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# Carrier Global Corp. (CARR)

Q2 2025 Earnings Call

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**Julian Mitchell**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to Carrier's Second Quarter 2025 Earnings Conference Call.

I would like to introduce your host for today's conference, Michael Rednor, Vice President of Investor Relations. Please go ahead.

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### Michael S. Rednor

*Head-Investor Relations, Carrier Global Corp.*

Good morning, and welcome to Carrier's Second Quarter 2025 Earnings Conference Call. On the call with me today are David Gitlin, Chairman and Chief Executive Officer; and Patrick Goris, Chief Financial Officer.

Except where otherwise noted, the company will speak to results from continuing operations, excluding restructuring costs, amortization of acquired intangibles and certain significant non-recurring items, such as acquisition and divestiture-related costs.

A reconciliation of these and other non-GAAP financial measures can be found in the appendix of the webcast. We also remind listeners that the presentation contains forward-looking statements, which are subject to risks and uncertainties.

Carrier's SEC filings, including our Form 10-K and quarterly reports on Form 10-Q, provide details on important factors that could cause actual results to differ materially. In addition, we plan to file certain recast financial statements in connection with our re-segmentation, which occurred during the first quarter of 2025.

With that, I'd like to turn the call over to Dave.

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### David L. Gitlin

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

Thanks, Mike, and good morning, everyone. Another strong quarter. My thanks to our 50,000 team members globally for their continued great work. As expected, our organic growth picked up in 2Q. We delivered 6% organic growth with exceptional 45% growth in Commercial HVAC in the Americas, total company aftermarket growth of 13%, and very strong growth in India, Japan and the Middle East.

We converted the strong organic growth to attractive earnings, expanded adjusted operating margins by 130 basis points, and increased adjusted EPS by 26%. Free cash flow was also strong, with first half free cash flow of about \$1 billion. We remain on track for \$3 billion of buybacks this year.

Turning to slide 4, at our Investor Day on May 19, we laid out our game plan for driving sustained 6% to 8% organic growth by exceeding customer expectations through differentiated products, double-digit aftermarket growth and unique system solutions.

On products, we continue to win. With respect to data centers, we are on track to double our revenues to \$1 billion this year and are continuing to build our backlog for next year and beyond. Our non-data center Commercial HVAC business is expected to grow about 10% this year.

In the Americas, we have increased both chiller capacity and revenues by more than 2x over the past few years, and continue to build our backlog globally. For example, we recently booked a data center order for \$45 million for a customer in the Middle East.

Our global Commercial HVAC sales, which exclude Light Commercial sales, will be about \$6.5 billion in 2025, up close to 20% year-over-year. New product introductions have been instrumental to our win rate. For example, our new large capacity air-cooled chiller with a proprietary magnetic-bearing centrifugal compressor is both significantly more efficient than our competition and can operate at elevated ambient temperatures. Both key performance requirements from our customers.

We also continue to leverage Viessmann and Toshiba technologies to introduce differentiated offerings in our RLC businesses. In the Americas, we are about to launch a fully integrated air-to-water heat pump that provides heating, cooling and domestic hot water. This all-in-one solution provides homeowners with improved energy efficiency, frees up valuable indoor square footage and provides us with market expansion and mix-up.

Our aftermarket sales are up 10% through the first half of the year, and we remain on track for our fifth year in a row of double-digit growth.

Our number of connected chillers was up 40% in the quarter compared to last year. And over the last three years, we have increased the number of connected chillers by more than 3x, from roughly 20,000 to 63,000.

With respect to Abound, we introduced enhancements to our Abound app that leverage AI to boost operational insights and user efficiency. For our Climate Solutions Transportation business, Lynx subscriptions were up significantly in 2Q and are now close to 200,000.

Turning to systems, in North America, our Carrier Energy team is making great progress. We are working with several utility companies to initiate field testing in homes in the United States for our fully integrated battery heat pump solution this quarter. We remain on track for market introduction next year.

We also continue to make significant progress with HEMS in Europe. In 2Q, sales from our Viessmann System's Profi partners showed strong growth, significantly outperforming those of non-Profi partners. On the Commercial HVAC side, we continue to build out our capabilities for data centers, including QuantumLeap and its integrated CDU offering, and are in active discussions with key customers.

Outside of data centers, we recently had an important win with the Shanghai Oriental Hub infrastructure project, which includes a combination of our innovative centrifugal chillers, heat pumps, and our differentiated building management system. By integrating these offerings, we expect to improve our customers' energy efficiency by about 20%. This is another great example of how fully integrated systems add outsized value to our customers and help us drive differentiation and an increased share of wallet.

Productivity driven by Carrier Excellence is now deeply ingrained in our DNA as reflected in continued strong adjusted operating margin of 130 basis points to 19.1%.

Turning to slide 5 for a brief update on our RLC business in Europe. Though the overall European market since our combination has been more challenging than we expected, other benefits of the combination have exceeded our expectations. Our differentiated strategy around HEMS and Hydronics in the Americas are made possible by Viessmann. HEMS leverages Viessmann's battery, integration and digital expertise.

Our global common design around controls and embedded software are both based on Viessmann design standards. We are deploying the underlying technology of Viessmann's One Base digital ecosystem, which connects the company, installers and homeowners on a single platform to the Americas.

Leveraging our respective supply chains is helping us drive more than \$200 million of expected cost synergies by the end of next year, and our purposeful multi-brand, multi-channel strategy is yielding great results. Take, for example, the opportunity around air-conditioning in Europe, where only 20% of households have air-conditioning versus 90% in the United States. Earlier this year, we introduced new offerings through the Viessmann channel, and our air-conditioning sales in Europe were up over 25% in 2Q.

In terms of 2Q for RLC Europe, our sales were flattish as we expected. Though Germany was down, our heat pump unit sales in Germany were up over 50%, and the ratio of heat pumps to boiler has improved from 30-70 last year to about 50-50. We like this mix-up and combined with our expected reductions in electricity prices and easy compares with total German heating units that are close to historic lows, the business is well positioned for a return to growth.

Our RLC sales in Europe outside of Germany have returned to growth, up 3% in the quarter, and we expect that to further increase in the second half of this year. The integration of RLC and Commercial HVAC in Europe also presents great sales and cost opportunities. Carrier and Viessmann are both top players in Commercial and Residential, respectively. The countries where Carrier and Viessmann are both leaders are, in many cases, different, which provides the opportunity to leverage each other's respective strengths.

Slide 6 is a reminder of where we have come over the past few years. Our portfolio is much more focused and simplified, with a higher growth profile. Adjusted operating margins have expanded on average over 100 basis points per year, and our adjusted EPS has grown at a high-teens CAGR.

Despite a few unforeseen headwinds, the team continues to control the controllables and over-deliver, and we remain on track to deliver close to 20% adjusted EPS growth this year. Our team continues to deliver strong results, and I am confident that we will do so again in the second half of 2025 and beyond.

With that, I will turn it over to Patrick. Patrick?

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## Patrick P. Goris

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

Thank you, Dave, and good morning, everyone. Please turn to slide 7. We had a strong second quarter. Sales, adjusted operating profit, margins, and adjusted EPS were all ahead of the guide we provided in May.

Reported sales were \$6.1 billion, with 6% organic sales growth and a point of tailwind from currency translation, partially offset by 4% net headwinds from acquisitions and divestitures, driven by the sale of Commercial Refrigeration.

Q2 adjusted operating profit of \$1.2 billion increased 10% compared to last year, driven by organic sales growth and strong productivity. Tariffs were net neutral in the quarter.

Adjusted operating margin expanded by 130 basis points compared to last year, about half of which is due to the absence of Commercial Refrigeration, the balance due to productivity, mix-up and price, offset by mix.

During the last earnings call, we indicated that we expected about 20% adjusted EPS growth. We delivered adjusted EPS of \$0.92, an increase of 26% year-over-year, better than expected due to slightly higher sales and stronger productivity.

Year-over-year adjusted EPS growth was driven by organic revenue growth, strong productivity, lower net interest expense, and a lower share count. We have included a year-over-year adjusted EPS bridge in the appendix on slide 18. Free cash flow of \$568 million in the quarter was also stronger than expected.

Moving on to the segments and starting on slide 8, the CSA segment had another very strong quarter, with organic sales growth of 14%. Commercial, excluding NORESCO, led with sales up 45%. Residential sales were up 11%, below our expectations due to lower volume, which was down mid-single digits, reflecting a late start to the cooling season.

Regulatory, mix-up, and pricing were all as expected. Combined, they were a benefit of mid-teens organic revenue growth. Over 90% of our volume was 454B. Light Commercial came in as expected, down about 20%. Adjusted operating margin was 27%, up 210 basis points, driven by strong organic growth and productivity. Overall, the Americas had another outstanding quarter.

Moving to the CSE segment on slide 9, organic sales growth in CSE overall, and Residential and Light Commercial were both about flat. We delivered strong heat pump growth in Germany, the sales benefit of which was offset by a still weak overall German heating market, with total units down about 25% so far this year. Commercial was up low-single digits. Adjusted operating margin was about flat, with cost synergies offset by unfavorable regional and product mix.

Moving to the CS Asia Pacific segment on slide 10, organic sales were down 4%. Mid-teens or higher sales growth in Japan, India and the Middle East was more than offset by continued weakness in Residential China and parts of Southeast Asia.

Within China, our Residential and Light Commercial business was down around 20%, and Commercial was up low-single digits. Adjusted operating margin of 15.3% was in line with expectation. The decline year-over-year was driven by lower volume and the absence of a prior year favorable currency-related item, partially offset by productivity.

Moving to CST on slide 11, organic sales were down 1%. North America Truck and Trailer returned to growth, and Container strength continued with sales up mid-single digits. This was more than offset by a weakness in Europe and Asia Truck and Trailer. Adjusted operating margin of 17.6% expanded 340 basis points compared to last year, largely due to the Commercial Refrigeration exit.

Turning to slide 12, total company organic orders were down high-teens in the quarter as we faced a tough compared versus the prior year, where orders were up 30%. North America Resi was down about 60%, compared to orders up over 100% a year ago. This was only partially offset by strength in Commercial Americas up high-teens, Light Commercial Americas up over 20%, and Transportation up high-single digits. Excluding CSA Resi, total company orders were up mid-single digits. Overall, we ended Q2 with a robust and growing longer-cycle backlog in Commercial, which sets us up well for a strong second half.

Moving on to slide 13, and shifting to full-year guidance, for the total company, we are reaffirming the guide we provided in May. We continue to expect mid-single digits organic sales growth, about a 100% – about a 100 basis points of margin expansion, and close to 20% adjusted EPS growth at the midpoint.

Moving on to slide 14, each segment's organic growth is unchanged, but there are some moving parts within some of the segments, as you can see on the slide.

Moving to profit and cash guidance on slide 15, total company adjusted operating margin expansion remains unchanged, up about 100 basis points versus the prior year. With respect to tariffs, the net tariff impact in our July guide is zero, just as it was in our May guide. The incremental price to neutralize tariffs is now about \$200 million versus \$300 million in our prior guide. The margin impact of tariffs is about 20-basis-point headwind versus the prior year.

As you can see on the slide, we made some minor adjustments to margin expectations in the segments. We are maintaining our estimate for free cash flow of between \$2.4 billion and \$2.6 billion, reflecting roughly 100% conversion and still expect to repurchase about \$3 billion worth of shares in 2025.

We are maintaining our adjusted EPS guidance range of \$3 to \$3.10. Compared to the prior guide, lower sales in CSA Resi and Light Commercial are offset by CSA Commercial sales, and we are targeting incremental productivity and cost actions to offset unfavorable mix in CSA and CSE.

Additional full-year guide items are in the appendix on slide 20.

Some color on Q3. We expect Q3 sales of about \$6 billion, with mid-single digits organic growth versus the prior year and anticipate adjusted operating profit to be flat year-over-year.

In essence, we get a \$200 million year-over-year sales benefit from currency translation and tariffs, tariff-related pricing with no drop-through, while the benefit of productivity, mix-up and price is offset by unfavorable mix due to lower CSA Resi sales.

Q3 EPS is expected to be about \$0.80. We expect Q4 EPS to be about – to be up about 20%, similar to first half EPS growth, including the benefit of productivity and cost actions.

In summary, we remain on track to have another strong year, with mid-single digits organic growth, close to 20% adjusted EPS growth, and strong free cash flow.

With that, I would like to ask the operator to open up the line for Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** We are now opening the floor for question-and-answer session. [Operator Instructions] Your first question comes from the line of Jeffrey Sprague of Vertical Research Partners. Your line is now open.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

Thank you. Good morning, everyone. Perhaps, we could just dive a little bit further into Europe. It looks and feels like maybe things are getting better there, but the margin guide has actually come down. So Dave, can you just unpack that a little bit more? Patrick mentioned mix. But just where do you add on the synergy capture in Viessmann, what's going on with the mix? And what do you think about the margins off this level looking into next year?

**David L. Gitlin**

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

A

Yeah, Jeff, let me start with synergies and maybe a bit more on the business, and Patrick can give the breakdown on kind of the margins and second half margins. Overall, look, we were flattish in the quarter as we thought we were going to be. We were a little bit stronger outside of Germany than within Germany, and we actually typically have slightly higher margins in Germany.

And the other issue is boilers in Germany were coming down a little bit more, and we made pretty good margins, of course, on boilers. And there's a particular type of boiler, a floor-standing boiler where it was down a bit more and our margins there are even a bit higher. So there were, within the RLC Europe business, a few mix issues. I will say we feel really good about the cost synergies. We talked about \$200 million by the end of next year. We will certainly meet or exceed that. The team is being quite aggressive not only on supply chain and some of the other indirect. But the teams had to take a lot of very aggressive other discretionary overhead cost actions. They did a lot last year. I can assure you that Thomas and the team are doing a lot more this year.

So, they are going to take costs out of the business. And I will tell you that it really positions us for margin drop-through as the volume starts to recover as we get into the second half of this year and next year. And then, Patrick, any more on the margins?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

I think you covered it. It's really, German – margins in Germany a little stronger and sales in Germany were a little weaker, a little stronger outside of Germany.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

And then maybe we could just delve in the price a little bit more. Patrick, you gave us the tariff-related price impact. Can you just share with us kind of what the total price capture was beyond just what you did on tariffs, if there is more both in the quarter and what you're expecting for the year in aggregate?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

If I look at price, including the regular price increase and then the price related to tariffs, in the second quarter it was about 2 points for the overall company. For the full year, it will also be about 2 points. So, it's about 2 points each quarter so far this year. And that excludes the mix-up benefits, Jeff.

**Jeffrey Todd Sprague**

*Analyst, Vertical Research Partners LLC*

Q

Yeah. Yeah. Understood. Okay. Thank you. I'll leave it there.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thanks, Jeff.

**Operator:** Your next question comes from the line of Julian Mitchell of Barclays. Your line is now open.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

Hi. Good morning. Maybe I just wondered if you could flesh out a little bit more those assumptions on US Resi and Light Commercial for sort of the back half and how you see kind of the end market sellout trends varying there versus the sell-in and the comps? How is the actual end market movement in terms of dynamics on price or repair and remodel, anything changing in those assumptions?

**David L. Gitlin**

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

A

Yeah. I would say, Julian, the good news has been that both price and mix are what we thought. On the mix-up, we've been getting the 10%. As we look at the back half, it's almost 100% 454B.

If you look at 2Q, price was up in the mid-single-digit range. So that was very positive. The issue we had in 2Q, which we've now extrapolated for the second half, is that the volume was down more than we thought. The volume was down in the second quarter, mid-single digits, and we thought it was going to be up low-single digits.

So what we've done for the second half of the year is, we've now assumed that volume in the second half will be a bit more like down 20%, 25%, and then you'll get a mix and price of 10% to 15%. So that means net-net, our sales in the second half would be down about 10%.

So that's why we reduced, as you saw in Patrick's slide, we reduced the full year for Resi to be up single-digits, call it, first half up 15%, second half down 10%, you get up to up mid-single digits for the year.

We have not seen and we asked a million times to our partners on the channel, we have not seen a big switch from repair over replace. We are watching the consumer movement was lower in 2Q than we had expected. Movement was a bit light in July, but it started to pick up towards the end of July a bit more because of some of the heat in the country.

And then we'll just have to see. We think we've handicapped the year well in the second half with taking volume down as much as we have. But given that inventory levels are a little bit higher, movement has been a little bit slower than we thought, and we thought it was prudent to take our volume estimates down for the second half.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

That's helpful. Thank you. And we'll see if a million times is enough to satisfy some of the skeptics. On the second question would just be a more silly one, perhaps to Patrick just around that fourth quarter implied, I suppose it's organic sales up mid-single year-on-year in Q4, so sort of down, I guess, high-single digits sequentially.

And then the EPS sequentially in Q4, it's a much smaller decline than sort of "normal." Anything to call out there on specific segments or something going on with mix that's a tailwind this Q4 versus historical ones?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

So, yes, Julian. The way you can think about it is, first of all, our Q4 year-over-year adjusted EPS growth to be similar to what we've seen in the first half of this year, so about 20%, about 100% margin expansion we expect in Q4, and Q4 is expected to be our highest organic growth quarter of the year. So, we expect actually close to high-single digits organic growth with both easier comps in Europe, in Asia Pacific, and Transportation is expected to return to more attractive growth in Q4 as well.

And in Q4, of course, the benefit of that volume, mix-up and productivity, somewhat offset by the unfavorable mix in Resi in the US, and then from a margin perspective, tariffs are slightly negative.

And then, of course, in Q4, we will see more of the benefit of the cost actions that we've been implementing versus what we will see in Q3.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

That's great. Thank you.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thanks, Julian.

**Operator:** Your next question comes from the line of Nigel Coe of Wolfe Research. your line is now open.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Q

Thanks. Good morning, everyone. Thanks for the detail. Patrick, maybe just unpack a little bit more the 3Q framework. So, you said flat margins and it seems like the Residential decline is really weighing on the Americas margins. So, maybe just unpack the segmental margins.

And I think you said \$0.80 based on \$6 billion of sales and basically [ph] 17.5% (00:25:56) of operating margin, flattish year-over-year. I don't get to \$0.80 mechanically, Patrick. So, I just want to make sure there's nothing built a line to think about as well?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Okay. So, I'll start with the overall company, of course, Q3. And the way you can think about it is, one, we get about a \$200 million sales in currency – the \$200 million sales tailwind from currency and from tariffs with basically no drop-through.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Q

Right.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

In addition to that, you get the benefit of price, productivity and mix-up is offset by lower Resi sales, because lower Resi – Resi sales are down about \$200 million, \$300 million year-over-year and sequentially in the third quarter. And so, the whole benefit of organic growth is basically offset by the unfavorable mix. Then you assume a 24% effective tax rate in the quarter and you get to about \$0.80 – \$0.80, \$0.81. So \$6 billion sales, flat operating profit year-over-year and a 24% ETR.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Q

Okay. That's helpful. And any way you think about segments' margins?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

The way you can think about segment margins in the third quarter, we expect that CSA will be down about 200 basis points year-over-year. And the explanation is basically the same, it's the Resi mix that's really weighing the margins over there.

For the rest, Europe, we expect it to be flattish year-over-year. And then Asia will be slightly down, and Transportation will be up probably 200 basis points, 300 basis points, reflecting the CCR exit.

**Nigel Coe**

*Analyst, Wolfe Research LLC*

Q

Okay. Thanks, Patrick.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thank you.

**David L. Gitlin**

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

A

Thank you.

**Operator:** Next question comes from the line of Scott Davis of Melius Research. Your line is now open.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Hey, good morning guys.

Q

**David L. Gitlin**

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

Good morning, Scott.

A

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

Good morning, Scott.

A

**David L. Gitlin**

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

Welcome.

A

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Happy to be on my first Carrier call. I get to ask really stupid questions, get away with it for a while, maybe always. But, I guess, we take a step backwards and just look at big picture. I hear you talk about productivity. And will we eventually see productivity on the gross margin line, or is it more explicitly kind of SG&A productivity that you guys are talking about?

Q

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

It will be both, Scott. And actually, over the last several years, I think we've driven both productivity and gross margin lines. Now, I call it adjusted, because we yank out any amortization of intangibles, but productivity has had an impact both on gross margin and on the operating margin. And we will continue to see it, because the biggest driver of productivity for a company is on the cost of goods sold, with materials, that alone is a \$10-plus-billion bucket, warehousing logistics, there is still an enormous amount of opportunity there to drive cost out. So, I would actually say, Scott, that the biggest opportunity is on the gross margin line rather than on the, call it, the SG&A line.

A

**David L. Gitlin**

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

Yes. And Scott, I know that you're familiar with us over many years and many used to think of us back in the day as Carrier's like a 10% ROS business. This past quarter, we were at 19.1%. In fact, it was our highest profit quarter ever, and it's not only, as Patrick said, on the gross profit line, but it's also – it used to be that our G&A, not SG&A, our G&A as a percent of sales was north of 9%, and now it's about 7%. So, I think it's both product costs and then it's a lot of the other indirect costs as well. So, it's both.

A

**Scott Reed Davis**

*Analyst, Melius Research LLC*

And David, do you think about productivity kind of in traditional ways, like 2% per year, holding head count flat, or how do you guys kind of internally think about that and measure it?

Q

**David L. Gitlin**

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

A

Yeah. I think net-net, we think of it as 2% to 3% per year. We think we get more in different buckets that typically, we target ourselves in supply chain closer to 5%, logistics can be closer to 4%. We can get more like 3% in the factories, and then there are some other things that we move around. But net-net, we usually look at it at 2% to 3% gross productivity.

**Scott Reed Davis**

*Analyst, Melius Research LLC*

Q

Okay. Super helpful. I'll pass it on. Thank you. Best of luck this year, guys.

**David L. Gitlin**

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

A

Thank you.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thank you, Scott.

**Operator:** Your next question comes from the line of Joe Ritchie of Goldman Sachs. Your line is now open.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Guys, good morning.

**David L. Gitlin**

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

A

Hey, Joe.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Good morning.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Sorry if I missed it, but did you guys just maybe – can you just describe how that canisters you played out in 2Q, where we stand today, whether that's still a problem on the Resi side?

**David L. Gitlin**

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

A

It's no longer an issue for us, Joe. We – the team really jumped on it. We started pre-charging a number of units. We were actually doing – going to tremendous lengths in 2Q to get our customers plenty of canisters. We do not hear canisters in the field being an issue. We pivoted super hard in May and June and hats off to the business, the operations team working with our channel. It's no longer an issue.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Awesome. And then, Dave, I heard you say that your non-data center business was up, call it, 10%, maybe a little bit better than that in CSA. Can you just double-click there, give us a little bit more color on what you're seeing across that non-data center side of the business?

**David L. Gitlin**

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

A

Yeah. Actually, in CSA, the non-data center activity was up 20% in the quarter. If you look overall, we think that for the quarter and for the year, the non-data center activity will be about 10%. So, if you look at CSA, our applied business was up over a 100%. We had service business up about 20% and controls in the high-teens. And then if you look at data centers in the Americas, we were up over 300% with non-data centers up about 20%.

So Gaurang and Steve and the team did just a superb job in the quarter. And I'll tell you, it's been a combination of building out capacity. We have an entirely new factory in North America, plus we've expanded Charlotte, and Charlotte is performing very well. So, we've expanded capacity. We've introduced new products. I just mentioned this mag-bearing for air-cooled, which is being – is very attractive to many of our hyperscaler customers.

And we've gotten some really creative ways to support our customers in the aftermarket. So all in, both the data center, non-data center, things like some of the mega projects, some of the manufacturing that's been returning to the United States. We've had some really marquee wins that's been happening globally.

**Joe Ritchie**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks, guys.

**David L. Gitlin**

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

A

Thank you.

**Operator:** Your next question comes from the line of Steve Tusa of JPMorgan. Your line is now open.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Hi. Good morning.

**David L. Gitlin**

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

A

Hey, Steve.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Good morning, Steve.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Sorry, I didn't catch the million times. What was that in reference to?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

That was the question about whether we've seen a trend, repair versus replace, and it was referred to....

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Got it. Got it. Okay, okay. Got it, got it. I just heard the number. I didn't quite catch it. There's just a lot of earnings this morning. Can you just bridge us to the 20% increase as far as what you're assuming for any headwinds in Resi in that particular quarter. It's a really nice bounce back, obviously, and the data center stuff is on fire. So, you guys are clearly taking market share there. But what are you assuming for the 4Q in Resi?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

I'm sorry, Steve, the question is for Resi, what are we looking at for the year?

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Yes, just 4Q. Yeah, in 4Q, because there's a lot of volatility, obviously, with the year-over-year comps. And I totally get the data center stuff that's really strong, but the Resi side and maybe like Commercial as well.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Yes. For Resi Q4 sales down about 15%, of which volume is about 23%, give or take. And then the rest rounded with the price and regulatory mix.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Got it.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

And on the Light Commercial side, in 4Q, it will be flattish to last year. We do have the benefit of that being our easiest comp quarter. Last year, Light Commercial was down a little over 10%. So, we think about flattish for Light Commercial in the 4Q. And, look, the first half was kind of rugged, of course, on Light Commercial, but over the last six weeks or so, we have seen some level of encouraging trends in terms of field inventory levels down, orders up.

Some of the paralysis that we saw on our small business customers has been lifted a bit as we've gotten more tariff certainty. We've seen more demand come back on the small and medium business side, and we've had some very, very nice wins on the retail side, some of the fast food, especially the higher-end fast food, we've done really nice job with share. So, we do see second half down probably mid-single digits, probably down about 10% in 3Q, flattish in 4Q.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Yes, super easy comps. So, you're basically saying that the Resi stuff is pretty consistent year-over-year 3Q and 4Q. And then the RLC, the Light Commercial makes a lot of sense because of their comps, obviously.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Yeah. And remember, Resi has a very tough comp for last year, because we were up about 35% and volume was up about 30% in the fourth quarter of last year.

**C. Stephen Tusa**

*Analyst, JPMorgan Securities LLC*

Q

Yeah. Yeah. Yeah, totally. Okay. Thanks a lot for the details, and we appreciate how you guys laid out in the slides. It makes it very easy to consume. So thanks for that.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thank you, Steve.

**David L. Gitlin**

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

A

Thank you, Steve.

**Operator:** Your next question comes from the line of Andrew Kaplowitz of Citigroup. Your line is open.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hey. Good morning, everyone.

**David L. Gitlin**

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

A

Hey, Andy.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Dave, could you talk a little bit more about what you're seeing in Climate Solutions, Asia Pacific? You lowered China a bit in terms of your outlook for the year, but the balance of the segment is up, you didn't change the overall growth. Is that more – is that kind of a new normal for this segment as we think about it going forward? Just an update there.

**David L. Gitlin**

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

A

Well, I think what is encouraging in Asia is that Michael and the team have done a really great job looking at growth at places, like, Japan was typically in the past no growth. We were up high-teens in the quarter. India was up just under 30%. The Middle East was up in the mid-teens. So, I think that because China has been softer than

we thought and it's been softer on a more sustained period than we thought, I think the team has done a superb job.

And then there are some countries in the first half that were a little bit surprisingly weaker, take Thailand, and that will recover. That was partly some performance things, partly some market thing. So, we'll recover that in the second half.

And then when we think about China, we do feel good about Commercial in China. We're poised for some pretty good growth. The backlog has been growing. We've had some really nice wins. The team is doing a nice job to kind of build up that backlog on the Commercial HVAC business in China.

Resi has been tough for a while now. There's too much inventory in the channel still on the retail side on Resi in China. So, we've been going hard after the project work. And I do think that we're going to start to recover on the retail side, but no time soon. I think 3Q will still be down a bit. So, we need the project work in China, and we need the Commercial HVAC business in China. And then all these other opportunities, I think it's just a golden opportunity for us to go win in places like India and the Middle East.

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**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Very helpful. And then David, Patrick, just following up on US Resi for a second, are you seeing any share movements across the major OEMs? And then, Dave, I think there's been some talk about having to rebate in terms of pricing. How are you thinking about the stickiness of pricing in the second half of 2025?

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**David L. Gitlin**

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

A

Yeah. We've been good on pricing. When we look at pricing in the first half, it was up mid-single digits. We think that continues into Q3. It's kind of in that 5% range on price, maybe a bit softer in Q4, closer to the high – low-single digits is what we're forecasting for Q4. But it's kind of in that range. We're not going to a lot of rebating. And the 10% on the mix side with 454B has been sticking.

When we look at share, I can't speak for the other OEMs, but we think that we're about flattish. We are very confident we haven't lost any share. When volume was a little bit lower in 2Q than what we expected, we were very paranoid. We've looked at every single distributor. We've talked to many of our dealer partners to see if there's something happening. And I just think that between the later cooling season – start to the cooling season and some watch-around that consumer just a bit softer. I think we'll take a little bit of medicine in the second half of this year on the volume side. But the team has performed incredibly well with all of the transitions, all of the canister activity, and I think we're doing very well on the share side overall.

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**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Appreciate all the color.

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**David L. Gitlin**

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

A

Thanks, Andy.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

Thank you.

A

**Operator:** Your next question comes from the line of Deane Dray of RBC Capital Markets. Your line is now open.

**Deane Dray**

*Analyst, RBC Capital Markets LLC*

Thank you. Good morning, everyone.

Q

**David L. Gitlin**

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

Hey, Deane.

A

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

Good morning.

A

**Deane Dray**

*Analyst, RBC Capital Markets LLC*

Hey, it's a sign of the times now that you divide your Commercial HVAC business between data center and non-data centers.

Q

**David L. Gitlin**

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

I know that. Yeah.

A

**Deane Dray**

*Analyst, RBC Capital Markets LLC*

So let's – if we could just put the spotlight on the non-data center part of your business, you shouted out some mega project wins. But just take us through the verticals, K through 12, anything stand out positive or negative among the verticals?

Q

**David L. Gitlin**

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

Yeah. On the negative side, I would say K through 12 all year has been just softer than we thought it was going to be, Deane. I think it's a combination of things, some of the DOGE activity, some of the uncertainty around even the local funding. So, I don't think that there's plenty of state-borne funding out there. We've talked about things like \$76 billion. So, we think that comes back, but that's been softer. And now higher ed, that's been a nice tailwind for us a while and a little bit softer in 2Q than we thought.

A

Usually, every quarter, we say commercial real estate soft. We actually, bizarrely enough, we saw it pick up a tiny bit in 2Q, but I don't think that makes a trend. That's still clearly a watch item.

On the positive side, not only is the outsized growth we've had on data centers, very pleased there. But a lot of the mega projects have been good, not only in the United States but globally. I mentioned that Shanghai Oriental Hub was a great systems win. So when we talk systems, it's not just QuantumLeap for data centers, it's a lot of new muscles we put in the system around selling systems globally.

So some really good systems win in Europe and in Asia. Healthcare has been very positive as well. And then even though warehouse, I think overall is weak, and even retail, we've on both the Commercial and the Light Commercial side have done very well in warehouse and especially on the Light Commercial side on retail, we've had some really outsized wins there.

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**Deane Dray**

*Analyst, RBC Capital Markets LLC*

Q

Good update there. Thank you. And then just could you give us an update on services in the quarter and expectations for the year?

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**David L. Gitlin**

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

A

Yeah. In the quarter, it was up 13%. We're up 10% year-to-date. We fully expect to be up double-digits again this year. Of course, you know our mantra, double-digit forever. So we – this will be our fifth year in a row.

I would say the underlying metrics look good. I mentioned that Ed and the team on the refrigeration, on the transport side have done well with subscriptions on Lynx. Abound is gaining more traction. Number of connected devices on the HVAC chiller side up to 63,000, service coverage very good.

I'll tell you, one of the big things that's really a top priority for us is making sure that with these data center wins, we're signing the right titled long-term agreements with our hyperscaler and colo customers to make sure that we support them for many, many years to come, and that's a key focus areas overall. So, the team has done overall very well in 2Q on aftermarket, and we're pretty confident that will continue going through the year.

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**Deane Dray**

*Analyst, RBC Capital Markets LLC*

Q

Thank you.

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**David L. Gitlin**

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

A

Thank you.

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**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thank you.

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**Operator:** Next question comes from the line of Andrew Obin of Bank of America. Your line is now open.

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**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Q

Hi, guys, good morning.

**David L. Gitlin**

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

Hi, Andrew.

A

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Hey, just maybe a question on Transportation. You're saying that North America returned to growth. Can you just talk what you're seeing in North American refi market, because the truck volumes continue to remain weak, but maybe that market has found the bottom? Just more granularity there. Thank you.

Q

**David L. Gitlin**

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

Yeah. It's hard to pick the bottom in NATT. It was nice to see a few percent growth, Andrew, in 2Q. As we go into the back half, of course, we have easy comps, right? Last 3Q was down about 15%, close to 30% in 4Q. So, I do think we have the benefit of easy comps in the back half. We did see – we were starting to feel good. We got to watch orders in NATT. We've seen some recent recovery a little bit in ETT, in our European Truck Trailer business.

A

Container is poised for an outperformance this year. So, NATT is particularly short cycle. So, we'll have to see. We have some good-sized growth numbers in there in the second half. And if for some reason, they don't materialize, I think we have enough in businesses like Sensitech and Container to cover it. But we do see the team performing very well, and we're poised for some growth here in NATT in the second half. I think what we need is some level of stability, I think, on the tariff side for our customers and the more clarity that's been coming in, I think, is helping our customers.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

That's great to hear. Thank you. And just a question on Resi. You were so constructive, I think, in May. And the May weather, if you look at the temperature was weaker, and June was actually quite warm. And what we hear from the channel is you guys as close to your distributors as anyone from a very positive standpoint. So can you just tell us when did you figure that North American Resi was going to be weaker? And is it the inventory that was the red flag? Just maybe just walk us through what happened. Thanks so much.

Q

**David L. Gitlin**

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

Yeah. The bottom line, Andrew, is that May movement was just a lot softer than we thought. We had a rule we would do our best never to talk about the weather. Obviously, it's a bit of a reality when you're dealing with the kind of business that we're in. But cooling degree days was softer in the last six weeks of the quarter than usual. But having said that, the weather is the weather, but what really happened was, movement was softer in June, in particular. And what that did is that's built up a bit more inventory in the channel than we'd like. So what we did as we thought about the second half is we tried to take a look at some of the movement trends that we saw in June and then assumed that continues for July and August. So, we'll have to see what ends up happening.

A

And we also have been very purposeful in our projections to take inventory levels down to where they were last year when we end 3Q and where we end 4Q. So, in our sales guidance, we assume that we get inventory levels back into balance.

**Andrew Obin**

*Analyst, BofA Securities, Inc.*

Really appreciate the answer. Thank you so much.

Q

**David L. Gitlin**

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

Thank you.

A

**Operator:** Your next question comes from the line of Joe O'Dea of Wells Fargo. Your line is now open.

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Hi. Good morning. Could you talk about back half of the year margin expectations in Europe? I'm not sure if we should be thinking kind of around 11%, but any kind of variation from Q3 to Q4? And then just how that bridges from kind of a seasonality and volume perspective versus mix or other factors?

Q

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

Yes. Thank you for your question. First of all, within Europe, Residential is about 80% of our total business. And historically, the second half is stronger than the first half of the year. So seasonality related to the heating season. And so, sales pickup of 10% – 10%, 20% is typical second half of the year versus the first half of the year.

A

In terms of margin expectations, you're right. In the second half of the year, it will be about 11%, 11.5%, with the strongest margin expansion by far in Q4. We had a very weak Q4 margins last year in Europe. I mentioned earlier, I think on this call, we expect Q3 to be about maybe 10%, 10.5% margins, flattish year-over-year, but growing to about 12% in Q4, reflecting stronger sales, but also more of the productivity actions that we've been implementing all year. As you probably know, it takes more time to implement these in Europe. So as we proceed through the year, we'll see more of these productivity actions take effect.

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

That's helpful color. Thank you. And then just with continued focus on repair versus replace, any high-level kind of color on the economics of that? I think there's a lot of focus on the impact of kind of mix-up in that price and then tariff price and the normal price and whether that would compel a mix shift toward more repair, but not sure the replace economics as well. And so just in terms of when a consumer is thinking about those high level, anything behind the economics that would be kind of the rationale for why we're not seeing some of that shift?

Q

**David L. Gitlin**

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

I think part of it is the refrigerant shift. I think as people are thinking long-term, they know that we're fundamentally going to be switching to the 454B, which over time it's going to be harder to predict the pricing on the 410A to support it. So, I think it's a natural move that it's fundamentally a replacement business. Your AC fails, you're, I think, inclined to rip the Band-Aid once and replace the unit rather than try to lip along with a compressor change or something else, knowing that you're going to have to support it with perhaps more expensive refrigerant.

A

I think if you look overall, we haven't seen that we don't feel that we are not priced inappropriately. Put differently, we feel that we're priced appropriately, both on the 454B and the base price increases to offset some of the – either inflationary or tariff headwind that we've seen. And we don't think that's been in any way a share issue. And we don't think not only have we not seen more repair over replace, we haven't seen a big mix down from our very specific entry tier level versus the one up from that. It's something we watch carefully.

So, look, we just think that probably a bit of a later start to the cooling season. We got to watch the consumer. Interest rates have continued to be high, which has put a damper on residential new construction and also people moving to buy new homes, which, of course, we benefit from when people move from one home to another. So all of that has resulted in a bit slower movement, which we've assumed continues into the second half, and then we'll have to see.

**Joseph O'Dea**

*Analyst, Wells Fargo Securities LLC*

Got it. Thank you.

Q

**David L. Gitlin**

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

Thank you.

A

**Operator:** Next question comes from the line of Chris Snyder of Morgan Stanley. Your line is now open.

**Chris Snyder**

*Analyst, Morgan Stanley & Co. LLC*

Thank you. I wanted to follow up on the commentary on the softer Resi volumes in Q2. I guess from your perspective, do you think that was just softer end demand? Was it maybe some more downstream inventory than expected, or did that come out faster? I guess any view on that? And how do you kind of separate between those two drivers when you look at the data?

Q

**David L. Gitlin**

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

They overlap a bit. I think we started the quarter with a bit of elevated inventory levels. And then – so you obviously need movement to pick up to support the continued sales growth. And movement was just much softer in June than we had forecast for a bunch of the reasons we were just talking about interest rates, consumer, perhaps weather to some extent.

A

So, look, it was what it was. I think that if you look at Resi over these last few years, the team has done simply a phenomenal job picking up share. We're close to a third of the market. We've not only picked up share, we've maintained it, and we drove nice margins. We think that there's going to be some comp issues in the second half with respect to movement. We got to get inventory levels down a bit. And then we'll have to see what happens in the second half. But a couple of watch items that we saw in 2Q. But overall, the team is performing well, and the good news is mix and price have been exactly what we thought.

**Chris Snyder**

*Analyst, Morgan Stanley & Co. LLC*

Q

Yeah. Thank you. Certainly appreciate that and we kind of can see that strength that has come through the past couple of years. And then just, I guess, following up on that, obviously, the volume declines for Resi into the back half, the comps are incredibly difficult. So is this just a function of kind of sluggish demand and very difficult comps, or do you think the channel will kind of continue to pull down inventory in the back half of the year, or do you think it ended Q2 at a pretty balanced place? Thank you.

**David L. Gitlin**

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

A

Yeah. I think we're going to consciously pull down inventory in the second half of the year. They were a bit higher than we'd like, and we are very, very purposeful every month, every quarter to try to get inventory levels in balance to what they – to what we think they should be. So there's never – we do our best to make sure there's never more in the channel than we think the channel needs.

So, we work very, very closely hand in glove with our distribution partners, not only the absolute levels, but the mix that they need. And we don't want to give them – we don't want to ship any more than we should to make sure the inventory levels stay in balance, and we're going to try to do everything we can to get end of 3Q in balance to where it was last year.

**Chris Snyder**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you, Dave. Appreciate that.

**David L. Gitlin**

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

A

Thank you.

**Operator:** Your next question comes from the line of Stephen Volkmann of Jefferies. Your line is now open.

**Stephen Volkmann**

*Analyst, Jefferies LLC*

Q

Great. Good morning. Thank you for fitting me in. And I'm curious sort of longer-term, where are you relative to capacity and capacity additions for the data center business or for the large applied-type business?

**David L. Gitlin**

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

A

Yeah. We are – Steve, we're in good shape. I tell you that one of the nice things when we talk to our hyperscaler customers is they are looking for capacity availability on a global scale, and we have all of that. We have a brand-new facility that we repurposed that used to do controls, and now it's doing a 100%, both air-cooled and water-cooled chillers to support North America. We've expanded our Charlotte facility by about 40%. So, when you look at – you look at North America, we've more than doubled our capacity just over these last few years. And then you see that reflected in the applied growth that we've had.

We were actually constraining growth even for non-data center activity to just try to – because we were a little bit limited last year and the year before, that's no longer an issue. We're telling our teams get out there, go win, go win data centers, go win the others because we have the capacity. And that's true on a global scale as well. We have China, we have India, we have France. We're looking at some really creative and exciting things in places

like Saudi Arabia. So, we have plenty of capacity now globally, and it's good, because the teams out there with the new product introductions, they're out there winning, and there's a lot of excitement amongst our customer base right now.

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**Stephen Volkmann**

*Analyst, Jefferies LLC*

Q

Great. That's encouraging. Thank you. And then maybe a longer-term question, Dave, but I'm curious around how you're thinking about your longer-term 6% to 8% growth target. What are the key sort of factors that will make that happen or not happen in 2026? I'm trying to figure out how much of that is kind of under your control and how much you need cooperation from the markets?

---

**David L. Gitlin**

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

A

Well, if you look at the algorithm that we laid out at our Investor Day, we did say that there was always a point or two from the market. And then we have this three-pronged strategy, which is products, aftermarket and systems, driving double-digit forever is going to give you a lift there. Systems, we said is going to be a point or two, and we're seeing really nice progress on things like HEMS in Europe, and we'll start getting our first revenues next year from HEMS in the United States.

When we talk systems on the commercial side, it's not only QuantumLeap, where there's such a fair amount of activity picking up for this combined liquid cooling, traditional cooling, but also we're seeing it in non-data center activity, working more as one Carrier combining our BMS and traditional chillers as well.

So, we see systems picking up and then products. So, you're always going to see a little bit of variation by segment as they face different either tailwinds or headwinds. But what we've said is no segment left behind. The expectation is every segment grows 6% to 8%, and they're building their pipeline as we gear up for a really strong 2026.

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**Stephen Volkmann**

*Analyst, Jefferies LLC*

Q

Great. Thank you for that. I'll pass it on.

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**Operator:** Your next question comes from the line of Amit Mehrotra of UBS. Your line is now open.

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**Amit Mehrotra**

*Analyst, UBS Securities LLC*

Q

Thanks. Good morning, everybody. I'll just be very quick here. First, just be helpful if you can talk about how you think volume is impacted, if at all, from some of the incentives going away at the end of September, I guess, related to the Beautiful Tax Bill or whatever it's called. Can you just talk about, is there any assumption in your guidance around any impact from that, or if you can just give us a little bit more color there? Thanks.

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**David L. Gitlin**

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

A

We really don't see a material impact from 25C, 179D. Some of the provisions that were in there, they were – we fundamentally think they were good provisions and they made sense, but they had not been material or very meaningful for us. So them going away is not a material impact.

**Amit Mehrotra**

*Analyst, UBS Securities LLC*

Q

Okay. That's helpful. And then just one quick follow-up to an earlier point around rebates or rollbacks on pricing, it didn't seem that there was any assumption for that in the revised outlook. Certainly, the margins for CSA didn't appear to seem that way for the full year. Is there any assumption for pricing rollbacks this year or later this year, or is that not a factor you think as the year plays out?

**David L. Gitlin**

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

A

We don't think – I mean, Patrick talked about price by quarter, and we don't – and I think it's been fairly consistent. So, we don't see any kind of material price changes. The only thing we said is that Resi in 4Q, just in our modeling, we put – we've been assuming 5% to 6% a quarter. We think it's going to be more like a few percent, but that's probably about it. Otherwise, Patrick kind of laid out pricing by quarter, it's fairly consistent.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Yes. And the only change versus the prior guide really is tariff-related pricing is now \$200 million instead of \$300 million in the May guide, but the net tariff impact on operating profit remains zero.

**Amit Mehrotra**

*Analyst, UBS Securities LLC*

Q

And then just last one for me. So when you talk about Europe, margins going up sequentially, I get there's productivity, but I mean that's a very big difference than what's happened over the last couple of years sequentially. Is there any way to kind of size the productivity numbers, so we can just give a little bit more comfort on that sequential inflection from 3Q to 4Q in Europe?

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Well, it's a mix of both higher sales and productivity. And so, as I mentioned earlier, that sales in the second half of the year, it's not atypical to be about 20% higher than the first half of the year. And so, there is a tremendous volume leverage that goes with it, given how weak volumes have been so far. In addition to that, there is the cost synergies that pick up. And we have said that this year – or last year, we said synergies on the cost side were about \$75 million. This year, there'll be again that amount, probably a little bit more and it will be more second half weighted than first half weighted.

**Amit Mehrotra**

*Analyst, UBS Securities LLC*

Q

Got it. Okay. Thank you very much. Appreciate it.

**Patrick P. Goris**

*Chief Financial Officer & Senior Vice President, Carrier Global Corp.*

A

Thank you.

**Operator:** Thank you. I'd now like to hand the call back to David Gitlin for final remarks.

## David L. Gitlin

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

Well, thank you. Thank you, everyone, for joining. Obviously, a lot of moving parts in the macros, but I'm incredibly proud of the team. Continue to deliver in 2Q, and we are very confident we'll do so in the second half for a year that's going to – we're going to look back on and be very proud of with a lot of strength. So my thanks to our team, to our customers, and thank you all for joining in.

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**Operator:** This concludes the meeting. You may now disconnect.

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