



Q3 2020 EARNINGS CONFERENCE CALL

October 29, 2020



Cautionary Statement

This communication 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 our 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,” “scenario” and other words of similar meaning in connection with a discussion of future operating or financial performance or the separation from United Technologies (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, the estimated costs associated with the Separation, Carrier’s plans with respect to our indebtedness 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, we claim 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 its 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, pandemic health issues (including COVID-19 and its effects, among other things, on production and on global supply, demand, and distribution disruptions as the outbreak continues and results in an increasingly prolonged period of travel, commercial and/or other similar restrictions and limitations), natural disasters and the financial condition of our 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, 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 and credit ratings; (5) the timing and scope of future repurchases of Carrier’s common stock, including market conditions and the level of other investing activities and uses of cash; (6) delays and disruption in the 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) risks resulting from a less diversified business model and balance of operations across product lines, regions and industries due to the Separation; (10) the outcome of legal proceedings, investigations and other contingencies; (11) the impact of pension plan assumptions on future cash contributions and earnings; (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 its businesses operate, including the effect of changes in U.S. trade policies or the United Kingdom’s withdrawal from the European Union, 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 we and our businesses operate; (15) the ability of Carrier to retain and hire key personnel; (16) the scope, nature, impact or timing of 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 of the Separation; (18) a determination by the IRS and other tax authorities that the Distribution or certain related transactions should be treated as taxable transactions; (19) risks associated with indebtedness, including that incurred as a result of financing transactions undertaken in connection with the Separation, as well as our ability to reduce indebtedness and the timing thereof; (20) the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the Separation will exceed Carrier’s estimates; and (21) the impact of the Separation on Carrier’s business and 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.

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 Carrier’s registration statement on Form 10 and the reports of Carrier on Forms, 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.

Q3 2020 Summary

| | |
|--|------------------------------|
| Sales | \$5,002M <i>Up 4% Y/Y</i> |
| Adjusted Operating Profit¹ | \$867M <i>Up 6% Y/Y</i> |
| Free Cash Flow¹ | \$880M <i>Up 55% Y/Y</i> |

Highlights

NA residential demand remained strong

Overall business improved sequentially

Increasing Carrier 600 to Carrier 700

Continued strong free cash flow performance

Growth initiatives gaining traction

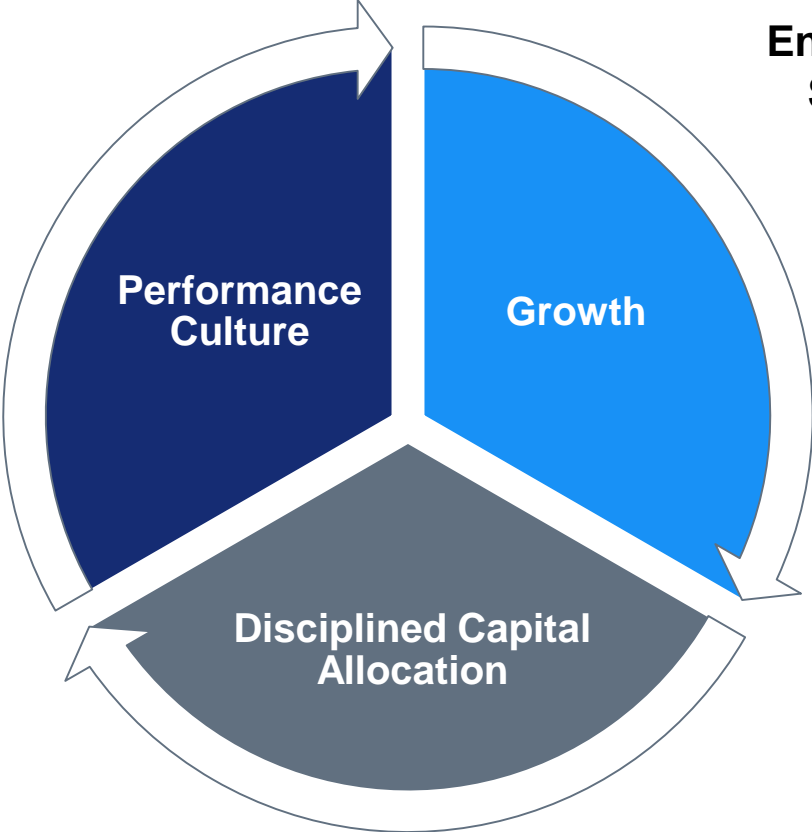


¹ See appendix for additional information regarding non-GAAP measures

Driving Shareholder Returns

- Tenacious cost reduction
- Talent and inclusion
- Customer-centric
- G&A transformation and simplification
- Innovation leadership
- ESG

The Carrier Way



Enterprise Strategy

Be the world leader in healthy, safe, and sustainable building and cold chain solutions

Growth Focus Areas

- ✓ Strengthen and grow core
- ✓ Product extensions and geographic coverage
- ✓ Grow services and digital

Carrier Enterprise Strategy

Healthy, Safe and Sustainable Buildings

- VENTILATION
- MOISTURE
- AIR QUALITY
- NOISE
- THERMAL HEALTH
- FILTRATION
- SAFETY & SECURITY



Healthy, Safe and Sustainable Cold Chain



Order Trends

| Orders by Key Business Line | Q2 2020 | Q3 2020 |
|---|---------|---------|
| | | (Y/Y %) |
| <u>HVAC</u> ¹ | (5)% | 25% |
| <i>Residential & Light Commercial</i> | 5% | 60% |
| <i>Commercial HVAC</i> ¹ | (15)% | 0% |
| <u>Refrigeration</u> | 0% | 15% |
| <i>Transport Refrigeration</i> | 15% | 30% |
| <i>Commercial Refrigeration</i> | (15)% | (10)% |
| <u>Fire & Security</u> | (25)% | (10)% |
| <i>Fire & Security Products</i> | (20)% | (10)% |
| <i>Fire & Security Field</i> | (30)% | (5)% |
| Total Carrier ¹ | (10)% | 15% |

| Orders by Geography | Q2 2020 | Q3 2020 |
|----------------------------|---------|---------|
| | | (Y/Y %) |
| North America ¹ | 0% | 30% |
| EMEA | (25)% | 0% |
| China | (5)% | 10% |
| Asia excluding China | (25)% | (20)% |



¹Excludes NORESKO

Q3 2020 Financial Summary

(Millions except EPS)

| | Q3 2019 | Q3 2020 | Y/Y % |
|--|---------|---------|-------|
| Sales | \$4,822 | \$5,002 | 4% |
| Organic sales ¹ | | | 3% |
| GAAP operating profit | \$629 | \$1,081 | 72% |
| Adjusted operating profit ¹ | \$818 | \$867 | 6% |
| GAAP EPS | | \$0.84 | |
| Adjusted EPS ¹ | | \$0.67 | |
| Free cash flow ¹ | \$568 | \$880 | 55% |

Residential HVAC strength continued through Q3

Improved productivity and continued cost control

Strong free cash flow helped by better than expected earnings, working capital timing and lower capital spending

Q3 2020 Segment Results

(Millions)

| | HVAC | | Refrigeration | | Fire & Security | |
|--|-----------------------|-------|--------------------------|-------|-------------------------|-------|
| | Q3 | Y/Y % | Q3 | Y/Y % | Q3 | Y/Y % |
| Sales | \$2,892 | 11% | \$876 | (5)% | \$1,324 | (6)% |
| Organic sales ¹ | | 11% | | (6)% | | (7)% |
| GAAP operating profit | \$839 | 108% | \$103 | (18)% | \$200 | (2)% |
| Adjusted operating profit ¹ | \$598 | 14% | \$102 | (23)% | \$204 | (7)% |
| Key drivers | + | | + | | + | |
| | NA residential | | Container | | Residential fire | |
| | Commercial HVAC China | | China | | China commercial fire | |
| | - | | - | | - | |
| | Light commercial | | Commercial refrigeration | | Chubb | |
| | South Asia | | Truck / trailer | | Oil & gas / hospitality | |



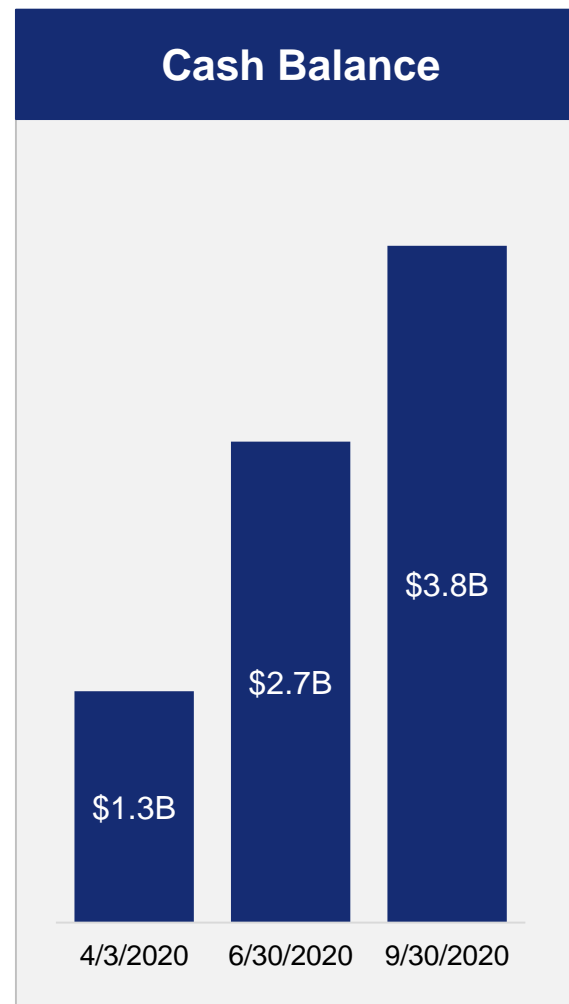
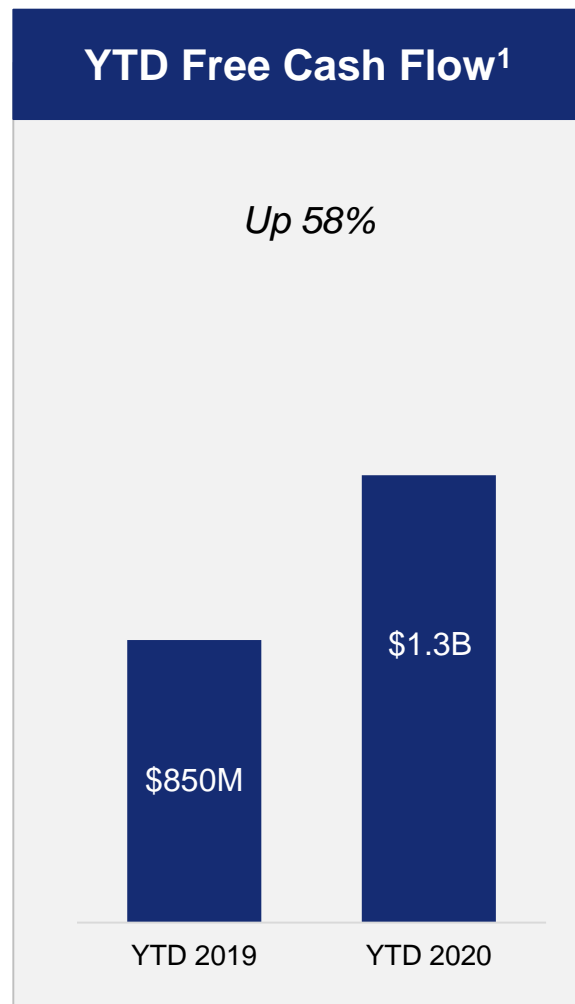
¹ See appendix for additional information regarding non-GAAP measures

Cost Reduction Progress

(Millions)

| | May 8 th Targets | July 30 th Targets | Updated 2020 Targets |
|---|--------------------------------|----------------------------------|-------------------------|
| Carrier 700 | ~\$225 | ~\$250 | ~\$250 |
| Investments | ~(\$75) | ~(\$100) | ~(\$100) |
| Non-recurring cost containment actions | ~\$300 | ~\$300 | ~\$250 |
| Productivity / absorption | ~(\$200) | ~(\$200) | ~(\$150) |
| Total | ~\$250 | ~\$250 | ~\$250 |

Cash Flow and Balance Sheet



Strong Q3 cash generation

Proceeds from Beijer sale

Declared dividend

Plan to reduce debt by \$1.5B in Q4

2020 Outlook

| | July 2020 Outlook | Revised 2020 Outlook |
|--|-------------------|----------------------|
| Sales | \$15.5B – \$17.0B | ~\$17.3B |
| Adjusted Operating Profit ¹ | \$1.8B – \$2.0B | ~\$2.2B |
| Free Cash Flow ¹ | At least \$1.1B | ~\$1.5B |



¹ See appendix for additional information regarding non-GAAP measures

Summary

Strong demand and execution in residential HVAC supports improved 2020 outlook

Well-positioned to drive healthy, safe, and sustainable building and cold chain solutions

Increasing Carrier 600 to Carrier 700

Continued strong free cash flow supports Q4 debt paydown

Positioned for medium term mid-single digit sales growth and high-single digit EPS growth

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.

Organic sales, adjusted operating profit, adjusted net income, adjusted earnings per share (“EPS”), and the adjusted effective tax rate are non-GAAP financial measures. 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 of a non-recurring and/or nonoperational nature (hereinafter referred to as “other significant items”). Adjusted operating profit represents operating profit (a GAAP measure), excluding restructuring costs and other significant items. Adjusted net income represents net income attributable to common shareowners (a GAAP measure), excluding restructuring costs and other significant items. Adjusted EPS represents diluted earnings per share (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 operating profit and margins represent operating profit, 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 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.

Free cash flow is a non-GAAP financial measure that represents net cash flows provided by operating activities (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 expectations for 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, operating profit, the effective tax rate, sales and expected net cash flows provided by operating activities) 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.

2020 Key Items

| | |
|--|----------|
| Shares outstanding (diluted) | ~880M |
| Corporate expenses / eliminations | ~\$225M |
| Interest expense | ~\$285M |
| Adjusted effective tax rate ¹ | ~26% |
| Capital expenditures | ~\$275M |
| Depreciation & amortization | ~ \$320M |

Carrier Q3 2020 vs Q3 2019 Sales Reconciliation

Y/Y %

Three Months Ended September 30, 2020 Compared with Three Months Ended September 30, 2019

(Unaudited)

| | Factors Contributing to Total % change in Net Sales | | | | |
|---------------------|---|----------------|----------------------------------|------------|------------|
| | Organic | FX Translation | Acquisitions / Divestitures, net | Other | Total |
| HVAC | 11 % | — % | — % | — % | 11 % |
| Refrigeration | (6)% | 2 % | (1)% | — % | (5)% |
| Fire & Security | (7)% | 1 % | — % | — % | (6)% |
| Consolidated | 3 % | 1 % | — % | — % | 4 % |

Nine Months Ended September 30, 2020 Compared with Nine Months Ended September 30, 2019

(Unaudited)

| | Factors Contributing to Total % change in Net Sales | | | | |
|---------------------|---|----------------|----------------------------------|------------|-------------|
| | Organic | FX Translation | Acquisitions / Divestitures, net | Other | Total |
| HVAC | (4)% | (1)% | — % | — % | (5)% |
| Refrigeration | (15)% | (1)% | — % | — % | (16)% |
| Fire & Security | (11)% | (1)% | — % | — % | (12)% |
| Consolidated | (8)% | (1)% | — % | — % | (9)% |



Segment Adjusted Operating Profit Reconciliation

| | (Unaudited) | | | |
|--|---|---------------|--|-----------------|
| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| <i>(dollars in millions - Income (Expense))</i> | | | | |
| HVAC | | | | |
| Net sales | \$ 2,892 | \$ 2,602 | \$ 7,142 | \$ 7,505 |
| Operating profit | \$ 839 | \$ 404 | \$ 1,364 | \$ 1,242 |
| Restructuring | — | (12) | (3) | (47) |
| Impairment charge on minority owned joint venture investment | — | (108) | (71) | (108) |
| Gain on sale of investment | 252 | — | 252 | 34 |
| Separation costs | — | — | (2) | — |
| Charge resulting from a litigation matter | (11) | — | (11) | — |
| Adjusted operating profit | \$ 598 | \$ 524 | \$ 1,199 | \$ 1,363 |
| Adjusted operating profit margin | 20.7 % | 20.1 % | 16.8 % | 18.2 % |
| Refrigeration | | | | |
| Net sales | \$ 876 | \$ 922 | \$ 2,384 | \$ 2,839 |
| Operating profit | \$ 103 | \$ 125 | \$ 263 | \$ 373 |
| Restructuring | 1 | (7) | (2) | (14) |
| Adjusted operating profit | \$ 102 | \$ 132 | \$ 265 | \$ 387 |
| Adjusted operating profit margin | 11.6 % | 14.3 % | 11.1 % | 13.6 % |
| Fire & Security | | | | |
| Net sales | \$ 1,324 | \$ 1,402 | \$ 3,587 | \$ 4,078 |
| Operating profit | \$ 200 | \$ 205 | \$ 426 | \$ 521 |
| Restructuring | (4) | (14) | (13) | (35) |
| Separation costs | — | — | (3) | — |
| Adjusted operating profit | \$ 204 | \$ 219 | \$ 442 | \$ 556 |
| Adjusted operating profit margin | 15.4 % | 15.6 % | 12.3 % | 13.6 % |

| | (Unaudited) | | | |
|--|---|----------------|--------------------------------------|-----------------|
| | For the Three Months Ended September 30, | | For the Nine Months September 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| <i>(dollars in millions - Income (Expense))</i> | | | | |
| General Corporate Expenses and Eliminations and Other | | | | |
| Net sales | \$ (90) | \$ (104) | \$ (251) | \$ (315) |
| Operating profit | \$ (61) | \$ (105) | \$ (215) | \$ (202) |
| Restructuring | — | (1) | (1) | (1) |
| Consultant contract termination | — | (34) | — | (34) |
| Separation costs | (24) | (13) | (87) | (13) |
| Adjusted operating profit | \$ (37) | \$ (57) | \$ (127) | \$ (154) |
| Carrier | | | | |
| Net sales | \$ 5,002 | \$ 4,822 | \$ 12,862 | \$ 14,107 |
| Operating profit | \$ 1,081 | \$ 629 | \$ 1,838 | \$ 1,934 |
| Total restructuring costs | (3) | (34) | (19) | (97) |
| Total non-recurring and non-operational items | 217 | (155) | 78 | (121) |
| Adjusted operating profit | \$ 867 | \$ 818 | \$ 1,779 | \$ 2,152 |



Constant Currency Reconciliation

For the Quarters Ended September 30th

(dollars in millions)

HVAC

| | 2020 | 2019 | % YoY |
|--|---------------|---------------|-------------|
| Adjusted Operating Profit | \$ 598 | \$ 524 | 14 % |
| Impact of Foreign Exchange | (5) | | |
| Adjusted Operating Profit at constant currency | <u>\$ 603</u> | <u>\$ 524</u> | <u>15 %</u> |

Refrigeration

| | | | |
|--|---------------|---------------|--------------|
| Adjusted Operating Profit | \$ 102 | \$ 132 | (23)% |
| Impact of Foreign Exchange | 2 | | |
| Adjusted Operating Profit at constant currency | <u>\$ 100</u> | <u>\$ 132</u> | <u>(24)%</u> |

Fire and Security

| | | | |
|--|---------------|---------------|-------------|
| Adjusted Operating Profit | \$ 204 | \$ 219 | (7)% |
| Impact of Foreign Exchange | 1 | | |
| Adjusted Operating Profit at constant currency | <u>\$ 203</u> | <u>\$ 219</u> | <u>(7)%</u> |



2020 EPS Reconciliation

(dollars in millions - Income (Expense))

Net income attributable to common shareowners

Total restructuring costs

Total non-recurring and non-operational items included in operating profit

Non-recurring and non-operational items included in Interest expense, net:

Interest income associated with participation in amnesty settlement

Interest income associated with IRS settlement

Debt issuance costs relating to Carrier's separation from UTC

Non-recurring and non-operational items included in Interest expense, net

Tax effect of restructuring and non-recurring and non-operational items

Significant non-recurring and non-operational items included in Income tax expense:

Favorable income tax adjustments related to tax amnesty

Adjustments related to tax settlements

Deferred tax adjustment resulting from the UTC separation

Adjustment related to a valuation allowance recorded against a United Kingdom tax loss and credit carry forward as a result of separation related activities

Adjustment resulting from Carrier's decision to no longer permanently reinvest certain pre-2018 unremitted non-U.S. earnings

Deferred tax adjustment resulting from United Kingdom legislative change

Significant non-recurring and non-operational items included in Income tax expense

Total Non-recurring and non-operational items - Non-controlling interest

Total significant non-recurring and non-operational items

Adjusted net income attributable to common shareowners

Diluted earnings per share

Impact on diluted earnings per share

Adjusted diluted earnings per share

Effective tax rate

Impact on effective tax rate

Adjusted effective tax rate

(Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|---------|--|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ 741 | \$ 492 | \$ 1,098 | \$ 1,676 |
| | (3) | (34) | (19) | (97) |
| | 217 | (155) | 78 | (121) |
| | — | — | — | 8 |
| | — | — | — | 8 |
| | — | — | (5) | — |
| | — | — | (5) | 16 |
| | (51) | 22 | (29) | 31 |
| | — | — | — | 95 |
| | — | — | — | 54 |
| | — | 19 | — | 19 |
| | — | — | (51) | — |
| | — | — | (46) | — |
| | (12) | — | (12) | — |
| | (12) | 19 | (109) | 168 |
| | — | — | — | — |
| | 151 | (148) | (84) | (3) |
| | \$ 590 | \$ 640 | \$ 1,182 | \$ 1,679 |
| | \$ 0.84 | \$ 0.57 | \$ 1.25 | \$ 1.94 |
| | 0.17 | (0.17) | (0.10) | (0.01) |
| | \$ 0.67 | \$ 0.74 | \$ 1.35 | \$ 1.95 |
| | 25.9 % | 25.8 % | 33.4 % | 18.3 % |
| | (1.0) % | (0.9) % | (7.4) % | 7.1 % |
| | 24.9 % | 24.9 % | 26.0 % | 25.4 % |



See page 13 for additional information regarding non-GAAP measures

Free Cash Flow Reconciliation

(dollars in millions)

Net income attributable to common shareowners
 Net cash flows provided by operating activities
 Less: Capital expenditures
 Free cash flow

Free cash flow as a percentage of net income attributable to common shareowners

| (Unaudited) | |
|--------------------------------------|-----------------|
| For the Three Months Ended March 31, | |
| 2020 | 2019 |
| \$ 96 | \$ 400 |
| \$ 47 | \$ (183) |
| 48 | 41 |
| <u>\$ (1)</u> | <u>\$ (224)</u> |
| (1)% | (56)% |

(dollars in millions)

Net income attributable to common shareowners
 Net cash flows provided by operating activities
 Less: Capital expenditures
 Free cash flow

Free cash flow as a percentage of net income attributable to common shareowners

| (Unaudited) | |
|-------------------------------------|---------------|
| For the Three Months Ended June 30, | |
| 2020 | 2019 |
| \$ 261 | \$ 784 |
| \$ 509 | \$ 554 |
| 46 | 48 |
| <u>\$ 463</u> | <u>\$ 506</u> |
| 177% | 65% |

(dollars in millions)

Net income attributable to common shareowners
 Net cash flows provided by operating activities
 Less: Capital expenditures
 Free cash flow

Free cash flow as a percentage of net income attributable to common shareowners

| (Unaudited) | |
|--|---------------|
| For the Three Months Ended September 30, | |
| 2020 | 2019 |
| \$ 741 | \$ 492 |
| \$ 937 | \$ 618 |
| 57 | 50 |
| <u>\$ 880</u> | <u>\$ 568</u> |
| 119% | 115% |

(dollars in millions)

Net income attributable to common shareowners
 Net cash flows provided by operating activities
 Less: Capital expenditures
 Free cash flow

Free cash flow as a percentage of net income attributable to common shareowners

| (Unaudited) | |
|---|---------------|
| For the Nine Months Ended September 30, | |
| 2020 | 2019 |
| \$ 1,098 | \$ 1,676 |
| \$ 1,493 | \$ 989 |
| 151 | 139 |
| <u>\$ 1,342</u> | <u>\$ 850</u> |
| 122% | 51% |

