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Carrier Global Corp. (CARR)

Wolfe Research Global Transportation & Industrials Conference

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CORPORATE PARTICIPANTS

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

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

OTHER PARTICIPANTS

Nigel Coe
Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Nigel Coe
Analyst, Wolfe Research LLC

So, good afternoon, and welcome to the post-lunch periods here at the Wolf Conference. Very pleased to welcome back and start again with Carrier. CFO, Patrick Goris, is on stage with me. Thanks, Patrick, for being here; and so is Sam Pearlstein, Head of IR. So I think we'd just go into Q&A, right, Patrick, unless you want to make some opening comments.

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

No. Q&A just...

Nigel Coe
Analyst, Wolfe Research LLC

Q&A is good?

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

Yeah.

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QUESTION AND ANSWER SECTION

Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. So normally, I want to start off with macro kind of trade environment, but I think given the announcements you've made in the last month or so, I think portfolio is sort of [indiscernible] (00:00:38) and I want to kick off with maybe Viessmann. And just maybe just first and foremost, how do you see the timeline for the closure of Viessmann? What are some of the regulatory hurdles we go through and what do we need to monitor there?

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

A

Yeah. And if I just may provide some context is what we've done.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Sure.

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

A

...for the acquisition. We can think about Carrier since the spins from United Technologies, we've worked on simplifying our portfolio. We sold an equity investment we had in Beijer. We sold Chubb, which we thought non-core assets. And then what we've done is we've increased our stake or we've acquired businesses in higher growth areas. One was the acquisition of Toshiba Carrier, a joint venture, gives us access to faster growing VRF market, technology we can use in different parts of the world. And then we announced earlier this year what you were referring to, Nigel, the acquisition of Viessmann, which provides us basically with immediate access to residential heating and cooling in Europe, a much faster growing end market where Carrier have had a very little exposure.

So that being said, for context, there are no hurdles that we see that are not the usual hurdles. They are the normal regulatory requirements or approvals that we need there in Europe, in other parts of the world, including in Asia. That's why we came up with the timeline around the end of this year. And so that has not changed, although these items are either filed already or are in process of being filed, and there is really no change there in terms of the timing.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah. So some headlines around the German – some of the public interest of acquiring a crown jewel of the German industrial sector. I mean, do you see any issues there?

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

A

We don't. But first of all, the reaction we think is understandable because we agree. You mentioned crown jewel. We think it is the crown jewel in this part of the market, not just in Germany, but in Europe in general. Viessmann has sales in Asia as well. They have sales in the United States. So it's much more than just a European player.

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They're always concerned if someone buys a national or the crown jewels of a country or an industry. But we've made it very clear that we're not there to, call it, to over-manage the business. They are really good at what they do. We can learn a lot from Viessmann. We can use their technology in other parts of the world. We can use their channel to push through additional products that are already in our portfolio. And frankly, it's the key reason why the Viessmann will be the management team of that business going forward. And we actually may fold some of our businesses within Europe underneath that management team because they've done such an outstanding job.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Right. And I think you mentioned one of the attractions of Viessmann partnering with Carrier is helping to expand and to invest and to make the necessary investments required to meet some of those targets. Maybe just talk about some of the investment spend, kind of the capacity expansions you see over the next several years to support the forecast that you have out there?

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

Specific to Viessmann?

Nigel Coe
Analyst, Wolfe Research LLC
Q

Viessmann, exactly.

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

So, if you look at Viessmann investment profile, they have made some significant investments last year. This year I think is about the peak because you basically have an entire industry of their entire business which is shifting from boilers to heat pumps. And so you need more capacity for heat pumps and less capacity over time for boilers. In all of our analysis and due diligence, this is the year where it's the biggest peak. The nice thing is, going forward, we think there will be less requirements than this year, also because we have existing facilities in Europe. We have existing facilities in that region that we also acquired through the acquisition of Toshiba Carrier and there is some space in those facilities. And so I do not expect that this would have a significant impact on our free cash flow conversion. Actually, if I look at Viessmann's free cash flow conversion the last few years was in that 90% to 95% range with some important investments. So there will be one or two years of some important investments, but I don't see a change in our free cash flow profile as a result of this.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Okay.

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

And there are some nice, as I mentioned, some nice synergies there, given our footprint in that region as well.

Nigel Coe
Analyst, Wolfe Research LLC
Q

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Sure. I see the clock's not ticking. So, we have a lot of time here. We have a lot of time, it's about 30 minutes to go. So that's good news. Okay. So [indiscernible] (00:05:46). So we talk about capacity. I mean, how fungible is the boiler capacity with heat pump capacity. So, as the heat pump business falls off, can that capacity be easily repurposed for heat pumps?

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

I believe it is new equipment that you need.

Nigel Coe Q
Analyst, Wolfe Research LLC

Okay.

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

Hence some of the capital investments required. Also, it's interesting, the boiler business, we expect it to decline mid-single-digits going forward. The boiler business is actually still growing in parts of the world. And so it's not like, for example, in Asia, in some countries there, their boilers' business is still growing. And so it's not a one for one reduction. And that's why we expect also from an overall company point of view for Viessmann, we expect attractive revenue growth rates going forward. Yes, mid-single-digits decline in boilers, but we expect heat pumps to be growing at attractive growth rates. So strong double-digits, but the price per unit in heat pumps can be about 3x, 4x what it is for a boiler. So without any volume growth or without any unit volume growth, you can see significant revenue growth. And the margin percent is about the same on a heat pump as it is for a boiler. And so, it shows the attractiveness of the opportunity there.

Nigel Coe Q
Analyst, Wolfe Research LLC

Okay. So the boiler business would be falling off much faster than mid-single-digits, but offset by in Europe – but offset by growth outside of Europe...

[indiscernible] (00:07:18)

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

It would decrease faster than mid-single-digits in Europe. That's our assumption. But there is still some growth in other parts of the world.

Nigel Coe Q
Analyst, Wolfe Research LLC

Okay. Great. So, the other part of the portfolio move is the Fire & Security assets and the Commercial Refrigeration assets. Maybe talk about how much progress you've made towards getting this done? I don't know what you can tell us, but in terms of how far down the path have you gone there?

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

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All the work streams are in flight. The bankers are all engaged. And so, clearly, we're in the process of going to market, as I say, as soon as possible, which I expect to be briefly after the summer or at the end of the summer.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Okay.

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

And CCR, Commercial Refrigeration, I should say, that will be a sale. So that's very clear there. And then on the Fire & Security side, frankly, we have some flexibility, is it all at once or is it in parts. And so that's something that we're looking at to optimize, frankly. And we've been very clear, we have three priorities: one, we want a clean exit; two, it's proceeds; and then three, it's timing.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Okay. [indiscernible] (00:08:32) talk about the clean exit in a second. When we think about the [indiscernible] (00:08:37) package today, obviously, excluding the KFI business that's gone into Chapter 11, but when you think about the remaining portfolio, it's a mix of residential and commercial assets. Is that a natural bundle or do you think that they could be separable?

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

It could be separable, but there are different ways of thinking about it. One way to think about is residential versus commercial. Another way of thinking about it is the Security businesses compared to the Fire businesses. And so that's some of the work that we're doing now what is the best way to have a clean exit, maximize proceeds and then timing. So there are different ways of going through this and so it's still open. Would we sell it all at once or in parts?

Nigel Coe
Analyst, Wolfe Research LLC
Q

Okay. But when you say sell, it sounds like sale is more likely to spin at this point.

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

Hey, I said sell. I should have said exit. But clearly, the reason I said sell is because it's our preference.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Yeah, yeah, yeah. For sure. And how would you – I mean, I don't know, it sounds like you haven't gone – sort of bankers were engaged, I'm sure they are. They're not that busy right now. But as far as sort of the interest out there, how would you sort of characterize that?

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

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Strong, and we're not surprised. Frankly, we've had interest and incoming calls way before the announcement. And the reason, frankly, is, is if you look at Fire & Security, if you look at each of the businesses that are part of that segment, they tend to be number one or number two in their market, tend to be high margin businesses, tend to be businesses that don't require enormous amount of capital to support them. It's just that we don't believe we are the best owners of those businesses. So we've had significant interest, incoming calls. And so we're quite optimistic on the exit here.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Great. Maybe a couple more on the portfolio before we get into the actual business. So I think you said mid-2024 to have everything done by...

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

...over the course of 2024.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Over the course of 2024.

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

Yeah.

Nigel Coe
Analyst, Wolfe Research LLC
Q

It sounds like that could be a conservative timeline. Do you think you could maybe get it done by year-end?

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

This year-end might be a little bit aggressive. But as I mentioned earlier, late summer, if we want to be able to go to market, as I call it. Could there be a scenario where we could see some exits earlier or at least some announcements? Could be. We just shared over the course of 2024 with rather surprise to the upside and then the other way around.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Sure. Absolutely. And then you mentioned the desire for clean exits. Obviously, KFI has been unplugged from that package. Given what you've done – well, you haven't done, your subsidiary has declared bankruptcy.

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

They filed for Chapter 11.

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Nigel Coe
Analyst, Wolfe Research LLC

Q

Filed for Chapter 11. Does that cleanly ring-fence that liability?

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

A

Actually, in our view, in Carrier's view, the location of the liability was always crystal clear. It was always in KFI and nowhere else. KFI has been in business for 35 years. It's a profitable business. It has good customers, good product lines, has $200 million in sales. It just happened to have owned a business for eight years, ending in 2013, that manufactured a FFF. Carrier never owned that business. We never got any dividends from that business. We got that business as part of the spin. And so, as it goes with either ring-fencing or containing liability, we think it's a very, very strong position we're in. And that's why we're comfortable with the decision that the KFI board has made. And obviously, this may impact whether this is a sale or a spin of some of the F&S businesses.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. And just finally, this is my final question. And by the way, guys, I'm going to go out with...

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

A

We got about 30 minutes.

Nigel Coe
Analyst, Wolfe Research LLC

Q

I know. It's like some kind of like a twilight zone kind of situation. But [ph] I will be going to two questions to the (00:12:47) audience in a moment. But is it possible you can actually exit the remaining businesses, so the core businesses without the KFI approval or do you think some kind of resolution around KFI needs to happen before we can finalize the sales?

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

A

I think it is possible that we could exit parts of Fire & Security before, call it, the complete resolution on the Chapter 11 process. I'm not sure there would be a complete outcome or a complete exit without having a clear outcome there in terms of the discharge of any liabilities.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. Very Clear. Okay. I think that covers portfolio. Unless there's any questions out there on portfolio? Yeah, right here, please. There's a mic. Sorry, there's a mic.

Q

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I just had a quick question going back to your heat pump comment. You mentioned the pricing was three to four times that of a boiler. Wondering, are there any material differences in the aftermarket, in servicing and maintenance when that shift happens? Like, is it more captured in that upfront cost?

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

A

Yeah. Actually, it's both. And the reason I mentioned this will be the initial cost is a multiple of. But one of the beauties about Viessmann is they're much more than just a heat pump company. They provide their customers integrated solution. The solar panels, so generation of electricity. Two, they have home battery storage, energy storage in their homes with batteries. Three, then they have the heat pumps, they have sanitary hot water. And then they have the home energy management systems that optimizes the energy generation, the storage and the usage. And so the initial sale of the heat pump is a multiple of. But if you then include all these accessories, that provides a significant additional revenue streams and then the opportunity to attach services to all of them. And by the way, this is something that really differentiates Viessmann because we don't see anyone else in Europe being able to provide that.

And so it's it's much more than the initial heat pump sale. It's the overall package of solutions sold to customer, being able to attach services and having a level of customer intimacy and basically a dependency of the customer on the company that's very different than being just a provider of equipment.

And then for us, of course, and I'm adding on to my answer, but the opportunity is to be able to provide the same thing in some other markets including in North America residential, where we have a very attractive market share, where no one provides that complete offering today. And that's something, of course, that we're looking into from a revenue synergy point of view.

Nigel Coe
Analyst, Wolfe Research LLC

Q

[ph] Question (00:15:59), anything else? Okay, let's continue. Maybe one more question on Viessmann. That's -- we got a lot of questions around the potential of competition in European heat pump market to really explode. So a lot of Asian -- very capable Asian competitors coming in. Daikin is obviously expanding capacity. How important is that installation network that Viessmann has, the 70,000-plus installers. Is that a walled garden? Are they exclusive to Viessmann? I mean, what protects you from competition?

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

A

Yeah. We think that installer base is critical. One, there is a shortage of installers. So we can -- or anyone can produce as many units or heat pump units as [ph] he want unless you (00:16:41) have installers that are trained on your equipment, have the loyalty towards your brand. It's going to be really hard to find someone to sell them to.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah.

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

A

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So the installers are critical. Viessmann -- and I think that model is somewhat similar to the US. Installers in the US tend to have a primary brand, could be 80-something percent of their sales. They tend to have a secondary brand. But the relationships are decades old. I mentioned the training, the training academies. It's really very hard to switch and it's certainly hard to switch from the number one premium brand in Germany.

And so we, Carrier, when we looked at that market in Europe, we always said technology is not our biggest challenge to enter that market. It is the [ph] channel. And so channel is one (00:17:27). Two is, you may be able to provide or to manufacture and deliver a heat pump. But as I mentioned earlier, the energy transition is much more than selling heat pumps. The opportunity is for that entire integrated solution, and that's someone that we see Viessmann being the only one who provides that today. And so those are two really important elements. And then a third one is having the installed base. The customers know you, the customer know your brand. Viessmann, I think for 17 years in a row has been named the number one brand in Germany from a customer loyalty point of view. Very hard to break. And a key reason why we acquired them, obviously.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Sure. Okay. Great. Can we just talk about a quick pulse check on what's happening out there in the market right now? The field checks on residential are coming in pretty weak right now. Commercial sounds like it's on fire, and transport, I don't know, I have no idea about that. But anything you can help with what you've seen out there?

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

A

Yeah. We would say that there are parts of our portfolio that have continued to be strong through the first quarter. You mentioned commercial HVAC, I would put light commercial HVAC right next to it or even higher performance there. North America Truck and Trailer continuing to do really well. The areas that for us have been weaker. One, our container business. Container is a really good business. It went through a downturn starting in the third quarter of last year. We actually believe our second quarter will be better than our first quarter from a volume point of view in container. Commercial refrigeration is also going through a a weaker period. We expect that to improve in the second half of the year. I'm not sure where that's going to be at Q3 or Q4 element. With respect to resi, the item we watch the most is movement. First quarter, as we expected, volumes were down mid-single digits. Sales were down high..

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

A

Mid-teens, [ph] sorry (00:19:37).

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

A

Oh, sorry, mid-teens. That's why Sam is here to correct me. Mid-teens, volume mid-teens, revenues down high single digits, we think in Q2, sales will be down low single digit for resi. We actually, in our April guide, we assume that volumes will be -- or sales will be slightly up in resi in the back half of the year. We'll know for sure once we look at the movements, particularly in May and in June as we enter the busy season.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah. It seems like weather has been unhelpful. Is that is that fair to say?

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

Yes. We always wish for warmer summers and colder winters. And so it could be warmer in some parts of our country.

Nigel Coe Q
Analyst, Wolfe Research LLC

Okay.

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

But as I mentioned, this can change, as we all know, this can change in a week. And in a week, you have a heat wave and it changes the whole dynamics of our business.

Nigel Coe Q
Analyst, Wolfe Research LLC

For sure. A couple days of heat changes the whole thing. And then thinking about, you know, obviously, you and Watsco have a very symbiotic relationship. Watsco's margins have been significantly high over the last couple of years. It feels like there's been some transfer between the manufacturers, not as [ph] Carrier (00:20:52), but manufacturers to the distribution channel. Is that the right way to think about it that there's been more incentives provided to grow?

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

I believe they may have seen the margin expansion earlier than we would have seen. But clearly, we have a tremendous focus internally on, one, the -- not just the price realization, but two, the productivity, but also capturing any cost deflation. We have not seen it in Q1. Actually, we didn't expect that in Q1. We expect to see a bigger benefit from that deflation capture and starting in the second quarter of this year than what we've seen in Q1.

Nigel Coe Q
Analyst, Wolfe Research LLC

So we start to see improving margin fundamentals in the second quarter than a big tailwind in the second half of the year?

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

We actually expect that deflation capture to be higher second half of the year than the first half of the year.

Nigel Coe Q
Analyst, Wolfe Research LLC

Okay. And we're still on track for price cost of $200 million, I think....?

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

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Yeah, yeah.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah, okay. That's great. And then on the commercial sides, any areas of concern out there? I mean, there's a lot of chatter around commercial construction weakness. Are you seeing any pockets of weakness in your portfolio?

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

A

Look, in North America, for commercial HVAC, we think commercial real estate is less than -- or about 10% -- a little less than 10% of our total business. The tailwinds we've seen in this business is, one, focus on sustainability, decarbonization globally, healthy buildings, some government incentives. But if you look at commercial HVAC, we believe we have leading positions in Asia and in Europe, a very strong offering from a heat pump point of view. And the biggest opportunity, frankly, we have in that business is in North America, where we're not the number one, two or three player. It's an area where we've made some investments in our product portfolio, magnetic bearing equipment. But also, we're in the process of seeing -- expanding some of the mac bearing product line we have in the US and introducing some of the heat pump technology in the US that we're so successful within in Europe.

And so attractive business and of course, the -- one of the key attractiveness of that business is large installed base and then our opportunity to monetize that installed base with more aftermarket sales. And that is something that we've been very open about is our number one priority in that business, and frankly, for a company in total, aftermarket is a key priority. And I think it's fair to say that compared to some of our peers, we started later. But it also means that we have more opportunity for growth now.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. If I look at your larger HVAC peers, service revenues have expanded and accelerating to double digits, which is something we haven't seen before. Has that been a change in the dynamic between the big players, the big OEMs and maybe some of the ISPs out there in terms of [indiscernible] (00:23:54) manufacturers with the genuine parts and the predictive maintenance?

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

A

I think it's hard to tell. For us, what we know what drove it is, one, historically, it has not been a big focus. We put in a playbook that was used, frankly, in the aerospace industry, which worked really well there. Since we've put that playbook in place, we've been growing at strong double digits. Q1 was up mid-teens.

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

A

High-teens.

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

A

High-teens. And so that is an area where we have significant more room for growth, because we still estimate that today, our aftermarket business is about $5 billion. We still estimate that it's about 20%, 25% of the total

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aftermarket revenue available for our installed base. So we capture too low of a piece of that market. Hence, a big focus, whichever business you talk to internally within our company, that is an aftermarket plan, aftermarket leader, aftermarket targets.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Very clear. Container, by the way, I wish I had Sam on my shoulder as well. I get lots of numbers wrong. So on the container side, it's very hard for us to track what's going on real time in container. Are you seeing signs of that inflection that you called out? And it feels your guidance implies that container revenues will be up sequentially. Is that the way you [ph] had planned (00:25:22)?

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

The way you can think about it is, we said that typically container goes through four quarters of a down cycle. For us, that would have started in Q3 of last year. We expect Q2 in unit sales and therefore revenue sales to be better than Q1 and would expect to see some growth in the back half of the year -- year-over-year, the container.

Nigel Coe
Analyst, Wolfe Research LLC
Q

[indiscernible] (00:25:46) growth in Q2, year-over-year growth in the second half of the year.

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

Yeah.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Okay, great.

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

And that's, again, a really attractive business. I don't know what you know this, but we have over 1 million sea container units out there. And when we talk about aftermarket for that business, it's all about finding the units, connecting them and then attaching services to them, whether it's the link platform combined with our Sensitech technologies like remotely monitor the performance of those sea containers, being able to tell the end customer or the manufacturer or the producer of the medicine or the food to say this is the temperature at which your goods were were throughout the sea journey, being able to provide predictive maintenance ideas to the operators, that's the aftermarket in container, a tremendous opportunity.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Yeah.

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

And I think by the end of this year, we plan to have well over 100,000, close to 200,000 units under contract.

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Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay. Compared to...

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

A

...less than 100,000 at the end of last year.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Right. And zero a few years ago.

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

A

Yeah.

Nigel Coe
Analyst, Wolfe Research LLC

Q

All right. We've got two minutes, I think the clock's right now is two minutes left. Any questions in the audience? Otherwise, I will continue. Going back to residential, I just want to touch on inventories. Again, your big channel partner increased inventories in the first quarter. They're talking about more channel burn in the second half of the year. So how do you view inventories across your broad spectrum of channel partners?

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

A

If I – this is specific to resi?

Nigel Coe
Analyst, Wolfe Research LLC

Q

Resi.

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

A

We would expect -- we don't expect to see a reduction in field inventories till the back half of the year. If I look at our outlook for resi for this year, high single digits volume down. It would be mid-single digits without any inventory reduction in the field.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah.

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

A

And so the key question -- that's why I mentioned earlier, the key item for us is going to be watching that movement and is that assumption still valid or maybe it's going to be better or a little bit worse..

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Nigel Coe
Analyst, Wolfe Research LLC

Q

Okay.

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

A

We don't think that we will see that inventory destocking till Q3, Q4. We expect some. The question will be is how much is it going to be more or less than what our assumption is?

Nigel Coe
Analyst, Wolfe Research LLC

Q

And obviously there's a huge offset from price and mix...

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

A

Right. [indiscernible] (00:28:07).

Nigel Coe
Analyst, Wolfe Research LLC

Q

...this year in residential.

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

A

Yeah. That's why we expect our revenues in resi still to be about flat year-over-year even though the declines in volume are high single digits.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah. It's Quite nice offset.

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

A

And it's the mix up.

Nigel Coe
Analyst, Wolfe Research LLC

Q

Yeah. So the SEER pricing is holding, so that mix up on SEER at this -- 10%, 15% mix up, I think it is.

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

A

Yeah. The, the new units, the SEER units is about 10%, 15% higher price per unit.

Nigel Coe
Analyst, Wolfe Research LLC

Q

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Yeah. And that's holding. And then the price itself, I mean just remind us in terms of the pricing actions you're taking this year, I mean, what's in the plan?

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

We expect to have about $500 million from an overall company perspective in pricing, that's about 2%, 3% for the full year. We've seen pricing hold in the case that we see additional input cost headwinds. We will, of course, consider additional pricing. But so far, it's holding and we don't see any any change in market behavior.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Incentives are normal.

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

No change.

Nigel Coe
Analyst, Wolfe Research LLC
Q

No change.

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

Yeah.

Nigel Coe
Analyst, Wolfe Research LLC
Q

Great. That's fantastic.

Nigel Coe
Analyst, Wolfe Research LLC

So Patrick Goris and Sam, thanks for the conversations, good chats and look forward to see you next year.

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

[ph] Okay, thanks (00:29:12).

Nigel Coe
Analyst, Wolfe Research LLC

Thanks, Patrick.

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

Thank you.

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Sam J. Pearlstein

Vice President-Investor Relations, Carrier Global Corp.

Thank you.

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