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MANAGEMENT DISCUSSION SECTION

Nigel Coe

Analyst, Wolfe Research LLC

Right. So, we're going to get started again with the Wolfe's 19th Annual Transportation & Industrials Conference with Carrier. And it's a great pleasure to welcome back Chairman and CEO, Dave Gitlin, and we also have Mike Rednor from IR on stage as well. So, Dave, I thought it would be a good opportunity to maybe just give us the lay of the land in terms of what you're seeing out there as we enter the summer season.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Nigel, first, thanks to you. Thanks to Wolfe for having us back. When you look at Carrier, the part of our portfolio that has been really good is off the charts good. So, over 40% of the portfolio is a combination of commercial HVAC and aftermarket. Commercial HVAC with the tailwind of data centers has been strong double digits five years in a row, six years in a row. This year will be up certainly double digits again. You saw our data center orders in the first quarter up 500%. Data center orders will be good again in the second quarter. And we had said that we would grow from \$1 billion last year to a \$1.5 billion this year. We have orders to – now, our coverage for the year supports the \$1.5 billion. So, it becomes an execution issues.

It is a little bit back end loaded. Internally, we're certainly driving to exceed that number, and it's not going to be a function of more orders for the year. It's going to be a function of output. So, we feel very good about certainly 2026. A lot of our focus supporting our customers for 2026, but the anxiety we have is despite all the investments we've made in capacity in North America up 4x for water-cooled chillers, up 3x for air-cooled chillers, we may not have enough capacity for 2027. So, that's an issue that is a really nice problem to have, which is how do we continue to support the demand we're seeing for 2027 and 2028.

So, data centers and overall CHVAC, very strong not only in North America but globally. Aftermarket has been double digits five, six years in a row. Will be double digits again this year. We now have 100,000 connected chillers, 200,000 Lynx subscriptions, leveraging AI to drive unique solutions for our customers whether it's

prognostics, diagnostics anticipating failures before they occur. So, very excited about aftermarket in the DNA of the business. So, that piece is going well.

And in the short cycle businesses, whether it's – if you look at the RLC business in Europe, one of the, I guess, side – positive side effects of what we're seeing with the higher fossil fuel prices is a shift to the heat demand – heat pumps, a little bit analogous to what we saw after the Russian invasion of Ukraine. That really sudden shift to heat pumps we're starting to see maybe not to the extremes we saw back in 2022, but we're seeing variations of that now. So, that's been a bit positive, and that's continued. We can get more into that, Nigel.

Nigel Coe

Analyst, Wolfe Research LLC

Yeah.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

And then some of the shorter cycle stuff like RES RLC in North America. Light Commercial we thought would be down in the first quarter, was up almost 10%. We've seen some continued positive signs there. And then the Resi business was a little bit better in the first quarter and we're early in this quarter, but it hasn't – it's been tracking along the lines that we thought.

Nigel Coe

Analyst, Wolfe Research LLC

Okay.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

So, overall, we can get into all pieces of that, but what's been good has been great. And the pieces that have been facing a little bit of headwind have been doing better than we thought.

QUESTION AND ANSWER SECTION

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay, okay. That's good. So, just to maybe just emphasize, the Resi, it sounds like it's tracking in line with expectations for 2Q so far.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Light Commercial, a bit better.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Probably.

Nigel Coe

Analyst, Wolfe Research LLC

Q

And then Europe is encouraging signs.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay, okay. Does that mean Europe is back to growth in 2Q?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. I would say that the RLC business, it's early, but the commercial HVAC – what I actually think will happen is that the RLC business will probably grow a little bit more than the commercial HVAC business just given timing of orders for CHVAC, which I think coming into the quarter we thought it would be inverse. But I think overall for what we think we thought for CSE, it probably lands about where we thought. Just probably how we get there will be a little bit inverted.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. Obviously, you had tough comps come up in the US Resi business this quarter. What's your lay of the land in terms of inventory right now, channel inventory where that sits? Are we now in a situation where sell-in, sell-through is virtually matched up at this point?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes, and that's been good news. Inventory, we ended – the first quarter, I think it was down 35% year-over-year. We ended April down about 40%. So, that's very good. So, we're kind of in that mid-30 range of year-over-year inventory levels. So, we feel very good about that. And to your question, Nigel, we've done a much better job of tracking that exact ratio of sell-in to sell-out. If you could turn the clock back – if we could turn the clock back to 2025, we would have seen that that ratio was a bit elevated in the first quarter of last year. So, right now, it's actually completely in balance to what we would expect to see, what we've historically seen.

So, inventory level is in check. Really, the quarter will go the way of not the first six weeks of the quarter, but the second six weeks of the quarter. So, it's wonderful to see this heat wave in New York. I'm hoping everyone in the room rushes to replace their systems if they're living in the suburbs of Connecticut. So, we – so far, it's been – we're kind of cautiously optimistic about how things are playing out despite some of the macros that are out there.

Nigel Coe

Analyst, Wolfe Research LLC

Q

You did last year, Dave.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes. Thank you.

Nigel Coe

Analyst, Wolfe Research LLC

Q

I'm not going to do it every year.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

You could do it once a year. Wouldn't be a good sign about our reliability though.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Yeah. Today is the first 90-degree day in New York, so...

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. Keep it going.

Nigel Coe

Analyst, Wolfe Research LLC

Q

...the signs are good.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah.

Nigel Coe

Analyst, Wolfe Research LLC

Q

How – I mean, there's some – a lot of questions about pricing and what price actions have been announced. What's been the reaction for the channel, what we expect to see in 2Q, 3Q? Maybe just bring us up to on that.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. First of all, we – our share has been either maintaining or growing. If you look at the first quarter, we've been fine on share, probably a little bit of upside there. We did announced the price increases. In Resi, it was in the high single digit range, expecting mid-single digits, and in the Light Commercial was kind of in the mid-single digit range. So, we have done pricing based on the input cost. We said – at a Carrier level, we said that we'd get about 1 point of price coming into the year. And based on some of the recent input cost impacts, we've now said that's closer to 3 points.

So, you could think about that as \$200 million. Now, it's more like \$600 million. An additional \$400 million. And look, we've been very, very close with our distribution and our dealer partners. We've done a lot of explanation of some of the tariff progression. So, there's an understanding of that. We're very targeted in how we manage pricing to make sure that we really support our key accounts. We've had great wins on the residential new construction side that helps us allow. We had some great wins last year and we'll see some of the benefits of that this year. So, look, no one likes additional pricing. We're managing that and then we'll have to see how tariffs play out. If tariffs change over time, then we'll change our pricing over time.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. I want to come back to that point in a second. The point on the share gains in Resi construction, is that an attractive part of the market? As it's viewed as low priced, low margin, is that attractive for Carrier?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Our margins are higher in replacement than they are in new construction, but it's still attractive. We've been – it's nice to have close to a third of the market. It drives absorption. It drives the need for continuously upgrading your technology. These are great customers. We're very close with these customers to provide solutions for them. So, even though it's a little bit lower margin than our replacement, it's a great part of the market.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. Dave, you mentioned \$400 million of incremental price come into the P&L this year. I don't think that's quite enough to cover the inflation and the tariffs. Correct me if I'm wrong, but what other measures have you taken to mitigate those two waves?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah. We are thinking about pricing to offset. So, I would say, Nigel, it is actually dollar for dollar in terms of how we think about it. And if you look at the incremental \$400 million of pricing, probably \$300 million or so is related to tariffs, and then the \$100 million are in that ballpark related to the mix of fuel and raw materials.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. What else are you doing around supply chain, around productivity to really overdrive on that, if any?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Well, those are kind of net numbers. We're doing – but I would say the team is doing a tremendous job on just all things controllable in terms of productivity because what we thought coming into the year has been a bit different on things like raw material logistics impacted by some of the fuel surcharges. So, we have to overdrive all things supply chain. The way we look at it internally is there's some things in part as terms of the supply chain, just negotiations with our suppliers and trying to figure out how to do strategic partnerships with them where we benefit from price.

Then, there's redesign of the products either with our suppliers or our own activity with our own products to just fundamentally take costs out of the product through redesign. That's going extremely well. And then we are doing a much better job in terms of factory productivity. So, the team is doing a very nice job in terms of the controllables there. So, in terms of just base productivity, which we track weekly, those parts of the business are going very, very well.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. And then come back to tariffs, the engagement with the administration, I mean, I don't want you to talk out of school or anything here, but maybe just give us a color in terms of the engagement with the administration and trying to – educate is the wrong word, but communicate via industry viewpoints.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

I would say hats off to President Trump and the administration in terms of having an open door policy to discuss the impact that policy has on business. Because I can tell you that whether it's President Trump, Secretary Lutnick, the desire is to increase investments in the United States, which we've been doing and we will continue to do. I just mentioned we're looking at capacity needs for data centers for 2027. And do we have enough in the United States? We expanded Charlotte, North Carolina, 50%. We're going to need to do more.

So, we've been clear with the administration that we are committed to US jobs, US investments, and we will continue to accelerate those activities. So, they're very receptive to the discussions and to adjusting policy as needed to support more US jobs, US investment and supporting the consumer in the United States. So, we've had – we being a number of companies very productive discussions, and then we'll have to see how things play out. But we really appreciate the receptivity of this administration to just listening and understanding and then course correcting if they think it's appropriate.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. So, watch the space. So, Dave, your 6.5 million to 7 million unit markets assumption this year is quite a way below trend than X energy peers. If you actually crunched the numbers on January through March, I mean, it's early days, but it seems that they're pointing towards an 8 million unit market, perhaps. Is that math wonky or are you conservative this year as you answer [indiscernible] (00:27:57) any sort of the lay the land of what you see right now?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Look, coming off the heels of the second half of last year, we did want to be – we did want to err on the side of conservative – conservatism, but it's too early to say whether it's conservative because it's a short cycle business. There are some – obviously, there are some macros out there that you have to keep an eye on. We would love to see the 30-year start with the 5. We have to watch the consumer. Obviously, there's inflationary pressures out with fuel and some of the raw material. So, looking at the impact of tariffs.

So, we put all that in there. The way I – in my conversations – and I think this applies both on the truck trailer side and on the new construction side and just the overall residential market is there is true underlying demand. When we meet with customers, there's 4 million too few homes in United States, 4 million or 5 million too few homes. They're rearing to go. I saw some of the homebuilder sentiment yesterday come out, and it was a few points better than what we thought. I sit with some of the CEOs of homebuilders. I meet with some of our major distributors and dealers when I travel, and they're like my customers, they need to replace their equipment. There's – we need to build some new homes. We need to replace some of the trucks and trailers and equipment related to those that we've been putting CapEx off for a few years, and they're ready to go.

Like there is a desire to like just go. And now – but you overlay on that some of these macros that are sort of holding them back in the near term. So, it's not a question of weather. It's just a question of when that true underlying demand is going to come. But so far, so good on the some of the shorter cycle stuff this year. We'll have to see how it plays out, but we don't want to get out over our skis until we get through the cooling season.

Nigel Coe

Analyst, Wolfe Research LLC

Q

For sure, for sure. Obviously, the repair versus replace equation gets a lot of attention.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes.

Nigel Coe

Analyst, Wolfe Research LLC

Q

What's your perspective on that? We saw – obviously, we saw the needle shift last year towards repair. Any sense on how that's tracking so far?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

I think we're kind of – we're back a little bit more in a replacement cycle. It's hard to answer it precisely in a very databased way because there's a lot of – you're looking at a lot of indicators that don't have precision. But I would say that the – at least anecdotally, there was a move a bit last year to repair, and I think we're kind of back into a normal ratio of replacement to repair.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay, okay. Any questions on Resi Light Commercial from the audience? No? Everyone is quiet. Okay, great. Dave, before we turn to Europe, but I just want to track back to data center.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah.

Nigel Coe

Analyst, Wolfe Research LLC

Q

It sounds like the problem there is more capacity than demand right now.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yeah.

Nigel Coe

Analyst, Wolfe Research LLC

Q

So, number one, based on the order flow for this quarter, the backlog you're building, how does 2027 start looking to you, I would say the capacity constraints and what are you doing to address those capacity constraints?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Well, I mentioned for this year, we said \$1.5 billion. We're pushing to do better. We'll have to see. For next year, we would certainly expect it to be up. The question is going to be how much. And we're still in the process of building capacity here in North America. So, without a significant investment in additional capacity, we would still grow next year. But the – when we meet with customers, there are incredibly invigorating discussions. So, a couple of the major hyperscalers where we've had very major wins, the relationship is just extremely strong and their appetite for spend in 2027, 2028, 2029 is there at the most senior levels.

So, we're discussing the product, the exact products they need not only for 2026, but what are they going to need because we're making investments not only in capacity, but the products that they are specifying for 2027, 2028. And then we're just in discussion of how much could it be. So, it's a little bit in the art of what's possible, but it's also true of the colos. I was with one of the colos a couple of months ago, and he would have normally raised \$5 billion. He's raised \$50 billion, and he wants to spend it. So, there's an appetite not only here in the United States, but globally, and it's our challenge to keep up.

I just got back from India where they're going to grow from 1.5 gigawatts to 10 gigawatts. And I met with one customer who he himself wants to spend close to that amount. So, the appetite in places like China, India, parts of the Middle East, here in the United States. Europe was a little bit behind, but they're starting to catch up. That's why with CHVAC in Europe, it's been a little bit lumpy for us in terms of the timing of orders, but the conversations are happening and those orders will land. So, Nigel, it's too early to say what next year could be, but is there a scenario where we invest, make another investment here in the United States for data centers? That's something we're looking at.

Nigel Coe

Analyst, Wolfe Research LLC

Q

That would be 50% increase in capacity, 100%? I mean, how do you think about that?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

It would be sizable. I think, if it were – excuse – me if it wasn't material, then we would just add on to Charlotte. But if it's material, the only way we would do it, if it's material enough to support the demand we're seeing for 2027, 2028, 2029 and beyond. So, I think if we do it, it will be meaningful.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Okay. And would that be across both air and water-cooled?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Yeah. Okay. And maybe just talk about why you're gaining share in chillers in data centers. It is a pretty competitive space. There's some really good players here. How is Carrier overachieving in that whole camp?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Look, we have great competitors, but what I would tell you is there's a misconception amongst a couple of the private meetings that I've had where people think that we've gained some share because we have some capacity that our competitors don't. That's just not true. So, yes, we have capacity. Yes, we've been adding to capacity, but I could tell you to a person when we meet with the chief technology officers of our customers, we're partly winning because of our technology. Data centers used to be built in cold ambient temperatures. Now, they're being built in Arizona and in Texas and in Spain and some of the higher ambient temperature.

So, you need compressor technology that can give you the same kind of efficiency levels with high ambient temperatures where you don't have the benefit necessarily of free cooling. We've done that. We've done – for air-cooled, we've done better packaging where we can get the same efficiency with a smaller footprint in the packaging. So, we've done it. We've actually – when the cool – when the hyperscalers give you their specifications and they witness their FOK, their first-of-kind unit, we've been there shoulder to shoulder with our customers where they're watching the witness test. They've given us specs that are more stringent than our competitors to see if we can beat them. And then we beat – we meet those specifications and then they make it harder.

So, we are right there giving them the products that they need. And they like that we commission the product, they like that we track it. Our on-time delivery has been essentially 100%. They like that we are working with them, not only for what they need for today, but for tomorrow that we've been making the investments. So, I'm telling you, we've admitted that we were a little bit later than a couple of our peers to do this. We came in a few

years ago, but we've come in very hard, and I am very confident that our growth rate will continue to exceed others.

Nigel Coe

Analyst, Wolfe Research LLC



Okay, okay. And then before we leave this topic, maybe, talk about the importance of the CDU and other parts of the QuantumLeap offering and and where we are in that ramp up.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.



That's a big part of our formula that I think is differentiating. So, when you think about what we've termed QuantumLeap, it's a combination of traditional cooling with liquid cooling in a way that's very differentiated. So, I think ultimately, one of the key differentiators that we have is our ALC, our Automated Logic controls business, which is a building management system business. So, how to have a digital twin that can do the controls between traditional cooling and liquid cooling is really where the secret sauce is. And I've seen that in other industries where you really transition from a product-only company to a solutions company, and that's what Carrier is.

If you think about, all right, where is Carrier in five years? We're transitioning. We will always be a product company. We are constantly innovating new products. That's part of the secret sauce. It's part of our DNA as a company, and we will always do that. Innovating new products to win head-to-head on the product side. But we're overlaying that is more of a solutions company differentiated by digital AI and systems differentiation. So, that's where we're investing, that's where we're growing. And in the data center space, if you can combine traditional cooling, liquid cooling, the BMS, we have this Nlyte DCIM business providing unique solutions there is what our customers is looking for.

And then with CDUs itself, we've looked at acquisitions. Obviously, there is very high expectations following some of the recent sales that we've seen out there, but we've organically developed I would say a very differentiated 1 megawatt CDU. We have a 2.6 megawatt coming out here in a couple of quarters. We have a 5 megawatt coming out at the end of this year, early next year. So, we can buy another company. We'll continue to look at, I would call them bolt-ons, not like multi-billion dollar type acquisitions, and we can keep developing. A CDU is essentially a mini-chiller and we have more than 5,000 brilliant engineers and that's what they do for a living.

Nigel Coe

Analyst, Wolfe Research LLC



Yeah. So, if we look at your global commercial HVAC business, take out services, take out data centers, you don't really bake in a whole lot of growth ex-data centers for equipment. Maybe just give us the lay of the land in terms of the other verticals.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.



Yeah. I would tell you that the non-data center will be up low single digits this year. And what's good is things like actually warehouse has been good, higher ed is coming back. That was a little bit soft for a little while. Healthcare, anything that has to do with infrastructure spend like semiconductor fab, it varies by region. Some things are strong in China that are not as strong here in the Americas and vice versa. K-12 has continued to be a bit weak. That impacts Light Commercial and some of the commercial HVAC side. But I think that [indiscernible] (00:38:37) and commercial real estate has been a bit soft. But if I look at our growth in non-data centers, it has a little bit less to do with the strength or non-strength of the verticals. It just has been a lot of our investment in capacity has

been going to try to keep up on the data center side. So, we want to balance that out as much as we can over time, but I would call it low growth – low single digit growth on non-data centers.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

So, does that mean that you're being more selective in some of the other verticals to kind of feed the data center capacity?

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

A

Yes and no. We want to make sure that we continue to invest in both. We're very careful about that because the data center growth, as far as we can tell, it has multi-year lags. But we don't know – it cannot continue at the same pace forever. 10, 20 years, who knows exactly when. So, we want to make sure that with our capacity that we're building, with the technology we're building that we have nice balance in the system. So, we're actually going out of our way to make sure we invest in both. So, we have balance. I will tell you, the orders in data centers have just been extremely significant. So, we are making sure that we support those customers while we try to balance the investments.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

Thanks, Dave. I want to touch on two more topics. We got five more minutes. If any last questions, please get ready for that. In Europe, I think we're a little bit data starved. There's not great data in Europe. Maybe help us think about what are you seeing on subsidy applications in Germany and other countries, the impact of the high energy prices, high gas prices is having on that. And then how that plays out with the boiler situation because the offset there's been boilers in that market?

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

A

Yeah. I think some of the algorithm that we had when we combined with Viessmann was double-digit growth, heat pumps, boilers down 5%. I think that the really good news is that if you look at a volume basis, heat pump demand has been very strong since the Middle East war. The ratio of electricity to gas, it's ideal for that ratio to be less than 3%. It's been 2.5%. We've seen strong demand in Germany, France, Poland. We've seen some nice trends there. UK continues to be strong. Italy has been a little bit better than we thought. So, the demand has been more widespread.

Heat pump if you look at subsidy applications, Germany, they were up 30% in the first quarter and they've been very strong in April. I think May subsidy applications will be very strong in Germany. So, I think it's just a reminder across Europe that any kind of subsidy to transition the continent away from gas, you're going to continue to see those. So, even in Germany, the government has said they have enough funding to support subsidies through at least 2029. So, the heating law probably will change in Germany. It's been needs to be voted on and passed by parliament, but that's okay. What we're focused on is if there are still some level of subsidies, that's a positive thing. But even without it, what we're – we're introducing this new product that we've talked about, Nigel, which is just below the premium level, but it's going to be Viessmann branded. It's already – we haven't even introduced it. It's coming out just before the heating season. It's already won an award from the IAF Association.

So, we always win awards for the prior Viessmann Vitocal unit. This product coming in even right before its introduction, winning awards for – because it's going to be state of the art in terms of [ph] Q6 (00:42:24) efficiency,

everything else but price just below the existing. So, it's going to be very complimentary, very sought after in countries like Poland. So, heat pump demand, very strong. Boiler, probably that mid-single digit type decline, which is what we want and expect. So, I do think that what we were hoping for a couple of years ago for Europe, we are now starting to see.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

So, that sounds really good. I mean, it sounds like there's upside to your plan. I mean, I'm not asking you to raise numbers here, but it does feel like there's more an upside there.

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

A

No. I think it's what I was saying earlier is that I think that CSE lands about where we thought. I think that if CHVAC was going to be up mid and CSE for the quarter was going to be flattish, it could be the inversion of that. But I just say the fundamentals are there. I mean, what happened in the first quarter was we started to see the demand. We did some pricing activity in Germany, that's now behind us. So, we're actually – we've raised price starting in April. So, a few points of price, few points of surcharges. So, I think if the volume continues and we're very disciplined on pricing, the indicators are positive for Resi. But after the last like nine quarters or so, we're going to be careful not to get out of our skis there as well. So, all I'm saying is that since the Middle East activity happened, the inflection point for heat pump demand across Europe is started to hit.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

And is the key driver of margin recovery there, is that volumes – seeing the volumes recovering in that market?

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

A

That will help. Certainly, we've had some absorption issues. So, just got to be disciplined on price. I think the margins on this new product we're introducing will be as strong as what we have for the existing Vitocal. The margins on boilers are obviously quite strong. So, I think we continue to take costs out of the system. You know that about half of the head count reduction we did last year on the G&A side was in Europe. So, I think we're set up for margin recovery as we start to see the absorption come back from volume start to come back. So, margins were a little bit disappointing for us in the first quarter. I'm confident that margins will start to recover. We always said that it would be EBIT ROS in the mid-teens, and I'm confident we'll get there over time.

Nigel Coe*Analyst, Wolfe Research LLC*

Q

Okay. And as part of – so mid-teens in Europe. Americas margins, you've got pencil in quite a ramp from 1Q to 2Q. So, make sure we're still on that ramp path.

Michael S. Rednor*Vice President-Investor Relations, Carrier Global Corp.*

A

And Nigel, maybe I'll take that one and thanks for having us. You're right. The step-up Q1 to Q2 on CSE America is think of it as we get the seasonal impact of step-up in Resi volumes. And then as we get in the second half of the year, we're going to get a lot of absorption of the growth in the commercial business while continuing to drive productivity across the board. And that kind of gets you to the guide of 25 to 50 basis points for the year. So...

Nigel Coe

Analyst, Wolfe Research LLC

Q

Yeah. But the 2Q ramp, so part that seasonal 4 or 5 points perhaps and then the other side is just factory absorption?

Michael S. Rednor

Vice President-Investor Relations, Carrier Global Corp.

A

Better factory absorption versus Q1, and we'll continue to drive productivity there.

Nigel Coe

Analyst, Wolfe Research LLC

Q

And then the price cost sort of equation is still on track?

Michael S. Rednor

Vice President-Investor Relations, Carrier Global Corp.

A

In general, yes. You'd recall we put in price increases basically at the end of April to cover all the input costs, which includes logistics, fuel and the tariffs. The tariffs went into effect in early April. So, there is a little bit of gap there to actually get a little bit of better price versus cost as you get into Q3. But all in, Q2 should be okay.

Nigel Coe

Analyst, Wolfe Research LLC

Q

Great. I think we ran out of time, but good time for one question. Yes, yes. Right here, please.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

I think they want you to...

Nigel Coe

Analyst, Wolfe Research LLC

Q

Yeah.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Come on, [ph] Jay (00:46:07)

Q

Hi. I just want to clarify the 50% growth in data center sales this year, the \$1.5 billion revenue versus a \$1 billion last year. Is that all organic equipment sales growth?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

A

Yes.



Okay. Thank you.

Nigel Coe

Analyst, Wolfe Research LLC

Yeah. Great. Great. Well, I think that does it. Dave, thanks for the time...

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Thank you, Nigel.

Nigel Coe

Analyst, Wolfe Research LLC

...too and great, great discussion. Thank you.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

I appreciate it.

Michael S. Rednor

Vice President-Investor Relations, Carrier Global Corp.

Thank you, Nigel.

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