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MANAGEMENT DISCUSSION SECTION

Joe Kistler

Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

My name is Joe Kistler with Morgan Stanley. Joined today by Dave Gitlin, Patrick Goris, CEO, CFO of Carrier. Before we begin, a quick disclosure. If you have questions, please see the MS Research Disclosure website www.morganstanley.com/researchdisclosures. If you have any specific questions, please feel free to reach out to your MS representative.

Dave, Patrick, as always, thank you, guys, for being here. We're grateful to have you. Dave, I'll kick it off to you to get us started.

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

Well, Joe, thank you so much. Thanks to Morgan Stanley for hosting us. Let me just start by saying that I have never felt more confident in our company's growth trajectory. We have record backlogs in our long cycle businesses. We continue to drive double-digit aftermarket growth, and our Resi and Light Commercial businesses in the Americas and Europe are rebounding. That combination sets us up very well.

Let me start with Commercial HVAC. We are clearly winning more than our fair share. Our global CHVAC orders in the first half were up over 50% with exceptional growth in data center orders leading to total company record backlogs of about $8 billion which, for us, when we talk backlog, that excludes the minimum volume commitments without POs.

We expect order intake to, again, be very strong here in Q3. Our CHVAC business is night and day versus when we spun. We invested significantly in our product portfolio to drive differentiation and win, and we are seeing that in the results. Let me give you an example of differentiation. We recently committed to a hyperscaler to achieve specs for a new 3-megawatt, air-cooled chiller that exceeded the capabilities of our competitors.

Three weeks ago, this customer witnessed the first-of-kind tests for the state-of-the-art product. We passed with flying colors, meeting or exceeding all of the technical requirements, including chiller restart time and operating at full capacity at higher ambient temperatures, all contributing to our record backlog levels and expanded pipeline.

In addition to product differentiation, we continue to make great progress on QuantumLeap system offering. Our controls business continues to outperform and help us differentiate at a systems level. We have added a significant number of skilled technicians to our field network. And our performance and tenacity to please our customers with great delivery, quality, and responsiveness has been differentiating.

Given the very strong backlog, we are continuing to add capacity. We previously announced that we are building a new site in India and we plan to announce a new site here in the United States in the next coming weeks, all to support customer demand in 2027 and beyond. We are expanding capacity not just for data centers, but also to support other key verticals such as high-tech manufacturing, renewable energy, higher education, healthcare, K-12, and infrastructure.

And we like our balance between commercial and resi. In the Americas, for example, we expect sales in our commercial business to exceed our resi business just in the next couple of years. On the Resi and Light Commercial side, our businesses here in the Americas has been recovering faster than we planned, with now both expected to be up high-single digits this year. In Europe, the combination of very strong demand for heat pumps, air conditioning and system solutions, along with overall market starting to rebound towards traditional average levels has positioned us for this very strong growth that we expected when we purchased Viessmann.

Turning to the near-term, we said on our last earnings call that we expect Q3 sales to be about $6 billion and adjusted EPS to be about $0.75. We expect to come in a bit higher on sales as we have been working to balance sales between Q3 and Q4 to derisk Q4 while we remain on track for that $0.75. So I remain very grateful to our team. We continue to control the controllables and position ourselves for very strong growth over this coming years.

So, Joe, with that, Patrick and I are happy to get into the questions.

QUESTION AND ANSWER SECTION

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

Terrific. Thank you, Dave. Why don't we start on the data center topic? Outlook for the year is roughly $2 billion. Of that, $1.5 billion is sort of in the second half. Talk a little bit about what gives you confidence to deliver that volume in the back half of the year, especially given the puts and takes of project starts and stops and delays that are happening in that entire ecosystem?

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

A

Yeah. The good news is it's fully in our control. We have the coverage. We've de-risked on the technical side because we fundamentally passed the key test that we have to pass that are witnessed by the customers. I will say that, usually, when you build your first units, it's hard to dual source or multi-source the components until you kind of get past that first build.

So what we're doing in the process to derisk right now is we have started – in some cases, there are some components where we'll have four sources. We're trying to dual source all of the key components. We're working on different stocking strategies in terms of parts where we pull inventory to have it when we need it. So we've gone to great lengths to make sure that we have capacity in our lines. We have fully trained technicians for every shift. Those are all fine. We will not achieve the results because of our factories. We are very well-positioned there.

The thing we watch every day is supply chain challenges, but we have come a really long way. And when we look at our lines of balance from the suppliers, we look at where we stand quarter-to-date and what's in front of us, we feel very confident that we're going to achieve the $1.5 billion. And look, anyone that's been through a ramp in operations on any given Sunday, you wake up to a surprise from a supplier, so it's not a layup, but we're tracking to our commitments and we feel good about the $1.5 billion in the second half.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

In coming off of very meaningful volume in the second half of this year, how do you think about 2027 and beyond?

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

A

Look, if we do $1.5 billion or once we do $1.5 billion in the second half of this year, you would assume that the minimum for next year between the pipeline that we have, the coverage that we already have for next year, the backlog we have, that would be a minimum of $3 billion. Obviously, when you look at the fact that we have built up a fair amount of capacity here in the Americas just over these last couple of years, we're going to announce this new site in either Texas or Alabama in the next few weeks, that new site doubles the capacity that we already have.

So you would think that we would be able to do at least three and we wouldn't be building the new site if we didn't have very strong pipeline and coverage. So we feel good about the growth for next year. As we get into the end of this year, early next year, we'll be more specific on that number.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

Can you talk a little bit about your data center customer mix? Obviously, some people have real concentration with the hyperscalers. Some people have more diversification. How do you think about it across the Carrier ecosystem? Do you see any risk to long-term demand just based on your customer mix today?

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

A

You can think about our data center business. First of all, it's about 70%, 80% or so is in the Americas. And of our business, it's about 50/50 hypers and colos. So we have kind of a nice mix there. The other mix that we're driving is non-data center wins as well because we know that the data center business has been phenomenal this year, we'll probably in the non-data center business grow low-single digits, but we've constrained ourselves.

What we've been very purposeful about is as we build the new site and the existing sites we have, every single line, whether it's in air-cooled or water-cooled chiller, every line is going to be mixed model so we can flow data center and non-data center product through those lines. The other thing is we built for fungibility. This hyperscaler that we've just signed a significant deal with, the product that we developed, we developed in a fraction of the time. Sometimes, it would have taken 18 months. We've done it in closer to 6 months. And one of the reasons is we built these in modular concepts, so we can customize it, whether it's for a data center customer, higher education, semiconductor, fab. So we've designed for fungibility where our factories are being built for fungibility.

And we've really just constrained ourselves, when we have this additional capacity in either Texas or Alabama here by the end of the first quarter of next year, which we need to support the demand for next year, we're going to be able to put a lot more of our selling resources on the non-data center business as well.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley
Q

Dave, talk a bit about how QuantumLeap fits in both with your data center customers with your kind of regular way commercial industrial customers. How do you see that being a point of differentiation across both those cohorts?

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

Look, we see systems differentiation as a key theme. You're going to hear a lot from us at Carrier. So QuantumLeap is – and by the way, this is – part of our internal strategy is to win by digital, win by things like system differentiation. So I'll answer it, Joe, obviously, the QuantumLeap question. But when you think about the United States, the combination of traditional heating and cooling with domestic hot water, that's a very interesting area, and there's no reason that we should not be the ones to win there.

The combination of Carrier, our channels, our brands and you combine that with the technology of a Toshiba and a Viessmann and you think about the capabilities that we have in our portfolio and the brands we have, that's a very interesting thing. We would call that systems differentiation. If you think about QuantumLeap for data centers, we have a controls business, the BMS business, which is kind of the heart of the building. And then you combine that with chillers, you combine it with liquid cooling. We've made a lot of advances with our CDU organic build on that portfolio.

This company that we have in the UK that we bought a few years ago called Nlyte that does DCIM. The QuantumLeap ability to have all of these systems interact and interact these what were formerly disparate cooling loops into a more efficient solution for the customer and what's happening as you go more to colos and to some of our kind of edge customers as well is they're looking for more modular concepts, not only things that technically interact, but things that are previous built on a skid. And that's an area that we've been winning.

I'll tell you that, I haven't been thrilled with some of the wins that the win rates in Europe CHVAC, but that's turned a corner. We feel really good about the wins that we're having in Europe. We're seeing nice wins in places like India, even in the midst of the war, we've had nice wins in Saudi Arabia and, of course, the United States has been through the roof. So we feel really good about 3Q orders. We feel great about our backlog going into next year. So that's – in the prepared remarks, what I was trying to emphasize there is that you look at this combination, we said at our Investor Day 6% to 8% growth and we were below that after we said it.

Now, you look at it and with the backlog on CHVAC and with Resi and Light Commercial rebounding nicely in Europe and the United States, the growth is there. We know we have to drive price cost. We had input costs come up this year a little bit more than we anticipated with tariffs and fuel and copper and steel and aluminum. And we've been pushing pricing. We're even getting more discipline on pricing. I would say that we may need to look at additional pricing out-of-cycle announcements that we have to look at, but we know we have to manage that formula. The good news is that's a nicer problem to have than when you're chasing volume down. And we're going to be in a really good position on growth.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley
Q

Let's shift gears, talk a little bit about US resi. 2026 sales outlook is above your peers. Talk a little bit about the dynamics you're seeing in the market. What gives you confidence to be up high-single digits for the year?

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

Well, look, part of it is we don't deserve too much credit because this year we get the benefit from the absence of destocking, which a couple of our peers don't. So part of it is just we'll get about 10 points of benefit in the back half of the year from that. What I think we've done really well is, I think, we're usually the first to drive price in an aggressive way and we've continued to do that.

We've even put further pricing discipline in place and we've been winning share. So on the new home construction, there was a narrative developing that we went chasing lower margin, new home builders. And what I can tell you for a fact that that is not the case. We did pick up new customers. We have a great new home construction builder customer base. We picked up a really exciting new customer last year. And we won not because of price, we won because of the relationship that they can rely on us with cost and with delivery and quality. And we're very happy with that piece of the business.

And frankly, even though we've been aggressive on the pricing side, I would say we probably picked up 30 basis points of share. Our relationship with Watsco and our other channel partners is, frankly, at all-time highs. And it's not just the resi business itself. We're now having discussions that are long overdue but are very impactful around parts, how we make sure that we capture, well, more than just 25% of our own parts. So we're talking very strategically about the win-win opportunity on the parts business. We're talking about how we think about end-to-end digital connectivity, that's to the benefit of all of us. So I'll tell you, we're very excited about the resi business. There's this question that we get in some of the sessions this morning is the theory was in resi, you get some commodity headwinds, you just raise price.

Look back in 2022, we probably raised price 8% multiple times over the span of 18, 24 months. We're not in that world. We can't raise price 8% every four months, but we can and we'll continue to raise price. So I would say the resi business that those of you that have covered us for a long time, it's there. The industry, all of our peers are facing the same pressures that we are – we assume on the input cost side, and they're going to make their own decisions, of course. But people have to make rational decisions, and that's kind of what we've been seeing from the marketplace.

And then you add on to it things like Carrier Energy, domestic hot water, the aftermarket business. We're excited about the resi business. It's far better this year than we guided. It's far better than we kind of were thinking internally. And then as we go into – because we guided a little bit conservatively because of the uncertainty. But as we go into next year, the momentum coming out of this year has been far better than we thought it was going to be.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley
Q

It's great to hear. Let me ask you a question. You raised channel, there's obviously been some maybe new entrants would be the word, I'm thinking of, Mingledorff's. I'm thinking of Home Depot. I'm thinking about some of the platforms being built around the manufacturers' rep side of the house. How do you think about the channel? It sounds like you feel really good about it, but it's evolving. What are the implications for Carrier?

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

A

We look at – Watsco is about half. And the relationship with Ajay and the rest of that team I mentioned, it truly has never been better. We're not into discussions on zero-sum games, we're all into discussions. And I just had dinner with them a couple of weeks ago. And Brian O'Mahony who runs Carrier Enterprises, it's all about win-wins. How do we win and take share together, both improve margins together, how do we make it a win-win opportunity? And that is so – that is great. It's really powerful.

Then to your point, the Home Depot subsidiary bought both the Mingledorff's space down in Atlanta and the Lohmillers (sic) [Lohmiller] (00:16:48) out in Colorado, two great distributors, DK with Lohmiller and – Tim Brooks with Lohmillers (sic) [Lohmiller] (00:16:48) and then DK with the Mingledorff's. Those are just great people, great teams. And the Home Depot, that's going to be a great partner. We're excited. We worked with Ferguson. We do work with Ferguson today. Home Depot coming in. We still have independents that are out there that we have phenomenal relationships with.

But as you think about where the puck is going and combining electrical and plumbing, you're looking at new ways of getting parts to customers, new things around controls and real-time diagnostics and prognostics. To have partners with the scale of a Home Depot, with the parts network or the Watsco scale and their digital capabilities or Ferguson that we have in the Northwest, we see that as all positive while we retain the relationship with the Maddens in Texas and the other folks that we have, it's been very positive.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

That's great to hear. How about a minute on Light Commercial, really strong first half of the year. Talk a little bit about what's driving that growth. How do you think about the second half of the year into 2027? Obviously, there's a lot of negatives out there. Rates are high, rates may go higher. How do you think about that in that sort of segment of the market?

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

A

All right. I'll take this one and then whatever you ask next we'll transition to Patrick. Yeah. Light Commercial surprised us to the upside as well, partly because of the market and partly, honestly, because of the team's performance. Where we've done really well is some of the business that goes through our channel partners has done well and some of it we go direct with national accounts, with major retailers that you would know, obviously, very well.

And we've had some phenomenal wins with some major big box retailers. So that business, we came in thinking it would be down high-single digits. It's now going to be up high-single digits. It's about high-single digits in the first half and the second half we're tracking to it. The third quarter looks quite good. So the issue that the coverage is very strong. It's just all about executing in here in the third quarter. So it surprised us.

I think what we're – the fundamental, what's been interesting is when you look at headlines, they can be daunting. When you look at a 30-year at 7.3 million units and you look at fuel prices and you look at consumer confidence and you look at this, those what we're seeing in the trenches every day is, A, a team performing. But, B, the underlying factors that drive demand have outweighed the macro headlines. So we came into this year in Resi, remember 2024 was 9.2 million units. Then we went to 7.5 million units. We thought this year would be around 6.5 million units to 7 million units and it's going to be 7.5 million units again.

So you think about that, the market is materially better despite those macros being materially worse. Why? Because there's pent-up demand. There's 4 million to 5 million too few homes in the United States. So there's pent-up demand. And if you're locked into a 2% to 3% mortgage and it's daunting to move into a new home and now suffer a 7% mortgage, I think at some point you just end up moving. And we're fundamentally a replacement business. So that dynamic we saw last year of repair or replace, that has largely subsided. So we're kind of in a space right now where the fundamentals are outweighing the macro headlines. And we're seeing the same in our Light Commercial. And we're out there introducing some new products and winning, which has helped as well.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

Let's shift to other geographies. Patrick, maybe this one's for you. If we shift to the Europe side and talk about RLC. Dave, you made in your opening comments, heat pump demand is accelerating. You're seeing a return to growth there. What's driving that when you think about sort of the dynamic in Europe with the situation with Russia and Ukraine, obviously, fuel and energy costs?

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

A

I think you mentioned the main elements there. But let me start by saying that the outlook we have for sales growth in Europe has never been better than where we are today. It just not in Resi and Light Commercial but also in Commercial HVAC where we see very strong growth rates. Now, order intake also driven by data centers.

But back to Resi, we're seeing really strong order intake broadly across Europe for heat pumps. You mentioned energy prices clearly playing a role. The war, clearly, has an impact on input costs – I mean, heating costs. People are switching and electrification is taking place. We don't see that changing. And boilers are dropping in volume but not as much, frankly, as they did about a year or so ago. And so that helps because boilers, we still make a lot of money on these boilers.

The good thing in Europe also is we're launching new products. September 1, we launched a new heat pump family of products, tremendous [indiscernible] (00:22:05) so far. Actually, a product that's differentiated in terms of energy efficiency, in terms of noise and a little bit of a lower price point than we had before. And we had very strong order intake so far. Hard to talk about Europe now and not talk about air conditioning. This was not a major element when we acquired Viessmann, but it was always in the back of our head that, you know what, cooling will up in Europe at some point.

Obviously, cooling is what we do not just in Asia but also in the US. We're seeing tremendous growth now in cooling. You know what happened in Europe this summer with, unfortunately, a lot of people dying during the extreme heat waves. We are seeing demand for air conditioning pick up, including in Northern Europe, including in Germany, we're perfectly placed for that with existing products that we have. We sell them under the Toshiba brand, the Carrier brand. The Viessmann – we will have under the Viessmann brand a cooling unit that interacts with One Base, meaning one home energy management system connected to the battery, to the PV, to the heat pump and the cooling unit all managed in one system. So very good growth outlook in Europe for now.

The focus in Europe is now clearly also on how to convert of an acceptable margins. Because our margins are still unacceptable. They're still in the high-single digits there. I will tell you that we expect starting in Q3 those margins to be much closer to double digits or at double digits. And to get to the mid-teens range where we, ultimately, want to be in the next two, three years, it's not going to be just volume, pricing and pricing discipline will be really important.

Our new leadership in Europe has implemented some changes in terms of flexibility of local teams with respect to discounting where we maybe were a little bit too ambitious before, so meaning less discounting. And then, frankly, also on the cost side, there is more work to be done in Europe, not just on the SG&A side, but also from footprint point of view.

And we have the new leadership there in place, not just from the segment but also from an operations point of view that is working on a plan to deliver that. And so we expect Europe to, frankly, deliver better results in Q3, better margins, and margin improvements over the next several years with strong tailwinds, call it, from a demand point of view to benefit from. So a little bit lengthy, but that's the overview in Europe.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

Yeah. It's excellent. Thank you. Why don't we talk about Asia? First, just talk about the mix of the business, talk about the strategy across the business lines. And then you can't talk about Asia without China. So interested in your, guys, perspective around a return to growth in China. What's the long-term strategy there?

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

A

Asia is really a story of two different places. One, China, especially on the Residential side, quite challenging. And we've had now several years where Residential in China is difficult from a sales performance point of view but also from a pricing point of view. Commercial in China generally are performing better, although not strong growth. And China is about, call it at this point, about 40% or so of the total segment.

The other 60% of the segment, I have to tell you that several of the geographies there, we've seen tremendous growth. India, Southeast Asia, even we've had quarters in the Middle East with a very strong performance but also Japan. If you think of Japan as a low-growth geography, but we've delivered some strong numbers there. And so our leadership in the region and our general managers have done tremendous work there. Most of the growth driven by Commercial HVAC, not just data centers, but also seeing good growth in VRF, which applies to Residential and Light Commercial.

So overall, strong growth ex-China, but also within that region, input cost headwinds. And so pricing and productivity remains really important because that region generally has been always been a little bit more tricky in terms of price realization, especially in China. So there also a much bigger focus now, not just on productivity but on price realization, because with what we're seeing in input cost headwinds we needed.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Q

Yeah. Thank you. Let's get back to the portfolio. One on the Transportation segment. Growth largely driven by the Container business for the last several quarters. How do you, guys, think about that today? Obviously, we've had a really tough freight environment. Do you see global truck and trailer markets starting to improve? How do you think about the differentiation of that business vis à vis your kind of core peer out there?

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

A

The Container business has, as you said, Joe, it's been far better than we had thought. We thought the first half would be great and the second half would slow quite a bit given the tough comps. And the second half would clearly be a lot better than we had planned. And it's a lot of it driven by the sub-optimization driven by the war. So the Container business, we've picked up share, we've done well globally and it's just outperformed.

Truck trailer in Asia has done very, very well. Truck trailer in Europe is recovering. We haven't seen a turn yet in North America. There have been bankruptcies which, obviously, no one roots for, but there has been too much capacity. So that should free – that should clear up, excuse me, some of the excess capacity. ACT has truck trailer up something like 30% next year. It's too early to call next year. But the balancing that we've had in transport is that we do have better margins in North American truck trailer than in Container. North American truck trailer has been a little bit worse. Container has been better, so it impacts margins a little bit.

I would say the good news is that even though we haven't seen the North American business turn, I will tell you there is so much pent-up demand after a few tough years there that it would be very surprising if we did not see some level of rebound in 2027.

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

You asked about the differentiation also in that business and, clearly, on the truck and trailer side, electrification is something where we feel really good about in our position there. And so the ability to provide fully electrified units that we deliver by now probably in 10-plus countries across the world. And then, of course, there is the cold chain, the tracking system, our ability to track not only the performance of the unit, but also the content and the temperature at which the content of what has been moved across the cold chain has been tracked is a differentiator for us.

And so that we call it our Lynx cold chain digital platform, but we think that is a differentiator. We have well over 1.5 million units of containers truck and trailers that are out in the world. Today, a little over 200,000 of them are connected. And so ones they are connected, you can add services to them, recurring services for which you get paid. You can add additional services, remote monitoring and so on. And so there is still a tremendous opportunity there to monetize our installed base through our digital Lynx platform in the cold chain. We think that's a differentiator.

Joe Kistler
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley
Q

Thank you for that, Patrick. Dave, can you hit Carrier Energy for a minute? Talk about the progress you, guys, are making there. Obviously, there's been some announcements with the PG&Es of the world [indiscernible] (00:30:32). So it sounds like some exciting things in the background.

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

I'll tell you, it's really exciting. It goes back to our system strategy. So the whole concept was that if you integrate a battery into the heat pump, could you run the heat pump off of the battery during peak hours and return some of that capacity to the grid during peak, especially, with increased demand driven by data centers.

That strategy started as a concept and is now a reality. So we did sign a deal just a few weeks ago with Google and PG&E. So that's one of – we've been piloting the technology out in the field, frankly, at Carrier employees' homes. And it's gone very well. We have this first case where Google and PG&E will be providing funding to prove out that technology in the San Francisco area.

The opportunity, if you think about – there's other companies out there that have similar types ideas that are already valued at things like $13 billion. So we looked at it and said, well, we're in nearly – we're in about 30 million homes. We almost have a third of the market here. There are very concentrated areas, especially, in some of the data center-heavy states, whether it's Virginia or Texas or elsewhere, where there is need to relieve some of that tension on the grid. So the demand is there. The technology is being proven out. We're starting to implement it in places like San Francisco.

The thing that we have to ask ourselves is what's going to be the investment to really scale it? How do you actually collect money, revenues through the utilities? And is this something that we want to own 100% or bring in a partner? And maybe even, potentially, a majority partner? So we're looking at that now, we haven't made any decisions. We're assessing all of that. But I'll tell you that as we've talked to advisors on what that business could become, it's very exciting to them. So we'll have to play that one out. I mean, we're still in the first or second inning on it, but the team has done a wonderful job with that.

Joe Kistler Q
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

That's great. Let's hit portfolio transformation. You, guys, obviously, have had your hands full. You've done a lot with the portfolio post-spin. Feels like the heavy lift is likely behind us. But you had activity this year. Two divestitures, Riello and NORESCO. How do you think about the portfolio today? Is there more to come? Is it the business you want to have and operate going forward?

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

Right now, we're in a phase of execution. As you said, Joe, there were some pruning we did that we thought – we did sell Riello, we did sell NORESCO. There's a couple of things that we would always assess internally whether – we have a lot of organic investments in front of us. We have this new site that is on the horizon. And again, that new site is not just for data centers, it's for non-data centers because, remember, when we spun, we had about 10% market share in North America. So our share has – we've just kind of built up the infrastructure to keep up with the developments we've made as a business.

But given the really exciting organic growth in front of us, that organic growth does require some CapEx and other investments. So we just always, as a business, have to prioritize. Where do we want to prioritize our capital allocation? So we might tweak a couple of further things, but we're not looking at any major acquisitions today. We're not going whale hunting. We're really in a phase where all the work we've done over this past period of time has set us up for this moment.

Now, we just got to execute, like we got to execute, we got to execute on the top line ramp, and we got to drive the price cost discipline even in tough environments and we get paid to do that. So that's a wonderful problem to have. We're in an execution phase. We're not looking at massive portfolio transformation right now.

Joe Kistler Q
Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

I think, we've got time for one more, Dave, and I'll leave you with this one. As you think about 2027, everything you talked about, obviously, it's going to be an exciting second half. What would you leave the group with kind of one thought on 2027 from an execution standpoint going forward from here?

David L. Gitlin

Chairman & Chief Executive Officer, Carrier Global Corp.

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The growth is there, almost any math you do would tell you that the growth is there for 2027 and quite good growth. And now, it's just the thing that we have to do as a company is do what we've always done and be incredibly disciplined on productivity. And if you were in some of our meetings behind the scenes, you'd see that we're incredibly disciplined and tenacious on productivity. And then make sure that we at least drive price to offset inflation. That formula works, drive very strong growth. I could tell you for the first time at this time of year, looking ahead, we've never felt this solid about growth. We know that's there, drive productivity, which is what we've always done, and make sure that we're incredibly disciplined on price cost. And we have the leadership that is going to make sure that we do that.

Joe Kistler

Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Terrific. Gentlemen, thank you. Appreciate you being here.

Joe Kistler

Managing Director-Global Industrials Group, Investment Banking Division, Morgan Stanley

Thank you, Joe. Appreciate it.