



# INVESTOR DAY

February 10, 2020



# Cautionary Statement

**Note:** All results and expectations in this presentation reflect continuing operations unless otherwise noted.

This presentation contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for Carrier’s future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “confident” and other words of similar meaning in connection with a discussion of future operating or financial performance or the separation. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Carrier, Otis or UTC following UTC’s separation into three independent public companies and/or following completion of the Raytheon merger, the separation, including the expected timing of completion of the separation and estimated costs associated with the separation, the Raytheon merger, including synergies or customer cost savings and the expected timing of the completion of the Raytheon merger, and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, Carrier claims the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation: (1) the effect of economic conditions in the industries and markets in which Carrier and UTC and their respective businesses operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions and natural disasters and the financial condition of Carrier’s customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) future levels of indebtedness, including indebtedness that may be incurred in connection with the separation, and capital spending and research and development spending; (4) future availability of credit and factors that may affect such availability, including credit market conditions and Carrier’s capital structure; (5) the timing and scope of future repurchases of Carrier’s common stock, which may be suspended at any time due to various factors, including market conditions and the level of other investing activities and uses of cash; (6) delays and disruption in delivery of materials and services from suppliers; (7) cost reduction efforts and restructuring costs and savings and other consequences thereof; (8) new business and investment opportunities; (9) the anticipated benefits of moving away from diversification and balance of operations across product lines, regions and industries; (10) the outcome of legal proceedings, investigations and other contingencies; (11) pension plan assumptions and future contributions; (12) the impact of the negotiation of collective bargaining agreements and labor disputes; (13) the effect of changes in political conditions in the U.S. and other countries in which Carrier and UTC and their respective businesses operate, including the effect of changes in U.S. trade policies or the U.K.’s pending withdrawal from the EU, on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (14) the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which Carrier and UTC and their respective businesses operate; (15) the ability of Carrier and UTC to retain and hire key personnel; (16) the scope, nature, impact or timing of the separation and other acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs; (17) the expected benefits and timing of the separation, and the risk that conditions to the separation will not be satisfied and/or that the separation will not be completed within the expected time frame, on the expected terms or at all; (18) a determination by the IRS and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions; (19) the possibility that any consents or approvals required in connection with the separation will not be received or obtained within the expected time frame, on the expected terms or at all; (20) expected financing transactions undertaken in connection with the separation and risks associated with the additional indebtedness; (21) the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the separation will exceed Carrier’s estimates; (22) risks associated with the transactions contemplated by the Raytheon merger agreement or the announcement or pendency of such transactions, including disruptions to UTC’s or Carrier’s operations and the potential distraction of UTC or Carrier management or employees; (23) UTC’s obligations pursuant to the Raytheon merger agreement to consummate the Carrier distribution and the Otis distribution in accordance with the terms and conditions of the Raytheon merger agreement, including with respect to the timing of the distributions and the requirement that UTC obtain Raytheon’s prior written consent to effect certain changes to the terms of the separation or distributions, and the resulting limitations on UTC’s ability to determine or alter the structure or timing of the internal restructuring, the separation and the distributions or the terms and conditions of the separation agreement or ancillary agreements; and (24) the impact of the separation on Carrier’s business and the risk that the separation may be more difficult, time-consuming or costly than expected, including the impact on Carrier’s resources, systems, procedures and controls, diversion of management’s attention and the impact on relationships with customers, suppliers, employees and other business counterparties. There can be no assurance that the separation, distribution or any other transaction described above will in fact be consummated in the manner described or at all. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the reports of UTC on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and Carrier assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

# Agenda

Timing	Topics	Presenter
8:00am - 9:00am	Registration	
9:00am - 10:20am	Carrier Overview	<b>David Gitlin</b> President & CEO
	HVAC-Commercial	<b>Chris Nelson</b> President, HVAC-Commercial
	HVAC-Residential	<b>Matthew Pine</b> President, HVAC-Residential
10:20am - 10:45am	Break	
10:45am - 12:15pm	Refrigeration	<b>David Appel</b> President, Refrigeration
	Fire & Security	<b>Jurgen Timperman</b> President, Fire & Security
	Financial	<b>Tim McLevish</b> CFO
	Q&A	<b>All Presenters</b>
12:15pm - 1:15pm	Reception	

We've forged entire industries. We've built iconic brands. We've pioneered more than 100 years of firsts. And now, as an independent, focused company, our best days are ahead of us.

**This is the new Carrier –  
and Change is in the Air.**

**CHANGE  
IS IN  
THE AIR™**



# Why Carrier

Megatrends drive sustained industry growth

Strong foundation with leading positions

Runway to drive accelerated top and bottom line growth

Portfolio optionality enables further value creation



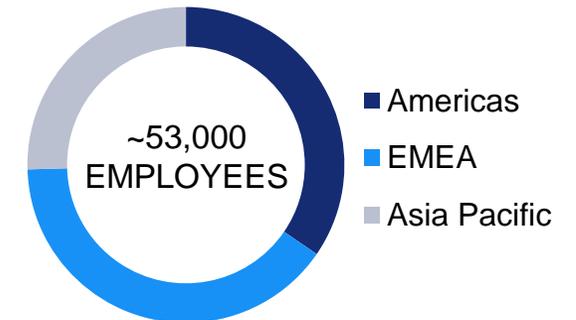
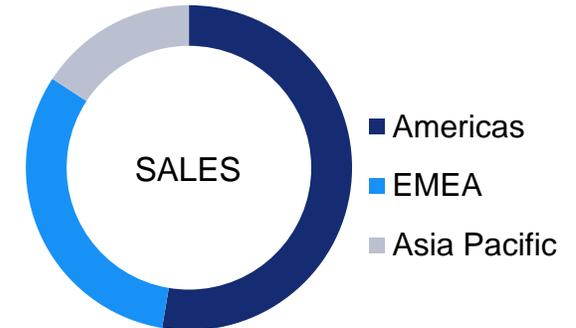
# Carrier Overview

	Sales*	\$18.6B
	Adj. Op Profit**	\$2.6B
	Adj. Op Profit %**	14.2%

HVAC	Sales	\$9.7B
	Adj. Op**	\$1.6B
	Adj. Op %**	16.9%

Fire & Security	Sales	\$5.5B
	Adj. Op**	\$0.7B
	Adj. Op %**	13.5%

Refrigeration	Sales	\$3.8B
	Adj. Op**	\$0.5B
	Adj. Op %**	13.5%

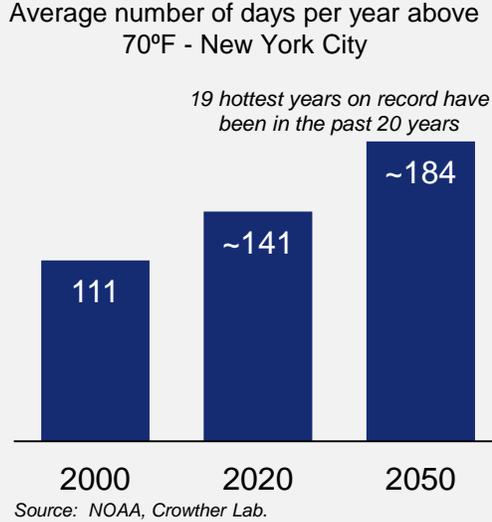


\*Total Carrier sales net of (\$0.4B) of eliminations

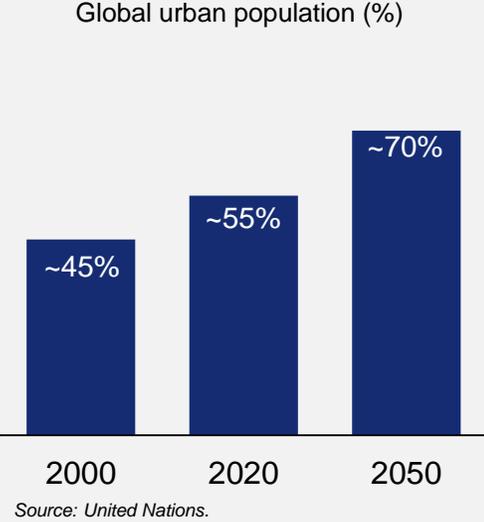
\*\*2019 Standalone proforma adjusted operating profit. See appendix for additional information regarding these non-GAAP measures

# Megatrends Drive Sustained Industry Growth

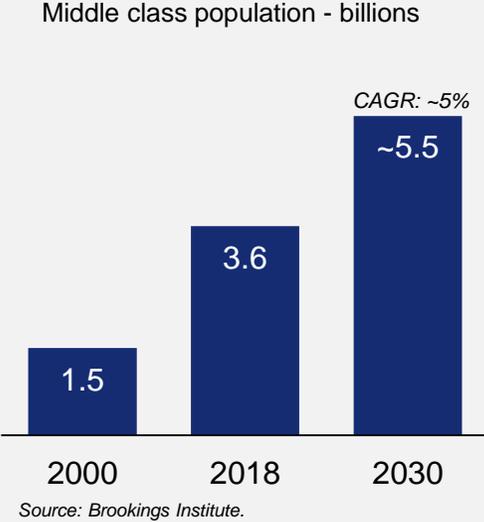
## Climate and Regulation



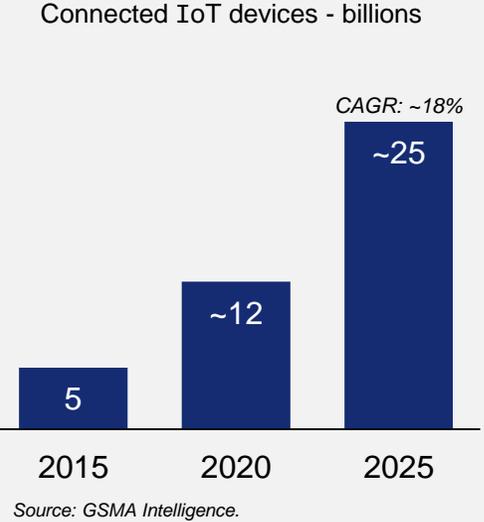
## Urbanization



## Growing Middle Class



## Digitalization



### Drives demand for Carrier offerings

- Energy-efficient HVAC and refrigeration systems
- Next-generation low-GWP refrigerants
- Battery-powered transport solutions
- Fire detection systems compliance

- Cold chain solutions
- Driving technology for life safety solutions
- Rapid adoption of HVAC

- HVAC and fire and security systems
- Cold chain solutions

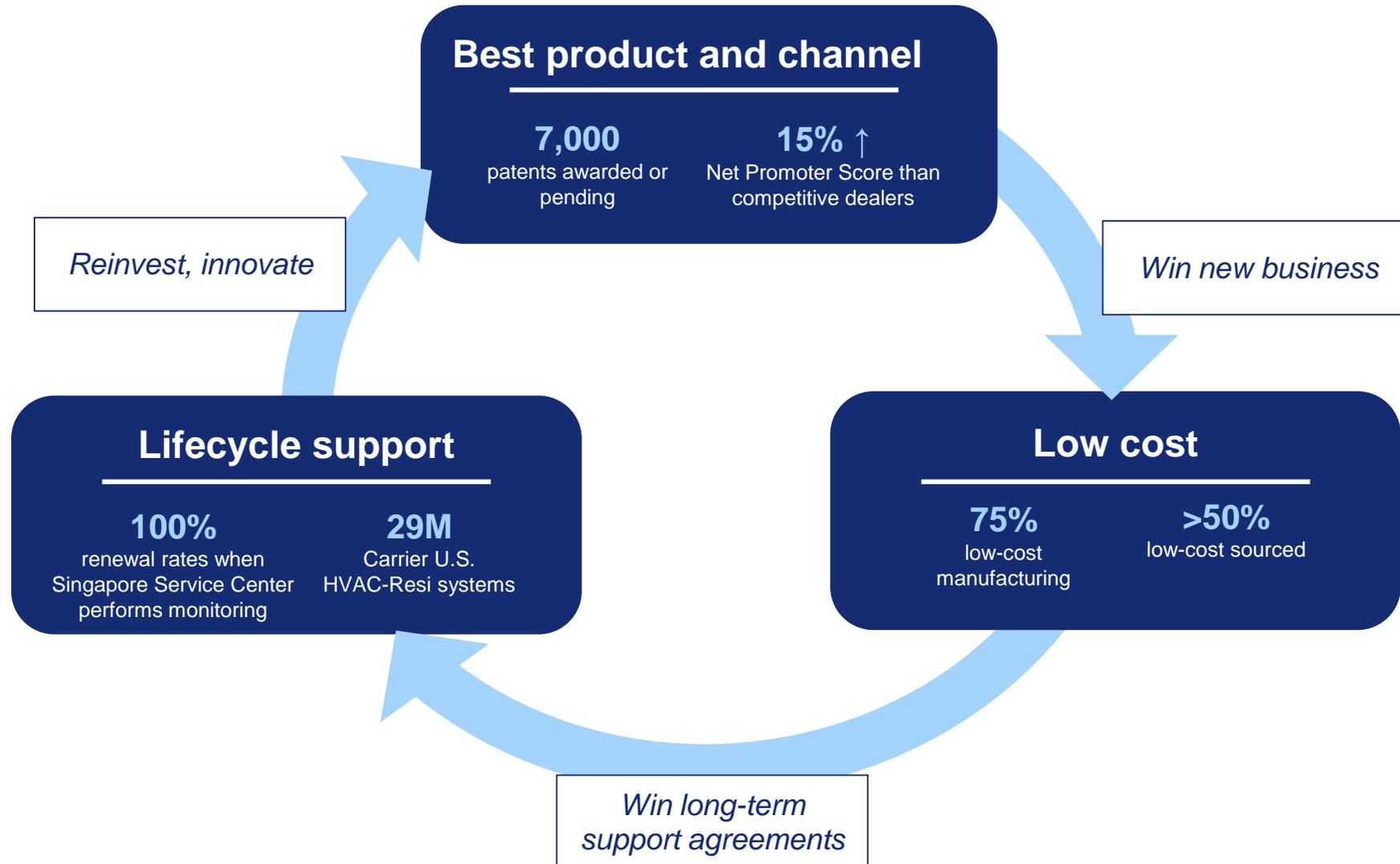
- Building controls and automation
- Predictive maintenance
- Monitoring connected service solutions

# Strong Foundation with Leading Positions

	Position		Brands	
HVAC	U.S. Residential ..... #1	 	 	
	U.S. Light Commercial ..... #1			
	Global Applied ..... #3			
Refrigeration	Global Transport Refrigeration ..... #1	 	 	
	Europe Commercial Refrigeration ..... #1			
Fire & Security*	Global Residential Fire Detection and Alarm ..... #1	  	  	
	Global Access Control ..... #1			 
	Global Commercial Fire Detection and Alarm ..... #2			
	Global Fire and Security Field ..... #2			

\* Fire excludes sprinklers. Field business excludes China.  
 Source: Public data, industry reports, IHS 2018, internal estimates.

# Scale and Customer-Centric Approach



# The New Carrier

## New Leadership Team



**CARRIER**  
**Dave Gitlin**  
President & Chief Executive Officer

New since June 2019



HVAC-COMMERCIAL

**Chris Nelson**



HVAC-RESIDENTIAL

**Matthew Pine**



REFRIGERATION

**David Appel**



FIRE & SECURITY

**Jurgen Timperman**



FINANCE

**Tim McLevish**



LEGAL &  
GOVERNMENT  
RELATIONS

**Kevin O'Connor**



HUMAN RESOURCES

**Nadia Villeneuve**



STRATEGY &  
SERVICES

**Ajay Agrawal**



OPERATIONS

**Rishi Grover**



ENGINEERING

**Chris Kmetz**



DIGITAL

**Bobby George**



GLOBAL BUSINESS  
SERVICES &  
TRANSFORMATION

**Eva Azoulay**



BUSINESS  
DEVELOPMENT

**George King**



COMMUNICATIONS  
& MARKETING

**Mary Milmoe**

## New Operating System

Carrier Operating System



*Customized*



Achieving Competitive Excellence

The United Technologies Operating System

## New Culture: The Carrier Way

# Leading ESG Practices

## Environmental



- Carbon footprint: ↓ **44%** since 2006
- Water consumption: ↓ **43%** since 2006
- Hazardous waste: ↓ **2M** lbs since 2015
- High-efficiency products: **~300M** metric tons CO2e saved since 2010

Sustainability: Core to our mission

## Social

### EMPLOYEE DEVELOPMENT

**\$150M**

Employee Scholar Program investment\*

**75%**

increase in women in senior leadership roles\*\*

### SAFETY PERFORMANCE

**75%**

improvement in recordable rate\*\*\*

Investment in talent and commitment to safety

## Governance

- Shareowner value
- Expertise and judgment
- Diversity of perspectives
- Integrity and independence
- Accountability and oversight
- Ethical foundation

### BOARD OF DIRECTORS

**John V. Faraci**  
Executive Chairman  
Former Chairman and CEO  
International Paper

**Jean-Pierre Gamier**  
Lead Director  
Former CEO  
GlaxoSmithKline

**David Gitlin**  
President & CEO  
Carrier

**John Greisch**  
Former President and CEO  
Hill-Rom Holdings

**Charles M. Holley, Jr.**  
Former EVP and CFO  
Walmart Stores

**Mike McNamara**  
Former CEO  
Flex

**Michael A. Todman**  
Former Vice Chairman  
Whirlpool Corp.

**Virginia Wilson**  
Former Sr. EVP and CFO  
TIAA

Management incentives aligned with shareholders

\* Since inception in 1996  
\*\* Since 2012  
\*\*\* Since 2006



# Strategic Focus to Drive Top and Bottom Line Growth

## Strengthen and Grow Core



Increasing sales force: ~500 employees

Increasing R&D spending: ~\$50M

Increase share

## Increase Product Extensions and Geographic Coverage



Targeted initiatives

Examples: VRF, China expansion, cold chain

Grow the pie:  
Additional equipment sales

## Grow Services and Digital

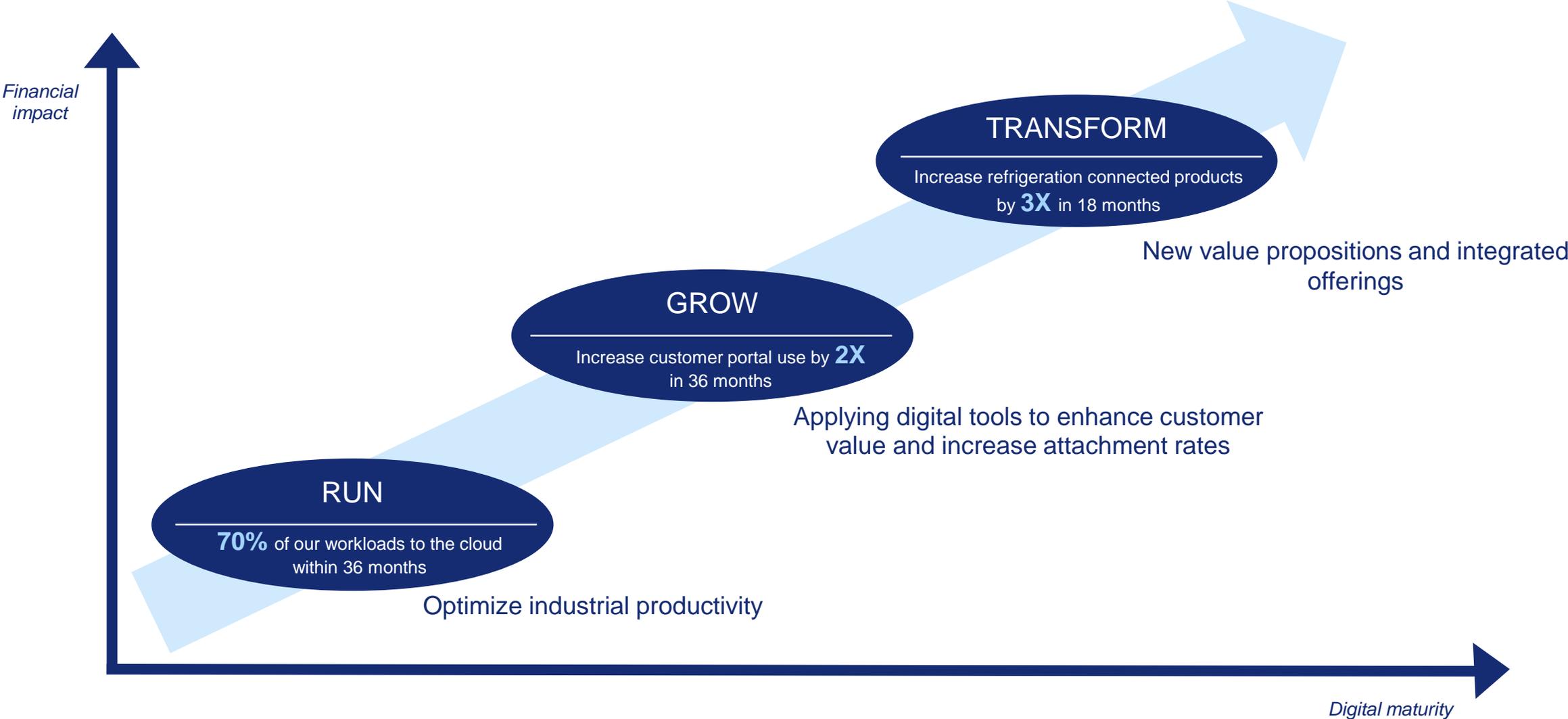


Increasing attachment rates

Tiered service offerings

Grow the pie:  
Recurring revenue streams

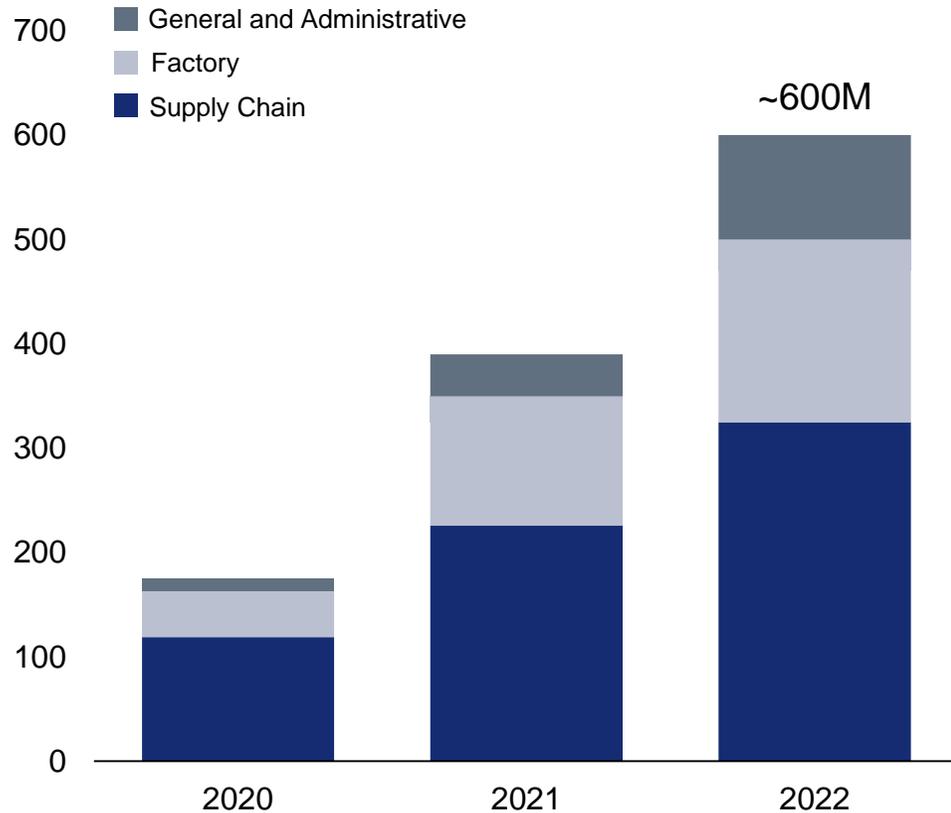
# Digital to Drive Top and Bottom Line Growth



# Carrier 600 to Drive Top and Bottom Line Growth

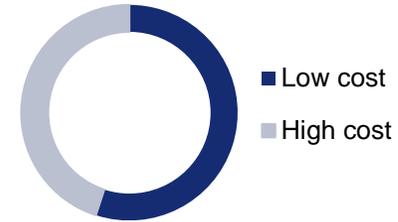
## Cumulative Cost Reduction Target

(vs. 2019, \$M)

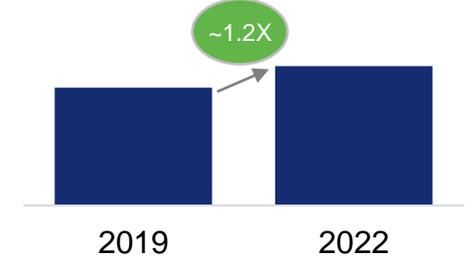


### Supply Chain

#### Low-cost buy Spend

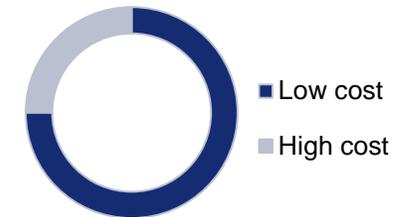


#### Low-cost buy Spend

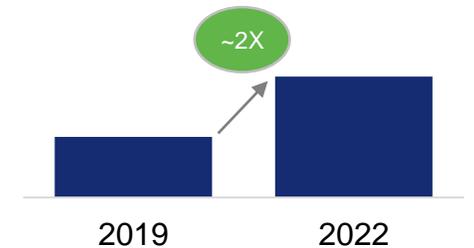


### Factory

#### Low-cost make Hours



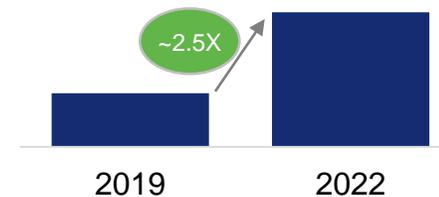
#### Automated hours



### General and Administrative

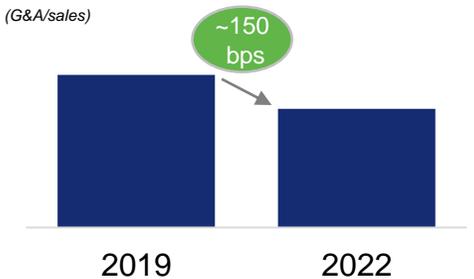
#### Global Business Services

(G&A employees performing shared service roles)

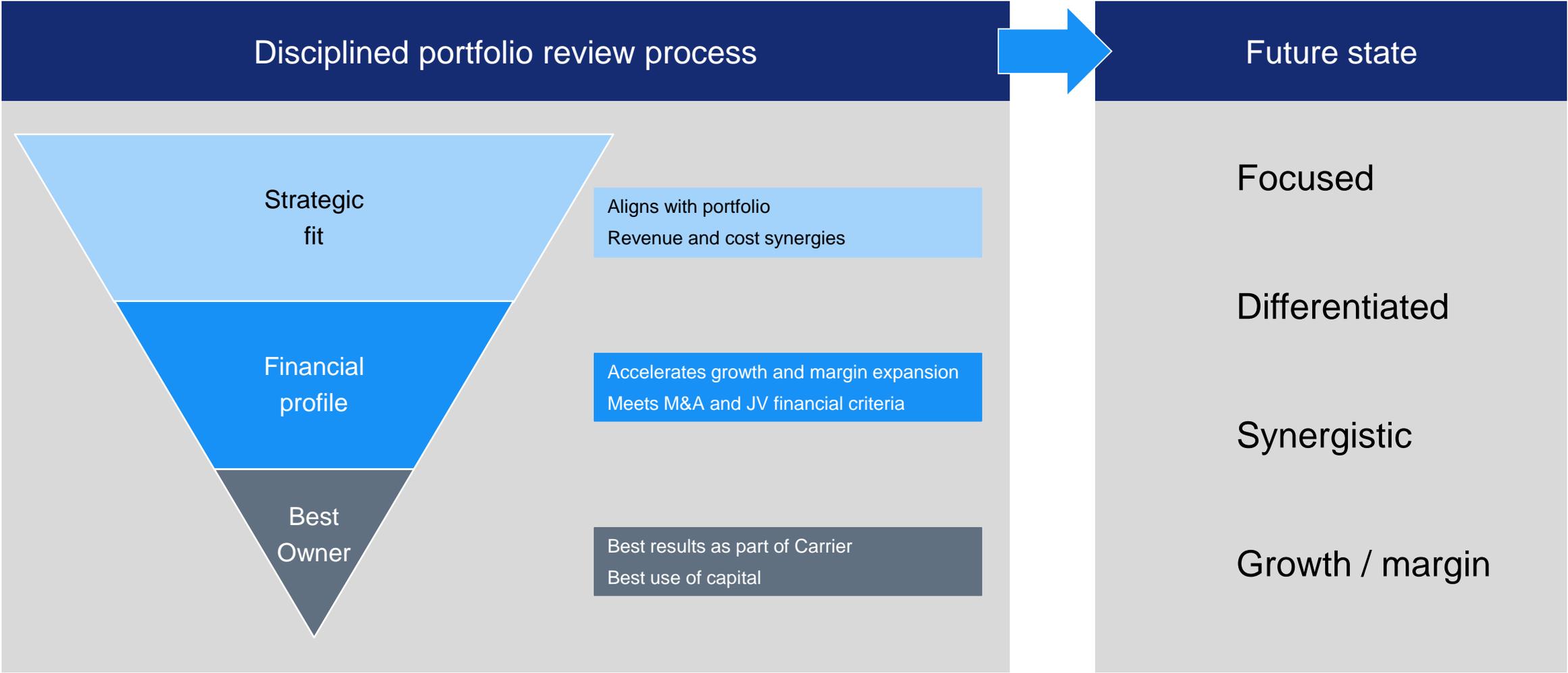


#### Shared services and automation

(G&A/sales)



# Portfolio Optionality Enables Further Value Creation



# 2020 Outlook

	FY 2020 Outlook		Profit Commentary
Sales	Up slightly		<p style="text-align: center;">+</p> <p>New revenue sources</p> <p>Pricing</p> <p>Cost reduction</p> <p>Growth acceleration in 2H</p>
Adj. Operating Profit*	Up \$25M - \$75M		
Segment Sales	HVAC	Up low-single digit	<p style="text-align: center;">-</p> <p>Investments in growth</p> <p>Slower growth in 1H</p> <p>Tariffs / Other</p>
	Fire & Security	Up slightly	
	Refrigeration	Flattish	

\* Adjusted Operating Profit @ actual currency  
See appendix for additional information regarding these non-GAAP measures

# Medium-term Expectations

**Sales**

**Up mid-single digits**

**Adjusted EPS<sup>1</sup>**

**Up high-single digits**

**Free Cash Flow<sup>1</sup>**

**90 – 100% cash conversion**

<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Key Takeaways

Megatrends drive sustained industry growth

Strong foundation with leading positions

Runway to drive accelerated top and bottom line growth

Portfolio optionality enables further value creation

**Great foundation ... and our best days are ahead**



CHANGE  
IS IN  
THE AIR™



HVAC



Chris Nelson and Matthew Pine

# HVAC-Commercial Overview



HVAC-Commercial

Equipment

Service, Aftermarket and Controls

Applied



Light Commercial



VRF



Service

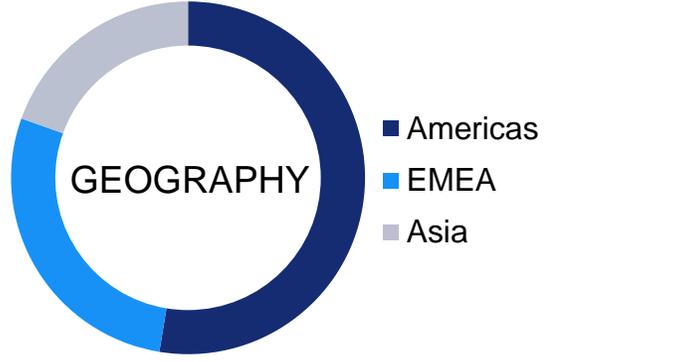
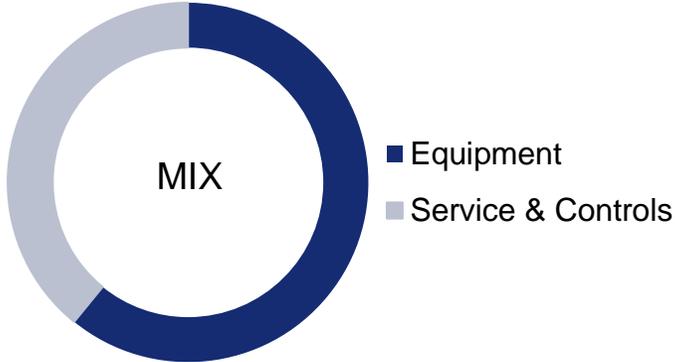


Automated Logic

Parts



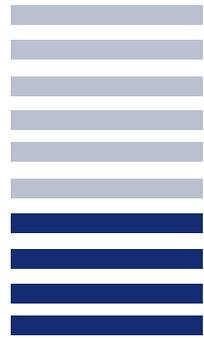
Controls

2019 sales ~\$6B

# Industry Trends Support Sustained Growth

## Climate and Regulation



HVAC  
40%

*Building energy consumption*

Accelerated demand for  
**high-efficiency**  
products

~25% of equipment sales are  
high efficiency

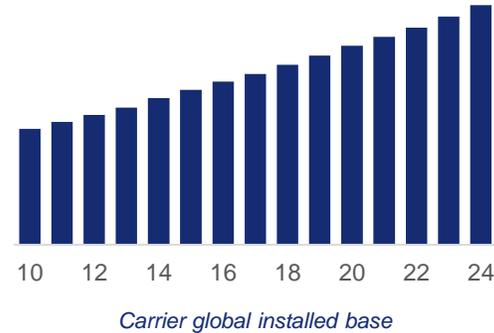
## Urbanization



Higher demand for  
**new equipment**

Global sales channel

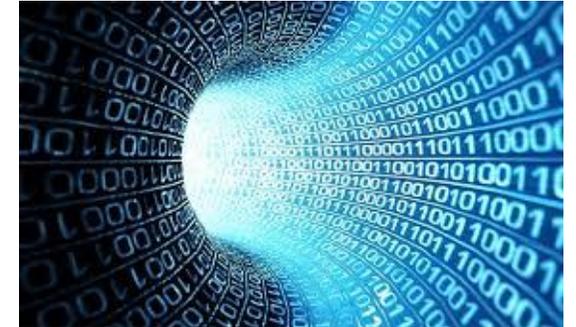
## Growing Installed Base



**Service demand** will  
grow above GDP

Service branches in 40+  
countries

## Digitalization



Access to data will drive  
**service**  
**opportunities**

400M+ sq. feet monitored

# Industry Leader With Clear Growth Opportunities

Market	Position	Key Focus Areas
Unitary	#1	Regulatory investment Channel development
Applied	#3	Sales force capacity New product launches
Service & Aftermarket	Major player	Improve attachment rate Digital
Variable Refrigerant Flow	Minimal	Channel expansion Inorganic potential

\*Sources: Trade association data, market research (BSRIA), trade publications, company reports/filings; internal estimates

# Regulatory Product Refresh

## Chillers

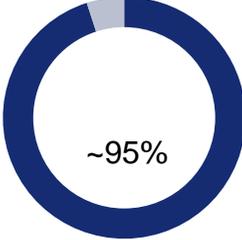


Product line impacted by 2024

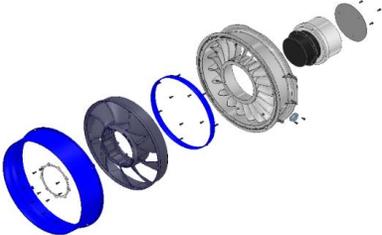


- Technology insertion
- Next-generation refrigerants
- Service diagnostics

## North America Light Commercial

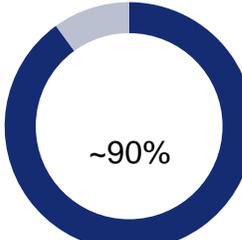


Product line impacted by 2024



- Efficiency upgrades
- Next-generation refrigerants
- Cost optimization

## Variable Refrigerant Flow



Product line impacted by 2024



- Hybrid solutions
- Next-generation refrigerants
- Digital connectivity

# Growth Strategies

## Strengthen and Grow Core

Sales force capacity



Right products



## Increase Product Extensions and Geographic Coverage

Rapidly grow VRF



Expansion in China



## Grow Services and Digital

Accelerate service growth



Digital offering



# Case Study: Grow the Base

Air-cooled platform



**AQUAFORCE** greenspeed

Applied air-cooled chiller

High-efficiency variable speed compressor

Low sound

Compact footprint

Launched in 2017

## Moved Carrier from #3 to #1\*

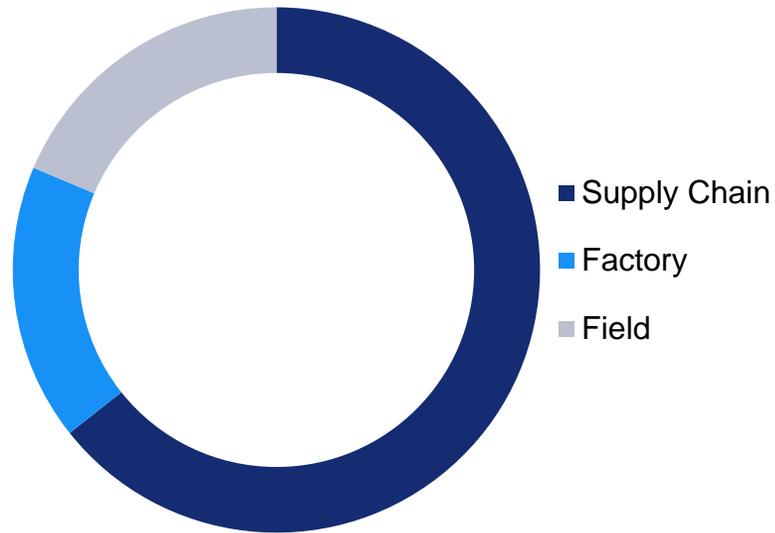
in global air-cooled segment

**~2 year** payback

\*Sources: Trade association data, market research (BSRIA), trade publications, company reports/filings; internal estimates

# Carrier 600

## HVAC-Commercial



Leverage global supply chain opportunity while continuing to drive productivity

## Supply chain example

**~40%**  
**commonality\***  
improvement in global air-cooled  
scroll chiller platform

## Factory example

**~15%**  
**reduction**  
square feet by 2022

\*Source: Internal engineering analysis

# Wrap-up

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Global business with iconic brand

Opportunity to grow in excess of core markets

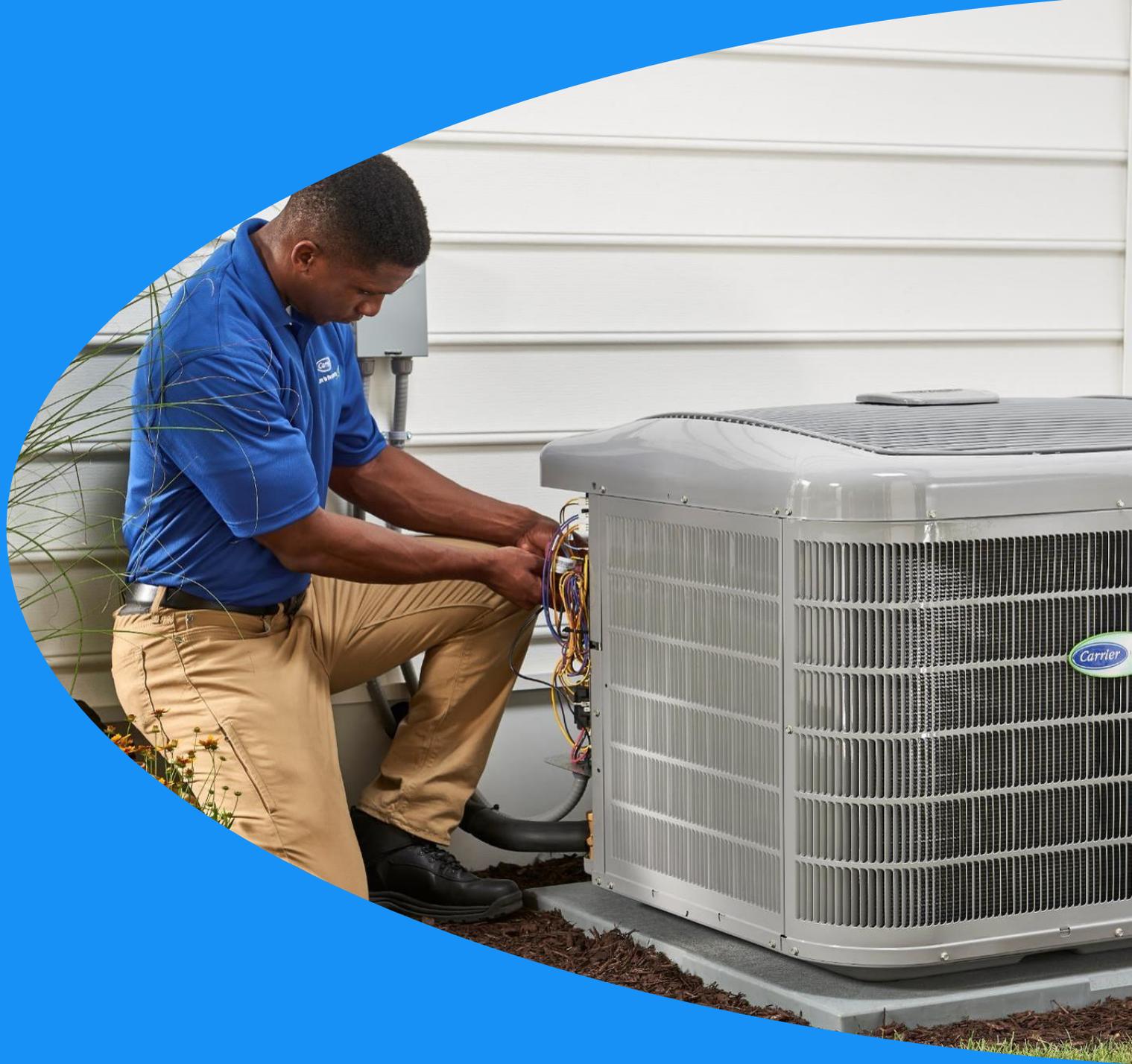
Accelerate service growth through improved attachment

Focused investment in product and sales force

Cost productivity expected to fuel investments



HVAC



Chris Nelson and Matthew Pine

# HVAC-Residential Overview



HVAC -  
NA Residential

Brands

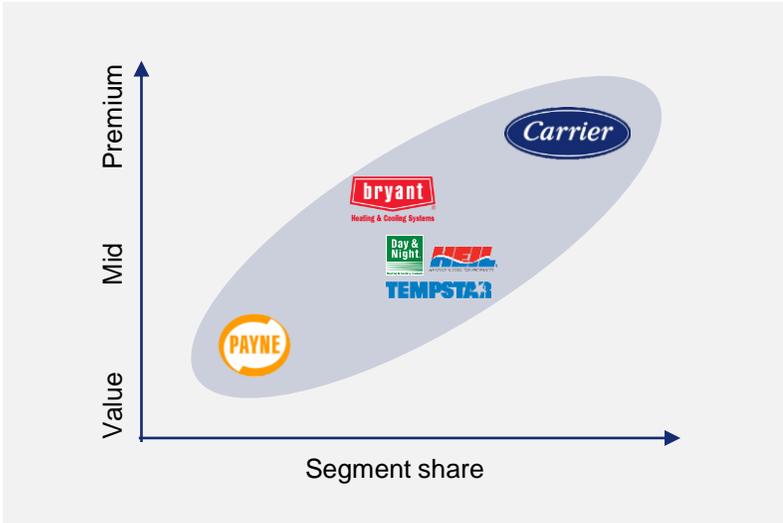
Strong brand portfolio

Leadership

Core products

Distribution

Most trusted network



	Air Conditioner / Heat Pump	#1
	Gas furnaces	#1
	Small packaged	#1

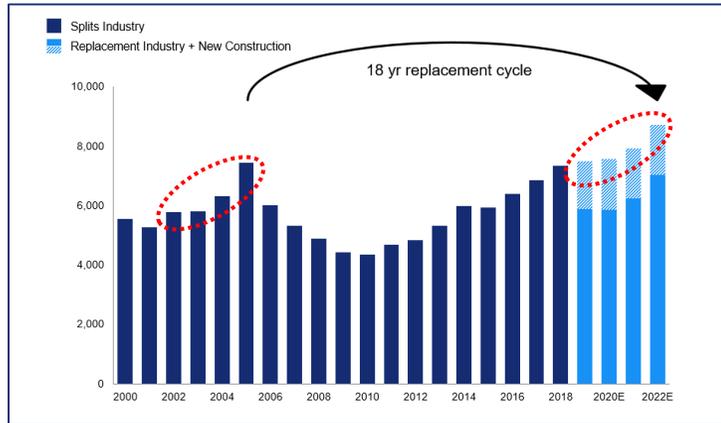
**Net Promoter Score®**

**15%** higher than competitive dealers

Source: AHRI, industry reports, investor presentations & internal estimates

Source: KeyStat. Net Promoter Score is a trademark of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld

# Trends Support Industry Growth



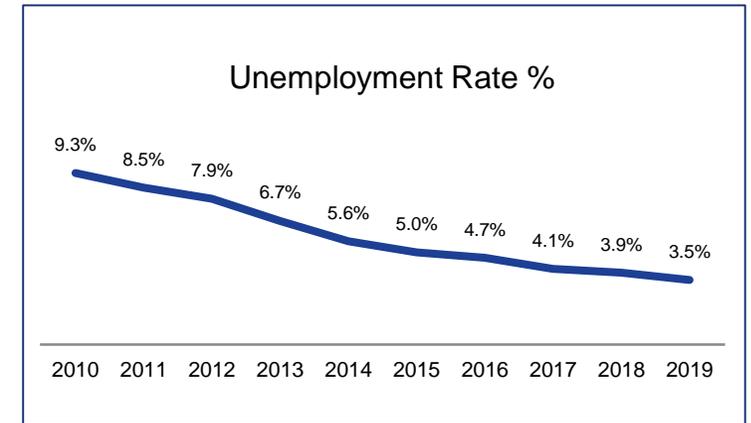
## Replacement Cycle

Continued **replacement strength**  
through coming years



## Housing Starts

Expect **low interest rates** to  
continue to drive near-term growth



## Unemployment

**50 year low in unemployment**  
driving strong consumer confidence

Source: U.S. Bureau of Labor Statistics. Seasonally adjusted. Annual, end of period

# Differentiation

## Ducted Air Conditioner / Heat Pump



Industry leadership  
with Q2 launch

Outperform industry in high  
SEER product sales

## Ductless Air Conditioner / Heat Pump



42 SEER: industry-leading  
efficiency\*

## Gas Furnaces



Most comprehensive  
lineup

## Digitalization



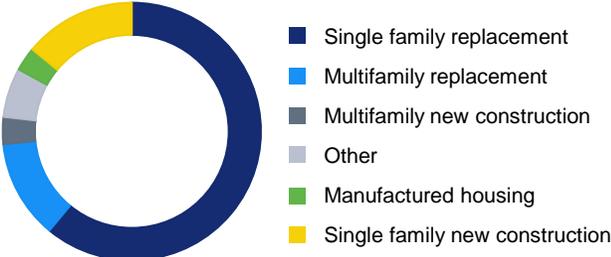
Interactive technician app  
Reduce “time on wrench”

\*Source: AHRI Unitary Small Equipment Operations Manual cites 9,000 Btu/h single zone ductless 42 SEER rating (1/22/18).

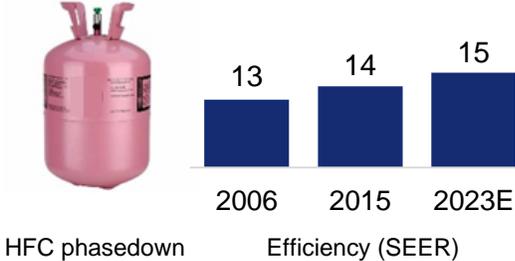
# Growth Strategies

## Strengthen and Grow Core

### Underserved areas



### Win in regulation



## Increase Product Extensions and Geographic Coverage

### Underpenetrated geographies



### Expand ductless



Hybrid systems

## Grow Services and Digital

### Connected platforms

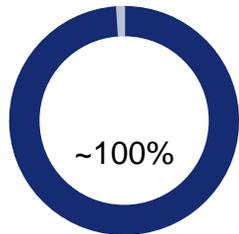


### Aftermarket integration



# Accelerated Product Innovation

## Air Conditioner / Heat Pump



~100%

Product line impacted by 2023

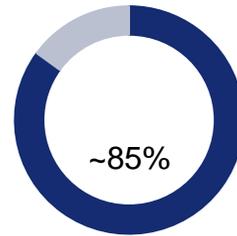


Design for regulation

Material substitution

Digital connectivity

## Gas Furnaces/Coils



~85%

Product line impacted by 2023

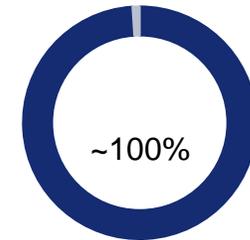


Blower efficiency

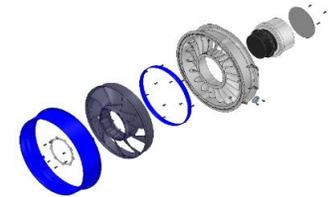
Heat transfer technology

Digital connectivity

## Small Packaged



~100%

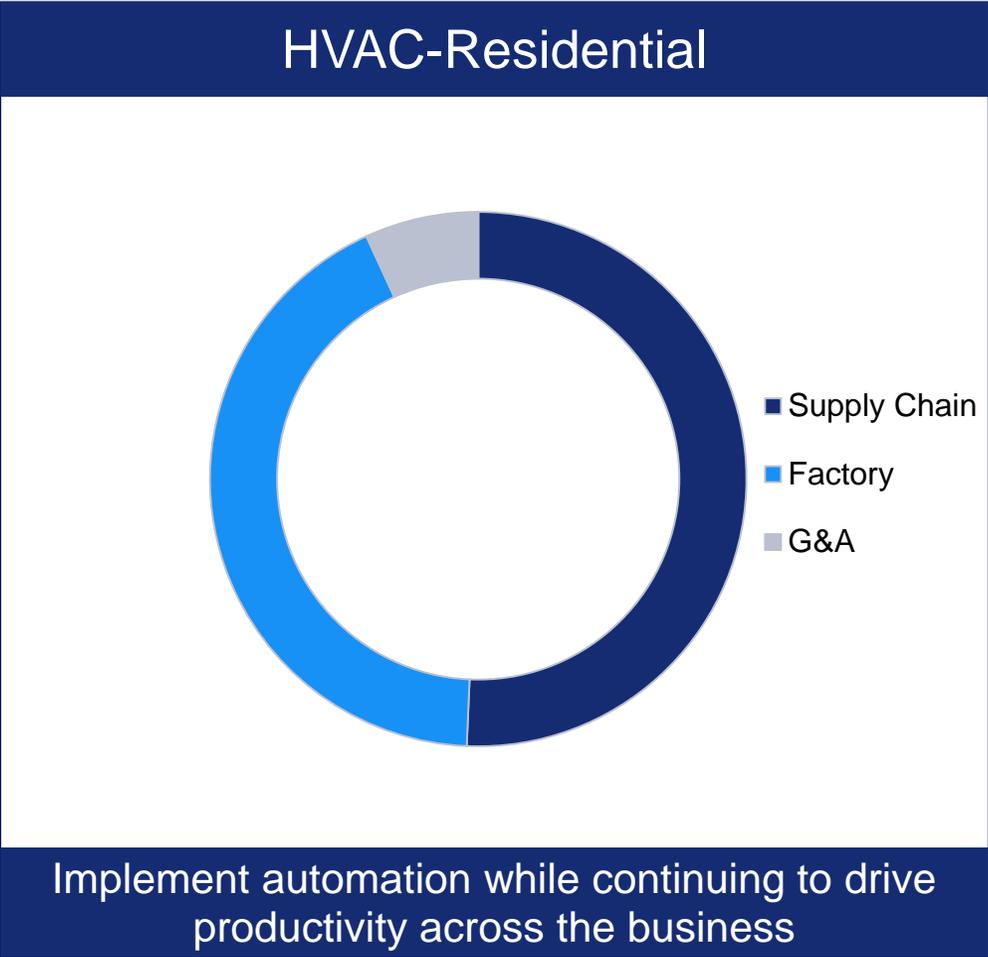


Air management

Reduced emissions

Variable speed technology

# Carrier 600



### Supply chain example

**~5%**  
**target freight savings\***  
routing guide compliance  
load optimization

### Factory example

**~\$25M**  
**target cost savings**  
automation and lean initiatives

\*Source: Freight savings: Based on internal estimate of increased Residential HVAC pretax profit as a percentage of total Residential HVAC freight expense over the 5-year period 2019 - 2023. Automation savings: Based on internal projection of cumulative automation savings over the 3-year period 2020 – 2022.

# Case Study: Carrier 600

## Material Substitution

### Indoor Fan Coil Aluminum Insertion



**13%**  
cost reduction

Significant shift from  
copper to aluminum

Reduced volatility

Increased reliability

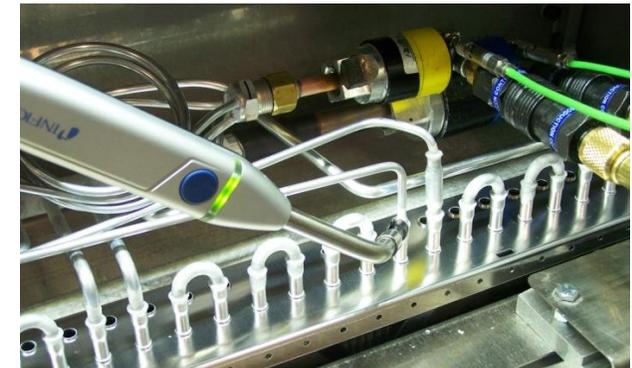
**24%**  
Improvement in quality

**Launched in 2014**



### Carrier 600: Aluminum Outdoor Coils

**~\$20M – \$30M**  
target annual savings



**2020 Launch**

# Wrap-up

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Residential HVAC industry leader

Strong brands, products and distribution network

Focus on underserved markets and geographies

Investing in R&D and digital to drive growth

Continued focus on cost excellence

We've forged entire industries. We've built iconic brands. We've pioneered more than 100 years of firsts. And now, as an independent, focused company, our best days are ahead of us.

**This is the new Carrier –  
and Change is in the Air.**

**CHANGE  
IS IN  
THE AIR™**





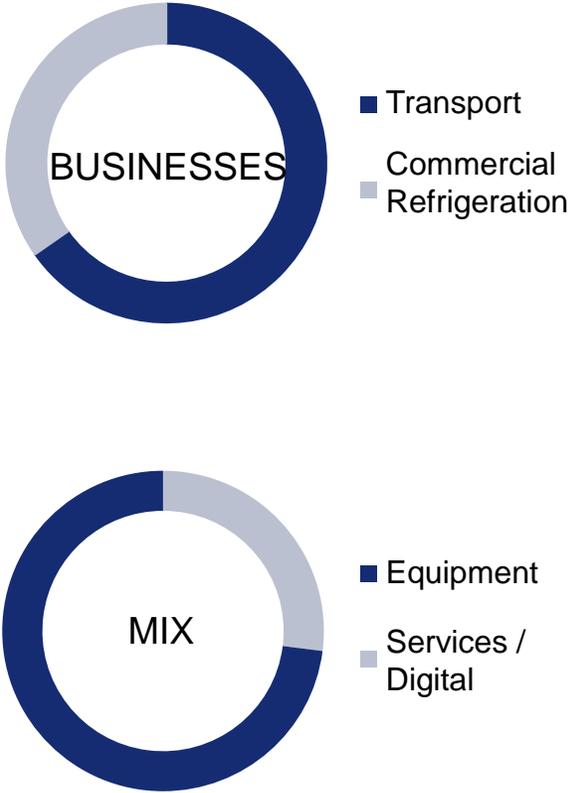
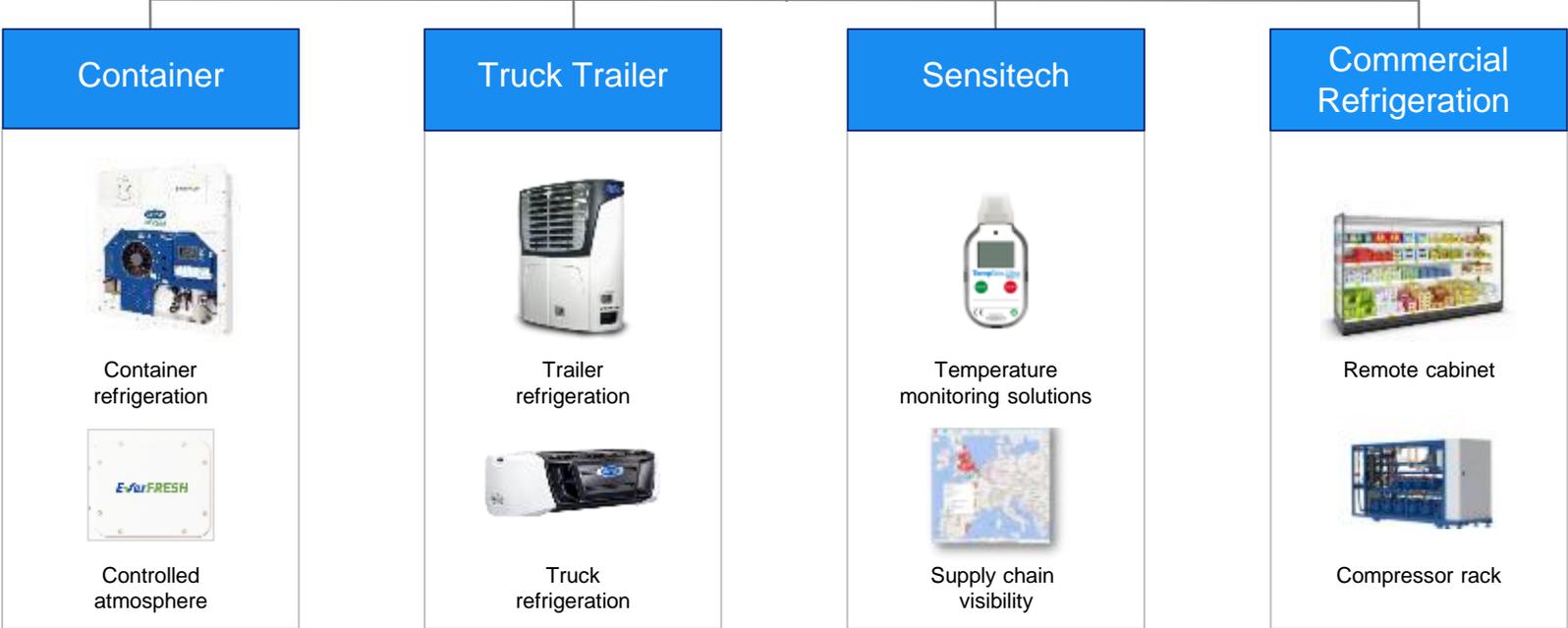
# REFRIGERATION



David Appel

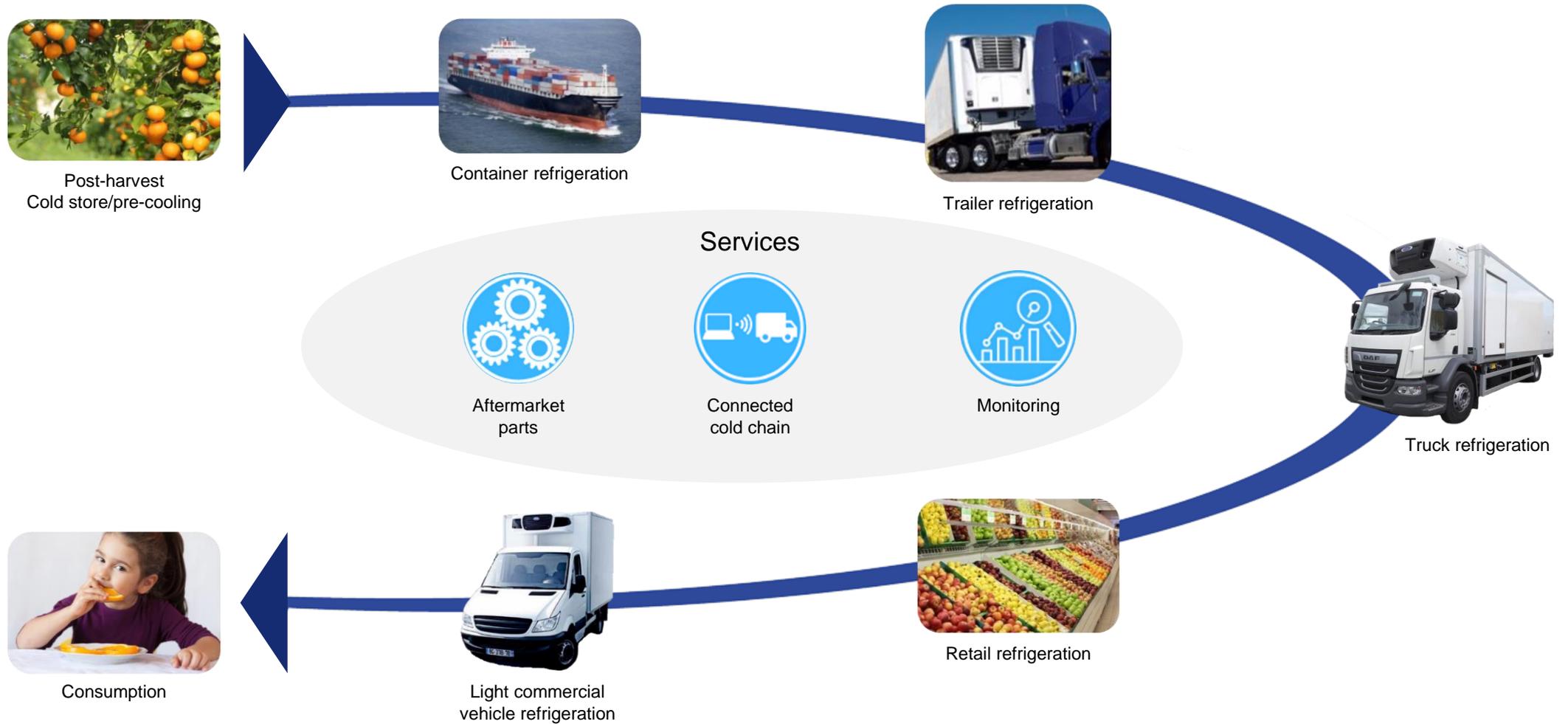
# Segment Overview

<h2>Refrigeration</h2>	Sales	\$3.8B
	Adj. Op Profit <sup>1</sup>	\$0.5B
	Adj. Op Profit <sup>1</sup> %	13.5%



<sup>1</sup>2019 Standalone proforma adjusted operating profit  
See appendix for additional information regarding these non-GAAP measures.

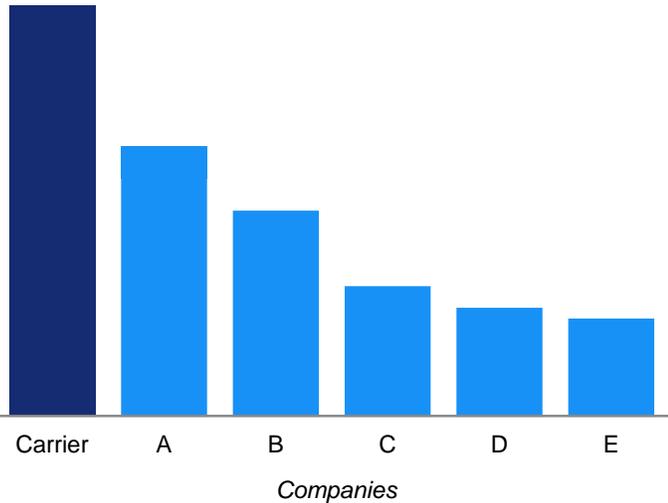
# Winning Across the Cold Chain



# Strong Position

## Industry Leader

**Sales**  
(Transport and Commercial Refrigeration)



Sources: SEC Filings, Analyst Estimates, Company Estimates.

## Broad Network



**400+** authorized service partners  
*Container*



**250+** dealer service locations  
*Truck Trailer Americas*



**700+** authorized workshops and branches  
*Truck Trailer International/  
Commercial Refrigeration*

## Large Installed Base



**1.2M** Carrier transport refrigeration units



**50K** stores - Commercial refrigeration units



**\$9B** goods cooled by Carrier on ocean daily



**15M** shipments a year monitored by Sensitech

# Industry-leading Innovation

## Pioneering Industry Firsts

- 1968** Front wall container refrigeration unit
- 1980** External nose-mount trailer refrigeration unit
- 1999** All-electric drive trailer refrigeration unit
- 2004** CO<sub>2</sub> commercial refrigeration system
- 2013** CO<sub>2</sub> container refrigeration unit
- 2014** Hybrid truck refrigeration system

## Accelerating the Pace of Innovation

2019



High-efficiency trailer unit



Warehouse refrigeration

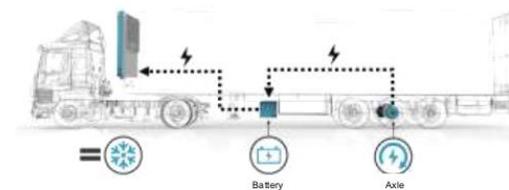


Near Field Communication temperature tracking

2020



Next-generation controlled atmosphere



Engineless trailer

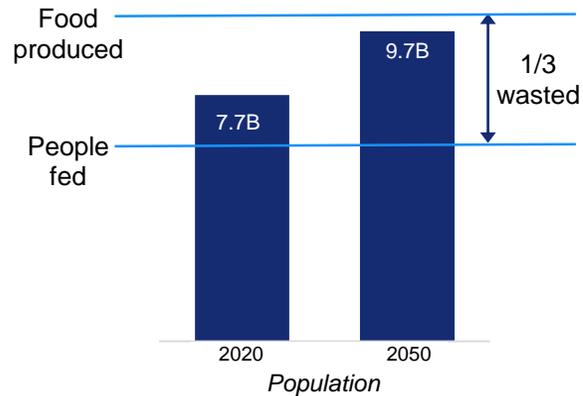


Real-time shipment tracking

# Industry Trends Support Sustained Growth

## Population Growth

### Societal demand for refrigeration



50% of perishable food waste could be saved with refrigeration

Sustainable cold chain solutions

## Urbanization

### Longer distances for food and perishables

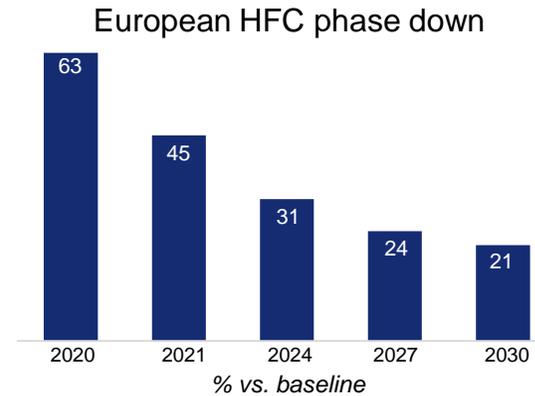


Increased transport refrigeration capacity

Innovative products and services

## Regulation

### Less emissions and noise



Need for alternative refrigerants and power sources

Greener products

## Digitalization

### More real-time data and analytics



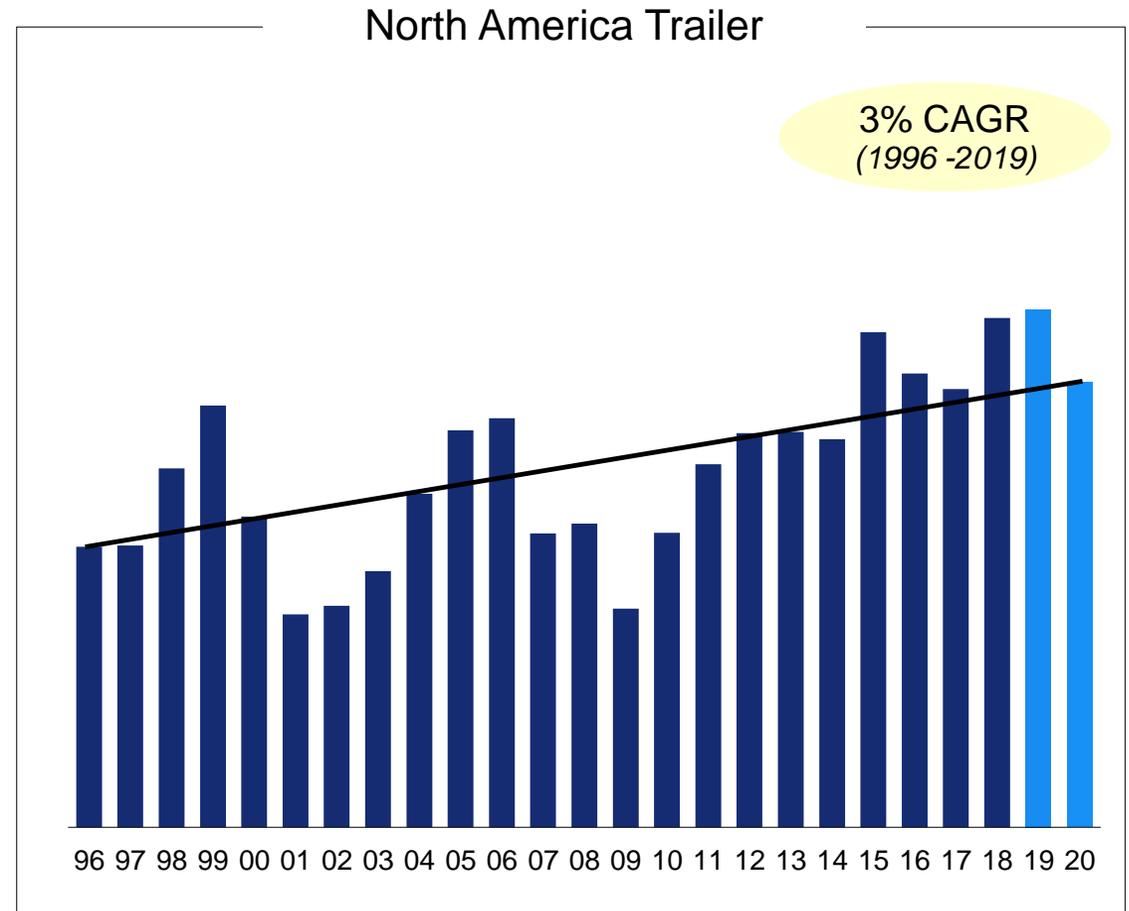
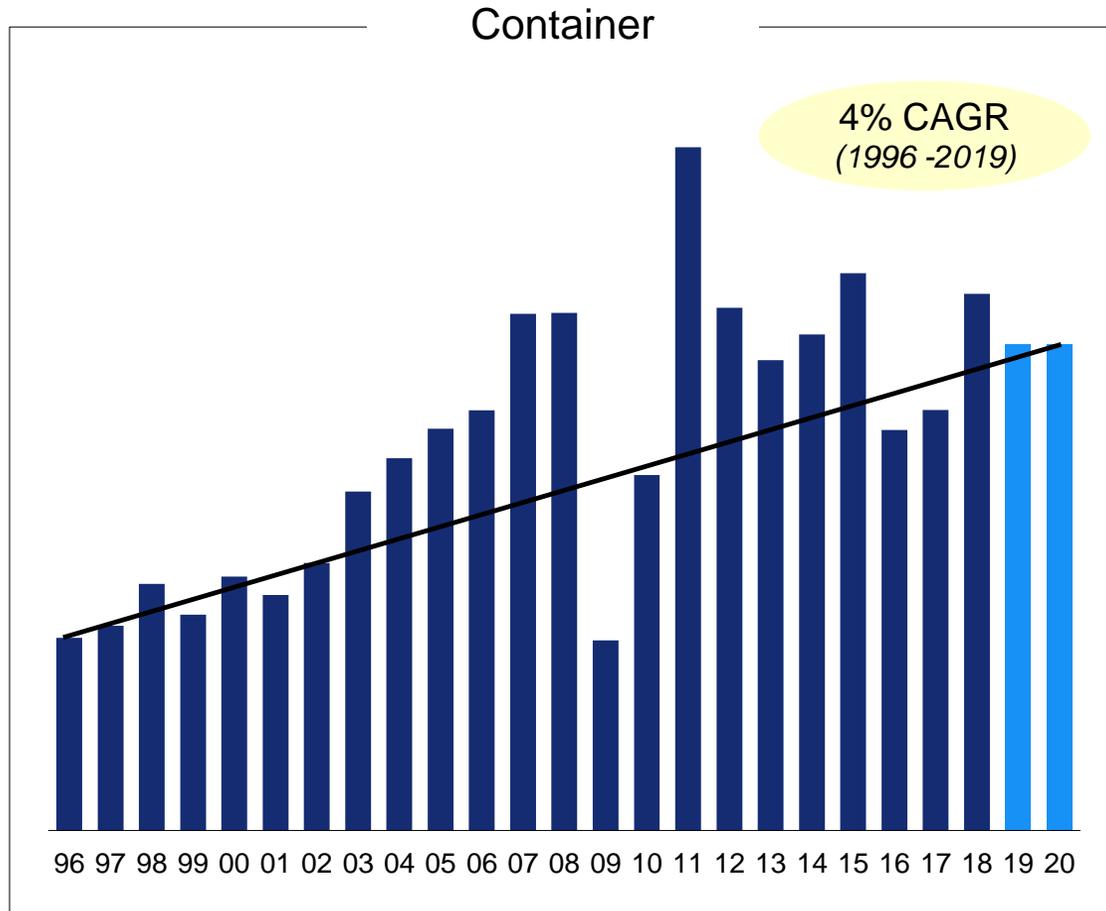
27% growth for active cargo tracking

Large installed base

Sources: United Nations, Food and Agriculture Organization, European Commission, IoT Business News.

# Transport Refrigeration Markets

(Units, 000's)



Sources: Seabury/Drewry, IHS Markit, ACT



# Growth Strategies

## Strengthen and Grow Core



High-efficiency trailer unit



CO<sub>2</sub> racks

## Increase Product Extensions and Geographic Coverage



Auxiliary power units



Warehouse refrigeration

## Grow Services and Digital



Container digital solutions



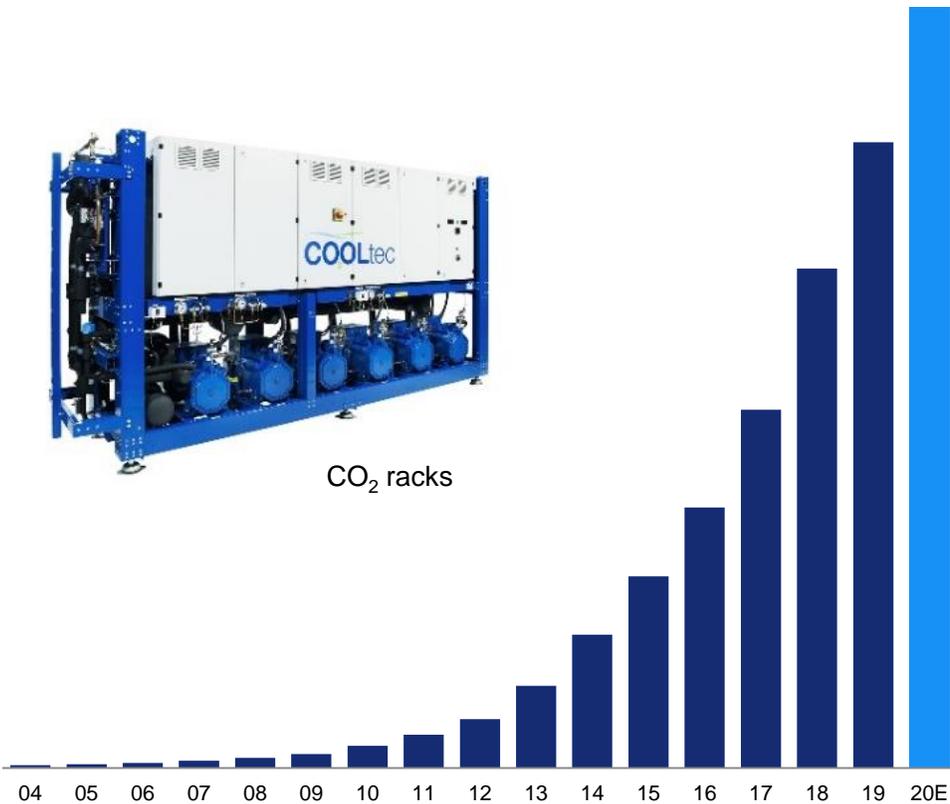
Aftermarket parts

# Case Study: Leveraging CO<sub>2</sub> Systems for Growth

## Food Retail Installed Base



CO<sub>2</sub> racks



## Opportunities



### Warehouse refrigeration

- Attractive growth potential
- Technical and cost advantages over ammonia
- Well positioned for ramp up



### Container

- Proven performance
- Unit replacement growth potential



### Trailer

- Leverages container technology
- Addresses global refrigerant/environmental regulations
- Prototype units in customer field trials

# Carrier 600

## Factory

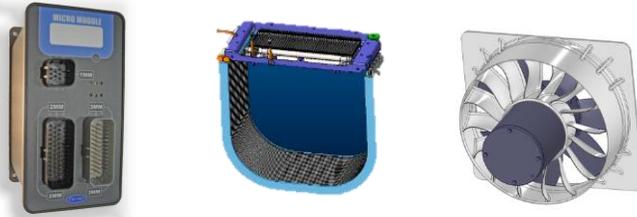


Optimization



Automation

## Supply Chain



**2%+**

**Annual material productivity target**

- Low-cost country sourcing
- Supply base rationalization
- Increased dual sourcing
- Platform optimization

## G&A

Decrease time  
for quoting  
orders



Process improvements



Field efficiency



Increase  
wrench time  
for repair

# Wrap-up

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Industry-leading businesses

World class technology

Solid long-term fundamentals

Runway for growth



# FIRE & SECURITY



Jurgen Timperman

# Segment Overview

## Fire & Security

Sales	\$5.5B
Adj. Op Profit <sup>1</sup>	\$0.7B
Adj. Op Profit <sup>1</sup> %	13.5%

## Products

## Field



Edwards and GST fire alarm systems



Marioff water mist



LenelS2 access control



LenelS2 mobile credentialing



Kidde smoke alarm



Det-Tronics flame detection



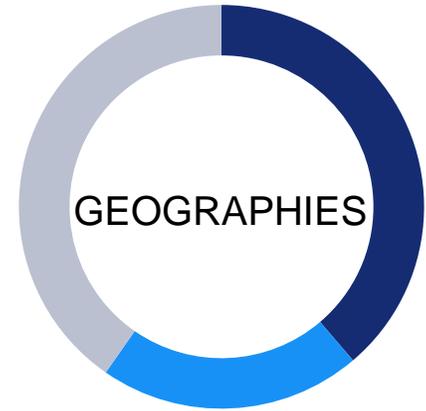
Onity electronic lock



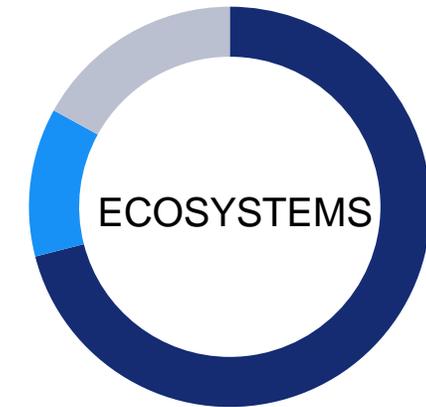
Industrial and HVAC controls



Install, maintain and monitor



- Americas
- APAC
- EMEA



- Commercial
- Residential
- Industrial

<sup>1</sup>2019 Standalone proforma adjusted operating profit  
See appendix for additional information regarding these non-GAAP measures

# Megatrends Driving Sustainable Growth



## Climate and Regulation

**<30%** of U.S. homes protected to NFPA standard, no in-home regulation in China  
**\$10B+** global under-protected residential fire market

Increased regulatory push for residential fire protection



## Urbanization

**4M+** high-rise buildings worldwide with **3.5M** over next 20 years  
**>1.5M** people move to cities each week globally, **90%** in emerging markets

Increased need for intelligent safety & security management



## Growing Middle Class

Asia Pacific share of global middle class to reach **~65%** by 2030  
China average home ownership rate is **~90%** vs. ~70% in the U.S.

Increased consumer pull for residential fire protection



## Digitalization

**10B+** connected devices in buildings by 2021  
**14M+** identity frauds reported in 2018

Increased demand for access control and identity management

Sources: Public data, internal estimates.

# Leadership in Core Businesses

Business	Industry*	Position	
Fire	\$11B	#1	
Security	\$10B	#2	
HVAC Controls	\$2B	#2	
Field	\$90B	#2	

\* Global market size for core businesses, including commercial, residential and industrial fire detection, alarm and suppression, excluding sprinklers and miscellaneous fire peripherals; commercial security, HVAC controls, excl. thermostats. Fire & security field services excludes China and residential monitoring. #1 in Field in top 6 countries, which represents 85% of sales. Source: Public data, industry reports, IHS 2018, internal estimates.

# Growth Strategies

## Strengthen and Grow Core

North America residential fire

<30%  
protected to  
NFPA  
standards



Innovation and platforming



## Increase Product Extensions and Geographic Coverage

China/Asia fire



Global controls



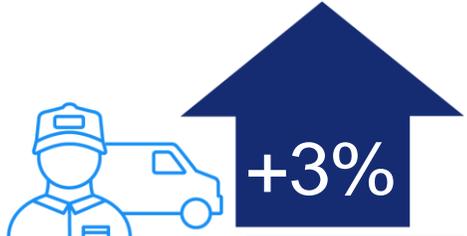
7X  
SHARE  
in North America  
vs. Europe and  
Asia

## Grow Services and Digital

Access solutions



Service excellence & productivity



Field revenue per tech growth

# Case Study: Services and Digital



REAL ESTATE/  
COMMERCIAL



## eKey

- Real estate industry's most widely used keybox management system
- 800K+ active users



HOSPITALITY



## DirectKey

- 5K+ hotels online, 900K rooms worldwide
- 100M doors opened



ENTERPRISE

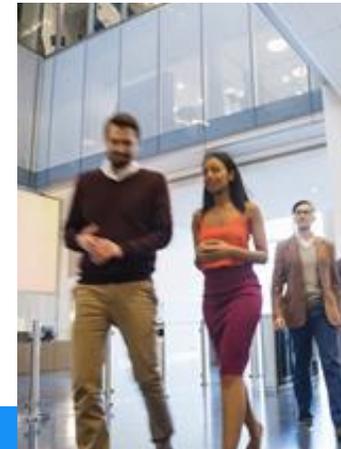


## BlueDiamond

- Integrated with access control, 50K+ installed systems
- 2M+ connected devices in access solutions



COMMERCIAL



## Mobile Credentialing

- Collects identity and occupancy data
- Transition path to future-proofed, seamless, frictionless access

Access Solutions: 20%+ sales/ ~30% margin growth over last 3 years. Digital: 60%+ of sales; 70% of margin

# Carrier 600

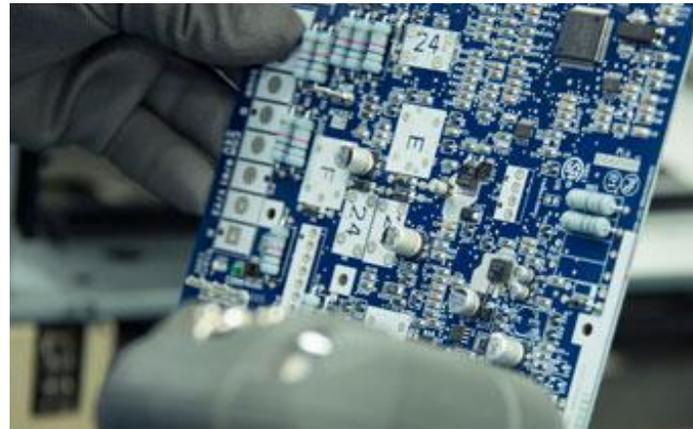
## Factory



**Footprint optimization: 60%+** reduction over last 9 years

**Automation: 13%** reduction in manufacturing employees over same period

## Supply Chain



**Supply chain: ~4%** supplier reduction, **18%** inventory turns improvement over last 4 years

**Material productivity:** strong track record of **~2%** per year

## G&A



**COEs and shared services: 50%+** G&A headcount reduction and **30%+** indirect labor reduction over last 9 years

# Wrap-up

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Leader with iconic brands

Large installed base to drive margin accretive digital services

Significant opportunity in under-protected fire and adjacencies

Targeted investment in R&D and sales force expansion

Operational efficiency and productivity



# FINANCIAL OVERVIEW



Timothy McLevish

# Carrier Future Profile

## Growth Model

✓ Grow sales faster than the industry

✓ Grow adjusted operating profit<sup>1</sup> faster than sales

✓ Grow adjusted EPS<sup>1</sup> faster than adj. OP<sup>1</sup>

✓ Grow free cash flow<sup>1</sup> faster than earnings

## Medium-term Expectations

**Mid single-digits sales growth**

**High single-digits  
Adjusted EPS<sup>1</sup> growth**

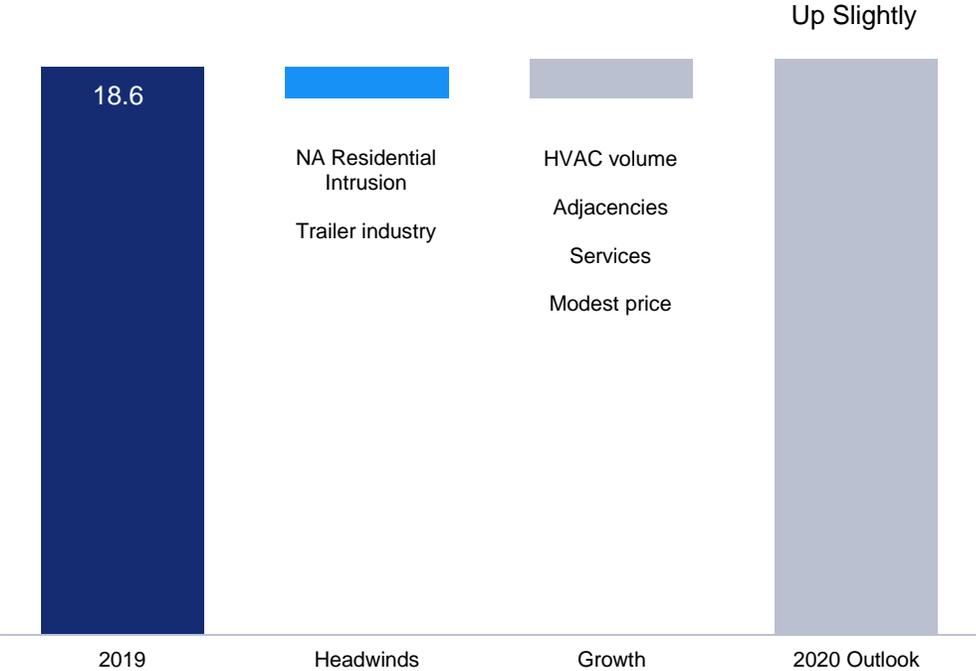
**90 – 100%  
free cash flow<sup>1</sup> conversion**

<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Investments in Sales Growth



(\$ billions)



Above Industry

- Benefits of investments in:
  - Sales coverage
  - New products
  - Technology
  - Service and aftermarket
  - Digital
- Geographic expansion

Industry

- Grow the base

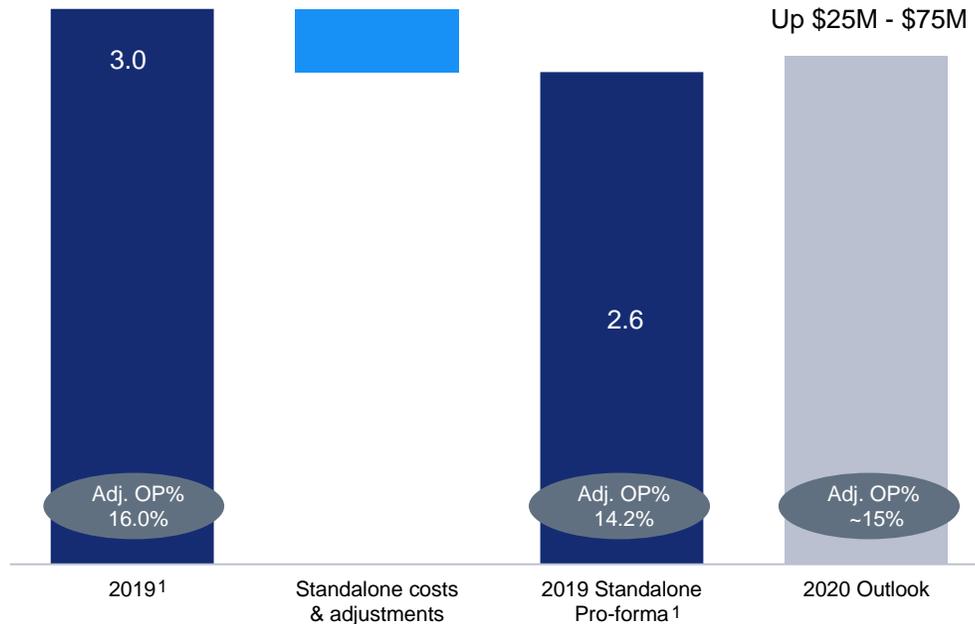
Drives mid-single digits sales growth

# Investing in Margin Expansion

2020 Adjusted Operating Profit Outlook

Medium Term Expectations

(\$ billions)



Leverage top-line growth

Drive new products, technologies and aftermarket

Cost reduction improvements

Benefits of investments

Adj. Operating profit<sup>1</sup> growth to outpace sales growth

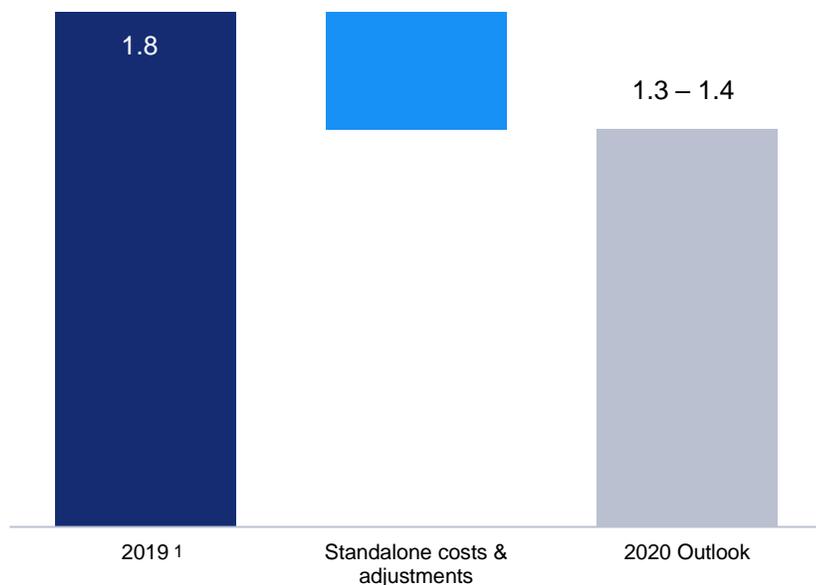
<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Cash Flow Profile

## 2020 Free Cash Flow Outlook

## Medium Term Expectations

(\$ billions)



Working capital improvements

Capital spend expected to moderate

Improve joint venture conversion

Grow free cash flow<sup>1</sup> faster than earnings

<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Balanced Capital Allocation

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Investment grade credit rating

Healthy and competitive dividend

Share repurchase program as appropriate

Disciplined approach to M&A

# 2020 Outlook

Sales	
Organic Sales <sup>1</sup>	Up slightly

Organic <sup>1</sup> Segment Sales	
HVAC	Up low-single digit
Fire & Security	Up slightly
Refrigeration	Flattish

Profit and Cash Flow	
Adj. Operating Profit Growth <sup>1</sup> (actual & constant currency)	Up \$25M - \$75M
Shares Outstanding (diluted)	~880M
Interest Expense	TBD
Adj. Effective Tax Rate <sup>1</sup>	~ 26%
Capital Expenditures	\$350 - \$400M
Free Cash Flow <sup>1</sup>	\$1.3 - \$1.4B

<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Carrier Future Growth Model

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Grow sales faster than the industry

- ✓ Sales and R&D investment
- ✓ New products
- ✓ New geographies

Grow adjusted operating profit<sup>1</sup> faster than sales

- ✓ Leverage sales
- ✓ Higher margin new products
- ✓ Carrier 600 and price

Grow adjusted EPS<sup>1</sup> faster than adj. OP<sup>1</sup>

- ✓ Debt repayment
- ✓ Adjusted effective tax rate<sup>1</sup>

Grow free cash flow<sup>1</sup> faster than earnings

- ✓ Capital expenditures
- ✓ Working capital
- ✓ Joint ventures

<sup>1</sup> See appendix for additional information regarding non-GAAP measures

# Medium-term Expectations

**Sales**

**Up mid-single digits**

**Adjusted EPS<sup>1</sup>**

**Up high-single digits**

**Free Cash Flow<sup>1</sup>**

**90 – 100% cash conversion**

<sup>1</sup> See appendix for additional information regarding non-GAAP measures



Q&A





CHANGE  
IS IN  
THE AIR™



# APPENDIX

# Use and Definitions of Non-GAAP Financial Measures

Carrier Global Corporation (“Carrier”) reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”).

We supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial information. The non-GAAP information presented provides investors with additional useful information, but should not be considered in isolation or as substitutes for the related GAAP measures. Moreover, other companies may define non-GAAP measures differently, which limits the usefulness of these measures for comparisons with such other companies. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Adjusted net sales, organic sales, adjusted operating profit, adjusted net income, adjusted earnings per share (“EPS”), and the adjusted effective tax rate are non-GAAP financial measures. Adjusted net sales represents consolidated net sales from continuing operations (a GAAP measure), excluding significant items of a nonoperational nature (hereinafter referred to as “other significant items”). Organic sales represents consolidated net sales (a GAAP measure), excluding the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and other significant items. Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. Adjusted net income represents net income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. Adjusted EPS represents diluted earnings per share from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. The adjusted effective tax rate represents the effective tax rate (a GAAP measure), excluding restructuring costs and other significant items. For the business segments, when applicable, adjustments of net sales, operating profit and margins similarly reflect continuing operations, excluding restructuring and other significant items. GAAP financial results include the impact of changes in foreign currency exchange rates (“AFX”). We use the non-GAAP measure “at constant currency” or “CFX” to show changes in our financial results without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, income statement results are translated in U.S. dollars at the average exchange rate for the period presented. Management believes that the non-GAAP measures just mentioned are useful in providing period-to-period comparisons of the results of the Company’s ongoing operational performance.

Standalone pro forma sales and adjusted operating profit and margin are non-GAAP financial measures and adjust Carrier’s net sales and operating profit and margin previously reported by United Technologies Corporation (“UTC”) to include all sales and costs directly attributable to Carrier, costs for certain functions and services performed by UTC that were directly charged to Carrier and estimated costs associated with Carrier being a standalone public company. Management believes Standalone financial measures are useful in assessing the company as a standalone company compared to its historical performance as a business segment of UTC.

Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing Carrier’s ability to fund its activities, including the financing of acquisitions, debt service, repurchases of Carrier’s common stock and distribution of earnings to shareholders.

A reconciliation of the non-GAAP measures to the corresponding amounts prepared in accordance with GAAP appears in the tables in this Appendix. The tables provide additional information as to the items and amounts that have been excluded from the adjusted measures.

When we provide our expectation for standalone pro forma adjusted operating profit, adjusted EPS, adjusted operating profit, adjusted effective tax rate, organic sales and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, the effective tax rate, sales and expected cash flow from operations) generally is not available without unreasonable effort due to potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions and divestitures, and other structural changes or their probable significance. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.

# Carrier Operating Results Reconciliation

## Financials as reported under UTC

(\$USD, Millions)

Net Sales	<u>2019</u> 18,608
Operating Profit	2,697
Restructuring	126
Other significant items of a non-operational nature (a)	<u>155</u>
Adjusted Operating Profit	<u>2,978</u>
<i>Adjusted Operating Profit Margin</i>	<u>16.0%</u>

### (a) Details of other significant items of a non-operational nature

2019 Approximately \$108 million of pre-tax charges related to an investment impairment

Approximately \$34 million of pre-tax charges related to a consultant contract termination

Approximately \$13 million of pre-tax costs associated with the Company's intention to separate [from UTC]

# Carrier Operating Results Reconciliation

## 2019 Standalone Pro Forma financials

(\$USD, Millions)

	<u>2019</u>
Net Sales - as reported in Form 10	18,608
Operating profit - as reported in Form 10	2,491
<i>Operating Profit Margin</i>	<i>13.4%</i>
Restructuring	126
Other significant items of a non-operational nature (a)	76
One-Time separation costs	53
Incremental Public company costs	(107)
Standalone Pro Forma Adjusted Operating Profit	<u>2,639</u>
<i>Standalone Pro Forma Adjusted Operating Profit Margin</i>	<i>14.2%</i>

### (a) Details of other significant items of a non-operational nature

Approximately \$57 million of pre-tax gain on sales of interests in joint ventures

Approximately \$22 million of pre-tax net gain on sale of expropriated plant

Approximately \$108 million of pre-tax charges related to an investment impairment

Approximately \$34 million of pre-tax charges related to a consultant contract termination

Approximately \$13 million of pre-tax costs associated with the Company's intention to separate [from UTC]

# Segment Data

(\$USD, Millions)

(\$ Millions except per share amounts)

## HVAC

	2017	2018	2019
Net Sales	9,045	9,713	9,712
Operating Profit (a), (b), (d), (h)	2,001	1,720	1,563
Operating Profit %	22.1%	17.7%	16.1%

## Refrigeration

Net Sales	3,823	4,095	3,792
Operating Profit (a), (c),(h)	562	1,353	532
Operating Profit %	14.7%	33.0%	14.0%

## Fire & Security

Net Sales	5,324	5,531	5,500
Operating Profit (a), (h)	639	726	708
Operating Profit %	12.0%	13.1%	12.9%

## Total Segments

Net Sales	18,192	19,339	19,004
Operating Profit	3,202	3,799	2,803
Operating Profit %	17.6%	19.6%	14.7%

## Corporate, Eliminations, and Other

<b>Net Sales:</b>			
Eliminations and other	(378)	(425)	(396)
<b>Operating Profit:</b>			
General corporate expenses (h)	(140)	(138)	(156)
Eliminations and other (a), (e), (f), (g)	(32)	(24)	(156)

## Consolidated

Net Sales	17,814	18,914	18,608
Operating Profit	3,030	3,637	2,491
Operating Profit %	17.0%	19.2%	13.4%

## Standalone Pro Forma Segment Data Adjusted (Unaudited)

2019
9,712
1,642
16.9%
3,792
511
13.5%
5,500
740
13.5%
19,004
2,893
15.2%
(396)
(201)
(53)
18,608
2,639
14.2%

# Segment Data – 2019

## Standalone Pro Forma Notes

(\$USD, Millions)

Standalone Pro Forma discussion adjusts 2019 segment results for restructuring costs, certain significant non-operational items, and Carrier incremental public company costs

The following restructuring costs and significant non-operational items are included in current Form 10 results and have been excluded from the standalone pro forma adjusted results (non-GAAP measures) presented in the investor day presentation.

(a) Restructuring costs as included in 2019 results:

Operating Profit:  
 HVAC  
 Refrigeration  
 Fire & Security  
 Total Segments  
 General corporate expenses  
 Eliminations and other  
 Total consolidated operating profit

Restructuring Costs	
2019	
	(56)
	(14)
	(53)
	(123)
	(3)
	-
	(126)

(b) Approximately \$57 million pre-tax gain on sales of interests in joint ventures

(c) Approximately \$22 million pre-tax net gain on sale of expropriated plant

(d) Approximately \$108 million pre-tax net loss due to an investment impairment

(e) Approximately \$34 million pre-tax net loss due to a consultant contract termination

(f) Approximately \$13M of pre-tax costs associated with the Company's intention to separate [from UTC]

(g) Approximately \$53M of pre-tax one-time separation costs

The following standalone public company costs were excluded from the current Form 10 results and have been included in the standalone pro forma adjusted results (non-GAAP measures) presented in the investor day presentation.

(h) Approximately \$107M of pre-tax incremental public company costs

Operating Profit:  
 HVAC  
 Refrigeration  
 Fire & Security  
 Total Segments  
 General corporate expenses  
 Eliminations and other  
 Total consolidated operating profit

Standalone costs	
2019	
	(28)
	(13)
	(21)
	(62)
	(45)
	-
	(107)

# Segment Operating Results Reconciliation

(\$USD, Millions)

	2019				
	<u>HVAC</u>	<u>Refrigeration</u>	<u>Fire &amp; Security</u>	<u>Corp/Other</u>	<u>Carrier</u>
Net Sales - as reported in Form 10	9,712	3,792	5,500	(396)	18,608
Operating Profit - as reported in Form 10	1,563	532	708	(312)	2,491
<i>Operating Profit Margin - as reported in Form 10</i>	<i>16.1%</i>	<i>14.0%</i>	<i>12.9%</i>		<i>13.4%</i>
Restructuring	56	14	53	3	126
Other significant items of a non-operational nature (a)	51	(22)		47	76
One-Time separation costs				53	53
Incremental Public company costs	(28)	(13)	(21)	(45)	(107)
Standalone Pro Forma Adjusted Operating Profit	<u>1,642</u>	<u>511</u>	<u>740</u>	<u>(254)</u>	<u>2,639</u>
<i>Standalone Pro Forma Adjusted Operating Profit Margin</i>	<i>16.9%</i>	<i>13.5%</i>	<i>13.5%</i>		<i>14.2%</i>

## (a) Details of other significant items of a non-operational nature

Approximately \$57 million of pre-tax gain on sales of interests in joint ventures

Approximately \$22 million or pre-tax net gain on sale of expropriated plant

Approximately \$108 million of pre-tax charges related to an investment impairment

Approximately \$34 million of pre-tax charges related to a consultant contract termination

Approximately \$13 million of pre-tax costs associated with the Company's intention to separate [from UTC]

# Free Cash Flow Reconciliation

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(\$USD, Millions)

	<u>2019</u>
Net cash flows provided by operating activities - as reported in Form 10	2,002
Capital Expenditures - as reported in Form 10	<u>(243)</u>
Free Cash flow	<u><u>1,759</u></u>

# Operating Profit - Reported

## Form 10 reconciliation

(\$USD, Millions)

	<u>2019</u>
Net Sales - as reported in Form 10	18,608
Operating Profit - as reported by UTC	2,697
UTC Corporate cost pushdown	(118)
One-Time separation costs	(53)
Other Form 10 items (a)	(35)
Operating profit - as reported in Form 10	<u>2,491</u>
<i>Operating Profit Margin - as reported in Form 10</i>	<i>13.4%</i>

(a) adjustments for asbestos, self-insurance and other items to present operating profit on a stand-alone basis

# Operating Profit – Adjusted Standalone Pro Forma reconciliation

(\$USD, Millions)

	<u>2019</u>
Net Sales - as reported in Form 10	18,608
Adjusted Operating Profit - as reported by UTC	2,978
UTC Corporate cost pushdown	(118)
Incremental Public company costs	(107)
Other significant items of a non-recurring/non-operational nature (a)	(79)
Other Form 10 items (b)	(35)
<b>Standalone Pro Forma Adjusted Operating Profit</b>	<b><u>2,639</u></b>
<i>Standalone Pro Forma Adjusted Operating Profit Margin</i>	<i>14.2%</i>

(a) Details of other significant items of a non-operational nature

- Approximately \$57 million of pre-tax gain on sales of interests in joint ventures
- Approximately \$22 million of pre-tax net gain on sale of expropriated plant

(b) adjustments for asbestos, self-insurance and other items to present operating profit on a stand-alone basis