

US Satellite*

Recommended since 26.08.2024

26.08.2024



Country US	Market capitalization (bn) USD 65.7	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 93.4%	Carrier Global Corp. 0.0
Factset CARR-US	Closing price USD 71.25	Sector 0.0
ISIN US14448C1045	ESG Risk score* 16.7 Low risk	



Profile

Carrier Global Corp. provides solutions for buildings and the cold chain: heating, ventilation and air conditioning (HVAC) technologies are by far the largest division, representing c.75% of the Group ; refrigeration, fire, security and building automation. The company was founded by Willis Haviland Carrier on 26 June 1915, employs 53,000 people and is headquartered in Palm Beach Gardens, Florida. It has been listed since April 2020, following its demerger from the United Technologies group.

Strengths/opportunities

- Transformation of the asset portfolio towards energy-efficient buildings, ongoing disposals of non-strategic activities
- Balance sheet deleveraging and shareholder return programme

Weaknesses/threats

- Recession in the US, where the Group generates c.55% of its sales
- Risk of integration of Viessmann, acquired in 01.2024

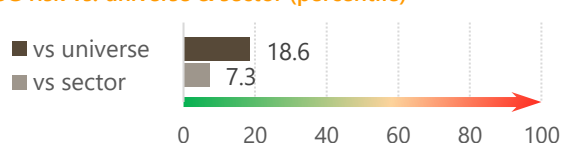
Investment case

- The estimated market growth rate for buildings solutions and cold chains is globally estimated at 5.5% p.a. This market should reach c. \$350 billion in 2030; around 1/4 of this growth results from the search for energy and hygiene efficiency and the digitalisation of installations. The Group is targeting higher average organic growth of 6-8% p.a., thanks to its installed base, its brands, the integration of its solutions and the evolution of its business model towards service.
- Since 2022, Carrier has been engaged in a transformation of its portfolio of assets, illustrated by the major acquisition of Viessmann Climate and Energy Solutions for EUR 12 billion, in cash and shares, and the integration of its 12,000 employees and gradual exit from the Commercial Refrigeration and Fire & Security segments. On 15 August 2024, for example, the Group announced the sale to the Lone Star fund of its Commercial and Residential Fire business for an enterprise value of \$3 billion, which will be used to finance a \$1 billion share buyback in the second half of the year. The remaining of the planned disposals in this area should be completed by the end of 2024.
- The group published lower-than-expected results for the second quarter, due to weak demand for heat pumps in Europe (Viessmann), but reassured on its order intake volume, up 30% y-o-y thanks to the HVAC division.

Valuation

The stock is trading on a PE2025e of c. 23x compared with an average of 19x in PEfwd since its IPO in 2020, an average of 23.5x for the peer group and an expected average adjusted earnings growth of 11% p.a. over 2-3 years.

ESG risk vs. universe & sector (percentile)*



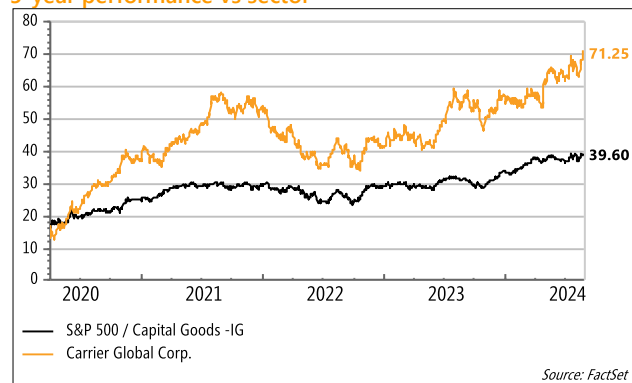
USD	12/2023	2024e	2025e
Sales revenue (mio)	22 098	25 399	24 729
Sales growth	8.2%	14.9%	-2.6%
EBIT adjusted (mio)	2 182	4 094	4 050
% of sales	9.9%	16.1%	16.4%
Net income (mio)	1 349	2 590	2 761
Net income growth	-61.8%	92.0%	6.6%
FCF/Sales	9.7%	1.6%	10.6%
Net debt/Ebitda	1.8x	1.9x	1.9x
Dividend yield	1.1%	1.1%	1.1%
PE	36.3x	25.0x	23.2x
P/BV	6.1x	4.7x	4.4x

Factset estimates

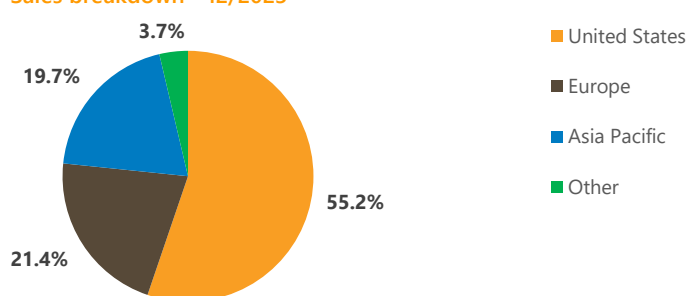
ESG - risks and key points

- Carrier presents a low financial risk with regard to ESG factors, due to its low exposure to these risks and to what is considered to be strong management of these risks.
- The Group aims to improve the energy performance of its HVAC solutions for buildings and also reports its CO2 emissions under scopes 1 and 2.
- The company has a solid framework for dealing with risks relating to business ethics.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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