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Carlisle Cos., Inc. (CSL)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is John and I'll be your operator for today. At this time, I would like to welcome everyone to Carlisle Companies' First Quarter 2025 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 first quarter 2025 earnings call. I'm Mehul Patel, Vice President of Investor Relations for Carlisle. We released our first quarter 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 providing key highlights of our first quarter. Kevin will follow Chris with an overview of our Q1 financial performance and a reaffirmed outlook for 2025. Following our prepared remarks, we will open up the line for questions.

Before we begin, please refer to slide 2 of our presentation where we note that comments today will include forward-looking statements based on our 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 today. Starting with slide 3 of the presentation where we highlight our first quarter performance and progress. I'm pleased to report that the Carlisle team showed superb perseverance in driving our key initiatives in the first quarter of 2025, overcoming significant challenges and post-election turmoil to deliver solid results. The first quarter challenges included the continued weakness in the residential construction markets, the negative impact of this winter's weather especially in January and February, and the significant economic uncertainty and instability created by the ongoing US tariff actions. With tough year-over-year comparisons and with an ever increasingly complex macroeconomic backdrop, revenue of $1.1 billion was essentially flat year-over-year. Diluted EPS for Q1 was $3.13, and adjusted EPS was $3.61.

As anticipated and consistent with the trends we experienced as we exited 2024, the first quarter began with a slower start primarily due to unfavorable weather conditions in January and February across many of our key markets. Fortunately, improved weather conditions in March and healthy reroofing activity helped to offset much of the unfavorable impact experienced in those first two months. In our CCM segment, in addition to the strong reroofing activity, Carlisle also benefited from our 2024 MTL acquisition. Both of these factors helped offset softer conditions in the new commercial construction activity, challenging prior year weather comps and, as anticipated, low-single-digit price declines in CCM. The ongoing strength in reroofing demand, which represents 70% of CCMs commercial business, continues to be a key driver of our resilient performance, helping to offset the more negative macro environment.

For CWT, we continue to face headwinds in residential end markets due to buyer uncertainty, affordability challenges, higher interest rates and lower housing turnover. As we've discussed previously, these residential market challenges were largely anticipated, impacted most market participants and are well understood. While we are optimistic that the underlying drivers of the residential end markets will ultimately bring significant growth and margin expansion in our CWT business, for now, we will continue to focus on areas in our control. We're making progress on many of our key investments and seeing gains in areas such as new product introductions and factory automation within CWT. These efforts are expected to provide $3 million to $4 million of incremental adjusted EBITDA per quarter starting this quarter along with share gain initiatives.

When we look at pricing across both CCM and CWT, we experienced modest declines as expected during the quarter with low-single-digit price declines in both CCM and CWT. Based on the announced price increases and the start of the summer season, contractor expectations are that price increases will gain traction in the second quarter and we expect year-over-year pricing to be neutral for both CCM and CWT in the second quarter.

Turning to the much-discussed subject of tariffs. As we alluded to in the Q4 2024 earnings call, over 90% of our raw materials are sourced within North America. Additionally, many of our materials that are sourced from Mexico and Canada are covered by USMCA and are not subject to tariffs. Additionally, we import very little directly from China approximately 5% of purchases. Because of Carlisle's predominantly North American sourcing position, we currently expect a negligible direct impact from tariffs in 2025.

Turning to the indirect impact of tariffs. The indirect impact is much more difficult to quantify and forecast due to the complexity and many moving parts involved. Nonetheless, the current indirect impact of tariffs is minor for Carlisle overall and should remain so for the rest of 2025. While the impact from tariffs, both direct and indirect, may be limited, we do remain concerned that there may be unforeseen indirect consequences of the tariffs for our contractors, distributors and suppliers, along with the increased potential for a US recession the longer these conditions remain unresolved and businesses remain uncertain about the future.

Nonetheless, we have increased conviction in our well-understood drivers to our businesses and our market intelligence, and we remain committed to our 2025 outlook. Our 2025 outlook is reinforced by the data from our latest Carlisle market survey conducted in early April. Feedback from those surveyed reinforces our positive outlook on the 2025 roofing season and our belief that commercial roofing volumes will be up low-single digits. This low-single-digit increase will be more heavily weighted to reroofing than new construction demand, which we believe will be essentially flat for the full year. Additionally, pricing in our non-resi markets is showing signs of traction and our survey participants expect pricing to improve as the year progresses.

Consistent with what we experienced starting in the second quarter of 2024, 2025 full year residential volumes are expected to be down low-single digits due to the continued negative impact of buyer uncertainty, affordability challenges, higher interest rates and lower housing turnover. Comments also suggest that inventory in the channel remains low by historical comparisons due to higher carrying costs and economic uncertainty.

During the quarter, we maintained our commitment to returning capital to our shareholders, repurchasing 1.2 million shares for $400 million, bringing the total share repurchases since 2017 to $5 billion. Additionally, following the $1.6 billion in share repurchases in 2024, we now expect to deploy approximately $1 billion into share repurchases in 2025, an increase over our original projected share repurchases of $800 million. As a reminder, we also increased our dividend by 17.6% last August, our 48th consecutive year of increasing our dividends to our shareholders. These actions underscore our confidence in Carlisle's future growth prospects and our ability to generate significant free cash flow. We believe our approach to capital allocation continues to be a source of competitive advantage. We are disciplined, have always been disciplined and will remain disciplined with an aim to keep our ROIC above 25%. Additionally, we will continue to allocate capital towards strategic M&A to enhance our leadership position within the building envelope, invest in our key strategic initiatives, and invest in significant capital expenditures to support growth, innovation and further operating efficiencies.

Touching on M&A for a moment. Our acquisition of MTL continues to exceed our expectations. We are on track to exceed $20 million of synergies well above our originally announced $13 million of synergies as the Carlisle Integration Playbook delivers substantial value through a disciplined approach. Similarly, we're utilizing the same playbook on our integrations of both Plastic-Fab and ThermaFoam. ThermaFoam as a reminder, continues to build our vertically integrated, expanded polystyrene capabilities and adds geographic coverage in Texas and the South Central United States.

Please turn to slide 4 as I discuss the strong structural trends that continue to support our businesses. Approximately 5.9 million buildings exist in the United States according to the 2018 Commercial Buildings Energy Consumption Survey. Of those, roughly 70% of US non-residential buildings are now over 25 years old and represent a significant pool of potential buildings requiring reroofing activity. Based on our internal data, more than 80% of reroofing permits come from buildings over 25 years old. This pool of potential reroofing demand creates a consistent and somewhat predictable demand pattern. That demand pattern is demonstrated in CCM sales data from 2008 to 2025.

It is extremely important to remember, and I want to emphasize that Carlisle is an imperative business with a leading market share position in North America and what we believe is the world's best market for building products. By using the words imperative business, what we mean is that Carlisle provides key products and solutions to address a basic need of society, the need for buildings that protect their houses and are essential to our daily lives. Roofing, insulation and weatherproofing are largely non-discretionary and necessary components of the built environment. This fundamental need for our products and solutions, combined with our market-leading position, provides resilience for Carlisle even during periods of economic uncertainty.

It's also important to recognize that many of these older buildings will undergo multiple reroofing cycles during their lifetime. Buildings over 35 years old or 55% of the building footprint in the US and require their second or often third roof replacement. And as the 30% of buildings under 25 years old steadily roll into our addressable reroofing market, they reinforce the expanding pipeline of recurring revenue for decades to come.

Turning to slide 5. Beyond the dependable base of recurring reroofing projects, Carlisle is also benefiting from increasing revenue and profitability per square foot. This increased content is driven by several factors stricter building codes, increasing energy efficiency regulations, more severe weather events leading to higher specification roofs, and the growing adoption of 20-year warranties, which require more comprehensive systems and materials. This trend of increasing content per square foot is not new to Carlisle. In fact, it is directly aligned with one of our key pillars of our Vision 2030 strategy, innovation. Innovation drives differentiated products by first understanding the job to be done and how we can provide a better solution based on strong voice of the customer content. These products are then designed to create value for our customers. This results in creating a preference for Carlisle's products and solutions and allows us to price to that value and increase the dollar content per square foot when compared to existing products.

The ability to better address customer needs and wants in turn enables Carlisle to capture a greater share of wallet and deliver superior margins. Our comprehensive warranties further enhance our ability to drive content growth. Carlisle warranties are a highly valued benefit desired by building owners who prefer complete system solutions rather than individual components. Over 80% of our warranties sold now have 20-year terms, up significantly from previous years. These market dynamics present tremendous opportunities for Carlisle and we're strategically positioning our innovation capabilities and initiatives to capitalize on them. By developing products that deliver superior energy efficiency, require less labor to install and enable us to sell more value-added solutions per square foot, we're directly addressing the key needs of building owners and contractors while driving our own growth and profitability.

Turning to slide 6. We remain committed to accelerating our innovation efforts to deliver margin-enhancing, energy-efficient, and labor-saving solutions for our customers. As outlined in our Vision 2030 strategy, we're investing significantly in R&D with our new, state-of-the-art Research & Innovation Center in Carlisle, PA, representing a critical part of this commitment. We continue to focus our innovation pipeline on three key areas, evolutionary improvements to existing products, transformational new solutions, and business life cycle innovations that enhance efficiency and reduce costs. Our product development efforts are yielding positive results across both CCM and CWT segments, with new products gaining traction in the market. In prior calls, we've highlighted several recent product introductions, including SeamShield, Blueskin VPTech and UltraTouch. All three rollouts are resonating with customers responding to their VOC-stated needs, meeting our price-to-value objectives and are margin-accretive to our portfolio.

As we continue to work with customers to grow our pipeline of innovation opportunities, we remain disciplined in our approach. Our rigorous underwriting process ensures that every R&D investment is aligned with our financial and strategic objectives to drive profitable growth and maximize returns. Simply put, we built the right infrastructure to consistently bring margin-enhancing, energy-efficient and labor-saving solutions for our customers. Our innovation investments are a critical component of our Vision 2030 strategy, and we expect our efforts to contribute meaningfully to our goal of generating 25% of revenues from new products by 2030.

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. Starting with slide 7, I'll review our first quarter 2025 financial results. In the first quarter, we delivered revenue of $1.1 billion, essentially flat compared to the first quarter of 2024. The acquisitions of MTL, Plasti-Fab and ThermaFoam contributed $50 million in the first quarter, however, were offset by a soft residential end market, unfavorable weather in 2025 compared to favorable weather in 2024, as well as lower pricing in the first quarter from carryover pricing from 2024. Adjusted EBITDA margin for the quarter was 21.8%, down 240 basis points from the first quarter of 2024. Adjusted EPS was $3.61, a 3% decrease from the prior year. The margin and EPS decline was due to a combination of lower volume in the quarter, negative price cost and investments in the business.

Turning to our segment performance, starting with CCM on slide 8. First quarter revenues were $799 million, up 2% year-over-year. The contribution from MTL was partially offset by a 1% decline in organic revenue. Revenue in the quarter was supported by recurring reroofing activity and customers accelerating approximately $15 million of orders to get ahead of anticipated tariff-related price increases. However, these increases were not enough to offset softer, new commercial construction, prior year weather comps and lower carryover pricing from 2024. CCM's adjusted EBITDA was $217 million, down 5% compared to the first quarter of 2024 with an adjusted EBITDA margin of 27.1%, a decrease of 180 basis points year-over-year. This margin compression was primarily due to lower carryover pricing and targeted investments in innovation and enhancement to the Carlisle Experience. However, we continue to realize synergies from the MTL acquisition which partially offset these headwinds.

Moving to slide 9 in our CWT segment. First quarter revenues were $297 million, down 5% compared to the prior year with organic revenue declining by 12%. This decrease was primarily due to softer residential end markets impacted by affordability challenges, higher interest rates and lower housing turnover, along with lower demand for roof coatings impacted by fewer rain events. CWT's adjusted EBITDA was $46 million, down 28% year-over-year with an adjusted EBITDA margin of 15.6%, a decrease of 510 basis points. This decline was the result of deleverage on lower revenue and negative price costs in the quarter. We remain confident in the investments we made including our automation projects and share gain initiatives. Our automation in factories, cross-selling initiatives in the retail chains, M&A synergies and new product introductions are all progressing well. They should deliver benefits starting in the second quarter and accelerate into the second half of 2025, positioning CWT for improved performance going forward.

Slide 10 provides our first quarter 2025 adjusted EPS bridge for your reference. Moving to slide 11. Our balance sheet remains strong with a net debt to EBITDA ratio of 1.2 times, within our target range of 1 times to 2 times. We ended the quarter with $220 million in cash and $1 billion available under our revolving credit facility. The strong liquidity position provides us with ample flexibility to continue investing in our businesses while also returning capital to shareholders. We maintain a balanced debt maturity schedule with a weighted average interest rate of 2.9% and a weighted average maturity of 4.8 years. Our EBITDA to interest ratio stands at 19.5 times, reflecting our strong cash flow generation and modest debt levels.

Turning to slide 12 and our cash flow performance. The first quarter is typically our lightest cash-generating quarter as we pay down liabilities that grow throughout the year like accrued customer rebates and employee incentive compensation. And we temporarily deploy more cash into working capital to prepare for the construction season. Cash generation this year was lighter than usual due to first quarter payments for higher year-end liabilities as well as the dynamics of the first quarter shipping pattern.

January and February shipments were negatively impacted by weather and were followed by a very strong March, which shifted the time and cash provided by normal operating activities compared to the prior year. This will correct itself in the second quarter and we expect to generate full year free cash flow of approximately $1 billion for 2025, providing us with the financial flexibility to pursue our balanced capital deployment strategy.

Looking ahead to our 2024 outlook on slide 13, we are reaffirming our expectations for mid-single-digit revenue growth for the full year with adjusted EBITDA margin expansion of approximately 50 basis points. While we continue to monitor the potential impacts of tariffs, interest rate movements and consumer behavior, we remain focused on executing Vision 2030 and delivering on our full year guidance.

For CCM, we expect mid-single-digit revenue growth, driven by continued strength in reroofing activity and the full-year benefit from the MTL acquisition. We anticipate expanding margins through price increases, volume leverage and operational efficiencies through the Carlisle Operating System. The second quarter for CCM will reflect a negative impact of the estimated $15 million of revenue that positively impacted the first quarter from accelerated purchases ahead of anticipated tariff-related price increases.

For CWT, we expect high-single-digit revenue growth, primarily driven by share gains and the full-year impact of the Plasti-Fab and ThermaFoam acquisitions. We anticipate margin improvements from acquisition synergies and the continued focus on the Carlisle Operating System, including the automation initiatives that we mentioned earlier.

We expect total corporate and unallocated expenses of approximately $110 million for the full year. Capital expenditures are projected to be approximately $150 million, with depreciation and amortization of around $200 million and net interest expense of approximately $50 million. We anticipate our base tax rate to be between 23% and 24%.

Overall, we remain on track to deliver record adjusted EPS for the full year 2025, with growth expected to exceed 10% year-over-year. We also expect to maintain our ROIC above 25% and free cash flow margin above 15%.

Moving to slide 14, I want to emphasize that our Vision 2030 adjusted EPS target of $40-plus remains firmly on track. We have multiple paths to achieve an adjusted EPS growth rate in the mid-teens through 2030, backed by our target organic revenue CAGR of over 5%, consistent free cash flow margin above 15% and disciplined capital deployment.

Based on our Vision 2030 financial targets introduced in late 2023, we expect to generate cumulative free cash flow of more than $6 billion through 2030. This provides significant flexibility for share repurchases and accretive M&A, representing a combination of organic and inorganic path to achieve our EPS target. We have a proven track record of effectively deploying capital to drive shareholder value, as evidenced by our robust share repurchase program and successful M&A playbook.

In summary, while the first quarter presented some weather and market-related challenges, our underlying business fundamentals remained strong. We're confident in our ability to navigate the current market environment and continue delivering solid results for our shareholders in 2025 and beyond.

With that, I'll turn the call back to Chris for closing remarks.

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

Thank you, Kevin. In conclusion, we remain confident in our full-year outlook and our progress towards our Vision 2030 goal of $40 of EPS and exceeding 25% ROIC. I would once again like to take this opportunity to thank all of our Carlisle employees for their exceptional efforts and perseverance throughout this complex quarter. Your dedication has been instrumental in delivering resilient results. And thank you to all of you who are listening as well for your continued support and interest in Carlisle.

That concludes our formal comments. Operator, we're 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. Your line is now open.

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

Q

Hey, guys. Good afternoon.

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

A

Good afternoon.

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

Q

Hey. Maybe just kind of first on maybe the volume cadence within maybe CCM through the quarter and kind of into April, if you could just give us a little bit of color on that and kind of what you're hearing from a season perspective from some of the contractors around things like backlog and stuff like that kind of heading into the busier season.

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

A

Hey, Tim. Thanks. Interesting question. We had our Carlisle Market Survey. We tried to publish as much as we could about that to let you know what's happening there. I think we look at that. There's a good tone out in the market of optimism despite what we have seen in the press and that our contractor base is pretty optimistic and the volumes seem to be building. When I was just in with about 125 contractors at one of the CCM signature events where they recognized contractors and I was really surprised that how many people were optimistic about the construction season and the jobs that were out there.

Arguably, the new construction is a little bit less optimistic about that, but I think we know the reasons why there. But the reroofing is strong as we go into the summer. Kevin will hit on the actual volumes a little bit as well.

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

A

Yeah. Tim, January and February started slow. Those were both challenged by weather was the biggest challenge in both those months. But then once we got to March, it really picked up, part of that was making up for some of that weather days that were lost in the first couple of months of the year. So that picked up in March and it continues into April. We're seeing favorable order patterns as we are three weeks into the second quarter. So that's been favorable.

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

Q

Okay. Okay. And then I guess just on the cost basket, has anything changed in terms of the composition of that? I think last quarter you had kind of outlined that costs in CCM might be, call it, neutral-ish plus or minus. I guess you've got some sourcing of maybe MDI from China. I guess is that a headwind? How about like kind of TPO polymers, those types of things, I guess some of that underlying basket has changed at all and kind of what you're expecting now for the full year?

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

A

Well, with respect to tariffs, Tim, we did say there was basically zero impact, and I want to hit tariffs first and then Kevin hit the underlying things. When we look at Q2, so again, not much impact there. And three and four, it looks like there might not be as much impact there as well. But that's going to be – that's pretty fluid, I think, three and four given what we'll see from the administration each day on what we're going to do with China and that.

On MDI specifically, there really wasn't any impact in the change in the pricing basket in Q1. That gets locked in for 90 days. We had that let's call it an RFP in Q4 and that was for the first quarter. Locked in Q2 at the end of March, slight increases, low-single digit, and then Q3 gets locked in June. One of the impacts on MDI that I think we have to take a look at those that, in addition to the tariffs, one of the major producers is Chinese. There's also an antidumping case that BASF, I believe, and Dow brought against the imports. So, we're getting a little bit of upward pricing pressure. And I would think that all the industry participants would use that. And we would see some upward pricing pressure as we get through the year. But for us through Q2, maybe a little impact, low-single digits.

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

A

Tim, this is Kevin. On the raw materials for the year, we still expect them exclusive of any further tariff increases. We expect raw materials to be neutral for the year first half. We'd say slightly positive in the first half of the year and then slightly negative in the second half of the year.

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

Q

Okay. Great. I'll hop back in queue. Thanks, guys. Nice job.

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

A

Thanks, Tim.

Operator: Your next question comes from the line of Susan Maklari from Goldman Sachs. Your line is now open.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Good afternoon, everybody.

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

A

Good afternoon.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Hi, Chris. My first question is, you talked about the momentum that you're seeing on a lot of the new products and the innovation that you're bringing to the market. In this kind of a macro environment, how are some of your customers thinking about the value that those offerings bring? And is that actually helping or perhaps offsetting any perhaps shift to some of the repair side versus a full replacement of the roof in this kind of an environment?

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

A

Sue, I don't think that anybody is delaying a replacement if they need to do it. It might be on the margin. But I think with most of our customers, they've been in the queue for a while. We go back to the biggest constraint, I think, which is labor. We know labor is constrained. And so I think whether it's in resi or non-resi, if you're in the queue to get a roof done and you've been planning it and stacking it and getting everything arranged for, let's say, many months, if not a year, to delay it or to jump out of the queue might put you back so far that it's not really viable. So, I think that bleeds into innovation and what we're seeing and that is we're seeing a lot of people talking about labor efficiency, right? How can you get off the roof faster? How can we get more jobs done with the existing labor? And that manifests itself and I think helps us to gain share and maintain share with the things we've done.

Now, arguably, most of our innovation has been around the Carlisle Experience and delivering the right product, the right place, right time. We've also had a lot of work in operational improvements and innovation where we're producing, I think, a better product that has less quality defects and is going to be on the roof for longer and it's going to be a less of a hassle to put down. You can look at the 16-foot line and it's just less labor and also less seams and less opportunity to leak.

And then I think the one we're really working on is this hardcore innovation around new products that'll be game-changing like, let's say, doubling our value of insulation or something like that where we can get the same more value with half the content on the roof, which means you need half of the people to – that you're having a jobsite to take it out. But I think right now, people are concentrating on that. They're looking at AI solutions.

I think contractors are looking at ways they can interface with their manufacturers quicker and back office operations. So, it's all out there. I think what – we talk about most of all is on the product side and we tend to like all the improvements we've made on the customer experience side and on the operational side. But they're all meaningful.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Okay. That's really helpful. And then maybe switching to the cash generation of the business. When you think about the changes that have come through in the profile and the businesses that you're in today, how do you think about your ability to generate really strong cash and positive free cash flow even if the macro does further weaken in there? I know you reiterated your guide for this year, but can you just talk about some of those levers that you can pull and how we should think about what this business can do even if things don't turn out as we currently anticipate?

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

Yeah. So, what we've seen in past years when we've had any dips in revenue, we end up having really good cash flow years. If you go back and you go back to 2008 and see when the dip in the revenue was then and we had excellent cash flow generation, a lot of it because we're bringing them working capital and get that benefit. So, that's something we're looking to happen. But if it did happen, that's where we're pretty strong on the cash flow side. Our business hasn't changed that much from 2008 to now when you take out the non-building products company. So just talking about where we are today with building products. We're confident that we'll be able to generate this positive cash flow this year. We're looking at the 15% of sales. So, about $1 billion of free cash flow and really don't have concerns on that even if there was that dip in revenue because of what we can do on the working capital side. Longer term, when we look at Vision 2030, so through that period, we're expecting to generate $6 billion of free cash flow between now and then.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Okay. That's great color. Thank you both and good luck with everything.

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

Thanks, Sue.

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

Thank you.

Operator: Your next question comes from the line of Bryan Blair from Oppenheimer. Your line is now open.

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

Thank you. Afternoon, guys.

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

Afternoon, Bryan.

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

You mentioned pricing being roughly neutral for Q2 and the full-year cost being neutral, given our reads are a bit more accommodative than that. I was curious how your team is thinking about Q2 price cost and then the phasing for the full year?

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

Yes. We look at Q2, we think both price and costs will basically be neutral and then second half of the year consistent with what we're thinking on our year-end call is that we see pricing up low-single digits in the second half of the year. And with the raw material cost being neutral, we're seeing a positive 1% on the year from price cost.

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

Okay. Fair enough. MTL updates have been very consistently positive. We knew that was a really good asset that you guys acquired and clearly synergistic with your metals platform, but the updates have been, I guess, exceedingly positive. Just curious if you're willing to speak to revenue run rate, current margins, where you now see that business over the next couple of years in terms of financial contribution. And then, quick follow-up, just how the M&A pipeline is looking given the uncertainty of the macro backdrop, how that has played out for now?

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

Yeah. Bryan, let me try to give you the MTL thing. Extremely pleased with the MTL team with how the integration went, our team that worked on the integration. As you know, I think the last couple weeks, we've exceeded our expectations, our deal model expectations. MTL is no different. The team there, I have a lot of confidence in the team.

Tony Mallinger who ran MTL before is taking over the metal business. So, we have that change. We've had some people from within Carlisle, some experts in both the market side, customer service side and operations side come in and augment Tony's already good team. So, we're doing things like spreading COS into the culture. It's being well-received. We've got a safety culture that we take great pride in. You know the results there. I think we're in the upper probably 15%, 10% of manufacturing companies and we're spreading that in there, again, well-received.

What's been really need to see is the collaboration. We've got a couple of projects recently that Tony's team has led where they're bringing in other Carlisle products both Henry and CCM products and we're putting packages together that are getting into specification and are creating that solution that we talk so much about that's going to give us additional stickiness, give us some probably better margin profiles, new customers. So, that's going well.

We're also seeing MTL continually increase their integration with CCM. So, one of the things we did not have in our portfolio is when we would put on our roofs for CCM, the edge metal was, well, it might had been MTL but it wasn't ours. Now, MTL is working with CCM to get down the spec. We're making good progress on that. Obviously, we can do it pretty easily with the architect. We have to make sure our contractors are pulled along as well and it works for them. But making great strides in there.

The MTL team continues to innovate. That was one of the big strengths of MTL was they had something like 30-plus patents, which we hadn't seen in the metal business before. So, that's going well. And we're leveraging our Petersen and Drexel metal businesses that started this off, Drexel and [indiscernible] (00:26:12) this business started last couple years ago.

And so, things are good. I would imagine we will continue to expand that portfolio. There are many other opportunities and architectural metals that we can especially on the commercial side and facades, insulated metal building panels, roofing, things like that that I think Tony and the team will continue to expand. And we'll leverage both the Henry business and the CCM business to continue to further that.

The M&A pipeline has been good. We had I would say looks at deals and some at various stages, but I would say that the uncertainty created by some of the actions taken over the last few months has made it a little bit more difficult to make things progress. I think there's, obviously, some disconnect there on risk, that buyers probably don't want to include in their offer or may reduce it that sellers don't want to have happened.

So that happens. And then, there's just the whole idea of how do you project your returns going out if indeed tariffs stay in place or they don't stay in place? So we look at these deal models. I think it's hard for the two parties to get together. And I would expect, though, that when this stuff gets resolved, which it will, we're confident of that, we'll get some certainty, a lot of these deals will come to market.

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

Got it. Very helpful color on MTL and also on the deal environment and understood on that front. Thank you.

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

Yeah. You bet, Bryan.

Operator: Your next question comes from the line of Garik Shmois from Loop Capital Markets. Your line is now open.

Garik Shmois Q
Analyst, Loop Capital Markets LLC

Hi. Thanks. Just want to follow up on your comment around the $15 million of pre-buying that you saw in the first quarter. Just want to get your observation of whether or not you consider that normal level of pre-buying or are you seeing anything unusual just given the strength in March and April thus far? And then maybe some color on how inventories are at distribution?

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

Hey, Garik. How are you doing? I would say the pre-buy was really related to – I mean, isolated to Canada for the most part. I'm sure there are something we could find, there's a dollar somewhere that wasn't, but most of it was Canada. And I think that the impact was pretty minimal. I mean, we had no issue supplying it. We understood the rationale for doing it. So, I don't think it'll be a meaningful impact as we go forward. It might be a little bit of an impact, a couple of pennies or something in Q2. But it's not going to disturb anything happening in a major way. Yeah. I can't remember your second part of your question. I apologize. You asked me about...

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Yeah. It was just on inventories.

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

A

Oh, inventories, yeah, of course.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

[indiscernible] (55:32)

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

A

Yeah. Inventories, I mean we said it in our Carlisle Market Survey, we thought inventories were still fairly light. That had been an assumption we've had coming into the year. I think one of the things we communicated was that if inventory stayed light and we had a fairly good roofing season, it would be beneficial to pricing and some other things as well. And in fact, we were going to build a bit of inventory going into the season to make sure we could address what we thought was going to be a pretty decent season, which is turning out as we – March and April are turning out to be pretty good. So, I would say there's still some lightness of inventory in the channel.

Obviously, interest rates and some uncertainty as well as the big thing that no one has really talked about it, at least, as its impact on inventory is the QXO deal on Beacon. Beacon is a major distributor in the country, and I can't imagine that during a lead up to an acquisition, if you're building inventory, I think you're trying to probably keep it as clean as you can and then we'll see what happens after the deal closes. But I would say in general, inventory is probably where it was in the first quarter and fourth quarter and people are wary and they're thinking about the carrying cost and working capital associated with higher levels of inventory. And certainly, you don't want to sit on it if the season doesn't turn out to be what you thought it was.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Okay. That's super helpful. Just my final question is just on the cost basket, specifically related to non-North America costs and MDI specifically. Just we're getting – there's a ton of questions about MDI and just wondering how you're thinking about sourcing and if you're looking to move your supplier base away from China and just kind of any mitigation efforts that you're planning on putting in place.

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

A

Yeah. I don't think our strategy is changing much. I mean, we've always had a pretty, I would say, competitive RFP process. Our purchasing team does a great job. We've been a big purchaser of MDI for a long time. We have good relationships with all the major manufacturers. They do move around from time to time. But I would also say you get a certain formulation embedded in what you're producing in the factory and there is some stickiness there that you're not inclined to change. Doesn't mean we can't change, and we do when we need to. But I think the team does a good job of balancing that.

So, as I explained earlier, really because we're doing this in 90-day blocks, for us, I'd say with what we're seeing in terms of potential price increases, we'll probably stick to our strategy. But that doesn't mean that if things change, we won't take action there. We always think of these things in a couple of ways, right? Probably three ways, right, when you have this happen, is it temporary and could you pass it through or do you, two, not do anything and just absorb the margin or, three, do you make a transition to a new supplier and move it around? And so we have those options and I think we're in a good position.

Like I said, I think our team has always done a good job of keeping us in supply of MDI, not having any shortages. We're able to fulfill our obligations to our customers and, at the same time, producing what I think is probably the – we probably buy one of the lowest costs in the industry.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Understood. Well, thanks for that. Best of luck.

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

A

Yeah. Thank you.

Operator: Your next question comes from the line of Adam Baumgarten from Zelman & Associates. Your line is now open.

Adam Baumgarten
Analyst, Zelman & Associates

Q

Hey, guys. Just on the maintained guidance for the year, it just kind of implies a decent step-up on a year-over-year basis for revenue growth and EBITDA margin expansion to get to that target. I guess, how much visibility do you have to that improvement? And maybe more specifically on the CWT organic growth and just margins across both businesses?

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

A

Yeah. As we look at the range we put out there, I mean we do mid-single-digit revenue growth, approximately 50 basis points of improvement on EBITDA. As we went into the year, we were probably on the higher end of those ranges and now we're probably at the lower end of those ranges, but we're still confident in those numbers overall as we look at the individual businesses. Yeah. We see CCM for sure that 50 basis points of improvement. They do need the pricing in the second half of the year to happen. CWT, we think we'll be back in that 22% range starting in Q2 and through the balance of the year. So showing improvement in that business as well for the full year. And then, yeah, overall on a consolidated basis, looking at that 50 basis points of improvement.

Adam Baumgarten
Analyst, Zelman & Associates

Q

Okay. Great. Thanks.

Operator: Your next question comes from the line of David MacGregor from Longbow Research. Your line is now open.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Hi. Good afternoon, everyone. Just to stay on that last question.

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

A

Hey, David.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Hey. Hope everything's going well with you guys. I want to stay on that last question and, specifically, with respect to CWT, you're guiding to up high-single digits. When we talked last quarter's call, you were expecting that residential markets which will moderate second half recovery. Is that still the expectation or what's changing in terms of the composition of the expectations that leave the guidance unchanged?

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

A

Yes. We look at the business overall. We have new first half of the year. We would have new on the resi side down mid-single digits. And second half of the year, obviously, much harder to predict on it, flat to up low-single digits overall, down low-single digits. For the new resi, R&R, when we look at that on the resi side, down low-single digits first half of the year. We have in the second half of the year the low-single digits, which makes it flat for the year. So R&R looking flat, new being down. And as we look at commercial, on the reroofing side on commercial, it's up mid-single digits for the full year each of the quarters. And then, on commercial, we have that down low-single digits first half of the year and up low singles in the second half of the year [indiscernible] (00:35:52) flat for the year.

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

A

And, David, I think there's a couple other things that should help us as we move through the year. UltraTouch, which we've been talking about, continues to expand its presence across the nation and our relationship with a major retailer. And we have some other things, VPTech that's taking hold. All of these are labor-reducing and more I would call efficient from an ROIC perspective, that's been good.

We continue to make some channel gains as the team expands the EPS, expanded polystyrene, footprint. We've got, obviously, the additions of Plasti-Fab and ThermaFoam that once we get through the integration, they should pick up speed. And they have some sales synergies there, some things in Canada that Plasti-Fab team can work on. I hope we'll show some results as the US team helps them with their relationships up there. So, we've got some good things there.

Weather is another one. Mehul educates Kevin and I on how dry weather is great for CCM, but it may not be great for roof coatings, where you need rainy weather for people to identify that they have a roof leakage problem on the resi side and then they had to – one of the major retailers to pick up the Henry product. And we know we've had some dry weather. Obviously, it's been helping CCM, but it hasn't been helping CWT on that side.

And we also think that when there's that extended period, it usually takes about four to six months for that to recover, which, with what we've seen, puts us into that second half. So, there are some positives in the second half and then we have the normal things we're doing around automation in the factories. We've got projects like the [ph] Kingman (00:37:35) project that I talked about, it's a full factory automation project underway right now that will also have some impact on margins.

So, yeah, we're a little bit more positive as we go along. It's been three years, I think, since we've had Henry and the team has come in and we continue to find things for them to work on. And even though they're being pulled down pretty remarkably in a lot of ways with negative energy in the resi markets, the team is pretty resilient. And they keep making a lot of progress on new product development and other things. So, hopefully, their initiatives will pay off and we think they gain momentum through the year.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Got it. Thanks for that detail. That's helpful. And then, I guess, a follow-up question. I was hoping within the context of that mid-single-digit growth guide that you're providing for the year, you could just talk about membrane versus polyiso and what you're seeing in terms of market dynamics and how you're expecting each of those to contribute to that mid-single-digit number?

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

A

Yeah. We don't really break that out, David. Going through it, I mean we do – polyiso has been growing faster than the membrane has just around the more energy efficient buildings and putting more polyiso on each of the jobs. And that's when we look at price per square foot on a content for each of our jobs that's been going up and that's really been driven by polyiso piece of it. But breaking out the individual revenue growth numbers, we haven't put that part out.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Is there any way you can talk about market conditions there, any kind of general commentary?

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

A

General commentary on the different product categories, yeah, I mean, I think if we go through the big ones, at least in CCM, Mehul can talk on CWT, but I mean in CCM and our product categories, you look at EPDM, I still think EPDM is a great solution. We're seeing that despite what people talked about years ago that EPDM was going to be replaced by PVC and TPO, we haven't seen that. We've seen EPDM continue to have a real solid market presence. And in fact, I would just say we've been seeing some positive growth there here in Q1.

TPO continues to be a big solution of choice for people. It's reflective. We get a lot of positive share and it gains against modified bitumen in the south where you get the reflectivity and, obviously, the insulation properties from the polyiso. Kevin mentioned how polyiso is growing.

PVC has been a nice grower for us. It serves a certain part of the market. When we look at our architectural metals business, again, that is growing at a nice clip. I think people like the recyclability of metal, the ability to use colors, the ability to produce a different architectural look to the business.

So, I think on the CCM side, it's really been a positive story in all the categories. And our job here on innovation is to continue to innovate and add to that category. We think what we really like to see is in five years, we have another roofing membrane we can talk about with some pretty remarkable benefits, whether they be labor savings or energy efficiency. And obviously, polyiso is something that is a great insulated product.

But we'd like to see another product category that perhaps has, let's say, 2x the par value of polyiso and has some other benefits whether it's enhanced flame retardancy or something like that.

So, Mehul, do you want to talk a little bit about product categories in CWT?

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

A

Yeah. A lot of the same secular drivers that Chris went over around energy efficiency, labor saving. So, as you guys know, CWT...

[indiscernible] (00:41:14)

David S. MacGregor
Analyst, Longbow Research LLC

Q

Mehul?

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

A

Yeah.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Mehul?

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

A

Do you hear me?

David S. MacGregor
Analyst, Longbow Research LLC

Q

I think we got all this. We're just trying to get – yeah, I think we got all this. We're just trying to get some color on market conditions and dynamics. I think we understand the big picture.

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

A

Yeah. I think, David, I think we've been pretty clear about the market dynamics. I mean, we referenced the fact that reroofing continues to do well. We were at a contractor event, I mentioned that. Our Carlisle Market Survey continues to be positive. I mean, really in the resi markets, I mean you know what it is, about remodeling or building new houses. It's pretty direct correlation between how market conditions are, I think that's been pretty well-stated. But if you have something specific and I'm sorry I took you on a wild use case there, but if you have something really specific, you want answer, we could try to answer it. I would say we're a little bit hesitant to give out what we consider confidential information, considering we've had so much talk of competitors coming in the market from places like overseas and that. So, we are a little bit more guarded on some of these numbers. But do you have a specific thing you'd like to...

David S. MacGregor
Analyst, Longbow Research LLC

Q

Well, in that case, maybe I'll take it up with you offline. But maybe just last quick question, could you just talk about the cadence on the tax line over the balance of the year to get to the 2023, 2024?

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

A

Yeah. It's pretty steady throughout the year. I wouldn't say it'd be anything different than the first quarter that that continued through each of the next three quarters.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Thanks, gentlemen.

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

A

Okay. Thank you.

Operator: Your next question comes from the line of Keith Hughes from Truist. Your line is now open.

Keith Hughes
Analyst, Truist Securities, Inc.

Q

Thank you. What was the pricing number in the CWT segment in the first quarter?

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

A

It was down just about 1%.

Keith Hughes
Analyst, Truist Securities, Inc.

Q

Negative 1%. And was that coming specifically out of spray-foam or which product in there?

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

A

Yeah. You are spot on. It is the spray-foam product that is down in the first quarter.

Keith Hughes
Analyst, Truist Securities, Inc.

Q

Okay. There's talk of a lot of price increases there particularly with some increases in the fire retardant. I guess, do you think that will turn back around positive in the second quarter or will it take more the second half? What's your view?

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

A

I think on the ATO that we've got, I think we'll continue to see it into the second quarter. I think we'll also continue to see the fasteners and plates that we mentioned that those were significant industry impact that was across the board for everybody. I think it's putting on a roof, at least our type of roof. And then, yeah, so that will go through to the second quarter.

Keith Hughes
Analyst, Truist Securities, Inc.

Q

Okay. Thank you.

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

A

Yeah. You bet.

Operator: There are no further questions at this time. I'll hand the call over to Chris Koch for closing remarks. Please go ahead.

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

Well, thank you. And thanks, everybody, on this first quarter earnings call. We really appreciate all the questions. Hopefully, we've provided substantial details to help with the understanding of Carlisle. We, again, thank you for your participation and look forward to speaking on the next earnings call. Thanks very much.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.