Q125 revenue growth rate for the public distributor group is ~1.2% versus the same period last year, basically unchanged since our Q4 survey. Our survey shows volumes up 0.4% and price up 2.3% for total revenue up 2.7%. Note distributor consensus growth estimates include the benefit of any small scale branch acquisitions/closings during the year, but we are excluding significant transactions

Figure 20: Public Distributors Q125 Consensus Growth Rates

		Q124 Rev Reported	Q125 Rev Consensus Est	Q125 Rev Growth Est (y/y)
Watsco	WSO	\$1,565	\$1,656	5.8%
W.W. Grainger	GWW	\$4,235	\$4,313	1.8%
MSC Industrial Direct	MSM	\$935	\$892	(4.7%)
Wesco	WCC	\$5,350	\$5,263	(1.6%)
Fastenal	FAST	\$1,895	\$1,959	3.4%
Applied Industrial	AIT	\$1,146	\$1,171	2.2%
Equally Weighted Average		\$2,521	\$2,543	1.2%
Equally Weighted Median		\$1,730	\$1,808	2.0%

Source: FactSet

Note: FAST reflects Q1 actual

The estimated equally-weighted average/median calendar Q225 growth rate for the public distributor group is 4.6% with a median of 5.2%. Our survey respondents anticipate overall organic revenue to be up 5.3% next quarter on average.

Figure 21: Public Distributors Q225 Consensus Growth Rates

		Q224 Rev Reported	Q225 Rev Consensus Est	Q225 Rev Growth Est (y/y)
Watsco	WSO	\$2,139	\$2,284	6.8%
W.W. Grainger	GWW	\$4,312	\$4,517	4.8%
MSC Industrial Direct	MSM	\$979	\$970	(0.9%)
Wesco	WCC	\$5,480	\$5,643	3.0%
Fastenal	FAST	\$1,916	\$2,079	8.5%
Applied Industrial	AIT	\$1,161	\$1,226	5.7%
Equally Weighted Average		\$2,665	\$2,787	4.6%
Equally Weighted Median		\$2,028	\$2,182	5.2%

Source: FactSet

The consensus equally-weighted average 2025 growth rate for the public distributor group is 4.2% on average (median 4.4%), essentially unchanged from last quarter. The distributor consensus growth estimates include the benefit of any revenue related to small branch acquisitions/closures during the year.

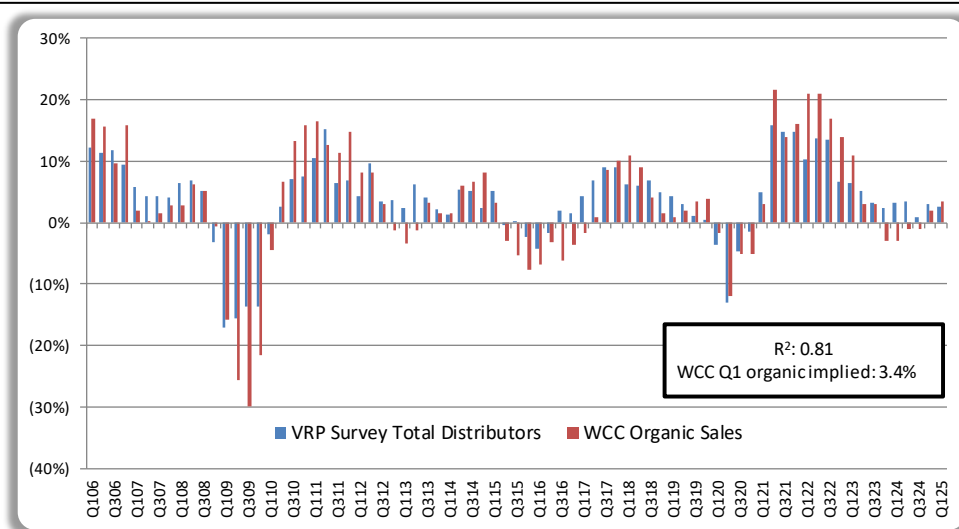
Public Distributors 2025 Consensus Growth Rates

		2024 Rev Reported	2025 Rev Consensus Est	2025 Rev Growth Est (y/y)
Watsco	WSO	\$7,618	\$8,079	6.0%
W.W. Grainger	GWW	\$17,168	\$17,969	4.7%
MSC Industrial Direct	MSM	\$3,797	\$3,785	(0.3%)
Wesco	WCC	\$21,819	\$22,358	2.5%
Fastenal	FAST	\$7,546	\$8,133	7.8%
Applied Industrial	AIT	\$4,529	\$4,725	4.3%
Equally Weighted Average		\$10,413	\$10,841	4.2%
Equally Weighted Median		\$7,582	\$8,106	4.5%

Source: FactSet

Our survey results have an R² of ~0.81 with WESCO's organic growth. WCC reports Q1 results on May 1st. Our survey suggests total WCC organic sales up 3.4% based on historical correlations.

Figure 22: VRP Survey Predicts WCC Q1 Organic Sales Up 3.4%



Source: FactSet

Disclosures

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