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Carrier Global Corp. (CARR)

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MANAGEMENT DISCUSSION SECTION

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Hi. Good afternoon. I'm Josh Pokrzywinski, Morgan Stanley's electrical equipment and multi-industry analyst. Thanks for joining us with the continuation of our fireside chats for our 9th Annual Laguna Conference. Up next, we have Carrier Corporation, including Chairman and CEO, Dave Gitlin; and Chief Financial Officer, Patrick Goris, as well as the VP of Investor Relations, Sam Pearlstein. Guys, thanks for joining us.

Before we dig in, I think, Dave, you have some opening comments. I do have to remind folks some important disclosures. So, for our research disclosures, please visit our Morgan Stanley research disclosure website at morganstanley.com/researchdisclosures. And for all other questions, please reach out to your Morgan Stanley salesperson.

With that, guys, thanks for joining us. Welcome in. Dave, I will hand it over to you.

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

Josh, thank you. Thanks to Morgan Stanley for hosting us today. Looking forward to next year in Laguna. Let me just first say upfront, as encouraged as we are by what we've seen in 2021, we're very encouraged by what lies ahead, because I think we've taken great steps to put a team, a culture, a playbook in place that will allow us to lean into these secular trends, and drive profitable growth for years to come.

When I look back, Josh, at our Investor Day in February of last year, we had three major themes. First, we said that we were going to instill a performance culture to deliver results – predictable results for our customers and our investors even in difficult circumstances. And despite the supply chain challenges, which I'm sure you and I would get into in the Q&A, I am very proud of our team's performance on delivery, on quality, and on cost reduction. And we've taken aggressive cost actions. You know about Carrier 700. More cost actions will come.

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And that's enabled us to not only grow our margins. This year margins will be up over 70 bps over last year, while investing in growth, and that was really our second theme.

We said that we would really lean in to benefiting from these secular trends, which established our strategic North Star, which is to be the world leader and healthy, safe, sustainable and intelligent building and cold chain solutions. So, we were very purposeful about shifting from being an equipment provider to being a provider of solutions to some of the world's most important challenges, things like climate change, healthy indoor environments, safe food and vaccine distribution. And I will tell you, Josh, it's unleashed a lot of value for Carrier and our customers. And we're seeing the results. We talked about growth. This year, our organic growth will be up 10% to 12% over last year, up mid-single digits over 2019. And we've been very focused on things like recurring revenues and aftermarket, and we're seeing the benefits from those focus areas.

And the third theme we had was to be very disciplined on capital allocation. We spun just about 15, 16 months ago with about $10 billion of net debt. Assuming we close on the divestiture of Chubb, which I'm very hopeful we can close on it by the end of this year, we would end with less than $4 billion of net debt. So, a lot of progress and what that enables us to do is to really start to play offense now. Play offense on – of course, we'll continue to invest in organic growth, but invest in inorganic growth. We built out our pipeline. We're looking actively at more acquisitions, and we'll continue to have a sustainable and growing dividend and, of course, buyback which Patrick has talked about.

So the last thing I'll mention before the Q&A, Josh, is that in terms of 3Q and the full year, really, no new news to what we said on our 2Q call. For 3Q, we said that for 3Q, we said that revenues and adjusted EPS would be very similar, very similar to what we saw in Q2. And we remain on track for that. And while not surprisingly, we're no different than anyone else. We're seeing inflationary pressures, overall supply chain challenges, but we remain confident in our ability to manage those.

So, with that, we will be – of course, we'll have time to get more into 2022 later. I do want to give you and the others early heads-up that we will be doing an Investor Day here in Palm Beach Gardens. So, that's going to be in February; February 22 of next year. So, look forward to welcoming you and others down to the Palm Beach area in our headquarters here on February 22. And we'll go deep then, of course, on 2022 and the out years.

But with that, Josh, let me turn it over to you for Q&A.

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QUESTION AND ANSWER SECTION

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Awesome. Well, I appreciate that, Dave, and looking forward to joining you down there in Palm Beach. Maybe just to start off on the order of the day on supply chain, we've had a few of your major competitors here cite some supply chain challenges. I think Trane was more acute coming out of 2Q. Lennox kind of previewing that they were starting to see that ramp up more materially here in 3Q. But it seems like kind of the mixed blessing of a strong demand environment is, no one can get damn near anything. So, reaffirming 3Q and kind of the balance of the year looking roughly how do you expect it, would it suggest that none of this is insurmountable? But have you seen that availability of product evolve over the last kind of 30, 60 days and what steps have you guys taken to sort of minimize or manage that risk to end up in the spot you are today?

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

A

I'll tell you, it's one of the most challenging supply chain environments that I've ever seen. Every day, there are new issues that our operations team is having to deal with. It's not only in our supply chain. Operationally, we have to continue to ramp up staffing in some of our sites. So, I think the entire supply chain challenges are acute. They're real. They're sustained. They're not getting better than they were, say, in 2Q. But I will tell you that where we are right now is that our team has gone to great lengths to minimize the impact on our customers and, of course, our shareholders.

It's not that we haven't – that we're not late to some of our customer demand. In some cases, we're a couple weeks late. I was just with some of our distributors over the weekend. And I know that we have with the demand being as strong as it is, we could be picking up even more share, if we did have these challenges. But I will tell you we're managing them. We're putting people on site at our suppliers. We are building up as much temporary labor in our sites as we can where we can hire enough. We have a lot of oversight and escalation process that we manage daily. We're moving talent around in the organization to deal with that critical priority. So, the team I think is taking all the right steps.

What we hear from our customers is that we're managing the issues as well if not better than our peers. But that's not good enough. It's only good when we're not impacting our customers in any way. We're not there yet. But I think we're taking the right actions to minimize the pain to both our customers and our shareholders.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And if you had to sort of rank order the things that are highest on your watch list versus not. I mean, anything within integrated circuit seems like it's one of the bigger pain points. I would be surprised, if you guys say otherwise. But the – anything else that's particularly acute in the Carrier organization?

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

A

It's – chips, boards all things electronics are challenging right now. That would clearly be number one. But it's engineered items. It can be in certain some of our highly engineered products. It's things like resins. So, the cost

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pressure is continues to be where we do spot buys on copper, steel, aluminum, all of those continue to be at elevated prices. And then some of the same traditional supply chain issues that others are facing.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Now, you're in sort of a unique situation with Carrier 700, where you're undertaking a pretty major supply chain in sourcing initiative at the same time when no one can get anything. Is that – I'm assuming it's adding a layer of complexity for sure. But is it also causing you to rethink where you want to procure things from, or what suppliers that maybe – you've qualified over the last year or two that, I mean you'd want to give more or less to, I guess, is it adding some texture to that process?

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

A

It is. I think that what we're trying to do on Carrier 700 and overall supply chain effectiveness is still the more robust operational supply chain infrastructure to help us for years to come. So, in many cases, we're now looking – we track internally how many dual sources of supply do we have. So, we don't have a single point of failure. And it may not be two different suppliers, and it maybe one supplier with two different sites. So, we have less exposure to any one site. We're going to invest more in automation to help with some of the other challenges we're seeing on manpower and for other reasons as well.

So, what we're actually doing on Carrier 700 is we're doubling down, because of some of the commodity inflationary pressures that we see going into next year, we're going to really have to double down on G&A reductions and be very aggressive there. We're going to really lean into Carrier Excellence in productivity in our factories. That has to become part of our DNA and rolled into how we run the business.

Carrier Alliance, we have thousands of suppliers and we have very few partners that are part of Carrier Alliance, and they commit to cost reduction, delivery quality targets. We want to grow that. So, this is an opportunity and a reminder of how critical that perfect symphony is around a robust supply chain. And that's what we're building out.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

And if you had to say kind of still the biggest opportunity to come, if we're here a few years from now talking about Carrier 1000, that supply chain is still the biggest opportunity even though you've made a lot of strides there already?

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

A

Yes, for sure, because it's 85% of our cost of goods sold. So, to really move the needle, it's going to be around supply chain, but I will tell you that we have a long way to go on G&A. Patrick's doing a superb job with finance transformation. Eva and how we're managing Carrier Business Services, where we used to have a lot of duplicative G&A and multiple sites around the world, we're now building centers of excellence in places like Monterrey and Prague and Hyderabad, and perhaps Shanghai at a future point. So, I think we're trying to be much more strategic about G&A and that's another big opportunity.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

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Got it. And I think, Patrick, you are probably one of the few CFOs in – on my list that last quarter sort of acknowledged that we're not at a single point in time on inflation, and that things like contracts and hedges and other block purchases sort of extend out the curve. And the question we've been asking a lot of folks is, you've sort of acknowledged that hey, that, that doesn't changes because you flip the calendar. We're still carrying some preliminary inflation into 2022. How much – how is that evolved here over the past three months and what do you think is sort of locked in already for 2022 just based on what we know today with input levels?

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

A

Yeah. The way we're thinking about this, Josh, is that, just as we target for this year to be price/cost neutral, it's very much top of mind for us for next year. And so, for next year, there are two [ph] subtle (00:11:40) movements that are happening. One is, you mentioned we benefited from some hedges this year. Those will be rolling off, and so there will be a headwind for us next year. At the same time, we've already implemented three price increases this year. The last price increase went to effect across our different businesses September 1, and so we're benefiting from that. We'll see a significant benefit from that next year.

And on top of that, we are already working internally on our fourth price increase. When I say fourth price increase, I should say the next price increase, which may mean come into effect early January of next year, probably not this calendar year. And so, all of that is really focused on ensuring that for next year, we're no worse than being price/cost neutral.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And I think the collection of businesses inside of Carrier and similar to what you would see across other industrial verticals, price doesn't go backwards very often. If maybe things like freight and labor end up being sticky on the cost side but I suspect steel is not a $2,000 a tonne forever. At least, I hope not. Any sense for how much you would retain, if we sort of normalize some of the commodity inputs just from kind of the stuff you can track on a Bloomberg chart versus the stuff that's negotiated or engineered?

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

A

Clearly, the objective is to retain 100% of it. And that's frankly why we're so focused on ensuring that we adjust prices, we increase prices, we get the yield on the price increases we announce, because of course if at some points there is some abatement of the input cost, we want to benefit from that.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. So, just coming over to the demand side, seems like, in the commercial world, obviously, you saw good order intake in 2Q, probably some pent-up demand on replacement activity that didn't get done last year. Buildings weren't as occupied. But all the things that the industry is sort of talked about here for a couple of years on healthy buildings, building modernization. It seem like they're really taking off. I mean as you have customers talk about incoming orders today is, a higher percentage that really driven about – driven by stuff unrelated to this traditional break fix or do you still think a lot of the strength today is just this kind of cyclical catch up? Any way you would sort of break that down as you look at the book today?

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

A

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I'd say it's a bit of both, Josh. I would say that there's clearly pent-up demand independent of the secular trends that we're seeing. Orders you saw, as you just mentioned, orders were very strong in the second quarter. They continued to be strong here in the third quarter, probably up quarter-to-date, mid to high single-digits. Transport orders, transport refrigeration has been up about 30%. Light commercial applied is up over 20% in those spaces.

So, orders and demand is not our issue. I think part of it is just, as you said, the underlying base demand for people getting back into education, and people getting back into restaurants, even that – as that's been happening, that's driving light commercial demand. But part of it is some of the secular trends. We talked about K-12 and a lot of the funding we're seeing there. We've seen a lot of orders driven by K-12. That's been a very targeted strike for us. And whether those orders are driven by the additional funding from the government or because of the baseline demand for that break fix business, the good news is that orders have been very strong in light commercial.

We're seeing similar kind of appetite in the applied space. So, there's clearly more of a demand for sustainable solutions and healthy solutions. And intelligent is a major theme for us. We're just getting out there with Abound right now. I mean it's very much the first inning, but very important discussions. So, I think it's a combination of base demand and some of the secular trends.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And I would imagine...

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

A

[indiscernible] (00:15:46).

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Go ahead...

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

A

I'm sorry. I was just going to say on a sustainability aspect, if I may, Josh, I was just talking to a distributor over the weekend and what he was saying, we get this question and I was asking him on resi demand and we get into that discussion a lot. And what he was telling me in the district that he covers for us, the region he covers, is that, clearly, people are spending more time at home. But he focused then on things like sustainability. And he said what he's hearing from dealers is that customers are now, because they're spending more time at home, they're more focused on energy efficiency and going to higher SEER units. And he was pushing me to make sure we keep up with the demand that's going on there.

But what's happening is now people are spending more time at home. They want higher quality HVAC units because they hear the sound going on and off. So, I think that when you look at things like replacement over repair, you look at things like sustainability driving more demand, we see it in applied. We see it light commercial. And we're now even seeing it in the resi business as well.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

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Got it. So, maybe just to pick up there on the resi comment with that, how much do you think you've benefited from mix versus volume this year? It seems like from an industry perspective, it's certainly been a tailwind, but sort of modest relative to some other verticals. Pool, for instance, I think is like 30 points a mix or something I've seen like that. What's been your experience and how much farther can we go here in kind of the medium term, just given that the industry has been so healthy in the past, call it, two years?

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

A

Yeah. I think that – we've been very encouraged by what we've been seeing on resi and we continue – what's very encouraging is we see strong movement, we see strong orders, the backlog and inventory levels are staying in check, we monitor that very carefully. We expect that they'll be generally consistent with 2019 levels. So, when you look at all of that and you look at some of the underlying trends with resi, there has been a bit of mixing up. And frankly, our challenge is keeping up with the demand for some of those higher SEER units, because there is a lot of demand for those higher units. So, a lot of the trends that have driven a lot of the strength that we've seen over the last four or five quarters, they continue to be in place. And our job right now is to keep up with the distributor demand.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And then, you sort of you mentioned Abound there. And I think, broadly, technology is playing a big role in this expansion. A few of your competitors have sort of said the same. What do you think distinguishes Abound? It's, I think, one of the later offerings announced in the space, but still a pretty short time to market relative to when it was announced. What makes it different? Are you seeing customers kind of identify something specifically or is this intelligent buildings trend just so powerful that this is something people are clamoring for and the devil may be in the details but we just need more of it?

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

A

I think, we have a very unique offering and a very unique position with Abound. And I think what's different about it is that because it's open architecture, it can interface with anyone's BMS. And a lot of others are working on trying to build out their BMS offering. We have a phenomenal controls business in ALC. What we hear from our customers for our BMS and our integrated controls businesses, it's some of the highest quality offerings in the industry, and we're very proud of our ALC business. We supplemented that with Abound, which is an open architecture, cloud-based, SaaS-based program digital offering that can interface with anyone's BMS.

We did that by design, because we want to be able to implement it. Battery operate it, so it doesn't have to effect a building owner's wiring system, low-cost sensors that we're trying to – that we continue to try to procure at lower and lower prices. And it's going to now build more and more features onto it. So it started with healthy. So, you can look at things like parameters around CO2 levels or particulate matter or radon levels. And then, we're going to add into it, things like sustainability. So it's going to be something that we continue to build out the features on. We've had a number of customers visit our headquarters here, so they can actually see it in action. There's growing interest in it. The Atlanta Braves have been very pleased with it and they've given us examples of how they've been using it and [indiscernible] (00:20:23) spark to identify issues and resolve them. So very early phases, but I think that uniqueness of open architecture interface with anyone's BMS will be a differentiator.

And the reason it's different for us versus perhaps a digital start-up is that we're also an equipment provider. We have this very ubiquitous real estate inside the building. So we have the chillers. We have the heating capability.

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We're investing more in heat pumps. We have a very broad fire and security portfolio. So you combine that digital offering open architecture with our knowledge of the products and how those products can interface with each other, I think it can be a real unique offering.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Are you finding that the Abound conversations start from someplace else like we need a new chiller or is it a bit of an island of a conversation where it can – the conversation can truly start on the digital side?

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

A

It can start on the digital side, because I think we have more and more customers knowing that the differentiation – a lot of the differentiation going forward will be around intelligence solutions. And a lot of our customers in many verticals K-12, in restaurants, in commercial office buildings, they're starting to try to understand how do I lean into digital differentiation, how do I create a healthy building environment because there's more interest in that today than there ever has been in history. So, we have restaurant owners, we have commercial office building owners saying to us help me not only show my customers that I have a healthy indoor environment, help me invest in healthy solutions.

Sustainability is a major, major force that's going to drive demand for many years to come and we have people looking for solutions where they're out in traffic making carbon neutrality commitments. And they're wondering – they're looking to companies like us to give them the ability to not only hit their carbon neutrality commitments, but actually track the performance well. So, Abound in that digital discussion, they view as a key enabler of accomplishing a lot of these other objectives they have.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Understood. So, one thing that is sort of popped up a lot in recent years on the commercial side is service attachment rates. So, I know that you've aspired to start to raise those really since you spun out, the competitors sort of set their own goals as well. How do you see that trending today? And then any idea of what the attachment rate is on new equipment versus kind of the installed base, because it's really a different discussion of where things have gotten more advanced presumably very high on the new stuff relative to the totality of what's out in the field?

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

A

Well, when we spun our attachment rate, which the way we define that -and I will tell you everyone in the industry defines it differently. But the way we've been defining it is after you sell a new chiller, do you sign a long-term agreement either to commensurate with the new sale or after the warranty period with the end customer? And we started at 20% and we ended last quarter higher than 35%. So, we're going to keep pushing that up.

We want to get that into the 50% or beyond range, because that just has to be a way of – a way – the way that we run the business. When we look at overall coverage, which is frankly the more important metric than attachment rate, because whether it's a new sale or an existing piece of equipment that's out there, we want that covered by a long-term agreement.

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If you use chillers as a proxy for the overall business, we've said this year we're going to go from 50,000 to 60,000 units that are somehow covered by a long-term agreement, whether it's a new unit or an existing unit. And we have a little over – we have more than 300,000 units. So, that gives you a sense of the total amount of coverage we have. And we just see that as just a golden opportunity. We got to digitize them. We have to connect the units at an edge device to make sure they're connected. We know that long term you're going to drive higher margin, more recurring revenues, and more attachment and coverage rates that you have. So, this is a major focus area for Ajay Agrawal and the rest of our [indiscernible] (00:24:27). Strong progress and a lot of opportunity ahead.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Pivoting back to the residential side, I think, we could have had this conversation even nine months ago about how crazy strong the industry has been really since the pandemic started or shortly in its aftermath. We're sort of at the point now where everyone has these elevated backlogs and the ability is more to satisfy demand than anything else. What do you view as kind of the defining reason why, after we have some sort of return to normalcy, who knows what that looks like, that we sort of hold on to this industry-wide kind of like 30% gain in volume? Clearly, something changed. Work-from-home is a real thing. But what gives you the confidence that this is the new normal, off of which we grow that low-to-mid single digits that the industry has historically grown at?

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

A

Yeah. When you look at the overall factors driving resi, a lot of them have been encouraging and remain encouraging. We'll look at home builders. And it's too early again in 2022, but there's still a lot of demand for new home construction and a lot of – there's been a lot of hard challenges across every industry, including homebuilders. So, as parts start to roll in, you should see continued demand for new home construction.

We're going to see some nuanced demand over the coming years, because you have the regulatory change in 2023, which will drive a little bit of pre-buy in 2022. You have a new refrigeration requirement in 2025, which would drive demand potentially pre-buy into 2024. So, you have a few existential things that are going on that could drive unique demand in certain years. When you get into times like 2023 and 2025, in those years in and of themselves, you're going to be mixing to higher priced units. So that'll drive some tailwind as well.

We're pushing on pricing. Patrick mentioned three price increases. We've had three price increases in resi, but the reality is, there's – as he said, there's more to come. And then you have all these other factors going on. People have more liquidity than they had in the past. They're investing in their home. They're investing in higher SEER type units for their home. We are seeing more hours, more put on the units, which is driving more cycles which is driving a shorter life. We haven't quantified that if the total life go down from, say, 17 years to something less. We continue to kind of research that internally. But it's clear that units are coming back earlier today than they were in the past, because just physics would tell you that the more cycles and the higher temperatures that you're seeing are putting more demand and you're seeing parts of the country buy air-conditioning that never did before like in the northwest of the country.

So, look, we'll have to see. Clearly, there's going to be some difficult compares as you get out there. We're not going to continue in the range of 25% to 50% forever. But there's a lot of factors that should drive continued demand.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

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Got it. Just turning to the – maybe one of the other kind of stars of the recovery so far, on the transport side, I guess the industry is essentially sold out for 2021 and probably has been for a while. As you've opened up the order book for next year, how has that progressed? Are you seeing customers kind of come in or are they saying it's a little too early. I don't want to book out any farther than I have to. I know I might lose my place in the line. But gosh, I don't have a crystal ball. I don't need to be a year ahead of time on ordering this equipment. How has that kind of progressed as you've seen that order book open up?

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

A

Positively. For some of our truck trailer business, six to nine month type lead time and people are placing their orders, so that de facto gets you into building your order book for next year. And when you look at NATT, North American Truck & Trailer, up in the 40% range, [ph] Europe (00:28:33) probably half that kind of levels, but container has been at historic highs, which there continues to be strong demand there.

Our Sensitech business is – and CCR, commercial refrigeration, not at the same levels like an NATT, but we are seeing strong demand in those businesses. Sensitech, our sensors business, driven a lot by what we're seeing with vaccine distribution. So, there's a lot of very encouraging signs on the demand side. The biggest challenge we have in refrigeration like we have in other parts of the business is, just keeping up with the demand. I mean we have supply chain – our output challenges really across refrigeration North American Truck & Trailer and CCR are probably the most acute right now. No unique – no different than other parts of our business. But the demand signs are certainly encouraging.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And then maybe just final question. I think at the industry, spilling a lot of ink over the last three or four years on major consolidation, which clearly hasn't really happened. But a lot more smaller deals and in some of these technology niches, maybe a few regions that folks haven't really thought about in a while, including what Trane announced this morning. Where does going on offense really put the focus for you? I know you mentioned that in some of the opening remarks. What does that look like? Are there any particular areas that you're focused on in that regard?

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

A

Well, we'll stay very rigorous around our North Star that I mentioned, which is healthy, safe, sustainable, and intelligent building and cold chain solutions. So, our plan is to stay in the fairway of what we consider to be really driving the world leading capability around that North Star. We've had our three pillars of growth, which is strengthening the core, so that's right in the middle of the fairway. There are some product extensions, geographic coverage, and that led to what we announced a few months ago with our Chigo acquisition in China to get a bigger presence than what we would say we were underrepresented in the VRF space, and we wanted to grow that. And then things like aftermarket and digital capabilities.

So, we're looking at building our pipeline. We have – we'll look at digital things that can be $50 million to $100 million. And we can look at acquisitions, maybe $1 billion or $1.5 billion for other types of opportunities. And we'll make sure that we're very rigorous around our financial criteria and our strategic criteria. But I'm encouraged by the pipeline and some of the discussions we're having.

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Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Excellent. I see we're at time. And we'll leave it there. Dave, Patrick, Sam, good to see you as always. Knock on wood, we'll be doing this in person next year. In the meantime, we'll at least get some good weather at your Analyst Day here in February.

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

Absolutely. Thank you, Josh.

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

Thank you, Josh.

Joshua C. Pokrzywinski
Analyst, Morgan Stanley & Co. LLC

Thanks, guys. Be well.

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