

# **Vontier Corporation (VNT) Q1 2024 Earnings Call Transcript**

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**Body**

Vontier Corporation (VNT)

Q1 2024 Earnings Conference Call

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Company Participants

Ryan Edelman - VP, IR

Mark Morelli - President and CEO

Anshooman Aga - SVP and CFO

Conference Call Participants

Nigel Coe - Wolfe Research

David Ridley-Lane - Bank of America

Joseph Donahue - Baird

Julian Mitchell - Barclays

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Vontier First Quarter 2024 Earnings Call. [Operator Instructions] This call is being recorded on Thursday, May 2, 2024, and a replay will be made available shortly after.

I would now like to turn the conference over to Ryan Edelman, Vontier's Vice President of Investor Relations. Please go ahead.

Ryan Edelman

Thank you. Good morning, everyone, and thank you for joining us on the call this morning to discuss our first quarter results. With me today are Mark Morelli, our President and Chief Executive Officer; and Anshooman Aga, our Senior Vice President and Chief Financial Officer. You can find both our press release as well as our slide presentation that we will refer to during today's call on the Investor Relations section of our website at investors.vontier.com.

Please note that during today's call, we will present certain non-GAAP financial measures. We will also make forward-looking statements within the meanings of the federal securities laws, including statements regarding events or developments that we expect or anticipate will or may occur in the future. These forward-looking statements are subject to risks and uncertainties. Actual results might differ materially from any forward-looking statements that we make today, and we do not assume any obligation to update them.

Information regarding these factors that may cause actual results to differ materially from these forward-looking statements is available on our website and in our SEC filings.

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

Mark Morelli

Thanks, Ryan, and good morning, everyone. Thank you for joining us to discuss our Q1 results.

I'll start with some high-level commentary on the quarter, beginning on Slide 3. Our teams delivered a solid start to 2024 with first-quarter results that achieved the high-end of our core guidance and exceeded our profitability targets. Core sales increased 4% and we delivered 130 basis-points of margin expansion. Volumes contributed the bulk of our core growth, although price remains positive.

We continue to capitalize on the momentum we are seeing across most of our key growth verticals, particularly within convenience retail, fueling, fleet management and alternative energy. Successful convenience store chains and fleet operators are engaged in multi-year expansion plans and accelerating a transition to a more modern mobility infrastructure.

Vontier's deep domain expertise and broad portfolio of innovative solutions allow us to leverage connected hardware and application software to deliver enhanced productivity and automation as well as multi-energy solutions that enable decarbonization.

The results of our impact are most evident in our Environmental Fueling Solutions segment, which drove a majority of the outperformance in the quarter as well as in our Invenco business. EFS core growth of 10% was broad-based across the portfolio, benefiting from strong new-build activity and ongoing industry consolidation as well as environmental compliance and traction on our aftermarket parts growth initiatives.

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Order momentum at Invenco accelerated, led by strength in our payment business. We also saw strong demand within our enterprise productivity business, which includes connected hardware and software offerings that help C-Store and fueling operators automate workflows across their footprints. We are seeing ongoing demand within most of our end markets. Leading indicators for our businesses suggest that momentum continues. Our book-to-bill inflected above one in the quarter, earlier than anticipated, with mobility technologies and repair solutions comfortably above one.

Total Vontier orders increased mid-single-digits on a core basis. We're encouraged by the sequential and year-over-year order momentum across the portfolio, particularly in our first-quarter post EMV. One exception is the market for car wash solutions. DRB decelerated faster than we anticipated in Q1, specifically our larger enterprise-level customers have adopted a more selective approach to deploying capital towards acquisitions and greenfield projects year-to-date.

Despite normalizing volumes after a prolonged period of growth, Car Wash remains an attractive market long-term. Sales at DRB increased over 50% over the last two years and we're confident this business will return to growth. DRB is still one year ahead of our original acquisition case, both from a revenue and returns perspective, and we expect that to continue.

We completed our annual CEO Kaizen event recently, bringing together eight cross-functional teams and leveraging the Vontier business system. The teams this year were split evenly between both revenue growth and margin expansion categories.

I'm always encouraged by the collective spirit of our teams to come together to problem solve and apply VBS to identify root causes and countermeasures. We focused on the impact potential, not the quantity of events and this year was no different. As a result, we have a track-record of delivering tangible results from this event. Last year, for example, we built a roadmap for scaling the Invenco business model and bringing to-market the iNFX microservices software platform, which is already capturing significant market-share and positively impacting growth this year.

Last year, we also identified a market need for our next-gen C&I dispenser platform for fleet customers that allows us to capture share in a $300 million addressable market. We then entered into a rapid product development process and recently launched our new dispenser, the AtlasX in just 10 months and with greater than 80% standardized components. This year, we identified new opportunities and we are already implementing several actions to capture incremental growth and productivity savings.

One of the more exciting opportunities coming out of this year's event was an initiative to deliver incremental revenue growth by a more aggressive cross-selling efforts between several key shared accounts by Invenco, GVR and DRB.

Just a quick update on our outlook. Based on our performance in Q1, we are maintaining our guidance for the full year. Industry fundamentals remain strong and Vontier is well-positioned and continue to capitalize on the secular tailwinds benefiting the mobility ecosystem. I'm confident in our ability to execute and our teams remain committed to delivering top-quartile financial performance.

Please turn to Slide 4. Convenience retail and retail fueling are core end-markets for Vontier, in which we play a critical role as a leading supplier of best-in-class equipment, innovative software solutions and aftermarket parts and service that enables this infrastructure to function efficiently.

Historically, convenience retail in-store sales have demonstrated a resilient and attractive growth profile. Over the last 24 years, this revenue stream has grown at a 5% CAGR with consistent performance throughout major economic disruptions. That growth has accelerated over the last three years.

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A few key secular themes are impacting C-store operators, all of which align well with our connected mobility strategy. First, consumer preferences continue to evolve with consumers increasingly looking at C-stores for their everyday needs, including healthier, more cost-effective on-the-go food options. Growing categories such as foodservice sales were up 12% last year and carry higher margins than other categories. Naturally, C-stores are looking for ways to optimize their more profitable revenue streams to continue to attract higher traffic inside the store.

Second, consumers are also looking for a more frictionless, seamless transaction experience, which creates demand for technologies that facilitate in-store ordering and self-checkout systems as well as loyalty programs and order at the pump options. For example, our FlexPay 6 offering from Invenco offers fuel retailers greater flexibility to drive top-line growth by a targeted consumer engagement. It links media, loyalty and payment features like ordering at the pump and curbside pickup. It also streamlines security and payment compliance, lowers the total cost of ownership and maximizes uptime with over-the-air software update capabilities.

We believe FlexPay 6 is a significant competitive advantage for us, particularly as it relates to payment retrofit kits, our ability to scale iNFX and explore cross-selling opportunities into other verticals like EV charging, CNG and hydrogen refueling. Consolidation will continue to play a major role beyond the end of this decade.

The C-store industry remains highly fragmented, with nearly 70% of the market comprised of operators with fewer than 50 stores, more than 60% own fewer than 10 stores. Last year, there were nearly 1,800 site acquisitions in North America, the vast majority of which were acquired by larger operators. We enjoy strong share positions with the large national and regional C-store operators. They're acting as consolidators. This means we benefit from the uplift associated with the equipment replacement and new solutions added when a smaller operator is acquired or a new site is established.

I met with Presidents and CEOs for major convenience retail companies recently and the general theme from our time together was how to capitalize on growth opportunities. C-store growth has outpaced general retail over the last year and these winning C-store formats continue to invest in solutions that accelerate revenue growth and drive productivity.

When it comes to the energy transition, C-stores are likely to benefit from the build-out of EV charging infrastructure. Operators worldwide are already considering the path forward for more integrated and seamless charging experiences.

As evidenced, in the U.S., C-stores have been the recipient of nearly 60% of all NEVI funding awarded so far. And there is significant room for that funding to increase as only $400 million of the $7.5 billion has been awarded. The takeaway from all of this is that successful C-store and retail fueling footprints are seeing increased utilization and becoming more complex. This drives the need for upgrades to the infrastructure with more connected smart hardware, increased use of data analytics and vertical-specific application software.

Vontier is uniquely positioned to deliver. More specifically, as it pertains to these particular verticals, Invenco by GVR's portfolio of products increasingly centered around our connected solutions like iNFX offers a modular architecture which enables rapidly-growing C-store operators to scale easier, faster and with lower costs.

Please turn to Slide 5 to spotlight retail fueling solutions. Some of the same trends benefiting convenience retail, consolidation, new-builds and modernization are driving growth in the fourth-quarter as well, both above ground and below ground. In addition to that, there were several unique growth drivers we believe will support the long-term health of this business. Peak fuel consumption demand and EV adoption forecasts are pushing to the right again. Using prior industry forecasts, in 2040, approximately 70% of the global car park will still have a traditional combustion engine that will require refueling stations.

In other words, demand for retail and fleet fueling equipment for petroleum biofuels as well as CNG, RNG and hydrogen is likely to remain stronger for longer. In addition to ongoing new-build and refresh activity, we continue to see consistent replacement demand for North American dispenser equipment, with a large portion of the U.S. dispenser installed-base having been replaced during the EMV super cycle. Based on an analysis of the North American installed base, we see a solid uptick in replacement demand over the next 10 years. Regulation is another long-term growth driver for our above and underground businesses, both in the U.S. and international markets.

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Combined with evolving payment and environmental standards force equipment replacement and upgrades for both payment technology as well as pull-through dispenser sales. Additionally, we remain in the early innings of a multi-year upgrade cycle for underground tanks in the U.S., which pulls through our Vita route sensing and modern equipment and software.

Expanding our aftermarket parts business is an attractive opportunity to drive profitable growth for GVR. We have a large installed base of dispensers and significant share position from which we can leverage. We believe our strategy to expand and align our channel partnerships while broadening our product offering can deliver a mid-single-digit plus growth trajectory longer-term.

Lastly, increasing site complexity is accelerating technology adoption with the move toward more connected forecourts to improve asset health and efficiency as well as drive higher traffic inside the store.

Let me turn the call over to Anshooman to walk you through the details of the quarter.

Anshooman Aga

Thanks, Mark, and good morning, everyone.

I'll start off with a summary of our consolidated results for the quarter on Slide 6. I'm pleased with our performance in the first quarter. Core growth of 4% was at the top end of our range and included solid volume growth as price contributed about 160 basis-points.

Adjusted operating profit margins expanded 130 basis-points year-over-year, primarily the result of positive product and geographic mix and strong operational rigor. The strong profitability resulted in adjusted EPS of $0.74, up 9% from the prior year and above the high end of our guidance range. Free cash flow of $78 million is in line with the prior year, reflecting 68% conversion or 10% of sales.

Let's review our segment results, starting on Slide 7. Environmental and Fueling Solutions core growth of 10% was driven by broad-based strength across the portfolio as we continue to leverage our market-leading positions and innovative solutions to drive higher volumes. North America dispensers sales increased high-teens this quarter with continued strength in new build activity from large national and regional players where we maintain a leading market share. Refresh and rebuilt and normal replacement activity was also solid, as was growth from smaller operators.

Aftermarket parts sales were up low-teens, leveraging a large and expanding installed base. Environmental Solutions also experienced healthy growth, up high-single-digits year-over-year. We continue to benefit from a dynamic regulatory landscape and continuing our emphasis on new product development, which contributed to growth in the quarter.

Segment operating profit increased nearly 21% year-over-year with margins up 370 basis-points, resulting from favorable mix related to the timing of shipments, carryover benefits from prior cost actions and positive price cost. EFS results are a terrific example of VBS in action. I'm confident in the team's ability to continue driving margin expansion.

Turning to Slide 8. Mobility Technologies' core sales increased slightly against a tough prior year comparison of 12% core growth, which had benefited from normalizing supply chains. Demand for our alternative energy solutions continued to contribute to this segment with ANGI up 10% in the quarter or nearly 50% on a 2-year stack as fleet operators actively seek out lower emission fueling solutions, including CNG and RNG.

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Invenco by GVR reported low-single-digit core growth on top of strong prior year performance, supported by a robust convenience retail market. Sales for our enterprise productivity solutions, which includes iNFX and other asset management and site automation offerings were driven by strong demand for security of payment solutions in our international markets. I am encouraged by the pace of orders across the Invenco portfolio.

As Mark referred to earlier, TRB sales declined approximately 10% in the quarter, in part due to a tough comparison of 25% core growth in the prior year, but also lower new site builds and conversions with our large enterprise customers. New build plans for the small and medium-sized operators remain intact.

As a result, we have shifted more of our attention to supporting existing greenfield project pipelines in this important customer segment. Additionally, we remain focused on converting our installed-base to a new cloud-connected Patheon software and on expanding our recurring revenue base which accounts for over 40% of DRB's total revenues and grew high single digits in Q1.

Segment operating profit margin of 19.6% was up slightly versus the prior year despite incrementally higher investments into R&D and growth opportunities across the segment. Our connected mobility strategy is at the forefront of enabling the digital transformation of the mobility ecosystem, not only to reduce complexity for our customers' operations, but also optimize revenue yield and enhance productivity. Looking forward, we see significant opportunity to accelerating profitable growth within this segment and continue to invest accordingly.

And our final segment on Slide 9. Repair Solutions core growth increased just under 1% in the quarter on top of the 11% core growth we experienced in the prior year, which was driven by normalizing supply chain conditions. Matco's Q1 same-store sales increased low-single digits, led by continued strong demand for tool storage and diagnostic equipment, both up low teens in the quarter. This was offset by the anticipated moderation in hardline where we saw 20% growth in the prior year as well as lower franchisee count.

The agility of the Matco business model is a significant competitive advantage, particularly as it relates to new product vitality. A great example of this is our specialty product line, where our commitment to innovation was showcased at this year's Expo event, introducing over 50 new tools to the lineup, directly reflecting customer feedback and market trends. This new product vitality contributed to over 25% of Specialty Tool's Q1 sales.

Segment operating profit declined just over $2 million year-over-year with higher operating expenses, including a headwind related to the timing of bad debt reserves. As we have experienced over the last few quarters, stronger growth in high-ticket items typically drives increased reserves as our finance receivables portfolio grew approximately 6%. These reserves, while immediately dilutive from a margin perspective over the next five years contribute 3 times to 3.5 times the reserve amount in interest income.

Pivoting to the balance sheet detail on Slide 10. During the quarter, we fully deployed the proceeds from the divestiture of court repaying $50 million in debt, reducing our net-debt ratio to 2.6 times, a significant improvement from 3.1 times a year-ago. We also completed approximately $22 million in share repurchases in the quarter. At current valuations, we view share repurchase as an attractive use of capital and we now expect to complete at least $75 million in repurchases for the full year.

Turning to our updated outlook assumptions for Q2 and the full-year on Slide 11. For the second-quarter, we are projecting total revenues in the range of $735 million to $750 million or 2% to 4% core growth. We expect adjusted operating margin expansion of 20 to 60 basis points, resulting in adjusted EPS in the range of $0.67 to $0.71. Our first half outlook is consistent with what we mentioned last quarter.

Typical seasonality would suggest our first-half revenue would equate to 48% to 49% of the full year and earnings at approximately 45% of the full year, and our current outlook is consistent with those ranges.

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Turning to the full year. As Mark mentioned at the start of the call, we are maintaining our previously issued guidance. We have made a modest adjustment to our reported sales range to reflect an incremental $10 million FX headwind compared to our prior range based on the strength of the U.S. dollar year-to-date.

We are maintaining our outlook for core growth of 4% to 6% overall and we have a high degree of confidence around the midpoint of that range. We are also maintaining our adjusted margin expansion and adjusted EPS ranges.

We believe our outlook for the year represents an attractive growth and profitability profile. I am confident in our ability to leverage the power of VBS and our leading positions across our end-markets to capitalize on the robust secular tailwinds supporting growth to deliver on our financial commitments.

With that, I'd like to pass the call back over to Mark for some closing comments.

Mark Morelli

Thanks, Anshooman.

I'd like to wrap up with three key takeaways. First, we're off to a strong start in 2024. I'm proud of the way our teams executed in the quarter, driving attractive core growth and margin expansion, demonstrating traction on our strategy and our ability to deliver differentiated solutions for our customers. Our end markets are constructive, underpinned by strong secular drivers and we're advantaged by our leading share positions with the largest players in the mobility ecosystem. As our customers aggressively expand their footprints, they increasingly need our integrated solutions that improve site productivity and profitability.

Second, Vontier has a unique competitive advantage within the mobility ecosystem, which puts us in a solid position for attractive mid-single-digit growth and strong free-cash flow generation.

Lastly, our balance sheet is healthy and our strong cash generation provides plenty of optionality for accretive capital deployment. Our outlook for 2024 puts us squarely on the path to achieving our long-term targets. I am confident we have the right strategy in place to continue to deliver differentiated solutions for our customers and unlock significant value for our shareholders.

With that, operator, we're ready to open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Nigel Coe from Wolfe Research. Please go ahead.

Nigel Coe

Thanks. Good morning, and thanks for the question. Appreciate it. Maybe thanks for the details. A very comprehensive overview. Maybe talk about 2Q in a bit more detail. It looks like margins are ticking down by about 80 basis-points Q-o-Q. I think we've assume that prep margins would pick up sequentially. So maybe just talk about what we need to bear in mind for second quarter.

Anshooman Aga

Thanks, Nigel. As we'd communicated last quarter, Q2 should be in-line with our Q1 guide and it's largely playing out as anticipated. From a historical perspective, the seasonality is in line with half one being about 48% to 49% of revenue and 45% of EPS. Also, keep in mind, from a sequential perspective, Matco has their Expo event, which is the largest stocking event of the year and there's about a $20 million to $25 million decline in revenue sequentially because Q1 had incremental revenue from Expo and the Matco margins are pretty attractive margins. So that does impact seasonality between Q1 and Q2.

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Nigel Coe

Okay. So it sounds like pretty stable for the two segments outside repair where we should see some pressure Q-o-Q. Okay, that's really helpful. And then just obviously, the strength we're seeing in North American retail fielding is really impressive. And it seems that you're gaining a fair amount of share here. So I'm just wondering what you think is driving those share gains. And I'm actually more curious if perhaps the Invenco acquisition is maybe helping some of the go to market there?

Mark Morelli

Yes, good morning, Nigel. It's Mark. Thanks for the question. You know, I think we're really happy about the results in EFS. It's really our first quarter that we're reporting without the EMV compare. And so I think you can see some pretty clean numbers there. And then I do think that the team is doing a great job. We've got a lot going on with the build out of the convenience store operators. The successful formats are continuing to plow forward. And I think the folks in that business are looking at new build sites that are either greenfield or they're doing more acquisitions as we said in some of our prepared remarks.

And these folks are looking out well beyond this year with buying up real estate and putting capital to play. You see a very successful franchise like Wawa, as an example, making announcements. So I think it's pretty easy for people to follow. And the reason why that's highly relevant is that we have the majority share, both with above ground and below ground. And as they're building out their formats, you know, fueling is a part of that and a modern convenience store format is clearly benefiting there.

And then on the Retail Solutions side with solutions like what we call enterprise productivity or payment solutions with our Invenco by GVR business, they're providing more site management capabilities as many of these operators look for digital transformation to manage their assets better. It's a very complex footprint. And so they manage that better with enterprise productivity solutions that we offer as well as payment solutions, also the new FlexPay 6, which is a great offering that's coming out as well.

And the thing that they're also really trying to do is they're trying to be more consumer-friendly, and the words that they use around that is they really want to be personalized guest experiences. And so we enable that with our technology. So it's a really integrated approach and I think that that's really bearing fruit.

Nigel Coe

Okay. Thanks, Mark. I'll leave it at that.

Operator

Your next question comes from the line of Andrew Obin from Bank of America. Please go ahead.

David Ridley-Lane

Good morning. This is David Ridley-Lane on for Andrew. Could you talk about a little bit more about the National Electric Vehicle infrastructure program, how you see that funding playing out over the next years and how you are kind of positioning to capture your pretty good share of it?

Mark Morelli

Yes. So thank you for that question. About $400 million of the NEVI funding have been awarded so far, about $7.5 billion. So it's very early innings. If you track that and follow that, you're able to see that 60% of the awards so far have gone to convenience store operator footprints. And I think that shows really the viability of the convenience store in a multifuel future. And what's really interesting too, if you peel the onion even further, you'll notice that we're also picking up really good share because we provide network software to charge point operators.

Whether it's a convenience store operator like Circle K that chooses to be a charge point operator or Shell that chooses to be a charge point operator or charge point operators like EVgo or Francis Energy examples in the United States, of course -- United States centric. These folks can either decide to develop their own network software or they can decide to outsource us. And we are the leading provider when folks look at outsourcing that. And I think it's because our solution really works well with high reliability. And so we've got about 60,000 plugs under management for high-speed charging.

And just to put that in comparison, that's about the number of charge points or charge plug -- excuse me, not charge points. That's the number of charge plugs that Tesla has. So we've got about the same number of high-speed charging points under management. And I think we see a multifuel future with a lot of different charging operators that are going to grow worldwide. So I think we're really positioned well to pick up and be an indirect beneficiary of the NEVI funding because we are a supplier to that.

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And also on a worldwide basis, we're about doubling our plugs under management every year. And I think you'll see our EVolve business with the Driivz platform being one of them start being accretive to revenue growth this year.

David Ridley-Lane

Excellent. And then as a quick follow-up on Invenco, how do you see the revenue trend as you go through the year, i.e., do you expect to accelerate from here? And also any update on the pipeline? Thank you.

Anshooman Aga

Yes, David. Invenco revenue should accelerate from Q1 onwards. Q2 will be higher and Q3 roughly in line with Q2 and then a strong end of the year, so some sequential improvement through the year. The pipeline at Invenco continues to be strong, both for the enterprise productivity solutions where iNFX sits in there and also from a payments perspective, including security of payment opportunities in an international market.

On iNFX, as we have previously said, we're in pilots with a handful of customers, both in the U.S. and outside of the U.S. And we expect this year to have a couple of announcements of successful completion of pilots and move towards a fuller rollout.

David Ridley-Lane

Good. Thank you very much.

Operator

Your next question is from the line of Joseph Donahue from Baird. Please go ahead.

Joseph Donahue

Hi guys, how you doing?

Mark Morelli

Hi, Joe.

Joseph Donahue

Could you just walk through your expectations by segment for the second quarter? I know you kind of went up from Matco, but could you cover environmental and fueling in mobility tech?

Anshooman Aga

Sure. So starting off with Mobility Tech, we expect revenue to be mid-single digits, up year-on-year. Operating profit should be down slightly versus prior year on a tough compare. Repair solutions should, from a revenue perspective, should be flat to low single digits up in the quarter, margins up sequentially, slightly, but down year-on-year and then fueling should be up low single digits to mid-single digits and margins should expand 50 basis points plus in that segment.

Joseph Donahue

Great. Okay. Thank you. And then digging into Matco's performance, obviously, you're pretty impressed this quarter, but you guys outperformed your main competitor there pretty notably. We see the same thing that you do on end customer healthy, but have you seen kind of what they discussed in term in terms of any turn in segment or anything like that?

Mark Morelli

Can you repeat that a last bit again in terms of what?

Joseph Donahue

In terms of like end customer sentiment, that was kind of something like outside the lot there.

Mark Morelli

Sure. We're just coming off our Matco Expo in Q1 and so spending a lot of time with our franchisees as well as some service technicians as well.

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Look, the backdrop for repair, no question is strong. There's -- vehicle models traveled is up. The age of the -- car park is aging even more as people are maybe not buying as many new cars and they're stretching out their car for longer, which adds to the sweet spot of the repair segment. And these things bode well.

We know the complexity of repair is also up, which adds to the size of the toolbox. So some really good drivers there. I think at the same time, when you look at service technicians, they are also, in the United States, these folks have to pay more for food with inflation. Their cost of housing is up.

So there's more competing demands for the service technician in terms of where they're going to spend their money. I think what we found from the Matco Expo coming right out of that is that if you have a good lineup -- we had a strong expo, really strong bookings, and when you have things to offer of value and we lead the industry in product vitality, which means that we're constantly refreshing our product line and trying to be really in tune with what service technicians need and they will spend money if they find it compelling.

And I'll give you a couple of great examples. You know, Anshooman talked about specialty products, which certainly adds no question to the toolkit with capability on providing productivity solutions for a technician. And that category is up, and that's appreciable part of our sales as well as our new MAX 5 diagnostics, which is a high ticket item that we launched in December, and that sold really well in Q1 as well, and we're still selling tool boxes at a pretty good clip in Q1.

So I think that net-net, we see low single-digit growth out of Matco this year with a little bit softening environment for the service technician. But I think we're pretty happy and very proud of the team's results here to continue with high vitality and be really compelling to our service technicians.

Joseph Donahue

Great. Thank you.

Mark Morelli

Thanks, Joseph.

Operator

[Operator Instructions] Your next question comes from the line of Julian Mitchell from Barclays. Please go ahead.

Julian Mitchell

Hi, good morning. So you gave a lot of detail on Q2 and understand that I think a lot of people sort of missed somehow the sequential comments you gave on the last call for Q2. So just focusing maybe on the second half for a minute to try and avoid the same thing happening. Should we think about the sequential earnings cadence within the back half as being a step-up in earnings sequentially both Q3 and Q4, but with a sort of a much heavier weighting step-up in Q3 versus the fourth quarter? Just wanted to make sure is that the right way to think about the sort of second half here?

Anshooman Aga

Yes. Thanks, Julian, and thanks for the comment -- so our fourth quarter will be our strongest quarter both from a revenue and operating profit margin perspective, typical seasonality for us. So we'll see a step-up from Q2 into Q3 and then another step-up from Q3 into Q4. A lot of it is tied to the timing of rollout of some of the projects, for example, the Shell and Chevron iNFX rollouts continue with stronger revenue in Q4 on those, but also the timing of some other projects, including some larger projects in backlog for our ANGI business.

Julian Mitchell

That's helpful. Thank you. And then just as we're thinking about the organic growth rates for the year as a whole, particularly, I suppose, mobility, just wanted to check sort of the latest thoughts on the organic guide for the year. And within that, what's assumed for DRB after that 10% drop in the first quarter?

And EFS, a very strong start to the year on organic growth. That moderates in Q2, as you mentioned. Is it sort of a mid-single-digit growth rate for the rest of the year aside from just Q2?

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Anshooman Aga

Yes. Thanks, Julian. On Mobility Technologies, we're expecting the full year to be mid-single digit. We're seeing continued strength in the convenience store, as Mark talked about in the prepared remarks. And we're seeing good uptake of our Invenco by GVR solutions. So we expect good growth out there.

Also our alternative energies business, which is really our CNG, RNG business and starting to see some hydrogen, we see a continued demand as our fleet customers continue to think about sustainability. That business is growing double digit, and we have strong growth for the back half of the year also in that business.

And then also EVolve, which driven by Driivz, we're starting to see that starting to add as it continues to scale to our growth rates. So overall, mid-single-digit growth in that business. Our fueling business, that should be growing mid-single digit, mid-single digit plus this year. We see continued strong build-out of convenience stores, but also, as Mark said in the prepared remarks, the replacement cycle is also going to be supportive for long term in that business. So we're seeing good growth.

Aftermarket parts continues to grow well and also good legs in our environmental business, which grew high single digits in Q1. Q2 in Environmental has a tough compare, but then again, growth in Q3 and Q4 in environmental.

Mark Morelli

Yes, Julien, I just want to jump in on the back of that. I think one of the things that's happening this year is we're seeing the benefit of some new product introductions. They're really gaining scale, particularly as we progress into the year. I think we've, with our Q1, we've kind of derisked our year a bit. And we feel like with the investments we've been putting in, we're really driving significant new product development in environmental in the VF business as well as Invenco. And I think that traction we're definitely seeing an uptake with customers, so that should certainly build through the year.

Julian Mitchell

Great. Thank you.

Anshooman Aga

Thanks, Julian.

Operator

Thank you. There are no further questions at this time. And I would like to hand the call over back to Mark Morelli for some closing comments.

Mark Morelli

Yes. Thanks, operator. Thank you for joining us on today's call. I'm really encouraged by the start that we've had to the year, and I'm confident in our ability to execute on growth and margin expansion. And we continue to progress what we're calling the connected mobility strategy. I think it's great for growth, but it's also highly differentiated. And I want to thank our teams for our continued strong progress, their dedication to achieving results and executing our vision.

So we look forward to seeing many of you in the coming weeks in person. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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