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Westinghouse Air Brake Technologies Corp. (WAB)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Wabtec's Fourth Quarter 2024 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Kyra Yates, Vice President of Investor Relations. Please go ahead.

Kyra Yates

Vice President-Investor Relations, Westinghouse Air Brake Technologies Corp.

Thank you, operator. Good morning, everyone, and welcome to Wabtec's fourth quarter 2024 earnings call. With us today are President and CEO, Rafael Santana; CFO, John Olin; and Senior Vice President of Finance, John Mastalerz.

Today's slide presentation, along with our earnings release and financial disclosures, were posted to our website earlier today and can be accessed on the Investor Relations tab. Some statements we are making are forward-looking and based on our best view of the world and our business today. For more detailed risks, uncertainties and assumptions relating to our forward-looking statements, please see the disclosures in our earnings release and presentation.

We will also discuss non-GAAP financial metrics and encourage you to read our disclosures and reconciliation tables carefully as you consider these metrics.

I will now turn the call over to Rafael.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Thanks, Kyra, and good morning, everyone. Before John and I get into the details of the fourth quarter, I'd like to share some thoughts on the best year this year and the next five years. Overall, the Wabtec team has delivered another very strong year. We saw top line growth of 7%, operating margin expansion of 190 basis points, cash conversion of 117% and adjusted EPS growth of 28%. The team continue to lay a solid foundation for us to build on as we look to realize the full potential of our company.

Looking ahead, I'm excited by the underlying momentum of our business and the team's unrelenting focus on driving continuous improvement and delivering for our customers. I believe Wabtec's well positioned to drive continued profitable growth ahead. To that end, our 2025 financial guidance includes mid-single digit revenue growth and margin expansion, which would deliver our fifth consecutive year of double-digit EPS growth.

Finally, we are currently three years into our five-year long-term guidance that was issued in early 2022. I'm pleased to report that we have largely achieved our five-year goals in just three years. Consequently, we are announcing our new five-year long-term guidance and we have even more opportunities to drive value today than we did three years ago. These opportunities are evidenced by the launch of Integration 3.0 and our continuing efforts to optimize our portfolio, which will support over 350 basis points of margin improvement over the next five years.

Our financial position remains strong. We continue to execute against our capital allocation framework to maximize shareholder value by investing for future growth and returning value to our shareholders. And as a result of our performance in 2024 and our confidence in the future, our Board of Directors has increased our dividend by 25% and has authorized another \$1 billion for share repurchases, which we announced in December.

Let's move to slide 5 to discuss our Q4 results. I'll start with an update on our business, my perspectives on the quarter and progress against our long-term value creation framework, and then John will cover the financials.

We delivered a strong fourth quarter. Sales were \$2.6 billion, which was up over 2%, and adjusted EPS was up 9% from the year ago quarter. Total cash flow from operations for the quarter was \$723 million, representing a strong cash conversion of 212%. The 12-month backlog was \$7.7 billion, signifying continued momentum and visibility across the businesses.

Shifting our focus to slide 6, let's talk about our 2025 and market expectations in more detail. While key metrics across our Freight business remain mixed, we are encouraged by the strength of our business, international market activity and our current pipeline of opportunities across geographies.

North American carloads continued to be up for the quarter. Despite this carload growth, the industry's and Wabtec's active locomotive fleet were largely flat when compared to the last year's fourth quarter.

Looking at the North American railcar builds, demand for new railcars was down compared to 2023 and landed at approximately 42,000 cars for 2024. The industry outlook for 2025 is to be down nearly 17%.

Internationally, activity is strong across core markets such as Latin America, Africa, Asia and CIS. Significant investments to expand and upgrade infrastructure are supporting a robust international locomotive orders pipeline. In mining, commodity prices and an aging fleet continue to support activity to refresh and upgrade the truck fleet.

Finally, moving to the Transit sector, we continue to see underlying indicators for growth. Ridership levels are increasing in key geographies, along with fleet expansion and renewals.

Next, let's turn to slide 7 to discuss a few business highlights. This quarter, we converted over \$1 billion of pipeline in new locomotive and modernizations orders. With that context, in North America, we secured \$355 million in mods within the quarter, including the first mods order with Ferromex. These orders demonstrate the need for our Class 1 customers to continue to invest in their fleets over time.

Fourth quarter was also a strong quarter for international orders. We won orders for new locomotives totaling \$649 million with several customers. These locomotives will help support the mining and agricultural growth in various international markets.

In this context, we would like to highlight Africa, where we continue to capture significant growth opportunities in that region. We won another order to support the Simandou project, which is the largest mining project ever undertaken in the region. This project will be worth over \$1 billion when you combine the equipment and services opportunities. These international wins demonstrate continued demand for best-in-class solutions that drive productivity, reliability and durability for our customers.

Moving to our digital intelligence business, we signed significant orders with Class 1 customers for advanced automation train handling solutions. And finally, we won signaling contracts for over \$100 million with our North

America Transit customers. This is our digital's groups strongest year for orders totaling approximately \$1 billion. All of this demonstrates the underlying strength across our businesses, the team's relentless focus on execution and the strong pipeline of opportunities, which we continue to execute on.

Moving to slide 8. Before turning it over to John, I want to briefly discuss our ability to deliver strong and sustainable results. Over the last five years, Wabtec has demonstrated a solid track record of managing through challenging markets, geopolitical issues, hyperinflation and other significant disruptions. We believe our dedicated management team, favorable end markets and our leading technologies and solutions will enable us to remain resilient and more profitable.

Our 12-month backlog of \$7.7 billion provides visibility and support for growth. The 12-month backlog has consistently grown over the past four years despite a weaker North American rail market and a volatile macro economy. This is, in part, due to the high level of recurring revenues that our products command in the marketplace.

Our track record of strong operating margin expansion across the business is evidence of our ability to deliver productivity, manage costs and price for value we deliver. And finally, we have also demonstrated our ability to consistently generate strong cash flows, with cash conversion averaging 98% over the last five years. We expect that our execution, combined with the strength of our business, leading products and technologies, will result in Wabtec being resilient through economic cycles, delivering profitable growth and driving superior shareholder returns.

With that, I'll turn the call over to John to review the quarter, segment results and our overall financial performance. John?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

Thanks, Rafael, and hello, everyone. Turning to slide 9, I'll review our fourth quarter results in more detail. Sales for the fourth quarter were \$2.58 billion, which reflects a 2.3% increase versus the prior year. Sales growth in the quarter was driven by the Transit segment. Excluding the impact of currency, sales were up nearly 3%.

For the quarter, GAAP operating income was \$334 million. The increase was driven by higher sales and improved gross margin, as we focus on continuous improvement and productivity. Adjusted operating margin for Q4 was 16.9%, which was largely flat to prior year. GAAP earnings per diluted share was \$1.23, which was up 2.5% versus the year ago quarter.

During the quarter, we had net pre-tax charges of \$32 million for restructuring, which were primarily related to our Integration 2.0 and portfolio optimization initiatives to further integrate and streamline Wabtec's operations. In the quarter, adjusted earnings per diluted share was \$1.68, up 9.1% versus the prior year. Overall, Wabtec delivered another solid quarter, demonstrating the underlying strength of the business.

Turning to slide 10, let's review our product lines in more detail. Fourth quarter consolidated sales were up 2.3%. Our services sales were down 15.9% as expected and as we discussed in our third quarter call. This was driven by the timing of modernizations and overhauls and was the reverse of the growth that we saw in the third quarter for our services business. For the full year, services had revenue growth of 3.6%.

Equipment sales were up 41.8% from last year's fourth quarter. This increase was expected and was also the reverse of what we saw in the third quarter. For the year, equipment sales were up a very strong 17.5%.

Components sales were up 4.8% versus last year due to a higher international freight car sales and industrial products growth, which was partially offset by the lower North American railcar build.

Digital intelligence sales were down 1.4% from last year. This was driven by a softness in North America, which was partially offset by our international sales of PTC, next-generation onboard products and digital mining products. In our Transit segment, sales were up 7.1%.

Moving to slide 11, GAAP gross margin was 30.9%, which was up 0.6 percentage points from fourth quarter last year. Adjusted gross margin was up 0.8 percentage points during the quarter. Our team continues to execute well by driving operational productivity and lean initiatives.

Turning to slide 12. For the fourth quarter, GAAP operating margin was 12.9%, which was up 0.7 percentage points versus last year. Adjusted operating margin was largely flat year-over-year at 16.9%. GAAP and adjusted SG&A expenses were up versus the prior year. Engineering expense was \$51 million, \$10 million lower than Q4 last year.

Now, let's take a look at the segment results on slide 13, starting with the Freight segment. As I already discussed, Freight segment sales were largely flat during the quarter. The fourth quarter sales were impacted by a shift of our locomotive and mod production to the first half in an effort to level-load our quarterly production.

GAAP segment operating income was \$273 million, driving an operating margin of 15.2%, up 1.6 percentage points versus last year. GAAP operating income included \$9 million of restructuring costs, primarily related to our Integration 2.0 and portfolio optimization initiatives.

Adjusted operating income for the Freight segment was \$348 million, up 0.9% versus the prior year. Adjusted operating margin in the Freight segment was 19.4%, up 0.1 percentage points from prior year. The increase was driven by improved gross margin, even despite significant mix headwinds and largely offset by a similar increase in our operating expenses expressed as a percentage of revenue.

Finally, segment 12-month backlog was \$5.58 billion. Our 12-month backlog was up 5.4% on a constant currency basis, while multiyear backlog of \$18 billion was up 3.2%.

Turning to slide 14. Transit segment sales were up 7.1% at \$789 million. When adjusting for foreign currency, Transit sales were up 7.5%. GAAP operating income was \$103 million. Restructuring costs related to Integration 2.0 and portfolio optimization were \$21 million in Q4. Adjusted segment operating income was \$130 million. Adjusted operating income as a percent of revenue was 16.4%, up 1.5 percentage points.

During the quarter, adjusted gross margin was up behind favorable mix and Integration 2.0 savings. Gross margins were partially offset by operating expenses being higher as a percentage of revenue.

Finally, Transit segment 12-month backlog for the quarter was \$2.1 billion. Our 12-month backlog was up 5.6% on a constant currency basis, while the multiyear backlog was up 5.0%.

Now, let's turn to our financial position on slide 15. Fourth quarter cash flow generation was very strong at \$723 million, resulting in total year cash from operations of \$1.83 billion, an increase of 52.7%. During the year, cash flow benefited from significantly higher net income, improved working capital and the receipt of a tax refund.

Our balance sheet and financial position continue to be very strong, as evidenced by: first, our liquidity position, which ended the quarter at \$2.21 billion; and our net debt leverage ratio, which ended the fourth quarter at 1.5 times. The increase of our year-end cash and the reduction in our year-end leverage ratio was in anticipation of funding the acquisition of Evident's Inspection Technologies division that we announced on January 13, which is expected to close in the first half of the year.

During the year, we repurchased nearly \$1.1 billion of our shares and paid \$140 million in dividends. As a result of our performance in 2024 and our confidence in the future, our Board of Directors approved a 25% increase in the quarterly dividend, and in early December, increased our existing share repurchase authorization by \$1 billion. We continue to allocate capital in a disciplined way to maximize returns of our shareholders.

Moving to slide 16, I would like to touch on the progress we made against our Integration 2.0 and portfolio optimization initiatives. With regards to Integration 2.0, recall that this was a restructuring program that anticipated one-time expenses of between \$135 million to \$165 million. That would yield an incremental \$75 million to \$90 million of run rate cost savings by the end of 2025.

With the program to-date restructuring expenses of \$146 million, we achieved \$87 million of run rate savings as we exited 2024 and we now expect \$97 million of run rate savings as we exit 2025 at an estimated cost of \$161 million.

Regarding our portfolio optimization initiative, we have executed against all planned dispositions of the non-strategic product lines that were identified to help improve our focus and profitability while reducing manufacturing complexity. Under the program, we have incurred \$56 million of expenses versus an expected \$85 million.

Overall, we could not be happier with the progress our team has made against our Integration 2.0 and portfolio optimization goals. It helped position Wabtec to realize the multiyear margin expansion that Rafael mentioned earlier.

Now moving to slide 17 to quickly recap the year. Overall, the team delivered a great year for all our stakeholders. We drove revenue growth of 7.3%, expanded our operating margins by 1.9 percentage points, generated robust cash flow and grew adjusted EPS by 27.7%. The resiliency of the business and strong execution provides us with a solid foundation for profitable growth as we enter 2025.

With that, I'd like to turn the call back over to Rafael.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Thanks, John. Now, let's turn to slide 18 to discuss our 2025 outlook and guidance. We believe that the underlying customer demand for our products and solutions continues across the business. Our international pipeline remains strong, and our 12-month and multiyear backlogs provide visibility for profitable growth ahead. The team is committed to driving top line growth and margin expansion in 2025.

With these factors in mind, we expect 2025 sales of between \$10.7 billion to \$11 billion, which is up 5% at the midpoint from last year, and adjusted EPS to be between \$8.35 and \$8.75, up 13% at the midpoint. We also expect cash flow conversion to be greater than 90%, despite delivering 117% cash conversion in the prior year.

I'm confident that Wabtec is well positioned to drive profitable growth and maximize shareholder returns in 2025 and beyond. And because of our confidence in the future, I'd like to take the opportunity to update our long-term guidance.

Moving to slide 20, let's discuss our new five-year plan in more details. Over the last three years, we executed our previous five-year plan ahead of expectations. We generated strong cash flows and applied that cash towards maximizing shareholder returns. We strengthened the balance sheet and invested in the business for future growth.

Looking forward, our priorities and our value creation framework remain unchanged. As we look forward, our team will continue to leverage our leadership position. We expect to grow our business faster than the industry and to deliver mid-single digit organic top line growth. We are committed to driving over 350 basis points of margin expansion, and we expect to achieve double-digit EPS growth over that period.

Finally, we also expect to generate strong cash flow that will average greater than 90% cash conversion through 2029.

Now, let's move to page 21. Let's spend a minute to discuss what we expect to achieve in terms of organic revenue growth and incremental margin expansion over the next five years. Starting with revenue growth, we expect our revenue to grow at an average annual growth rate of mid-single digits.

We see three drivers to reach this mid-single digit growth. First is the underlying industry's organic growth rate in the low single digits. Second, North America has one of the oldest fleets in the world. This, combined with growing international opportunities, will drive locomotive and modernization sales over the next five years.

Finally, the innovation that we provide to our customers enhances life cycle value by driving improved efficiencies and ultimately, delivering an attractive return for their investment.

Next, let's talk about margin expansion. As mentioned earlier, we see even more cost opportunities in the next five years than we did three years ago. Through our strong focus on simplification and continuous improvement, combined with capital investments in high-return projects and pricing for value, we expect to drive margin improvement of greater than 350 basis points over the next five years.

Moving to page 22, I'd like to discuss our new Integration 3.0 and portfolio optimization initiatives as the enablers to the greater than 350 basis points margin expansion. As we have discussed, Integration 2.0 was a success and we have momentum as we move into our Integration 3.0 initiative. The details of this effort are seen on this page and will focus on simplifying, streamlining and consolidating our operations. To achieve these goals, we will take what we learned from our first program and leverage our strong execution and continuous improvement mindset to deliver on a goal of between \$100 million to \$125 million of additional run rate savings by 2028.

We're also announcing today our second phase of portfolio optimization. We will continue to prune product lines that are not a strategic fit. By exiting those product lines, we will improve our focus and profitability while reducing manufacturing complexity. Sales from these product lines totaled about \$100 million of sales in 2024 and represented a lower than average margin profile.

Now, let's wrap on slide 23. As you heard today, our team continues to deliver on our value creation framework, thanks, in large part, to our resilient installed base, world-class team, innovative technologies and our continued focus on our customers. With solid underlying demand for our products and technologies and rigorous focus on

continuous improvement and cost management, we feel strong about the company's future, thereby maximizing our shareholders' returns.

With that, I'd like to thank our team for their great work this year and their continued commitment to drive top quartile returns. I'll now turn the call over to Kyra to begin the Q&A portion of our discussion. Kyra?

Kyra Yates

Vice President-Investor Relations, Westinghouse Air Brake Technologies Corp.

Thank you, Rafael. We will now move on to questions. But before we do and out of consideration for others on the call, I ask that you limit yourself to one question and one follow-up question. If you have additional questions, please rejoin the queue. Operator, we are now ready for our first question.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and answer-session. [Operator Instructions] The first question today comes from Rob Wertheimer with Melius Research. Please go ahead.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Hi. Thanks. I actually wanted to start one out with a strategic question on your long-term framework. Just for clarity, you have 350 bps now. I think it was 275 bps at the midpoint on the last framework, and the base [ph] year (00:28:09) is updated, right, from 2022 to 2025. So you sort of stack the margin improvements from that period along with the 350 bps versus the 275 bps. That's the one question.

And then more strategically, you look at that walk on slide 21, and you have 80 bps, 85 bps of margin expansion from revenue growth. I guess that's where pricing is embedded. I'm not sure if that's all pricing. And so, how are you thinking about your pricing power strategically? Do you feel like that's fully embedded in the guide? Do you have room to flex? I'm just curious about how you think about pricing. Thank you.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Thanks, Rob. Good morning. Let me start and then I'll pass it on to John here. But I'll start with, fundamentals of the business are strong. We've finished 2024 with every single one of our businesses driving profitable growth. Orders in 2024 were 20% higher than 2023, and we have strong coverage going into 2025.

The quality of our backlog has continued to improve. I'd say there's a sense we can drive further simplification, cost-out across the business. The momentum is there. And this will drive another cycle of profitable growth for Wabtec. I think we've got a portfolio that's well positioned to provide customers a significant payback. We're seeing fleets are old.

So we have here a significant opportunity to continue to price for the value that we deliver out there, and we continue to expand that visibility in terms of coverage. The coverage for this year is aligned with the coverage we've had for the previous three years. And as we provide this guidance, we see us starting some of that really margin expansion stronger ahead here of the first year. John?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

All right. Rob, let's talk about margins and the long-term plan. So you're absolutely right. When we look at the first five-year plan that we kind of truncated at three years, we were expecting a midpoint of 275 basis points. We overachieved that in a three-year period of time versus the five. And now, we're looking to deliver another 300 basis points – more than 350 basis points for the next five years, and that's using 2024 as the base, Rob.

I think the biggest point here is to point out that we see more opportunity today than we did three years ago in terms of our ability to grow margins. We've got a lot of experience with it and we see more of that opportunity now that we've been through the last three years. So we feel real good about that.

Rob, you asked a little bit about how we're going to deliver the 350 basis points. You started out with on the pricing, but I'd like to go back and talk a little bit about the cost side, is when we look at it, the way we're going to do it is similar to the way that we did the first 300 basis points over the last three years, is about two-thirds of it is going to be driven by our focus on cost management. And that comes in several flavors.

One you're very well aware of, and that's Integration what will now be 3.0 as well as continuous improvement and our further propagation of lean throughout the organization. And then, finally, we get the absorption benefit, and we also expect SG&A to grow at a slower rate over that period of time than our revenue.

So that leaves the other third. And I would say, Rob, that the other third is really driven by innovation and our ability to continue to innovate and bring products out to the – to our customers that will drive value for them and a return on investment that they're looking for. And with that, it allows us to drive increased value, and what we would call, Rob, is pricing for value.

The other part of pricing is really cost recovery from inflation. And as we've talked about, a lot of that is automatically built into price escalators that we have across over 60% of our revenue. So, again, we feel real good about where we're at today, what we see today versus what we saw three years ago and our ability to drive over that 350 basis points in the next several years.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Okay. Thanks. I'll let somebody else. Thanks.

Operator: The next question comes from Angel Castillo with Morgan Stanley. Please go ahead.

Angel O. Castillo

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning and thanks for taking the question. I wanted to just maybe go back to – when you think about the kind of margin opportunity, maybe focus more so on the plus side, what kind of leverage do you see or buckets to kind of drive incremental upside? I know it's early. You just announced the \$100 million to \$125 million. But just to the extent that you see incremental opportunity, as you noted, to drive more margin expansion, can you just kind of lay out those buckets for us?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Angel, let me just start with the strong pipeline of opportunities we have, which really provides not just strong coverage in 2025, but we're really strengthening the visibility beyond that. As you saw, I mean, in the fourth quarter alone, we've got over \$1 billion of orders for new locomotives and modernizations. So that demand continues.

International growth, it's really a very strong market for us. We are winning. We're winning in Africa, we're winning in Kazakhstan, in Brazil and Chile and Australia, and we're continuing to drive momentum. A lot of that growth, especially in international, strengthens the visibility here into 2026, 2027 and moving forward.

In North America, we continue to see demand on the new locomotives and mods. Our customers continue to invest for improved costs. North America is sitting one of the oldest fleets for relevant markets we serve and they need to invest here for continued reliability and reducing cost is there.

I think the other piece is the quality of the backlog. It's stronger. I think really the margin rates in the overall business will benefit from that. On the top of that, you add the fact that, I mean, we've really been keen on driving lean efforts, cost actions driven by simplification. John spoke about, like, really renewed and stronger sense of cost-out opportunities. And with Integration 3.0 and portfolio optimization, I think this will drive another cycle of significant profitable growth for Wabtec.

So with that, we'll continue to see variation on quarters, but we see strong progress and momentum continues.

Angel O. Castillo

Analyst, Morgan Stanley & Co. LLC

Q

That's very helpful. And maybe just to clarify on the strong North America locomotive demand. Are you seeing any step change in terms of the activity or desire to kind of replace equipment there? And the 1% to 2%, is that – the renewal, is that just basically a continuation of what you've seen in the last couple of years, or do you anticipate it returning to kind of historical levels of replacement?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Let me be just very specific there. If you look at the mods and new locomotives combined, that's still growing at high single digits as we go into 2025. I think what it changes there is really some customers that are investing now and investing for new, but that's not a change from going from mods to new. It's really an element of when customers buy and the volumes there in that context, so the combination of both for North America continue to grow in the high single digits.

In terms of as I look forward, we're continuing to invest in technology. As John described, what he saw in terms of the modernization of the FDL Advantage of locomotives, you're going to see a bigger and better value proposition going to the EVO platform, which you're going to get like up to 7% of fuel efficiency. So we see that as an opportunity to actually continue to build momentum there.

Angel O. Castillo

Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thank you.

Operator: The next question comes from Saree Boroditsky with Jefferies. Please go ahead.

Saree Boroditsky

Analyst, Jefferies LLC

Q

Hi. Thanks for taking the question. Maybe just kind of turning a little bit to digital. Your outlook contemplates for 2025 slower demand in North America. Maybe just what the feedback has been on digital and why the North America has been softer here, and what can drive this market for long-term growth?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Yeah. Well, first, I think strong close for our business, as I think about how we've really been turning that around with a softer North America market, but I think we've continued to talk about stronger international demand. The business closed the year with \$1 billion in orders. That's one of the strongest in the last five years. And we see higher demand for onboard locomotive products, digital mining technologies despite of this softer demand in North America.

And we continue to see a pipeline here with higher demand from international. And that's both PTC, the onboard locomotive products. And when you think about it, the softer demand in the US is really the discretionary element of OpEx and some of the impact we've had from the commuter signaling business.

I think recurring revenues and short-term [ph] comparability (00:37:36) continue to be here a focus area. But this business has really grown profitably last year and it's off to growing profitably again in 2025. So positive dynamics there. International really leading the growth here.

Saree Boroditsky

Analyst, Jefferies LLC

Q

And maybe just a little bit on Freight margin. You have been guiding them weaker in the fourth quarter. So, I guess, it's not that surprising, but it does follow really strong results in the first nine months of the year. Can you just talk about how to think about the step up in Freight margins into the first quarter and full year 2025? And how do you think about mix, given the expectation for higher new locomotive shipments and lower mods?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Hey, Saree, this is John. Saree, I'm glad you pointed out. Yeah. We've certainly been kind of following along in the cadence of the year that we expected, and that had a fair amount of the profitability in the first half of 2024. And so as we get through the fourth quarter, it's exactly what we expected. But, Saree, I would also encourage everyone to divorce kind of the financial growth from the underlying momentum. The underlying momentum as we exit the fourth quarter is very strong.

And with that, it gets back to your question with regards to kind of where does margins go from here. We finished this quarter at, what, 16.9%. We would expect that to pop back up. Remember, why the margin is down this quarter? Again, it goes back to that cadence, is we pulled forward a fair amount of mix with our production schedule into the third quarter and – into the third quarter and out of the fourth quarter.

So we saw that sequential decline in the third to the fourth – from the third to the fourth quarter, which we expected. And we would expect that to pop back into the first quarter of next year.

Saree Boroditsky

Analyst, Jefferies LLC

Q

Thanks for taking the questions.

Operator: The next question comes from Ken Hoexter with Bank of America. Please go ahead.

Ken Hoexter

Analyst, BofA Securities

Q

Hey. Great. Good morning. So I want to talk about the 2025 outlook, not the five-year, which I think you've delved into a bunch, but maybe the upside/downside, given the range that you've talked about and given the 12-month backlog at, I think you said just over \$7.5 billion, which is now about, I guess, 70% of midpoint of your revenue range. Maybe talk a little about those – the upside/downside of that?

And then just on the last question, maybe the move to smooth out your base through the year? You just gave kind of 4Q, 1Q thought. Should we see a more level throughout the year or do you still have kind of anticipated dips in any given quarter based on that mix flow? Thanks.

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Hi, Ken. This is John. Let's start with the cadence of our earnings next year, and I'm glad you pointed that out, is we spent a lot of time and energy in 2024 kind of level loading our factories more for on, in particular, mods and locos. And we did a great job and the operations team did a fantastic job.

So what does that mean going forward? As we look at the cadence of revenue, kind of first half, second half of 2025, we would expect that growth to be very equal or balanced between the first halves. We're always going to have variation, but we would expect a very balanced level of revenue growth.

When we look at earnings, earnings is going to – first half is going to be more tempered, the growth will be more tempered in the first half than the second half. A couple reasons for that. As we look at a year ago, we had very strong margin growth in the first half of 3.1 percentage points and 0.8 percentage in the back half. And the second reason is, as we look at our programs such as Integration 3.0 and others, productivity programs, we'll see that continue to build margin throughout the year.

So, again, first half we'll see growth, but more tempered than the second half. And when we look at the first quarter, you should expect first quarter margins to be in line with what they were a year ago. And again, going back to Saree's question that we'll see margins on a sequential basis rise quite significantly between the fourth and the first quarter.

Ken Hoexter

Analyst, BofA Securities

Q

Great. And thoughts on the backlog versus the total?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

I'm sorry, Ken?

Ken Hoexter

Analyst, BofA Securities

Q

I guess the upside/downside, right, in terms of – your backlog is about 70% of the total, so maybe your thoughts on what's the upside/downside to that?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Yeah. So with the coverage, well, number one, the 12-month backlog, we feel very good about as we look forward. We're at 5.5% on a comparable basis of that backlog. 72% of that, Ken, is kind of set in orders, right? So that'll provide some of the stability against that and some of the variation that we could have in that number.

The other 28% is our flow business, right? And we've got various things that flow through that business. And when we look at a big piece of it or a part of that is the freight car build. And with that, we expect and the industry expecting that to be down a little bit. So a little bit of headwind there and there may be some variation depending on how the car build comes out.

The other part of the flow business is largely in various aftermarket parts and whatnot, and we expect growth out of that. So we feel very good about the guidance that we've put out there in the midpoint, which is around 5%, but we're going to see normal variations, but we feel real good with the backlog that we have as we move into 2025.

Ken Hoexter

Analyst, BofA Securities

Q

And just can you just clarify, did you exclude the Evident's Inspection revenues or the acquisition from your outlook as well?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Yes. Thanks, Ken. Evident is not included in the guidance that we provided this morning at all. There's nothing in there. What we will do is we will update our guidance after we close on that transaction. And we would expect that to be probably toward the second – the latter part of the second quarter. With that, you could expect a fair amount of adjustment in revenue, right, because the asset that we're buying in 2024 had revenue of over \$430 million. So we get about a half a year in there, plus the growth on that.

In terms of EPS, Rob (sic) [Ken] (00:44:02), wouldn't expect that much growth, right? In the first year, a fair amount of interest. We're very pleased with the transaction and that we'll have accretive EPS in the first year, but even more so in the first half. But, again, that'll be more of a slight increase to EPS.

Ken Hoexter

Analyst, BofA Securities

Q

Great. Thanks for the time, John.

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Thank you, Ken.

Operator: The next question comes from Daniel Imbro with Stephens. Please go ahead.

Daniel Imbro

Analyst, Stephens Inc.

Hey. Good morning, guys. Thanks for taking our questions.

Q

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Good morning.

A

Daniel Imbro

Analyst, Stephens Inc.

Rafael or John, if we could dig a little more into the revenue growth side. So in the fourth quarter, it does look like organic growth decelerated a bit here. When we look at that deceleration, is that just pricing growth slowing as we lap inflation or kind of what was behind that in the fourth quarter?

Q

And then similarly, I know you just talked about the backlog, but ending the year up 3%, another bit of a decal, is that just you guys walking away from lower margin business? Rafael, you mentioned the quality has improved. So if you could just expand on maybe why that has slowed and what you think the right level of growth should be if we were to ex-out some of those factors?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

I'll take the first part of that, Daniel. With regards to the revenue growth slowing in the fourth quarter, we are not seeing revenue growth slowing. We're not seeing the business momentum slowing. What we're seeing is simply the cadence of how we have produced our products, right, in particular, the mods and locos on production and delivery. And so all of those were expected. Actually, they were expected four quarters ago when we knew what we were going to be producing in the fourth quarter of this year.

A

So what you're seeing on our top line growth is simply the sales that we have off the production, largely on mods and locos. But the underlying momentum of the business has been very consistent throughout the four quarters that we have, and we feel real good about that moving into next year, right. And those lead indicators of future growth are the backlog that you mentioned. And the headline is at 3%, but the underlying comparable growth is at 5.5%. That's right in line with what we would expect at this point of the year.

And going back to the comments that we talked about in terms of coverage, we've got a strong coverage that's very comparable to the way it has been the last three years. So that gives us a lot of confidence as we move into 2025. And as Rafael had mentioned, the orders were up 19.7% this year. So that gives us that forward-looking momentum. And as we mentioned in the key highlights, we had over \$1 billion of mod-loco orders in the fourth quarter alone.

So everything is moving in the direction that we would expect to continue on with that underlying momentum that is growing in that mid-single digit range, regardless of what you're seeing in the fourth quarter with regards to the kind of the accounting view of what we shipped versus what's being consumed.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

If you take a little bit of the view on the specific businesses, yes, as per my comments, the backlog, the margin, keeps improving there. And it's really across the board. Take Transit, I think early last year, I got the question on,

A

was there still room to improve margin. So that goes with 90 basis points of margin improvement last year. Growth was maybe a bit ahead with 6%. We'll continue to be prudent there and selective, but the team is off to another strong profitable growth here in Transit.

You look at digital, the strength is there in the orders despite of the volume last year, which was still a slight growth, a significant margin growth, and that team has got the eye on the ball there.

On the service front, locomotives are running. They are running hard. We have over 18,000 locomotives connected. So we understand that very well. It's reflected in both the parts that we sell, it's reflected into the maintenance service agreements. And that's well above the growth that you saw for the total business last year. So we feel strong there.

International fleets are growing. I think we've highlighted before, 4.5% CAGR there. So that's a positive. I think the only change there was really the combination of mods and CapEx there. And even components with all that pressure, we saw business that grew last year. The team continues to really balance the business based on the realities they face. And we're going after another profitable growth year on that business despite of the market pressures.

So all in all, I think really strong momentum and the business is ready to really drive another strong and significant profitable growth cycle.

Daniel Imbro

Analyst, Stephens Inc.

Q

Thanks for that color. And then, John, if I could follow up, or maybe Rafael, on the pricing strategy question earlier. You talked about pricing for value. I guess, as you increase the technology and you increase your differentiation versus peers, why would that not support just higher levels of organic pricing growth over time, since the value you're adding is increasing?

And then on the cost side of that equation, I guess, obviously, CPI and inflation remain stubborn, but what do you think is the right underlying cost level of inflation before the cost takeouts you're doing? Like, what is the underlying cost growing at?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Okay. Let me unpack that in a couple of things. And first part is, when we say we price for value, and a piece of that is you're improving the product. So you're not delivering the same product you did in the previous year. And the value delivered there is really tied to, I'll call it, the core fundamentals that drive return for our customers, which is better fuel efficiency, you're able to haul more, reliability is up. And that's why customers invest. It's not because necessarily we're seeing carload growth, especially when you think in North America. And when you think of internationally, it's just where the lifecycle cost of our products stand against competition. And really, I think it's a very positive to see we're winning, we're winning really against various competitors that are out there. And that's very positive.

When you talk about inflation and how we price there, John did mention the elements of our contracts and agreements having escalation. When you look at those escalation [ph] causes (00:50:31) and efforts we do on driving productivity, cost-out efficiency, designing for cost, we come ahead of inflation through that and we feel strong about continuing to do that, got a number of actions.

As you see, based on the long-term guidance, we start very strong in terms of the margin expansion we drive for 2025. And that's, for me, just a function of the teams continuing to really go out there, identify cost-out projects, simplify the footprint and we continue to build off of that. So 350 basis points plus is really the direction here that team mod will continue to execute towards.

Daniel Imbro

Analyst, Stephens Inc.

Thanks. Best of luck.

Q

Operator: The next question comes from Jerry Revich with Goldman Sachs. Please go ahead.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Yes. Hi. Good morning, everyone. I'm wondering can we just...

Q

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Morning, Jerry.

A

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Hi. Can we just talk about the margin performance in Transit? Fourth quarter tends to be your strongest margin quarter generally, but you folks delivered really outsized gains this quarter. How should we be thinking about the sequential cadence for that line of business in 2025? And then, relative to the 350 basis points that you folks laid out, do you expect outperformance in Transit over that five-year timeframe relative to the 350 basis point total?

Q

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

Jerry, let me take the question with regards to Q4 margin performance and then Rafael can share more on kind of the move of Transit into the future. You're absolutely right, Jerry. Businesses tend to have over time cadences. And within our Transit business, the Q4 operating margins tend to be higher. And that's partly due to the fact that some of our customer – a fair amount of customers are government or quasi-government agencies, and they get their budgets and they end up spending what's left typically on higher-margin products. So that's why we see that.

A

Having said that, the more important part of that discussion is, is the fact that we grew that by 150 basis points in the fourth quarter, up to 16.4%. And the drivers of that, Jerry, were mix, well, a couple fold. One was mix. And if you look, when we show the aftermarket, aftermarket was up about 11.5%, and while OE was still up a good amount, where you'd see some of that selectivity that Rafael talked about, very favorable mix dynamics. And so that pushed the margins up and part of that 150 basis points was due to that.

The other has been what we've been talking about for some time on Integration 2.0. We're in that ramp that – really that sweet spot of the ramp. And about two-thirds of that is lodging in the Transit business and we're enjoying that margin lift, which certainly will hold as we move into the future.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Hey, the teams are continuing the significant work to simplify the footprint and further improve margins. The business is becoming more and more competitive. As described before, I mean, we're going to continue to see variation quarter-to-quarter. As John mentioned, it could be mix. It could be timing of projects. We'll continue to be selective about growth in the segment. But this team is committed and they are continuing to take action, and you're going to see some significant profitable growth again in 2025.

The backlog is stronger. The business is on track to full year margins. And this will benefit from Integration 3.0, portfolio optimization. And well, book-to-bill was positive as well as we closed the year. So we're continuing to execute the playbook for that business.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

Super. And John, can I ask on services, the seasonality has been a little bit different in 2023 versus 2024. Can you just talk about the variation that we see quarter-to-quarter? What does that look like for the core services business? If we were to strip out mods, has that stayed relatively constant? And how are you thinking about 2025 seasonality relative to 2024, again, just for services, ex mods...

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Yeah.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

...just so we can see how the baseline is performing?

John A. Olin

Executive Vice President & Chief Financial Officer, Westinghouse Air Brake Technologies Corp.

A

Yeah. When we look, Jerry, the – when you look at the core, 80% of the growth – or 80% of the business, that's our parts business, right. And that's got a very normal and more measured cadence to it. What you are seeing when you look at the numbers on a consolidated – or on a total services basis is some of that kind of rebalancing that we've done, in particular, between the third and the fourth quarter. So that's driven by the other 20%, which is our mods revenue coming out of services.

As we move into the next year, we expect that underlying growth to be steady across the four quarters. However, we're still going to see variation depending on how we manufacture the mods. Overall, our manufacturing, when we look at combined of mods and locos, we would expect that to be very consistent, but we're still going to have times, because we like to do customer runs as much as we can with the same product. And we're going to see things at times that what we saw in the third and fourth quarter is where we'll see a little bit more flip-flopping between the equipment P&L with new locos and the mods. But overall, the underlying piece is a consistent and well-performing business.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

Super. Thank you.

Operator: The next question comes from Bascome Majors with Susquehanna. Please go ahead.

Bascome Majors

Analyst, Susquehanna Financial Group LLLP



Rafael, earlier you talked about a high single digit contribution to growth this year from the combination of new locos and mods. Can you roughly break us out what that looks like between price and units and how each are growing this year? And more mid-term, I believe both of your largest mod contracts in North America are through the end of this year. Can you talk about where you are in the cadence of extending those agreements? And how you feel about a steady to accelerating pace of growth in 2026 and beyond? Thank you.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.



Yeah. Bascome, I'll start with. We've got active discussions with customers in North America for both new units and for mods. So that's continuing and that's very much connected to what I described. What are you seeing specifically going to 2025, which is different than you saw is you've got some customers, especially on the new unit side, investing in the more heavy framework than on the mod side.

So it's less about specific customers shifting from one to the other than it is just an element of mix in North America. We continue to see strong interest there. And that's really tied to the return they get on that investment. A piece of it, it's some of the elements of really just cost to operate the product. The other piece of it, it's obsolescence if you think about the electronics and all these elements.

So we see that demand continuing. Earlier on, I did mention and we talked about innovation. That's going to take it into the next level, especially as you start looking to modernizing the Evolution fleet. And I did mention here fuel savings up to 7 points. So that's very significant and that's where we're taking the business next.

Now on the elements of specific numbers, we have traditionally not commented on the number of mods or a number of new units, but the combination of both still translate into high single-digit growth for this year.

Bascome Majors

Analyst, Susquehanna Financial Group LLLP



And to your point on the Evolution fleet, where are you in the testing? How have the results been? And when do you expect to launch that fully as a commercial product?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.



So we expect by the end of next year that to be fully commercialized, so seeing really the full impact of that going to 2027. So product's currently being tested. We're expanding the number of units and really making sure that, ultimately, you translate the same reliability and availability of the product as we continue to really modernize the fleet that's out there and continue to drive value for customers.

Bascome Majors

Analyst, Susquehanna Financial Group LLLP



Thank you.

Operator: The next question comes from Ivan Yi with Wolfe Research. Please go ahead.

Ivan Yi

Analyst, Wolfe Research LLC

Yes. Good morning, guys.

Q

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Morning.

A

Ivan Yi

Analyst, Wolfe Research LLC

Thanks for taking my question. First, on the long-term guidance, you're calling for 70 basis points of average annual improvement. Is that a good annual run rate target or is it more front-end loaded or more backend loaded through 2029? Thank you.

Q

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

I'll start there. I mean, it's clearly more front-end loaded. You see it how we're starting the guidance for 2025 and it has to do with, again, this is a continuous improvement process. So the team's got a clear deck, that's being operationalized, so we translate into delivering on the guidance that has been provided, but that's a work that continues. And we'll continue to expand on that deck of projects as we look into it.

A

Ivan Yi

Analyst, Wolfe Research LLC

Thank you. And then, how much of your raw materials are imported? What impact would tariffs from Canada, Mexico, China and potentially other countries have on your COGS and ultimately, your gross profit? Thank you.

Q

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

Yeah. So, hey, the tariff plan continues to be, I'll call it, quite fluid, right? It's changing on a day-to-day basis. That's not included in our guidance.

A

With that being said, over the past five years, we've successfully managed inflation. We've had tariffs as well, but while all that was happening with expanded margins. So I think we've demonstrated and we continue to be committed on – really on our ability to drive positive outcomes in very dynamic environments.

So, while there could be an impact on any specific quarters, as we've done before, we would expect to navigate these challenges over time in collaboration with various stakeholders with positive outcomes throughout.

Ivan Yi

Analyst, Wolfe Research LLC

Thank you.

Q

Operator: [Operator Instructions] The next question comes from Steve Barger with KeyBanc. Please go ahead.

Steve Barger

Analyst, KeyBanc Capital Markets, Inc.

Q

Hey. Thanks for sneaking me in. Rafael, with digital intelligence growth shifting towards international, how do you think about the market size for international digital? And can you talk about your penetration rate in North America versus international?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Yes. So a couple points there. Number one, international. It's very significant. PTC is a very compelling offer. We're seeing customers really with a strong interest on that. We've got a number of discussions really going across all the geographies that I typically discussed here. And we continue to see really a momentum picking up there in terms of how you drive automation.

With all that being said and still, of course, more significant opportunity here, especially for adoption of the most, I'll call, traditional products that we have high penetration in North America, including Trip Optimizer and Zero-To-Zero and other things.

One thing that we've really seen more recently in North America and really goes back to the last couple weeks is, I think we're seeing some positive progress. And I think that's encouraging. I mean, we've seen really at least one waiver here going to the FRA, which is really a positive for us. And it speaks to not just the safety plan for the railroads, it speaks to, ultimately, us continue to expand on that platform that we have. And in this case is the Trip Optimizer air brake control product, which is, again, a next step on that evolution of products that will allow customers not just to run it safer, it will advance to also the elements of automation and I'll call, ultimately, efficiency for our customer.

So it's good to see that progressing after a couple of years.

Steve Barger

Analyst, KeyBanc Capital Markets, Inc.

Q

So do you expect the same progression that North America had, which is PTC's kind of the landing point and then you sell incremental technology applications? And if that's right, what is the long-term target for recurring revenue as you think about the legacy products and maybe include the Inspection acquisition that you just did, Evident?

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Yeah. If you think about it, I mean, we started this journey on digital [ph] alone (01:04:15) and I'm not going to mix with that at this point. We started really with recurring revenues below 20%. The business, I mean, over this past horizon has really grown to be in the 30% range. And I think the goal there is to ultimately get to, I'm going to call, a goal of 50% or higher. And that's going to be a function of more software services, which is very much connected.

I mean, if you think about how the next-generation of PTC and how that's being commercialized, if you think about a number of products that we can build on the top of that, which speak to Movement Planner, it speak to a lot of the automation the railroads can do in terms of driving efficiency, in terms of driving really, I'll call, ultimately, a lower cost into their operations. So we're exactly on that path. And that's the direction that business has got to go.

I think as you look into some of the opportunities here for capital allocation, whenever we're looking at any element of M&A, as we discussed before, digital is certainly an area that we look at it and it's got to go with the fundamentals that continue to make our business strong, which is high-margin recurring revenues and really significant growth here ahead. And Evident meets all those elements. We'll grow business with our end markets. Our business group will unlock significant opportunity from that business on serving Evident's end markets, and we've got significant opportunity here to leverage a lot of the capabilities we have in-house.

Steve Barger

Analyst, KeyBanc Capital Markets, Inc.

Q

That's really great detail. Thank you.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Thank you.

Operator: The next question comes from Ken Hoexter with Bank of America. Please go ahead.

Ken Hoexter

Analyst, BofA Securities

Q

Hey, great. Thanks for the follow-up question. Rafael, I guess the stock's bid down 8% this morning. I think there's a concern on the mid-single digit revenue growth outlook versus what you've been generating, which has been maybe closer to upper single digit or even double digit. So do you take away this as a conservative outlook? Is it missing the opportunity on M&A? I think that's why you're getting a lot of backlogs at 3% growth and questions on pricing. Maybe you want to just take an opportunity to kind of throw your thoughts on that.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Okay. So two things. Number one, M&A has not been incorporated on this, right? I want to be very clear. I mean, we're looking at this really as a function of, what I'll call, organic growth. So I just want to start there.

The second piece, which I think is also important not to be missed. We've continued to do our portfolio optimization. There is probably \$100 million of impact that goes right into the top line you're seeing it there. So, hopefully, that's not being missed as well in that context.

When we provide guidance, it's ultimately aligned to the operating plans we have from each one of the businesses. And that's what guides us to what we're providing. As we said it, coverage is very much aligned with the coverage we've had last year. If you think about how we've guided for the year, I think we continue to have opportunities here to drive, I think, increased share of wallet from our products. And that's what our teams are really fighting to do every day.

With that, we're very much committed to deliver on the guidance that we've provided. And as we look into the long-term guidance, we are starting that accelerated – in an accelerated form and we have no intention to slow down in that regard.

Ken Hoexter

Analyst, BofA Securities

Q

Great. Appreciate the clarification. Thanks, Rafael.

Rafael O. Santana

President, Chief Executive Officer & Director, Westinghouse Air Brake Technologies Corp.

A

Thank you.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Kyra Yates for any closing remarks.

Kyra Yates

Vice President-Investor Relations, Westinghouse Air Brake Technologies Corp.

Thank you, Betsy, and thank you, everyone, for your participation today. We look forward to speaking with you again next quarter.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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