Trane Technologies at Goldman Sachs Industrials & Materials Conference

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COMPANY PARTICIPANTS

Dave Regnery – Trane Technologies, Chairman and CEO

Christopher J. Kuehn - Trane Technologies, Executive Vice President & CFO

OTHER PARTICIPANTS

Joe Ritchie - Analyst

MANAGEMENT DISCUSSION SECTION

Joe Ritchie

All right. Okay, great. Moving on to the next fireside chat. We're really excited to have Trane Technologies here with us today, both the Chairman and CEO, Dave Regnery, as well as Chris Kuehn, Chief Financial Officer.

Guys, great to see you in person. So, thank you for coming.

QUESTION AND ANSWER SECTION

Question – Joe Ritchie: So China, I know it's only like 4% to 5% of sales for you guys. But they are supposed to be roughly an $80 million to $100 million revenue impact. I know it's only been a week since earnings, but maybe just provide an update. I know things are very fluid there, so…

Answer – Dave Regnery: Yeah, sure. No problem. It's – it is very fluid there. It has only been a week. Things are progressing as we anticipated on our first quarter call. We think about $80 million to $100 million will move out of the second quarter, but we'll make that up in the back half of the year.

And I've been asked before, well, what gives you confidence that you can make it up in the back half of the year? And it really is – our team, first of all, China as a country has been very resilient. Our team has been very resilient and they're leveraging our operating system, which enables them to execute very well. And there's a lot of weekends between now and the end of the year. So we have confidence we'll make it up in the back half of the year.

The good news is demand continues to be strong from an incoming order rate in Asia, so in China as well and the rest of Asia as well. So that's good news.

Question – Joe Ritchie: All right. Great. Supply chain, obviously super top of mind across the HVAC space. It's interesting last week one of your competitors had some issues with their field business but also in getting some components. Just curious if you can maybe just describe how your business maybe differs from some of your peers in terms of the issues that you're experiencing? And specifically, what do you – what where you feeling the most acute pressure up from a supply chain standpoint? Yeah.

Answer – Dave Regnery: Yeah. I mean, if you think about supply, obviously, and I know everyone has probably heard this before but it's really on electronics chips, electronic components. That's where the constraint is. And if you think about our products, if you look at it from a residential product all the way up to a thermal management system in our applied business. The more complicated the product, the more intelligence is built into the product so the more constrained our applied businesses versus our residential business.

What we've done is we've worked very closely with our suppliers, okay. And you think about the electronics business, specifically chips. This is an industry that was being they have very strong distribution networks and brokers and that's how we were procuring this product in the past. We realized that we needed to kind of swim upstream and get to the chip manufacturers and explain to them the importance of Trane Technologies and why they want to be diverse in their customer base.

And we've done that and they understand our requirements. We understand their commitments to us. And it gives us confidence by saying that the supply chain constraints will alleviate themselves in the back half of the year. I'd also tell you that we're also doing a lot of what we call self-help redesigns to build in additional redundancy within the system.

Question – Joe Ritchie: And when you think about your business and where it impacts are businesses, it mostly on the businesses mostly on the applied side? And then also kind of talk a little bit about installation. Do you outsource most of your installation as well?

Answer – Dave Regnery: Yeah, It impacts all of our business. It tends to be weighted towards more of the applied business, which are more intelligent. If that makes sense.

Question – Joe Ritchie: Sure.

Answer – Dave Regnery: Okay. As far as install, you're talking about on our applied side or...

Question – Joe Ritchie: Yeah, yeah.

Question – Joe Ritchie: If you sell the system, you're typically either partnering with – I think you're outsourcing most of it and you're partnering with somebody to install the system as opposed to...

Answer – Dave Regnery: Yeah. We don't do a lot of the install of a piece of equipment, thinking about an applied system. That work is performed by a mechanical contractor. We'll sell to them. We do often commission the product and we do that for a different reason, but we want to make sure that it's running the way it was designed. And we'll do a lot of testing with our end customers to ensure that it's properly installed and properly function.

Question – Joe Ritchie: Sure.

Answer – Dave Regnery: And we'll also stay tethered to that piece of equipment, especially on the applied side. Most of the time, electronically.

Question – Joe Ritchie: Yeah. That makes sense. And so embedded in your guide is improving supply chain. So maybe looking at you, Chris...

Answer – Christopher J. Kuehn: Sure.

Question – Joe Ritchie: In terms of like what do you expect from a product redesign perspective and how that should help you in the second half of the year?

Answer – Christopher J. Kuehn: Yeah, we see that coming online in the second half. I mean, supply chain still remains choppy to be fair here in the second quarter, and we'll see how that plays out in the second half. To Dave's earlier point though, one of the reasons why we over-delivered in the first quarter versus what we thought is we were able to be very successful in the spot markets to pull in some additional supply around chips and electronics.

We expedited additional freight to get those products into our factories and then ultimately get product out to customers. And so, it's coming in a little bit higher cost. We think that's the right answer for the end customer as well. So we can deliver for them. Second half of the year, it really is tied into those conversations that Dave talked to conversations that Dave talked to with the vendors and ultimately to the supply chain. And then just the timing of those redesigns that come on in the second half giving us optionality to really look at multiple chips or multiple boards with which to use for our products just gives us that confidence because we've been working on this for several months. I mean, we really called this out going back to the middle of 2021, really in that August timeframe at the end of the second quarter for us where we started seeing those supply chain constraints. And so we've been working on that ever since.

Question – Joe Ritchie: Got it. That's helpful. I think – and so it sounds like you have some reasonable visibility then on your chip supply and what you expect to deliver in the second half.

Answer – Dave Regnery: Yeah. As I said, our suppliers understand what our commitments are. They've told us what they're going to commit to us and we're matching those two up. Now – and just to be – this is pretty dynamic still in the market...

Answer – Dave Regnery: ...especially on the supply chain. So we've had decommits before, but right now we're seeing the back half improving.

Question – Joe Ritchie: Helpful. And then one last comment on this, just around like your use of brokers, it – how significant of – is that impacting either your margins or what proportion of you outsourcing or using brokers to meet your supply?

Answer – Christopher J. Kuehn: Yeah. Why don't I start? First quarter, we were able to get to a point of price cost flattish. So we had actually called out a negative price cost in Q1 in the guide and we did better than that. I describe it as we had stronger price realization. We also saw higher inflation in the quarter. So that's actually encapsulated already in that higher cost to serve from an inbound freight perspective, from a higher cost through broker buys, that's actually in that price cost flattish number for the quarter, so giving us some confidence that we can be price cost flattish to slightly positive on a full-year basis on a dollar basis for the year.

But it's got – just some price cost alone, it's got a headwind on margins here in the short run, just given the math on having much higher revenue without any operating income that comes just given the math on having much higher revenue without any operating income that comes with it. That's the headwind we see on margins.

Question – Joe Ritchie: It's a good segue because I wanted to talk about price cost next. So you did start the year better than expected, right? How are the conversations going with your customers, with distributors, in terms of being able to push through the price cost that you actually – the price you need to meet price cost positive for the rest of the year?

Answer – Christopher J. Kuehn: Yeah. Why don't I start and Dave can jump in, too? What I would tell you is we know it's not an easy conversation with customers, right? We're on the second round of price increases here in 2022. We had three rounds, roughly, of price increases last year. So these are constant conversations with customers.

What we're really trying to do right now, Joe, is really take that persistent inflation and just try to offset it with price. We're not trying to get a margin on top of it. And I think when customers see us spending a little bit more money on the broker markets or spending more money on freight, they know that we're putting that cost to good use to try to get more product in their hands faster.

So I don't think it's an easy conversation. I think, Dave, you can certainly talk about the innovation part of the conversation maybe easier. But it's actually one of the best parts of, I think, about our business operating system and how it's grown over the last 10 years, especially the last 5 years in the last kind of, let's call it, commodity spike where we were behind price cost for about six quarters in a row. This time, we got ahead of inflation a year ago in the first quarter of 2021, able to price earlier in the process, and ultimately remain positive through there. But I don't think those are easy conversations.

Answer – Dave Regnery: No, I – the only thing I would add is I don't think we're the only ones going to our customers and telling them, the price is up, okay? So it's not – it's a conversation that they've probably heard before. And as Chris said, the conversation becomes a bit easier when you could talk about what you have that's going to be new, that's going to be more efficient, that's going to help them with their decarbonization effort and the value that Trane Technologies can bring. So we haven't stopped investing in our

company. Okay? Investments and innovation is a big part of who we are as Trane Technologies and expect more of that in the future.

Question – Joe Ritchie: At some point, and I know the conversations aren't easy. At some point, do you expect your customers to push back? And then ultimately, I know you ran into Lalo earlier today. How does that flow into your own suppliers?

Answer – Dave Regnery: Yeah, I mean – well, first of all, obviously, I'm sure that everyone is aware of what's happening with inflation right now, and they're aware of the fact that it's Chris, we're not going to try to gouge our customers, we're just trying to match it right now. And we'll see where that goes. We haven't seen any demand destruction.

I think you could see that by our incoming order rates. I mean, last year, our incoming order rates were up around 30% every quarter. And in the first quarter of this year, our incoming order rates were up 6%. Our revenue growth in the first quarter was 12%. We grew backlog in the first quarter. By $800 million, our book-to-bill was 130%. So demand for our innovative products and services is growing and we're able to – and Chris said we're able to be neutral on the price cost equation as far as Lal, Lal was a great leader and we do a lot of work with Emerson. And I'll leave it at that.

Question – Joe Ritchie: Okay. I'm going to get to the orders in the second. I want to finish that, the kind of price cost incremental margin discussion.

Answer – Dave Regnery: Yeah.

Question – Joe Ritchie: Because there is a, there is a step up in incremental margins there, that's baked into your guide right? In the second half of the year, call it, 30-plus percent or so. I'm just – I'm curious, like when you think about that step up, how much of, how much of it is just a function of – last year you had a lot of cost headwinds, you're putting through a bunch of pricing. And so mathematically if you should see better drop there through or is there more to it to try to understand like the big jump from first half to second half?

Answer – Christopher J. Kuehn: Joe, I think there's at least kind of three buckets as I think through it. One is, you do comp against more moderate inflation, although it is more inflationary in the second half of 2022 than we thought even 100 days ago, we're still comping against a bit more moderate inflation versus a year ago in the second half. Again, the second round of

price increases this year, we can understand where that's going to flow through for the balance of the year. So that gives us some confidence. So that's going to help us be price cost positive on a dollar basis on a full year. That would be one area.

Number two, when I think about even the first quarter, when we got five points of volume, that came with really strong incrementals, call it 30%-ish incrementals. And that's the step up in the second half of the year where we really see some more volume coming through versus second quarter. We guided on largely a price growth on a year-over-year basis, but we see that volume coming through in the second half and that's coming through with strong incrementals.

And the third bucket I think about is really around productivity in the factories, right? When you've got those inconsistencies and Dave talked a bit about sometimes decommits or we're having to expedite freight in, it doesn't show up in the exact day you think. Those are inefficiencies that are in the plants. And as we start seeing more of that supply chain come online a little bit more, let's say, fluid, it gives us some confidence that those inefficiencies won't necessarily be realized at the same level we had in the first half. So it is a combination of things that give us that confidence that the second half incrementals should be stronger, certainly in the first half.

Question – Joe Ritchie: Okay, great. Let's get back to the orders. I thought it was interesting how you guys discussed orders and backlog this quarter. You're right. Your orders were outpaced revenues significantly. I mean, it looked back actually 2021 and you had a very similar dynamic. I think your bookings outpaced your revenue by about $2.7 billion, right? How does that then set you up for? I know it's too early to start talking about 2023, but like – the reality is like it seems to me like you have more visibility today in your growth algorithm based on what you have in your back.

Answer – Dave Regnery: Yeah, I mean, we have a record backlog, okay, $6.2 billion. It's counterintuitive. If you just look at rates, you might get the wrong example because orders are so much higher than what we're able to ship out. And that's what happened in the first quarter, right? We had 12% revenue growth. We only had 6% order growth. So intuitively, you would say, wow, your backlog went down. It went up $800 million because we're coming off a very high compare from the prior year.

If you look at where would we be in 2023, think of a backlog that's around the $6 billion level, okay, which is not that dissimilar to where we are right now,

which is about two times normal backlog. So we are – we're well positioned for 2022 and beyond with a very, very strong backlog and demand for our products and services that is very, very strong right now.

Answer – Christopher J. Kuehn: Yeah. One way, Joe, to think about it is let's just assume bookings in 2022 were flat to 2021. That's the $16.8 billion of bookings we generated last year based on our roughly 10% revenue guide in terms of growth, put your revenue around $15.5 billion just holding bookings flat on a year-over-year basis. And yet to this point, we're up 6% in Q1. We tell you we're going to grow the backlog over $1 billion and we ended at $5.4 billion at the end of December of this past year. So it's telling us we're going to be $6.5-ish billion plus under that kind of model. So we think it's going to be a strong view going into next year.

Question – Joe Ritchie: So that's helpful. Thank you. But there's a lot of consternation in the market right now on resi HVAC. I'd love to get your views on how best you think the cycle plays out over the next two to three years.

Answer – Dave Regnery: Yeah. I mean, again, I'll start with how I usually start when I talk about residential. It is about 20% of our business. We have lots of models that we're work – we work through and the very sophisticated modeling. We do not see the resi business dropping off a cliff. If it did drop off a cliff and fell 20%, again, it's only 20% of our business. So it's a relatively small impact for the enterprise that in total. And if you think about the demand that we're seeing in our commercial businesses, whether it be on our commercial Trane business or our Thermal King business, and the growth opportunities we see there with decarbonization and the momentum that's happening around the globe on decarbonization, we're in a good position.

Question – Joe Ritchie: Yeah. I definitely want to talk about those trends in a minute. Just sticking with resi HVAC, there's also a zero change that's coming. Typically there's – sometime – sometimes there's some disruption associated with zero change. How do you see this one playing out?

Answer – Dave Regnery: Yeah, we don't we don't see a big pre-buy just because of the way that zero change is being implemented. Where in the south you have – if it's an AC unit, it's an installed date, not a manufacturing date. So it will lessen that pre-buy. It's going to be more like a phase in, phase out of inventory, which, by the way, we're really good at with all the innovation we have. So we're going to help our IWD, independent wholesale distributors work through that. As far as the heat pump market, that's a manufacturing

date, in the north is a manufacturing date, but we don't see a very large pre-buy. If that's where your question is heading.

Question – Joe Ritchie: Yeah, that's exactly where I started that. And then I was thinking also and you threw out a 20% number for – in annuity you just throughout the number in case like resi HVAC demand actually fell by 20%. I'm actually curious, historically, have you recognized like good pricing discipline even in downturns or does it typically – does your pricing discipline also wane? If we were to go and...

Answer – Dave Regnery: I'll just say that I think in the HVAC industries, pricing is pretty sticky and leave it at that.

Question – Joe Ritchie: Okay. Let's turn the conversation over to commercial HVAC. Really strong bookings this quarter, both in light commercial and applied. Talk about some of the end markets that are driving the bookings that you booked this quarter?

Answer – Dave Regnery: Every one of them. I looked across the verticals, it's really strong in all of our verticals. And you think about data centers, warehousing, education, health care. I mean, we saw some nice growth in office as well. So it was really strong and it was broad based. So that's encouraging.

Question – Joe Ritchie: The education vertical, and we've been talking about it now for a little over a year, how we're going to start to see some of the stimulus funding come through. How much was your education vertical up despite the...

Answer – Dave Regnery: Yeah. I don't have the exact percentage, but in total, our incoming order rates for applied, which tends to be weighted towards the education vertical, our incoming order rates were up 50%. So it was strong. Yeah, we're starting to see the funding happening, but I think one of the things that we did maybe different than some others when we started the whole venture with indoor air quality, and by the way, we've been in indoor air quality for forever, okay, decades. It was typically on the health care vertical, but when we started bringing indoor air quality audits to education, we took a very system view at this. So we worked with our customers and we really helped them say – let's make your school as safe as possible today with your existing assets that are in that school. And let's develop a roadmap for the long term. What's now happening with the stimulus funding is those roadmaps are happening and they already have the blueprint on how to make their

building more efficient and safer. And that's the key efficiency and safety and that's what we're able to do by taking a system view on it.

Question – Joe Ritchie: Yeah. And so I think originally when we talked about stimulus funding it was kind of like over a three- year period. Has that elongated based on the discussions you're having? And to your point on the audits, I guess, how much are you helping to educate the folks that are making those decisions for the schools to use the money for capital outlays as opposed to other things?

Answer – Dave Regnery: That's a great question, Joe, because obviously the funds that are available, they could be spent in a lot of different areas. And indoor air quality is one of those areas. These roadmaps, it becomes very compelling when you sit down with your school board and it's a very professionally prepared roadmap on how to improve your indoor air quality with capital infusions over a time. And by the way, take into account the energy efficiency of the building. So we really armed superintendents with a great tool for them to bring to their school boards to get approved.

And we were in Kentucky, it shouldn't be that specific. But we were in Kentucky, we were talking to a school board and they played that back to me, okay. And as a CEO, it's one thing what your teams may be telling you, but when you go and sit with a customer and they tell you that story about -hey, you guys came in, you took a system view at it. You looked across all of our schools in a particular area, and you came up with the road map as to how to become more healthier and efficient over time.

Question – Joe Ritchie: I'll ask one more question and then see if the audience wants to ask a question as well. Talk about your service business and the traction. You're smiling. You're happy over the 15% growth.

Answer – Dave Regnery: I'm always happy with our service business. It's one of those areas that I don't talk a lot about because I don't necessarily want to create a road map for everyone else to grow a great service business. Our service business – I had the team pull the numbers the other day. A compound annual growth rate over the last five years, last five years, which included a pandemic year, our compound annual growth rate for commercial HVAC services on a global basis was up high-single digits, high-single digits.

This is a business that we continuously invest in, whether it be on training our technicians or giving them tools so they can operate more efficiently with the

customer. It's a great business. It's – I always say Trane Technologies is a system of things that makes us a great company, and our service business is a big part of that system of things.

Question – Joe Ritchie: And the obvious follow-on there is how much is digital impacting that business, or is it still early stages?

Answer – Dave Regnery: No, it obviously impacts it. I mean, I think the pandemic accelerated that a bit with the amount of connected assets. But it's digital. Maybe one is being connected to the assets. One is going to the customer and understanding what the problem is and being able to fix it the first time, always being continuously commissioning a building so it never gets out of tolerance. Those are all part of it.

But it's also some of the tools that we enable for our technicians are very digital-based. So much like if you take your car to a service location, the mechanic, if you've got any of these e-mails, the mechanic will say, hey, here's a video of your car, and this is the work I've done with it and this is what you need to fix it. We're ahead of that in the HVAC space.

Answer – Christopher J. Kuehn: And Joe over the last 10 years, we've increased that mix of service by 10 points when you think about where we were at the start of, let's say, 2010, 2009 service makes up ten points here across that portfolio.

Question – Joe Ritchie: Yeah. I would imagine that. It was pretty margin accretive for you guys as well.

Answer – Christopher J. Kuehn: We're happy with the margins.

Answer – Dave Regnery: We're like – our service business is a great part of Trane technologies.

Question – Joe Ritchie: I'm going to go with the audience to see if there's any questions from the audience.

Question – Joe Ritchie: All right. Keep going. We've had a bashful audience so far throughout the conference, so no surprises.

Answer – Dave Regnery: It's just being face to face. Usually, we're not used to this way.

Question – Joe Ritchie: The – Chris, I want to turn to you. You got a big, big cost out program in place, right? Just talk us through the fixed cost outs, so now you've got an IT repositioning program. Where are we and how much should we expect to come through this year?

Answer – Christopher J. Kuehn: Yeah, just to ground everyone again, we launched that program really second half of 2019. It was in anticipation of launching Trane Technologies as the new company. And ultimately, Dave, Mike, and a number of others kind of came together and we kind of looked at the company and said, how are we going to structure this for the future and how do we want to organize the company more regionally focused, put more decision making power back into the regions, keep what central that makes sense. But let's also make sure that we understand our customer is regionally located and make sure we're making those decisions very – closer than we were before.

So that came up with a $300 million transformation program to ultimately take cost out of $300 million through 2023. We're well on track with that. This year, in 2022, we have a $50 million incremental. And what that does, Joe, is that I – by the end of 2022, it will be $240 million of the $300 million will have been secured. So that's $50 million incremental this year. But what it does, it just allows us to take that money and either one put it back into the business and reinvest and keep driving that market outgrowth that we have. The innovation and the products that we have ultimately we believe is successful. And we're seeing a lot of market outgrowth and ultimately share gains. And so reinvest that back in the portfolio. At the same time, it can also help secure our margins and our incrementals. And we think about our long term focus is if we get 30% incrementals in the businesses, let's say 5 points for investment, which then secures 25% plus or better incrementals on an annual basis over the long term. So we like that approach. We're well on the progress.

You mentioned IT as an example. It's actually a really good example in the company of really understanding where are you spending your money today may not be what you need. You may have needed it five years ago or seven years ago. One of the areas we use as an example is application rationalization, and you generally only add applications over time. But if you're not using them, let's go ahead and scale them back. Let's shut them down or shut them off, and ultimately let's redeploy those dollars to someplace else. So it is a litany of things we've got in the organization, every function being impacted by it. Finance would also be an area that we looked at as well, thinking about where we wanted certain work to be performed and tying into some of our lower cost locations in the world that we have already great

resources at. So it really is a combination of things together and really on a good path there.

Question – Joe Ritchie: Makes sense. Think your plan for this year at around $2.5 billion or so in capital deployment, obviously either for inorganic growth or share buyback. Share buyback is actually at almost, I think, $2 billion, if I if I recall correctly of the $2.5 billion. So what do you – maybe the first question for you, Dave, as you think about like who Trane becomes over the long term. You have all the assets that you need. Are there parts of your portfolio where you think their potential gaps where you'd be looking to do some more M&A? Just any thoughts around that would be helpful.

Answer – Dave Regnery: We have a very active. Just to clarify the $2.5 billion we're going to toggle between paying – we got invest in our business, okay? That's our first priority. We're going to always pay a competitive growing dividend and then we'll toggle the delta between M&A and share buyback. As far as M&A goes, we have an active pipeline and we're going to be disciplined. But as you said, we're kind of in a unique position where we don't really need to do anything, right? We have great products, we have great services, we have great channels on a global basis but we're always opportunistically looking. We like being a pure play, so just keep that in the back of your mind.

Answer – Christopher J. Kuehn: Joe, let me add if I could. So to Dave's point of that $2.5 billion, you know, think of $600 million of that for the dividend and $1.9 billion for that M&A and share repurchase bucket. We've deployed about $500 million of that so far this year through, you know, M&A and share repurchase. So we've got a fair amount of firepower left in the year. And the best part about the balance sheet is that it's such a strong balance sheet, we can really do both. We're not limited or constrained in having just to do one area of M&A but not share repurchase or share repurchase of that M&A.

We have a lot of capacity and capability there to do both. And ultimately, we'll look at that quarter by quarter as we move throughout the year but the board's confidence in terms and stock valuation. We've got about $4 billion of share repurchase authorization still left to execute at the end of the first quarter. So we see a lot of value in the shares and we're going to deploy the cash.

Question – Joe Ritchie: Makes sense. I want to turn to Europe for a second because they are a commercially tracked business, I think put up like mid-teens or low teens orders in the first quarter. It doesn't seem like the geopolitical background is really impacting your business. Any thoughts ?.

Answer – Dave Regnery: I think it's all about innovation. It's all about being able to help – have solutions that help our customers decarbonize their built environment. In Europe, we – we're probably on our fifth generation of what we call thermal management systems, where you're basically taking a boiler and a chiller and combining it into a system that is significantly more efficient than the prior solution. And that's allowing our customers to really have higher efficiency products, elimination, in many cases, of fossil fuel within their buildings. And it's really just hitting the mark with our customers. So I could not be happier with our team there and the innovation that they're driving. And they continue to invest to make it even better.

In the past, you used to talk about – we didn't talk about thermal management systems, right? We would talk about heat pumps. And right away, in everyone's mind, they'd say a heat pump tends to be restricted by the climate, meaning in very cold climates heat pumps aren't very efficient. A thermal management system, you put different elements into that system, they're efficient everywhere in the world. So climate is not limiting us and the solutions for our customers, it's just – it's incredible. The amount of groundswell momentum that's happening around sustainability and decarbonization is only growing stronger. It's only growing stronger. And, unfortunately, the pace of global warming continues to increase.

So we need to act now if we're going to really bend the curve on global warming. And these are technologies that exist today. I was in a meeting yesterday in London, and it was 150 CEOs around the world and it was, hey, how do we create demand for new solutions, like, carbon capture which is great. But then there's this other side, which is how do we deploy technologies that exist today that can dramatically reduce the carbon footprint? And that's where Trane Technologies shines.

We have these technologies today. It's about deploying them into the markets. And we're seeing a lot of momentum there.

Question – Joe Ritchie: Did you run to George there?

Answer – Dave Regnery: I did, yeah. George and I were in the same meeting.

Question – Joe Ritchie: He was pretty pumped up about it as well.

Answer – Dave Regnery: Yeah, it was so exciting just to see the passion around the room. So it's – it was just unbelievable. I mean, His Royal

Highness, host, Prince Charles, he's very passionate about it. But just the 150 CEOs about understanding what's possible today and how the private sector can really accelerate the momentum behind decarbonization. This isn't going away and it's getting stronger every day.

Question – Joe Ritchie: We have a question from the audience.

Question – Audience: Yes. Just a follow-on on that topic, so on the private market, can you talk about like given what you just said, like what incremental growth over the next five years would you expect to see in your private commercial business because of this decarb trend? Is there any way to quantify it or is that more years like 5 through 10?

And are the drivers like I know some of the large public companies have made statements about how they want to improve like HVAC efficiency as part of like their move towards net zero goals. Is that the driver that corporate leadership is committing to goals or what are the drivers and how does the growth rate change for the next?

Answer – Dave Regnery: Yeah, I think it's a great question. You have several enterprises like ourselves obviously that have climate of commitments, and I think that many CEOs are realizing that the easiest part about their sustainability commitment is the PowerPoint they created to talk about it. The roadmap to be able to achieve that is where a company like Trane Technologies steps in and helps them with that roadmap. And we're working with a large retailer here in the US and that's exactly what we did.

We laid out the roadmap, much like we did in IAQ in the education vertical. We did this – we're doing the same thing with decarbonization. As far as the size, it's difficult to size, but think about 400 billion square feet of commercial real estate on a global basis. The opportunity is extremely rich and it gives us confidence when we say our Trane commercial business is a multiple GDP from a growth standpoint. This is one of the tailwinds that's behind that statement.

So it's a very large opportunity. It was – I'm sure George said the same, but it was just so exciting to just see the passion and commitment around it. I think John Kerry summed up the meeting best. He said, I wish the rest of the world could have been here to see this meeting today. And the passion that exists from 150 CEOs of some of the largest companies in the world, solving a problem to make sure that the next generations that live here, live in a world that's better than today. So it was a very exciting.

Question – Joe Ritchie: I think we can probably end on that note unless you want to finish with something else.

Answer – Dave Regnery: I'm okay. Thanks everyone, for your time. I really appreciate it. I mean, the momentum around decarbonization is only increasing and we certainly appreciate your interest in Trane Technologies, great company and we're going to do great things to make this world a better place for tomorrow. So thanks for your time, everyone.

Thanks, Joe.

Great to see you guys.