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Carlisle Cos., Inc. (CSL)

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Constantine, and I will be your conference operator for today. At this time, I would like to welcome everyone to the Carlisle Companies' Fourth Quarter 2024 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers remarks, we will conduct a question-and-answer session.

I would like to turn the call over to Mr. Mehul Patel, Carlisle's Vice President of Investor Relations. Mehul, please go ahead.

Mehul S. Patel

Vice President-Investor Relations, Carlisle Cos., Inc.

Thank you, and good afternoon, everyone. Welcome to Carlisle's fourth quarter 2024 earnings call. I'm Mehul Patel, Vice President of Investor Relations for Carlisle. We released our fourth quarter 2024 financial results today and you can find both our press release and the presentation for today's call in the Investor Relations section of our website.

On the call with me today are Chris Koch, our Board Chair, President and CEO; along with Kevin Zdimal, our CFO. Today's call will begin with Chris, who will provide key highlights on our fourth quarter and full year 2024 results and some commentary on 2025.

Kevin will follow Chris and provide an overview of our Q4 and full year 2024 financial performance and give an update on our outlook for 2025. Following our prepared remarks, we will open up the line for questions.

But before we begin, please refer to slide 2 of our presentation, where we note that comments today will include forward-looking statements based on current expectations.

Actual results could differ materially from these statements due to a number of risks and uncertainties which are discussed in our press release and SEC filings.

As Carlisle provides non-GAAP financial information, we provided reconciliations between GAAP and non-GAAP measures in our press release and in the appendix of our presentation materials, which are available on our website.

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

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thank you, Mehul. Good afternoon, everyone, and thank you for joining us for Carlisle's 2024 fourth quarter earnings call.

Turning to slide 3 of the presentation, I would like to start by extending my sincere appreciation to all our Carlisle team members for delivering a very productive start to our Vision 2030 initiatives in 2024, exceeding $20 of adjusted EPS this past year and for completing our pivot in 2024 from a general industrial portfolio of businesses to a pure-play building products company.

We're very proud of several key accomplishments the company made over the last year. To start, 2024 was a historic year for Carlisle as we completed our strategic pivot to a pure-play building products company with the $2 billion sale of CIT in the second quarter.

Our focus on building products has clarified and refined our mission for our employees and investors, highlighted the best-in-class financial performance that our building products businesses have delivered for years and provided a clear path to $40 of adjusted EPS in 2030 by adding innovation and a strong M&A playbook to our already well-established and successful pillars of Vision 2025.

Carlisle delivered record adjusted EPS of $20.20 in 2024, representing a significant 30% year-over-year increase, driven in part by our growing and recurring revenue stream from re-roofing, which was up mid-single digits throughout the year.

We also benefited from the return to more normalized inventory levels and buying patterns within our channels to the contractor. Our margin performance was also strong this year with adjusted EBITDA margins expanding 150 basis points to a record 26.6%.

This is even more impressive when we are reminded of two important factors. First, CWT's margin was substantially impacted by the significant negative trends in the residential markets we serve.

And second, CCM worked through the well forecasted but, nonetheless, negative impact of a low single-digit price decline in commercial markets.

We also continue to strengthen our market position in the building envelope space by deploying nearly $700 million of capital into two synergistic acquisitions that added to existing businesses within Carlisle.

First, the acquisition of MTL expanded our architectural metal capabilities with the addition of commercial roofing's leading authority on perimeter edge metal. MTL enables us to offer a wide range of prefabricated solutions, such as edge metal, fascia, coping and composite panels and systems for the building envelope.

As the year progressed, we validated the superb fit of MTL's leadership team with Carlisle and through our superior integration playbook, we exceeded our expectations on the synergy front and now expect synergies to increase from our initial estimate of $13 million to now well over $20 million.

This acquisition of MTL also further positions Carlisle as an industry leader in the $4 billion architectural metal category.

Second, our recent acquisition of Plasti-Fab advances our position as the leading, vertically integrated manufacturer of expanded polystyrene insulation for the building products market across North America.

Plasti-Fab drives innovation and expanded polystyrene products for commercial, residential and infrastructure construction applications. Plastic-Fab's customers seek energy efficiency, and contractors and building professionals seek comprehensive solutions.

As the only vertically integrated, expanded polystyrene company in North America, Plastic-Fab meets those needs. And as with MTL, we expect a superb fit with our existing EPS business and significant synergies currently estimated at $14 million, which we expect to increase as we move through 2025.

Yesterday, we completed the previously announced acquisition of Texas-based expanded polystyrene insulation manufacturer ThermaFoam, which builds on the recently completed acquisition of Plastic-Fab and leverages Carlisle's vertically integrated, expanded polystyrene capabilities, while adding geographic coverage in Texas and the South Central United States.

Looking at the fourth quarter 2024 performance on slide 4, Carlisle continued to experience broad market headwinds, more heavily weighted to the residential new and R&R markets and the commercial new construction markets.

These headwinds included higher interest rates, restricting lending conditions and unfavorable weather patterns. These factors negatively impacted sales, and the results were below our mid-year 2024 outlook.

Despite this challenging environment, Carlisle's consolidated Q4 revenues of $1.1 billion remained essentially flat year-over-year, and adjusted EPS grew by 7% to a fourth quarter record of $4.47. We were pleased to see continued EPS growth as we remain confident in our Vision 2030 journey to $40 of adjusted EPS per share.

We remain committed to the same principles our stakeholders know well; disciplined capital allocation, a focus on ROIC and growing our businesses, both organically and through robust M&A.

Carlisle is well positioned to benefit from widely understood macro trends, including growing commercial re-roofing demand, an ongoing housing shortage and our ability to provide innovative, energy efficient and labor-saving solutions and systems in the years ahead.

Looking ahead to 2025, our Vision 2030 strategy guides our path forward through four key elements. First, we are accelerating innovation focused on energy efficiency and labor-saving solutions.

Nothing exemplifies our commitment to innovation more than our $45 million plus investment in our new state-of-the-art Innovation Center in Carlisle, PA.

This expansion will provide additional capabilities and resources necessary to accelerate our development of innovative, energy efficient, labor-saving solutions and integrated systems, supporting our goal of generating 25% of revenues from new products introduced within the past five years.

Second, we will seek to continue to expand our best-in-class margins by pricing our innovative products and solutions for the value we provide. By delivering those innovative products and solutions through the value enhancing Carlisle Experience, and by driving operational excellence through the Carlisle Operating System.

Third, we will strategically expand our market positions in the building envelope with a best-in-class M&A process to complement our strong organic growth efforts.

Our well-defined M&A playbook will continue to drive significant returns on deals and provide a strategic competitive advantage for Carlisle, as was exemplified by our successful acquisitions and integrations of Henry, MTL and now Plasti-Fab.

Leveraging our M&A playbook, Carlisle aims to maximize value creation by employing a disciplined integration process and ensuring acquisition targets align strategically. We achieve this by adhering to four key investment criteria in our selection process.

As a reminder, those four criteria are; one, a solid organic growth story already underway in the target company; two, a talent management team; three, identified and meaningful hard cost synergies; and lastly, the ability to add value through executing the integration with our proven Carlisle M&A playbook.

As a reminder, using our M&A playbook, we have identified over $20 million of synergies through the acquisition of MTL and we expect more than $14 million of hard cost synergies through the acquisition of Plasti-Fab. In 2025, we expect to add approximately $1 of EPS through these recent acquisitions.

And fourth, we remain committed to delivering superior results through disciplined capital deployment. Balancing growth investments with shareholder returns, Carlisle deployed nearly $700 million this year into strategic acquisitions and returned $1.8 billion to shareholders in 2024 through share buybacks and increased dividends.

Now let's turn to 2025. We expect the market challenges we experienced during the fourth quarter to continue through the first half of 2025. We are also continuing to digest the recent actions taken by the new administration on tariffs in recent days.

With over 90% of our sales in the US and less than 10% of our raw materials sourced outside of the US, we expect little direct impact from the tariffs. However, we are concerned about how the tariffs may impact consumers in the residential space who are already under pressure and the potential impact the tariffs may have on interest rates in all our served markets.

That said, recent indicators make us cautiously optimistic that 2025 will be another record year, and we expect that positive trend to continue into 2026 and 2027 given Carlisle's ability to deliver solutions that address the significant housing and labor shortages, necessary energy efficiency improvements in buildings, and an increasingly volatile environmental backdrop.

Our latest Carlisle market survey of over 500 market participants, conducted in early January, indicated positive 2025 volume expectations for commercial roofing driven more by re-roofing than new construction.

Based on the results of our survey, we expect a slow start to the year with Q1 flat when excluding any negative impact from weather. And then we expect growth to build through the rest of the year to deliver an overall low single digit increase in volume for 2025.

Consistent with our September 2024 market survey, contractors still expect low single digit price increases beginning in the second quarter. Additionally, inventory in the channel is lower by historical comparisons due to higher carrying costs. A pickup in inventory stocking should be expected as the channel leans into the summer construction season and mid to late Q2.

On the residential side, the Carlisle market survey indicates flat to low single digit volume growth for 2025, with the first half down low single digits and the second half up low to mid-single digits as residential markets rebound.

In addition, while some indicators are mixed, we expect conditions to stabilize as we progress through the year and obtain a better understanding of the impact of tariffs on anticipated Federal Reserve interest rate cuts and the impact of the new administration's actions on US consumers.

In addition to the negative impact that tariffs and rising prices could have on the outlook for the Federal Reserve's interest rate cuts in 2025, we are also monitoring how the new administration's potential policies may impact labor.

Currently, builders are already contending with a labor shortage that could potentially get worse with the administration's proposed actions related to undocumented immigrants. We've seen estimates of about 30% of construction workers are immigrants, and a significant share of those workers may be undocumented.

As we look into 2025 and beyond, Carlisle will continue to focus our efforts on the factors that are in our control, maintain resiliency in our businesses through advancement in new product introductions, cross-selling and market penetration into CWT and our architectural metals businesses.

We will combine these share gain initiatives with our increased focus on innovation and our second decade of utilizing the Carlisle Operating System to drive productivity and efficiencies to support our margins.

Overall, the underlying fundamentals supporting our long-term growth remain strong, anchored by the pillars of Vision 2030, which include our commitment to innovation, exceptional service provided through the Carlisle Experience, operational excellence achieved through the Carlisle Operating System and strategic and accretive M&A.

Combined with our strong balance sheet and clear strategic vision, we are well-positioned to drive sustained growth and create value for all our stakeholders as we progress towards our Vision 2030 goals.

And with that, I'll turn it over to Kevin to provide additional financial details and color on our outlook for 2025. Kevin?

Kevin Philip Zdimal

Chief Financial Officer & Vice President, Carlisle Cos., Inc.

Thank you, Chris. We're extremely pleased with our results for the full year 2024 where we achieved record adjusted EPS of $20.20, up 30% from 2023. Revenue growth of 9%, including organic growth of 7%.

Record adjusted EBITDA margin of 26.6%, up 150 basis points from the prior year. Strong free cash flow margin of 18.8% and solid ROIC of 28.5%.

Our 2024 results demonstrate strong early progress towards our Vision 2030 goals. The 30% growth in adjusted EPS puts us firmly on track towards our adjusted EPS target of $40.

The 150-basis-point expansion in adjusted EBITDA margin reflects the success of our pricing discipline and operational efficiency initiatives through the Carlisle Operating System.

Our free cash flow margin of 18.8% also aligns with our Vision 2030 goals, providing us with continued flexibility to invest in growth, while returning capital to shareholders.

Moving to slides 7 through 9. Fourth quarter consolidated revenues of $1.1 billion were essentially flat year-over-year. CCM revenues grew 2%, driven by the acquisition of MTL, which more than offset challenging new construction activity.

CWT's markets were negatively impacted by higher interest rates, housing affordability and unfavorable weather conditions. CWT's revenues were down 7% in the quarter, primarily as a result of the softer residential end markets and price.

Fourth quarter adjusted EBITDA margin was 25.1%, a 130 basis points year-over-year decline due to lower volumes, negative price costs in the quarter and unfavorable mix.

CCM's adjusted EBITDA margin was 29.4%, while CWT delivered an 18.3% adjusted EBITDA margin. For your reference, slides 10 and 11 provide the year-over-year, fourth quarter and full year adjusted EPS bridges.

Moving to slides 12 through 14. Our balance sheet remained strong with $754 million in cash, $1 billion available under our revolving credit facility and a net debt-to-EBITDA ratio of 0.8 times.

During 2024, we produced free cash flow of $938 million, deployed nearly $700 million towards acquisitions, repurchased $1.6 billion of shares and paid $172 million in dividends, while maintaining strategic flexibility for continued M&A activity. We have 3.5 million shares available for repurchase under our share repurchase program.

Now moving to our 2025 financial outlook on slide 15. For CCM, we expect mid-single-digit revenue growth driven by continued strength in re-roofing activity and a full year benefit from the MTL acquisition. We expect to expand margins via price increases, volume leverage and operational efficiencies.

For CWT, we expect high single digit revenue growth driven by the full year impact of the acquisitions of Plasti-Fab and ThermaFoam. We expect margin improvement from acquisition synergies and leveraging the Carlisle Operating System, including automation in our factories.

We expect consolidated revenues to grow mid-single digits weighted towards the back half of the year, driven by solid re-roofing demand, price increases and the full year contribution from our recent acquisitions.

Additionally, continued focus on COS, operational efficiencies and acquisition synergies are expected to drive approximately 50 basis points of adjusted EBITDA margin expansion. This also factors in an expected 50% year-over-year increase in R&D expense to support an increasing pipeline of innovative new products.

Overall, this outlook puts us on track to achieve double-digit EPS growth and another record year on our way to achieving our Vision 2030 goals.

In summary, 2024 was a record year for Carlisle with $20.20 of adjusted EPS and adjusted EBITDA margin of 26.6%. As we enter 2025, uncertainty in the broader economy, including broader economic impact from recently announced tariffs and the timing of potential interest rate cuts, has our customers taking a wait and see approach to projects.

However, we have solid plans in place and are focusing on the initiatives that are in our control to drive above-market growth through innovative products, synergistic acquisitions and the Carlisle Experience and expand margins by leveraging the Carlisle Operating System.

With that, I turn it over to Chris for closing remarks.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Thank you, Kevin. In conclusion, while we faced headwinds in the fourth quarter of 2024, our full year 2024 record performance demonstrates the resilience of the Carlisle business model and the success of our strategic pivot to a leading pure-play building products company.

As we enter 2025, we remain confident in our ability to drive sustainable growth through our Vision 2030 initiatives focusing on innovation, operational excellence, organic growth and strategic acquisitions.

I would once again like to take this opportunity to thank all of our Carlisle employees for their exceptional efforts and perseverance throughout 2024. Your dedication has been instrumental in achieving our strong results and positioning us for further success in the years ahead. Thank you all as well for your continued support and interest in Carlisle.

That concludes our formal comments. Operator, we are now ready for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Tim Wojs from Baird. Please go ahead.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Hey, everybody. Good afternoon. Thanks for all the color on the call.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Hey, Tim. Thanks.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Maybe just, first question. As you think about – I think you said in your remarks, Chris, that pricing was down low single-digits in 2024 in CCM. I guess, did it get any better in the fourth quarter?

And I guess the reason I'm asking is, it seems like you do need some price to stick this year to get margin expansion and to offset raw material inflation. So, maybe just talk through how pricing has tracked and what maybe gives you confidence that we could start to see some positive price this year?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Yeah, for sure. Kevin has got a greater detail, but it improved through the year and I think that says it all, right. It got better and better as we went through the year, that's 2024.

And then your second comment about we need it in 2025, it should be helpful. And I think when we look at our market survey that we did here in middle of January, we were pleased to see that while we probably wouldn't get any in Q1, just because of the timing of the announced price increases in December and then how they get quoted, it would likely hit more in the March-April timeframe, that there was still expectation that there would be traction on the price hikes as demand recovered as we got later into Q2.

So, I think that's another thing that when you look at how the year plays out, obviously, as we get into the construction season, demand is there, inventories are still – well, we'd say probably historically light. And so as we go into the year, if demand is there, a light inventory situation, maybe some stock in helps out too with that pricing. So, that's kind of how we see the year playing out.

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.
A

Yeah. And Tim, as far as our guide for the first quarter, we're expecting pricing to be down – just from the carryover, that pricing would be down in the first quarter, 1%. And then as Chris said, as we get the price increases into the season, really, that's where it flattens in the second quarter and then start seeing a benefit from the price increases in the second half of the year.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. So, we should also assume that you're probably somewhat price/cost negative in the first half of the year as well and then that builds as organic growth gets better and price sticks.

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

Right. We start to – that's the only negative in the first quarter, and then second quarter starting to flatten and then yeah, benefit in the second half of the year.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

And Tim, on the raws thing, when you think about, I can just may be address it right now, as far as where raws are, we're thinking neutral for 2025 overall.

We've got some things that you're probably well aware of. We've got this ATO flame retardant and PVC that already is experiencing price increases in the industry just because of the raw material increases that comes due to China restricting imports on that.

We've got some other fire retardants in polyiso there but then we've got other areas where we're seeing flat to declines. And so across the board, I think our outlook for raws is a pretty stable with all the puts and takes pretty stable for the year.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. So price/cost – so basically raw materials should be stable and actually price/cost could be positive if price sticks. Is that what you're saying?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. And I would say, we're heavily weighted the second half.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Got you. And then just the last one, what's built in for capital deployment and guidance? I guess, in the 10% plus EPS growth comment, what's in there for buybacks? And have you earmarked anything for M&A in that number?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah, I think we'd like to see something similar to 2024 on M&A, at least two, similar-sized acquisitions. On CapEx, I think we're thinking around $150 million, could be a little bit more than that. Depends on how quickly R&D accelerates. And then I would say on buybacks, we'd probably target around $800 million in buybacks for the year.

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.

A

Right. Tim, for those buybacks, probably it will be more front half loaded on the share buybacks. The part of the acquisitions, as Chris said, similar levels is what we're looking at. That's obviously not in our guide that we put out for the full year revenue guidance, but overall, we're looking to do similar types of acquisitions in 2025.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. So, the $800 million of buybacks is in and M&A would be incremental?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Correct.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Got you. Okay. Sounds good. I'll hop back in the queue. Thank you.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Thanks, Tim.

Operator: Your next question comes from the line of Bryan Blair from Oppenheimer. Please go ahead.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good afternoon, guys.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hey, good afternoon, Bryan.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.

Q

To level set a bit on CCM volume trends. Maybe you can offer a little more detail on how monthly revenue shook out in Q4. Our checks kind of suggested a lot of volatility, incremental project deferrals specifically in November.

Just curious if that was reflected in your order cadence. And then more importantly, what you're seeing or what you saw through December and into January and if there's any variance versus that kind of flattish Q1 volume expectation that you cited?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. I think when you went through the quarter, I think we got actually increasingly optimistic about the quarter, so maybe that contradicts yours a little bit, can't give you the exact order trends.

But I think as we got through November on that, after the election, I think there was more certainty. And maybe that's not the only driver, but I think I would say that it got more positive as we got to the end of the year.

And then, as we look out for the first quarter, Kevin has talked about it, that we don't really see a lot of volume in the first quarter. I think there's a few things that are still happening.

I mean, these macroeconomic conditions, they really – and I think you recall we were more optimistic when we ended the second quarter and then we didn't get the rate cuts. We had a few other things that happened with the election.

And I think that, to your point on delays, I wouldn't argue that, that caused trepidation for sure. It caused people to bring less inventory in. But I think what we're seeing in our Carlisle market survey is that, at least on the re-roofing side, it's still 70% of our commercial business. It hasn't really slowed down.

That's been very resilient and it's been on the news. So, hopefully as we get into the year and things get more stable, then the new kicks in as well.

The Henry side is a little bit different. Obviously, the new construction, really the interest rates and people moving and housing prices is probably not improving as fast as we wanted. We've got some indications, consumer spending hasn't been exactly great.

You can see that in all sorts of different products that are out there, we see it through the retail chain. And then weather surprisingly, Mehul can talk about this if you'd like more detail. He was at Henry for 19 years.

The dry weather on the West Coast had an impact on the roof coatings business. So, that kind of gives you the CWT gains as well. I would say, it didn't really have the same – I think it'd be more – I was more positive on the re-roofing and on the CCM side than I would say I was on the CWT side as we ended the year.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.
Q

Yeah. I appreciate the detail there. You've offered helpful color on your top line dynamics for the year, price/cost cadence.

Did I hear you correctly that the base case assumption that you built in for the full year, understanding first versus second half is that price cost is about neutral. Is that the case? And then to ask directly on the segments within the 50-basis-point consolidated margin expansion, how should we think about CCM versus CWT in that bridge?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Well, I think on the first question, we're seeing – I think that's where Tim ended with, a little bit positive price and neutral on raws. So, it gets us full year a more, I would say, positive price raws – positive on the price over the raws. And much of that, like you said, is going to be in the second half. And then Kevin can take the second question.

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.
A

Yeah. Between the two segments, it's pretty much the exact same story on both the price cost, looking at it for first half, second half, and also being positive overall price cost in both segments for 2025.

Bryan F. Blair
Analyst, Oppenheimer & Co., Inc.
Q

Understood. Thanks again.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

You bet. Thank you.

Operator: Your next question comes from the line of Saree Boroditsky from Jefferies. Please go ahead.

Saree Boroditsky
Analyst, Jefferies LLC
Q

Hi. Thanks for taking the question. I'm just building on the margin improvement commentary there. I believe you have some headwinds from the acquisitions. So, maybe just what you're seeing from an underlying margin improvement story, excluding the dilutive impact of acquisitions?

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.
A

Yeah. It's going to be – we are looking to get volume on the top side and leveraging that with the Carlisle Operating System, which will be a benefit, the price cost we've been talking about. That's also a benefit.

And as you say, even though the MTL acquisitions are 25%, that's obviously a nice number, EBITDA 25%. But when you compare that to the rest of the CCM segment, it's dilutive for it, but still attractive number there. So overall, looking at 50 basis points of improvement in both the CCM and CWT segments.

Saree Boroditsky
Analyst, Jefferies LLC
Q

And then just to clarify, sorry, this is just confusing on my end. I mean, but within your guidance for mid-single-digit growth for the full year and then flat sales in the first quarter, can you just help us understand the top line impact from acquisitions versus underlying demand or volume for the first quarter and then for the full year as well? Thank you.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

That's a good question, Saree.

[indiscernible] (00:33:26)

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.
A

Sure. Full year it's – obviously CCM, I'll do it by segment. CCM, it's going to be a bigger impact in the first half of the year in that we acquired MTL in May.

So, no second half impact for CCM on acquisitions, about $25 million in the first quarter and then $20 million is incremental in the second quarter. So, that's on the CCM side.

On CWT, just over $100 million for the full year of M&A. And it's more of our typical split that the second and third quarters are stronger than the first and fourth quarters there.

Saree Boroditsky
Analyst, Jefferies LLC

Q

Thanks. That's very helpful. Appreciate it.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

You bet, Saree.

Operator: Your next question comes from the line of Garik Shmois from Loop Capital. Please go ahead.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Oh, hi. Thanks. On CWT, just wondering...

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hi, Garik.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Hey, good afternoon. On CWT, I was just hoping you can go into a little bit more detail on your assumptions regarding volume and price in 2025 because if I remember correctly, I think insulation pricing had been a bit of a headwind for the last several quarters, specifically to that, has that started to stabilize at all or did you continue to see pressure in the fourth quarter?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Well Mehul can get into some of the detail, the polyurethane that you're talking about, the spray foam insulation. Yeah, I would say, 2024 was not a good year. We were in and around that low teens decline.

I think we have – I don't think I know, we put in a new leader about a quarter ago and we've got a different approach, I would say, to how we're going to handle distribution as well as maybe some more direct sales to contractors.

And the industry actually is still in pretty good shape. I mean, it's a great solution. We've got great market growth. The issue has been, I think really our growing market strategy and emphasizing the technological differences, which there are some between Carlisle and other products. So, I think we'll see improvements in that segment, which should help us in 2025, but Mehul you want to...?

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.

A

Yeah. So Garik on CWT, as you know, we, in our guide, have high single digits growth for CWT. The biggest driver there is going to be M&A for both our Plastic-Fab and ThermaFoam. We're pretty much going to get the full year impact there. That's going to be up high single digits.

Overall, the markets, the way we see it, what we're seeing in the deterioration macro conditions in the second half of this year, that's going to continue into the first half of this year.

But then we see based on our market data reads, what we see with the end markets and contractors, they feel more optimistic in the second half. You put those together, the markets will be flat. And then similarly to CCM, we do have some price increase announcements on CWT, which will add about 50 to 100 basis points.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Okay. That's very helpful. And then just a follow-up from an earlier comment you made, Chris, just with respect to, some of the near-term, maybe the bidding activity or the outlook got a little bit better as the fourth quarter progressed here.

Wondering if you can go into a little bit more detail there. Is it in certain verticals or is it more on the re-roofing side versus new construction? And maybe just your thoughts on, should we expect in 2025 kind of a continuation of strength on re-roofing and softness in new construction or would you expect new construction to start to show some growth as you move through the year?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. I mean, I think what we – Kevin and I've been out with a lot of contractors, distributors. We've also gathered a lot over the last six months. We had our Carlisle market survey. And I just think people were caught a little bit off guard in the fall, with the interest rates.

And then as we got through the fall, we got more stability in the political situation, and that's a big change and have the presidential election. As we got closer to that and saw that there's going to be some stability, I think, at least on the re-roofing side, things continued to go.

I just feel like people had a lot of attention. And then they realized, it's probably not going to be as bad as they might have had in their minds. So, we've got great drivers behind it. New construction is going to continue to be soft in the beginning, specifically on the resi side, but then it picks up.

I think the delays became less apparent specifically because the labor situation being tight. I don't know how much you can delay because I think if you – on a very real side of it, if you delay and that labor gets reallocated, what are the chances of you getting that labor back?

So, to a certain degree, it can be delayed depending on where you are in the level of the project. But if you're into it, you've got to get it completed and move on. I mean, there's a big backlog.

We haven't seen much, speaking of backlog. If I look at what we got out of survey, throughout the year, that backlog is hovered right around eight to nine months. So, it's been relatively stable. We continue to see roofs that were put on in that increase in the late 1990s and 2000 coming for re-roofing, so that's increasing demand on that side too.

So, I think that just all puts together the – yeah, you can have a couple of quarters where people are negative about it, but underlying everything are these positive trends and we've got to get back to work. So, I don't know that I answered your question very well, but I tried.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

No, I appreciate your thoughts there, and I guess I'll pass it on. Best of luck.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

All right. Thanks, Garik.

Operator: Your next question comes from the line of Susan Maklari from Goldman Sachs. Please go ahead.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Good afternoon, everyone.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Hi, Sue.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good afternoon. I want to start with talking about the assumption in your guide that we do get some lift in housing in the back half of the year. If that doesn't happen, can you talk about your ability to outpace the market organically, given some of the new products and the share gains that you are seeing in the business?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. I think definitely, and that's a great comment around what we're doing because, you're right, we don't sit still. We've got a lot of innovation going on specifically on the R&R, and I would say the new construction front. A couple of new products that I can highlight just to show you there, and then I can speak to some other areas.

But on the sales side, we just launched a new organic cotton-based insulation into Home Depot. I think it's out there now and will be 300 stores on the West Coast. It's being received really well by both consumers and contractors.

It has some great similarities to the fiber glass insulations out there in an R-19. But without any of the issues, you don't need to wear a mask. You don't need to worry about itching. There's no fiberglass in it. It's all cotton. So, something like that that gets penetration. And by the way, I would say, its price point is higher than traditional fiberglass insulation. So, as we always point out, we're going to price to value and we think there's value there. So that's one.

Another one is, our Blueskin vapor barrier continues to be really well received, gaining momentum. Frank Ready and the team that developed that. It's just high value, and again, not a cheap product and a good margin product for us as well. So, as we specify those and as we get those continue to roll out, I think that has a positive impact.

Margins, we've continued with automation projects. Two years ago we started doing automated filling, automated blending and in three of our factories now that that operation is going to come online, that new system.

And so we'll be taking a lot of labor out of the process. We'll be getting better efficiency through the process and less waste, less scrap. Obviously, that improves margins for us as well. So, just a couple of examples that that we're doing both on the innovation side within our factories and still continue to deploy COS.

And Kevin mentioned that with MTL as well that we bought the business, obviously the mid-20s margin is good. We're certainly aspirational to be over 30% on that. And so things like the Carlisle Operating System, the purchasing leverage, you can see how we upped our synergies from over $20 million from the original deal model.

We continue to focus on being the low-cost producer as well there. So, those are the kind of things that will help us mitigate, I think, any slowdown in demand or on the new construction side or failure to have a recovery as quickly as we'd like.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's great color. And maybe building on that, one of the comments that you made is that you plan to double the R&D spend this year. Can you talk about what that means in terms of the multi-year pipeline for products and the ability to continue to price for value?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. So, the thing that I think we all realize is, we want new products faster, but innovation just takes time. So, this thing will build over time. We've made the investment in the R&D Center in Carlisle, PA.

We actually probably will increase that space as we go through the year, as we see the need to do more testing and bring more testing in-house, which the more testing we bring in-house, let's say, fire ratings and things like that, the quicker we can get through the product development process.

We've got pilot lines we want to bring in as well, which helps us in the sense that we don't have to shut down a factory line to test the product. We can do it offline in Carlisle, PA.

Some other things we're doing is – and we haven't talked a lot about this, but we've had an accelerator going for the last, I'd say, two years. We're in our third cohort right now. We have just under 10 companies we're working with on new products that range from new advances in insulation technology to get let's say 2x the R-value out of the same cubic inch of a sheet of insulation, to coatings that have performance characteristics like being able to be applied in wet weather, so, the curing is still able to be done. It doesn't need to be dry.

So, for under-grade applications or below-the-grade applications, that increases the number of days those contractors can put waterproofing down, which obviously means they're going to get off the job quicker and can be more efficient and we can charge for that.

So, I think you'll see more of it – our R&D in three areas. You're going to see the traditional area where we're going to do it in-house and that's why we're investing in the Carlisle Campus and in engineers and in chemists.

You'll see in things like the accelerator where we're going outside to look for emerging technologies that maybe universities or the entrepreneurial community may have. And then you'll also see R&D coming from our acquisitions.

Plasti-Fab brought some very interesting ideas around EPS bead just because they're vertically integrated. We've always bought our bead and now we are in the process of being vertically integrated. We can start to look at enhancements we can make to the bead there to improve the quality of the bead and improve our EPS boards.

So when we do that, obviously, we'll communicate those values to everyone, show how they're better, and we'll expect to be paid for that.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

That's great color, Chris. Thank you for everything and good luck.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Okay. Thanks so much, Sue.

Operator: Your next question is from the line of David MacGregor from Longbow Research. Please go ahead.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Yes, good afternoon, everyone, and thanks for taking my questions. Chris, I was wondering if you could just talk about the M&A market and what you're seeing right now.

Are sellers looking perhaps a little more motivated by what's happening in the macro and all the uncertainty? Are you seeing any meaningful change in multiple expectations? If you could just give us a little bit of color on that. That would be helpful.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

I would say that the multiples have changed much for us. I don't think we've seen that with the deals we've looked at. I think seller expectations are still higher than they've been over the last, let's say, David, five, six, seven, eight years ago.

We are seeing, I'd say, a slight uptick in the number of deals coming through that we look at. Obviously, we have the four criteria. So, a lot of those deals don't meet our criteria. And so they never see the light of day here.

But I would say we're seeing more deals. I think the deals are, well you can see, we've been doing deals from the MTL, Plasti-Fab side and we also have done a deal like ThermaFoam. So we're seeing, small bolt-ons that can give us a meaningful geographic presence like ThermaFoam, all the way up to a midsize deal like the Plasti-Fab or MTL that brings access to new markets and new technology. We got into Canada.

And then we still see some deals like the Henry size that are out there. And I think those we may see a few more of those as the year unwinds, which I think is positive.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Interesting. Thanks for that. And then I guess second question, just more on a strategic level here. It seems like we're maybe on the cusp of more consolidation in the distribution function in your business.

And I'm just wondering if you could comment on your thoughts regarding how consequential consolidation in distribution channels might be, in the event you think it's not consequential, perhaps you could explain why?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Well, I think definitely you're going to continue to see consolidation in distribution. I think you're also going to see it in contractors. We've seen some roll ups in the contractor space. I think you've seen all of our major distribution partners consolidate over the last five, six, seven, eight years.

You can probably find those deals online as to what they did. And so I think that's going to continue. I think you're also going to have some continuation of manufacture consolidation as well. We continue to do it obviously by buying MTL and buying Plasti-Fab, and I think that will continue.

The ramifications obviously, things have to be impacted when distribution consolidates. You can look at what's happening with QXO and Beacon and Brad Jacobs, and I think the public data information is around becoming a more efficient distribution organization. So, there must be some ideas there on how Beacon and a future form will interact with contractors and suppliers like ourselves.

We have seen this, I think I've talked about it on other calls where we've seen places where distribution hasn't provided the same type of benefits they have in the past or contractors have changed either their size or their capabilities and you've seen our direct sales to contractors increase.

So, Carlisle has been flexible and in fact, I think if you went back 10 years ago, we probably sold less than 5% direct to contractors, and now I think we've probably stated we're somewhere in the mid-teens.

So, we've already been seeing a change in the distribution landscape and we're – at least I'm pleased, that I think Carlisle is well positioned with just an outstanding logistics team and a freight team and having that experience and I've said this publicly before that, while we sold most of our sales through distribution, we delivered close to 70% of our sales to jobs like direct from Carlisle.

So, we have a great experience in logistics and in dealing with our contractors direct and we're happy to continue to support distribution, which we think is important.

But we also, when necessary, have the capabilities to sell direct and service our customers with the same Carlisle Experience and the same level of customer service they've come to expect for us. So, a little color there for you. Hopefully that wasn't too much.

David S. MacGregor
Analyst, Longbow Research LLC

Q

No. Well, that was a great answer. Thanks, Chris, and good luck.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Yeah. You bet. Thank you.

Operator: Your last question comes from the line of Adam Baumgarten from Zelman. Please go ahead.

Adam Baumgarten
Analyst, Zelman & Associates

Q

Hey, everyone. Thanks for taking my question. Just on the price increases in CCM, I believe they went effective a few weeks ago. And I know you're not building in much for 1Q, just given the timing, but just curious on the receptivity so far and what gives you confidence that those will go through as we move into the kind of more active part of the spring season?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

A

Right. Well, we do these – we initiated, I think it's a couple of years ago now, these Carlisle market surveys where we're controlling or trying to at least control our own information to some degree.

When I look back to September, I think people were already planning on some type of price action in the coming months. We'd already seen in 2024 earlier that GAF had tried to push a price increase out there. I don't really think that took any effect as you can see.

But we also have seen changes here in December that – I think most organizations have increased price. And so what I would say to you is the reason I have some confidence is it's been there for a while.

I think our survey says that people are expecting that, and they're expecting it in the second quarter, really tied to this idea that demand improves. That's one of the things. And then two that the construction season gets underway. So, that's with the flat raw material situation.

Obviously, the tariff impact, as I'm sure had some both imagined and real consequences. This ATO out of China has been a real price increase for people that are in the PVC market and we've seen that impacted. So, that will have an impact on increased prices.

And I just think that, all of that demand and seasonality and some action here on tariffs and that people are prepared for the price increase. And that's what we hear in the surveys is that, yeah, we expected it and we'd anticipate it rolling into reality somewhere in the late second quarter of 2025.

Adam Baumgarten
Analyst, Zelman & Associates

Q

Okay. Got it. That's helpful. And then just on weather, I know it was mentioned as a [ph] headwind (00:52:33) in the fourth quarter. A couple of questions. One, do you have any idea of the impact? Two, do you think you'll get those sales back in the first quarter?

And then just January has had some weather also in the South that I know is fairly disruptive, anything to be aware of there as it relates to your business?

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Well, first of all, I think, in the fourth quarter, we probably had couple of days, maybe $10 million to $15 million of impact. On the Henry side, it's a little bit different than the Carlisle side. And Mehul was there 19 years at Henry, he could talk a little bit about it, but I think it's mostly Western United States focused in the fact that there wasn't – rain means that the demand we would have seen through the retail channel just didn't materialize.

Will we get that in the first quarter? I would say probably not. It doesn't look like we're going to see a lot of wet weather coming. But ultimately those roofs are potential for leaks. So, if it happens in the second quarter and you get rain, you're eventually going to find you have a leak.

And I think that's been [ph] – Henry has over 19 years at Mehul (00:53:31), I think ultimately it all washes out and the impact is just quarter to quarter.

Mehul S. Patel
Vice President-Investor Relations, Carlisle Cos., Inc.
A

Yeah, that's exactly right. So, it's high correlation with the rain events. When you do see rain events, you see spikes of 2x, 3x POS sales at Home Depot directly linked to the rain events. And as you know, this year we had nine or eight months with zero rain, so that's going to have a direct impact demand for roof coatings.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Yeah. And the only other thing I'd point out is I think last year in the first quarter, I think Kevin can confirm it, that we had a couple of days of impact, right. And so that may have a little bit impact in the first quarter as well.

Kevin Philip Zdimal
Chief Financial Officer & Vice President, Carlisle Cos., Inc.
A

Right. We mentioned on our call last year in the first quarter that we had benefit of maybe three days of positive weather to our numbers. So, obviously that's a tougher comp this year versus last year, assuming we don't have that same benefit.

Adam Baumgarten
Analyst, Zelman & Associates
Q

Got it. Thank you.

D. Christian Koch
Chair, President & Chief Executive Officer, Carlisle Cos., Inc.
A

Thank you.

Operator: There are no further questions at this time. I would like to hand the call back to Chris Koch for closing remarks. Sir, please go ahead.

D. Christian Koch

Chair, President & Chief Executive Officer, Carlisle Cos., Inc.

Well, thanks, Constantine. I want to thank everybody for joining us on this fourth quarter earnings call. Look forward to speaking with you at our next earnings call, which will be at the end of the first quarter. Thanks, and have a good evening, everyone.

Operator: This concludes today's conference call. Thank you very much for your participation. You may now disconnect.