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PRESENTATION

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

I'm Andrew Obin, BofA Merrill Lynch multi-industrials analyst. Next presenter is Ingersoll Rand, global leader in HVAC systems.

We are lucky to have Sue Carter, companies Senior VP and CFO. I think you've actually come like every year over the past 15 years or so. We love having you here. And I think she will start with some prepared remarks, and then we'll go to Q&A. Thank you very much.

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Thank you, Andrew. And good morning, and hello to everyone who is joining us on the webcast. So I just want to do a few prepared remark, as Andrew said, to provide some context for those of you who may not be as familiar with the story or they want an update, and then, of course, we'll leave lots of time for Q&A with Andrew and I. So if you've heard Mike or I talk about the company recently, you know that we're really excited about the company and the current opportunities that we have for a number of reasons.

First, all of the work that we've done over the past year is around operational excellence in the company are truly paying off. We have a very stable and strong management team. We have great bench strength, and that helps us continue the momentum that we have. And thirdly, it's probably the first time that I can remember that we can talk about both the Climate and the Industrial segments growing at the same time. So it's a really strong backdrop for us as Ingersoll Rand.

So let me start by discussing some of the business today and how the business model actually drives strong cash flow throughout the organization. So first, our strategy is well aligned with global megatrends. The trends are towards energy efficiency and productivity that place us squarely in attractive, durable and diversified end markets. Our focus is on sustainability and addressing the global strategic imperatives, and it's a way of driving down energy usage, greenhouse gas emissions. And it's not just a way for us to be socially responsible and drive high employee engagement, it's a way that we can drive the business and link our leading products and services to the global megatrends.

Second, one of the hallmarks of Ingersoll Rand is the strong brands that we see from Ingersoll Rand to Trane to Thermo King to Club Car. We've been in many of our businesses of more than 100 years. And our strong brands combined with leadership, innovation, operational excellence and commercial focus have enabled us to create and cultivate tremendous installed bases across many of our businesses. The installed base generates a reliable and sustainable replacement business for equipment and a strong recurring revenue stream in our services and in our parts businesses.

Third, our strategies delivered excellent financial performance over time. Our 2018 guidance that we gave in January reflects about 4% cumulative annual growth rates on revenue since 2014 and 11% compound annual growth rate on EPS over the same time horizon. So we can talk more about strategy and operational excellence all day, but in the end when it produces results to the bottom line, that's what our shareholders care about.

And fourth, I believe that strong free cash flow is critical to our strategy and our initiative, and it also demonstrates a high quality of operating earnings. We've got a strong track record of delivering steady and reliable cash flow, and our long-term target for free cash flow continues to be at or greater than our net income. So 100% of net income or better.

And fifth, our strong free cash flow performance provides investments in new technologies, new channel opportunities in new products. During 2017 alone, we launched approximately 70 new products. And it's what our customers expect from us and delivering that is a major point of pride for our company and for all of our employees.

Additionally, we continue to pay a strong and growing dividend. We evaluate share repurchases and M&A where we can, and in 2017, we deployed approximately $1.9 billion between dividends, share buybacks and M&A activity.

So Andrew, I know you guys are going to have a variety of specific questions, but I -- so I won't try to proactively address all of those, but here's a couple of things that you can expect from Ingersoll Rand going forward.

So we saw some positive momentum in the fourth quarter of 2017. In 2018, we expect to drive mid-single-digit top line growth in both our Industrial and Climate segments, as I said, it's the first time we've seen both of those segments growing. We expect operating margin improvement with solid leverage by managing the entire P&L, and we expect our end markets to remain strong and pricing to continue to be positive in the face of commodity inflation. So we expect our business operating system to deliver strong productivity and strong results for the organization. And our free cash flow generation, again, should be equal to or greater than net income. And from a capital allocation standpoint, we'll continue to do what we've always done to drive strong shareholder returns, which is invest in high ROI projects in the business, continue to pay a strong and growing dividend, repurchase shares and invest in acquisitions that have a strong strategic fit and meet our financial criteria.

So again, very excited about Ingersoll Rand and its future and very excited to be with you today here in London. And so Andrew and I can go through some questions for you.

QUESTIONS AND ANSWERS

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Sure. Thank you, Sue. Maybe I think you have sort of said that it's first time in a while that both -- as I said, feel free to send me questions. You noted that first time in a while that both Climate and Industrial are growing. So maybe we can sort of talk a little bit about macro environment for Climate. What are you seeing in nonresidential, I guess, specifically U.S.? And what's important for you in the U.S. nonresidential cycle? What should we pay attention to in terms of end markets?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So a fantastic question, and I'd start it with a backdrop that it's not just our Climate and Industrial segments that are growing. It's actually kind of global economic backdrop is actually positive across the globe. So you start with that global economic backdrop being positive. You then go down to the segments, as we talked about, being positive. And then specifically, as you go into the Climate business and the nonresidential cycle, institutional markets turned in 2017, they've continued to grow in 2018. So things that occur in that are education, government, buildings, things like that, that are going to continue to grow in 2017 -- or in 2018, sorry. We're also looking at the service component of our business. We're always interested in growing service, although that's a very important component, particularly in North America and the business that we have, energy services is critically important. So we've got a good backdrop on institutional, on nonresi in the U.S. Europe commercial HVAC is growing as well as Asia-Pacific and specifically in China. So you've got a pretty good backdrop for all of that in the business.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And then as we talk about sort of institutional spending, what -- how do you look at the visibility on institutional spending? Because I think there is always a big debate among investors, because I think it's been a fairly anemic recovery since '08, '09, right. If you look, I think, on a relative basis, institutional spending is one of the laggards. So what gives you confidence? And what metrics you guys look at to sort of feel good about that market recovery?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So I think our folks are some of the best in the industry at looking and seeing what's going on. So we are consistently talking to our customers, reviewing the quoting activity that's in a pipeline and watching all of the different indicators. In fact, as we look at market growth in those segments, I think the Trane folks have been a better indicator than some of the other market indicators. So we're very close to those markets. Again, we saw them turn in 2017. You saw and you said Andrew that institutional lagged behind some of the Industrial recovery in the nonresi space. But we think it's got a few years to run yet, and we think we're really good at staying close to it and being a part of all of the opportunities that are out there.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Excellent. And maybe we can shift gears a little bit just to talk about what you're seeing in terms of Industrial macro and just sort of regular compressors. And then maybe we can talk about sort of large compressors, because I think we're sort of waiting for that market to turn finally?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Sure. So the first thing I can say about Industrial is it feels good. As we went through 2017 and we started 2018, the markets in all of our business in Industrial, each and every one of them are positive and growing. We've seen expanding margins in all of those businesses throughout 2017, and we expect another great year of good leverage, so good revenue growth, good productivity, good cost control and excellent margins in all of the Industrial businesses. We talked about the compressor markets, and specifically on the engineer-to-order side in the large compressors, we saw some recovery in bookings in the third and fourth quarters of 2017. That's still going to be a bit of a lumpy business, so I don't know that, that is a just straight upward trajectory. But the good piece about that is that we saw some of the quoting activity move forward into actual orders in the fourth quarter. Some of those orders will -- they ship in fourth quarter of 2018, first quarter of 2019, depends on the customer requirements, but we are seeing a piece of that. And very importantly on that is it's not just the projects booking into revenue, it is actually what we've done with that space over the last 3 years, which is really worked at all of the processes inside engineer-to-order to grow margins in those businesses without having the top line. So then you get topline growth in more projects and you just have a home run on the operating performance. So we did all of the right things while the market was down. Now we're seeing some good signs on recovery, but I think it is going to be lumpy, those big projects have always been lumpy.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And just to segue, Thermo King, one of the markets, I think, ACT changed its forecast recently. I think it was after you guys came out with your outlook. Any commentary that you could share with us in terms of the dynamic in that market recently?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Absolutely. So I am going to, again, take you back to 2017 on Thermo King. So what we said was we were going to have declining revenue, North America trailer was going to be weaker in 2017, but what we were going to do is work the entire business and really maintain our operating income percentages across that business, and we did it. We focused on growing other parts of portfolio, auxiliary power units on the refrigerated side as well as the nonrefrigerated side. Our European business, there was some activity that occurred in Russia. Our marine, air, rail, bus, all of the components of the business contributed. So we really got a diversified business there, and it really turned out well for us. The dynamics in 2018, so as you pointed out Andrew, ACT has changed the industry data in North America trailer. Post-U. S. tax reform, there has been a number of different increases in orders. And so when ACT originally looked at 2018, they called the market down 10% on North America trailer. They currently have the market call down 3%, and we agree with that. So that is a helpful and healthy sign for 2018. I also want to focus on the fact that the auxiliary power market is growing in 2018. And again, industry data would have auxiliary power units growing about 30% over 2017, and again, we agree with the industry data. So good, strong positive indicators for the Thermo King business. So we've got the business and the cost baselined and the ability for all parts of the business to grow and then some positive indicators, so that's a good thing.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And maybe we can segue with that into price/cost, because I think demand has been coming in probably stronger than you thought. I think inflation has been (inaudible) and sort of talk about the tariffs. Could you just sort of talk about sort of the latest news on cost part of the equation? And historically, you have been able to offset your cost, but maybe there's been some lag, so maybe you can comment on that as well.

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Absolutely. So on the price/cost equation, material inflation has not really abated in 2018. I think we all hoped that, that would happen. However, we happen to be in pretty good markets where we get price and the price increases were announced across-the-board in basically all of the business and across all of the competitors for 2018, and everybody has the same inflationary pressures that we do. So we hope that good news on that pricing equation, but we do know that there is some activity around that and inflation has continued. So the message that I want to continue to deliver on the business is we are going to manage the entire P&L. I said it in my earlier remarks, meaning that we are going to manage all of the components, whether it is revenue growth and volume, whether it's cost, whether it's productivity. And the end goal and what we outline [inside too] is meeting our EPS guidance that we gave for 2018. So we're going to work all of the different pieces to do that. One of the pieces that you mentioned, Andrew, post our guidance at the end of January was the tariffs in the Section 232 environment, so I think that's developing. What I can say about Ingersoll Rand is we have had a strategy, and we've talked about it for many years, of being in region for a region. That means manufacturing, it also means supply base. So when you think about U.S. and potential steel tariffs, over 99%, I think it's like 99.5%, of the steel that is consumed in our U.S. operations is bought in the U.S. and is under contract. So in theory, that shouldn't be a huge impact with the tariff activity. What you just don't know and what's unknowable at this point is any of the sort of derivative impacts of that. Aluminum, smaller percentage of our actual raw commodities, but we're buying from a U.S. supply base, but some of the components of that actually don't come from the U.S. So we'll see how that one actually turns out, but we've talked about recently that perhaps there's a $4 million risk on the actual commodity and $4 million on Tier 2. That gives you an order of magnitude. I wouldn't say we absolutely know that, but I think it puts it in context with the entire P&L that we have as Ingersoll Rand and the potential, again, unknowable impacts until we see what finally happens on the tariffs, see the response of other areas and see if there is any exclusions to those (inaudible).

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And is that an annual number? Or is that a quarterly...

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Annual. Yes. We don't do anything on a quarterly basis anymore. We're all about making the annual plan and making sure that we see ourselves through what's happening (inaudible).

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And I think you've repeated multiple times that I think free cash flow has been very a strong part of the story. What are you doing this year to manage the cash flow? What are the puts and takes? How should we think about it?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

That's an excellent question for me. I have a strong passion around cash flow, and my hope is that my passion translates to everywhere in the organization, and I think the results actually speak for that. We have a very good system. One, it's drive high-quality earnings, which is the basis for all free cash flow. If you growing that, you should be growing your free cash flow. On the working capital side, we balance our customer terms with our supplier terms. So in other words, the more that you can make that neutral, then you have good working capital and you don't have to grow working capital over revenue growth when you're in a period of growth. On the inventory side, we want to have enough inventory and the right inventory to meet customer demand, especially in growing markets or in markets where there is some volatility. So we're managing it, but we're not managing to a number, we're managing to being able to have a high on-time customer delivery. So if that's the way that you look at working capital for Ingersoll Rand, it means that working capital is going to be somewhere between 3% and 4% of revenue. It has been consistent and constant. So good percentages on working capital, continuing to drive operating earnings, and that just gives you a strong free cash flow, which is the basis then for a strong capital allocation policy, which we've had for a number of years, which includes investing in the business, the dividend, offsetting dilution on share repurchases and focusing on M&A that has a high return from business.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

So a question from the audience, do you expect increasing competition from a standalone Atlas, both in terms of M&A and in the market?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

No, not really. I can't imagine. I think the split creates a focus in their organization, but they're a strong competitor, and I don't expect that behavior to change. We know as Ingersoll Rand that we have a great team, we have great products and that we compete globally against all of the industrial competitors or in the compressor space. So I feel really good about where we're at and the team that we have.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

All right. Can we just talk perhaps about sustainability of your market share gains in North American HVAC market? I think that has been a big, big part of the story. How much more do you have and how sustainable? And what's the competition doing about it?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Well, the way that I would address that is I would say, Andrew, that we're growing market share really across the portfolio, but continue to focus on that in the Commercial business. The way to focus on that is to continue to invest in our products, create innovation and really create all of the things that we need to serve our customers. And if you do that right -- again, I talked about us having refreshed our product portfolio and continuing to invest in our products, in our business, focus on service, when you do that, I think you naturally grow market share. And I think that's been a real strength of the company, and we will not stop doing that.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

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And just question maybe on the competitive dynamic in the North American market. You sort of have sort of news trickle out of JCI, sort of rumors swirling around Honeywell. You sort of have -- and all of these have been in the press, United Tech. So what do you think is happening with the industry structure? And specifically, as I sort of think about Ingersoll Rand, your capabilities in terms of compressors and building controls, how do you see those evolving over time? And how do you see M&A playing into it longer term?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So when we think about what's happening in all of the different players, particularly in the HVAC space in 2018, we've talked about it, and specifically, Mike has talked about over the last few years that we thought that there would be some industry consolidation and that has not played out. Certainly, we'd want to be a part of that, if it was appropriate. And we'll see what happens. The main point though is we don't need anything in our business in terms of capabilities, in terms of products and in terms of getting to end markets for our businesses to grow and to deliver the commitments that we've made. So it's an opportunity for us to look if there is the right return on different products and projects. I think that's great for us to look at, but it's not a need. But I think it's something that we've been good at. The other part -- and you ask about compressors and you ask about product innovation, and I'll just make it broader than just compressors, we have invested in the business, so our R&D is 1% to 2% of revenues. We're just not going to refresh the portfolio and stop. We're going to continue to invest in our products and services across the business. And I think that just helps us with having flexibility, whether it's on organic growth or whether it's on inorganic growth, if the right opportunity presents itself.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And just a question on North America, maybe VRF technology, and also your -- I guess, the announcement of ability to JV with Mitsubishi, right.

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

But it's a 50-50 JV with Mitsubishi, yes.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

So could you just -- the logic behind that? And what do you think you can get out of it over the next 5, 10 years like -- because clearly, very formidable player. But it also reflects your choices about sort of what you want to do internally, do you need to develop -- sort of develop versus partner?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So the Mitsubishi agreement that we signed earlier this year, and we are waiting for regulatory approval. So we'll stand that up as soon as that gets going. A 50-50 joint venture, Mitsubishi is the manufacturer for distribution through our channels into the North America market. So I think you have high-quality product that is coming through Mitsubishi as a high-quality manufacturer and supplier of product. You have strength in the Trane channel and distribution. And so I think you combine those 2 things together, I think that's a great thing, plus we have the actual core of the JV, where we take a minority interest profit that will be in operating income. So I think it's a win-win for us. It's a way for us to participate in a small but fast growing segment of the North America market, and this is a partnership that we've worked on actually for quite some time. So it isn't new, this has been a strategy, and it's coming to fruition in 2018.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And why did you choose not to develop the technology yourself?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

There is a logic that says that, that product was originally developed in Asia-Pacific and you certainly could do that, but pairing and joining with someone who has a high-quality product that is already available out in the market place, I think this is the right path for us is to set up the supply arrangement with that. So like I say, you could definitely do that, but also sourcing high product -- high-quality product is also a good way.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Can we just sort of talk about the China growth initiative? What's behind it? Who are you competing with?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So the China growth strategy that we've talked a lot about throughout 2017 and into 2018 is really a change in our focus from more of an independent distribution, if you will, to a direct distribution in the China markets as well as Tier 3 and Tier 4 cities. So we hired over 300 salespeople to go direct into China has been wildly successful for us in terms of growth in the different markets and what that has meant to us. At the same time, you're growing that applied market with an eye towards a service tail throughout the life of the equipment and a good attachment rate on that, but also the growing service market in China that has already started to exist on product over the last couple of years. So it's a multipronged strategy. It's been quite successful, and we have talked about it, but that is a good margin business for us. And so we've talked about it because it's hit this very specific price/cost metric that we talked about in 2017, but that is a group that manages the P&L and the entire P&L very well with productivity and overall contribution to the business. So it is a good thing for us, and they're being very successful at it.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And is the current sales force level, is the current structure what we should see going forward? Or can you -- are you going to put more money into it as well?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

I think what we have is -- serves what we need, but like any other piece of the Ingersoll Rand organization, if we believe that there is a benefit and a return from adding to the sales force, we will continue to do that. And we've actually continued to do that in all of our businesses even throughout some of the cycles that have developed. So that's an area we're not afraid to invest in.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And given that you're investing, how are you seeing sort of the development of China market, because I think there have been some concerns about the level of investment is starting to peter off? Or do you see still some runway there?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

We have seen very good growth on -- so we're very pleased with what has happened in the market and with our strategy to move it forward and to grow even more. So we've talked about that we could double that business over time. So to me, that's a worthwhile investment anytime that you can do that, grow the investment and grow it profitably.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And just to shift sort of focus on margins maybe. That has been a big focus for the management. Maybe not this year but longer term, what do you see are the existing levers to continue to drive those up? And what are the headwinds that concern you the most?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So we gave 2020 guidance at our Investor Day in May of 2017, and that had our operating margins for the enterprise going to -- between 14.5% and 15%. So very nice growth. We think we are on track with the first year of that being 2017. And we will continue to use the business operating system, as we have in the past, to actually create leverage in the business. So good revenue growth, good operational excellence. The other things that we're focusing on across the organization are complexity reduction, productivity and really using all of the different levers that we have. So when you think about complexity reduction, it's how many warehouses do you have, how many times do you touch product, how many times do you touch something in a process. We can continue to build on the value streams in the operational excellence that we started many years ago. We've always said that we're sort of in the early innings and keep finding better ways to do that. We've also taken that concept of value streams in operational excellence into the functional areas, and starting in 2017, so again, using robotic process automation, using complexity reduction in everything that we do. And every piece of that creates good operating leverage for the company and continues our journey down that [ally] growth that we gave through 2020.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Sure. Maybe a question on capital allocation priorities. Can you just sort of walk us through your thoughts on buyback and dividend growth versus M&A?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

Sure. I think the -- when I think about capital allocation, first, I think about generating great cash flow as a company and having the right cash to actually allocate with capital allocation. So you've invested in the business first and foremost when you get to that free cash flow level, and we don't want to stop doing that. We really want to focus on the business. On the dividend, we really want to focus on growing the dividend at or above the rate of earnings per share growth. And we've consistently done that. Share buyback, offset dilution in shares, and then buy back shares when it makes sense. But the override when you get to that toggle between share buyback and M&A is, we really want to allocate all of our excess free cash flow. We think that's important, and the M&A comes in, in that we don't need anything to round out what we have as a portfolio, but if we can create a longer-term earnings and cash flow stream, that's all good. So we want to get the highest return, but be really good allocators of that excess capital and make sure that we're deploying it appropriately. And that's going to change in each and every year, but the fundamentals don't change for us into the categories.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And how did Cameron deal and integration change your view on M&A, if at all?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

The Cameron deal in 2015 is one of those that we've talked about with the timing being unfortunate with the slowdown in oil and gas, but I'll tell you, that was a strategic acquisition and I would do that all over again. The revenue right after the acquisition wasn't there and actually, that volume dropped down. But again, we had an opportunity on the engineer-to-order space, on the service space with that business and with the synergies and integration with our compressor business. And we exceeded the expectations on all of the integration costs and the synergies, and now we're starting to see growth on some of the end markets. So I think, all in all, that's going to actually turn out very well. We learned from it, we continuously learn from everything that we do. So I'm not afraid of having a good outcome like that. It will be a good acquisition for us over time.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And how is the M&A pipeline right now?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

You know it's been good. We've done a lot of channel. There were 17 projects that we did in 2017 that were channel, mostly in the commercial HVAC space and the compressor space. So that's been the channel acquisition. Technology, we invested in GPSi, which is a telematics play. We invested in thermal storage for the business. We invested in a U.K. rental business that on the commercial HVAC side that we think is going to be great. And then the Mitsubishi joint venture is another piece of that. So we have a strong pipeline, and we have strong ideas, but I think it goes back to the fundamentals where we have choices. We don't need anything to actually be competitive and to meet our targets, but we have the opportunity with great cash flow and good capital allocation strategies to build on that if the opportunities are there.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

And just a question, I know it's -- I hate to say it, but Club Car, as long as I remember, there were always questions about Club Car. And I think the issue has always been is the tax base has been extremely low. With the recent changes in tax law, does that sort of change in any way, shape or form how would you think about it, right, given that the buyers now have ability to sort of right off the value of the assets a lot faster? Have you -- has that changed your thinking on that asset or any other assets that you have?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So the simple answer is no. It really hasn't changed the thinking, but it's not because of the tax law change or the asset. It is really about the business and what has changed in the business over the last couple of years with the introduction of the Onward product and the personal vehicle. The consumer vehicle has been wildly successful, even greater than our expectations when it launched in early 2017. So that investment is paying off, it's growing. So we're seeing growth on the consumer vehicle, and we expect to continue to have high growth in that area. The utility vehicle, exploring markets around other parts of the globe and outside of golf, where we have high market share and where that has been very successful. So having said that, there is not an urgency. We're enjoying watching that consumer vehicle grow and seeing what that's doing for the business, but it's a highly desirable asset for others, and we'll just really continue to evaluate the space. So you're absolutely right on tax reform, but we're having a lot of fun watching the consumer vehicle grow.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

I guess, the last question I have before we go, just to clarify on price/cost. As I think you guys have done historically, your hedge shifts out. So just could you remind us how hedged are you into 2018 on key commodities?

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

So what happens on commodities for us in -- and each of the raw commodities are a little bit different. So steel. Steel, you can't hedge or buy forward. However, we have contracts in place to give us about 3 months of visibility to spot pricing. So a spot price today, we would see in perhaps 90 days, we've got about 3 months of inventory. So you've got 6 months of visibility on steel. Copper, we actually lock in pricing on copper, so we want to be about 70% locked as we enter any given quarter. We actually entered 2018 because of the volatility and the inflation that we've seen in Copper just under 70% locked for the year. And then on aluminum, we also locked that, but at a much less percentage. So it was just under -- between 25% and 30% locked for the year. So that has been a pretty good strategy for us to get visibility to what the cost structure is and again, pull all of the levers in the P&L to make sure that we've hit the targets and commitments that we gave.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Terrific. I think we're actually right on time. So with that, I will end our conversation. Thank you so much, and thank you for supporting this conference over the years. You're definitely one of our core attendees, and we'd love to have you again and again and again and again.

Susan K. Carter - *Ingersoll-Rand Plc - Senior VP & CFO*

It's been a great conference for us. We enjoy it a great deal, and thank you, Andrew.

Andrew Burris Obin - *BofA Merrill Lynch, Research Division - MD*

Thank you so much.

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