

Carlisle Companies Incorporated, Q3 2019 Earnings Call, Oct 22, 2019

Carlisle Companies Incorporated (NYSE:CSL)

CALL PARTICIPANTS: 3

PRESENTATION: 5

QUESTION AND ANSWER: 45

Call Participants

EXECUTIVES

D. Christian Koch

President, CEO & Director

James Giannakouros

Vice President of Investor Relations and FP&A

Robert M. Roche

VP & CFO

ANALYSTS

Bryan Francis Blair

Director & Senior Analyst

Garik Simha Shmois

Senior Research Analyst

Joel Gifford Tiss

MD & Senior Research Analyst

Kevin William Hocevar

VP & Equity Research Analyst

Neil Andrew Frohnapple

Analyst

Timothy Ronald Wojs

Senior Research Analyst

Presentation

Operator

Good afternoon. My name is David, and I will be your conference operator today. At this time, I would like to welcome everyone to the Carlisle Companies Third Quarter 2019 Earnings Conference Call. [Operator Instructions] I would like to turn the call over to Mr. Jim Giannakouros, Vice President of Investor Relations and FP&A. Jim, please go ahead.

James Giannakouros

Vice President of Investor Relations and FP&A

Thank you, David. Good afternoon, everyone, and welcome to Carlisle's Third Quarter 2019 Earnings Conference Call. We released our third quarter financial results after the market close today, and can find both our press release and earnings call slide presentation on our website at www.carlisle.com in the Investor Relations section.

Discussing the results and our updated outlook today are Chris Koch, President and Chief Executive Officer; and Bob Roche, our Chief Financial Officer. Today's call will begin with Chris discussing our progress towards Vision 2025 and business trends experienced during the third quarter. Bob will discuss Carlisle's third quarter financial performance. Following Chris and Bob's remarks, we will open up the line for questions.

Before we begin, please refer to Slide 2 of our presentation, where we note that certain statements made during this call may be forward-looking and actual results may differ materially from our expectations due to a number of risk factors. A discussion of some of the risks and uncertainties that may affect our results are provided in our press release and in our SEC filings on Forms 10-K and 10-Q. Those considering an investment in Carlisle should read these statements carefully, along with reviewing the reports we file with the SEC, before making an investment decision.

With that, I will turn over the call to Chris.

D. Christian Koch

President, CEO & Director

Thanks, Jim. Good afternoon, everyone.

Please turn to Slide 3 of the presentation. Continuing to build on the momentum of this year's first and second quarters, I am pleased to report Carlisle had a record third quarter sales and operating income, and we've made significant headway towards our Vision 2025 goals of \$8 billion in revenues, 20% operating

income and 15% ROIC, all driving to \$15 of earnings per share in 2025.

As a reminder, we remain committed to and focused on driving 5% organic growth with operational leverage, utilizing the Carlisle Operating System and driving a continuous improvement culture, building scale with synergistic acquisitions, continuing to invest in exceptional talent and deploying over \$3 billion into capital expenditures, share repurchases and dividends.

We launched Vision 2025 in the first quarter of 2017, and we are excited about the progress we've achieved to date. I'd like to make a special note of the record performance by CCM in the third quarter as sales and operating income were both at record-setting levels in the quarter. We're also very pleased with the significant margin improvement that CIT delivered in the quarter, in no small way made possible by previous year's restructuring efforts. These achievements at CCM and CIT are all the more meaningful given that these 2 segments account for approximately 85% of revenue and 90% of our total segment operating income for Carlisle.

CCM's status as a best-in-class provider of building envelope solutions continues to be evidenced by its above-market sales growth and operating margins that are nearing 20%. This performance is driven through price leadership, sustainable mid-single-digit organic growth and supported by a strong and growing commercial reroofing cycle. Carlisle Construction Materials remains steadfast in its results to deliver on its commitment to the Carlisle experience that our contractors and distributors truly value and trust in every day.

We are pleased with the traction we are achieving on the integration efforts of our new platforms that expand our reach into the building envelope, namely our polyurethane and architectural metal businesses.

At CIT, our focus remains on driving profitable growth across all our served end markets and driving efficiency improvements as we consolidate factories and better align systems and processes throughout the organization. As reflected on previous calls, beginning in the fall of 2017, the team embarked on 3 key initiatives: first, increase their focus on elevating the role of COS in the organization; second, implementing a new approach to pricing; and lastly, executing on footprint rationalization and on productivity improvement efforts.

We're very pleased with CIT's third quarter operating of 14.9%, a 270 basis point improvement over the third quarter of 2018 and a significant milestone on the path to returning to previous operating earnings levels.

As a leading global supplier of aerospace solutions, CIT focuses on increasing content per plane at every opportunity. A recently announced commitment to acquire Draka Fileca, highlighted on Slide 4, demonstrates this and increases our business with commercial aerospace and space and defense customers, especially in Europe. Draka Fileca has a reputation as a leader in highly

engineered interconnect solutions for harsh environments, having provided high-end cable solutions to European aerospace customers for many years. Draka Fileca generates approximately \$50 million of annual sales, and we expect to close this acquisition in the first quarter of 2020.

We're excited to make another significant move in our efforts to build out our Medical Technology platform. We continue to be focused on the rapidly growing minimally invasive device space, which exhibits strong growth and profitability characteristics. We intend to accomplish this build-out through both organic growth and acquisitions. The recently announced plans to acquire Providien, which we highlighted on Slide 5, is an important step in establishing a meaningful, Medical Technologies platform as planned in Vision 2025. Providien was approximately \$100 million of annual sales and based in San Diego, California, is a leading provider of comprehensive solutions for global medical technology OEMs, including contract manufacturing, precision machining and metals, thermoforming and injection molding. The addition of Providien to CIT's Medical Technologies platform of redgroup, MicroConnex and LHi Technology is a significant milestone to Carlisle becoming a one-stop shop to key medical device customers.

Earlier in the third quarter, we also announced the acquisition of Swedish-based Ecco Finishing, which adds key low and high pressure painting equipment and ceiling applicators within CFT's Sealants and Adhesives platform. The acquisition is complementary to our 2019 acquisitions of Hosco Fittings, Integrated Dispense Solutions and Shinhang. Despite current demand headwinds, we continue to believe that CFT has plenty of long-term growth potential, margin opportunity in excess of 20% and will be a significant contributor in Carlisle's future.

Turning to capital deployment. Our free cash flow and strong balance sheet afford us both strategic and financial flexibility. When we introduced Vision 2025, we envisioned a balanced approach of organic growth investments, acquisitions and returning capital to shareholders. Since then, we have been opportunistic buyers of our shares, having deployed approximately \$1 billion over the last 3 years. Notably, this \$1 billion of investment in share repurchases was the total level contemplated in our Vision 2025 plan. We also increased the dividend 25% in the third quarter, our 43rd consecutive year of increases. And going forward, we will continue our strategy of a balanced, yet opportunistic approach to capital deployment.

Now please turn to Slide 6 as I get into some specifics of our third quarter results. In the third quarter, we drove 8.4% revenue growth, totaling a record \$1.3 billion of sales, our 26th consecutive quarter of year-over-year growth. We generated \$191 million of operating income, a 36% increase over prior year, which led to record third quarter diluted EPS of \$2.42, up 52% year-over-year and confirming that we are making the right investments in our factories, in our people and in the Carlisle Operating System.

Third quarter results were driven by continued solid demand at CCM, excellent margin expansion in both CCM and CIT, partly attributable to our price discipline and efficiencies gained from COS throughout the company. CCM revenues grew 15% year-over-year, close to 9% of that organic, reflecting continued strong underlying demand, dynamic new product sales and the addition of Petersen earlier this year. We continue to see a solid backlog of work in North America and anticipate continued support from reroofing demand. The nondiscretionary nature of roof replacement bolsters our belief in the sustainability of the CCM business model. CCM's solid performance this year demonstrates its market leadership, especially in its pricing resolve, selling our strong value proposition through roofers and distributors.

With roofing labor markets remaining very tight, our ability to deliver the right product at the right place at the right time, coupled with innovation and training, enhances the value we bring to the market. The Carlisle Experience continues to be recognized and appreciated by our customers. Accordingly, we announced a price increase on all CCM products commencing early January 2020. It's important to note this is not tied to raw material fluctuations but rather to address the cost of providing industry-leading value to our customers and the general inflation in operating costs. Taken together with a solid backlog of contractors, we believe current positive market dynamics will continue for the foreseeable future.

On profitability, CCM once again delivered excellent operating income growth of approximately 43% in the quarter, achieving 19.4% operating margins. This performance was driven by maintaining solid pricing result, better-than-expected raw material cost benefits and notably maintaining share in the marketplace.

At CIT, revenue grew 0.7% in the third quarter, supporting robust content growth at aerospace customers and continued progress in building out our medical platforms -- Medical Technology platforms, offset by product rationalization efforts, effects of the global industrial slowdown and pressure from the continued Boeing 787 MAX 8 issues as well as the impact these issues are having on our other in-flight entertainment sales as fewer planes are being taken out of service to be retrofit. We view these pressures as significant yet resolvable and are not affecting our views of mid-single-digit-plus growth potential for the CIT segment going forward.

Within the Medical Technologies platform, the outlook for growth remains robust due to increased demand for breakthrough procedures to address the desire for increased wellness and enhanced quality of life of the aging global population. We continue to work towards building out a more comprehensive offering of manufacturing solutions to medical OEMs. CIT had strong operating leverage in the quarter, increasing margins 270 basis points year-over-year to 14.9%, which includes \$2.5 million of investment and restructuring costs.

CBF again had a difficult comparison and subdued demand across our key

markets of construction, mining and agriculture. As such, destocking activity has increased relative to our expectations coming into 2019 and ended the third quarter, and we expect reduced production schedules will continue near term as OEs better align their production to demand. In the third quarter, CBF revenue declined 16.6% year-over-year. That said, CBF is seeing the benefits from its significant restructuring efforts around the closure of our Tulsa, Oklahoma manufacturing facility and integration into Medina, Ohio. Despite pressured volumes, we are pleased that lower restructuring activity and COS-driven efficiencies delivered 860 basis points of improvement and operating margins to 7.4%, a significant improvement given the market pressures CBF is facing.

CFT sales decline of 5.4% year-over-year reflected difficult global automotive conditions, challenging market dynamics in China, continued capital project delays with both automotive and industrial customers in North America. CFT's operating margin was dramatically impacted by lower volumes, primarily from China and global automotive and Tier 1 accounts. We remain hopeful that the U.S. trade negotiations will make progress towards resolution in the near term and there will be some decrease to the current level of uncertainty that has delayed capital investment and spending.

Despite these headwinds, CFT continues to progress on actions that align with Vision 2025 plans, including maintaining price discipline, increasing R&D efforts and spend and enhancing our breadth of product portfolio through new product launches and acquisitions.

Free cash flow in the third quarter was \$277 million, leaving us with an ending cash position of \$658 million, which in addition to our strong balance sheet and available \$1 billion of untapped credit on our revolving credit facility continues to afford us both financial and strategic flexibility. We will continue to approach capital deployment in a balanced and disciplined manner, opportunistically buying back shares and actively seeking strategic acquisitions.

I will now provide further detail about our third quarter financial performance and review our balance sheet and cash flow. Bob?

Robert M. Roche
VP & CFO

Thank you, Chris.

Please refer to the revenue bridge on Slide 7 of the presentation. We are pleased with our overall third quarter revenue performance. Organic growth was 3.4% in the quarter, driven by strong results in our nonresidential roofing, commercial aero and medical platforms. Acquisitions contributed 5.4% of sales growth for the quarter, and FX was a 40 basis point headwind.

Turning to our margin bridge on Slide 8, Q3 operating margin expanded 300

basis points. Positive pricing and volume leverage combined for 90 basis points of the year-over-year improvement. COS added 140 basis points. Freight, labor and raw material costs netted to a 100 basis point improvement, and restructuring and rationalization costs were an additional 30 basis point tailwind. Partially offsetting these positives, acquisitions were a 60 basis point headwind.

On Slide 9, we have provided an EPS bridge. As Chris mentioned earlier, we reported third quarter diluted EPS from continuing operations of \$2.42, which compares to \$1.59 last year. Positive volume price and mix contributed \$0.19 to the year-over-year increase. Raw material, freight and labor costs netted to a \$0.23 benefit. COS, which includes sourcing initiatives, contributed \$0.21, and a lower share count added an additional \$0.12.

Now let's turn to Slide 10 to review the third quarter performance by segment in more detail. At CCM, revenues increased 15%, with acquisitions contributing 6.5% of the growth and an organic growth rate of 8.8%, partially offset by a 30 basis point headwind in foreign currency. CCM executed extremely well in delivering approximately \$20 million of net price cost realization in the quarter. Operating margin at CCM was 19.4%, a 380 basis point improvement over last year.

While the macro environment for commodities helped us in the first 9 months of 2019, we are extremely pleased with CCM's sourcing initiatives, which add to our confidence in sustaining the year-over-year margin improvement.

Now please turn to Slide 11 to review CIT's results. CIT grew 0.7% in the third quarter. Aerospace remains the source of strength and the main driver of CIT's positive results, with medical and space/defense supportive as well. We remain on plan with our product line rationalization efforts within medical, which, while it weighs on our top line, benefits segment profitability.

CIT's operating margin grew 270 basis points year-over-year to 14.9% given favorable mix, price realization, COS and sourcing savings. These were partially offset by investment in restructuring projects to rightsize our manufacturing footprint along with wage inflation.

Turning to Slide 12. CFT's organic revenue declined 17.1% year-over-year, and FX was a 1.1% headwind in the third quarter. Despite significant market pressures, pricing was up 1.7% year-over-year, evidencing appreciation for the value proposition of CFT's products. Additionally, acquisitions added 12.8% in the quarter.

Operating margin at CFT declined 990 basis points year-over-year to 6.1% as significant volume declines and related deleverage along with acquisition-related costs were partially offset by cost restructuring and facility rationalization efforts, vertical integration savings and efficiencies from COS.

Turning now to Slide 13. CBF's third quarter organic revenue decline of 15% was due to a slowdown in off-highway vehicle markets, certain customers adjusting their inventory levels from significant growth in 2018 and OE production cuts. Share gains during the quarter partially offset the decline. FX also had a negative 1.6% income -- impact. Operating income grew to \$5.7 million or 7.4% operating margin. We are very pleased CBF was able to drive margin results in line with our expectations despite top line headwinds faced during the quarter.

On Slide 14, we show select balance sheet metrics. Our balance sheet remains very strong as we ended the quarter with \$658 million of cash on hand and \$1 billion of availability under our revolving credit line. Year to date, we have deployed \$232 million on share repurchases and paid \$75 million in dividends.

Turning to Slide 15. Our free cash flow was a positive \$276.8 million compared to a \$76.2 million last year. The increase in free cash flow was primarily attributable to higher earnings, lower cash tax payments and more efficient use of working capital.

And with that, I will turn the call back over to Chris.

D. Christian Koch

President, CEO & Director

Thanks, Bob.

Please turn to Slide 16 as we discuss our updated 2019 outlook. For total Carlisle, our revenue outlook for 2019 remains unchanged as it has since our original guidance was issued in February. By segment, at CCM, driven by what we view as a positive North American nonresidential new construction market, growing demand for reroofing, a solid backlog of work of contractors, continued tight labor markets and the addition of Petersen to our architectural metals platform, we continue to expect revenues to grow low double digits in 2019.

At CIT, we now expect to return to our original 2019 forecast of mid-single-digit revenue growth. While we expect to see continued strength in our core CIT markets of aerospace and medical and benefit from pricing actions taken in 2018 to offset inflation and other cost increases, we are realistic about our ability to offset the negative impact of the Boeing 787 MAX issues and the impact from the slowdown in the global economy on our industrial customers. Our restructuring plans and related charges of approximately \$15 remain on track which, as a reminder, are related to the consolidation of North American facilities to drive operational improvements and efficiency gains.

At CFT, despite our progress on expanding our platform with meaningful acquisitions, the significant decline in the Chinese automotive and industrial markets, coupled with a very real decline in capital spending in North America, we are now reducing our expectations to a decline of low to mid-single digits.

And at CBF, given the lower-than-expected volumes year to date, we now expect revenues to decline low double digits.

Turning to our corporate items, corporate expense is now expected to be approximately \$95 million to \$100 million for the year. Depreciation and amortization expense is still expected to be approximately \$200 million. For the full year, we expect capital expenditures of \$75 million to \$80 million and free cash flow conversion above 115%. Net interest expense is currently expected to be approximately \$58 million for the year, and we now expect our tax rate to be approximately 22%.

As we begin to close out 2019, we are well positioned to build on our record third quarter performance and continue our progress towards the Vision 2025 goals of \$8 billion in revenue, 20% operating income and 15% ROIC. We remain steadfast in our commitment to achieving our goals and driving to \$15 of earnings per share by 2025.

We expect to deliver record performance in 2019, and we'll continue to demonstrate excellent price discipline, focus on integration and restructuring efforts and drive continuous improvement in all our operations.

The third quarter reflected the impact that the prolonged U.S. and China trade negotiations and Brexit stalemate has had on our global industrial and transportation customers and ultimately our CBF and CFT businesses. I am extremely pleased that Carlisle employees around the globe are making exceptional efforts to manage and offset the impact of this global economic slowdown. Our team continues to embody a positive and entrepreneurial spirit, a commitment to excellence in all we do and are focused on delivering results for the Carlisle shareholder.

This concludes our formal comments. David, we're now ready for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Bryan Blair with Oppenheimer.

Bryan Francis Blair

Director & Senior Analyst

Question:

I was hoping we could start kind of high level at CCM, updated perspective on where the industry is in the replacement cycle and specifically whether you think you may be approaching peak at this point.

D. Christian Koch

President, CEO & Director

Answer:

Well, in the replacement cycle, I think we've showed you and others the reroofing demand that was created with roofs that were put on in the past 20 years plus and are coming due. We see that accelerating at least for the foreseeable future. And so I think for the reroofing cycle, we are nowhere near peak. I think we're accelerating into the strong part of that cycle.

Bryan Francis Blair

Director & Senior Analyst

Question:

Okay. That's great to hear. And obviously, good price/cost realization again in 3Q. That remains a hot topic. What are the updated estimate for 2019 benefit?

Robert M. Roche

VP & CFO

Answer:

Yes. Bryan, we're thinking 80 to 85 now as raw materials stayed lower than we thought holding throughout the year.

Bryan Francis Blair

Director & Senior Analyst

Question:

Got it. And given current trends, would it be fair at least on a preliminary

basis to think of 2020 price/cost as flattish? Or should we anticipate given -- there is some continued benefit given the January pricing, and still pretty cooperative commodity cost?

Robert M. Roche

VP & CFO

Answer:

Yes. I mean, Bryan, we're not going to comment on 2020 deeply now. But based on where we are with the pricing, we did put out a pricing increase of 2% going into January. So that should help next year. And it's too early for us to call what's going to happen to commodities right now.

Operator

Your next question comes from the line of Neil Frohnapple with Buckingham Research.

Neil Andrew Frohnapple

Analyst

Question:

Congrats on the quarter. Could you just talk more about the 2 acquisitions announced last night, so Providien and Draka? I'm just curious, would you expect margins to be accretive to CIT segment profitability in 2020? Again, nice improvement in the quarter on CIT, so just trying to figure out how those acquisitions will impact the business in '20.

D. Christian Koch

President, CEO & Director

Answer:

Yes. Bryan -- Neil, where we are now, I think it's a little bit too early for us to talk about that. Obviously, that will unfold as we sign and close on these deals. What I can tell you is that Providien, they're an excellent company. They fit right into the necessary areas that we had to continue to build out this space. And they're well run. I would think that we would not have acquired this if we didn't think that the margins are similar to what we project for our medical business going forward. And then really Draka Fileca is, if you say it one word, it's really like the legacy CIT business, very similar in Europe. And we don't see anything in that business that would prevent us from executing the same way we have in our legacy businesses in aerospace.

Neil Andrew Frohnapple

Analyst

Question:

Okay. And then just a specific question on Providien. I think some of the revenue is tied to aerospace and auto with its Dynaroll business. So could you just talk about how much of Providien's total revenue is nonmedical related? Because it sounds like it's more of a medical play, but I'm just kind of curious on some of the Dynaroll business there.

D. Christian Koch

President, CEO & Director

Answer:

Yes. And again, I'm really hesitant to get into too much detail prior to the close. But I would say that the vast majority and the impactful part of the Providien acquisition, both from a revenue and an operating income perspective, would be in the medical technology space.

Neil Andrew Frohnapple

Analyst

Question:

Okay. And then just one final one, Chris, is around capital allocation. Especially as it relates to the M&A pipeline following these 2 deals, will you sort of pump the brakes, so to speak, in other deals until you get these integrated? And then I guess just as a follow-up with regard to your appetite for share repo in light of these deals.

D. Christian Koch

President, CEO & Director

Answer:

Yes. I think we continue to take the same position we have going into this. I think these will -- these integrations will go smoothly. We continue to look for any acquisitions within the building envelope, within the medtech, within aerospace and within fluid technologies to expand that platform. So right now, the pipeline has been good, and we remain disciplined. And it's nice to see that these fit our models, and we think they'll be great additions. But that also will prevent us from continuing to be opportunistic on our buybacks, and I think we'd take the same approach we have for the past 3 years.

Neil Andrew Frohnapple

Analyst

Question:

Okay. So if the right deal came along, you wouldn't be afraid to pull the trigger, so to speak?

D. Christian Koch

President, CEO & Director

Answer:

No, sir.

Operator

Your next question comes from the line of Tim Wojs with Baird.

Timothy Ronald Wojs

Senior Research Analyst

Question:

So maybe going back to the pricing question. Just more of a cadence question. So are you kind of thinking about pricing kind of structurally different than what you have in the past where historically it's been very reactive to commodity increases? I mean, is this a situation now where you think every year you're going to have a January price increase that is going through to your customers? And is that what you're trying to kind of push through market in terms of cadence?

D. Christian Koch

President, CEO & Director

Answer:

Yes. Tim, I would say that in the past, it was almost pricing seemed, like you said, very reactive and almost with a very broad brush just reactive in some big bucket in reaction to raw materials. We have worked over the past few years to really focus on changing that and really pricing to the value we're providing the marketplace and around the market dynamics and specifically around this product line and where they sit for a value proposition. And then also separating out the cost that occur every year to us to provide that value to our customer and the Carlisle Experience. So you're absolutely right. I think there's been a structural change in the way we approach pricing. Hopefully, it's more refined and hopefully better understood and accepted.

Timothy Ronald Wojs

Senior Research Analyst

Question:

Okay. And is there any -- as you kind of gone through kind of internal review, is there any areas of the portfolio that you think are very underpriced relative to the market value? Or do you just think that the whole portfolio can kind of migrate higher over time?

D. Christian Koch

President, CEO & Director

Answer:

I think that through disciplined approach and more systematic look at that through more sophisticated tools that we have now, we've been investing in, I think there is -- while the entire organization is seeing pricing this year, and we've been really pleased with that, even CFT and CBF have had pricing despite the headwinds, we still have room. We still have room to do a better job on pricing.

Timothy Ronald Wojs

Senior Research Analyst

Question:

Okay. Okay. And then just the last one on just labor of contractors. Is there - - it's tight? I mean, is there anything that scares you that at some point that the labor just -- there's not enough labor for the reroof market to grow much beyond a couple of points? I guess I'm just kind of curious if there's kind of a structural kind of limit to how much the industry can grow if they're not adding workforce?

D. Christian Koch

President, CEO & Director

Answer:

No, I don't think so. And I think one of the things that -- it is tight. We seem to be -- we have a nice backlog of jobs. One of the things that it does for us and I'm encouraged by is it brings us back to the value proposition of CCM and some of the labor-saving products that are coming out, and we're seeing traction on those. So I think through greater efficiency, better delivery, better utilization of the Carlisle experience, we think that creates capacity with the labor that's there. So that's really our goal, is how can we get that roof put down to the high quality standards we have as quickly as possible and make us the most efficient choice for people that are utilizing our products in the industry. And I think that will create some of that necessary flex in labor we need.

Operator

Your next question comes from the line of Joel Tiss with BMO.

Joel Gifford Tiss

MD & Senior Research Analyst

Question:

So I just wondered if you could give us a sense of how far out your kind of visibility on the CCM business goes. Are we kind of into the middle of 2020? And also are the competitors going along with the pricing? Or is it too early to tell?

D. Christian Koch

President, CEO & Director

Answer:

So maybe I'll -- the first one, Joel, we have -- we took the price leadership there on a 2% increase, and then we have seen competitors follow, not all of them but a vast majority of them, which is a good sign. As far as looking out, we hate to get too far and project out into 2020. But I would say probably the same thing we said at the end of 2019, which is where things are today, we're likely to leave 2019 with a nice backlog, tight labor markets, relatively good and positive new construction demand and then the growing reroofing. So I think that sets up for a good start to 2020 at least.

Joel Gifford Tiss

MD & Senior Research Analyst

Question:

Okay. That's very helpful. And then on the medical platform, is it fair to kind of guess that you're around the \$250 million in revenue level? And is that a platform much higher margin or noticeably higher margin than the overall CIT?

Robert M. Roche

VP & CFO

Answer:

Yes. It is \$250 million, just around \$250 million, Joel. And we believe short term with purchase accounting and things going on that it will be in line. But over the long term, it's inherently higher margin.

Operator

[Operator Instructions] Your next question comes from the line of Garik Shmois with Longbow Research.

Garik Simha Shmois

Senior Research Analyst

Question:

Question on CCM, the organic growth of 9%. Just wondering if you can

maybe break out volume and price.

Robert M. Roche

VP & CFO

Answer:

Yes. Garik, as we talked about last year, we lapped the price into the third quarter. So price was relatively small part of that. There was some as we did announce some small price increases. And as Chris said, we're getting very strategic. But it was a very small part.

Garik Simha Shmois

Senior Research Analyst

Question:

Okay. That makes sense. Wanted to ask actually about CFT, the outlook is calling for sequential increase in sales. I think that was kind of expected. And 4Q was going to see an increase, I think largely due to some new product introduction. So just wanted to confirm that that's the main driver of the sequential increase in CFT. And I guess I got a follow-up question on CFT.

D. Christian Koch

President, CEO & Director

Answer:

Yes. I would say Garik that certainly new products, I think some better alignment around the new acquisitions. Obviously, integration as we get through some of that and they pick up speed and we're certainly excited about what Ecco brings and that combination on the Sealants and Adhesives platform, so in essence, those are new products to us, too. So yes, I think that's a fair assessment.

Garik Simha Shmois

Senior Research Analyst

Question:

Okay. And I just wanted to ask, you saw deceleration in the macro environment for CFT and for CBF in that matter in the third quarter. Just wondering as you're looking out to 2020, will you need to take any additional cost actions in those businesses to right size given the, I guess, weaker market opportunities?

D. Christian Koch

President, CEO & Director

Answer:

No, I don't think so. I think that the play for CFT is still -- and CBF has been longer term. I think that the investments we made in CBF, it certainly paid off. Moving back to Medina, we think we're back on track there at least from a profitability perspective. If volume does return, then we're right back to where we were, say, in the 2011, 2012 time frame. And then on CFT, look, I mean, this is going to be a big part of Carlisle's future going forward. We'll continue to invest in acquisitions as we're able to build out the platform in those areas, we're going to continue to invest in new products to help us expand into new markets and new geographies and continue to make that. So no, I don't see any cuts -- any structural cuts for us going forward.

Operator

Your next question comes from the line of Kevin Hocevar with Northcoast Research.

Kevin William Hocevar

VP & Equity Research Analyst

Question:

Wondering just on CIT, it's been a while since you've done any acquisitions of kind of this magnitude that you announced today. So I think one of the hurdles has been expensive asking prices and multiples on any acquisition. So I'm wondering what's changed there. Have some of the multiples come back down to earth? Or have you had to step up a bit? Or what's kind of changed there in that environment where you're able to announce 2 deals of this size kind of one after another here?

D. Christian Koch

President, CEO & Director

Answer:

Yes. I think what has changed -- certainly multiples have not come down at this point. I mean I think you're right. We would look at what's happening in the economy and think they might. But both these are very, very different than maybe the last 2 acquisitions we've done in the medical space. Draka Fileca really, really is very close to our -- and I'm talking about legacy business going back to the Tensolite days, it's right in our wheelhouse, right in our core. And so the pathway to synergies, the pathway to more efficiencies, things like that, is a very good one for us, and that makes it very desirable. And then on the medical technologies, this play, if you think about Providien versus some of the, I would say, more single play or single-line acquisitions that have come up, I mean, this gives us a lot of what we need to build out the whole platform, thermoforming, the assembly, the precision machining and metals, injection moldings, and it was all in one basket that

makes it very attractive and gets us much further down the process than some of the more -- some of the other recent acquisitions that we've seen in the market would have done.

Kevin William Hocevar

VP & Equity Research Analyst

Question:

Okay. Got you. And then we heard there was a tornado damage to one of your CCM facilities down in Florida a couple of days ago. So wondering -- I heard it was an Insulfoam facility. So wondering if you could give any comments there. Do you expect that to have any disruption? Or can you service from other locations? Just wondering if you could give any comment on that.

Robert M. Roche

VP & CFO

Answer:

Yes. I mean, first of all, we're thrilled that everyone was safe. There was no injuries at all in -- a terrible thing that happened to that facility. But overall impact on the quarter should not be anything. We don't see much going forward. We can -- we'll have it up running pretty quickly, and we believe we can ship it from other places to make up for it.

Kevin William Hocevar

VP & Equity Research Analyst

Question:

Okay. Got you. And then on CFT, you mentioned that pricing was positive in the quarter, and obviously, volumes were down quite a bit. So wondering if you're having to trade off volumes for pricing. Wondering how the competition is doing. Is competition also have positive pricing and kind of think you're performing at market? Or wondering if you could just comment on how the balance of price and volume is looking in that business.

D. Christian Koch

President, CEO & Director

Answer:

Yes. I don't think we're trading any volume off for price. I mean I think this is a market that if you look back at the competitors, Northeast and Graco, these others, I mean pretty much end users, it's an ROIC sale, and people are paying for value, it's very tangible and returning to their bottom line. And that's why we see significant investment in R&D, and that investment can

pay off because that's a type of sale. Now when we look at the competition, I think, in some cases, we've seen them being even more aggressive with price increases that have been announced throughout the year. So I think we are right in there with where we should be vis-à-vis the competition.

Operator

There are no further questions at this time. I will turn the call back over to the presenters.

D. Christian Koch

President, CEO & Director

Answer:

Thanks, David. This concludes our third quarter 2019 earnings call. I'd like to thank everybody for your participation. We look forward to speaking with you at our next earnings call. Have a great evening. Thanks.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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