

Carlisle Companies Incorporated, Q1 2018 Earnings Call, Apr 24, 2018

Carlisle Companies Incorporated (NYSE:CSL)

CALL PARTICIPANTS: 2

PRESENTATION: 4

QUESTION AND ANSWER: 61

Call Participants

EXECUTIVES

D. Christian Koch

CEO, President & Director

Robert M. Roche

VP & CFO

ANALYSTS

Charles Damien Brady

Managing Director

Garik Simha Shmois

Senior Research Analyst

James Giannakouros

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Joel Gifford Tiss

MD & Senior Research Analyst

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Marc S. Heilweil

Portfolio Manager

Neil Andrew Frohnapple

Analyst

Presentation

Operator

Good afternoon. My name is Tim, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Carlisle Companies Incorporated First Quarter Earnings Conference Call. [Operator Instructions] Thank you. Mr. Chris Koch, President and CEO of Carlisle Companies, you may begin your conference.

D. Christian Koch

CEO, President & Director

Thank you, Tim. Good afternoon, and welcome to the Carlisle Companies First Quarter 2018 Conference Call. On the phone this afternoon with me are Bob Roche, our Chief Financial Officer; Titus Ball, our Chief Accounting Officer.

On today's call, I will discuss our first quarter 2018 performance and our 2018 outlook. Bob will review our segment performance, balance sheet and cash flow.

Please now review Slide 2 of our presentation entitled Forward-looking Statements and the Use of Non-GAAP Financial Measures. Reconciliations of U.S. GAAP to non-GAAP measures are provided in the appendix to this presentation. 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. These reports explain the risks associated with investing in our stock, which is traded on the New York Stock Exchange under the symbol of CSL.

Turning to Slide 3. After closing out our 100th anniversary in 2017, we entered our second century of operations with the launching of Vision 2025, the cornerstone of our next 100 years. In Vision 2025, we seek to drive above-market organic growth; build scale in our core businesses by pursuing synergistic acquisitions; further leverage our COS culture to efficiency through all our business processes; continue to return capital to shareholders; and invest in attracting, developing and retaining exceptional talent. With consistent execution of these initiatives, we seek to achieve \$8 billion of revenue, 20% operating income and 15% ROIC.

The rollout of Vision 2025 has generated significant enthusiasm among those investors, customers and employees we have met with since its unveiling. The progress we made in 2017 has continued into the first quarter and has reinforced our commitment to our key strategies outlined in Vision 2025. In the quarter, we delivered organic growth of 8.8%, increased R&D spend by 16% to drive organic growth, paid \$23 million in dividends, repurchased approximately \$129 million of Carlisle shares and optimized our portfolio by completing the divestiture of

Carlisle FoodService Products for \$750 million.

Turning to Slide 4. In the first quarter of 2018, Carlisle experienced strong organic growth, resulting in record first quarter revenues of \$985 million, a 27% increase over the first quarter of 2017 and our 20th consecutive quarter of year-over-year sales growth. Our operating income in the first quarter grew 5.8% to \$95 million, resulting in EPS of \$0.92.

Our first quarter earnings performance, while strong, reflected the current inflationary environment, significantly impacting our raw material and freight costs, labor availability and wages that are increasing across our businesses. CCM was disproportionately impacted by continued pressure on raw materials at levels similar to the fourth quarter of 2017. Timing of our announced price increases lagged by a quarter.

Across Carlisle, we are proactively taking measures to offset these inflationary pressures and challenging market dynamics. Consistent with our philosophy of price leadership and delivering high-value products to our customers, we have instituted a series of pricing actions across all our businesses. In addition to these pricing actions, the Carlisle Operating System will continue to drive cost savings and operational efficiencies, and savings from the restructuring and facility rationalization actions taken across our businesses in 2017 will contribute positively as they are completed.

We anticipate our businesses will continue to face an increasing inflationary global environment. However, we expect the strategic actions taken in 2017 and the pricing actions currently underway will deliver significant gains in profitability in the second half of 2018.

After significant investments totaling \$55 million in 2017 related to portfolio realignment and restructuring, the heavy lifting is now substantially complete. 2018 will be more focused and simplified from a restructuring perspective, as there are only 2 major projects to close out: The Shenzhen, China to Dongguan, China move at CIT; and the Tulsa, Oklahoma to Medina, Ohio move at CBF. We expect total 2018 restructuring and facility rationalization costs to be approximately half of the 2017 levels.

I'll now focus on our divisional achievements in the quarter. Despite harsh winter conditions in the United States and in Europe, CCM's commercial construction business again delivered strong growth. The Accella acquisition from the fourth quarter of 2017 remains on track to deliver stated synergies of \$30 million over 3 years. The spray polyurethane foam and liquid applied roofing markets entered via the Accella acquisition continue to forecast high single-digit growth and continue to gain market acceptance as an efficient and environmentally friendly solution, strengthening the value proposition of our Construction Materials business to our customers. We continue to look for synergistic acquisitions to add to this new polyurethane platform.

Additionally, the over \$60 million of capital invested in our core CCM business in 2017 continue to drive quality and productivity enhancements. Example of which is the construction underway at the site of our new facility in Waltershausen, Germany. This facility, when completed in late 2018, will increase our ability to supply European and Middle Eastern customers with exceptional products.

CIT continues to see strong SatCom and aerospace growth. The SatCom ramp continues to accelerate, and we now expect sales to reach \$90 million to \$100 million in 2018. Bob and I recently attended the 2018 Aircraft Interiors Show in Hamburg, Germany. We were impressed with the growing enthusiasm and demand for better satellite communications capabilities on all aircraft due to the increased expectations of fliers surrounding connectivity and the desire to improve the passenger experience. Examples we saw at the show reinforced our confidence in this new technology and confirmed that it is only in its infancy. In-flight connectivity will only continue to grow and evolve, and we believe CIT is uniquely positioned to capture this increasing demand.

Additionally, our global medical technology business continues to grow and our project pipeline with leading OEMs is robust, with over 120 active projects. The Shenzhen, China to Dongguan, China med tech factory move will be completed by the end of the year. We expect this move will significantly expand our engineering and production capabilities, along with delivering operational savings towards the latter months of 2018.

CFT revenue growth reflected increases in transportation and general industrial markets, offset by the decision to exit low-margin revenue of approximately \$1.5 million related to our factory consolidations, reflecting a positive start to the first quarter. CFT's footprint consolidation efforts in 2017 are largely complete, and we have begun to see the benefits of these efforts in 2018.

We are also excited about the first few months of performance by CFT's new leadership, specifically as they focus on driving mid-single-digit organic growth and improving profitability. We were especially pleased with the approximately 16% operating income improvement in the quarter. We expect to complement these sales efforts with the launch of new products and the pursuit of synergistic acquisitions.

For the fifth consecutive quarter, CBF experienced substantial revenue growth as their customers continue to see accelerating sales and recovery from the 5-year downturn in commodity markets. Sales to CBF's core off-highway markets of construction, mining and agriculture were all up over 30%. And equally important, total segment bookings were up over 20% in the first quarter. The Tulsa, Oklahoma to Medina, Ohio plant consolidation is on track to be completed by year-end, and we expect to realize annualized savings of \$12 million to \$15 million from this move. As sales volumes continue to improve, first quarter pricing actions take effect, and sales from new products accelerate, we expect

CBF's operating margins to continue their upward trend.

Bob will now provide further detail about our segment performance and review our balance sheet and cash flow. After Bob's review, I will discuss the outlook for 2018. Bob?

Robert M. Roche

VP & CFO

Thank you, Chris. Please turn to the sales bridge on Slide 5 of the presentation. As Chris mentioned in his opening remarks, we are pleased with our record first quarter revenues. Organic growth had a positive 8.8% impact, driven by strength in our core CCM business, continued SatCom ramp and aerospace recovery at CIT and strengthening construction, agriculture and mining equipment markets at CBF.

Acquisitions contributed 15.5% of sales growth in the quarter. Foreign exchange had a positive impact of 1.5%, and the adoption of the new FASB revenue recognition standard had a positive impact of 1.4%.

Turning to our margin bridge on Slide 6. Operating income decreased 200 basis points in the quarter to 9.6%. Net revenues had a positive 60 basis point impact. COS drove 150 basis points of margin improvement. Acquisitions had a negative 190 basis point impact in the quarter. And finally, rising raw material costs, driven largely by CCM, had a negative 210 basis point impact.

Now let's turn to Slide 7 to review the first quarter performance by segment in more detail. At CCM, revenues increased 34.2% in the quarter, driven by mid-single-digit organic growth. The Accella, Arbo and Drexel Metals acquisitions contributed 26.9% to the year-over-year growth. We experienced slight but meaningful positive price realization in our CCM core markets, and we are anticipating positive results related to previously announced price increases. Additionally, we have implemented freight surcharges that we expect will offset the inflation we are seeing in our transportation and logistics expenses. We anticipate the combined effect of both actions will offset some of the cost headwinds in the second quarter and more than fully offset them for the second half of the year.

In the face of a rising raw material cost environment, CCM delivered operating margin of 12.7% in the quarter, including approximately \$11 million of raw material and freight cost increases. Accella contributed another \$4 million of decline in net price raw material in the quarter versus our expectations for this business. Higher sales volume and savings from COS were offsets to the cost headwinds.

Please turn to Slide 8 to review CIT's results. CIT revenue grew 15.5%, with organic growth contributing approximately 2/3 of this. CIT's revenues were also

positively impacted by \$11 million by the adoption of the new FASB revenue recognition standard. Aerospace market growth delivered strong results, while the SatCom ramp continues on track, delivering approximately \$20 million in the quarter. Organic growth initiatives in medical and test and measurement markets are accelerating.

CIT achieved strong operating leverage, with operating income improving 26.5% to \$27.2 million due primarily to higher volumes and COS savings. Operating margin of 12.1% represented a 100 basis point year-over-year improvement. We will complete the Shenzhen and Dongguan, China consolidation by the end of 2018 and expect to spend approximately \$5 million for the balance of the year on this project.

Turning to Slide 9. CFT's revenues, excluding FX, were flat. Strong growth in the U.S. and China in the transportation and general industrial markets was offset by the decision to exit low-margin revenue of approximately \$1.5 million related to our factory consolidations. Solid operating income improvement of approximately 16% was achieved by price realization and savings from COS.

Turning now to Slide 10. CBF achieved outstanding results in the quarter, increasing 34.3%, which reflected an organic sales increase of 28.5% and favorable foreign exchange of 5.8%, primarily related to the euro and pound. The sales increase was the fifth consecutive quarter of growth, reflecting a continued recovery in off-highway vehicle markets, especially in the key end markets of construction, agriculture and mining, which were all up over 30%.

With the recovery in sales, CBF's operating income continued to progress towards our historical levels, improving \$3.3 million, which included \$2 million of expenses related to the consolidation of the Tulsa, Oklahoma manufacturing facility into our Medina, Ohio facility. We are on track to complete this consolidation by the end of 2018 and expect to realize annualized savings of \$12 million to \$15 million from this project.

On Slide 11, we have provided detail of restructuring, facility rationalization and other acquisition divestiture-related items by segment. First quarter charges included in operating income were \$4.4 million for all segments. For full year 2018, we continue to expect approximately \$20 million to \$25 million of cost driven by the Dongguan and Tulsa moves.

Turning to Slide 12. As of March 31, we had \$979 million of cash on hand and \$1 billion of availability under our revolving credit facility. Our balance sheet remains strong. As of March 31, our net debt-to-capital ratio was 19%. Our net debt-to-EBITDA ratio was 0.6x, and our EBITDA-to-interest ratio was 24.1x.

Turning now to Slide 13. Our free cash flow in the quarter was negative \$9.3 million compared to a positive \$1.5 million in the prior year. This reduction was due to an increase of \$12 million in capital expenditures year-over-year largely

related to organic initiatives at CCM, CIT and CBF.

And with those remarks, I'll turn the call back over to Chris.

D. Christian Koch

CEO, President & Director

Thanks, Bob. Please turn to Slide 14 as we discuss our updated 2018 outlook. For Carlisle overall, we are raising our 2018 consolidated revenue outlook to mid-to high teens growth.

By segment. At CCM, driven by a healthy 2018 forecast for the U.S. commercial construction market and including contributions from acquisitions, we now expect CCM to grow in the low 20% range. CCM remains focused on being the price leader, and as a result, we'll maintain discipline around the execution of our price increases and freight surcharges to offset the previously discussed inflationary cost pressures. We will also seek to drive operational efficiencies in our factories, continue to deploy COS throughout the organization, ensure the Accella integration delivers expected synergies and continue to expand into the building envelope.

In the CIT segment, we now expect revenue growth to exceed 10%, driven by a strong aerospace market, growth within the med tech platform and the SatCom ramp continuing to accelerate. We remain focused on converting a strong pipeline of new projects, driving to higher content per aircraft and seeking high-quality acquisitions for our med tech and aerospace businesses.

At CFT, we continue to expect revenue growth in the mid-single-digit percent range for 2018. As we close 2017, we transition from building the foundation of our Fluid Technologies platform, including consolidating 8 sites over the last 2 years, implementing COS throughout the organization and optimizing our leadership team to focus on delivering increased margins on strong organic growth, new product introductions, expansion into core adjacencies and seeking acquisitions to continue to build out this platform.

At CBF, we now expect revenues to grow in the mid-teens, driven by accelerating growth in CBF's core markets. We are seeing continued improvement at key OEM customers related to rising commodity prices, solid growth in all our regions and the effects of key sales initiatives launched in the past 2 years.

Corporate expense is expected to be approximately \$70 million. Depreciation and amortization expense is expected to be \$190 million. For the full year, we would expect capital expenditures will be approximately \$135 million to \$160 million. We are anticipating free cash conversion to be approximately 100%, excluding the effect of the sale of FoodService Products. Depending on timing and investment income derived from the sale of FoodService Products, we expect our 2018 net interest expense to be towards the lower end of a \$60 million to \$70

million range. Our tax rate is expected to be approximately 25% to 27% in 2018. And with our strong balance sheet and cash flow generation, we will continue to invest in our businesses, fund strategic acquisitions and return capital to Carlisle's shareholders through dividends and share repurchases.

As 2018 continues to unfold, we are well-positioned to take advantage of strong global markets and improving fundamentals in our businesses while recognizing that we are facing an increasingly inflationary environment. With the early traction we have achieved against our 2025 goals, we are excited to build upon our positive momentum and expect to deliver record performance in 2018.

This concludes our formal comments on the fourth -- first quarter results and the 2018 outlook. Tim, we're now ready for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Neil Frohnapple with Buckingham Research.

Neil Andrew Frohnapple

Analyst

Question:

So a lot of moving pieces for the CCM EBIT outlook. So first, could you provide an update to your outlook as it relates to the raw material impact to EBIT that you would expect for the full year? I think you had previously talked about \$40 million headwind. So if you can provide an update, what you're projecting there, that would be helpful as a starting point.

Robert M. Roche

VP & CFO

Answer:

Yes. Neil, this is Bob. Yes, nothing's changed on our outlook. We still are seeing the \$40 million I talked about on the last call, with -- we ended up with \$11 million. We thought \$10 million would be in the first quarter. And we continue to believe that the remaining \$30 million will be offset by price in the back half of the year.

Neil Andrew Frohnapple

Analyst

Question:

Okay. So I guess, that was my follow-up. So I mean, could you talk more about pricing in Q1, quantify the slight positive? And then, I guess, more importantly, any initial thoughts on the 6% price increase that was implemented in March? You mentioned anticipating positive results from the recently announced price increases. So any commentary there? So is it the anticipation then that \$30 million will be realized with the pricing and the freight surcharges? Is that how we should read that?

Robert M. Roche

VP & CFO

Answer:

Yes, that's exactly how we're thinking about it.

Neil Andrew Frohnapple

Analyst

Question:

Okay. So that -- from the pricing actions and the raw material headwinds, including the freight, it should be only a \$10 million negative headwind for the full year.

Robert M. Roche

VP & CFO

Answer:

Yes. Yes, and that's consistent with what we talked about last quarter.

Operator

Your next question comes from the line of Garik Shmois with Longbow Research.

Garik Simha Shmois

Senior Research Analyst

Question:

Just wanted to follow up on some of Neil's questions. Just on the pricing, just to be clear, in your confidence in offsetting raw material inflation, does this assume any additional price hikes are necessary? Or given what you implemented earlier this spring, you have already enough in the market to offset inflation? Just wanted to be clear.

D. Christian Koch

CEO, President & Director

Answer:

Yes, we had 2 price increases that began March 1. We had the TPO 6% increase, and we had the ISO 6% increase. And then we had the second, was in every TPO, EPDM, ISO and accessories, we were up ranging from 5% to almost in some of our accessories, up to 10%. That's effective May 1. So that's what we see now. What we anticipate happening through the year would be based upon those price increases.

Garik Simha Shmois

Senior Research Analyst

Question:

Got it. Okay, that's helpful. The increase in the CCM revenue growth outlook, could you provide some color on what was driving that specifically?

Robert M. Roche

VP & CFO

Answer:

Yes. That's just largely normal across-the-board increases. We see Accella being a bit better and -- we have more confidence in what's going on in the base business now after getting through the first quarter.

Garik Simha Shmois

Senior Research Analyst

Question:

Okay, great. And then just also, just on the increase on the SatCom guidance, how should we think about how that ramps through the rest of the year? You had \$20 million in the first quarter. Is that a good number to use for 2Q and then it starts accelerating in the second half? Or would the increase off of the 1Q run rate be pretty consistent through the remaining 3 quarters?

D. Christian Koch

CEO, President & Director

Answer:

It will be -- I think, you will see stronger second and third quarters with rising and then a pretty much leveling out in the fourth quarter at the third quarter rate.

Operator

Your next question comes from the line of Charley Brady with SunTrust Robinson Humphrey.

Charles Damien Brady

Managing Director

Question:

On CCM, the organic growth there, given the weather we're seeing in the quarter, came in a little bit better than we were looking for. I wonder if you can just talk a little bit about maybe more granular on geography. Or were there certain parts of the U.S. that were particularly stronger than maybe more than you thought they were going to? So how do you -- so I'm asking how you offset the weather impact?

D. Christian Koch

CEO, President & Director

Answer:

Yes, it was difficult weather. We -- we did comment on that in the script. And we think we might have lost anywhere between 6 to 8 roofing days in the Northeast and Midwest. So with that being said, I mean, it kind of talks to the strong demand. When you look at it across product lines, pretty much very consistent, strong growth in all of our product lines throughout the business. One exception might have been our PVC business. That is somewhat smaller than the rest and grew at a higher rate. But it was pretty consistent, just solid growth across the product lines. And I would say, regionally, I don't think there was any exceptional area that stood out. I think we had good strong traction in every region. Bob, would you like to add to that in any way?

Robert M. Roche

VP & CFO

Answer:

No, I think that's right, Chris. I mean, we say in our slides, U.S. commercial roofing was up only 3% and then across the board, other waterproofing, our international markets, our specialty markets were up nicely to bring it up to 6 in total.

Charles Damien Brady

Managing Director

Question:

Okay, helpful. And just on CIT on the acquisition pipeline, clearly, life science is one you guys have targeted. Can you just speak to kind of the, I guess -- obviously, the multiples in that market, I would assume, tend to be a little bit higher. Kind of what your line of sight is to really doing acquisitions more to that space and amping that part of the CIT business up?

D. Christian Koch

CEO, President & Director

Answer:

We are seeing good pipeline. We're -- we are seeing a fair amount of deals. They range in size. You are correct that the multiples tend to be higher than our average deal we're looking at in the other parts of the business, and there's also some pretty good competition for those assets. So we think we've got prospects out there that will do quite nicely in CIT and be very helpful to building out that med tech business. But I think that the pricing, we, again, want to be disciplined, and then the competition for that will be pretty fierce. So that's kind of the situation, but there is no lack of opportunities.

Charles Damien Brady

Managing Director

Question:

Just one more for me, and then I'll hop back in. On brake and friction, pretty strong margin performance there. What's your expectation for a full year contribution margin for that business?

D. Christian Koch

CEO, President & Director

Answer:

Charley, we don't really give anything really specific, but I would say that we would expect that what we're seeing today, as we said in the call, would only increase over the year as our pricing kicks in, as we start to gain some more efficiencies. But I would say, overdramatic, I would say it would be a measured march to those historical levels we had.

Operator

Your next question comes from the line of Jim Giannakouros with Oppenheimer.

James Giannakouros

Executive Director and Senior Analyst

Question:

CFT, you've consolidated 8 sites. You -- the restructuring, it seems like you have line of sight to the end of that. How should we be thinking about what end markets you're more confident in that you can maybe sustain growth intermediate term? And I guess, the second part of that question is what kind of incremental margin progression can we expect once restructuring is really behind you, say, in '19 and beyond?

D. Christian Koch

CEO, President & Director

Answer:

Let's tackle the margin one first. Bob, would you like to...

Robert M. Roche

VP & CFO

Answer:

Yes, sure. I think about margins, we see a steady march throughout the year, as I mentioned before, going from where we were last year up to -- as we exit the year, getting up closer to historical levels, not back up to the

20% we talked about for long term, but a march up there from where we were last year.

D. Christian Koch

CEO, President & Director

Answer:

And then, Jim, when you look at -- if we look at regions, we still expect Asia Pacific region to be a strong contributor to growth. We are seeing excellent receptivity to the new pump technology we introduced a couple of years ago. That's still growing. We like the auto refinish business. That's had a good start to the year, and we view that as a good growth in Asia. And when we look to the U.S., we see some recovery in our sales growth there, and we would think that would be another strong area for sales as we move forward. When we look specifically at product lines, the finishing business that we have has always been strong, and that will be continuing to be a focus. We also like the sealants and adhesives space. We feel there is an opportunity for our technologies and differentiation on those technologies in the adhesives and sealants, specifically in the automotive body shops, but also in general industrial. And then we're looking at powder applications. We bought the company M&S (sic) [MS] a couple of years ago, and we're starting to see some traction there with new products. And then we would look to potentially entering the foam market. That's been a good market throughout the years for other manufacturers, and now with our presence with Accella, we think we have an opportunity there to provide a good combination solution for the market.

James Giannakouros

Executive Director and Senior Analyst

Question:

That's helpful. And going back to CCM, and I apologize if I misunderstood or you did highlight and I just missed it. Where are you getting the pricing traction? I mean, just if you cut it by EPDM, TPO and insulation, my impression was, during the quarter, having my conversations in the channel, that EPDM is a bit firmer, but in TPO and insulation, a bit tougher because they're more heavily competed. Is that accurate? And is that where you are actually seeing better-than-expected pricing?

D. Christian Koch

CEO, President & Director

Answer:

I think just in general, we saw the pricing traction primarily on the 2 price increases we had in the TPO and the ISO there that started March 1, and we

saw some traction in the month of March there on those 2 product lines. EPDM, we, I think, given the market characteristics, we always tend to be a bit firmer there on our pricing. And accessories have been -- have had some good results. So it's across the board, but if you pointed to 2 actions, I'd say the TPO 6% increase on March 1 and the ISO increase of 6% on March 1 had the most effect on the quarter.

James Giannakouros

Executive Director and Senior Analyst

Question:

And just as a follow-up, I mean, what do you attribute that to? I mean, we know that you guys are the most disciplined in this space. Are you seeing more rational behavior from competitors? Are you -- or just a more general market acceptance and a better appreciation that, hey, manufacturers across the board are getting hit with input cost inflation and so it's more reflective of that than rational competitor set?

D. Christian Koch

CEO, President & Director

Answer:

I think it's a combination of both, Jim. I think in the long term, we've been talking about this for a while. If we look back at '16 and '17, we were still seeing price declines, but they were -- they tended to decrease as we got closer to the end of '17. And then here, we've actually had a little bit of positive on that price in the first quarter of '18. So I think there is becoming a more -- an ever increasing, let's say, rational competitor set, and then these short-term inflationary pressures have just added, I'm sure, to their resolve as they increase cost for everyone. So I think it's the convergence of those 2: That long-term trend on more rational competitors and then the short-term trend on the inflationary pressures.

Operator

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

Kevin William Hocevar

VP & Equity Research Analyst

Question:

Wondering if you could comment, Bob, I think you mentioned that Accella faced a \$4 million price versus raw headwind in the quarter. Did I hear that right? And what was the actual contribution of EBIT from Accella in the

quarter? And I believe your initial guidance when you first acquired it was that it would be \$0.09 accretive this year, so I just wanted to see if that's still the expectation.

Robert M. Roche

VP & CFO

Answer:

Yes, there was a couple -- you'll see in our Q when it comes out, there was a couple million dollar loss for Accella in the quarter, a true loss, and that was due to that. Now the Accella \$4 million clearly wasn't year-on-year because it wasn't in our results, but it was higher than what we expected. And that was largely due to the MDI pressure that everyone saw in the quarter. If you recall, Accella still buys in the spot market or at least they were still buying in the spot market, as we just get them into our fold, where the base business is buying on contract. So that pressure in the MDI is what caused the difference there. And related to the \$0.09, with this \$4 million pressure in the first quarter, we believe we can make some of that up throughout the year, but we think we're going to fall a little bit short of our \$0.09. We're looking in the probably the \$0.05 accretive range now, but longer term going into next year, we're looking for more synergies to get back on track to where we expect it to be.

Kevin William Hocevar

VP & Equity Research Analyst

Question:

Got you. And then I think you mentioned taking pricing increase actions across a bunch of businesses, and we've talked a lot about CCM. But particularly here, are you taking pricing actions here as well? And are you seeing any type of traction? And what are you seeing out of MDI specifically? Because I know that there was a lot of force majeure that probably raised price here in the near term. So any chances that those come online? Are you seeing that coming down? Or do you expect it to come down that can help out? Or could you give us some type of update on those dynamics? It would be helpful.

D. Christian Koch

CEO, President & Director

Answer:

Yes, MDI for the quarter was relatively benign for the core CCM business. Bob will touch on the price increases in Accella here in a second. But I think with the capacity we've seen and is pretty well documented, our expectation will be that as the year moves on, we should see some stability, perhaps even

decline in MDI pricing.

Kevin William Hovevar

VP & Equity Research Analyst

Question:

Got you. And then the pricing actions in Accella?

Robert M. Roche

VP & CFO

Answer:

Yes, I mean, we took a couple 5% pricing increase actions in the first quarter, and we're seeing a better traction across those in some of our markets. But like with the rest of the construction businesses in CCM, when you're in the low first quarter season of -- when you get in better construction season, you're better able to get those increases. But we did see some in that business as well in the first quarter.

Kevin William Hovevar

VP & Equity Research Analyst

Question:

Got you, okay. And 2 quick ones. On CCM, the 6.3% from price and volume, maybe I missed it. What was the breakout between volume and price for that?

Robert M. Roche

VP & CFO

Answer:

The price was relatively low, as we said. We're seeing some positive price, but it was a couple hundred thousand dollars.

Kevin William Hovevar

VP & Equity Research Analyst

Question:

Okay, got you. And then finally, on the share repurchases, it looks like you spent \$129 million on share repurchases. The share count was essentially flattish, down just a touch sequentially. Just wondering if you have a sense for that, were there share purchases late in the quarter? And maybe we'll see a step down here in the second quarter share count. Wonder if you can just give a little color there?

Robert M. Roche

VP & CFO

Answer:

Yes, we expect to do see it continue to decline throughout the year as the purchases come in. We did not do it as early in the quarter. Obviously, you can't do it, our earnings was late, so we didn't have the process in when we started. So all the repurchases were after earnings, which pushed a little out into the second and third quarter of realizing that share count decline.

Operator

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

Joel Gifford Tiss

MD & Senior Research Analyst

Question:

Just wondered, is -- can you talk a little bit about Huntsman kind of vertically integrating a little bit into parts of CCM? Is there a chance that, that kind of structurally changes the profile of that industry? Or you think that there's not enough -- that they don't have enough market share and enough vertical integration to be able to make a difference?

D. Christian Koch

CEO, President & Director

Answer:

Yes, it's a good question, and we'll have to see what happens. I think at this initial stage, we think that it's a good move if you look at purely the market dynamics for getting into this, someone who's upstream and understands what's happening with the source chemicals there. We think it points to some good signs that they're seeing increasing demand in this space and they've done their work. So I think from a volume perspective, it reinforces that this is probably a pretty good space to be in. We think also that any reduction in the -- and consolidation in the space helps out, and Huntsman, we think, is going to be a rational competitor. They have shareholders, and they have expectations as well. So our hope is that it will bring good discipline, having a major business like Huntsman participating in the market.

Joel Gifford Tiss

MD & Senior Research Analyst

Question:

And then next, in the first quarter, was in CBF, was the decline in that aerospace business, is that kind of finished? Or was that part of -- was that

still part of what happened in the first quarter?

D. Christian Koch

CEO, President & Director

Answer:

Aerospace in the first quarter actually was up a little bit, Joel, but it's now become such a small part of the business that the impact is not as great as it used to be. And that's really the story there. It -- that legacy aircraft business will continue to decline, and when we do get spikes, it's generally around a purchasing pattern, as we've said before, most of it coming in the first quarter and then diminishing in the second half of the year.

Operator

Your next question comes from the line of Liam Burke with B. Riley FBR.

Liam Dalton Burke

Analyst

Question:

Chris, can you give us some color on CCM's performance in Europe? I mean, you talked about strength across different product lines. But geographically, how has Europe been doing?

D. Christian Koch

CEO, President & Director

Answer:

Europe was relatively flat in the quarter. We had some positive increase. Most of it was due to FX. Bob and I were just over there. I mentioned the Aircraft Interiors Show. We were there also with the management team at CCM Europe, and we're pretty pleased with the action they're taking. They're doing a lot of outreach to architects to building owners, out with contractors. They have a little bit of a different EPDM product over there. It's -- it is well received, but it's a very small market share. So we think the actions they're taking are going to produce results. We've got to get conversion going. And obviously, the construction of the Waltershausen facility should help them as well as show that we have a lot of confidence in where that market can go.

Liam Dalton Burke

Analyst

Question:

Okay. And on CIT, you talked about the acquisition front being expensive on medical. Are there any new programs that can be developed in-house

through the CIT programs, either in aviation or in medical?

D. Christian Koch

CEO, President & Director

Answer:

Absolutely. We could talk at length about new programs within the aerospace and the medical. As we spend -- I'll just touch on medical for a bit. As John Berlin and the team at CIT get further into the major OEMs that are out there, we are finding that working with them on our existing products that came from the LHi organization is now exposing us to more opportunities and the opportunity to work with those teams that are developing new products and then be specified on that. And those take time. As you know, the aerospace and the -- or the FAA and the FDA process as we get these things certified is -- can be extensive. And that's why we talk about the 120 projects and look to see those generate substantial organic growth for us in the coming years.

Operator

Your next question comes from the line of Marc Heilweil with Gratus Capital.

Marc S. Heilweil

Portfolio Manager

Question:

I'm new, so maybe I don't have a grasp of Vision 2025 as well. But could you give some idea of how, maybe contrasting with the last 3 or 4 years, how important these bolt-on acquisitions are for the next 3 or 4 years? I know you've singled out med tech and aerospace, and -- but generally speaking, do you expect the pace of acquisitions, and I know this is difficult to quantify, to be similar to what's happened over the last 3 or 4 years?

D. Christian Koch

CEO, President & Director

Answer:

Well, we'd like the pace to be strong because we do feel that, in addition to our strong organic growth and some of the growth that we just talked about with Liam, where we're developing those products with our OEs and we're working on that, that really provides the best growth, we think, from an ROIC perspective long term. We do feel that a great opportunity is where we have bolt-on acquisitions. And as we ran up with CIT over the last 10 years, taking that business from \$100 million to now over \$800 million, most of that was bolt-on acquisitions that added key products to that portfolio suite. What we

did in Vision '25 was we added a dimension to that, and we said we wanted them to be synergistic. So the bolt-on acquisitions that we'll be looking at for the future are going to be bolt-on acquisitions that can leverage some competency we have at Carlisle, whether it's COS or manufacturing technology or sales networks, to be able to extract more earnings from those once they're integrated. So I think your comment is a good one, and it's really where we want to point to on acquisitions, is to those bolt-on acquisitions that have synergies with our existing businesses. Does that help?

Marc S. Heilweil

Portfolio Manager

Question:

It does.

Operator

[Operator Instructions] Your next question comes from the line of Charles Brady with SunTrust Robinson Humphrey.

Charles Damien Brady

Managing Director

Question:

No, you guys got it -- I had a question on MDI pricing, but you guys have hit it. So I'm good.

Operator

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

D. Christian Koch

CEO, President & Director

Answer:

Well, thanks very much, Tim. This concludes our first quarter 2018 earnings call. We thank everybody for their participation, the great questions and your continued interest in Carlisle, and we look forward to speaking with you at our next earnings call. Thank you, and good night.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect.

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