

Trane Technologies at BofA Securities Global Industrials Conference

March 15, 2022

COMPANY PARTICIPANTS

David S. Regnery - Trane Technologies, Chairman & CEO

Christopher J. Kuehn - Trane Technologies, Executive VP & CFO

OTHER PARTICIPANTS

Andrew Obin - Analyst

MANAGEMENT DISCUSSION SECTION

Andrew Obin

Next session, so super excited, we have Trane Technologies here and we have Dave Regnery, Chairman and CEO; and Chris Kuehn, Senior Vice President and CFO. And I think Dave and Chris will do a 2, 3 minute introduction at the start of the fireside chat.

I mean, obviously, HVAC is one of the most exciting areas of the market that we talk to investors about. And when thinking of an HVAC company, everybody sort of uses Trane as an example of what should be done in terms of strategy, and what should have been done in terms of strategy. So you guys literally have written sort of the manual for the rest of the industry. So with that, Dave, Chris, thanks so much for being here. Please. We'd love to hear about Trane and what you guys think about the world. Thank you.

David S. Regnery

Thanks, Andrew. Thanks for the nice introduction. I don't normally get that, so I really appreciate it. Your team's done a great job. Before we get started putting on this event, I was telling you earlier this is probably one of the best organized events that I've been to in a long time.

Andrew Obin

Thank you.

David S. Regnery

So congratulations to you and your team. It's great to be back face to face with everyone. It's been about 2 years, maybe about 2.5 years, but it's certainly good to see smiling faces in the audience. I'm tired of talking into a computer screen, as I'm sure many of you are, although we've all gotten a little bit used to it. This is a welcome change, so I'm glad to be here. I think this is the fourth time I've been in your conference.

Andrew Obin

Yes.

David S. Regnery

And it's always – it's great to be back into London. Look, our purpose at Trane Technologies is to challenge what's possible and to innovate for a sustainable world. It's fundamental to our strategy and allows us to differentiate our growth to our shareholders over time. The megatrends around sustainability and decarbonization are only intensifying. I'm sure you read about it every day in the news. They're only intensifying it. Unfortunately, the rate of global warming continues to accelerate, and the last two years were among some of the warmest on record. And we, as a world, we need to act and we need to act now.

At Trane Technologies, we're scaling technologies that exist today, technologies that exist today that can dramatically reduce the carbon footprint for the world. And we're relentlessly innovating for tomorrow. This unyielding approach allows us to outgrow our end markets and helps us deliver powerful free cash flow, which we deploy through our balanced capital allocation strategy.

Last year, we saw record demand for our products and services on a global basis, record demand. And like the broader markets, we are experiencing supply chain disruptions. We believe these supply chain disruptions will continue through the first half of the year. We're working very closely with our suppliers, and we see these supply chain constraints improving in the back half of the year. We ended 2021 with record demand. We have a

backlog that's nearly double going into 2022. We are well-positioned for 2022 and beyond.

With that, Andrew, I'll open it up to whatever questions you have and Chris and I will be happy to answer for you.

QUESTION AND ANSWER SECTION

Analyst: Andrew Obin

Question – Andrew Obin: So maybe we can start with big area of controversy or discussion, residential HVAC cycle. So both you and several of your competitors have talked about the residential HVAC replacement cycle shortening from 15 years to 12. I think manufacturers including Trane are adding resi capacity. Clearly, I mean based on what I saw at AHR in Vegas, I think demand in 2022 is not an issue. But maybe you can talk about demand tailwinds this year and what are the structural tailwinds for residential demand longer term?

Answer – David S. Regnery: Sure. Good question. I'll just frame at a high level residential business at Trane Technologies represents about 20% of our total business just so we have it in context. As far as residential business in 2021, we saw exceptional demand. Our incoming order rates were up close to 30%. And this is a business that we used to talk about backlog in number of weeks. We're now talking about backlog in number of months.

So some of the tailwinds, you asked about the tailwinds going into the year, about a strong backlog is obviously very important. We're seeing really strong price realization as well and we have some of the leading brands in the industry. As far as what we're seeing for 2022, we see residential new construction, which is a smaller portion of our residential business. We see positive growth in that area. The replacement market, we don't see a lot of movement there. We don't see a falling off a cliff. We don't see a lot of movement. It's still early in the year and we'll see how the year plays out.

Question – Andrew Obin: Excellent. And what about how should we think about sort of structural tailwinds longer term?

Answer – David S. Regnery: I think structural tailwinds, we look at our residential business at a high level as a GDP-plus business. I think if you

look at consumer confidence, you look at GDP, you look at unemployment, those are the key indicators that really drive that business over an extended period of time. As far as innovations are concerned, I think that systems are becoming more sophisticated. We're seeing a lot more connected solutions there with our dealer base, so they can serve it in a more efficient way. There's also some of the structural things that are happening in that space.

Question – Andrew Obin: Cool.

Answer – Christopher J. Kuehn: And if you think about the plus as well being the regulatory environment and the constant need to kind of increase your SEER rating and increase your efficiency too, so another structural tailwind in the business.

Question – Andrew Obin: Got you. So maybe we can switch to commercial. So how is demand trending for applied and unitary across different end markets and which end markets are recovering faster than others? And how should we think about the construction market and your commercial business?

Answer – David S. Regnery: Yeah. Let's just walk around the globe and we'll start in the Americas. So think of the Americas in our equipment business, it's about 50% unitary, about 50% applied. We had very strong incoming order rates in both. In the fourth quarter of 2021, both were up over 20%. If you look at a high level, you'd say there's some dynamics that are happening at a macro level like Architectural Billing Index has been positive for a year now. That has a six to nine month tail on it. If you look at GDP's been strong and consumer confidence is strong as well. So those are some of the things that are driving a lot of those end markets, the consumer confidence is more on the unitary side.

If you look at the verticals that are strong, we're really seeing strong across the board. I mean, certainly data centers have been very strong, warehousing has been very strong, health care has been very strong with some of the stimulus funding that's happening there. Indoor air quality will be a tailwind into our applied business for a continued period of time. So we're seeing nice strength in that business.

If you go over to Europe, Europe is – we're predominantly on the applied side there, but there's a business that is really about innovation. And we're

seeing tremendous demand for some of our innovation, especially around our heat pump systems and really the elimination of or being able to eliminate fossil fuel in buildings. And you think about decarbonization and what's happening there. This is a business that we've seen very nice growth rates in. I think everyone probably read the European Commissioner's edict to say, look, we want to double down on heat pumps in the next five years, but we have solutions there that can dramatically improve the amount of CO₂ that's being emitted to the atmosphere.

And you think about these systems they're more than just a heat pump. They're really systems, but they're so efficient. I always explain to people that if you think about a unit of energy going into a traditional boiler, one unit of energy equals 0.8 units on the other side. If you think about a unit of energy that goes into a heat pump system, it equals 3.5. So these are 350% more efficient.

So that's why when you hear about heat pumps and you hear about elimination of fossil fuels, that's what's driving this behavior. These systems are very efficient and can have a dramatic impact on decarbonization around the globe. If you go to Asia, again, it's predominantly on the applied side and we're seeing growth there really in what's growing strong, especially in China, is around electronics, okay, health care, data centers, which are verticals that we're very strong in as well.

Question – Andrew Obin: Got you. No. This is great. So maybe we can sort of talk about the service model, and I think this is clearly has been where you have been had just...clearly you should get full credit for having a vision here. But you have been ahead of the curve on commercial HVAC services. And can you talk about just the evolution of the business model and what do service attachment rates look like within the applied business today? And you've done a lot of work in this business. So how do you take it to the next level? What are the strategic priorities for the services business going forward?

Answer – David S. Regnery: Yeah, good question. Yeah, we're very – first of all, the success of Trane Technologies is system of things, right. Service is a big part of that. It's one of those elements that we often talk about that makes us a great company. Our service business on the commercial side of our business on a global basis over the last five years has had a compound annual growth rate over five years of high single

digits. So this is a business that's grown very nicely for us over an extended period of time.

And as far as attachment rates, if we're selling a new applied system, which is really where our service business is catered to serve, we're connected to, I mean, close to 100% of all those systems. And why would we not want to be, right. These systems are – they have a warranty associated with it. The customer wants us to be attached to them because they understand that we can ensure that the system is performing the way it was designed. So, that's from the attachment side.

As far as where is the business going, when I was running our commercial business probably seven or eight years ago, maybe it's a little bit longer now, time flies, it used to be a break/fix model or more of a break/fix model. That's evolving with our connected solutions. So, it's no longer about let me go service a piece of equipment or a building because there is a mechanical problem. It's now around, it's evolving to let me go service a building because it's using too much energy, and again back to the theme about what's happening with sustainability and decarbonization.

Why would you not want us to always commission your building to ensure that it's always performing the way it was designed. Most buildings operate about 30% to 50% inefficiently. Over a very short period of time, when you commission a building, and that means when you turn the keys over to the landlord and say, your building's ready to go, that's the start. Over a three-year period, that performance degrades for many reasons. Some of it's mechanical. Some of it's human interface. Why would you not want to be continuously connected to that building so a company like Trane Technologies could ensure that it's always at an optimal level?

So where the service business is going, look, we have a fantastic service business. We have a direct model. These are all trained technology employees. We spent a lot of time and effort making sure that our technicians are the best trained in the industry. We'll continue to make sure, from a mechanical standpoint, that our products are operating at optimal levels. The business is evolving really into the energy side where your service call is going to be about, hey, you're using too much energy, let us go figure out why to make sure that you can get this back in line.

Answer – Christopher J. Kuehn: Yeah, Andrew, that service mix is also over time, you think about over the last 10 years, it's grown over 10 points to grow that service mix, an intentional part of the strategy you mentioned earlier.

Question – Andrew Obin: Exactly. And so maybe we can sort of talk about how commercial distribution fits into that. You have acquired some distributors to further consolidate Trane's ownership of the channel. I think it's almost 100% now, right?

Answer – Christopher J. Kuehn: In the Americas, we're probably 95% plus.

Question – Andrew Obin: So what are the competitive advantages to owning your distribution and, once again, it's given where you are what are the opportunities to further enhance your distribution model to continue to stay ahead of the competition?

Answer – David S. Regnery: Yeah. I'll start that, but the easy answer is, is why do we like to be direct? We like to be close to our customers. If you're close to your customers, you could understand what their needs are, so you could help them solve challenges that they have. And it actually becomes a great feeder into our innovation pipeline of some of our customer requirements. I'll take an example of data centers. We're close to many data center customers and they're constantly pushing us, and we're pushing them to create even more innovative solutions that are more sustainable. So we love being close to customers and we love talking to customers.

The other advantage of being direct is because our pipeline of innovation is so robust and we're constantly churning out new products, the ability to train your direct sales force is so much easier versus going through distribution. If you were going through a distributor and you were contemplating share of mind versus, hey, this is your job, let's go learn the new innovations that are coming out, it'd be more difficult. So we love being close to the customers. We love our direct model. And, Chris, maybe you can talk a little bit about some of the returns that we've seen from the investments that we've made here.

Answer – Christopher J. Kuehn: Yeah. If I think about two examples, Andrew, if I think about the Americas, we're on that drive ultimately to get to

100%. But for the part that's really 5% that's not company owned, these are independent dealers that have been Trane dealers for some cases 50-plus years. I mean, you walk into their office, you would think you're in a Trane sales office or a Trane commercial sales office. So the fact is when they're ready, we're ready to kind of bring them on board into the Trane family more fully. We completed two acquisitions last year and we see those channel acquisitions really driving cash flow returns, 30% to 40%, return on invested capital.

And then my other example would be out to Asia, where five-plus years ago we made the decision to go direct hiring close to 500 salespeople in China to make sure that we had Tier 1 and part of Tier 2 cities covered. And a big investment up front, but it's helped drive over 500 basis points of margin expansion, since that investment was made five years ago. So we think that that direct model makes a ton of sense for us globally, and we're nearly there 100%.

Answer – David S. Regnery: Yeah. The other thing I'd add on direct model, you have a longer appetite to solve a problem. So a lot of projects you have to be involved very early and some of those projects, especially on the applied side so think of an infrastructure project, an airport. You could be in the planning phase for a year-and-a-half. If you're going through a distributor, sometimes you may not have that appetite, as I say, to stay with that project for that duration of time, and we're really, really good at making sure we talk to the influencers on jobs. So it's not just about the end customer. Yes, we talk to them. It's about the engineer. It's about the architect. It's about the GC, general contractor. It's about the mechanical.

You need to be able to have all those relationships and understand how they work together and with a direct sales force that's highly trained, okay, our sales force are typically degreed engineers out of college. They typically go through a six-month training program and an on-the-job training for two years before they really go out. So these are very capable individuals, but it's a great model. And it's again back to that system of things that what makes Trane Technologies a great company. Service is one element of it. This direct sales force is another, really being close to the customer.

Question – Andrew Obin: And where are you guys in Europe in terms of what's the distribution model like in Europe?

Answer – David S. Regnery: In Europe, it's probably 97% direct.

Question – Andrew Obin: Oh, wow. Okay, so it's all in.

Answer – David S. Regnery: I'm trying to think maybe 99% by now.

Question – Andrew Obin: No, so maybe we can shift to – we did talk about transport, refrigeration. You do have a business there, which I think makes good margins. So how has the outlook for transport refrigeration business shifted, if at all? And given that this business is sort of sensitive to inflation, supply chain disruptions and has sizable European exposure, can we talk about just sort of how do you see the market share trends? Yes, business maybe we can touch on that because they're sort of back and forth in terms of news flow.

Answer – David S. Regnery: Yeah. First of all, our Thermo King business, our transport refrigeration business is a fantastic business on a global basis. And if you look at last year in the Americas, the revenue of the business was up over 30% and the market was up around 15%. So figure out the market share in that. But if you go over to Europe, our business was up over 20% and the market was up around 12%. So this is a business that, again, we are very happy with our performance and it really – we led these improvements with innovation.

And think again what's happening in transport refrigeration is it's electrifying and we're there with our customers helping them with that journey. So it's starting with the smaller vehicles. We introduced several new products for home delivery, which are just really hitting the mark. And we're also working on the more larger products or trailer products where we are working with customers with electric systems and helping them on that journey. So it's an exciting time in Thermo King. The business is performing extremely well. If you look at the forecast going forward and if you look in North America and you look at ACT, which is the organization that really forecast where that trailer market will be going, it has nice growth in 2022, 2023. I think it's 16%, 12% or the numbers are all double digits all the ways up for the foreseeable future. So it's going to be an exciting time there.

And IHS in Europe, which is the agency in Europe that actually forecast growth, has it at the mid-single digits range. That's a business too, Andrew, that I had the opportunity to run that business earlier in my career. And if I look at that business today versus where it was when I ran it, it's much

more diverse. So it's no longer just about truck and trailer. We have auxiliary power units. We have units that are designed for airplanes. We have units that are designed for marine. We have units designed for railcars, which are different, and so it's – a bus, HVAC in buses, transit buses. So it's a great business and we've seen a lot of growth there.

Question – Andrew Obin: And how should we think about supply chain specifically impacting TK? Is there any...

Answer – David S. Regnery: I think supply chain in general, it's going to be – the first half of the year is going to be challenged. We see that improving in the back half of the year. It's not just Thermo King. It's really both of our businesses, but it has to do with component shortages on electronics. So at a broad level, that's on the internal side.

Now the other side that's unique to Thermo King is that a lot of the OEMs that provide the other parts of the system, that would be the tractor or the trailer, they are also facing constraints. And if you remember, Andrew, early on in about a year ago, you had ACT projecting a very robust 2021 and the tractor suppliers, as well as the trailer suppliers could not meet that demand. So those numbers contracted and that demand is now shifting to the right. So those are some of the dynamics that are happening right now.

Question – Andrew Obin: Maybe we can sort of just – you highlighted heat pumps. Maybe we can just sort of put some structure around that, so clearly large opportunities for OEMs. I think TAM, you mentioned as large as \$1 billion just in Europe, grown double digits. So how should we think about sizing the heat pump opportunity for Trane? Anything you can share with us how large is your heat pump business and what is it growing at? And how is your technology differentiated?

Answer – David S. Regnery: Yeah. Our technology is different and I'll start with that because that's the easier of your questions, but it really starts with the fact that we think about it at a system level, right. It's not just about a heat pump. And I think everyone, just a heat pump in general, when you're cooling a space, what you're doing is you're really removing heat from it. And what are you doing with that heat, you typically exhaust it out into the atmosphere. Well, in a heat pump in reverse, you take the heat from the outside in the wintertime and you bring it inside, okay? That's the theory behind a heat pump.

What we've been able to do is really create a system out of that. So it has a lot to do with how your compressors work, how your fans work, how you integrate different components within that system that will allow these heat pumps to operate in very extreme conditions. So in the past, it used to be thought that a heat pump technology is really good in mild climates and extreme climates up north or they tend to not be very good because they can't generate enough heat.

Well, we figured out how to do that, and that's the system here that I won't get into too much detail on that we've been able to create that makes these processes so much more efficient than what was being used in the past. And that gives you the opportunity to eliminate fossil fuels that exist in buildings. There's no reason in the world to have fossil fuel today in a new building. You don't need it. Heat pumps are more efficient, and they're significantly better for the environment.

Question – Andrew Obin: And would you care to size the business?

Answer – David S. Regnery: Size of the business, so I think we said \$1 billion a couple of years ago. I don't know why it's not 100% of the business. I mean think about it, with the technologies advancing, everyone understands the capability. We sized Europe at \$1 billion. That was probably about three years ago. That number's a moving target. Think about the opportunities on a global basis for decarbonization. This is where I get back to, we need to – as a world, okay, we need to scale technologies that exist today, and these technologies exist today that could dramatically reduce the carbon footprint of the world.

Answer – Christopher J. Kuehn: I think that's a good example, Dave, of a acquisition we did five years ago in Thermocold and electrification of heating, and that return, taking our early stage technology, partnering up with a deep channel in Europe and ultimately bringing that technology over to the Americas, too. We've seen returns in the 80% to 90% range of cash flow returns on invested capital. So, again, that marrying of early technology to deep channel, we would keep doing that every day of the week.

Question – Andrew Obin: And then just to go back to Europe, so it's fair to take this and grow it at double digits for a couple of years. And that's where we are right now. Is that a fair frame?

Answer – David S. Regnery: For the heat pump solution is absolutely right. There's a question right here. Sorry don't mean to do your job.

Question – Andrew Obin: Yeah, of course.

Unidentified speaker

Question – Unidentified speaker:

Answer – David S. Regnery: Yeah, I think it's a fair question. I believe it's really not...

Analyst: Andrew Obin

Question – Andrew Obin: Let me just repeat it because it's other than supply chain constraints what is slowing heat pump adoptions.

Answer – David S. Regnery: Yeah. I think it's knowledge, okay, being able to explain that technology exists today and the impact of that impact and it's accelerating. I mean, look, I mean the European Commissioner was talking about it. I sit on the World Economic Forum. It's all the talk about it's supply and demand, how do you reduce demand, the dependence on natural gas from areas of the world that maybe we could change. There are solutions that exist today that can do that. And it's becoming mainstream very, very fast.

And we were – I'll tell a funny story here, but I was with a customer in Italy and it was a hospital and we did a solution with them. And I was talking to the CEO of the hospital and I was on a call and they were talking. And the individual that runs our business in Europe is Jose La Loggia, and the hospital leader said, hey, Jose, our employees really like the impact on their cars. And I'm thinking to myself, what the heck's he talking about impact on the cars? I mean, I'd know if we were doing something with chargers or something, and then what we did was, in that particular instance, we replaced the boiler that was so old that it was exhausting soot into the atmosphere, and it was settling on the employees' cars in the parking lot.

So just imagine what the employees were breathing in, and here you put it in a system that eliminates this fossil fuel, that is so much cleaner for the environment, and it's so much more efficient. So it's a great question: Why

doesn't everyone have one? I wish I knew the answer to that, but I'm trying like really hard to make sure that everyone understands the power of these systems and how we can scale them today on a global basis and have a dramatic reduction of carbon across the globe.

Question – Andrew Obin: So maybe we can talk about VRF, sort of another interesting area, very energy efficient. So many US OEMs have partnered with Asian manufacturers to capture the VRF market. Could you talk about your partnership with Mitsubishi, how the strategy and partnership has evolved? What is your own VRF work because I know that it's more complex than that? Where are you internally? And what is the market opportunity in the US since we are still fairly underpenetrated there?

Answer – David S. Regnery: Yeah, I'll start and I'll let Chris talk a little bit about the financials. But our partnership with Mitsubishi, which is a JV, which is three years? Four years? Four -

Answer – Christopher J. Kuehn: Four years.

Answer – David S. Regnery: Four years now, I guess. Extremely, extremely successful. It's a win for both companies. You take great product, you take great channel, and you take engineering teams that like to invent for the future. As we would say in the States, it's a home run. Okay? It really hits the mark with our customers and we go out with a dual-branded product, it's Trane-Mitsubishi and we're having great success in that space. And it's part of our portfolio, too.

Again, back to what makes Trane Technologies a great company, our portfolio is so broad that when we sit with a customer and we help them with solutions, that's just part of our portfolio. In many cases, VRF is the right solution. We can help them with that and we have leading technologies. In other cases, it may not be the right technologies. We have other products that could serve that. Again, back to that, what makes – a system of things make great companies. If you want to talk a little bit about the financials.

Answer – Christopher J. Kuehn: Yeah, I would just say, Andrew, 50/50 JV. We pick up the equity income from that venture and that's reported in our Americas segment. What I would say is it's well ahead of the business case that was set forward in the plan, years ahead of the business case. So we think it's a great partnership, continued growth in the Americas

and for covering the whole region in the Americas. So let's see how we continue to expand it.

Question – Andrew Obin: And what is the penetration in the US now size that at, VRF as a percent of total market?

Answer – Christopher J. Kuehn: I don't have the exact figure on that.

Answer – Christopher J. Kuehn: But it's growing.

Answer – David S. Regnery: Growth has been substantial.

Question – Andrew Obin: So, it's still growing, outgrowing the...

Answer – David S. Regnery: I mean we used to talk about this growing at like it was in the 20s... That's come down, but it's still growing. It's still a nice product. It's very, very efficient, again back to sustainability. This is a system that's simultaneously heating and cooling. So as soon as you pull something, you created heat. This system is smart enough to reuse that heat somewhere else in the building, whether it be for a room that requires heat, one requires cool, which, believe it or not, in a building like this that happens all the time. This system is smart enough to be able to make those connections and distribute the right temperature of water or refrigerant in this case to the right area.

Question – Andrew Obin: And the VRF IP, does all of it really reside in the JV, or do you have sort of VRF IP that...?

Answer – David S. Regnery: We have some of our own IP. There's certainly a lot that's in the JV, and that's when you start talking about hybrid systems, all right. Again, because of our portfolio of products, you can create hybrid systems for our customer. So they may have what we call terminal devices, which would be think of a unit in a building like this. You don't want to get rid of that. Think of it as a school because that's where you typically get them. There's a way to reuse that with a VRF system and create a hybrid system.

Question – Andrew Obin: And I know this next question probably requires sort of a special issue crystal ball, which I'm sure Trane has. But how should we think about the impact sort of recent events in Ukraine,

potentially sort of percolating through supply chain and sort of creating additional inflationary pressures.

And then, of course, I think in the past 48 hours, we have news out of China in terms of sort of COVID cases down south, which is the heart of the electronics industry. So what's the latest that you guys are hearing? I obviously wouldn't expect you to quantify anything. But what are you hearing and how do we think about sort of this creating potential risk for a supply chain recovery in the second half and how much margin of safety do you guys have?

Answer – David S. Regnery: Yeah. I'll start with the Ukraine. Obviously our hearts and prayers go out to all the people of the Ukraine and our humanitarian support go out to them as well. It's a very tragic situation. And let's hope that – on a global basis, let's hope that that gets – cool heads prevail and that gets resolved there in the short term.

From a business perspective, our revenue in that region, Russia area is less than 1% of our total revenue. From a supply chain standpoint, we don't have any what we call Tier 1 suppliers in that region. We are assessing the impact of Tier 2 and Tier 3 and that would be someone who would supply to someone who would supply to us. And I'm sure there'll be a knock-on effect there.

As far as China and COVID, yes, there have been outbreaks in China. I mean, I was on the phone yesterday with our team in Asia, and in China specifically, but they're managing it the way they've decided to manage it. I think they're getting a little bit more, I would say, liberal as to how they're managing it. They're not shutting down particular buildings and locking people in there. There tend to be more cities where you could still move around in that city. But yeah, they're having a lot of cases and we'll see how that plays out. Chris, I don't know if you want to add anything.

Answer – Christopher J. Kuehn: I would say that from a sizing perspective for Asia, that segment's less than 10% of our revenue, call it 8%, 9%. And then, of the segment, half of that is China, half of that is rest of Asia. So China's probably in that 4% range.

Question – Andrew Obin: Got you. No, so that's a fair question. So maybe we can talk about pricing, and I think, boy, pricing has been a very, very exciting aspect of HVAC industry, so clearly very strong pricing power

through 2021. So how has price/cost been trending and where do you expect price/cost to turn positive? And maybe you can talk about, discuss pricing power deferred across products. And also how should we think – specifically, we've been getting a lot of questions from investors about the existing sort of large projects in the backlog, specifically on the applied side. So how much can you really tweak pricing answers, so go back to the customers and renegotiate there?

Answer – Christopher J. Kuehn: Yeah, why don't I start and then Dave can jump in. So pricing is actually one of the areas where I'm most proud of with respect to the business operating system, Andrew. When we go back four years ago, five years ago with the last inflationary cycle, we saw with tariffs and really not a demand-driven inflation but for other reasons. It took us about five or six quarters to catch up on price/cost. We were price/cost negative, trying to catch up in that inflationary environment. So we continue to hone that business operating system and really now over the last 14 months, we've had four price increases for the most part for most of our products. And what it led in 2021 was for us to remain price/cost positive slightly on the full year.

So what happens now going into 2022, because you're asking about the first half of the year? Yes, we're lapping against very strong price in the first half of 2022. But, of course, a year ago, we had very moderate inflation. So that's really the dynamics we see in the first half of the year. We called out the first quarter, probably in the \$30 million to \$40 million range negative price/cost just based on those year-over-year dynamics. But we do see the second half of the year, from our earnings call that we had back at the end of January, where that price just continues to be strong and then inflation moderates on a comp basis in the second half of the year.

In terms of backlog, second part of your question, we've had a resilient backlog. We think about those longer term applied contracts. Those contracts generally have a price escalation clause in there. So it allows us to ultimately adjust price over time. In residential, we think about that space where they've also had four price increases over 14 months. Well, we've actually implemented a process where we've repriced the backlog and that happened in the third quarter of last year and we just saw the inflation continue to rise beyond what those orders came in. So we've got the capability to do that and we would exercise that.

And then last just back to the Thermo King portfolio, we've been very diligent when we open up the order book. And so just making sure we're not opening up the order book for the whole year where we're exposed, we don't have a full sense of what the cost is going to be, we've really just made sure we open that up ratably over the year to make sure we have visibility on the cost. And then, of course, we're hedging our costs as well across copper, aluminum and a six-month look on steel as well where we lock in prices. We just continue to execute through that in the business operating system.

Question – Andrew Obin: Dave, Chris, well, we are in all zero.

Answer – David S. Regnery: All zeros. All zeros.

Andrew Obin: This is very impressive. Thanks so much. Thank you for being here.

David S. Regnery:

Thanks, everyone, for your interest in Trane Technologies. It's a great company, and I'll tell you what, we have such a bright future and just think about decarbonization and what has to happen, thinks about electrification of our transport business, electrification within our heat pump systems. And we need to all spread the word as to the technologies that exist today that can dramatically reduce the carbon footprint of tomorrow. So thanks, everyone.

Thank you.