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Carrier Global Corp. (CARR)

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MANAGEMENT DISCUSSION SECTION

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

All right. Welcome back from lunch, everyone. Thanks for showing up for the afternoon. On stage, joining me next is the team from Carrier, Chairman and CEO, Dave Gitlin; as well as Sam Pearlstein in Investor Relations. Dave, pleasure to have you as always. I know you have a few opening remarks. I'll let you get to it and then we'll dive into some questions here.

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

Okay. Well, thank you, Josh. Thanks to Morgan Stanley for having us again this year. A few quick upfront remarks. Recall our theme at Carrier, which is Performing While Transforming. In terms of performing, the team continues to execute very well. Q2 was another strong quarter, 6% organic growth, despite Resi being down mid-single digits. Aftermarket is up mid-teens year-to-date. Full year projected price cost positive above $300 million-plus, $300 million of productivity all enabling us to raise our full year top and bottom line forecast. And we remain very confident in that outlook.

With respect to transforming, first on Viessmann Climate Solutions, we're gearing up for day one around the end of this year. Thomas Heim and his leadership team were at our headquarters a few weeks ago for planning sessions. All is progressing extremely well. The teams fit together like a glove; culturally, mission, talent, customer focus, innovation, execution. The base business is tracking to €4 billion in sales this year and €700 million EBITDA and retains the same double-digit growth profile that we've discussed. Their first half sales grew an impressive 20%, with heat pump sales up over 40% in the first half. This truly is the best asset in the best space in our markets globally. Also, we announced that Max Viessmann will be joining me for a live webcast event on September 26 at our headquarters, where we'll be discussing their tremendous opportunity ahead for this combined global climate and energy solutions champion.

In terms of the business exits, all are tracking to our internal detailed plans. Our formal process of engaging with prospective buyers for security and commercial refrigeration have now officially begun. Having recently sent out our confidential information memorandum, we remain on track to have Industrial Fire in the market next month. In

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terms of commercial and residential fire, we have now determined to have these businesses go together in a single capital markets transaction targeting listing dates in the late spring or perhaps early summer of 2024. All of these businesses are fantastic assets. We are very pleased with the level of interest in these businesses and remain confident in our ability to have clean exits while maximizing value. And while we continue to have all hands on deck to complete the purchase and integration with Viessmann Climate Solutions and execute on our business exits, we have more than 99% of our 55,000 people heads down, focusing on executing on our customers for 2023 and beyond.

And with that, Josh, happy to get into the Q&A.

QUESTION AND ANSWER SECTION

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

Q

Excellent. I want to touch on a few of the things that you mentioned there. We'll get to them. But maybe just to start off, in terms of the demand picture, a lot going on out there, so don't want this to be overly broad, but I guess a few things that kind of pop up. Obviously, residential inventory is something that people have been watching. A lot of commercial exposure between HVAC and the rest of the businesses, where we've seen some of the Dodge data on more commercial type properties look weaker. So maybe just kind of your overall sense of how demand's trending and maybe the few larger markets or pieces of your business that you're paying most attention to.

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

A

Sure. Let me start with resi. What we said for residential for the year in North America was that sales would be flat with volume down in the high single digit range. As we look at it now, we think volume will be down a little bit more than that. So, instead of sales being flattish, it's probably down a few percent in that range. But we think that light commercial we had said overall for the year, light commercial would be up around 20%. We think light commercial is trending far better than we thought. So, we think, frankly, those two offset each other.

And the encouraging piece about that – and, Josh, you and I have talked about this, is we get so many questions about resi and we said that resi volume could be down and Carrier would be – could still do very well, given that it's only about 20% of our business. We said this year, revenue of – organic growth of in mid-single digit range with volume potentially down in resi in the double digit range. So, that's very encouraging. We're thrilled with light commercial.

And by the way, the last thing I'll say on resi is we want to be very purposeful about ending this year with inventory in the channel and balanced to where we ended it last year. So, that's part of our calculus as we make sure we support our customers. But are very purposeful with inventory in the channel being balanced to last year.

Light commercial is just strong across the board. 60% growth that we had in the second quarter. First quarter was up 35%. All the underlying verticals, K-12, some of this activity we see in retail and food, that business remains very strong. We're getting also price and mix team just performing and executing extremely well there. And commercial applied up double digits, driven a lot by our growth in aftermarket, controls continues to be strong. We have backlog. The overall backlog for Carrier is up 30% on a two-year stack. We're up 10% over the last couple of quarters with the backlog increasing for commercial applied, which positions us well going into next year.

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And we can discuss it globally, yes, there is a little pressure in – take North America in real estate, a little pressure there. But it's less than 10% of our North American applied business. So, a lot of strength in some really key verticals. K-12 strong, and applied health care strong hospitals, we look at data centers is extremely strong., And the CHIPS Act and some of the infrastructure spend not only here in the United States but globally continues to be strong.

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

Q

So, I want to pull on that thread a little bit more on light commercial, because it's just been so surprising. I think generally, folks regard that as maybe one of the more cyclical parts of commercial equipment, because you get more like commercial like retail-type exposure restaurants, stuff like that. What do you attribute this to? You mentioned it's broad, but it's also broad in the face of higher interest rates and commercial comps that are not terribly easy. Sort of unpack that a little bit if you can.

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

A

Well, first of all, we have picked up about 200 basis points of share over the last year, and we picked it up the right way. The team introduced a new beltless design, that's got a variable Vane Axial, which is 40% more efficient than the light commercial unit that it replaced. So, it's very attractive to our customers, especially with the drive for more energy efficiency, especially some of our scale customers that have a very large footprint. We look at some of the activity – again, ESSER Funding for K-12, $190 billion. There's still about $100 billion left to be allocated, but that's now become a very significant piece for percentage of that portfolio. And we're seeing some of the best growth we've ever seen in K-12.

But then when you look within the verticals, within retail, some of the lower end vertical – lower end retail continues to be very strong. That mix might change as you go into next year. And maybe that, the higher end retail starts to get more attractive, but within that retail space, we've been able to flex to where the customers are, national accounts, but the same as food. Some of the lower end fast food has done better than some of the higher end, but that's played to our advantage as well.

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

Q

And you're not seeing a drag from verticals like warehouse, where we had a ton of growth and obviously a lot of tough comps now, which I would presume is a light commercial market?

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

A

It is. Warehouse has been down. So, I would say one of the really encouraging things about our portfolio is that one of the expressions we use is that when you fish, you go where the fish are. Well, we'll go where the strength is. So, if warehouse shows some weakness, we double down on K-12. So, we have hired people specifically from that vertical, people that were on the buy end, now work for us. So, we're very targeted not only within K-12 by which – but by district that's actually allocating the most funding. So yes, warehouse a little bit weak, but we allocate our resources elsewhere where they're strong.

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

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Got it. And then just on the Resi front with the inventory position. You mentioned wanting to get there sort of by year-end, are we going to be – the bulk of the way through with the third quarter? I mean, does that leave you sort of extra work to do in the fourth? How do you think about kind of the timing of that?

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

A

Now, we're working it now. A few weeks left in the quarter, but that'll extend into the destocking will continue into the fourth quarter. We feel very calibrated. We know what we have to do to kind of end the year where it should be. We're working very closely with our – not only our distributors, but our dealers to make sure they have what they need. And then as we transition into next year, now you're starting to see the benefit from the new refrigerant because we will start shipping the 2025 refrigerant change, as you go into next year.

So we won't – we don't know for sure the take rate, but there are some of the new units, we'll start shipping in the first quarter of next year. And we will see price benefit because as we look ahead, as we start thinking about 2024 and 2025, there's really three elements of pricing that we're looking at. One is a typical annual price increase that we would see for Resi. Two is that we are seeing some cost pressure for us on the R410A new refrigerants. So we will pass that along. And three, is that for the R-454B refrigerant, with the new refrigerant that kicks in, we will have pricing associated with that as well. So if you look at when we think about 2024, 2025, we're probably looking at about a 15% to 20% price increase over those couple of years attributable to those three elements.

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

Q

I think someone else presenting here with the same sort of analysis would have come up with a similar number, I think close to [ph] 20 kind of 10-ish (10:32) a year. So it seems like people are dialed in on that. How does that impact, in your mind, the replacement dynamics for next year? You mentioned it's kind of hard to anticipate what the take rate will be, but buying a R410A system in 2024 also feels like you're kind of buying the last of the line. And it gets hard to maintain. Now, the homeowner won't know the difference, but how does the contractor get comfortable with sort of the useful life on those being shorter?

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

A

Yeah, that – there's sort of a double-edged sword there. On the one hand, there may be a gravitational pull towards the R-454B because you don't want to be one of the last to buy the R410A on the – at the same time, R410A will likely be overall less expensive than the new refrigerants. So there could be a mixed bag as we go into next year. We don't know exactly what the take rate of the R-454B new refrigerant will be for 2024. There will almost certainly be some level of pre-buy. What's not clear is how long into 2025 that you can sell the existing R410A refrigerants. So that needs still a bit of clarification. So I think there will be some level of pre-buy.

Our number one priority is making sure that we support our customers. So that's why we have so many different models, so much mix in the system. We want to start introducing the new units with the new refrigerant as early in the year as possible, just to get the dealer base comfortable, get them properly trained on the new refrigerant and make sure we do everything we can to minimize risk. We did it for the 2023 SEER change, which went incredibly well. Hats off to Justin Keppy and that team that did a phenomenal job. So, we're going to position ourselves the same for the 2025 refrigerant change.

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

Q

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And then I think sitting on the same stage across the street a year ago, heat pumps sort of felt like the free bingo square in the middle for a lot of different company, certainly the HVAC complex. IRA gave a lot of incentives, haven't really seen much so far just because of the rulemaking. But how do you size that up today? Anything you're particularly watching there?

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

A

Well, we're excited about that. We always anticipated the benefit this year would be a bit muted, because getting from legislation to effectuation, there is a transition as it works its way through IRS in some of the different states that need to take action. But when you look at how the regulation has gone into effect, the 25C change, the $2,000 credit that you get for implementing heat pumps in the southern part of the country, we think that's going to be very impactful. We don't know exactly how to handicap it for 2024 and 2025, but you're going to effectively have the ability to use the $2,000 credit to upgrade to a variable speed mid-tier heat pump effectively for nothing.

So, that will be very attractive to consumers and, by the way, very attractive for the environment as well. So, we're very bullish on that and we're also bullish on the 179D change that's associated on the commercial side. We typically with heat pumps with the IRA talk more about the residential side, but there's still some detail that needs to be clarified on the commercial side. But the credit you get per square foot has gone from $2.50 to $5 and there's limitations. You only get that credit once the building is at least 25% energy efficient – more energy efficient than what it was. But that could be a meaningful incentive as well.

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

Q

How does that – how do those figures, the $2.50, the $5, sort of relate to some of the product or service offerings within there? Because I think everyone's added kind of these IoT capabilities, cloud-based stuff like Abound. But I think redoing like a chiller and the air handling system is probably way more than $5 a square foot. So, what falls within that? And is that like a real incentive for action?

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

A

Oh, yeah. I mean, I think what we're seeing with chillers – and I think it's one of the reasons our space is so attractive – is we are seeing customers absolutely replace chillers before the end of their life. Say, it's a 15 or so year useful life, we're seeing customers, when you're getting into a two- to three-year payback to replace a chiller before the end of its life because of the energy efficiency, you're often – in many cases, you're looking at a 40% more energy efficient unit than the one that you're replacing. So, your payback is very positive. It'll be further enhanced by that 179D credit.

And then you overlay that with something like Abound, which now we've implemented a digital platform that we can put into one of our scale customers facilities around the world that gives them real-time visibility into their carbon emissions. Once you have that visibility, you can then take action to look at, why do my Chinese factories have more emissions than my Indian factories? And then, you can either do control set points, rooftop unit upgrades, other things to drive towards their ESG commitments they've made, but also towards more energy efficiency.

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

Q

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And then, in terms of what's driving that two- or three-year payback versus history, because I think if we would have this conversation a decade ago, I think the paybacks were closer to a decade. Is it the digital tools like Abound? Is it that the equipment is just so much more efficient? I know that – not to get too deep in the weeds, you have like these magnetic bearings now. What's driving that step function change? And could there be another step function change?

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

A

There could be. And I think the biggest thing is the products. Clearly, the new digital tools provide a lot of capabilities and some of the controls provide a lot of capabilities. But you mentioned, we introduced a new chiller that has mag bearing design. In our screw chiller portfolio, we have five new offerings, by the way, all of which have the natural refrigerant as well. So, we have increased R&D at a Carrier level from something like $400 million when we spun to $550 million over just a few years, really driving towards a portfolio focused on all things energy efficiency.

It's one of the reasons that we had to make the difficult decision to exit our Fire and Security businesses. So, now when you think about our R&D as a company, compressors, controls, heat exchangers, it's all of those product lines cascade across 100% of our portfolio. And we think the top one, two, and three differentiator for us versus peers and the most attractive thing to our customers is going to be all things energy efficiency. So, that is the primary reason you're seeing a quicker payback.

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

Q

And how would you sort of rank yourselves competitively what you do well, what you could still do better? Because I think a lot of the folks in the space have seen this kind of generational shift in the paybacks and the equipment's gotten better. Obviously, the controls and the software. I think everyone says they have the best mousetrap. And I'm not an engineer, so I can't quantify that. But I guess maybe saying it differently, what do you think are the particular strengths of what Carrier brings to the table?

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

A

Well, I think at a high level, we have a very attractive brand. I was in a conversation with a major customer recently and he said no one's ever gotten fired for picking Carrier. It's considered – his words, it's considered the Tiffany of our industry. It has the premier brand recognition globally. We have – and it's not just the Carrier brand, but other brands that are part of our portfolio like Toshiba. We love our channel access. We have a very deliberate channel approach that we use globally that really works for us. And then when you get into sort of the product portfolio, we're very pleased of how we've implemented our new digital platforms, Abound and Lynx, because we were purposeful in designing those in a very agnostic way so they could interface with anyone's BMS versus others that made them proprietary. And then when you get into the product portfolio, we have an ability to design not only for cost but for differentiation. So when we bought Toshiba's HVAC business, one of the many reasons that we originally said our synergies was going to be $100 million and now it's going to be certainly north of $200 million is value engineering. Toshiba has some of the best power technology in the world, triple rotary compressor design. But what we have is the ability to take some elements of cost out, but also drive some efficiency as well. So I think our – we have more than 5,000 engineers and that scale really matters.

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

Q

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And then on the service side, because I think that's ultimately where the opportunity is very long lived assets, a ton of opportunity post the installation, where do you stand today on attachment rates? Where has there been kind of success or frustration on the service part of the journey?

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

A

Very pleased on aftermarket. We talked about going from $4.5 billion to $7 billion over five years. We're certainly tracking to that. We said we'd grow high single digit to low double digit. Our internal mantra is double digit forever. This year, we set an internal stretch target. We're up to 15%. We're up in the mid-teens through halfway through the year. You mentioned things like coverage. We had 70,000 chillers under coverage. We said we'd add another 10,000 this year to 80,000. 70,000 going to 80,000, certainly on track to do that. Attachment rate growing 5% a year, 45% growing to 50%. But when we talk to our board strategically, we have two major themes that we talk about. One is all things digitally enabled lifecycle revenues. That is a major, major theme. It comes with higher margin, higher stickiness, higher recurring revenues, kind of mutes some of the traditional cycles that we've seen. And we are seeing so much traction in terms of not only the number of connected and connectable devices, but number of subscription-type deals that we're starting to do with our customers.

So very, very pleased with everything associated with aftermarket and the playbook underlying it. The other major theme that we will talk about with our board when we have our strategy offsetting that, we talk a lot internally is all things sustainability. That is a major differentiator for our industry. So when we talked about being the global leader in intelligent climate energy solutions, that is where a lot of our focus goes as well. So aftermarket tracking extremely well.

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

Q

Got it. And I want to move on to the portfolio, but before we get there on the data center side, obviously hugely topical in the market today. These things need a lot more cooling. How would you define your position in data center? How do you kind of specking out into some of these higher performance applications, like the GPU-based stuff? Anything you can share there would be helpful.

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

A

Well, there's two big elements that's really boding well for us with data centers. First of all, the verticals' up exponentially and we're very well positioned both in Europe and the United States in data centers. So we're pleased with our share and our share gains in data centers. Part of it comes through the heat pumps and the chillers and the underlying products that we have. And the second piece is around, as you just said, Josh, all things associated with data. So we bought a company in the UK called Nlyte. So our combination to not only cool all the heat that's generated, as you said, a data center emits exponentially more heat than a traditional building. So our combination to not only dissipate it, but understand where those heat loads are coming from and use algorithms to optimize that heat dissipation is gaining a lot of traction for us.

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

Q

Excellent. And is that something that you're seeing sort of in the order book today or is that surge sort of on the come still?

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

No, we're absolutely – I mean, when we look at – our commercial applied business is going to be up double digits this year. And that's even with some pressure in real estate, in places like United States, Europe and China. So, some of the big beneficiary we have is not only K-12, higher ed, some of the Infrastructure Act, but data centers is a big driver for some of that lift.

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

And just given that the category, especially kind of the high-performance version of the category is still new. Is that competition more fragmented? I mean, we've seen some M&A in the space of companies that I wouldn't have heard of if not for their data center expertise, certainly not broadly focused on commercial assets. Do you guys feel like you have what you need? Do you run into a lot of new folks when you're bidding on jobs?

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

We feel good about it. I mean, I think that traditional equipment providers are the traditional competitors that we would have seen. I think our peers are probably doing things that are similar to us, which is buying a company like Nlyte that has very unique algorithms around understanding where the heat is being emanated from. We understand how to dissipate it. So looking at some holistic control solution for data centers is a bit where the puck is going. Credit to the team. They got out a bit in front of that with a nice acquisition.

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

Got it. I want to shift over to the portfolio now. You mentioned sort of a few kind of more strategic details on some of the exits in your prepared remarks. Can you just remind us how much you would look to go to capital markets with sort of an IPO as part of that piece of the business? Can you size that for us?

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

Well, what we're talking about there with a capital markets play is our commercial and residential fire. And we're looking – I mean, and that can take – when we say capital markets, that can take a bunch of different forms, span a split of IPO and different color. So, it'll be a public market play. And look, we've said the entire thing on the Fire and Security side that we're selling – is a few billion and we're already in the market with security, and we will be in the market with industrial fire within the next 30 days. And then the remainder will be the part that we take into the public markets.

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

Got it. Is there a prioritization there on the capital markets side to do something that, I guess, brings in more cash? Obviously, if it's more of a spin, the leverage profile that matters a lot, et cetera, like is that something that factors in just given the Viessmann debt load?

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

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The way we think about it is we always come back to our priorities of how we want to dispose of these assets, which is, number one, we want a clean exit. So, that guides so much of our decision-making is that we will absolutely have a clean exit. Number two is maximize value. And then, what we've talked to our shareholders about is getting our leverage ratio back down to the levels of around 2 by the end of 2025; could happen sooner. We've talked about paying down debt once as we improve our leverage ratio. And we've talked about doing a share buyback that's at least commensurate with the $2.6 billion that we're issuing as part of the Viessman acquisition. So, we look at all of those parameters and that'll help guide exactly how we do that public market exit for the commercial and residential fire piece.

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

Q

Got it. And then just pivoting over to Viessmann, a decent amount of news on the policy front out last week from Germany. I guess, what's your initial take on that and how that colors your views?

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

A

Look, it's all systems go. I mean, the legislation that got through the House that now has to go through the Upper House is exactly what we thought it was going to be prior to the summer. So, is there going to be increased funding at a German level for all things sustainability with $18 billion, $19 billion going specifically towards buildings? Yes. The German government has said that they're going to go from – their intent is to go from 250,000 heat pumps being sold last year to 500,000 heat pumps being sold in 2025. That's still very much on track.

Subsidy levels went from 40% to 70% under this legislation. You have to look under the covers. Some of that is – there are some caps in there. There's some level that goes into low income, but subsidy levels remain very encouraging. And then, you might see increased adoption of district heating, which is a win-win for both Carrier and for Viessmann. We may sell more commercial heat pumps. Viessmann may sell more – have a bigger presence now in some of the municipalities for apartment heat transfer units that you see in the individual apartment buildings.

And then, under every circumstance, you're going to see heat pumps for new construction, new home construction, and you're going to see more heat pumps for replacements. And if in – during some interim periods, if you see a little bit more boiler sales, Viessmann makes great margins, very well-positioned, especially at the premium end. So, the legislation is what we thought. It's very encouraging.

And at the end of the day, what's going to happen throughout Europe is everyone aligns with the framework at the highest level, which is European Green Deal, Fit for 55, REPowerEU, 55% renewables by 2030. As every country ladders up, legislation may change one year or two another, as we saw this year in Italy. But Italy went from 110% subsidies to 90%. Germany going from 40% to 70%. Things may move around. You may have some different compares one quarter to another. But the trajectory for heat pumps and the greenification and sustainability trend with Europe is 100% going to continue.

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

Q

Given that the boiler phase out takes a little bit longer, I would imagine it gives the industry as a whole maybe a little room to breathe and kind of figure out what comes next rather than some sort of forced transition. But what does that do to the competitive pool out there? I know Viessman is good installer base. It's part of why you like the

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business in the first place. I would imagine that just given the growth required that you're going to see some new faces pop up, what's your thought on that? And are there – those folks sort of present today?

David L. Gitlin

Chairman, President & Chief Executive Officer, Carrier Global Corp.

A

Yeah. Look, any time you have such a unique market where you look at sustained hypergrowth, it's going to attract new players 100%. We always thought it. We expected it. It's the number one reason it was our top priority to get into that space. And anyone that's doing a strategic assessment will want to have a presence, if they can, in the residential heating space in Europe. The issue is that Viessmann not only has the premier brand and the premier team, they have the premier channel. Like when we talked about the acquisition, we talked about direct to 70,000 installer relationships. We now talk about direct to 80,000 installer relationships. So people may come, they may build some capacity, they might white label under someone else's brand, they might instead of a wholesaler carrying 10 brands, they may carry 11 because someone else wanted to get in. No one has the channel that Viessmann has. That is a very effective moat, and it's an enormous differentiator. So the only – the biggest challenge that we're going to have is just keeping up with the demand, making sure that we continue to add certified installers to keep up with the demand that we are – we've said that heat pumps are going to grow in the 20% range on a sustained basis, and we absolutely stand behind that.

Joshua C. Pokrzywinski

Analyst, Morgan Stanley & Co. LLC

Excellent. And I see we're out of time. Dave, appreciate the time. Very helpful as always.

David L. Gitlin

Chairman, President & Chief Executive Officer, Carrier Global Corp.

Thank you, Josh.

Joshua C. Pokrzywinski

Analyst, Morgan Stanley & Co. LLC

Good to have you. Appreciate it. Thank you.

David L. Gitlin

Chairman, President & Chief Executive Officer, Carrier Global Corp.

Thank you.

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