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CORPORATE PARTICIPANTS

Sam Pearlstein

Vice President of Investor Relations, Carrier Global Corp.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

OTHER PARTICIPANTS

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Julian Mitchell

Analyst, Barclays Capital, Inc.

Nigel Coe

Analyst, Wolfe Research LLC

Tommy Moll

Analyst, Stephens, Inc.

Deane Dray

Analyst, RBC Capital Markets LLC

Gautam Khanna

Analyst, Cowen and Company

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Andrew Obin

Analyst, BofA Securities, Inc.

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Carrier's Second Quarter 2022 Earnings Conference Call. This call is being carried live on the Internet, and there is a presentation available to download from Carrier's website at ir.carrier.com.

I would like to now introduce your host for today's conference, Sam Pearlstein, Vice President, Investor Relations. Please go ahead, sir.

Sam Pearlstein

Vice President of Investor Relations, Carrier Global Corp.

Thank you, and good morning, and welcome to Carrier's second quarter 2022 earnings conference call. With me here today are David Gitlin, Chairman and Chief Executive Officer; and Patrick Goris, Chief Financial Officer.

Except as otherwise noted, the company will be speaking to results from operations, excluding restructuring costs and other significant items of a non-recurring and/or non-operational nature, often referred to by management as other significant items.

The company reminds listeners that the sales, earnings and cash flow expectations and any other forward-looking statements provided during the call are subject to risks and uncertainties.

Carrier's SEC filings, including Forms 10-K, 10-Q and 8-K, provide details on important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements.

Once the call is opened up for questions, we ask that you limit yourself to one question and one follow-up to give everyone the opportunity to participate.

With that, I'd like to turn the call over to our Chairman and CEO, Dave Gitlin.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thank you, Sam, and good morning, everyone. I'd like to start by saying how proud I am of the Carrier's team ability to deliver strong results amidst the current backdrop of inflation, continued supply chain challenges and COVID lockdowns overseas. Our team's hard work, fueled by our high-performance culture, resulted in another quarter of solid organic sales and adjusted operating profit growth, capping a strong first half and enabling us to raise our full year adjusted EPS guidance.

Looking specifically at our Q2 results on slide two, we delivered 7% organic sales growth, expanded operating margins by 130 basis points and increased adjusted operating profit by 4% year-over-year despite the Chubb divestiture. Price/cost was positive in the quarter, and we now expect to be price/cost positive for the year.

Our backlog is up 20% compared to last year. Aftermarket performed particularly well and was up double digits. Free cash flow improved meaningfully compared to last quarter, but was the use of cash.

Turning to slide three, the Value Creation Framework that we outlined at our Investor Day has not changed, driving above-market organic growth, expanding margins, delivering strong free cash flow and disciplined capital allocation.

We recognize that there are concerns about slowing economies. In such times, we do not need a new playbook. We doubled down on the playbook that we have. We are focused on controlling the controllables, and our track record demonstrates that we execute in the face of challenges.

We are playing offense, investing in growth, particularly digitally-enabled aftermarket solutions. We have effectively driven price and aggressively driven cost out of the system, and our strong balance sheet provides us with plenty of flexibility for value-added capital deployment, including investments that will benefit from the compelling multiyear secular trends of healthy and sustainable environment as you see on slide four.

Indoor air quality is critical to our health, safety and cognitive performance. Studies show that improved ventilation and filtration reduce the spread of microscopic particulates including COVID, by up to 80%.

But IAQ does more than prevent the spread of airborne illnesses. 8% of children suffer from asthma and improved ventilation in schools reduces their symptoms. Students also performed better with improved indoor air quality, 60% of K-12 classrooms have inadequate ventilation today.

Studies show that cognitive performance improves by 2x, when optimizing CO2 and VOC levels. Proper filtration systems are equally important and can prevent harmful outside air, whether from forest fires or pollution, from entering the classroom or the home. IAQ is no longer a nice-to-have. It's critical to our health and safety and our ability to perform.

We are responding to the challenge. K-12 orders were up over 35% in the first half of the year. In Q2, we saw a 20% year-over-year increase in healthy building orders, and the pipeline remains at over \$800 million. Some key wins include a new US theme park featuring air handling units, antimicrobial coating and UV light technology at an industrial manufacturing facility upgrade in China with air handling units and HEPA filtration.

Carrier also won the opportunity to partner with a large school district in North Carolina to provide holistic HVAC solutions for three new schools that were prioritized into air quality. Customers not only want healthy air environments in their schools, office buildings and restaurants, but also in their homes. And our diversified portfolio offers unique solutions.

For example, our Kidde business recently introduced a series of smart, healthy and connected products that includes the industry's first integrated smoke, carbon monoxide and indoor air quality detectors. We are also excited about our recent Healthy Homes partnership with Procter & Gamble. We will start by educating our respective consumers on the benefits of healthy homes with a vision towards joint marketing and promotion activities in the future.

On sustainability, the last nine years rank among the 10 warmest years on record. Recently, we saw record temperatures in the UK and Germany, where less than 5% of homes have air conditioning. Demand for AC is increasing in those countries and we are poised to support this demand in a sustainable manner. Addressing increased demand for air conditioning with sustainable solutions is critical to help reduce emissions and fight climate change. Therefore, we remain committed to providing innovative energy-efficient solutions using low GWP refrigerants and coupling them with digital capabilities to optimize asset utilization and energy efficiency.

A proof point of our progress on differentiated solutions is in our North American light commercial business, where our rooftop units will now feature our innovative EcoBlue Technology. This technology improves performance and efficiency, while decreasing installation and maintenance costs through our exclusive patented beltless direct-drive vane axial fan system, an industry first for rooftop units. Our units equipped with EcoBlue are up to 40% more energy efficient compared to the industry's traditional belt drive fans in a similar footprint, a real game changer.

It's the same with heating, where various factors are driving an accelerated shift away from fossil fuels and toward heat pump solutions. This shift presents a significant opportunity and we start from a position of strength. We have the market-leading position in European commercial heat pumps, and are the leading player in residential and light commercial heat pumps in North America with over 30% of our residential splits today comprising heat pumps.

We are also investing in effective and efficient low-temperature heat pump solutions. We have successfully completed all of the requirements for the Department of Energy's Residential Cold Climate Heat Pump Challenge, where we validated a coefficient of performance higher than 2.1 at an ambient temperature of 5 degrees Fahrenheit, and we are now commercializing that solution for market introduction.

Including the heat pump revenues of Toshiba Carrier, an acquisition that we expect to close in early August, we will have about \$2 billion of annual heat pump revenues globally and we are confident that the combination of Toshiba Carrier, Giwee, and our Riello business in Italy will enable us to grow in the European residential heat pump market with compelling product offerings.

We see the same shift to electrification in our transport refrigeration business with demand for our all-electric Vector eCool units steadily increasing. Dawson Group, along with many other transport companies, added Carrier

Transicold Vector eCool units to their fleet to be more efficient and sustainable. We are expanding our market leadership position in this space.

Regarding digitalization, we continue to enhance our Abound and Lynx platforms to further differentiate our life cycle solution offerings. Abound continues to gain traction in verticals ranging from commercial office and university buildings to data centers to national retailers with our focus remaining on providing scale customers with the solutions that they desire.

Our Advanced Lynx Digital platform aimed at significantly improving the cold chain through enhanced visibility and increased connectivity, received a silver ranking from the Edison Awards for Excellence in Supply Chain Innovation.

Like Abound, we are adding new features to Lynx. Our recent Lynx fleet rollout incorporates customer feedback and provides key alerts and metrics around fuel and battery levels and asset run hours. These notifications shown in a summary dashboard, helped to minimize unit downtime and low loss, ultimately reducing our customers' operational costs. We remain on track to have 100,000 Lynx subscriptions by the end of this year.

Another critical growth driver is higher-margin aftermarket and recurring revenues, which you see on slide five. Aftermarket has been up double-digits through the first half of the year, and we're on track for another year of double-digit growth. All of our three segments saw double-digit aftermarket growth in Q2.

Commercial HVAC is now up to over 15,000 connected chillers, putting us ahead of schedule for 20,000 connected chillers this year. We also remain on track for 70,000 chillers under BluEdge LTAs by the end of this year.

In residential and light commercial, the team continues to see expanded adoption of the Breeze platform by new National Account customers to increase aftermarket part sales. So our aftermarket playbook is working.

Before I turn it over to Patrick, a bit more color on the Toshiba Carrier acquisition on slide six. TCC's technology positions us well to accelerate the VRF international light commercial and heat pump opportunities. TCC's pioneering inverter technology, coupled with its rotary compressors allow for dynamic and intelligent balancing of air-conditioning demand, thereby providing customers with greater energy efficiency, longer life and quieter system operation.

We will deploy our multi-brand, multichannel strategy to further penetrate critical markets. And our complementary global footprints, and supply chains give us confidence in achieving run rate synergies of \$100 million.

We created a new business unit within the HVAC segment, Global Comfort Solutions, with a strong leadership team based in Tokyo. Global Comfort Solutions will include the TCC and Giwee acquisitions, as well as our European Riello business and the light commercial business outside of North America. The team has been working on detailed execution plans, and collectively, we're ready to go.

With that, let me turn it over to Patrick. Patrick?

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Thank you, Dave, and good morning, everyone. Please turn to slide seven. Reported sales of \$5.2 billion were down as expected due to the Chubb divestiture. Currency translation was a higher than expected headwind of

3%. All segments grew organically in the quarter, resulting in 7% organic growth for the total company. The impact of the Shanghai lockdowns on Q2 sales was in line with our expectations, roughly \$100 million. All segments realized significant price in the quarter more than offsetting higher than anticipated inflation.

Q2 adjusted operating profit was up 4%, compared to last year despite lower reported sales. Adjusted operating profit in the quarter includes the benefit of about \$35 million or \$0.03 of favorable one-time items. Our results included gains on the sale of two Toshiba Carrier joint ventures and one refrigeration joint venture. These transactions are consistent with our plans to simplify Carrier and reduce the number of minority-owned joint ventures.

Even excluding these one-time items, operating profit was stronger than expected, mainly as a result of productivity and better price/cost despite currency headwinds. Q2 adjusted operating margin was up 130 basis points, compared to last year, whereas price/cost was positive in Q2, it was still dilutive to margins.

Adjusted EPS of \$0.69 was stronger than expected, mainly due to better than expected margins. For your reference, we have a year-over-year Q2 adjusted EPS bridge in the appendix on slide 17.

Free cash flow was the use of \$34 million. We paid about \$70 million of taxes on the gain related to the Chubb sale in Q2. In addition, stronger than expected sales in June, particularly the second half of June, led to higher receivables. Inventories were relatively flat sequentially. Supply chain challenges have not yet subsided and continue to affect our inventory levels.

Starting with slide eight, we will cover our segment's performance in more detail. HVAC organic sales were up 8%, driven by double-digit growth in residential and our ALC controls businesses. Q2 resi movement was flat. After the weak May, movement was up very strong in June. Residential HVAC growth was driven by price.

Our light commercial business was down mid-single digits due to supply chain challenges and a tough comparison as Q2 of last year grew over 60%. Light commercial demand remains very strong. As we expected, commercial HVAC saw modest low single-digit growth in the quarter due to the impact from the Shanghai lockdowns.

Adjusted operating profit for the HVAC segment was up 5% compared to last year driven by strong productivity, favorable price/cost and the higher equity income from the TCC gains I mentioned earlier, which are reflected in equity income in this segment. Operating margin was down 70 bps compared to last year, mainly due to the impact of price/cost and lower volumes, which offset strong productivity and the margin impact of the one-time gains.

We expect the HVAC segment to remain price/cost positive for the full year. The consolidation of TCC will dilute margins of this segment by about 100 basis points this year as we will no longer record equity income related to TCC, but instead will consolidate its entire income statement and incur about \$20 million in upfront integration costs. Our current expectation of HVAC's full year 2022 operating margin is, therefore, about 15%.

Moving to refrigeration on slide nine, organic sales were up 9% in the quarter, driven by high single-digit growth for both transport and commercial refrigeration. This is despite an almost 40% reduction in China refrigeration sales related to the lockdowns and related project delays.

Within transport refrigeration, container was up low single-digits on top of last year's almost 40%. North America and Europe truck/trailer saw double-digit growth as some of the component shortages that held up deliveries in Q1 were resolved in Q2. Sensitech continues to deliver solid results as it grew low teens in the quarter.

Adjusted operating margins were up 230 basis points compared to last year, mainly due to volume, productivity improvements, and the small one-time gain on the sale of a joint venture. Commercial refrigeration margins were up almost 300 basis points sequentially. We are pleased with the progress this segment made in the quarter.

Moving on to Fire & Security on slide 10, excluding Chubb's sales from the second quarter of 2021, Fire & Security segment sales were up 4%. Adjusted operating margins expanded 310 basis points in the quarter, mainly because of the Chubb divestiture and strong productivity. Price/cost was positive in this segment as well.

Slide 11 provides more details on orders performance. Total company organic orders were flattish for the quarter. Backlog remains at very healthy levels throughout all segments. As we expected, residential HVAC and transport refrigeration orders were down in the quarter as both businesses continue to proactively manage their order book. Backlog for both resi and North America truck/trailer refrigeration continued to grow sequentially.

Light commercial orders were up about 25% in the quarter, signaling continued strong demand in that business. Commercial HVAC also saw solid continued demand in the quarter, marking its sixth consecutive quarter of double-digit orders growth with growth across all regions and backlog up about 20% compared to last year.

Refrigeration orders were down approximately 20% in the quarter. The segment's backlog remains up almost 10% year-over-year with transport refrigeration backlog up mid-teens along with a slight decline in commercial refrigeration backlog as we are very much focused on profitability of that business.

Demand for Fire & Security products remains healthy, up about 10% to 15%. As you can see on the right side, order activity was flattish in the Americas and down in EMEA. China orders were down in the quarter, primarily due to the Shanghai lockdowns, but the Asia region, excluding China, saw strong demand.

Before talking about guidance, I wanted to provide an update on capital deployment. In the quarter, we repurchased about \$275 million worth of shares, consistent with our plan to complete the remaining authorization by the end of the year. Year-to-date, we've repurchased about \$1 billion.

We borrowed approximately \$400 million under the yen-denominated term loan earlier this week that will be used to partially fund the \$900 million TCC acquisition. The balance will be funded by cash.

Consistent what we shared with you in February, our full year debt reduction will be about \$750 million. The divestitures I referred to earlier, further simplify our portfolio and are expected to yield approximately \$75 million in after-tax proceeds, which we expect to collect in the second half of the year.

Our actions will continue to be consistent with the capital deployment priorities we laid out at our Investor Day, and our balance sheet provides plenty of flexibility for continued balanced value-add capital deployment.

Now moving on to guidance on slide 12. Performance in the first half of 2022 has been better than expected. In addition, our updated guidance now includes the impact of consolidating TCC into our financials.

Last quarter, I mentioned that we expected price to exceed \$1 billion for 2022. We now expect the year-over-year impact from price to be closer to \$1.5 billion. The additional revenue from price will be mostly offset by the

unfavorable impact of currency translation and slightly lower volume as a result of supply chain challenges. We expect the TCC acquisition to add about \$800 million in revenues this year.

With that, we are increasing our adjusted EPS guidance range \$0.05 to \$2.25 to \$2.35. This is primarily due to the strong performance year-to-date, lower net interest expense and a lower share count, offset by a headwind from foreign exchange. The earnings impact of higher price is largely offset by increased input costs.

We do not expect an adjusted EPS impact from TCC this year, as operating profit contribution is expected to be mostly offset by the loss of equity income and integration costs. As we expected, excluding the equity income from these joint ventures and consolidating the income statement, will reduce full year 2022 operating margin by about 30 basis points to 40 basis points.

In addition, because equity income is our share of after-tax income, consolidating TCC will increase our effective tax rate for the full year 2022 by about 25 basis points to 50 basis points. Importantly, this does not change our actual tax expense or the dollars of income, but only changes the tax rate calculation.

We continue to expect to generate approximately \$1.65 billion in free cash flow this year. Achieving this target has become more challenging, given continued supply chain headwinds, but the team is focused on better working capital performance in the second half.

Lastly, as we shared in the press release this morning, effective with the close of TCC, we will exclude the impact of intangible amortization related to M&A activity from Carriers' adjusted operating profit, adjusted net income and adjusted EPS.

The nature of this acquisition requires us to step up the value of the 60% economic interest in the joint venture we already own, which would drive unusually high amortization. We believe this adjustment provides investors better information to evaluate our operating performance.

We estimate the full year 2022 adjusted earnings will now exclude about \$20 million or \$0.02 of intangible amortization related to acquisitions compared to our prior guidance. For your benefit, we included a guide-to-guide adjusted EPS bridge on slide 18. So overall, another good quarter and an improved outlook for 2022.

With that, I'll turn it back over to you, Dave.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Well, thanks, Patrick. We are pleased with our performance through the first half of the year. Our backlog instills confidence in our outlook for the second half, and I am confident in our team's ability to keep driving strong results.

With that, we'll open this up for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] One moment for our first question. And our first question comes from the line of Joe Ritchie from Goldman Sachs. Your question, please?

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Thanks. Good morning, everyone.

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Good morning, Joe.

A

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Good morning, Joe.

A

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Hey, guys. So, it was nice quarter. I'm curious, maybe just parse out the resi HVAC this quarter. It looks like all of it was price. I just want to understand how much pricing is coming through, not just there, but also across the rest of your HVAC business? Was the volume – was there any volume growth in the business this quarter?

Q

And then the other key thing that I'd like to parse out is that, as commodities are deflating right now, how do you guys feel about your ability to keep that price? And how will that play kind of translate into margins going forward?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Let me start with the latter piece, and then Patrick can discuss the pricing on the first part. Our goal, Joe, is to keep the price increases that we've gotten. You'll recall we came into the year expecting \$1 billion of pricing this year, which about \$20 billion of sales would have been about 5%. We're now looking at \$1.5 billion of price, which is a 7.5% or so realization for the year. And our expectation is that we maintain that price, not just in resi, but across the portfolio.

A

In some parts of the business, we needed more discipline in any case on pricing, like in our commercial refrigeration business where the team has done a nice job. So our expectation is that we certainly retain price as we get into the second half of this year, into next year. And then we'll see about the commodities.

If they continue to come down, things like copper, steel and aluminum, that should be some tailwind as we get into next year, but we'll have to see on that piece. But we're pretty well blocked for the second half of this year, but our hope and expectation is that, if they remain low, it would be a bit of a tailwind as we get into 2023.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

So, Joe, on the first part of your question, for the HVAC segment, most of the organic growth was price. And so volume was actually slightly negative there. And that's, of course, impacted by the commercial HVAC performance, which was, as we expected, we've given the Shanghai lockdown. And we expect commercial HVAC growth to pick up in the second half of the year.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Got it. That's helpful. And then – and you guys commented that, it sounded like things started to pick up in the June timeframe. Can you maybe just talk a little bit about the trends as you were exiting the quarter? And then as – obviously, it's still pretty early in 3Q, but as we kind of had started the July timeframe?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. What we saw in resi in particular, was movement really picked up as we got into June. June movement was up around 10%, and it had been a bit weaker in April and May. So – that was a movement in resi something that we watch very, very carefully.

And it was encouraging to see movement pick up in June. That's continued into July, which is encouraging because our expectation for ourselves is that we end the year with inventory levels about in balance to where we'd expect them to be. So we are trying very hard to manage the inventory levels in the channel, while supporting our customers. So it's nice to see movement fairly strong over the last couple of months.

In other parts of the business, a lot of it really had to do with just us recovering on the supply chain a bit more as we got into June. We've still been paced by chips, which is about two-thirds of our problem. In parts of our business like transport refrigeration, we saw controls catching up as we got into the latter part of the quarter, and that helped us with output as we got into June.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Helpful. Thanks, guys.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Thank you.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Thank you.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Julian Mitchell from Barclays. Your question, please?

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Hi, good morning. Maybe just a first question around the orders outlook. So the orders were flattish in Q2 after what had been four or five quarters of extreme kind of strength. So just wondered if the orders development was

broadly in line with what you were thinking? How we should think about that orders year-on-year trend in the back half? And I suppose particularly interested in transport refrigeration, where I think the ACT data has been fine. You obviously had a pretty steep decline in orders. So maybe how are you thinking about that in particular as well for the back half on orders?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah, Julian, let me give some color on orders. If you take about half of our business, orders were up double digits. Commercial HVAC has been up double digits now for six quarters in a row. So we're very pleased with the orders that we're seeing in commercial HVAC. And they're underlying it is that we look at ABI, which you know the Architectural Billing Index has been north of 50 for 17 straight months. So that's very encouraging.

Our F&S business, which doesn't get as many questions, they had double-digit orders. Like commercial had double-digit orders. I think it was in the range of 25%. So there was more of a supply chain issue supporting the output, but orders have been extremely strong in light commercial.

The real two areas that kind of gave Carrier an overall flattish was resi and truck/trailer. On resi, we usually measure backlog in terms of weeks, say, four weeks or so in terms of backlog. We're sitting at about four months. So as backlog normalizes, we've been saying now for many quarters in a row that we expect year-over-year orders to come down for resi and that is not the metric that we track. We track movement, we track inventory levels. We expect orders to decline, but we're still sitting on very strong backlog.

And in truck/trailer to your – the specific question there, we have been managing the order book, especially in North American truck/trailer with our customers. So it's something that we're very well-positioned in terms of our backlog in truck/trailer. We watch those ACT metrics for next year. I think it used to be in the double-digit range. It's probably high single-digits is what they're saying for right now but the backlog is good. So the two areas, resi truck/trailer are things that we're being quite purposeful in. And then we expected container to be down, and it was down given the very, very tough compares.

And the last thing I'll mention is CCR. CCR orders were challenged a bit, but what we have to figure out is how much of that is driven by the market and how much is driven by us. We were very clear with our team that we expect to improve margins on CCR and we're going to bid things at the right margins, and we're not going to bid things at the wrong margin. So we did see orders decline a little bit, but we also saw a significant improvement in margins, which is encouraging to see.

So, Julian, we're sitting on backlog levels that are up 20% – more than 20% over last year. So, we will continue to watch orders in light of what everyone is concerned about with economic slowdowns. But for us, what we see is nothing less than what we expected in some cases, actually beyond what we expected.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

That's helpful Dave. Thank you. And then maybe just a question on the – we can see what the sort of second half EPS implied in the full year guidance is. Just wonder if there's any points you'd highlight around the sort of split of earnings between the third and fourth quarter? Any dynamic in terms of margin trends year-on-year perhaps between Q3 and Q4 because of price/cost, for example?

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Yes, so Julian, Patrick here. We actually expect organic growth to be pretty similar, Q3 and Q4, about close to 10% each, maybe a little bit below. And then – which is not unusual. We expect a little over 50% of our adjusted EPS for the second half of the year to be in Q3. So a little bit higher EPS in Q3 than Q4, similar overall growth rate.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Great. Thanks, Patrick.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Thanks, Julian.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Nigel Coe from Wolfe Research. Your question, please?

Nigel Coe

Analyst, Wolfe Research LLC

Q

Hello. Thanks. Good morning. Good morning, Dave, Patrick, and Sam.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Good morning.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Good morning.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Good morning. Lot to have this morning. [ph] So I (33:38), Patrick, I didn't quite understand the amortization point. Are we now sort of on a – for FY 2022 on a cash EPS basis. And the principle of my question is the \$0.02 add back, you've got a lot more amortization through your P&L. So, I'm not quite sure why it's \$0.02, not something a little bit higher than that? So, if you can just clarify that, that would be great.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Sure. Hi, Nigel. The way you can think about this is in our current P&L and our outlook we had back in April, we had about \$0.02 for the full year amortization of intangibles related to acquisitions. With the acquisition of TCC, our amortization expense will likely go up by about \$100 million. And what's kind of interested is, we already own today economically 60% of the overall interest in Toshiba. So, amortization expense would go up significantly, including for the part that we already own of Toshiba.

We have decided to exclude the amortization related to acquisitions going forward, and so compared to the prior guidance, that is a \$0.02 improvement in adjusted EPS. Of course, the impact going forward would be significantly higher because of the large increase in amortization expense that I just mentioned.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. And the reason why we haven't got accretion from Toshiba in the back half of the year, obviously, ex-amortization is because of the integration cost that you're absorbing in the P&L. Okay, that's very clear. Thanks, Patrick.

And then on the step-up in pricing from \$1 billion to \$1.5 billion, was that due to additional price actions that you didn't have in place as of April? Or was it due to just better yields on the announced price increases?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

I think it's a bit of both. We came into the year pretty well-priced. We had to do a bit more to get to the \$1 billion. And we've actually announced subsequent price increases as the year has gone along. So we announced a recent price increase for our North American commercial, light commercial HVAC business. Refrigeration both Fire & Security have had to announced price increases during the course of the year. And then I will say that our realization has been a bit higher than we had planned. So I think it's a combination of within your price announced increases plus realization.

Nigel Coe

Analyst, Wolfe Research LLC

Q

And then just based on where commodities are right now, the way they're trending, do you anticipate that we're now beyond the price increases? And maybe if we could just focus more on the residential business here, that would be helpful.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Nigel, one with respect to copper, steel, aluminum, clearly, we're seeing the trends there. I think it's too early for us to say that some other components, call it, that we purchased for resi HVAC that we've seen the end of the cost increases. Obviously, that is something that we're very much negotiating. But I don't – I would not say that besides steel, copper, aluminum, that were on the downward trend.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Understood. Thanks very much.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Thank you, Nigel.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Thanks, Nigel.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Tommy Moll from Stephens. Your question, please?

Tommy Moll

Analyst, Stephens, Inc.

Good morning and thanks for taking my questions.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Hi, Tommy.

Tommy Moll

Analyst, Stephens, Inc.

I wanted to drill down on HVAC margins. If I recall correctly, last quarter, you guided us for this quarter as 2Q down year-over-year, and you gave some factors there. Can you give us any similar insight into 3Q, if not quantitative, then maybe qualitative?

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Well, Tommy, first of all, with respect to Q2, the margins came in a little bit better than we expected. Of course, the gain helped with that. That was about 80 or so bps. But I will also say that for Q2, we still saw a headwind on price/cost from a margin perspective. So price/cost positive from a dollar operating profit perspective, but price/cost for the HVAC segment was still about 100-point headwind on operating margin in the quarter.

For the balance of the year, HVAC margins will, of course, be impacted by the consolidation of TCC. We expect for the full year now the margins of HVAC to be down – to be closer to 15% versus 16% prior guide. And including for Q3, we still expect a sizable headwind from price/cost on HVAC margins.

Tommy Moll

Analyst, Stephens, Inc.

That's helpful. Thank you, Patrick. And Dave, I wanted to circle back to some of your commentary around orders. You walked us through some of the parts of the business where orders trended down in the second quarter and you gave some reasons why. But you also alluded to what I think a lot of investors are focused on, which is just is there any sign of an economic slowdown that you're seeing in your business? And you gave us some reasons why that might not be the case, just simply looking at your order trends. But are there any macro signs that you can point to that may have moderated a bit or maybe falling short of what you would have expected even if we're not currently seeing it in the orders of the P&L?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

The direct answer is not really. I mean, we saw orders decline in China, but we wouldn't blame that on the macro, we would blame that on the COVID-related lockdowns. I think if we had to look for one area that came in a little bit lower than we expected, it was in CCR and to some extent, in European truck/trailer orders in the quarter.

And I would say a couple of months, it's too early to call a trend. But the thing in particular with CCR that we have to watch is, how much is self-induced because of our pricing discipline and how much is market related. And the

true answer is we don't know just yet, because this is probably the most aggressive we've been in that company's history. So we'll have to keep an eye on that.

But by and large, North America remains strong. Southeast Asia, which we don't talk a lot about, was extremely strong. China was weak, but we expected it. We'll have to see how the rest of 3Q plays out. And again, resi and truck/trailer, it wasn't alarming because a lot of that was us managing the order book and inventory levels.

Tommy Moll

Analyst, Stephens, Inc.

Appreciate it, Dave. That's helpful and I'll pass it back.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thanks, Tommy.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Thanks, Tommy.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Deane Dray from RBC. Your question, please?

Deane Dray

Analyst, RBC Capital Markets LLC

Thank you. Good morning, everyone.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Hey, Deane. Good morning, Deane.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Good morning.

Deane Dray

Analyst, RBC Capital Markets LLC

Hey, Dave, that statistic a lot of headlines with the UK on average household only 5% with some form of air conditioning. How prepared is Carrier for this expected ramp in kind of new capacity? And are you seeing any of that demand given the past couple of months?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Well, it's one of the reasons that we're very excited to close on Toshiba. Toshiba really positions us in that kind of multifamily, in that light commercial space globally in places like Germany and the UK.

So obviously, we're not a major player in Europe for single-family homes. But when you get into the multifamily homes, our Toshiba technology, and Giwee to some extent, position us very well. And then for the larger, obviously, commercial HVAC, we would say that we're doing extremely well. So we're positioned well for that demand in Europe.

And then it's the same on the heat pump side, which is as we get into these winter months, we would say that we're number one in commercial HVAC heat pumps in Europe, and that's going to be a big trend that people are going to be talking a lot about is the transition to heat pumps in Europe as well.

So when you see parts of the world that have never had air conditioning before, whether it's Portland, Oregon and Seattle or now London and Frankfurt, you're going to see us leaning into that AC space, but also with more sustainable solutions as well, because, obviously, we want to be part of the solution, not part of the problem, on climate change.

Deane Dray*Analyst, RBC Capital Markets LLC*

Q

Yeah. That's great to hear. And then the K-12 opportunity, summer is the prime time for construction activity. So if there should be a lot going on right now. Is there – how does this compare to previous cycles, especially given the indoor air quality mandate?

But I just concern that if – are there – is there a shortage of construction labor, parts, anything that might hamper what should be some significant installation time in the cycle over the summer?

David L. Gitlin*Chairman & Chief Executive Officer, Carrier Global Corp.*

A

Yeah. I think that's just a broad macro concern in the US right now is labor constraints. But I think specifically with K-12, I think we're extremely encouraged by it, and I don't think that will put a significant damper on the opportunity.

I mean, you think about \$190 billion of total ESSER spending for K-12, \$140 billion of that \$190 billion has not yet been allocated. And because that's because ESSER III is where the bulk will really go towards sort of the larger appropriations and that's of the \$120 billion is ESSER III.

So, our orders were up in the first half, 35% in K-12. When we think about verticals that could do well during an economic slowdown, K-12 with the amount of funding they have is one of them. And we put a dedicated team on this space, and they're performing well. So, we're very encouraged by this space.

Deane Dray*Analyst, RBC Capital Markets LLC*

Q

All good to hear. Thank you.

David L. Gitlin*Chairman & Chief Executive Officer, Carrier Global Corp.*

A

Thank you, Deane.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Gautam Khanna from Cowen. Your question, please?

Gautam Khanna

Analyst, Cowen and Company

Q

Yeah. Thank you. I have two questions. First, I'm curious about price [ph] inelasticity (44:43) or elasticity in the resi business, given all the price [indiscernible] (44:46) the industry has announced and in the face of declining commodities. What do you think – do you think the industry will be able to hold price next year?

And if there is any pricing pressures in the business, where would they emerge? Would it be in commercial? Would it be – what can you say about that? Then I have a follow-up.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. Let me first comment on resi. We've seen – and I think that the industry has seen an ability to appropriately increase price given all the commodity headwind and retain it. And we think that would continue into next year because what you're going to see next year is a switch over to the 2023 higher SEER units, which is going to come with a 10% to 15% price increase. So, we will have to watch the elasticity curves.

I think it's clear to say that we won't continue with the same kind of price rate increases that we've been seeing. I think we've had six increases over the last 18 months or so. And obviously, that will subside, but we do not see today prices declining. In fact, as we get into next year, we'd expect an increase given the SEER shift.

But more broadly, I think that all of us have been in a situation with our peers where we've had no choice, but to raise prices. And fortunately, we're in markets where we sell essential products and whether it's life safety equipment or whether it's – we're transporting critical vaccines or foods to certain parts of the world or whether it's when your air conditioner breaks, when it's really hot outside, you're going to replace it.

So, I think we've seen an ability to increase price and retain it, and we do not expect going into next year of price reductions. We'll watch the elasticity curves for sure. But right now, we do not see price decreases.

Gautam Khanna

Analyst, Cowen and Company

Q

Thank you. And just as a quick follow-up, David, you made some comments early on about supply chain improving and controls. And I just wondered if you could maybe give us some metrics around where the supply chain has gotten better? Where it hasn't? And what your visibility on the areas [ph] are that it (46:53) happens? How is it going to trend over the next couple of quarters? Thanks.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. So what we saw at the end of the second quarter was we were [ph] weighing (47:02) on controls and some of our reefer units that had been in inventory for a while, and we saw those get delivered and we were able to release those units to the field. So, that was encouraging.

At a more macro level, we have not seen the sustained improvement on the supply chain that we expect to see yet. We're still dealing with chip issues in a significant way, and that contributes to about two-thirds of our problem.

We said last quarter that we would redesign 30% of our critical components by the end of last quarter, 50% by the end of the year. We continue to do that, but we continue to see challenges, not just with chips, but things like

motors and other suppliers continue to surprise us. And that does cause productivity issues in the factories, and it does cause us to hurt our customers where today, we are sitting on hundreds of millions of overdue to our customers.

So we are counting on supply chain improving as we get into really 4Q leading into next year, and we're going to need that to make sure that we hit our cash numbers in the back half. And we also are still looking at logistics. The good news is that spot rates have come down, the bad news is that because of supply chain challenges, we're having to do a bit more airfreight than usual. So we're anticipating improvement as we get into the back half of this year, and I think the team is doing the right things, but it does continue to be a challenge.

Gautam Khanna

Analyst, Cowen and Company

Thank you.

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thank you.

A

Operator: Thank you. One moment for our next question. And our next question comes from the line of Steve Tusa from JPMorgan. Your question, please?

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Hey, guys, good morning.

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Hi, Steve.

A

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Good morning, Steve.

A

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

So just on the price/cost, can you just give us the absolute price and cost numbers for the second quarter? And then you gave us the price for the year, but what's the cost estimate for the year? And then I have a follow-up.

Q

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Yeah, Steve. So in Q1, I said that price was over \$300 million. In Q2, price overall company was about \$450 million. And it was a price/cost positive but still dilutive to margins. So if you do the math, it's maybe a couple of pennies.

A

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

And then for the year, what are you expecting now on cost, I think it was \$1 billion before? What are you expecting now on cost?

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

We expect price to be about \$1.5 billion. And again, we expect price/cost to be positive, it's going to be pennies, it's not going to be a dime. So it's below that and still price – still margin dilutive by about 40 bps for the overall company.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

Got it, got it. And then, Patrick, I...

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Just for your info, on a two-year stack, we're about neutral now to slightly positive.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

Right, right. Yeah, that makes sense. And then, Patrick, I think in response to Julian's question, you said the second half would be kind of a 50-50 weighting 3Q, 4Q when it came to EPS. I guess, I'm a little bit surprised because 4Q usually is seasonally weaker, and I just want to make sure I'm doing the math right. That's like \$0.55-ish for both quarters.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Steve, I said to Julian or I mentioned a little over 50%. So I think close to 60-40.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

Okay, that makes a lot more sense. Okay. And then one last one, just for the resi market this year, what's your most – what's your kind of most up-to-date view on what you expect from the resi market volume-wise for the year?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

I would say that volume is going to be up like low single-digits. Overall resi, we were up 20% in the first half. Second half will be about 10%. So call the full year about 15%. We had previously said resi was going to be, I think, high single-digits, so – in that 8% to 10% range, it's now going to be closer to 15%. The bulk of that from price, but we do expect some volume in the low single-digits.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

Okay. Awesome. Thanks for the color. Appreciate it.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thanks, Steve.

A

Operator: Thank you. One moment for our next question. And our next question comes from the line of Andrew Obin from Bank of America. Your question, please?

Andrew Obin

Analyst, BofA Securities, Inc.

Hi. Yes, good morning.

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Good morning, Andrew.

A

Andrew Obin

Analyst, BofA Securities, Inc.

Just a question, going back to the whole chip supply, how much visibility do you have into next year? And are you counting more on existing capacity freeing up, coming out of places like Asia, or new incremental capacity being added in North America, how do you think about improving chip supply going forward? What's the biggest driver?

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Well, we work with folks, our friends at TI and NXP and Microchip and others. And right now, we are trying to really, for our critical shortages, design around chips that are available. We do know that our partners are building capacity as we get into next year, and that's hopefully going to come on sooner rather than later.

A

I think over time, the CHIPS Act once that goes through, will be beneficial. But for now, it's a fairly tactical exercise around redesigns while we really anxiously anticipate and await the additional capacity coming online next year into 2024.

Andrew Obin

Analyst, BofA Securities, Inc.

And just a follow-up on that. It seems that just – not just for you, but for everybody, the mix is shifting to sort of lower SEER units, just because of chip availability. So how much of a lift structurally on a like-for-like basis, could you get as mix improves, as chips become more available next year and mix improves towards high-end product eventually. How should we think about that impact on the mix down the line? Thanks.

Q

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Actually, Andrew, I think that one of the benefits we may see is with the new regulations. We estimate that over half of the resi market is at the lowest SEER level, with the new regulations in 2023, it means that we think that a little over half of the market will mix up, if you want.

A

Meaning 10% to 15% price increase and from a margin perspective, positive from a margin dollar perspective and at least neutral from a margin percent point of view. And so, we think that may be the biggest driver from a mix shift point of view.

Andrew Obin

Analyst, BofA Securities, Inc.

Q

Right, but that assumes you can get the chips available.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Yeah, but we're already in production for those new units, and we're starting to sell them this month.

Andrew Obin

Analyst, BofA Securities, Inc.

Q

Terrific. Thanks a lot.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Thank you, Andrew.

Operator: Thank you. One moment for our next question. And our next question comes from the line of John Walsh from Credit Suisse. Your question, please?

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Good morning, everyone.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Hey, John.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Good morning, John.

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Q

Hey. So a lot of ground covered on HVAC and refrigeration. I wanted to talk a little bit about the Fire & Security margin. I think last quarter, you kind of suggested you were looking a little bit better than the 16% you had put out there. Wondered if we could just get a little bit of a bridge back-half, H2, H1 on the Fire & Security margins.

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

A

Yeah. Actually, if you look at Fire & Security, there are two items that we expect to benefit us in the second half of the year. One, organic growth rates are expected to be higher for Fire & Security in the second half of the year versus the first half of the year. And then the second element is price/cost.

For Fire & Security, you may recall that in Q1, Fire & Security was price/cost neutral. We expect price/cost to be favorable in the back half of the year – for the back half of the year. And so we think that a combination of these two will be the main driver of improved margin performance for that segment.

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Great. And then just going back to pricing, if we could talk about the commercial pricing in HVAC, is this all structural? Are there any kind of fuel surcharges or things that might reverse out? And then just anything around spares pricing as well there on the commercial side? Thank you.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Yes. We believe structural, we're trying to the best of our ability avoid surcharges or things that are ephemeral in nature. So, it's structural. It's actual price increases that we intend to sustain. And the second part of the question?

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Just around the ability to also push through on non-contractual pricing outside of service or spare parts [indiscernible] (56:40).

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Oh, yeah. That's something that we've really tried to be much more intelligent about and using – creating more algorithms, kind of akin to what was – what we used to do a bit more on the aerospace side and really look at the elasticity curves more at a part number level. So, I think the team's gotten much better models on pricing on the parts side. And I think that's been an area that we've had a lot of focus and success [indiscernible] (57:10).

John Walsh

Analyst, Credit Suisse Securities (USA) LLC

Great. I'll pass it along. Thanks.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thanks, John.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Vlad Bystricky from Citigroup. Your question, please?

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Morning, guys. Thanks for taking my call.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Hey, Vlad.

A

Patrick P. Goris

Chief Financial Officer & Senior Vice President, Carrier Global Corp.

Good morning, Vlad.

A

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

So, maybe just as a follow-up on Fire & Security, obviously, a lot of talk about the chip situation on the HVAC side. But can you talk about the supply chain and electronics component availability in Fire & Security and whether that's any different than what you're seeing on the HVAC side and how you see that resolving?

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Yeah. I would say, Vlad, it's actually been even more acute for Fire & Security than it has been for HVAC. In particular, in one of our highest margin businesses, which is Access Solutions, we've had very strong demand in parts of that business, whether it's for LenelS2 or our BlueDiamond or even our Onity and Supra businesses, which are quietly very well-positioned businesses, high margin. The team is doing a great job, and we're really plagued by chips in those businesses.

A

And our supplier partners know it. They've been working with us to support us, but that's where a lot of our overdue has been. So, we talked about coming into the year, as Patrick said, at about a 16% ROS. The expectation is to be a bit higher than that. And the reliance is on recovering on some of our higher-margin businesses that have been really impacted by chips.

We are anticipating a recovery as we get into 4Q there. I mean it's not just hope. There are specific part numbers that we track that we know when they're going to get redesigned, when we start to introduce those new products. So we have line of sight to it, but it has to happen over the next few months.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

And that's – no, it's good to hear that you have line of sight to some improvement there. I'll be watching that.

I guess just shifting to Toshiba Carrier, obviously, a big deal for you. Can you talk about as you look to close the acquisition in August, what opportunities do you see to do things differently that you couldn't have done under the historical JV construct? And then also any color on the timeline to achieving those \$100 million in synergies?

Q

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Sure. I got to tell you, we could not be more excited. We said early August, the expectation is here that we closed early next week. So we're gearing up. We're ready to go. The team has been at the integration over the last six months or so. And we've worked very well with Toshiba Corp and the TCC team. What we have found – and remember that as a JV partner, as a minority JV partner, we didn't really control design or production or really the JV overall. We did some distribution globally.

A

But now as we look at it, we have traveled the world and there is so much demand for this product line. It's got – this phenomenal inverter technology, which enables you to use rotary compressors, which is lower cost, and it's got really differentiated technology, it has a great brand, especially in countries like China where Toshiba is going to actually be our high-end brand, followed by Carrier and then Giwee.

So as we get into things like European heat pumps, especially for residential, we're talking to some of the OEMs there that are really pulling for our compressor and condensing unit designs. We were traveling in the Middle East where we see there's so much excitement and they can't wait for us to close.

So I can tell you that the excitement on the product line is building. Toshiba has brand-new facilities, TCC in places like Poland and China that we can really leverage across our portfolio, and there's also phenomenal supply chain opportunities between the two companies. So we said \$100 million on a run rate basis over the next, I would say, five years or so. And we're confident that we're going to achieve that.

Vladimir Bystricky

Analyst, Citigroup Global Markets, Inc.

Q

Sounds good. Very exciting. Thanks, guys.

Operator: Thank you. This does conclude the question-and-answer session. I'd like to hand the program back to management for any further remarks.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Okay, well, thank you, everyone, for joining in. What I know it's a busy morning, of course, we and Sam are around for questions. So thank you, all.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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