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# Carrier Global Corp. (CARR)

## Morgan Stanley Laguna Industrials Conference


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# MANAGEMENT DISCUSSION SECTION

## Joshua Charles Pokrzywinski
*Analyst, Morgan Stanley & Co. LLC*

Good afternoon and welcome to day three of the Morgan Stanley Laguna Conference. I'm Josh Pokrzywinski, the firm's Electrical Equipment and Multi-Industry Analyst. With me this afternoon are the team from Carrier including CEO, Dave Gitlin; CFO, Tim McLevish; and VP of Investor Relations, Sam Pearlstein. Guys, thanks for joining us. Before we get started, I do need to read a brief disclaimer and then I can hand it to Sam who has his own. So we'll see whose is more entertaining.

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With that, gentlemen, thanks for making the time here this morning. And once you get through your initial comments, we'll jump right in.

## Sam Pearlstein
*Vice President-Investor Relations, Carrier Global Corp.*

Okay. Thanks, Josh. I will read our disclaimer which is a reminder that the forward-looking statements discussed today are subject to risks and uncertainties. Please see Carrier's SEC filings that provide details on the factors that could cause actual results to differ materially from those anticipated in the forward-looking statements.

I'll turn it back to you.

## Joshua Charles Pokrzywinski
*Analyst, Morgan Stanley & Co. LLC*


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Excellent. So, I guess, I appreciate you guys taking the time here to join us for a virtual. Again, I will promise you maybe not as good weather as you have there in Florida, but something better than what I have here in New York for next year.

# QUESTION AND ANSWER SECTION

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Maybe just to kick us off, Dave. Certainly, an interesting year out there, a lot of exciting things going on in the HVAC world certainly from where we started in March. Maybe just give us the lay of the land and the biggest things you're watching right now.

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

A

Yeah. I think, first of all, Josh, thanks for having us. We feel very encouraged and positive about where we are and where we're going. There's really four key elements that we've been emphasizing and really leaning into. The first is creating a performance culture at Carrier, and I'm really proud of the response that the teams had to COVID. We've rolled out Carrier Excellence which is our form of, A, some more agile focus on on-time delivery, quality and the other elements there, the [ph] Carrier Way (02:17) really creating a sense of discipline and credibility about meeting our commitments and simplification and focus. So the culture and performance culture come a long way. Really very disciplined on the cost side. We're tracking ahead of what we had thought on Carrier 600 and we're really tenacious on G&A and we'll continue to be.

The third piece is driving growth in a very focused and consistent way. We've talked about our three pillars of growth, gaining share, focus on some of the adjacencies and create geographic expansion. And as part of services and digital, we've rolled out a tiered offering with BluEdge and there are some megatrends like healthy, safe and sustainable buildings and cold chain that we're really leaning into.

And the fourth element is disciplined capital allocation. We're very pleased with our cash position. Tim has done a superb job managing the balance sheet. We're well-positioned to pay down debt. We've initiated a dividend. And like we've said, we take a very sober and disciplined look at our portfolio and do the right thing for our shareholders. So right now, we feel quite positive about where we've come and where we're going.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Excellent. And now, I guess just in the context of where we were when you guys left us off in 2Q, it seemed like some pretty strong order trends out in the HVAC world. Any update on how that's played out as we've gone through 3Q and how you're seeing that over the balance of the year?

**Timothy R. McLevish**
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

A

[ph] You want me to take it (03:40), Dave?

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

A


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Sure. Go ahead.

**Timothy R. McLevish**
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

A

Yeah. So I'm going to rewind back for a second to Q2 when we reported in July at our Q2 earnings release our kind of the lay of the land at that time, which was China was recovering nicely, South-Asia, not so much. Mixed across Europe, but overall, solidifying a little bit.

Applied globally, with long lead – long backlog, long lead time business, so we were doing fine there. But one needed to fill that pipeline. Then it gets to resi, which was about as expected in April, May then picked up considerably in June. And at the time, [ph] we received (04:25) well into July. So we said that trend seems to be continuing into July, but not sure exactly what's going to transpire over the rest of the third quarter.

Sitting here, halfway-plus through September, we have seen the about the same trends that we saw in Q2 including the strength in resi and some of our Fire & Security. More residentially oriented businesses doing -- continuing that strong trend and doing well. And so we're quite pleased with how the market has responded to what we thought was going to be a very difficult, still a very difficult situation but has responded well. And I would say, as we think about the year from here, still a quarter to go but we're tending to focus more on the top end of the range of guidance for revenues and income that we had laid out in Q2.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. That's helpful. Appreciate that update there. And I guess, just kind of sticking with some of the upside surprise and momentum that you've seen in residential, I know one of the big toggles that happened from kind of the March-April timeframe was inventory where we started the year in a pretty lean position across – the COVID environment pretty lean across a few of the channels specifically in HVAC, but probably in Fire & Security as well, they were a little [ph] away (05:48). What's your sense on how replenishment has gone there and when do you think we get back to kind of a healthy level of inventory out in that channel?

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

A

You're exactly right. I mean, you look at the beginning of the second quarter, that April-May, I think it was lower than it probably in retrospect should have been which created a significant demand as we got into June-July. So what we've seen with the very significant demand June-July which has continued August and, as Tim said, into September, we have seen inventory levels at more typical levels that we would expect. What's nice is that the movement out of the distribution is sort of matching the distribution – our deliveries into distribution. So it's sort of moderating at a level that makes sense. We do watch to make sure inventory levels are [ph] not (06:40) going up significantly given the increased orders and deliveries we've had but they seem to be matching each other.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. That's helpful. And then I guess just sticking with residential. Again, on the HVAC side, pretty clear that people got it wrong to start the season in March-April and how this would all shake out. But it seems like there's kind of three things at work here, very warm especially at the end of 2Q, you had a lot of folks staying home and probably acutely aware of their HVAC situation. And I've said this already, you heard me in the pre-call. But you're welcome. I was a Carrier customer earlier this summer. I can't remember exactly which month because you try to


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block that out from your memory of being hot in writing a decent-sized check. But to you and Watsco both, I was happy to help this quarter or more recently.

And then I guess the last point is that relative to other recessions or the financial crisis, you had folks who might've been doing a little bit better either on, unemployment benefits or stimulus or your mortgage forbearance, just something that was maybe keeping them a little bit more liquid than the other [indiscernible] (07:55) would have. If you had to kind of think about those three pieces together or separately, anything that you're thinking about that flips to being a tough comp in the next year or is this just, hey, it's business as usual and weather comes and goes, but these units are always breaking and we're not particularly focused on one of those elements going the wrong way?

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

A

No. Well, look, Josh. First of all, thank you for being a customer. We encourage you to buy early and often. And, no, I think that – look, whether who knows, the weather has certainly been some tailwind for us this year and we'll have to see how that plays out next year. I think if you look at the overall trend around spending on the home, it doesn't look like that would subside. That's a trend that looks like there's some consistency there.

And I think inventory levels have sort of moderated and overall demand just seems quite positive. If you look at the replacement cycle, we've talked about a 17.5 year replacement cycle which, if you look at the deliveries back 2005, 2006, sort of gives you some natural tailwind for 2021 and 2022. And then as you get into 2022 in the pre-buy out in front of the 2020-2023 introduction of the new [indiscernible] (09:14) units, there could be some pre-buy in 2022 and we feel good with the new introduction in 2023.

So, we'll watch it as we get into next year. Again, 3Q has been surprisingly strong. I would say that we don't measure market share one month at a time. But I would say if you look over a period of time, I'm confident that when we close the books on 2020, we'll have picked up some share certainly on splits, probably flattish to slightly up on furnaces. So, we feel good that we have the right strategies to really be there for our customers and take some share as well.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

And what do you think has been kind of the prevailing driver of that? I know it's 1,000 points [indiscernible] (09:57) all times. But if you had to pick just a few things you would say, gosh, this was right in front of us in 2019, and in 2020, we actually executed on it or now with different leadership are looking at it differently. Anything stand out that you'd want to leave people with?

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

A

The number one thing is operational performance. I think that with the spike in demand that I think the whole industry has seen, we've really gone to great lengths to -- credit to our phenomenal operations team, to really be there for our customers. And it hasn't been easy and we've had to do some extraordinary things and there's been some absorption headwind. But I really believe that the team has really stepped up operationally to support our customers and we haven't been perfect for them. But I think that some of the feedback we've gone is that if they look across the industry we've done a notably good job there.


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So we'll continue to focus on that. But I think that's helped. We are focused on some dealer conversion, making sure that we have the right offerings with the right branding at the right [indiscernible] (11:00) levels, at the right geographic points. I think pricing has been stable. I don't think that we're picking up share through anything on the price side. I think it's just been through strategic focus and those [ph] are the (11:16) elements.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And not to belabor the point on share too much because like you said it's not determined in a month or a quarter. Anything across kind of that value spectrum where you felt like you weren't really getting your entitlement and getting that back has been a bit more actionable? Because I mean, I think across the enterprise, you guys are basically every price point that folks would expect.

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

A

Yeah. I think it's nice to have the broad portfolio that we do with Carrier Bryant and Payne. And we also have our various ICP brands as well. So I would say that if we had in the product offering, if there was an area where I think we really had to lean into this year, it was sort of in that [indiscernible] (12:01) range where we really hadn't been as focused on it as perhaps we could have been or should have been. So that's an area where I think we've become more focused, more competitive that's helped us. And I think we've traditionally been quite strong on the high end. I think that's continued. But we've made sure that we focus to all aspects of the range.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then just flipping over to some of the commercial markets, I guess commercial new construction is an area where people are a little bit more concerned and understandably so with what's going on in retail and restaurants and even in offices and education to some extent. I suspect the portfolio especially in unitary SKUs a little bit smaller in terms of the tonnage. Anything that you guys are noticing there in terms of the new construction market starting to soften up a little bit or is there still kind of backlog from pre-COVID that's filling that in?

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

A

It's really a bifurcated kind of commercial construction industry right now. The good spaces are things like data centers and healthcare, you see with hospital spend, warehouses, that's been quite positive and we've really lean into that. We have some very good relationships especially on things like data centers and warehouses that have given us some nice tailwind.

Some of the real challenged areas are acute and that like commercial space, things like retail, hospitality, restaurants that has been a struggle now. 80% of our light commercial business is replacements. So you would expect that there would be some pent-up demand ultimately there as we get into next year. But we did see some progress from 2Q into 3Q, but 3Q is still down year-over-year on the light commercial driven by a couple of those areas. And then the areas that I'd probably put in the more to come are things like education and commercial buildings.

When we look at our portfolio and we look at our exposure to OE, new construction, commercial construction, that's about 15% of our business. Once you take out refrigeration, you take out aspects of the Fire & Security portfolio, you take out resi, it's about 15%. So it's a bit of a mixed bag. We have seen some orders. We feel fine


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about this year. We'd like to fill the pipeline as we get into next year. We have some targeted strikes as we get into 4Q. So we just got to keep filling that pipeline.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then just thinking about any kind of replacement activity or service on the commercial side, is there anything people should keep in mind in terms of a commercial replacement cycle? I think the units probably last a little bit longer so maybe more like 20 years instead of teens. But I think we had a pretty big commercial construction bill that kind of the turn of the century. Is there anything that you guys track or look at or is this just kind of fundamentally a more stable market than residential?

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

A

It's a little bit different than resi, I think, in that respect. But I think the opportunity on the commercial side is modernizations. To be quite frank, I think we've had a couple of peers that have done a better job than we have in the past and this is an opportunity for us to really drive modernizations through value propositions, things like sustainability and driving energy efficiency improvements for the operator, this megatrend around healthy buildings.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

[indiscernible] (15:32), isn't it?

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

A

Yeah. No. It could be, but it's not. But I do think as we look at the opportunity to come in midlife or towards the end of life to a customer and offer value propositions to have them replace an applied unit earlier than, say, the 30-year period, it really is around value propositions. I do think this area clearly energy efficiency and digital and how you can improve their energy efficiency bills is an opportunity. But healthy buildings I think could be something that becomes quite sticky for a period of time, a sustained period of time. That offers a real opportunity there as well.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And I think one of your competitors has certainly talked a lot about it and I think started to see some quote activity around the healthy buildings space. Even though it's still early days I guess as folks are starting to get back into buildings case in point here, case in point where you guys are, that that's becoming more topical. Are you guys seeing anything out there? Even in kind of a funnel preorder that gives you some visibility into how that may evolve?

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

A

Absolutely. I could tell you that we launched this OptiClean unit just as an example. We launched it. We actually developed it in a few weeks. We launched it earlier this year and we thought that we'd get some additional sales and see where it went. The demand has been far higher than we thought. It's helped us this year as we look into


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next year we think that there's continued opportunity there. So it's a bit of an example of the demand that we're seeing.

The thing that we're trying to look at is so we are seeing upselling where someone buys a chiller and they buy a better filtration system that would be additive. We are seeing new sales of things like our OptiClean unit. Where we're really taking the healthy building initiative is to focus on holistic systemic offerings that can get a customer to a [ph] self (17:41) healthy sustainable building and then sustain it there. So, how do you define that? How do you measure it? How do you give their customers the insight into where you really are in terms of – so before you come into your building there in Times Square, you could look on your iPhone and see is that a healthy and safe environment?

And you can look at various attributes like filtration levels or CO2 levels or whatever it is you're going to measure and it can give you confidence before you go to a restaurant or drop your kids at school or come into an office building. So, right now, it's a bit either episodic or anecdotal, where we want to take it is to something that's much more holistic.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And I guess on that front, every building is a little different especially in getting [ph] to the applied (18:24) space and much more of an engineered kind of offering. How do you kind of break it down into something that's either standard work and more easily deployed where you can attack the market or is this something where it's going to be a battle inch by inch because it's getting a sales force and technician force that's trained up, building out a bit of a capability there on the technical side as well. So, I guess, how do you think about the speed at which you can attack the opportunity knowing that you probably have more in front of you than some other folks?

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

A

Yeah. I think about it in a few elements. First is the product offerings. And I think that we have and we continue to look at how we expand our healthy, safe and sustainable building product offering. And I think there's an element that we've rolled out a lot and there's more to come that really help us digitally be able to connect the dots in that regard.

Then we look at our marketing, and we've been doing a series of webinars with customers to really explain to them the benefit. And I think that's come a long way and I think that's piqued a lot of interest for some key customers. We have a partnership with Cushman & Wakefield who's boots on the ground, talking to customers every day. That's helpful.

And then the third piece is the sales piece. So, we've trained – we have about 5,000 sales folks out there. We've trained folks on these additional offerings that we had that drive healthy and safe indoor environments. What we have to do is look at enabling our existing sales force to sell across our portfolio and that's something that we have to continue to evolve, because today, we sell either HVAC or FNS, but some of the offerings cut across those two portfolios. We have a group that sells across Carrier, we just need to evolve that and that's what we're working on.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q


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Got it. And then I guess, the element of efficiency goes somewhat hand-in-hand with safe and healthy building, so I wouldn't want to separate the two. But if I think back to – I want to say the 2Q call, you mentioned that you'd seen some progress on improving service attachment rates. Would you think of that as kind of a separate opportunity versus some of these efficiency upgrades or does that all kind of get thrown into the stew together?

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

A

It's all in the stew together. I mean, we looked at – when we look at our overall business model of driving much more lifecycle sales, that is thematic or across Carrier. Like I said before on modernizations, I do think that in all fairness, we're playing a bit of catch up there, but I do think that we have focus on it. We have the playbook down. The leader of our aftermarket, Ajay Agrawal, he knows the playbook that BUs are perfectly tied in.

We've given incentives, the tool, the toolbox to really grow this. On the applied side, we said we'd get to a 30% attachment rates this year. We'll certainly achieve that. So we know what we got to do and it ties into now that you have that customer intimacy, how do you use that to drive more sales around healthy, safe, and sustainable buildings. And once you're in there, you're now talking about filtration systems and air changes per hour and how much outside air you're using. And there is an element around energy efficiency. And sometimes physics, there's a tradeoff in there somewhere. But I think we can balance all that for the customer.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then just understanding the world's a pretty big place. There's billions of square feet of [ph] pooled (21:55) area to be attacked. I would imagine that as much as competitors may be having success, that doesn't necessarily mean that it's mutually exclusive with other folks participating. And are you running into some of your peers quite often or is it still pretty fragmented?

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

A

It's fragmented. We have – honestly, I mean, I think that for the aftermarket space, there's so much opportunity ahead. When we look at it – and by the way, this is not just an applied discussion. This applies to the entire portfolio. It applies to part sales in residential. It applies to our Fire & Security portfolio, how we would deal with refrigeration. And one of the keys for us to pick up additional revenues but share on the overall aftermarket side is not only our tiered offerings but it's really using digital as a differentiator. So things like prognostics, diagnostics, remote control to drive energy efficiency, that's something that as the OEM we have the ability to really differentiate ourselves and that's an area we're really focused on and investing.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then I guess behind this, depending on where you're at in the world, there's regulatory or kind of climate legislation element. Europe's obviously pushed pretty hard. The US, I think the Biden administration or the Biden campaign has talked about some 4 million buildings of – that need to be upgraded or should be upgraded. Where do you see yourselves positioning for that or trying to pre-position? Is it getting in front of people for spec driving? Is it just being there with the right offerings? And as the market gets identified, you come in. Maybe talk about how some of those elements come into play.

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

A


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Yeah. You look at the trend around obviously sustainability and climate change. We're trying to pre-position ourselves to proactively talk to customers about how they can get out in front of whatever regulation or legislation is going to come, how do they drive more energy efficiency. And we've seen probably more progress in Europe. You're starting to see more of in the United States. Depending on the election, there could be more of it. But we're seeing a lot of interest from customers not only on the energy efficiency side but this healthy side too and the interplay between those two dynamics. So we see that as a real opportunity as customers look to become compliant with potential forthcoming regulation.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And not to leave out the transport side of the house because obviously Transicold is a pretty compelling franchise but anything that prevents those markets from getting back to kind of normal or prior peak over the next couple of years? I mean I know I'm eating more during the COVID lockdown, so again doing my part as small as it is. But presumably your customers have a better view into food purchases and supply chains and restaurant activities and kind of all the complexity of what we may need going forward versus prior. Anything that you guys have been able to observe as we've seen some settling out?

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

A

Yeah. I think the opportunity is there are – clearly, it's a cyclical business. So if you look at the ACT numbers this year North America truck trailer down 30%, 35%. Next year, you just get a natural snap back a bit, they're forecasting up 20% next year. But that's the cyclical nature of the business.

I think the more strategic side of it is a couple of things. One is when you look at food transportation places like China, today in the United States more than 90% of meat is transported in a refrigerated container and it's less than 40% in China. So that's a trend that you would expect to change. So, I think food safety is clearly a trend that's here to stay especially in certain parts of the world.

And then you look at pharma and vaccines, when there is a COVID vaccine connecting the dots between the cold chain is inherent complexity to that. We really want to position ourselves in a sweet spot there to not only be part of the solution but to help some of the key elements of the industry connect some of those dots. So we are focused on things like telematics and the overall cold chain solutions that we think because of our Sensitech business, the holistic offerings that we have, we can be a real player in connecting those dots.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then just pivoting it over to Carrier 600, you mentioned in your opening remarks some good momentum there. Better realization this year than I think you originally planned for. I guess, maybe Tim for you to kind of weigh in on pull forward versus a larger opportunity and then if you wouldn't mind pairing that up with, Dave, some of your comments on areas of investment, which may be a source of drag but obviously good returns so not a bad thing even if it's just bigger opportunities you're identifying.

**Timothy R. McLevish**
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

A

Yeah. So I'll start. Yeah, I mean Carrier 600 in part because we have a very aggressive person, Rishi Grover, that is leading the charge on that and with good cooperation and participation across the enterprise that we have [ph] from (27:20) that. We originally set out $600 million over a three-year program. This year we expect to deliver


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$250 million on it. So we're obviously ahead. Some of that was acceleration because of the COVID crisis. Some of it was just that we aggressively went after it. We have not yet – I mean, we will probably, soon come out with what our expectation is, whether we shorten the program, introduce the next program, expand that program or exactly what we do. But obviously, we're going to continue to drive it to realize what we can out of it.

Talking about the investments, I mean, we had set out the beginning of this year that we expected to spend $300 million over the next three years. It was kind of staged at $150 million this year, $100 million next year, and then $50 million in 2022. This year, because of the COVID crisis and the need to constrain a little bit, we scaled that back. Now we're at about $100 million this year.

We still believe that $300 million is appropriate. There's enough good projects in the pipeline that we think that with good returns on the investment that that's appropriate to spend on that. Obviously, it will generate returns itself. And all of that will be funded by the Carrier 600. So, we have that plus some to return to the bottom line. So that program continues and we're directionally maybe a little bit different pacing more aggressively on the Carrier 600 side and slowed back a little bit in the pacing on the investment side. So that kind of balances things out.

**Joshua Charles Pokrzywinski**
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then I know supply chain was a big part of that. And now certainly, nothing is closer to the free square in Bingo than supply chain now in the COVID environment. Anything that you guys have rethought or reprioritized now with a bit more supply chain scrutiny by everybody as we've gone through this?

**Timothy R. McLevish**
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

A

We've been quite pleased with our supply chain. I mean, at the very inception, we're sitting at late in March and we're starting to think about the amount, what do we have, $1.5 billion coming in from China and serving some of our factories around the world, we became very concerned. We're very early in approaching our suppliers, making sure that where they had alternative sourcing in other countries as China [ph] first (29:37) was down and make sure that we had supply coming out of there. And then obviously China recovered pretty quickly so that replenish – made that okay.

But I would say the one thing perhaps that we learned out of it is just the focus on ensuring that there is dual – early on, we thought about, well, maybe this focusing more concentration on a single supplier was good in terms of leveraging our spend and so forth. And we said, maybe we need to think about diversifying. But then what we really went back to is we said we need to make sure that our suppliers, the big suppliers, important suppliers that we're leveraging also have dual sourcing in geography – well, in geography and in different plants.

So we're pretty much covered for the risk in that regard. And we've found that most of our big suppliers have that diversification. And so, I would say that we don't have to rethink that much. And I would say still supply chain is a big part of the Carrier 600 progress we've made. We've made some progress on manufacturing in our plants, efficiencies and automation and so forth and some on the G&A, particularly with the cost containment this year. But some of that will come back so the fundamental reduction, we still have lots of opportunity. We've made some good progress on it as well.

But, no, I'd say that with the supply chain, some learning from it, but I would say it's still on track and still basically focused on where we had been.


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### Joshua Charles Pokrzywinski
*Analyst, Morgan Stanley & Co. LLC*

Excellent. Well, I see we're out of time. Dave, Tim, Sam, appreciate you making the time. Hope to do this all again next year and in person. Thanks for joining us this afternoon.

### Timothy R. McLevish
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

Thanks, Josh.

### David L. Gitlin
*President, Chief Executive Officer & Director, Carrier Global Corp.*

Thank you.

### Sam Pearlstein
*Vice President-Investor Relations, Carrier Global Corp.*

Thanks, Josh. Thanks for having us.

### Joshua Charles Pokrzywinski
*Analyst, Morgan Stanley & Co. LLC*

You're welcome.

### Timothy R. McLevish
*Executive Vice President & Chief Financial Officer, Carrier Global Corp.*

Thanks, everybody.

### David L. Gitlin
*President, Chief Executive Officer & Director, Carrier Global Corp.*

Appreciate it.


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