21-Oct-2026

Westinghouse Air Brake Technologies Corp. (WAB)

Q3 2026 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

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

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

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

OTHER PARTICIPANTS

Ken Hoexter
Analyst, BofA Securities, Inc.

Bascome Majors
Analyst, Stephens, Inc.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Scott H. Group
Analyst, Wolfe Research LLC

Rob Wertheimer
Analyst, Melius Research LLC

Ben Mohr
Analyst, Citigroup Global Markets, Inc.

Jerry Revich
Analyst, Wells Fargo Securities LLC

Tami Zakaria
Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Wabtec Third Quarter 2026 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 Ms. 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 third quarter 2026 earnings call. With us today are Chairman 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 in 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.

Copyright © 2001-2026 FactSet CallStreet, LLC

I will now turn the call over to Rafael.

Rafael O. Santana

Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

Thanks, Kyra, and good morning, everyone. We delivered another strong quarter, and we are proud of the progress we have made year-to-date. These results reflect the strength across the portfolio, disciplined execution by our teams, and the continued success of the strategic actions we have taken to enhance our growth profile, expand margins, and increase the earnings power of the company. Our teams continue to translate healthy customer demand into profitable growth, while investing in technologies that will advance the future of transportation. These investments are strengthening our competitive position and reinforcing Wabtec as a leading industrial technology company.

With that, let's move to slide 4. 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 quarter evidenced by continued growth in our backlog, sales, margin, and earnings. In addition, our recent acquisitions continue to perform very well.

Sales were $3.1 billion, which was up 8%. Adjusted EPS was up 22% from the year-ago quarter. Total cash flow from operations for the quarter was $455 million. Backlog remains a key strength. 12-month backlog was up 8.8% from the prior year, while the multi-year backlog exceeded $31 billion, up 22.9%. These results demonstrate sustained revenue and earnings momentum and provide enhanced visibility for the fourth quarter and into the future. Our financial position remains strong. We continue to execute against our capital allocation framework. And we expect to continue to compound long-term value for our shareholders.

Shifting our focus to slide 5. Let's talk about our 2026 end market expectations in more detail. While key metrics across our Freight markets remain mixed, we continue to be encouraged by the overall strength and resilience of our business. We are pleased with the momentum in our North America and international markets, and our pipeline of opportunities across geographies continues to support our long-term growth outlook. In North America, carload traffic was up 3.5% in the quarter. As a result of this growth, Wabtec's and industry's active locomotive fleet was up compared to last year's third quarter.

Internationally, carload growth during the quarter was mixed, but the long-term carload growth trends continue to be robust. Significant investments to expand and upgrade infrastructure are driving our international orders pipeline. Looking at the North America railcar builds, last quarter, we discussed the industry outlook for 2026, which was approximately 25,000 cars to be delivered, and which now has been reduced by industry sources to approximately 23,000 cars. This forecast represents a 26% reduction from last year's car build.

Finally, turning to the Transit sector. We continue to see encouraging indicators for growth. Ridership trends remain favorable in key markets, including Europe and India, while car builders continue to maintain strong backlogs, supported by robust levels of public investment for fleet expansions and renewal programs.

Next, let's turn to slide 6 and highlight several recent business wins that demonstrate the strength of the demand across our markets and the momentum we are seeing globally. International demand for our products and services remains strong. During the quarter, we secured $1 billion of locomotive and services orders, which included significant awards in Africa and in Brazil. These wins further expand our global installed base, strengthen our long-term customer partnerships, and create opportunities for attractive recurring revenues over time.

Copyright © 2001-2026 FactSet CallStreet, LLC

In North America, we converted over $600 million of pipeline opportunities into new locomotive and modernization orders for two Class 1 customers. These orders reflect our customers continued investment in fleet modernization, productivity improvements, and network efficiency. Moving on to Transit. We were awarded $159 million in brake equipment orders from various customers, reinforcing our strong market position and the healthy underlying demand we continue to see across the Transit sector.

Taken together, these wins highlight the value of our technology, the strength of our customer relationships, and our ability to help customers improve reliability, durability, efficiency, and safety. They also reinforce our confidence in the long-term growth opportunities across our Freight and Transit businesses.

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 7, I will review our results in more detail. Sales for the third quarter were $3.12 billion, which reflects an 8.1% increase versus the prior year, with strong contributions from both the Freight and Transit segments, including acquisitions. Excluding the impact of currency, Q3 sales were up 8.3%.

As discussed in our last earnings call, we raised our full-year revenue guidance $110 million at the midpoint, reflecting the incremental flow business activity we experienced during the second quarter and our expectations for continued demand in the back half of the year. While timing of certain locomotive deliveries shifted out of the third quarter and into the fourth quarter, these shifts do not change our view of the strong underlying demand environment or our full-year revenue guidance.

From a margin standpoint, we anticipated third quarter's margin expansion would be generally in line with the performance achieved during the first half of the year. In actuality, our operating margin expansion exceeded those expectations. The better-than-expected margin performance included favorable product mix, strong operational execution, including productivity benefits from Integration 3.0 and other efficiency initiatives, as well as lower operating expenses as a percent of revenue resulting from disciplined cost management.

Having said that, GAAP operating income was $625 million, which was up 27.3% versus the prior year. The increase was predominantly driven by higher sales and improved gross margin. Adjusted operating margin for Q3 was 22.9%, up 1.9 percentage points versus prior year. GAAP earnings per diluted share was $2.42, which was up 33.7% versus the year-ago quarter. During the quarter, we had net pre-tax charges of $5 million for restructuring, which were primarily related to our integration and portfolio optimization initiatives to further integrate and streamline Wabtec's operations.

In addition, versus our Q3 expectations, our earnings benefited from a non-operational item, which is reported as other income, resulting primarily from the impact of currency fluctuations. In the quarter, adjusted earnings per diluted share was $2.83, up 22.0% versus the prior year. Overall, the quarter reflects the strength of our execution, the resilience of the business, and solid momentum as we move into the fourth quarter.

Now, turning to slide 8, let's review our product line's performance in more detail. Third quarter consolidated sales were up 8.1%. Equipment sales were up slightly from last year's third quarter. During the quarter, revenue benefited from increased mining sales, which were largely offset by lower locomotive deliveries, partly driven by units shifting to the fourth quarter.

Copyright © 2001-2026 FactSet CallStreet, LLC

Services revenue was up 6.7% from last year's third quarter, driven by strong core Services sales growth and higher modernization deliveries as expected. Component sales were up 5.3% versus last year due to industrial, maintenance of way, and international demand, partly offset by the industry's decline in North America railcar build and behind our portfolio optimization efforts.

Digital Intelligence sales were up 24.2% from last year. This was driven by contributions from the Frauscher Sensor Technologies acquisition and strong core digital demand. In our Transit segment, sales were up 11.3%, driven by the Dellner acquisition and growth across our products and services businesses. Foreign currency exchange had an unfavorable impact on sales in the quarter of 1.1 percentage points.

Moving to slide 9, GAAP gross margin was 37.3%, which was up 2.6 percentage points from the third quarter last year. Adjusted gross margin was up 1.8 percentage points during the quarter. GAAP operating margin was 20.0%, which was up 3.0 percentage points versus last year. Adjusted operating margin improved 1.9 percentage points to 22.9%. Operating margin was positively impacted by favorable product mix and productivity benefits from Integration 3.0 and other efficiency initiatives, which were partly offset by higher manufacturing costs, year-over-year net tariffs, which included a nominal tariff refund.

Adjusted GAAP and SG&A expenses were higher year-over-year due largely to the SG&A expense associated with our acquisitions, however, which were lower as a percentage of revenue. Engineering expense was $67 million, $8 million higher than Q3 last year, primarily due to acquisitions. We continue to invest in engineering resources in current business opportunities. But more importantly, we are investing in our future as a leading industrial technology company focused on improving our customers' fuel efficiency, labor productivity, capacity utilization, and safety.

Now, let's take a look at the segment results on slide 10, starting with the Freight segment. As I already discussed, Freight segment sales were up 6.9%. GAAP segment operating income was $515 million, driving an operating margin of 23.0%, up 3.2 percentage points versus last year. Adjusted operating income for the Freight segment was $591 million, up 15.2% versus the prior year. Adjusted operating margin in the Freight segment was 26.4%, up 1.9 percentage points from prior year. The increase was driven by a 1.5 percentage point improvement in gross margin along with a 0.4 percentage point reduction in operating expenses as a percent of revenue. Finally, the Freight segment's 12-month backlog was $6.54 billion. Our 12-month backlog was up 7.5%, while the multi-year backlog of $25.77 billion was up 23.2%.

Turning to slide 11, Transit segment sales were up 11.3% at $883 million. When adjusting for foreign currency, Transit sales were up 12.5%. GAAP operating income was up $145 million, which reflected the quarter's robust revenue growth and operating margin expansion. Adjusted segment operating income was $160 million. Adjusted operating income as a percent of revenue was 18.1%, up 2.6 percentage points from prior year, with the underlying momentum of the business and the Dellner acquisition serving as key contributors to this quarter's margin expansion. Finally, Transit's 12-month backlog for the quarter was $2.45 billion, and our 12-month backlog was up 12.2%, while the multi-year backlog was up 21.4%.

Now, let's turn to our financial position on slide 12. Third quarter cash flow generation was $455 million resulting in a cash conversion of 82%. Our balance sheet and financial position continue to be very strong as evidenced by, first, our liquidity position, which ended the quarter over $2 billion, and our net debt leverage ratio, which ended the third quarter at 2.1 times. We continue to allocate capital in a disciplined way to maximize returns with an expectation of compounding our earnings for our shareholders. During the quarter, we repurchased $305 million of our shares and paid $52 million in dividends.

Copyright © 2001-2026 FactSet CallStreet, LLC

With that, I'd like to turn the call over to Rafael to talk about our 2026 financial guidance.

Rafael O. Santana

Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

Thanks, John. Now, let's turn to slide 13 to discuss our 2026 outlook and guidance. Overall, the team delivered a strong third quarter with our earnings results ahead of our expectations. Importantly, we continue to see the underlying demand for our products and solutions across the business. That demand is reflected in a strong pipeline, and both our 12-month and multi-year backlogs provide clear visibility into profitable growth ahead.

As we look at the fourth quarter, in light of our third quarter results and our ongoing underlying momentum, we are raising our full-year adjusted EPS guidance. We now expect adjusted EPS to be in the range of $10.85 to $11.05, up 22% at the midpoint. Our revenue guidance remains unchanged. Looking ahead, I'm confident that Wabtec's well positioned to drive profitable growth to close out a strong 2026.

Now, let's wrap up on slide 14. As you've heard today, our team continues to execute against our value creation framework and our five-year outlook. The strength of our performance reflects the resilience of our installed base, the dedication of our global team, our differentiated technologies, and our focus on delivering value for our customers. We also remain encouraged by the integration and early performance of our recent acquisitions. These businesses have strengthened our portfolios, enhanced our technology capabilities, and expanded our available markets, creating additional avenues for sustainable growth.

These factors continue to reinforce our confidence that Wabtec is uniquely positioned as a leading industrial technology company. With a talented global team, strong customer relationships, and a clear strategy for growth, we are well-positioned to deliver profitable growth and continue to compound shareholder value over time.

With that, I want to thank you for your time this morning, and 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.

Copyright © 2001-2026 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question for today will come from Ken Hoexter with Bank of America. Please go ahead.

Ken Hoexter
Analyst, BofA Securities, Inc.

Q

Hey, great. Good morning, Rafael, John, Kyra and team. So, just jumping in with the margins, right, seems to set a new bar at Freight over 26%, Transit over 18%. Can you talk about kind of the structural gains? I don't know if it's just the acquisitions or maybe, John, talk about sustainability and seasonality. What should we expect into fourth quarter given mix or going into 2027. Thanks.

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

A

Sure, Ken, this is John. Well, as we mentioned, we had a very strong third quarter, so why don't we start there. The third quarter was up 1.9 percentage points and that was higher than our expectations, but we were expecting growth in the third quarter, which we've talked about throughout the year. And with that, the biggest drivers, Ken, are really around what I'd call operational excellence. Just fantastic execution by the team throughout the supply chain.

With that, we got more – everyday productivity, right lean comes in more favorable, overall plant efficiencies are there, and in addition to that the more structural aspects also came in favorable and that's on Integration 3.0, right? We've been running ahead of expectations for that for most of the year and the program's just running very well. The third quarter was no difference. And then, on top of that, we've got the portfolio optimization piece, which is basically ridding ourselves of assets that aren't going to take us to the future that we aspire to.

So, all of that was certainly higher on a year-over-year basis and higher than our expectations. Product mix was also favorable. While we expected product mix in the quarter to be favorable, it was more favorable than we anticipated. And remember, Ken, in the first half, we talked about product mix being a headwind that would turn into a tailwind in the back half. So, we'll see that carry through the fourth quarter as well. And then, finally, overall the cost management. SG&A as a percentage of revenue was lower. So, that's really with regards to the quarter.

As we flip forward, Ken, to the fourth quarter, we've talked about this as we expect the fourth quarter to be a fair amount higher in margin expansion than the third quarter. And the reasons for that are a couple-fold. One is the tariff headwinds that we've really experienced quite significantly in the first half, little bit less so in the third quarter, but a fair amount of headwinds in the third quarter start to dissipate on a year-over-year basis. Those tariffs do not go away, but the year-over-year impact will provide less of a headwind and therefore, we'll see more margin expansion.

And then and partly as to what we compared to in the year-ago quarter, the fourth quarter of 2025, we had some comp accruals in there given the very strong overall cash delivery. So, with that, we would expect, let's call it, oversized margin in the fourth quarter. And with that, it'll deliver, again, $0.20 higher overall EPS as we look forward. But the margins are very sustainable, Ken. The team is doing a great job. A lot of them are cost driven, and we can continue to hold that as we move into the future.

Copyright © 2001-2026 FactSet CallStreet, LLC

Ken Hoexter
Analyst, BofA Securities, Inc.

Q

Great. Thanks for the detail. And I guess, just for a follow-up, your backlog was up almost 9%, I guess, 12-month was down slightly sequentially, total up slightly. I know it's lumpy, but maybe thoughts on organic growth or maybe just any other thoughts you want to throw on the backlog. I know a lot of investors really focus on the growth level there. Thanks.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

So, let me take that one. On the backlog, I think we've continued to grow that in both size and profitability. That certainly matters. But I think coverage is really a critical piece here. That means having orders in hand to match what I call our product lead times. So, you think about for long lead time products like new locomotives, that means having orders 24, 36 months out. Our teams have done a great job extending that visibility across the product mix, and our coverage right now is the strongest it's ever been. So, that's good news. I think the better news is the continuing momentum we continue to see around the pipeline of opportunities that continues to be very strong.

Ken Hoexter
Analyst, BofA Securities, Inc.

Q

Thanks, Rafael. Thanks, John.

Operator: Your next question will come from Bascome Majors with Stephens. Please go ahead.

Bascome Majors
Analyst, Stephens, Inc.

Q

Thanks for taking my questions. It's good to see more of the orders come in for both new locomotives and modernizations across the Class 1 customers after you called out some in the prior quarter. Can you talk about the pipeline specific to North American Class 1? What coverage do you have into next year? How long does this $600 million and change of orders sort of extend your visibility into and what does the pipeline look like? And maybe some comments on the Class 1 ordering behavior and how long they would like to be booked out today versus a few years ago as we think about the evolution of that revenue stream into 2027, 2028, 2029. Thank you.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Thanks. Our coverage, let me just start there, is the strongest it's ever been. That's good news. I think the better news is that we continue to see momentum and the opportunities here. I was just in Central Asia early this week, and we will continue to expand our fleets here in support of the Middle Corridor, so that's good news. In Freight, in specific, we continue to see opportunities in North America as well that's customer-specific. At this point, we have not seen, what I call, change in buying behavior associated with the recent carload growth. But again, that's customer-specific.

I think, more broadly, we continue to have opportunities in Africa, in Asia, and in Transit. I mean, as you see it here in the quarter, that's being led fundamentally by India and Europe. So, that continues to be a very strong pipeline, and our teams have had really strong track record here on converting that.

Copyright © 2001-2026 FactSet CallStreet, LLC

Bascome Majors
Analyst, Stephens, Inc.

Q

Specific to the North American Class 1s, can you give us any sense on visibility into that market and coverage and just any high-level expectations as if that's a growth opportunity into 2027 and 2028?

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

It is a growth opportunity as we look at it. I think some of it is tied to really the age of the fleet. We see the renewal here as really an element of tailwind that's not included in our guidance, and we see that really as an element of opportunity moving forward. So as I highlighted before, we have not seen, what I'll call, a change in buying behavior. Again, this is very customer-specific.

Bascome Majors
Analyst, Stephens, Inc.

Q

Thank you.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Thank you.

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

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Q

Hi, good morning. Congrats on the quarter and thanks for taking my question. Just wanted to expand a little bit more on Integration 3.0 and the portfolio optimization. Was hoping you could put a little bit more color or quantitative finer points on portfolio optimization, how much are you kind of delivering this year versus how much you might still kind of have to be delivered here over the next couple of quarters.

And then, I guess, a notable aspect of Integration 3.0 was just 350 basis points plus of margin improvement, and you've clearly been doing very well in terms of execution on the operational front. So, just any incremental kind of finer point you can put on that plus like how much upside ultimately you're seeing and what you can deliver over your kind of five-year target.

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

A

Great. Angel, this is John. Both programs, Integration 3.0 and portfolio optimization, are aimed at increasing our overall margin, right? On the integration side, we've talked about these projects for a couple years. We've moved from the synergies that we got out of GE to Integration 2.0 and now on Integration 3.0. Angel, I'd liken it to the snowball coming down the hill, right? It's coming down faster and getting bigger. And that's exactly what we're seeing with Integration 3.0, right? The savings are coming in higher than what we expected. The cost is lower to deliver those savings that we saw in Integration 2.0. And the organization's just in a strong rhythm of looking at both costs from an everyday continuous improvement standpoint and also from a more structural standpoint, right, of how do we build this or maybe the better term is to eliminate the complexities that we have to drive more efficient business. So, we feel that there's still a whole lot of opportunity left there.

Copyright © 2001-2026 FactSet CallStreet, LLC

The formal aspect of that program will end in terms of investment in a year and a half from now and two and a half years of savings. But we're already looking at what's next, right? Portfolio optimization is really taking a look at it in a different way and looking at things that are adding complexity, but aren't adding the profits that we would expect. And with that, even on their best day, they might not be worthy of our ownership at this point. So, those we're shedding ourselves and that's been anywhere between $50 million and $100 million a year, and we're going to continue on that. We still see opportunity to tighten our overall portfolio. So, we'll continue on that.

With regards to the 350-plus basis points, we still have a ways to go on that. But I would say that we're off to a very good start and that's one of the reasons that plus is there. I think this is a core strength of the company, and we'll continue to work and deliver it. But we see the opportunity on the cost side certainly continuing throughout the remainder of our long-term guidance period.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Q

Helpful. Thank you. And then, Rafael, I wanted to go back to your commentary around this robust pipeline, and I think you mentioned you're still not seeing perhaps a shift in customer behavior per se. But with the North America traffic or industry – just traffic volumes continue to be up low-single digits, I guess what are your conversations like? What are the customers waiting for before you start to see potentially a shift in buying or I guess, appetite for buying more power, ultimately new locomotives, and ultimately just how that might convert into kind of backlog? Is it a matter of quarters? Is it a matter of years? And where does diesel kind of play into all of that?

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

I think as customers continue to see those trends remain there, I think there's going to be the opportunity here to relook at really an element of the fleet renewal per se. What we have seen is in the flow part of the business, certainly with the un-parking of units, more ordering of parts, and that's being reflected in some of the numbers here for the year. So, that's something we're continuing to watch out here for the quarter. So, that remains as a positive. But I think customers are going to be looking at really the continued trends here on carload growth. And I think there's certainly opportunity when you look at the availability of fleets to move and to support that growth.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Q

Helpful. Thank you.

Operator: Your next question will come from Scott Group with Wolfe Research. Please go ahead.

Scott H. Group
Analyst, Wolfe Research LLC

Q

Hey, thanks. Good morning. So, I guess, this year there's been some degree of like, I guess, transactional headwinds relative to the backlog. So, like same store lagging the backlog a little bit. How should we think about that looking ahead? And I think, Rafael, you said like North America loco delivery start growing again next year. Any other like puts and takes to think about for 2027?

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Copyright © 2001-2026 FactSet CallStreet, LLC

Scott, I'd start with we're continuing to accelerate organic revenues in 2026 and that's true for both Freight and Transit. Year-to-date, so organic growth sits at 5.2%. The execution's strong in the business. We're building momentum, and we expect that organic growth will be above 5%. That has been captured in the update guidance we've provided. Our backlog's stronger. We have better coverage with multi-year orders, and those carry higher margins. So, I think that's really important to say. The other element to highlight here is the acquisitions performing ahead of plan. So, that's also a positive. So, overall, I think it's been a strong year, team's delivering ahead of plans, and we're really well-positioned with the coverage to support the continued execution for the business.

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

Hey, Scott, this is John. I would say that the backlog has not been a headwind at all, actually the opposite. And we've been growing in that mid-single digit range throughout the year. I think where the headwind is, is really on tariffs, right? And we talked about that little bit earlier is those headwinds are going to mitigate in the fourth quarter and should be on a year-over-year basis, not a big deal in 2027. So, that provides – that's not a tailwind, but it won't be the headwind that it was. But I think that's the biggest headwind that we've experienced throughout this year.

Scott H. Group Q
Analyst, Wolfe Research LLC

[ph] Sorry, if I wasn't clear (00:33:18), I meant there has been some like transactional things or like the railcar delivery that's not in the backlog or something like that, that's been...

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

Oh, I'm sorry, yes.

Scott H. Group Q
Analyst, Wolfe Research LLC

Yeah.

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

About 30% of our revenue is not included in the backlog, and you're absolutely right, Scott. That has been a headwind, with the railcars being down, projected by the industry to be down about 27%. I think our team in Component has done a fantastic job of minimizing that – the OE part of the railcar build being down so much. Aftermarket is doing fine, and then this quarter, maintenance of way was a big contributor to the fact that they were up 5%. And then, our industrial businesses have chugged along over the last, I don't know, six to eight quarters, helping to minimize some of that. So, yes, we're hoping that as we move forward that the railcar build will stabilize and start to grow as we get into future periods.

Scott H. Group Q
Analyst, Wolfe Research LLC

Okay. Yeah, that makes sense. That's what I was trying to figure out. And then, so the other question, I think it's – we're on track for our third straight year of volume growth for the rail. Some of the rails are getting back to like their highest like volume levels in a decade. Do you think it – when do you think this starts to sort of matter for

Copyright © 2001-2026 FactSet CallStreet, LLC

either new orders, aftermarket? Do we still need a few more years of growth before this matters or are we getting close?

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Scott, I think we're seeing that already when it comes down like to flow, which is parts to really unpark units or to sustain those levels of unparking. Now, with that being said, I think there's an element here of investing in what I call both efficiency with units that are more efficient, more reliable, and I think that's the exact conversation. Those are, again, customer specific, and as I said, we do sit on significant opportunities here in North America, but this is more than North America. The opportunity in North America we have not accounted in terms of like really a broader fleet renewal program taking place as we look into our guidance. So, that would be a tailwind for the business.

Scott H. Group
Analyst, Wolfe Research LLC

Q

Thank you, guys.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Thank you.

Operator: The next question will come from Rob Wertheimer with Melius Research. Please go ahead.

Rob Wertheimer
Analyst, Melius Research LLC

Q

Thanks, good morning. I had a couple questions outside North America rail, where obviously you have some strength in mining. I wonder if you might characterize, is mining coming back in pockets and big projects, you mentioned Simandou, or is there a broader recovery? And then, just in general, Rafael, you've characterized international freight as strong for a while on locomotive deliveries. I wonder if you could just talk about where you stand now, what your win rate looks like, looks pretty good, and just how you see that market. Thank you.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Okay. Let me start with the last part, which is tied to the international markets, continues to be a very competitive market. But on the flip side of that with continuing to invest in our product, I think we're really continuing to extend our technology lead, and that's fixed not just to the lifecycle cost of our product, but also safety – I mean, efficiency overall, and I think we're continuing to win out there.

In terms of the pockets, I did mention Central Asia here. I think some of the wins we had last year in terms of Kazakhstan, that's extending to other parts of the corridor, so that's going to continue to be a significant opportunity for us here, and you're going to be hearing back from us on that. Africa, we continue to see some specific pockets of opportunities, and in Asia, we have that as well.

I think on more specifically mining, well, I think we're seeing that on both. We see that in the elements of pockets, but we see that, if you think of the ultra-class-sized trucks as well, those are trucks above the 300-ton range. I

Copyright © 2001-2026 FactSet CallStreet, LLC

think we're very well-positioned there. There's a technology that we've had and that we've led from early on, and we continue to progress there, and the trends are positive connected to really some specific commodities.

Rob Wertheimer
Analyst, Melius Research LLC

Q

Thank you.

Operator: The next question will come from Ben Mohr with Citigroup. Please go ahead.

Ben Mohr
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Morning, Rafael, John, Kyra. Thanks for taking the question, and congrats on the beat and EPS raise. I wanted to focus on the Equipment revenue for 3Q. You had mentioned some of that shifted from 3Q to 4Q. And I wanted to just maybe get a sense from you how we should model that going into 4Q kind of coming from both the 3Q stuff that was shifted as well as what would have been in 4Q in the first place. And I wanted to see if that may have been tied to, on page 5, where you show the Kazak industry freight volumes year-to-date being down 1.8% and Brazil was also flattish at up 0.1%. Are this – is the Equipment being pushed to 4Q related to some of these country-specific freight volumes?

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

A

Thanks, Ben. Starting with the second part of that question, no, it has nothing to do with any international or domestic carload movements. It's a usual thing to have things move from one period to the other. It's not that big of a deal. But in the third quarter, we did see some units move out of the third quarter into the fourth quarter, nothing from an operational standpoint. I talked about our operational execution has been fine. But at times on the scheduling of a movement of a piece of equipment like that or a customer accepting it, we do see things move from time to time. So, as we look at our own expectations for the third quarter, our revenue growth came in less than expected. But it is simply timing and nothing more, and that's just moved to the fourth quarter. Matter of fact, they are already gone and shipped.

So, with that, we don't expect any full-year impact on that. We raised our guidance in the second quarter by the $110 million to recognize the North American growth of carloads. We're tracking very well to that. The momentum of the business is strong. And we will see versus our expectations, a higher level of revenue in the fourth quarter driven by it. But we are coming in right in line with the guidance that we set a quarter ago.

Ben Mohr
Analyst, Citigroup Global Markets, Inc.

Q

Wonderful. Thank you so much for that color. And related to that kind of extending to touching on your backlog, your 12-month backlog did step down sequentially, which could imply softer revenues would imply in the next few quarters. But your multi-year backlog stepped up as has been discussed in the last few questions. So, that should drive very strong revenue in the long term. How should we think about modeling your revenue, especially going into 4Q on this point? And because the North American rail carloads strength have been sustained, how should we look at kind of the flow business potentially turning into backlog? And how much should we break that out into Services, Equipment, Digital Intel revenue for 4Q? I understand a lot of it's been overhauls and mods that hit your services. Should we see the North America carloads sustained hitting your Equipment and your Digital Intel as well?

Copyright © 2001-2026 FactSet CallStreet, LLC

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

A

Okay. Starting out with the backlog, Ben. From a sequential standpoint, it has come down, but it was expected to come down. We are lapping the Evident acquisition, and while they don't have a huge concentration of backlog, they did have some backlog. And so, that's now pulled out. I think when you take a step back and look at the backlog growth over the last several quarters, it has been in the mid-single digit range, right? So, acquisitions and currency are making more of the movement between quarters than anything else, and we've had steady growth in terms of organic or the organic piece of the 12-month backlog.

With regards to the flow business, right, we just talked about, about 30% of our revenue does not fall into a multiyear or a 12-month backlog. It just means the cycle times are quicker. And with that, there's two major areas that fall into there. One is the railcar business, and the second one is a lot of the parts businesses for our service side that are not under contract, not under a long-term agreement or MSA. And so with regards to these, it really depends on what is under – well, on the Service business, the underlying carload growth is a driver of that. And with that, we saw that step-up and acceleration in the second quarter. We've seen that carry forward to the third quarter. And that's manifested in the fact that we've got more locomotives moving – active locomotives in North America this quarter versus the year-ago quarter. So, those things are just stuff that we follow closely, and they're a little bit more nimble in terms of the movement versus the backlog, which we have orders for that go out up to several years.

Ben Mohr
Analyst, Citigroup Global Markets, Inc.

Q

Wonderful. Thank you so much.

Operator: The next question will come from Jerry Revich with Wells Fargo Securities. Please go ahead.

Jerry Revich
Analyst, Wells Fargo Securities LLC

Q

Yes. Hi, good morning, everyone.

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

A

Morning.

Jerry Revich
Analyst, Wells Fargo Securities LLC

Q

I'm wondering if we just – hi. I'm wondering if we could just go back to talk about the long-term margin framework and growth framework. As we think about 2027, we should see much higher mod deliveries for you folks based on major contract ramp and sounds like mid-single digit organic growth is on track. I'm wondering, is there an opportunity for margin expansion in 2027 to be higher than the 70 basis points of operating improvement that you folks typically target given the mix? Can you just comment on the puts and takes as we think about from a high-level 2027 margins?

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

A

Copyright © 2001-2026 FactSet CallStreet, LLC

Yeah. Jerry, so it's a little bit early to talk about 2027. But when we look at the construct as we move out of 2026, in terms of margin, it's going to be relatively similar to what we've seen in the past and what we've got in that 350-plus basis points in terms of the elements. We would expect about two-thirds of it to come from the cost side, and we just talked about that. Things are going very well. We continue to come in higher than expected. So, we feel great about that. And the pool of opportunity, it seems that the more we deliver, the more we find out we've got – find out how to get at it. And so, that bucket doesn't seem to be going down, and it'll provide a lot of opportunity going forward.

The other third of it is on delivering innovative products that we can get the value for. And we've got a lot in our pipeline. We haven't talked much on this call, but our innovation continues to be very, very strong, and we'll see some of that transact as we go forward. But in terms of specifics, we would expect margin growth certainly in 2027, but a little bit early to talk about the magnitude of that, Jerry.

Jerry Revich Q
Analyst, Wells Fargo Securities LLC

Okay. Thank you, John. And then separately, Rafael, can we just expand on the international pipeline? When do you expect to see the inquiries turn into bookings based on the cadence? And can you comment on the opportunity set in Argentina specifically? Could that be a meaningful part of the opportunity set as you look out over the next 12 months?

Rafael O. Santana A
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

Yes. We are – again, as I look at the various opportunities, I mean, there's certainly, I think, some pockets and markets to highlight. Africa continues to be one of those. I think we're still looking at some sizable opportunities there. I did bring in Central Asia as we do expect opportunities here also for sizable growth. I think in Asia, some of those opportunities continue, and you're going to see that converting next into the future here. But it's a strong pipeline of opportunities. The momentum is there. I need to mention here North America, where we certainly have opportunities, too.

So, I think that's the positive side of it. It's not concentrated on a single customer or a single market. I think the trends remain there, and they do support a strong pipeline of opportunities through our team, have had a strong track record here in converting. So, I feel positive about the opportunity to continue to expand.

Jerry Revich Q
Analyst, Wells Fargo Securities LLC

Thank you, Rafael. But Argentina, South America specifically, can you comment on your level of optimism there? Is that meaningful?

Rafael O. Santana A
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

I think we're well-positioned in South America. We've certainly had a strong, I'll call it, presence there in Brazil. We've made, I think, some significant progress even on some markets with smaller orders. Argentina, it is a market that we have installed base, and we're well-positioned here for the discussions that are taking place in the South America market, whether it's associated with new concessions, expansion of new concessions. I'm not going to discuss any specific opportunities here, but we certainly feel very strong about the presence we have into that market.

Copyright © 2001-2026 FactSet CallStreet, LLC

Jerry Revich
Analyst, Wells Fargo Securities LLC

Q

Thank you.

Operator: The next question will come from Tami Zakaria with JPMorgan. Please go ahead.

Tami Zakaria
Analyst, JPMorgan Securities LLC

Q

Hey, good morning. Thank you so much. I had a question regarding your very strong margin performance in the quarter, and I think you said it was better than expected. So, are you able to rank the different drivers in terms of magnitude coming from Integration 3.0 versus portfolio optimization versus product mix? I think that would be helpful.

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

A

Well, as a broader bucket, Tami, certainly under the banner that I called out in terms of operational excellence, that was the biggest driver. That was the biggest driver on a year-over-year basis, and it was the biggest driver over our expectation. We haven't quantified the differences between Lean, Everyday Continuous Improvement, and Integration 3.0. And then, again, there was some portfolio optimization in there. But that is really the piece that is driving faster and harder than anything else during the quarter.

Again, mix came in favorable as well. That would be lesser certainly to the operational excellence. Also things, fixed cost absorption is a benefit when we're growing revenue at 8%, not needing to add additional assets to do that or fixed costs to do that. So, all of that was contributing, but the biggest one really was on the cost side and the discipline that we've got coming from our plants around the world.

Tami Zakaria
Analyst, JPMorgan Securities LLC

Q

Understood. Thank you. And then, do you currently have a view of what railcar builds or deliveries could look like next year after about 23,000 this year in North America? And how does that inform your view of the Component segment growth in the next few quarters after a very strong 5%? Is 5% sort of or mid-single digit the new normal for the Component segment for the next few quarters?

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Give me a couple of comments there. I mean, that's something we're certainly watching very carefully, especially for the quarter. That's one of the things that could move numbers. We do expect to be hitting an inflection point here for the year, and as we go into 2027, I think industry forecast is really to be going up back to really 2025 numbers, still well below here the replacement ratio.

Tami Zakaria
Analyst, JPMorgan Securities LLC

Q

Understood.

Copyright © 2001-2026 FactSet CallStreet, LLC

Rafael O. Santana A
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

Thank you.

Operator: The next question is a follow-up from Bascome Majors with Stephens. Please go ahead.

Bascome Majors Q
Analyst, Stephens, Inc.

Thanks for taking my follow-up. And I know we'll hear your next year view in February in due time here. But big picture, as you look out over the next two to three years, do you see more opportunity to sort of gradually accelerate the organic growth trajectory of the business or is it really more about executing on the really fine margin expansion that you guys have been delivering here?

Rafael O. Santana A
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

I think it's both plus some. And I'll start with the fundamentals of the business being strong. I think we're winning both in North America and international, certainly in Freight and Transits. I think we've extended the order of coverage while improving really the quality of the backlog. The execution is strong with on-time delivery. We're continuing to see opportunities to drive both productivity, simplification, efficiency across the business. I think we're very happy on how we're extending the technology leads through automation, best-in-class gains and efficiency, safety, lifecycle cost. So, I think there's opportunities here not to only keep growing our installed base, but to ultimately really help our customers improve the return on investment on really updating and modernizing their fleets. Fleets that are over 20 years old, and just keep in mind the dynamics of obsolescence.

I've talked to you about electronics. That is coming to play in a big way, and that's a function of really having to update units. And you update them so you can have gains in efficiency and safety in a number of fronts. So, I think we see here an opportunity with technology to accelerate that growth. And of course, as you think beyond organic growth, I think we stand on some significant opportunities to also look at inorganic plays, and we do have good pipeline. So, all in all, I think fundamentals of the business are strong, our portfolio is more resilient, and we're highly confident in our ability to deliver on the long-term guidance.

Bascome Majors Q
Analyst, Stephens, Inc.

Thank you for that, Rafael. If I could just add one more clarifying question. Can you update us on the regulatory framework and review of Zero-to-Zero and if we're at a point where that could become a tactical revenue driver for the business in the next couple of quarters? Thank you.

Rafael O. Santana A
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

That's continued to progress. We're expecting FRA approval on that, and I think you'll be hearing on that.

Bascome Majors Q
Analyst, Stephens, Inc.

Thank you.

Copyright © 2001-2026 FactSet CallStreet, LLC

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

Thank you.

Operator: The next question is another follow-up from Ken Hoexter with Bank of America. Please go ahead.

Ken Hoexter
Analyst, BofA Securities, Inc.

Q

Hey, thanks for the update on Zero-to-Zero. Definitely look to hear more. The competitive market, I guess a few quarters ago we'd heard orders from maybe a dormant competitor now getting back in the market. Are we seeing that competitive market increasing at all for domestic locomotives? I just wanted to see if there was any follow-on or completion to that order and if you're seeing that in the market. Thanks.

Rafael O. Santana
Chairman & Chief Executive Officer, Westinghouse Air Brake Technologies Corp.

A

It remains a competitive market out there, Ken. What I'd say is we're continuing to extend our technology lead, and that has to do with the investments we have made in technology, and it's not just at the product level. If you think about automation, best-in-class gains, that ultimately translate into not just lifecycle cost, safety, and efficiency. So, if anything, we are committed to continue to extend that technology, which positions the business very well to continue winning out there, and that's what we're saying.

Ken Hoexter
Analyst, BofA Securities, Inc.

Q

All right.

Operator: And this will end our question-and-answer session. I would like to turn the conference back over to Ms. Kyra Yates for any closing remarks. Please go ahead.

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

Thank you, Chuck. And thank you, everyone, for your participation today. We look forward to speaking with you again next quarter. Have a great day.

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

Copyright © 2001-2026 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Copyright © 2001-2026 FactSet CallStreet, LLC