Trane Technologies
J.P. Morgan Industrials Conference
March 11, 2025 / 10:30 AM ET

Stephen Tusa: Moving along here with the guys from Trane Technologies, CFO Chris Kuehn as well as CEO Dave Regnery. Dave, as usual, we'll let you kick it off with a few opening comments. Then, you know how much I love HVAC, so we'll get right into the weeds from there.

Dave Regnery: All right. Great. Hey. Thanks everyone for joining today. Steve, thanks for hosting. It's always a great conference. I'm glad to be back in New York. It's warmer in New York than it is in Charlotte, North Carolina, just so you're aware.

Look. 2024 was a standout year for Trane Technologies. Organic revenue growth was up 12 percent. Our EPS growth was up 24 percent. Our free cash flow conversion was 109 percent. We ended the year with a backlog that's highly elevated at $6.75 billion, which gives us great visibility into 2025.

I'm sure you saw in our fourth quarter, we put our guide out for the year, a very strong guide at 78 percent. With a strong backlog, it gives us a lot of visibility, we have a lot of confidence in the guide that we put out. With that, I'm sure you have lots of questions, Steve. I can't wait to talk through.

Stephen: We do. You brought up backlog, and orders obviously go into backlog. I think there's some concern, especially on the data center side, that there's been...It's more lumpy, obviously. The term "pull forward" is used out there. How do you guys see the pipeline, and then the trajectory of orders coming out of that pipeline in '25?

Dave: As I said on the fourth quarter call, we see a pipeline that's very strong. This is activity before something becomes an order. We have a lot of detailed tracking, specifically in the North America business, on that with our CRM system. It's very active right now. It's strong pipeline, really, across many verticals.

Data centers is obviously very strong. I think you could read lots of different articles about the strength of data centers and assume it's going to be in the mid-teens level for growth level for the foreseeable future. I think that's a pretty safe bet.

There are other verticals, too, that we see strength in. I called out on the fourth quarter that we saw strength in education. right, and everyone was thinking that ESSER funding went away. We're not gonna see strength in education.

That wasn't the case. There's a lot of demand still out there in the education vertical. There's a lot of demand out there in the higher ed vertical. We see strong pipelines, which gives us a lot of confidence in not only our guide for 2025, but beyond. There's a lot of activity out there.

Stephen: Can you grow backlog in '25?

Dave: We'll see how it progresses. Look, we have a very strong backlog right now, and we have a lot of activity that's in there, which gives me confidence in saying that we have a strong guide, but we're very confident in that.

Stephen: Can your book-to-bill be above one? I'm just kidding. That's the same question.

Dave: Everything's possible, right? Everything.

Chris Kuehn: Think about backlog in '24. Backlog was flat in our commercial businesses in The Americas and in Europe, and both businesses grew double digits. When you think about year over year backlog essentially flat, and it actually encompassed or overcame $500 billion of headwinds between foreign currency, normalization of the transport backlog.

Then some corrections we made within our Asia business. While backlog was flat, it overcame a half a billion dollars of headwinds.

Dave: Also, I'll just remind everyone, our backlog does not contain any of our service business, which is a third of our company, and by the way, has had growth rates of double digits for the last several years.

Stephen: I'll get back into the data center in a second. Just broadly, you mentioned education and ESSER, that you're really not seeing any impact from that rolling down. What about IRA? I know that there were some interesting chiller incentives, especially for your thermal management systems, I believe, that really enhance the ROI for the customer.

Anything that you're seeing there or if they put a lid on that spending that would perhaps drive a bit of a temporary pause in some of that activity?

Dave: You're referring to part of the IRA was the enhancement of the 179D tax credit. That certainly helped with some of our paybacks, but I would also tell you that we still have very strong paybacks with or without that incentive. I'm not sure what the rules are right this minute, but the 179D still exists.

There's some talk about it, but I haven't seen anything on it. At the end of the day, we have great paybacks for our products today with or without incentives.

Stephen: Lastly, outside of data centering on manufacturing, one thing we're having a tough time reconciling is high-tech manufacturing was a vertical. You called out for many quarters, every other HVAC company similarly. Obviously, there were EV plants, semi plants, but everybody in the industrial world has seen those get paused, or pushed out, or slow down. What are you seeing in that project pipeline?

Dave: Especially EVs for sure. EVs, there's a lot of capacity out right now. Those have certainly slowed. We've seen some projects get pushed out there and some actually canceled. The semiconductor space, those projects, they're long leads, so some of those are still very, very active.

If you think about the mega projects -- I don't like that term, but that's a term that's now with us -- we track over 400 mega projects. I think 75 percent of them were not data centers. Everyone thinks mega projects, they think of data centers, the majority of those were not. A lot of them are in this high-tech space.

We'll see how it plays out, but we're still very active with many of these projects. One of the advantages that we have is that because these decision makers tend to be global and because we have a direct sales force globally, we're able to triage the decision makers, which puts us in a great position.

Stephen: How much of your business now is truly new greenfield, if you will, versus in the equipment business, versus maybe a little bit more of a discretionary upgrade, not necessarily end of life, hey. I've got to do it, but you guys go in and pitch them, and they decide to do it because of the payback?

Chris: Commercial HVAC in the Americas, we're still in that 65, 70 percent that's retrofit. It's replacement markets, new for us, would still be in that 30-percentage range for greenfield, but paybacks continue to be we're very strong in both of those categories in terms of products that we offer.

Dave: It makes sense. Think of the built environment. Just look outside, how many cranes do you see? How many buildings do you see? There's a lot of retrofit activity.

Stephen: That's very fair. Getting into data center here a little bit, first of all, what are you guys seeing today? What are your customers telling you? Anything post-DeepSeek or Microsoft, lease cancellations, or anything else that you're seeing out there that your customers are pumping the brakes a little bit on any of this stuff?

Dave: I won't comment on the quarter, but I will tell you through the fourth quarter, it was still strong activity. The whole DeepSeek, and this isn't me, but go talk to the hyperscalers, read their transcripts, what they're talking about. They're talking about they're still investing heavily in data centers. We see that continuing into the future.

Just because there's a different learning model out there with DeepSeek, there's still going to be a lot of demand for data centers, and there's going to be a lot of cooling required for those data centers. We're really good at doing that.

Stephen: If you think this is a mid-teens market for, call it three to five years, however you want to talk about it, it seems to me like the order rates that everybody's booking last year, you guys don't disclose specifically, but all your peers were running in the at least 30 percent plus type of range for this vertical. The census data is up 50 percent pretty consistently.

Do we need to toggle around that 15 percent rate where guys did 30 to 50 last year, so that means you have a year of digestion and flat to negative at some point? Are we still in this catch-up phase, if you will?

Dave: Look. I can't comment on what my competitors may or may not have said. I would just tell you that we see that it's still strong activity out there, Steve. There's a lot of planning that's happening. Data center customers are going to give you a lot more visibility to what their needs are. This is a vertical that technology changes in quite quickly.

I would tell you that we're working with many of the hyperscalers and many of the builders of the colos, and looking at different technologies. It's a really interesting space right now. This is a space that with our technical aptitude, we're very, very strong in.

I was telling a group earlier today, we're working on a data center project over in Australia where the coefficient of performance or the efficiency of the system is something that we didn't even think was possible five years ago. Here we are actually having a witness test with a customer in our facility in Europe. It's an exciting space that's going to continue to evolve.

Stephen: Can we talk about how the timing works on all this? If I'm building and I'm trying to commission a data center the following year, when am I ordering that? What is the lead time on that?

Are you booking to the total size of the facility, or are you booking to a certain part of the facility that's being built out over a number of years? How are you guys seeing that? We're all having a little bit of trouble identifying that lead time.

Dave: I don't want to sound like I'm from the legal profession, but it depends. Look, think of it as 12 to 18 months visibility. Think of it as when you ship versus when you're going to commission, think of that three to four months. That's probably a good rule of thumb.

Averages are always dangerous, but those are pretty good rules of thumb. By the way, think of it, too, as especially a hyperscale, they'll release in phases. They'll have phase whatever, one through four, and they'll release in phases, which if you were them, you'd want that, too. Technology is going to be constantly changing here. They want to make sure that they don't get a technology gap in the portfolio.

Stephen: You're talking about phases as far as if I'm building a 250-megawatt data center and there's five halls of 50 unique phases, one, two, three, five, four, five, or...?

Dave: No, they probably have the 250, but if they were going to build five of those, you'd probably release one at a time.

Stephen: Right. Do you get that?

Dave: About seven or eight years ago, they were doing exactly what Steve said, where you'd release halls, but now, the demand is so strong that they're releasing 250, 300-megawatt data centers. Think of that as a phase, necessarily.

Stephen: You'd get that order, and then you would ship when they want it, or you...

Dave: Right.

Stephen: You said down at our conference in the fall that you, and I think JCI said this last night, but you do ship to them, and then they start, and then they figure out where it's going from there?

Dave: It depends. There's some builders that would stock inventory. I say stock. It's not like you think, like a residential dealer or a distributor. They would they would stage it, so they would make sure that they would never be disrupted if something didn't work. Think of it in that way.

Stephen: Got it. That that makes a ton of sense. From a TAM perspective, Vertiv's talked about three million bucks a megawatt. JCI last night said two million bucks a megawatt from their TAM. I would assume you guys are in and around, maybe just below the JCI TAM because you don't have the fire and security. What do you guys think about as your dollar per megawatt?

Dave: A lot of this is public information, so you could go out and do your own research. Think about a data center, to build is about 10 million per megawatt. Think of the HVAC content between the, averages are always dangerous here, but 10 to 12, 13, 14 percent range.

Stephen: That's super helpful. Most of your exposure isn't applied. Is there any that slips into light commercial or the VRF?

Dave: In a data center?

Stephen: Yeah.

Dave: No.

Stephen: It's all applied, and then...

Dave: There could be an office structure that's attached that you would put in a unitary, but nothing of any kind of magnitude.

Stephen: As far as services are concerned, I understand your rental business does really well here. Maybe talk about how that works. We think of rental as a temporary solution. I'm not sure for these data centers if they're just scooping all these things up and putting...How does rental play into this? It's an interesting...

[crosstalk]

Dave: The service business, obviously, these are very sophisticated systems, so think of it as the more sophisticated the system, the more aptitude there is for the OEM to do the service work. I'd start with that.

As far as rental goes, sure, we have rental capabilities. If someone got into a situation where they need a temporary coolant, we'd be able to provide that.

Stephen: Has that been a decent-sized business for data center?

Dave: I don't know the answer to that. I'm not hearing a lot about that, but I'm sure there's cases where we've used rental for whatever reason. Our rental business is more geared on our service side of it, so you could always have uptime availability.

Think of a hospital. You would maybe have a service agreement with a hospital where you would guarantee uptime. The way you would do that is with a rental fleet. You do a lot of things, too, by the way. You're automatically what they call you're plumbing the system beforehand, so if you ever needed it, it's quick hookup.

Stephen: Got it. The bottom line is when you look at last year's order rates for data center, do you...

Dave: Which we don't disclose, but go ahead.

Stephen: I'm just saying in general terms, do you get the sense that there was pull-in and that there's digestion needed, or not?

Dave: I don't know the answer to that. We see a lot of activity, which is a good thing. Hey, look, let me set the stage here on the verticals. We don't disclose the size of any vertical. I'm not picking on data centers. I really am not.

We just feel as though we have invested hundreds of millions of dollars over decades to build the direct sales force. We built this direct sales force globally in our commercial HVAC business. We know where opportunities are because we see them every day.

It doesn't make any sense at all for me to be talking about the size of a vertical or where I'm seeing opportunities in different verticals, because all it does is create a roadmap for our competition. We're not going to do that, because we've made the investment.

There's a reason why we grew in 13 to 14 verticals in North America, because we see opportunities out there. We don't just focus on one vertical, we focus on all verticals. With the breadth of our product portfolio, you could understand why. We have the broadest product portfolio in the industry.

We don't sell products, we sell solutions. Whatever the customer needs, we're going to come up with the right solution for them. That's what differentiates us, one of the many things that differentiates us, versus some of our direct competition.

Stephen: A key aspect of that is the VRF JV, which has been super successful.

Dave: Very successful.

Stephen: What are you guys seeing on the commercial side there? Is that one of the businesses that's growing pretty well?

Dave: Continues to do very, very well. It's a JV we have with Mitsubishi in the US and some countries in Latin America. It's been very, very successful, and we continue to see growth there. Again, VRF is a great solution, but it's not applicable everywhere.

It's not like we only have one tool and everything...You know the old expression, if the only tool you have is a hammer, everything becomes a nail. That's not our case. We have lots of different tools. If VRF is the right solution, sure, we'll put a VRF system in and we have great products there.

If it's an applied water-cooled chiller, we'll do that. If it's a rooftop, we'll use rooftops. We're always thinking about it at a solution level for the customer.

Stephen: On the rooftop side, that's a market that's a bit confounding. The HRI data is down. Some of your peers have warned a bit, but others are growing pretty nicely. What are you seeing on the light commercial trends?

Dave: Look, we said on our fourth quarter call we think that we'll have growth in 2025 in both. Applied will be stronger than unitary. That just goes to the visibility we have. Our backlog is predominantly on the applied side. We'll see how the year plays out.

Stephen: You mentioned services. Obviously, a fantastic story for you guys. Growing really nicely. You mentioned, I think 8 to 10 times the revenue versus the initial sale.

Dave: Yep.

Stephen: Can you delve into that a a little bit more? What drives that? Is that mostly time material? Is it spares? What's the key driver of that, because that seems like a big number.

Dave: If you think about it...Let's think about a centrifugal chiller. Think of the life of a centrifugal chiller. 25, 30 years is not uncommon. You're going to have the maintenance on that over that time period. You'll have parts that'll be consumed over that time period. You'll probably have two to three overhauls of that system during its life.

Some of that's driven by technology. You'd always want to be upgrading to the latest technology from an energy efficiency standpoint. Then, at the end, you also have end of life. That has to be...The product would have to be removed.

Remember, also, that you have inflation that's going to be impacting that through the life. We're pretty comfortable with our model there. We've done a lot of work around it. If you look at the growth in our service business, I think you would agree that we've been pretty successful there.

Stephen: Yeah, it's been pretty strong. You're saying that there's some further down the road refurbs that really are high calorie type of events.

Dave: Absolutely, There's probably more than one in the life of something that's 30 years. You're going to be doing that, probably, at least twice. In some cases, more.

Stephen: Is there incremental investment required there, as far as feet on the street? Are you guys pretty comfortable with your structure?

Dave: We're always adding great account managers, not that I'm here to recruit. We're very comfortable with our structure. I would also tell you that five years ago, when we launched Trane Technologies, we were $12.5 billion. Today, we're $20 billion. You don't just go from $12.5 to $20 billion over 5 years and not add a lot of infrastructure to your business.

I'm not just talking about brick and mortar from a manufacturing standpoint. We've added a lot in the entire organization. The growth rates have been very, very strong for us.

Stephen: What are you seeing over in Europe right now in commercial HVAC?

Dave: We have a great team in Europe that I'm super-proud of because I was there early when we had a very bad business. That would have been 12 years ago or more, maybe 15 years ago now.

I'm so proud of what that team's been able to do. I would tell you that they're leading with innovation. You could argue that Europe is flat. Look at our growth rates in Europe. I was looking at this the other day with Jose La Loja who runs that for us.

On a three-year stack basis, they're up 30 percent. I mean, this is a business that's leading with innovation and just really hitting on all cylinders. I'm very proud of what that team's been able to accomplish there, but make no doubt about it, they're leading with innovation.

A lot of that innovation starts in Europe, and we actually because of our direct sales force, we're able to scale that globally once we learn of a great innovation. That would be the thermal management system would be a great example.

The same holds true for the transport business in Europe as well, leading with innovation there and outperforming markets for many years, so that's another great place where you're leading with electrification and decarbonization of that portfolio.

Stephen: As far as those thermal systems, is there the district heating over there is also, and...

[crosstalk]

Dave: We do district heating. We do a lot of that. We do a lot of district cooling, actually, in the Middle East. There is some district heating we do in Europe. The problem is, with district heating, it sounds great, and you probably heard me talk a little bit about data centers. What do data centers produce? Bits, bytes, and heat.

What are you doing with all the heat? Today, you're putting it out into the atmosphere. Is there a way to repurpose that heat? The easy equation would, is let's create a district heating loop, and then we could heat other buildings that are in the vicinity.

Proximity matters. One of the issues that we have with that is it works OK, and we figured out how to create booster systems so you can get the water temperature where it needs to be, is permitting, becomes the obstacle. We're still working through that, but we still think that's an opportunity.

Stephen: I guess you brought up data center.

[laughter]

Stephen: In Europe, what are you seeing there? There's been a bit of a debate on, the lag time of them building out.

[crosstalk]

Dave: Oh, data center? We do well in Europe and data centers. We do well in Asia as well.

Stephen: You expect that to be a part of the growth story in the next couple of years.

Dave: Absolutely. I look at data centers as a global business.

Stephen: Right. On residential?

Chris: You can control residential.

Dave: Sure. [laughs]

Stephen: Residential. You're going to...

[crosstalk]

Dave: I'm OK. Go ahead.

Stephen: All right. On residential HVAC, what are you seeing on the ground when it comes to this replacement cycle, and how do you view the volume picture in the context of the consumer and how they're doing this? It's been resilient, of course.

Dave: Residential, we think, is back to what we're going to call a normal business this year. We define that as a GDP-plus business. They've had some hangovers from COVID. They had a lot of stock in the channel that had to get depleted. We think that's behind us.

They've had a lot of regulatory changes, which has caused a lot of starts and stops in stocking or destocking. We think that's behind us now. We're all on an A2L, not all 454, but all on an A2L. We think we're back to a normal year of GDP-plus business.

As far as, is there an aptitude to do more repair versus replace? We'll see how it plays out. Obviously, we're getting into the cooling season. We're still in what we would call a shoulder season right now, but we'll find that out. We'll find the answer to that out relatively quickly here in the next couple weeks.

Stephen: What is your strategy from a price perspective? A couple of your competitors have been out with letters basically highlighting the risk of tariffs and being very aggressive on their front foot about price. How are you guys approaching all of this?

Dave: On residential or just in...?

Stephen: Residential. In general, too, if you will, but I think residential...

Dave: Look, at the end of the day, on tariffs, I'll answer the question. I'll let Chris talk specifically about what we're doing with 454B. On tariffs, we have one manufacturing location in Mexico. We have 24 manufacturing locations in the United States. We have manufacturing locations throughout EMEA and manufacturing locations throughout Asia.

For decades, we've had a strategy of in region for region. It's proven to be very beneficial for us. Shipping our products around the globe is somewhat complex and difficult. Will our supply chain be impacted by tariffs? Yes, it will be. If there is tariffs, when that happens and we're clear on the rules, as I said on our fourth quarter call, we'll aggressively take action.

At the end of the day, we're not letting that be a confusion point with our employees. Steve and I were talking earlier before we started, the role of a CEO today and the confusion that's out there. Yeah, there's a lot of confusion. Don't let your organization get trapped in it.

Let's focus on what we could control, and that is taking care of our customers, making sure we have the most innovative portfolio, and continuing to drive our results. When we find out the rules, we'll make sure we take swift actions. You want to talk about 454B?

Chris: On residential, our guide at the January was called mid-single digit revenue growth for the year. We're really making up the three components of starting with GDP plus underlying industry environment, demand environment. Add on to that a high single digit contribution from the conversion to 454B. We'll report that down because it's mixed. We'll report that in volume.

Take that high single digit, multiply it by 65 percent of the portfolio, multiply that by 75 percent of the year, get you to around a three to four percent growth, and then deduct from that. The third piece would be the pre-buy, which we saw about 75 to 100 million dollars of revenue that impacted equally Q3 and Q4 of last year.

Hard to size that because we didn't have purchase orders that had a box that said, is this a pre-buy or not? It's an estimate, but you add all those together, it gets us to run that mid-single digit construct for residential for the year. Then for the price guide, pre-tariffs, we put a one-to-one-and-a-half-point price contribution for the year.

That lead about six to six and a half points of volume for the enterprise. Today's point, we've seen it from a supply chain inflation standpoint, '21 and '22, where we stayed ahead of price cost. Then go back to the '17, '18 time frame with tariffs, and we made sure that we were pricing effectively. We've got the playbook. We just keep working the playbook.

Stephen: You guys are usually pretty good about giving your raw materials, numbers. Any color on how much you think of your COGS is potentially exposed to Mexico? It sounds like your actual production that you're bringing over yourselves is not that that much. One plan on all this?

Chris: Yeah. One plan versus 24 on the relative nature of our US plants versus Mexico. We've not sized it that way, but I would say that when we started the year in the guide in January, that one-to-one-and-a-half points of price, think of that as getting us back to that 30 to 40 basis points of price over cost with normal levels inflation pre-tariff.

Think of that as wage inflation. There was some inflation around commodities in tier two. We factor that into that guide. Now we're just running the models for what would be more the supply chain impact of what we're seeing with tariffs at this point. That's the bigger piece.

Stephen: The message there is manageable in the contract...

Dave: We were successful with the tariffs several years ago, and we'll be successful this year should they happen.

Stephen: Any concerns around the movement in the 454B gas prices, the availability? Anything you're seeing there on 454B that's concerned in the channel?

Dave: Not that I've heard of, no. The Resi team did a great job with that whole transition for Trane Technologies and pretty seamless. They're hitting on all cylinders right now.

Stephen: On transport, business has been a little bit stubbornly soft, I guess. It's still bouncing back a little bit. What's going on in that market? What's the visibility on that kicking back into...?

Dave: I always tell people we're in year four of a two-year cycle. Unfortunately, it's been a bit choppy. Look, that's a business that certainly has a COVID overhang. The whole transport, there's way too much capacity out there. Until that capacity comes out, it's going to be tight.

As we said on our fourth quarter call, think of the second half being stronger than the first half, but we'll see. I think the real growth opportunity is going to be in 2026 and beyond. These units, there's a point where if you owned a fleet, you'd say, I'm going to age it and let it just happen for a while.

Then there's a point where these units become very costly to operate, and the good fleets will switch them out. We'll see what happens as the year progresses. Just to be fair, ACT has been pretty episodic too with their forecasting. We'll see where that all lands.

Stephen: Yeah. I remember when it dominated the narrative on your stock years ago. It's just not a big problem these days.

Dave: It's a smaller percentage of our business, but it's still a great business. Thermo King is a fantastic business, and we do very well there. The important thing is that when a business goes through these cycles, and Thermo King will go through these, it's more cyclical than our commercial HVAC business, make sure you continue to invest in the business.

What you want to do is make sure when you come out of this, and you will come out of it, you want to make sure you have a very fresh portfolio with a lot of innovation in it because then you'll win with your customers.

Stephen: Any questions out there? I got about four minutes left. Yep, right here.

Audience Member: You highlighted the growth out of Europe that was well above the lack of growth in that market, and you gave one small example. What else? When you talk about innovation, maybe give us a little bit more color on what that is and then how it can get rolled out more broadly.

Dave: It is such an innovative group. Thermal management system is one example where you combine heating and cooling into one system. That's be one example. We've also made a couple of small acquisitions there that had great technologies. Think of AL-KO as a great example, air handling, high-end air handling, very strong in Germany.

With the direct sales force, we have channels throughout Europe. That would be an example of taking a great technology and scaling it quickly to other regions of Europe. We did the same thing with another company called MTA, which is industrial process cooling.

Again, great technologies, scaled it quickly. Augmented with our control platforms to make sure that we could have it controlled in different way. Those would be great examples, but they're so innovative, even in the rental business.

They're always thinking of different opportunities and their portfolio of how they've expanded it in the power gen space and the solutions that we're able to provide customers today in the pharmaceutical space with precision temperature control, just really, really creative group that's looking for opportunities.

I always talk about our culture at Trane Technologies. And I would tell you that Europe is an example of that where we don't dwell on the problem, we look for the opportunity. If you could solve it, the opportunity that if you solve that problem, that's where the growth is going to come from. They've been really good at doing that.

Audience Member: Some of that coming back to the US and other markets?

Dave: Absolutely. Like I said, for the last four years, we've had a compound annual growth rate of double digits, and we've had a compound EPS growth rate of north of 20. We share best practices throughout the globe, and we're really good at it.

Audience Member: Nice moves. Thanks very much. Just a question about one of your competitors selling their US residential business and with how well yourselves and your peers have operated in the US and been disciplined and rational. Are you paying attention to any signs of that potentially changing with ownership moving hands here with one of your competitors in the US?

Dave: We obviously look at all that type of activity, but we're not concerned about that. It's pretty disciplined. I've dealt with that particular competitor in another space and another business that I ran at one time. Look, they're pretty innovative companies, so that's good. It pushes the channel. That's always a good thing. We're not afraid of that. We don't see any red flags there.

Stephen: Any risk around Daikin being more aggressive, Goodman being more aggressive? They lost a ton of share last year. It seems like you guys weren't the prime beneficiary of that. Anything you're picking up from the channel that you worry about there as they try to...?

Dave: weren't the prime, but we had our growth rate in residential was over 10 percent last night.

Stephen: It was pretty good.

Dave: It was good. Look, I haven't heard anything on that.

Stephen: Lastly, on the margin side, from a mix perspective, do we still think about you guys as Resi and Thermo King up here in commercial HVAC below the average? Has anything changed on that construct over?

Chris: Yes. I think that's the answer. Go back 10 years ago, that was probably a bit of the old tape of where there was differences. Look at our margins across our three regions. Let's start with Asia. They actually lead in our margins across the company, and it's 90 percent of commercial HVAC business. EBITDA margin is about 23 percent last year.

Move to Europe, about 20 percent EBITDA margins. Commercial is a little bit bigger than transport, but it's not 90-10. It's maybe 60-40. Then come to the Americas where you have all three of the businesses, including residential, and those were 20 percent EBITDA margins. Different mix of businesses, strong margins.

I think the growth of that service business, I would say that is something that would be margin accretive as we grow services, a third of the company revenues. We're managing all those businesses up to margin profiles that we like.

Stephen: Any other questions? One more. Time for one more.

Dave: Thanks for your interest in Trane Technologies. I say with confidence, our best days are in front of us, so thanks.

Stephen: Thanks, guys.

Dave: See you soon.

[applause]