Company Name: Ingersoll Rand Inc. (IR)
Event: Electrical Products Group Conference
Date: May 22, 2018

<<Julian Mitchell, Analyst, Credit Suisse Securities LLC>>

Okay. So I think I've everyone's getting settled down after the break. It's great to have here, Mike Lamach, Chairman and CEO of Ingersoll Rand. Ingersoll is one of those companies who, I guess, at the last quarter, they lowered substantially the amount of detail they provided, this coincided with the big increase in their share price, so I hope that's the lesson that other companies don't take to heart. Mike, if you'd like to give a bit more color today, that would be perfect. Thank you.

<<Michael W. Lamach, Chairman and Chief Executive Officer>>

Thanks, Julian. Great to be back. Congratulations on your final year of having to host EPG, for a while anyway. Page 2 is the safe harbor agreement. We'll run past that quickly and go to Slide 4, please. So my goal today is to lay out why investors should own or buy or continue to own Ingersoll Rand shares. I have prepared remarks, and soon I'll also take your questions.

I'll start the morning by saying that I've never been more optimistic about my time at Ingersoll Rand, over my nine year tenure, as I am today. It's just not the foundational work that we've done, which has been great, but it's also the fact that we've got all of the businesses all over world growing at the same time.

But stepping back in that bigger picture, the strategy we have is firmly tied to attractive end markets that are healthy, they're growing profitably, supported by global mega trends such as energy efficiency and sustainability, and we've been investing heavily for years to go franchise brands and to advance our leadership position to enable consistently profitable growth.

We've got an experienced management team and a high-performing culture that we've build as a foundation. And lastly, we're committed to a dynamic and balanced deployment of capital with a strong track record of deploying excess cash to shareholders over the years.

Let's talk about each of these points for a bit more, and we'll start by talking about consistent strategy execution which, at the end of the day, a consistent strategy executed well over time is what drives shareholder value. Our business model is actually quite straightforward, and I think it's our people and our culture, over time, that's making the company different. Leading brands of businesses that are aligned with addressing global trends like climate change, like greenhouse gas reduction and resource conservation.

Companies with the intent and the expertise to address these challenges will grow faster than the economy, and we excel at this. Couple this strategy with a working and continuously improving operating system, it's a powerful formula for steady and increasing cash flow for us to continue to invest heavily in product, in systems, channel and service innovation and operational excellence and our go-to-market capabilities and in the further development of our people.

It's also a great formula for generating reliable and consistent cash flow that we can use to invest in value accretive M&A, a strong and growing dividend and through share repurchases all as we've done now for many years. And we've used this simple framework for transforming Ingersoll Rand into a diversified industrial company that creates shareholder value, both in the short and the long term.

So let me explain where we play, where we win going forward and let's move to Slide 6. Let's start with the fact that some of the most powerful global megatrends played through our strengths. Adverse environmental changes impact all of us. We are seeing this with climate change and the mounting pressure to provide clean air and water globally. Reducing energy demand and greenhouse gas emissions in buildings, industrial processes and segments of the transportation market is what we do and it's what we're good at.

One of the ways we did this was to launch across the entire enterprise a portfolio of product choices that we certify as being EcoWise. These products are designed to lower the environmental impact with next-generation low global warming potential refrigerants that have equal to or better energy efficiencies than the products that they're replacing. So customers across buildings, transportation and industrial process segment don't have to decide between being environmentally responsible or efficient.

We provide both at the same time. And these products are revolutionary and we've been first to market, and in some cases, still the only alternative in the market that can make this claim. Our strength in addressing these global megatrends has led to every business and every brand in our portfolio taking a leadership position in this space.

let's go to Slide 7 and talk about that. We continue to build on these strong brands and leading market positions with franchise brands that hold the No 1 or No. 2 positions and majority of the markets where we play. We've been in many of our businesses for more than 100 years and so our strong brands, combined with leadership and innovation,

Operational Excellence and commercial focus have enabled us to sustain leading market shares and to cultivate tremendous installed bases across our businesses. The installed base has generated reliable and sustainable replacement business for our equipment and its strong recurring revenue stream for our services and our parts businesses.

Earlier, I mentioned that we have continued to aggressively invest in our portfolio, and let's go to Slide 8 to talk about that. Over the years, our strong cash performance has financed a steady increase in annual business investment, further fueling our growth and market share and our profitability. These investments in our strategic growth programs are critical to the execution of our strategy, the investment strengthen in our core and extend our product leadership positions, which in turn generate more cash to invest and more return to shareholders. In 2017 alone, we continued our product growth team efforts launching approximately 70 new major projects throughout the world with continued strength in our digital capabilities, creating value with customers and achieving competitive advantage.

We launched TracKing, Thermo King's new asset management system and – through remote connectivity, a best-in-class mobile app and data gathering. Customers make their fleets more productive and traceable, without taking assets off the road for moving perishable goods. This ultimately strengthens their control and create efficiencies. We also applied breakthrough digital technologies such as Trane Go to strengthen our residential HVAC connection with consumers and help them make more informed purchase decisions.

In 2017 alone, we doubled the size of our EcoWise portfolio and earlier this year, we introduced the latest addition to the EcoWise portfolio, the Trane Agility, to the new water-cooled centrifugal chiller product, which is ideal for retrofitting existing commercial buildings. Earlier this year, we introduced the Club Car Tempo Connect, and it's the first car available with standard digital technologies that enhances the experience for users and for course owners. So our pipeline of innovation is as exciting as ever, and we have no intention here of slowing down.

I said our third business operating system is foundational to the company from the way we set our targets to deploy goals, all the way through to how we deliver results to shareholders. So why do I always talk about this and for starters, on Slide 9, it delivers results for us. It's repeatable. It gets better with time. And because we've taken the time to build this widely across our employee base, it's sustainable. Our success with the deployment of our operating system has been outstanding. There are still a very long runway ahead of us. You might have heard me say before, that I believe we're in a perpetual fourth inning. I see much headroom, continuous improvement and we're never going to become complacent in this area.

As a final point here, we found a powerful process to drive market share and margin expansion within our business units using a concept that we call product growth teams or PGTs. To date, it's not uncommon for us to see two to three times the market growth rate with PGTs over a 12-month period, and this is standard work across the entire company now.

Operating system is fundamental to how we run the company and by its nature, it's also always improving. So in addition to the operating system being infused in our culture, I want to pause for a minute to talk about the people and their impact on Slide 10. We're proud to have been widely recognized for our sustainability and citizenship efforts. It's always been my contention that high levels of employee engagement drive high levels of customer satisfaction, which in turn deliver better growth and better margins, which in turn delivers differentiated value to investors. It's a longer road to take, but one will take every time because the results are sustainable.

I'd like to take a minute and talk about our progress in our climate commitment, too. As background, in 2014, we publicly committed to increase our energy efficiency and reduce the greenhouse gas emissions related to our operations and our products. The commitment included a 35% absolute reduction of greenhouse gas emissions from our own operations by 2020, which we announced earlier this year that we have completed that two years ahead of schedule. Supported because the Bain studies show that 98% of companies that make sustainability goals failed to meet their goals, and we're proud that we not only met the goals but met them two years early on our schedule.

So this transition take another view on Slide 11 includes the excellent financial performance that our strategy has delivered over time. And it's one of our favorite charts because at the end of the day, all I can talk about relative to strategy culture and Operational Excellence really come down to a need to translate the bottom line results for shareholders. So whether it's revenue, EPS margins or free cash flow, we're walking the talk, and we're delivering strong financial performance. Now while these results are good, we see much more opportunity ahead of us, which is why we believe Ingersoll Rand is a compelling investment opportunity.

In addition to these measures, we also track our quality of earnings, utilizing cash flow ROIC. And if you move to Slide 12, our cash flow ROIC has grown significantly, 640 basis points since 2014, and this consistent performance highlights the continued execution of our strategy. Internal operating system drives powerful cash flow and if you go to Slide 13, in here I'd talk about really the pieces of our financial model, and so I wanted to show you how this all comes full circle in our thinking.

First, our strategy is well aligned with global megatrends. We talked about energy efficiency and productivity that places squarely an attractive, durable and diversified end markets. Our focus on sustainability is the way of driving down energy usage and greenhouse gas emissions for our customers, but it's not just a way for us to be socially responsible or to drive high employee engagement, which it does. It's a way that we believe that we can drive the business to link our leading products and brands and services to these global megatrends.

Second, one of the hallmarks of Ingersoll Rand is our strong brands. These strong brands, combined with leadership and innovation, Operational Excellence and commercial focus have enabled us to outgrow market rates over time. And third, our strategy has delivered excellent financial results as we saw on the previous slide. Our 2018 guidance for January would reflect a 4% cumulative annual growth rate on revenues since 2014, and 11% CAGR on EPS over that same time horizon.

Fourth, our strong cash flow is critical to our strategy initiatives and demonstrates a high quality of operating earnings. We have a strong track record of delivering steady and reliable cash flow, a long-term target for cash flow continues to be equal to or greater than 100% of net income. And finally, our strong operating cash flow provides an investment for services and new products along the way.

Let's move to share value creation on Slide 14. Here, we've deployed $6.6 billion of capital over four years using a dynamic strategy, with more than half of that going to shareholders in the form of dividends and buybacks. In quarter one of 2018, we already deployed more than $100 million on dividends and approximately $250 million in share repurchases. That's a good story, but I want to help you understand how we prioritize capital deployment across the company to maximize shareholder value.

Our first priority always is to invest in our business. These investments include innovation and strategic growth programs. As I discussed earlier, our sustained investment and our business strength, strengthens our core and extends our leadership positions. Second, we have a long history and are committed to paying a competitive dividend. Over the last four years, we have grown the dividend at a 23% compounded annual growth rate. And going forward, we are targeting increasing the dividend at a rate, at least equal to our earnings growth over time.

Third, we look at the return on investment as we weigh strategic acquisitions with share repurchases. We are watchful for areas where we can be a leader in solving environmental and industrial challenges through organic growth and thoughtful acquisition. Ingersoll Rand is uniquely positioned to expand into adjacencies that align with our technical and operational expertise.

As we're talking about capital deployment, I do want to highlight one recent event, which is last week, we announced the closure of our JV with Mitsubishi Electric. The new joint venture includes marketing, sales and technical support for variable speed, mini-split, multi-split and variable refrigerant flow, heating and air conditioning systems in the U.S. in select American countries.

When we held our Analyst Day, we were in the process of working on a number of potential deals that we were confident will enable us to achieve $200 million incremental to our VRF business in the 2020 time frame, so the JV with Mitsubishi was one of those opportunities, and that this partnership helped us enable us to achieve our previously said 2020 goals that were included in our 2018 guidance that we gave in January.

So to close on the question why Ingersoll Rand, on Slide 15, we believe the company is extremely well positioned to deliver strong shareholder returns over the next several years. Our strategy is firmly tied to attractive end markets that are healthy and growing profitably, supported by global megatrends, most importantly, energy efficiency and sustainability. We've been investing heavily for years to go franchise brands and to advance our leadership position to enable consistently profitable growth.

We've got an experienced management team and a high-performing team culture where Operational Excellence is in everything that we do. And lastly, we're committed to dynamic and balanced deployment of capital and we've got a strong track record for deploying excess cash to shareholders over the years. So hopefully, I built the case and connect the dots for you on a strategy that's working in a management team that's talented and executing very well. You can expect for us to use the same formula going forward for creating value, that's a long-term sustainable view and I hope you'll, so to speak, get onboard the train.

And so with that, Sue and I will be happy to take your questions.

Q&A

<Q>: Thanks. Hey, Mike, how's it going?

<A – Michael W. Lamach>: Hey, Jeff.

<Q>: Can you just elaborate a little bit more on the China initiative. And obviously, a tremendous amount of momentum last year continues into this year, I think, but as you lap it, what's going on with the margins? There's a service tail coming through that you were looking for, and where are you in kind of the push? You went into Tier 3 and 4 cities, but still don't – it's not clear to me how far penetrated into those markets you really are?

<A – Michael W. Lamach>: Yes. It's been – the growth there both in equipment and services has been exceptional. We're linking now to equipment about two-thirds of everything we sell. And if I go back even five years ago, that have been closer to 20% linkage equipment to service, so that tail is coming through as we would have expected. I would say that the margins are excellent as well, too. I mean, really it's a mix issue of selling equipment and waiting for services to grow. Services are growing, and we had a little bit of positive incremental leverage even in the first quarter.

With that being said, Asia and China specifically is one of the more profitable businesses for us within the Trane business, and we expect it to be even more so in 2019. I think the margins in 2018 will be flat 2017, that's what we're looking at today and the backlog margins will support that at this point.

Your question about sort of penetration here. It's been very successful. Both penetration not just in Tier 3, Tier 4 cities, but penetration into longer cycle projects. Projects that might take 18 months from the beginning of a technical specification, all the way through the tendering process and we see now a pick up on those as well. I mentioned on the call that the volume of projects that we're identifying is up 100%. We've doubled that over the past year, quarter 1 to quarter 1 last year. The number of proposals being generated are up 130% so actually, what we're finding are even better opportunities than what we have been looking at in the past. So it's very successful.

<Q>: Hey, Mike. So one of the concerns investors raise is the construction cycle overall. And rather than just asking where we are in that, the question is more so what do you

think the business can do for decremental margins in the next down cycle, rather than having to wait for that? Why is this a less volatile business through the cycle?

<A – Michael W. Lamach>: Yes. I mean, the first starting point here would be, I would like to be – for decrementals closer to gross margins for us, just the way we look for incrementals to be closer to gross margins for us. And what's different about that, if I go back all the way to the bottom of the last cycle, we would have had something like low 30s service mix in the service-oriented business, which is largely the Trane Commercial and our Compression Technologies business. Today, it's up in the mid-40s. I think we'll push 50 or north of 50, even by the 2020 time frame. We're on track to do that.

The sustainability of, really, the business with the service tail that's been built has been phenomenal. You also have to remember, too, if you go back into that 2009 time frame, it was a bit of a perfect storm. We had all of the integration expenses with Trane happening at the bottom of the cycle. We also have this unique situation where we're preparing for 2010 refrigerant change on January 1, 2010.

So the bottom of the cycle, Trane had really not started that process, so we started and finished that process in about a 12-month period at the bottom of the cycle. So it's very difficult if you compare our last decrementals to this decremental, A, take out some of those cost and B, think about the service mix going forward.

Thirdly, the diversification of the business has been pretty outstanding, too. Channels that even within the business segments themselves, I talked about TK, as an example, quite a bit. I can talk, really, about any of the businesses where we might have been a lot more reliant on a particular subsegment of a business unit years ago, Trane – TK would have been around North America trailer.

Today, it's about 20% of the business, and we've built growing streams and other areas that are not associated with that cycle, as an example. And I could walk through the other businesses, even something as simple as golf with Club Car. We built a consumer vehicle that, in the course of the year, is about 10% of the mix of Club Car at margins that are 10 points higher than the golf business. So we're working to really diversify the base in every way possible.

<Q>: And then just as a follow-up, in terms of the toggle between buybacks and M&A, given where the share price has been, what are your current thoughts around that and opportunity for the company?

<A – Michael W. Lamach>: Yes. I mean, first of all, let's start with the fact that we're going to deploy excess cash, it's not going to sit on the balance sheet for long, right. We can't commit that every year. At the end of the year, it's going to be gone. But over time, the purpose for us is to deploy capital efficiently. So once you say that, it's as simple as looking at the intrinsic value of where we believe our share price is versus the next best alternatives that we have on the M&A front.

Clearly, with the intrinsic value being much higher than it is today, than the share price today, it makes that M&A discussion more meaningful to make sure that there is good, long-term strategic value in the M&A that we do. So we're going to continue to balance that, weigh that using share buyback as sort of the proxy for return, and that will be our method going forward. Sue, do you want to add anything to that or is it.

<A – Susan Carter>: I think that's about where we want to be, and the important part that Mike talked about was really deploying the excess cash and making sure that we, one, understand what's going through the acquisition pipeline, which we do. We have a very active pipeline and we have an active group that is continuously evaluating those and looking forward over to what we think can happen over the next year or so time period. So it's really, really making sure that we understand the opportunities and making sure that those opportunities include both the share buyback if the price is right and M&A if opportunities are right and ready to happen.

<A – Michael W. Lamach>: Thanks, Steve. And Andy, if you're…

<Q>: Hey, Mike, I'm right here.

<A – Michael W. Lamach>: Got it.

<Q>: So good morning. A couple of questions for you. The first one, let me just touch quickly on price cost. So obviously, there's an expectation as we progress through the year that things get better for you guys. So maybe provide a little bit more color on that and that also within the context of your climate margins and expecting it to be up this year.

<A – Michael W. Lamach>: Yes. Actually, it's one of the things I'm more confident right now is what what's happening with pricing. I see two-thirds of our business, pricing has established sort of at a project level and about a third of it was established through price list, if you will. And the price list component is doing well. The project pricing has moved up as you would expect. And we're seeing price come through on a regular basis.

I also think that companies like ours have been, I think, burned in the last few quarters around commodity inflation, so it tends to be a more pessimistic view around commodities. And so as I look at the potential with price coming in as we expected and hopefully, a bit of a conservative forecast, if you will, on the commodity inflation side, I think we definitely get the flat in Q3, Q4 or the back half of the year and probably run the full year at minus 20 – minus 30 basis points.

Just to remind folks, if you stack up 2016, 2017 and 2018 put all the price together and put all the material inflation together, we're still a bit better than a point ahead in that equation. And my thoughts would be, I think, we're in a similar pain point here that, at some point, that you see inflation drop, you you're going to have margin expansion again just due to the drop there with price being generally sustained in the markets that we're in competitively as we tend to sustain those margins.

Yes, actually, our latest forecast that Joe would have us burn margins a bit in climate as well. So that might not be reflected in everyone's view, but our current view is that we get a little bit of margin expansion in climate.

<Q>: Great. And then my one follow-up, in the last couple of times we've spent some time together, you talked a little bit about consolidation, both in the climate space and industrial. So maybe provide some details on what you expect both of those sectors to transform over the next few years.

<A – Michael W. Lamach>: Yes. First of all, I think bigger picture, when you think about energy efficiency and sustainability, getting two points more efficiency from a system versus the competitor is an enormous advantage if you think about that over a 30-year life of the asset itself. So even 2%, really, can drive tremendous market share margin growth for the company that does that. So the amount of investment kind of going into that in the world today, it's very redundant across both the large HVAC commercial applied sorts of competitors and certainly, within all of the air compression space as well.

And those technologies are really common as you think about centrifugal technology or rotary technology, that's the technology that we own, we build, we're vertically integrated and integrating all those motors, controls and drives together to get those efficiencies is what we're really good at. So I think that, over time, it's tougher if you're not in that game competing at this level around this efficiency levels and standards, plus the regulatory push to keep things greener and more environmentally friendly is a heck of a headwind if you don't have the scale to be able to deal with that. So I think for a lot of reasons, you tend to get more convergence, more consolidation over time where that makes sense.

<Q>: Two questions, Mike. The first is just in – can you talk about the quarter in terms of the current environment? Obviously, we're heading into June with an HVAC company so it's probably limited probably to value, so what can you talk about what you're seeing, not only from the demand standpoint and from pricing, just give us the set up.

<A – Michael W. Lamach>: Pricing is great as we talked about. Demand continues to be good. A lot of people asked me about the weather, and my comment about the weather is about 12% of our total company is related to weather, and the weather depends on which week you're walking around our campus, right. One week, people are complaining it's too cold. And one week, they're smiling because it's too hot. So what I would tell you, as weather normalizes pretty quickly, I don't think it moves our company quite as much as it would move other companies that are really in that space. Fundamentally, 100% of the companies in that space, again, only – for us, 12% in the space, but demand trends still are a good rep.

<Q>: And then just as a follow-up, last year, I asked the question about – you're doing a lot of great things here with BOS and the compounding nature of what you're getting. And some would suggest you're not getting the full credit's worth, so that always open up a question whether you'd be better served in a – with two separate entities and recognize shareholder value on a break up basis. But could you just give us an update about not only what BOS is bringing, the operating system, but also what are that the dissynergies you see because you provided some dissynergies color the last year.

<A – Michael W. Lamach>: Well. Great execution over time is going to solve any kind of multiple differential that we've got. So we're just going to keep pounding at great execution. Hopefully, investors notice that and certainly, they would notice that in the amount of shares we bought back over the last, say, 10 years as an example. I think we've been prolific in that area seeing our shares as a great investment in the company. As it relates to the Industrial business versus the HVAC business, it really comes down to the fact that 90% of the way the value of what we do in those business around – it's around the compressor and the motor drive integration.

And if you think about that from the engineering perspective, procurement, test labs and in fact, all our machining is done in the same factories and the same machine, you still end up with $150 million ongoing headwind plus the onetime cost to separate rep. So honestly, you'd have to have such clear visibility about the multiples being so different and sustainable over time that you feel compelled to offset that. If that's not the case, come back to your original question, which is just great execution over a long period of time is the antidote to multiple below the peer group.

<Q>: So Mike, a question on investment spending. You've been raising investment above revenue growth about 7% a year, I think it is about 12% margin headwinds. How does that look over the next three years? Is it going to be a similar level of growth and investment or is that more revenue contingent?

<A – Michael W. Lamach>: Yes. Roughly the same expectation as we're going forward, it's 40 to 50 bps worth of investment going back into the businesses. I mean, so long as we've got great ideas around getting more energy efficiency and more environmentally suitable products out there in systems and services, we're going to continue to really pound on that going forward. Right now, we're thinking about the 2020, 2021 time frame, new technology that we're developing right now today that we think could be commercially available at that point in time, which has a dramatic increase in efficiencies that are available today in the marketplace.

So we're already kind of thinking about the next generation going forward here in that regard, and it comes back to the earlier point that Joe asked as well, too. Again, this is a headwind that all companies are going to have because you're chasing that efficiency curve, and you're awarded for it if you're in front of it. And you're rewarded on the regulatory side, too, if you're in front of it, you're rewarded with higher margins, higher market share.

<Q>: And the a follow-on, the Honeywell CEO talked about going to war on fixed costs and taking down the number of facilities by 50%. Is there a similar skill for Ingersoll Rand to dramatically reduce step function change, the fixed cost structure of the business? And I ask that in the context of your industrial and kind of margins still lagging behind some of your deals?

<A – Michael W. Lamach>: Well, 2020 through 2021, that was a huge issue for us. And if you remember, that was an enormous takeout of fixed cost that we did in consolidating the plant footprint. And then from 2014 through the first quarter of this year, it's been a steady flow of us just consolidating over time. We did a major factory in Europe in the Industrial business in the first quarter, and we might have more to do there, but I've always been rode to do something when business is good. I really don't want to disrupt operations, supply chain or anything when businesses are good.

So I mean, probably in a downturn, Nigel, we take advantage of that and do further consolidation, but it's not sort of to think about it as the biggest lever in our company. We really don't think about leverage per se, we think about system of things and a system of leverage, if you will. So for us, fixed cost is something that we're always going to be punching on a bit, but it's not the number one priority we have in the company. I mean, frankly, the number one priority we might have is we're about an average G&A company today, and we've done a lot of work to understand what top quartile or top decile companies do in that regard. Often times, coming way out of our industrial space into other areas to figure out what's done there, so a lot of work going on inside the company around really thinking about making the G&A and the company more efficient. Potentially, even more variablized too, in that regard, which gets to the other question we had around, what do you expect to happen in a downturn? Part of that is making sure that we're managing fixed cost and variablizing most where we can.

<Q>: So over here, Mike, good morning. One of the external catalysts that you all periodically benefit from in climate are the changes in regulatory requirements on SEER efficiency levels. In looking at a crystal ball, maybe discussions with regulators, when is that next event? Is there also anything related on energy efficiency requirements that might benefit the connected buildings initiative in terms of required energy efficiency lead classifications or anything along those lines?

<A – Michael W. Lamach>: Sure, thanks, Dean. Remember, again, about 12% of the company, really, the residential HVAC space, is the space where SEERs are regulated. If it's a 14 SEER unit, you make the best, most reliable, most cost effective 14 SEER unit you can to make sure that distribution and the dealer network is strong and that you got great access to the market. But if you get to the commercial HVAC space or if you can get to the industrial compressor space, that's really not SEER-driven. In some ways, it's the ability to sell the incremental value.

A kilowatt per ton of cooling or a kilowatt for a cubic feet per minute of air is a way to sell that, or the reliability at that time or the maintenance intervals or the type of refrigerants used and whether or not that they expel the environment or their vacuums and don't expel it to the environment. Those are all things that feed into the total cost of ownership equation. In here, SEER is not important. What's important out every tenth of a point of efficiency you can get out of these systems. And that's where the investment really goes, it's in that technical investment and it's in the sophistication of our channel to be able to direct sell that, direct service that and to be able to make sure that all the modeling tools that we have are fully utilized in that process.

<Q>: Mike, I think, recently, you've talked about industrial being ahead of your expectations the last couple of quarters. And now we've seen oil go up to $80, right, and so you've talked about the larger compressor business maybe being a little choppy, orders maybe being a little slower, but – very recently, but then, now, we've had the spike in oil prices. So as we look at Industrial over the next couple of years, maybe talk about the potential of that business both incremental margin and then, again, you grew high single-digits in the quarter, could you kind of do that kind of growth moving forward?

<A – Michael W. Lamach>: First of all, our direct exposure to oil and gas is really through a very small material handling business, which is recovering very nicely for us. But on the compressor side, it's a bit of a derivative effect. Now we saw the negative derivative effect to oil and gas, when oil prices shot lower, so I assume of the derivative effect when oil prices go higher. We're seeing a little bit though in the general, large plant area where a lot of our compressors go is a lot of fourth quarter benefit from tax reform and you thought companies taking advantage of building the amortized capital, but when you saw the first quarter and the noise around tariffs came in, it was a bucket of cold water thrown over tax reform, but just for industrial customers who might be questioning, what's the cost of my project now that I expect metal and steel copper to go up.

We might be 2% of the cost of the project. Our $2 million compressor around $100 million project is now $110 million, changes the ROIC for that customer. More importantly, they might be saying, is this plant – is this line going into the right place now based with – whatever happens with – we'll see on tariffs. And so I think that the sooner we get through this whole sort of tariff discussion and trade discussion, we'll take and sort of reignite a bit more of that capital expense on the industrial large plant side, which would impact our compressors for the most part.

<Q>: And I think you said, in the beginning of your prepared remarks, when you talked about in the cover, you've never been more excited about, really, all of your businesses, right. So I think a lot of us tend to focus maybe more on the U.S. than we should. We asked about China also, but Europe is doing really well for you. The Middle East is really doing well for you on the climate side. So maybe talk about what's different now at Ingersoll Rand versus the last few years because it seems like you really have widespread growth.

<A – Michael W. Lamach>: Yeah. If you go back like 2016, I was saying that our intention would be to double our HVAC business in China or Asia and Western Europe, as an example. And we're well on track or ahead of schedule to be able to have done a good margin. So there is an example of having a meaningful business that becomes more meaningful to the portfolio mix going forward. I think its back to these questions around cycles and so and so forth, if we're doubling the business in Asia, doubling the business in Western Europe, a little bit of a different cycle there. We should be benefiting from that.

So again, one of the reasons that I'm excited is where I'm seeing the growth, where I'm seeing the investment is in some ways, an offset with North American cycle for that. And we build that service business there, too. That's the real big change is whether you're in the compressor technology business or you're in a commercial HVAC business, this linkage rate to equipment is really meaningful now at meaningful now at two third. And eventually, I'd say it gets up to 80%, which is kind of where it is in the rest of the developed world. Well, when that happens, that's a really good situation for us relative to margin mix because we get three to five points more margin on services than we do on the equipment, in general, from a contribution perspective, so we love that mix.

<Q>: And Mike, can you talk about the strategic rationale of the Mitsubishi JV? And then maybe a little more color around the financial dynamics there? What's that capital outlay and then kind of one more on the expected returns and how that can play out?

<A – Michael W. Lamach>: Yes. I mean, I'll talk to strategic rationale first. And so three, four years ago, we got really fully going on operational, on putting ductless into the portfolio. And while the markets are growing kind of the mid-teens, high-teens, we were growing at, say, three times that growth rate. I think it would be very – it became very, very clear to us and to our competitors that the channel really makes a difference on how we go-to-market with these products. So we built a nice bit of share, a nice niche in our total portfolio through the ductless strategy.

I think, at the same time, you got players like Mitsubishi saying, we don't have that channel in North America and sort of that ability to create that channel in that way is probably beyond reach for us and so we're able to take what we think is the best product is and the best support around the product with what they believe to be the really best channel for the markets that we're working together in, and put a long-term deal together that really puts us number one in the marketplace around ductless.

As far as the financials go, we've actually got an agreement with Mitsubishi, it's really around the closing financials, which we haven't got yet to really approve in kind of what its closing here on that, so I can't give you details on the financials other than a couple of things. One, the joint venture started last week. It has 500 people in it from a technical and support role. Of course, we've got a lot more think about twice the number of sales people in the market than that, so it's an enormous infrastructure in place on day one in the business, that's sort of the first point.

The second point around EPS, really it's not material in 2018, it may not be all that material in 2019, what they we're on that. But to get that, this $200 million bogey we had around growing incrementally the Europe business from our position, and this really fortified that strategy for us in that regard.

If you think about the 2020 commitments, there is couple of them, one is our VRF commitment, we're really on track for that. Another one was the commitment that CTS Todd made around $40 million of margin opportunity with no revenue coming through the CTS business, we're aptly on track for that as we do the final integrations with Cameron's operations here, that's going exceedingly well. So we're really kind of checking through that whole 2020 long term worth for us.

<Q>: I think I'm like the last question, but which business are you the most excited and which one, actually, where is you know everything is great, but something worries you, so which?

<A – Michael W. Lamach>: I'm the father of nine children, okay. So, which one of my kids is cutest or which one do I love more than the others.

<Q>: No, just one.

<A – Michael W. Lamach>: Yes. Maybe the one that gave me the better gift for Father's Day, but I will tell you that I love all my children, certainly. But if you think about where I see the excitement right now, it's the areas that we're differentiating on the energy efficiency and sustainability gain, and then the areas where the service businesses are really clicking in and tailing. So if I think about it, it would be in our commercial HVAC business, it would be in our Compression Technologies business. It would also be the Fluid Management business, frankly, too, which is a great business for us that we love to expand out as we go.

But those are businesses that, I think, we think about more as it relates to investing into the future and where we see opportunities differentiate things like total cost of ownership and what is a great service tail. So that those, I think, long–term are the sorts of businesses that we want to be in, in a really long-term.

<Q>: [Question Inaudible]

<A – Michael W. Lamach>: None of my children concern me. Are any of them leaving the house soon is what you're saying?

<Q>: [Question Inaudible]

<A – Michael W. Lamach>: Well, okay, every single business that we have and every single sub-business that we have and every single region of the world we have is growing

right now. I've not had that happen in nine years. So you're asking me a particularly timely question where all the kids are beautiful as we speak.

<<Julian Mitchell, Analyst, Credit Suisse Securities LLC>>

Great. Thank you very much.

<<Michael W. Lamach, Chairman and Chief Executive Officer>>

Thanks, Julian. Thanks, all.