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Otis Worldwide Corp. (OTIS)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Good morning, everyone. Welcome to Otis' 2024 Investor Day. I'm Mike Rednor. I lead the Investor Relations team here for Otis. And before we just get started, just a few reminders. In addition to those of us joining us in person, this presentation is also being carried live on the Internet. It's being recorded for replay.

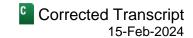
Presentation materials are available for download at otisinvestors.com. Please note, except where otherwise noted, the company will speak to results from continuing operations, excluding restructuring and significant non-recurring items. A reconciliation of these measures can be found in the appendix of the webcast.

We also remind listeners that the presentation contains forward-looking statements, which are subject to risks and uncertainties. Otis' SEC filings, including our Form 10-K and quarterly reports on Form 10-Q provide details on important factors that could cause actual results to differ materially.

So, let's go over the agenda for today. I'm joined by several members of Otis' leadership team, and we'll start with Judy Marks, our Chair, CEO and President, who's going to give us an overview of our industry and Otis' strategy. Next, Perry Zheng, our Chief Product, Delivery and Customer Officer, will discuss our New Equipment and Service segments. And followed by that, it will be Anurag Maheshwari, our Chief Financial Officer, who will finish with a financial overview. After prepared remarks, there will be about an hour of Q&A.

With that, I'd like to welcome Judy Marks.

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Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Thanks, Mike, and good morning, everyone. And good afternoon and good evening for those of you who are following on the Web. It is just wonderful to be back here with you in Freedom Hall four years after I stood on this very stage and we shared with you the story of Otis and where we were going to take Otis before we became an independent publicly traded company. Today, we'll show you where we've come on that journey, which is what gives us confidence to share our medium-term outlook with you. I'll be joined by Perry and Anurag, looking forward to their comments as well. And then, we'll all come back up to, again, spend an hour answering your questions. What we hope you'll find today is what we think we've become known for, transparency, delivery, and meeting or exceeding our shareholders expectations. We hope to continue on that trajectory and share with you again the rationale for why and also how we're going to do that. So with that, let me get started.

It's been almost four years since we became an independent publicly traded company, and a tremendous amount has happened in those four years. But what's most important to us that's happened is the trends in our industry haven't changed. As a matter of fact, the megatrends that support our thesis, that support our very business model have indeed gotten stronger. When we think about urbanization, it's still real. Population growth is still returning to city centers and in emerging markets, urbanization rates are continuing, especially as we'll spend some time today on India and Southeast Asia.

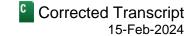
The populations are aging. Buildings are aging. As populations age, mobility needs change. As buildings age, refurbishment needs change. And that will drive a significant modernization market we're going to speak about as well. And digitalization is everywhere. We embrace this early as Otis and you'll see some of the rewards coming. But our investments and our innovation have not stopped. So the megatrends are there. And as we look back, we've performed.

As recent as 2023, as we shared at our earnings a few weeks ago, we had a very strong year, \$14.2 billion in revenue; 16% margins, our highest margins since spin, adjusted operating margins. We returned over \$1.5 billion of cash that allowed us to share almost all of that cash with our shareholders. And we are very proud of those results, because every day, we are moving 2.3 billion people who touch our product in some way. We also achieved record maintenance portfolio last year at 2.3 million units. If you go back to 2019 or just pre-spin, we were growing at a rate of about 1% a year. We've more than tripled that last year to 4.2% and as you'll see in our medium-term guide, it's 4% plus. And I accentuate the plus, because we believe there's significant opportunity there.

But as we look back, here's how we did. 170 basis points of share – of operating profit margin expansion since 2019. Steady expansion every year, whether it was 30 basis points, 50 basis points every year. You'll see that continue as we go forward. 3.5 points of New Equipment share gain. We had lost share the decade before. We had significant share loss. But we made the right investments in our go-to-market channels. We made the right investments in innovation in our products, and we made the right investments to win while also growing our profitability. So not sacrificing profit for [ph] volume (00:05:53). You're going to see that continue to as part of our strategy.

The portfolio growth is what we're most proud of. And whenever I'm asked, I always repeat the most important metric to look at for Otis is how is the portfolio growing? One, because it allows us to grow our Service revenue from maintenance, but it also allows us to grow our repair revenue. And now what you're going to see is a third addition to that flywheel. It allows us to modernize existing older elevators and add those to the maintenance portfolio for compounding growth as we go forward.

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And finally, we made a commitment to connect, to connect with passengers, to connect with customers, but most importantly, to have connected products. We've now deployed and have live over 0.5 million Otis ONE units, which gives us the confidence to share that's going to continue. But also, we have over 900,000 of our 2.3 million portfolio connected through some means, not all Otis ONE, some are using some older technology, but you'll see that continue to evolve over time. This is our track record. This is what we've done in a very short period of time. But we have built the foundation for sustaining momentum to be able to continue to grow.

So if you turn to slide 7, here's our business. This is a customer-centric, Service-driven business. The why is for our customers. The how is Service-driven? 90% of our profits in 2023 came from our Service segment. We still have profits in our New Equipment segment. This is not a model where we have a loss leader in New Equipment. It's just the opposite. Our margins are healthy in New Equipment, but they're even healthier in Service, with 24% margins in our Service segment. Our revenue is still about a 60/40 break, 60% Service, 40% on New Equipment.

And what this model does is it has led us to sustained financial performance. So if you look at how the \$14.2 billion revenue breaks out, you can see the majority of it was Service last year, and it has been in every year since we took this company public independently, sustained performance. And New Equipment, there are times that, that cycle may go up and down. We understand construction cycles. We understand interest rates. We understand all of that. But again, I take you back to 90% of our profits come from the Service segment and you can see that here. So of the \$2.3 billion we generated last year, rounding over \$2 billion of our operating profit came from Service and just under \$400 million came from New Equipment. This is a Service-driven business model that will continue as we go out through time. We ended last year in the market at 21.5 million units in Service. Otis has 2.3 million of those, the single largest portfolio of anyone. And again, that 2.3 million units is up from just under 2 million units when we spun.

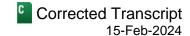
We have multiple paths, on slide 12, for how we're going to grow. So I'll call your attention to three key paths. Portfolio growth, it's the foundation of how we grow. Every unit contributes. I would tell you, it's the original subscription service. You buy a maintenance subscription for a year, for two years, on average, globally, for four years. You can see how our portfolio has grown year-after-year-after-year after a fairly flat decade before. We'll take you through how we did that and more importantly, we'll take you through our expectations for how that's going to continue to grow in terms of net gain going forward.

If you think, and we're sitting here today in New York City, and you look at buildings and you go back in time and you look at construction cycles, construction cycles in Europe, construction cycles in mature Asia, Japan, Korea, Australasia. You think about construction cycles across the United States when there were construction booms. It takes you to the 1980s and the 1990s. More recent construction cycles would be in the 2000s in China with a significant construction cycle. All of those buildings are aging. The buildings are not going away. But the elevators require technology upgrades, request aesthetic upgrades. Some full refreshment. That is going to continue as we go through time. The modernization market we're going to share with you today is another part of the incredible flywheel we call our business model that then brings units back on.

In the mature markets, about every 20 years, elevators need some sort of refresh. You can think of it as a technology refresh. You can think of it as replacing a machine, a controller, a cab, or the full elevator, sometimes even taking out the rails. That happens in about a 20-year cycle. It's not mandatory at 20 years, but that's when people really start thinking about it.

If you have a building and you've got Class A brand new space coming next to you, you want to upgrade your elevators, because you want to get new tenants. If you're living in a condominium, you start planning 18-year, 20-year cycles so that every year you're putting aside some of your funds to be able to do that replenishment. In

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China, where the construction cycle started in 2000, hit its stride in 2005, we're now hitting a point where at 15-year cycles, due to the heavy usage elevators and escalators get in China, that they're in a modernization phase as well. And when you think about of that 21.5 million units, just under half of those being in China, the surge of needs for modernization in China is just started and over the medium-term and I would also offer even further out than that, you'll see there's huge demand for modernization.

Now, it doesn't happen at the same cycle as New Equipment, but we're going to explain to you why we're going to capture more of this market. I actually added a fifth strategic imperative at Otis last May to be able to focus the company on this. And not just in words, how we were organized, putting together sales specialists for modernization, moving modernization fulfillment into our factories, New Equipment factories, being able to have kits, being able to have the ability to make modernization more industrialized. We're going to talk more about that this morning. But we're already showing early results. Our modernization orders for five straight quarters have been above double-digit percentage.

Last year, we finished our MOD sales, were about \$1.5 billion of our \$14.2 billion. Anurag is going to take you through some math in his presentation as to what that can grow to. It's always been around, but because of when construction cycles happened 20 years ago and 15-plus years ago in China, it's going to lever our ability to deliver and compound what we already do in a New Equipment market that I'll share with you. And as we look at New Equipment and you'll see in a few charts where we feel New Equipment is going to come out over the next few years, and I'm happy to talk through that with you and we'll share more about that, we are still on our strategy to gain New Equipment share.

We have brought more products to market, connected products, energy efficient products, whether it's our Gen3 Core here in North America for the two-story to six-story market, whether it's our Gen2 Prime entry level in India, that's been a very big seller in emerging markets, whether it's our Gen3 product or our Gen360 product in Europe that now we're offering in China. We have brought innovation. We have brought sales coverage. And we have brought the best-in-class technical products to the market. That has helped us gain share. And as I said, it has not come at the cost of margins.

So, as we look at these growth paths, you say, okay, we've seen what you've done, [ph] Jude (00:14:34). We understand a little bit about your strategy, and you're going to hear more about that shortly. But does the outlook support this? Is the segment available to be able to say, you tell me you're going to grow MOD double-digit. Is there enough out there to do it? Let me take you through why we believe the time is now and the opportunities are really bright.

When you think about the install base, I say, there's about 21.5 million elevators a year, 800,000 every year get added to that install base. That's a New Equipment market. So, every year that compounds at about mid-single-digit reliably. If the New Equipment market goes to 1 million units, that's one thing, if even if it goes down over time to lower than 800,000. But every year, the install base is growing mid-single-digit. And again, we have the largest portfolio out there. And as we've been gaining New Equipment share, those New Equipment units convert. So, there's solid, solid grounding on why we believe we can grow our portfolio.

The other piece is, with every unit that's in maintenance, we get repair. And a lot of people ask me, well, what if a customer decides not to modernize? That's a customer's prerogative. But the older a unit gets, the more repairs are likely. And we've now seen three straight years of very high repair rates. We thought it would come down. We thought it was a snapback from COVID. It is not. It's aging elevators that are driving repair rates. And that – it gets reported in our maintenance and repair segment, which you see every guarter.

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As buildings age, in those 21.5 million units, over 7-plus-million units are already 20 years and older. We have an existing modernization market that's – for us to deliver, for us to drive the demand on. For certain countries, [ph] we will (00:16:43) drive safety programs. For example, in Korea, there was a safety initiative that every elevator had to be upgraded. There's going to be one of those later this year in Spain. So as regulators also get concerned about the age of elevators, they can put out mandatory updates. The modernization market is going to continue to grow and it's not a linear growth, because as China units age, they will come on at a higher rate than the normal aging of European and North American elevators. All of them offer opportunity. China will be the largest single modernization opportunity over the next – over the medium term.

And we believe New Equipment units over the medium term is going to be flattish. We could debate 2024. We could debate 2025. Medium-term, we think it's going to be flattish. I think China is certainly going to be down. We think Asia-Pac is going to be up, low to mid-single-digits, because of growth in India, Southeast Asia and several other areas. And we think the Americas and EMEA are going to be flattish over the medium term. Again, puts and takes in different years, but we're calling New Equipment flattish. We're still going to gain share here, but the segment itself is going to be flattish.

Before I transition into the how we're going to do it, I think it's important we step back and you understand who we are. And I can't be standing up here and talking about these results and the strategy without thanking our 71,000 colleagues around the globe. 42,000 of them are our field professionals who every day live our culture, live our strategy. Our strategy has five strategic pillars. They're the grey you see in this diamond. The fifth one being deliver modernization value, the only one we've added since pre-spin, since actually we set the strategy and I joined the company. We have followed the same strategic imperatives and only added deliver modernization value, because we thought it was that compelling, and we needed to get the whole company behind this. And we needed to do it differently, which we're going to talk to you about.

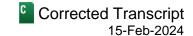
Those are strategic imperatives. We're a people company. We're a Service business. So we need a culture where our people understand what we're doing, where those 42,000 field professionals who are wearing Otis on their uniforms understand who we are and how we're serving and moving the world. And we do that through something we call our Otis Absolutes, and I encourage you to look on otis.com, printed in 18 languages are our Absolutes, safety, ethics and quality. And there isn't a meeting or a town hall I don't go to where I don't talk about all three of those.

We are in the life safety business and 2.3 billion people a day trust us and 2.3 billion people a day trust us and you don't think twice about using our product. That's exactly the kind of company we want to be. And we want everyone, passengers and our own colleagues to go home safe every night. Quality, the utmost in quality. And ethics, we always do business the right way. All of that is foundation. You can't be part of Otis, including our board of directors, unless you agree to live and abide by our Absolutes. But that's the framework. That's the foundation.

On top of that, we focus on energy efficiency. I'm proud to say, in December, all five of our Chinese factories, first elevator company in China received zero-waste-to-landfill certification by TRUE as part of our commitment. We submitted our SBTi in November our Scope 3 goals, and we will share those in our ESG report that will be published for the third year later this summer timeframe.

Because we're such a distributed business, because we do business everywhere except sanctioned countries, we have Otis colleagues who are part of their communities and being a part of community, not just the Otis community, but the communities where we live and work is so important to us. So we focus on that too. We started our own Colleague Disaster Relief Fund, and we've used it three or four times in Turkey, here in the US, so that when a colleague runs into challenges, all of us, including our matching funds, can help our Otis

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colleagues. We volunteer, we focus on STEM, all of this to build the future, because we need a stable workforce. But more importantly, we need a world that's better than where it is today.

So our products focus on energy efficiency. And we've got some fantastic products that do that, that reduce energy usage, not just in a building, but our ReGen Drive generates power back into the building. It's a distributed generation source, which a lot of customers find it very valuable.

So this is who we are. We're governed by an excellent board. We added two new board directors. And as you can see here, 7 of our 11 board members are diverse. And I'm just humbled and honored to be chairing the board.

When I step back, I can't think of a more simple or elegant business model in the world. It's elegant in its simplicity as a business model. And our challenge is executing reliably, sustainably and executing with operational excellence in everything we do at 200,000 service calls every day and somewhere in the world, 10,000 installations going on every day. It's elegant, but it's simple. Let me explain the business model.

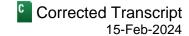
We start by innovating and inventing. We started that 170 years ago. Elisha Otis created this industry with a safety brake. We innovate and we invent, and we bring the best, safest, reliable products to market. We sell those products to a variety of people, developers, general contractors, housing authorities, infrastructure providers. And as we do that, we install those products. We then go into a warranty period and we convert those products into maintenance. And once we convert those products into maintenance, and when we convert those products into maintenance at the highest revenue level we can get and the highest margins we will get on Service, we then renew and retain those customers to the best of our ability for about 15 years or 20 years, depending if you're in China or in a mature market.

And then we go into a modernization cycle. That modernization cycle, you see here on the left, it comes in one of two ways. While we've been maintaining your elevator for 20 years, you've gotten to know us. You know your sales rep. Most importantly, you know your mechanic. You know that person who's been working in your elevator with digital tools using Otis ONE, who's been keeping you moving and keeping your elevators up. They're the ones that are recommending that you may need a modernization. We call that on-portfolio, because it's on our service portfolio.

But when you're replacing an aging elevator or escalator, you can replace someone else's too, especially if you're going to do a total rehab. So we call that off-portfolio modernization. And you're going to see some — we're going to share more about that as we go through today. But modernization has two angles to be able to enter this flywheel again. And then after we modernize, it goes back on our maintenance for another 15 years or 20 years.

So if you think about convert, maintain, retain, modernize, convert, again, and the cycle just continues. We need and want to be the most innovative company in this in this industry, which is why we innovate on both New Equipment and Service. We don't want to just harvest our Service business, let me be clear. We absolutely want to continue to come up with the best technologies, be they in propulsion, be they in digital connectivity, be they in passenger experience. There's lots of new opportunity in the New Equipment side, but we secure New Equipment from a business model perspective to drive our Service business. And that's where 90% of the profits are generated. Obviously, the cash follows. But that's why this simple and elegant business model is just beautiful. And what I would tell you is not just sustaining, but as opportunistic. Because as MOD – modernization grows, you have more entering now than we've had over the past few decades. You still have New Equipment entering Service, but now the MOD enter Service, too. So you're going to get that compounding.

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We have five strategic pillars. You can see where they are. We can't do this without our team and our people. We are a people business and most people know who their Otis mechanic is. Most people know who their Otis sales rep is. We motivate, we mobilize, and we have a proven field force. They start as apprentices. This is the career they commit to. They don't leave our trade to go to a different trade. We have generations of mechanics. And I'm really excited, because later today, when we ring the bell, I'm going to have a few of them up there with me, because that's the strength of our company. There's people who every day across the globe are delivering.

So, let's go through some of these strategic imperatives. And let me share with you why we believe and why I'm really optimistic about the future of this business. I shared with you what we've done for the past five years. That gives us momentum. I don't have to tell you some of the macro trends we were facing during those five years, but I will. We had COVID. We had supply chain challenges, commodity issues, inflation. And yet throughout all of that, we delivered for our customers and we delivered for our shareholders.

So here's the how. Here's how the strategy gets executed. On New Equipment, we focus on two areas, sales coverage and innovation. And I know it sounds simple. But it's that elegant simplicity that makes Otis so special, being able to execute it every day around the world.

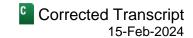
On sales coverage, you can see the changes we've made. Over 50% more sales coverage once we were able to make our own investment decisions. Of course, we're focused on reducing G&A. We're good stewards. We're laser cost focused on productivity, whether it's in our factories or the field. But on the sales side, the more sales coverage we have, the more bids we see, the more relationships we have, the more share we gain.

And even in mature countries and mature markets where you would say, how could you need more sales coverage in this country, in Europe? The answer is, we've isolated where, we've made those investments and it matters and it's yielded. In China, we more than doubled our agents and distributors. It has paid off in significant share gain for us in China. And it's not just paid off on New Equipment, it's paid off on Service, too, where our China portfolio has doubled what it was when we spun.

But on innovation, I'm really proud. Our engineers, our digital scientists, we have moved the state of a fairly old industry, right, 170 years old, and we have moved it forward significantly. Our Gen360 product has an electronic safety in it. The first change to the actual safety device since Elisha Otis invented it. We have miniaturized electronics. We have the ability to fit more people in a cab in space than ever before, which is important to our customers, because our customers want us to move the most amount of people in a least amount of space in a building as safely and reliably as possible. So they can use that space for other uses to sell it, if it's a condominium to rent, if it's office or commercial or apartments. So we focus very much on the ride quality, the safety, the speeds, but also everything about the electronics and the mechanics that underlie how elevators and escalators work. And we have taken our products to a new level and we'll share more about that in Perry's presentation.

When I joined, I made a commitment that we would address the pays in Otis, and we would drive digitalization in everything we do. We've done a great job in the back office, but what I'm most proud about is what we've done in the field. And it's driven two things. Otis ONE has allowed us to drive productivity, but all – even the apps that our professionals are using, our field professionals are using has allowed us to fall isolate quicker. It's allowed us — the Otis ONE has allowed us to reduce truck rolls, which help the environment, when you think about less greenhouse gas emissions, but also less cost. No one wants to send a mechanic, by the time they get there, if the elevators back up and running. The fact that we can through IoT understand transparently what's happening real-time, and we share this with our customers and we share this with OTISLINE, has changed the very nature of how effective and productive we are at both uptime and repair.

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And you can see our goal. Even though our portfolio is growing, so the goal gets a little more challenging, but we will get there is to have 60% – right now, we're at 2.3 million units – 60% of our portfolio connected by 2028 – 2026, sorry. You'll see in a later chart, we're going to take 2.3 million units to 2.8 million units in 2028. We're going to add 100,000 units to our portfolio every year. So, you think about what that means in terms of maintenance and repair, and you think about what that means in terms of coverage, density and the productivity we get with that.

We have connected products that we deliver to customers beyond Otis ONE. We have our eView multimedia screen. We have dispatch. Many of you have seen our Compass solution where you before you ever get to the elevator, you select your floor, incredible traffic management, energy efficiency and better building utilization of our product and better utilization and speeds for passengers waiting. We have lots of those products.

Those products have two benefits. Their innovation allows us to drive, obviously, additional revenue in terms of some subscriptions. But the other piece they add is a stickiness, we call it, because when we have a connected product, we convert that product to far more than a non-connected product. So again, it helps us grow that Service portfolio, which is key, and it supports retention. And the best example we have of this is in China, where we've had over 10 points of retention rate improvement when a unit has Otis ONE on it. So we've got about 380,000 units in our China Service portfolio now. As I said, it's up 100%. It's doubled since we spun. And at least, half of those are Otis ONE connected. So we've been able to get further along the curve of that 60% in China than we have anywhere else to date. And we're seeing the results of it in the retention rate.

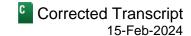
Our global retention rate, so every year, if you think about 2.3 million units, is 93.5%. So about 6.5% when we have a contract up, they cancel, they go to someone else, sometimes for price, sometimes just for better service. We can address both of those. The price, we can address the cost side. And you're going to hear from Anurag, from all of us, we have been able to control what we can control. We have driven productivity, cost effectiveness in everything we're doing. That's part of our UpLift program as well, get the scale and that ability. But that global retention rate, if you take out China, is over 95%. That's world-class. We still think there's opportunities. But a 95% retention rate in any subscription service, renewable service is very significant.

So let's talk about Service. And I'm going to use some terms here that you're going to hear us use over and over again in earnings calls and as we talk about them going forward. We talk about net churn. So we've got 2.3 million units. To us, net churn comes down to two items that we want to, if we want it to be neutral, we want them to equalize each other as we go through the year. That's recaptures and that's cancellations.

So for that 6.5% that cancel, we need to recapture at least that many units. We challenge every one of our 1,400 branch managers to do it, not only do we challenge them, I [ph] even sent (00:35:39) them on it, because that's where cancellations happen at the local level. That's where recaptures happen at the local level. We've put recapture specialists in place to help us. That's all they do all day. We tell them where to call to try to get an elevator back, because we understand the density of that route and we understand the economics of that route in terms of where we need to price that.

But the first element is get cancellations down, reduce cancellations, and get our global retention rate up. You see, in 2022, we were net – we were positive net churn. 2023, we were neutral, again. But even at neutral, then every conversion we have grows our portfolio, which is what you see. Every conversion we have grows our portfolio and we've been gaining New Equipment share and our conversion rates been going up. So that's why we've been growing our Service portfolio. So we challenged the entire organization. Right now, they're neutral churn. We're going to get them to positive churn.

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And we're going to improve our conversion rate. Our conversion rates are very strong in most of the world, is very strong in most of the world. Our challenge has been in China, where before spin, we didn't have people servicing certain – a lot of the country. Investment decisions that were made. We've made the decision to roll out service depots. We've made the decision to put Otis ONE on units in China. Not just units, we ship out a New Equipment, but existing units in our portfolio. We've made the decision to have sales coverage. And we've made the decision to improve our performance in China. So our conversion rate in China has gone from less than 40% pre-spin to we finished the year at just over 50% at the end of 2023.

Our China business is targeting a 60% conversion rate. We don't think it will go – it can go much higher than that, geographical disparity, there's a whole bunch of reasons. But if we get China to 60%, then globally we get to 72%. And so that's what's going to help us. Again, every one of those dropping through in conversions, high quality, high margin starts the service clock with us for 15 years, 20 years until the modernization. And you can see on the right, the projections, China is going to continue to grow. You can see the rest of the world, except for APAC. APAC will continue to grow as well.

And the only thing I will call out to you, because I get asked this a lot, as India continues to grow and we've got great share in India, we're number one in the market in India. India conversion rates look just like mature markets. So they're in the 90s, because there are far fewer independent service providers and because that's the way the Indian model works.

So modernization, you're going to hear a lot more about this today. I'm just going to start. This is -modernization has always been around, because a lot of people ask me, why are you talking about it now? We are hitting a point, a crossover point, a crossover point where the demand signal will grow at a much higher rate than it has in the past. We're calling out high-single-digit here. There are reasons and ways that could grow even more. If governments decide they need a safety program, that could grow overnight. But just due to the pace of the aging of the equipment, we see the MOD market growing at high-single digits.

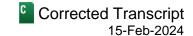
And the MOD market has some interesting attributes to it. Anurag is going to talk about the profitability of it. So we'll hold those questions for after, because you're going to see how we're going to make the MOD margins higher than New Equipment. We're going to talk about that. So, it really contributes at a significant level and is not dilutive to us, but actually is complementary to New Equipment.

But in Japan, in a mature market in Japan where you can go back to the 1980s and 1990s for the construction cycle. So, we're in a really strong place in Japan already. We've been able for our on-portfolio. So, these are units we've been maintaining in Japan. We've been able to drive our retention rates up 5 points over the global average after a unit in Japan's modernized. And for an off-portfolio unit, so one we take from a competitor who's been servicing it for 20 years, we modernize it, we convert it and bring it into our portfolio, it's a 20% higher rate.

So for us, as we industrialize MOD and make it more routine, make it more repeatable, again, service it from our factories in terms of fulfillment, have a MOD sales force. Even if New Equipment is flattish, I can move New Equipment salespeople to be MOD salespeople, and that's what we're going to do. So, MOD is going to support portfolio growth. It's a lever. While it's doing that, it's going to drive revenue. It's going to drive revenue and that's why we're going to get the margins higher than New Equipment. So, it's going to contribute there in the medium-term. But it's ultimate is how it's going to drive the Service portfolio.

So we get to a net positive churn, our 2.3 million units. Recaptures, cancellations, today, think of them as net neutral. They get a little bit net positive. Conversions are the growth driver at greater than 4%, so 4% plus. We're going to be a 2.8 million unit portfolio by 2028. Think about that. 2.8 million units, each one of those contributing

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annual maintenance where we do get inflation escalation clauses when that happens. But each one of that contributing to density, allowing us to be more productive, driving repair, and getting us ready for a modernization cycle of that unit in another 20 years. It's an exciting time.

So that's what leads us to our medium-term outlook. It's solid. We know how to do this. We've shown you we know how to do this. And we have an organic growth opportunity called modernization sitting right in front of us that will allow us to accelerate even more. That's what gives us the confidence that even in a flat New Equipment market, portfolio is going to grow, MOD's going to contribute. And while New Equipment on the top line and bottom line will be flat to low-single-digit, it's our Service business. Customer-centric, service-driven business model, it's our Service business that's going to be up mid-single-digit plus, which is going to drive the double-digit EPS CAGR.

We've done 13% EPS CAGR since spin, through some really interesting years, through some interesting times. But looking forward, even with a flattish New Equipment market, even with challenges in the property markets, no matter where you are in the world, this business model and this company will deliver double-digit CAGR. We're confident. That will drive cash in the high-single-digit and that will allow us to continue our disciplined capital allocation model. And if this looks familiar to you, it should, because this is the model we have been following since the day we went public, again, independently.

We do some small bolt-ons, acquisitions to continue to give us service density. Since we've spun, we've spent \$200 million cumulative doing that. In 2023, we did 23 acquisitions for \$36 million. These are not large acquisitions. They're targeted for density in places where we know that we can integrate them quickly. We're going to continue doing that.

We don't have any debt due until 2025. So we've got time to let things stabilize. But we've put some plans in place to understand what this could mean in terms of our medium-term guide to the best of our knowledge. That's all in here. We still firmly believe in double-digit EPS growth. We're going to continue to grow our dividends. We're up 70% since spin and we're going to continue to grow them. Our board is supportive of doing that. We want to share our cash flow. We want to get to a 40% kind of metric. We're close right now, really close, but then that's going to grow as earnings grow. And the rest will all come through share buybacks.

We did \$800 million last year. Right now, we've guided to \$800 million this year. And let me be clear, the 2024 guide we gave on everything two weeks ago is still valid. There have been no changes. We see 2024 exactly as we saw it two years ago – two weeks ago, sorry. But the share buybacks are going to total \$8 billion between 2024 and 2028, or the entire cash we're going to return to you. So we'll do that through dividend and share buybacks.

So it's an exciting time. I'm excited. It really is. It's four years in now leading this company. We know we're still a young team. We couldn't do this without our 71,000 colleagues, who do this for us every day, who care about moving the world, who care about our mission, and who care about making the world a better place through our technology. That's what it's about to us. We're disciplined in execution. We're disciplined in capital allocation.

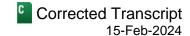
We're disciplined even in growth, but we're excited. We're excited about what the next few years hold for us. And we're excited to be stewards of your money, for those of you who are investors. And we'll take a little more time and explain the New Equipment and Service segment right now with Perry. Perry?

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.



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Thank you, Judy. Good morning, afternoon and evening, everyone. So, it is my pleasure to be here today and to share with you the two segments of our business, New Equipment and Service, in more detail; and outline our growth strategy and also about how we drive the profitability expansion. We have very deep insight about our industry, and we are very confident for the strategy that we set up and initiatives associated with this strategy to deliver our top line and bottom line growth.

So, with this, I'm on page 22, starting with the New Equipment overview. So, every time when we talk about New Equipment, we give the special focus to China. Now, China still is the largest New Equipment market, especially from an unit perspective. But I want to remind everyone from value perspective, the China New Equipment business is about at the same size as our New Equipment business in US. And the rest of the one-third was made up by the New Equipment business in Asia-Pac and EMEA. So we have a very good diversification of our New Equipment business across the globe, which allow us to manage the turbulence that occurred from time-to-time in the different – in different geographies. And we made this diversification in our favor and delivered 2.6% of organic New Equipment sales growth in 2023.

And we believe, in 2024, the New Equipment growth is going to be roughly flat, because we have a good visibility from our backlogs. And over the time, we believe our backlog will give us the shipment or sales to the next 12 months. But we believe at this point, we have about 15 months of the backlogs for us to capitalize, and especially with the major project in Asia-Pac, in EMEA and Americas. To capitalize those New Equipment backlogs, we have 17 factories across the globe, delivering materials on time, with quality to the jobsite and to set our field professionals and our subcontractors up to success when those materials arrive to the jobsite.

And we always take look at the manufacturing footprint and the capacity along with the market changes. But we are happy with this 17 factories across the globe, which cover the most of the countries and the territories where we operate. And we have 11 R&D centers that continue to develop innovative solutions and new products to satisfy our customer expectations. And we remain very committed to be the innovation leader in this industry, along with the industry involve.

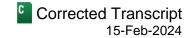
So just to take a little bit view about New Equipment market or segment over the time, and in 2019 to 2021, the New Equipment market was hit by the COVID pandemic. But very soon we see some country government released the stimulus package and we had a very strong recovery. And during these three years, we saw the New Equipment segment from a unit perspective grew about 10%. But when we get into 2022 and 2023, we started to see the inflation and interest rates rise, and that impact the confidence our customers, which is are the developers, and to move the new project forward. And during that two years, we saw the market came down by about 15% from unit perspective.

But moving forward, as Judy already mentioned, that we believe the new equipment market is going to be stable, especially from the unit perspective. But there will be some mix change. Americas and EMEA, from unit perspective the market is going to be flat, and are waiting for the inflation and interest rate to come down.

China will continue to be decline in mid-single digit, but offset by the growth of Asia-Pac, and we see pockets of growth opportunities across the geography and in some special verticals. But with the increase of our segment coverage as well as innovative products, we believe that we should be able to continue the share gain momentum, especially capture some opportunities in pockets of growth.

So move to page number 24, and Asia-Pac is known as a growth region, and we are investing in some specific geographies. We are very proud to be in number one position in India for new equipment business. Our India team did fantastic job and they doubled the new equipment orders in three years and last year our [ph] EOP

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backlog (00:52:15) up to 50%, which set a very strong baseline for us to continue the new equipment growth momentum. Our team also working very hard to capitalize the infrastructure growth opportunities in India and continue to expand their coverage to the market. And today, we cover around 90% of the cities in India, but this coverage extension program continues.

From manufacturing side, we manufacture in India for India. In last few years, we already expand our factory capacity in India significantly. And we also have a plan to continue to expand our factory capacity in the next couple of years. So with the localization of the product, supply chain, we believe that we can strengthen our competitiveness in this market and continue our growth momentum in India.

Southeast Asia is an area with about 690 million people and very low density of elevators. For 1,000 inhabitants, there is only 1.2 units of elevators and escalators. Tremendous opportunities for urbanization along with our new equipment business growth. And our team also performing very well over there. In the last three years, market grew about 10% and our growth is about 40% in the same period of time and we gained over 200 basis point of the shares in that market. And our team is focused on major jobs and they launched the sales excellence program, working on coverage expansion and sales efficiency. We see some good benefit from it be improved by the performance that we have in last three years. So, overall, we believe Asia-Pac is a region where we have right strategy, right team, and right product in place to continue to capture this growth opportunities in the region.

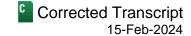
Move to page number 25, the growth opportunities are not just limited in some of the geographies, but in some special verticals as well. And we believe infrastructure vertical is the one that will have tremendous growth. And this is because that in many countries the government made a commitment to either extend or upgrade infrastructure, and also the demand of accessibility increased tremendously over the course of last few years. And this momentum is going to be continue.

But along with the growth of the infrastructure segment, the growth mix is going to be shift. China infrastructure growth ratio will be reduced. But it's still going to be a vertical that will grow along with the declining market. But when you look at Asia-Pac, look at EMEA and look at Americas, this growth momentum, CAGR, is going to be accelerate at around 20%. So, it's \$3.5 billion segment or vertical in year 2026. And we believe that we have a good product, but more importantly, we have a good track record to execute those large megaprojects and we have a good reputation from a customer point of view. And that's help us to capture lot of good [indiscernible] (00:56:10) infrastructure jobs. And we believe this is the opportunity that we should be continuing.

And Judy talk about innovation in new products, and this is important for us to gain the shares. And we continue to develop the product, but at the same time we're doing continuous improvement every day to expand our new equipment profitability. So, as Judy already covered new product, my focus is going to share with you about how do we improve our existing product offerings. So over the course of last couple of decades, our product design proliferation across the globe becomes much higher, because they try to satisfy the customer in their specific region, areas or countries, but those product were designed locally. And that's why we launched the program to streamline and standardizing our product offerings across the globe.

We defined the global platforms. We established the global components library, and we also apply the common global designs. And this allow us to standardize and streamline our product offerings. Our journey started with the high-volume mineralized product, and moved over to the most cost-sensitive segments like escalators and high rise. Our next step, the focus will move towards the light-duty and heavy-duty elevators. And those products usually serve the mature markets with high cost. So as you can see, there is tremendous opportunity from product perspective, but along with the product rationalization, we also invest in Industry 4.0, invest in developing the new field installation method and tools to make our process more efficient. So with all this efforts, every year we

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contribute tremendous savings from our factories and also through our field installation professionals. In 2023, we deliver over \$100 million from factory material productivity as well as the field efficiency improvement respectively.

So all this initiatives helping us to offset the challenges from commodity, from pricing or from all other headwinds. But we believe those initiatives are able to continue, and they are sustainable, especially we launched the UpLift, there we changed the operating model. Now engineering team, manufacturing and the supply chain, they become a global team, which allow us to leverage much better the benchmarking across the regions and the collaboration to capture the saving opportunities.

So we believe that we have good, innovative, high-quality product for our customers and we have a strong, experienced field force to execute those new equipment orders, and that help us to gain the shares in Spain. 3.5% of the share gain since 2019. And we believe this momentum is going to be continued. And with all the initiatives that I share with you that we will grow the new equipment share profitably. And new equipment share gain is the momentum going to last for the rest of the decades.

The new equipment volume gives us the opportunity to unlock entire service potential. It tends to recurring revenue in maintenance and repair, and further down to the line, we have opportunities to modernize them. So this is really a good starting point to switch the gear to the service business on slide 28.

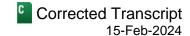
And I believe Julie already highlight enough that we are a service-driven business, and service is really the value driver for our business, close to 60% of revenue, around 90% of the profitability, and it's all coming from our service portfolio. And since Spain, we continue to grow our service portfolio. Now we have about 2.3 million units in our service portfolio, 50% of them are in EMEA and the rest of the 50% evenly split between Asia-Pac, China and EMEA. And those service portfolio really given us the foundation of our service business. And within the service business, we have two sub-segments. Maintenance and the repair is the first segment, which represent about 80% of our service sales revenue. The second sub-segment is modernization and today is relatively small. But as Judy highlighted already, and this is the sub-segment that has the highest growth potential.

And in maintenance contract is our foundation. Globally we have in average about a four years contract with our customers, and all of them has the annual price adjustment clause in accordance with the inflation index. And that provide us another layer of the insurance for the stability of our service business.

Now, most of the important part, of course, is grow our service portfolio. Not long time ago, we only grow our service portfolio at 1% to 2% every year. But since then, as Judy already mentioned, we leverage the conversion, cancellation and the recapture, and to accelerate our service portfolio growth very, very nicely. We end up the service portfolio growth at 4.2% in 2023. And because of that, we meet or exceed the mid-term guidance that we provide to you in the Investor Day in 2022, in both service sales growth as well as service operating margin expansion. So, very solid results, but that makes us truly believe that we are in the right path, we have the right strategy to continue our service growth.

And our maintenance contract naturally bring the repair business to us, repair opportunity to us, as Judy already highlighted. And because during the maintenance period time, there is a consumable parts or damage of the parts that needs to be replaced. And there will be some call-driven or customer expectation driven or experience-driven upgrades that needs to be done during the course of the maintenance. And with awareness of the safety and customer experience, expectation increase and this opportunity continue to increase. And some opportunity need to be created.

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We put a lot of emphasis on the repair business. We standardized the kits for repair, not just only for the traditional mechanical, electrical parts for those consumable and the damage and replacement, but also some digital solutions to enhance the customer experience. And that certainly including Otis ONE and eView and others. And we see a strong traction over the time for those repair packages to be sold to the customers. And also importantly, we optimized the process for sales and the [indiscernible] (01:04:53) execution. And we make those kits easy to be sold by our sales force and our mechanics, but also easy to be executed in the factory – in the field, and we leverage millions of customer touchpoints through our sales force and our mechanics to promote value proposition of our repair business. So as a result, we see the acceleration of repair business growth. And 2023, all the four regions achieved low or mid-teens of the repair business growth. So this is a fantastic opportunity for us to pursue.

And modernization, again, I come back to this topic, because this is very important. And Judy mentioned that starting from the year 1920s, in most of the countries, the installed units get into the window what we call, the modernization window. And in some countries, they start earlier, maybe 15 years after the units being installed and their units get into the MOD window.

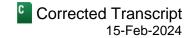
And the installed base in this MOD window in 2023 is about 7 million units. And this is the addressable modernization market for all the industry players. And it was 5.5 million not too long ago in 2019. And it will continue to grow at mid-single – mid or high-single-digit and mainly driven by some emerging countries, the installed units getting aged. And this is a tremendous opportunity. And as Judy mentioned that we put a new operational strategic imperative last year, which is deliver the modernization value. And since then, we tried to prepare ourself ready from product perspective, from process perspective to make this business more scalable and repeatable. And we see some early result last year. And our backlog [indiscernible] (01:07:13) for MOD grow by 15%, and this backlog is going to translate into the sales in 2024.

So, great opportunity for us to continue to pursue. And Judy also mentioned, modernization looks like discretion for the customer point of view. And they can make this modernization decision earlier or later. But there will be a balance, because the modernization associated with the repair [indiscernible] (01:07:56) and always will be considered by customer as the capital plan for their building.

Judy shared the example of Japan, but I want to share another example of Korea. In 2018, the [ph] code authority of (01:08:06) Korea launched a new code that requires the installed base that older than 15 years to be upgraded to the latest new equipment standard. And that triggered the upgrade for five, six critical components and subsystems. And that also opened an opportunity for 130,000 units in Korea market. And our Korea team made them ready to have standard packages to capture this opportunity. So they booked \$1 billion of modernization in five years since then, right. So tremendous opportunity in this case triggered by the code change. And after the modernization, also the customer will prefer us to maintain the units. And you see in the same time, their portfolio growth gets accelerated. So this is the kind of opportunity that we see in different parts of the world.

I have another one to share you in the next page, which is China. Now, the driver is slightly different. It's not because of the code, it's because of the ageing of the units. As Judy mentioned, the China new equipment market started to take off in 2000 and gets further accelerated in 2005 and 2010. So those units get into the MOD window. And we believe by the end of the decades, the installed units that are in the MOD window is going to be three times as they are of today. So, tremendous opportunities to offset the new equipment market decline. And our China team is also doing very well and they define the standard of products to capture this opportunity, and their growth momentum is very, very strong, although their base today is still relatively low. But [indiscernible] (01:10:19) modernization and it give us another lever for recapture, because competing with ISPs, we have more ability to modernize the units and afterwards to capture those units back to our portfolio.

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Now we see the potential for modernization, and along with the growth, we have to work on the margin expansion for modernization. And we do basically two things. One is on product side. And in the past, the modernization was done more or less in the branch level with those skilled professionals, and the product configuration, material procurement, field execution, we leave those decisions to the country, to the branch. But with the potential of modernization, we start to put the standard MOD packages together by leveraging the latest technology, by leveraging the design of our new equipment. And combined with the volume of the modernization and the new equipment, the scale will allow us to better leverage the resources that we have in the factory, in our supply chain, in engineering, and also in the field to make the cost of those MOD packages more competitive.

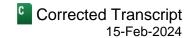
And the standardization also reduce the dependency of the skills that our salespeople and field people request to sell the product or execute product in the job site, which will give us a better chance to accelerate the MOD bookings and quick turnarounds. Today, our cost of the MOD in many places is still little bit higher than our newer equipment cost. And in the near-term, our goal is to achieve the same margin for our MOD business with our new equipment business. But we also have a clear path to suppress the new equipment margin for our MOD business. And Anurag in his presentation is going to talk more about the margin expansion of modernization. And we believe we have enough chance to do it.

When we're working on the modernization margin expansion, we never forget about working on expansion of maintenance margin, which is the core of our business. And every year we deliver the productivity gain to offset inflations. Now, to improve the maintenance margin, we have to do a thousands of things. It's all about small things, small initiatives come together and to yield great benefit for the productivity. And we have a number of the new – existing tools or initiatives to drive the productivity. One example is the route optimization. And more and more, we use intelligent route optimization to help our branch to optimize the routes, along with the portfolio growth and the portfolio changes.

In 2023, we eliminate 250 routes across the globe and save our mechanics 300,000 miles of travel. And we're going to continue to expand the coverage of route optimization too. And the apps and Otis ONE continue to expand the coverage and the capability and help us to reduce number of the physical visits in some places, to reduce the dispatching of our mechanics for the callbacks and also provide more insights to the mechanics when they get to the job site for either maintenance or troubleshooting. There's still a lot of things in the pipeline and Command App is one of them. This is the next generation of mechanic field tools, to connect the new equipment's final adjustment and commissioning, all the way down to the automated maintenance. And it significantly improve our professional efficiency in the field. And global field service system is another one which allow us to automate our dispatching, scheduling and time recording. So, maintenance productivity gain is always associated with a lot of small initiatives. And we still see a lot of more things that we can do to continue to expand our maintenance margin.

Now I am in page 36. So Otis business, our elevator business is not a capital-intensive business when it goes to R&D. And over the time, we keep consistently 2% to 3% of engineering spending as percentage of our sales. But there is a lot of things behind the scene. So, first of all, with the standardization in the global performing, our efficiency of R&D team has been increased – has been improved dramatically. And we can really leverage the global design and global components library to develop the new product in much quicker manner. And then, our global engineering team are able to work globally for the global design collaboration. And no matter where engineering is, they can working on a global program. So which means that we can better leverage high-cost, low-cost engineering centers to make sure that our engineering efficiency can be maintained or improved.

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And during the course of that period, we also shift a little bit more towards the digitalization and the connectivity, which we believe is our future. And it will dramatically change the way that we operate as a company in the elevator industry. The Otis ONE is definitely is good example. And with the capability increase of the Otis ONE, many things has been changed. And one example is our Otis ONE. The roles of our Otis ONE has been changed. And in the past, they only receive the customer calls and dispatching the mechanics. Today they receive the calls from the customer. They also receive the orders from our Otis ONE. And then they do the first initial diagnostics. And they try to use the remote intervention to address the problem without dispatching a mechanic. Only when they do everything, they cannot fix the problem, then they're dispatching the mechanic. So this is a significant change for Otis ONE operation center. And with this, we eliminate over 43,000 of mechanic dispatch last year globally for customer callbacks. And this is just the beginning.

The Otis ONE not only just provide us the opportunity for productivity, but also the customer experience improvement, because in many of the case we know the elevator problem before the customer even notice them. And we fix them without disrupt the customer and the building. So, this is a good tool for us to enhance the stickiness with our customers. As Judy already mentioned, with Otis ONE, we actually improved the conversion rate in China, but we also – sorry, she mentioned that we reduced the cancellation in China. But also from conversion perspective, there's 20% difference between the units with Otis ONE and without Otis ONE. So really, really a good story.

Again, our performance really prove the power of our service-driven business model. And we see opportunities and initiatives in all the business line. And that's why we feel very, very confident that we are able to continue to grow our service business in the middle-single digit, and sustain the portfolio growth above 4%. And this is definitely the core of our business. And I think all the organization has been fully aligned to do this and continue to serve our customers improve customer satisfaction.

So thank you for giving me this opportunity to share with you all these details. And with this, I hand over to Mike for the break, right? Okay.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Thanks Perry.

[Break] (01:19:52-01:33:47)

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

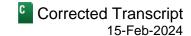
Hey. Good morning, afternoon and evening, everyone. Really pleased to be here today. Prior to the break, you heard Judy speak about a multi-year profitable growth strategy and Perry walk through the initiatives that will take us to win in our two segments. As a result of this, we will be able to continue our strong momentum to increase sales, drive margin expansion, grow EPS 10-plus percent, and return more than \$8 billion cash to shareholders.

Before I go forward and give an outline on our medium-term outlook as well as some of the actions that we are taking to further drive shareholder value, just a few words on the past couple of years, where despite the headwinds, we were able to grow EPS at a CAGR of 13% because of the strong performance by the team.

If you look back at the past couple of years, the China new equipment market was now down about 25% and we're still expecting a little bit more softness and weakness into 2024. Commodities started going up starting



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2020. We came back a little bit last year, but still 20%, 30% higher than where it was in 2020, a total headwind of about \$130 million. As you all aware, three quarters of our revenue is in non-US dollar. US currency has appreciated, leading to a total headwind of about \$230 million for us. So despite a weaker China new equipment market, commodity ForEx headwinds of \$400 million, the team focused on driving productivity, containing cost, accelerating our service volume to expand margins by 170 basis points.

In addition, we lowered our tax rate. We returned cash back to our shareholders, which included buying back about 30 million shares or \$2.5 billion. All of that led to our EPS growing by 62% over the past four years. So, overall, despite choppy markets, a very strong performance by the team.

Now let's talk about the future. This commendable performance has built a strong foundation and momentum, and paves the way for a solid multi-year outlook where we expect to continue on a similar trajectory while not counting on a recovering new equipment market. We expect revenue to grow low- to mid-single digits. We expect our profit margin expansion to accelerate now to 40 to 50 basis points over the next few years, profit dollars to be mid- to high-single digit, and EPS to grow at 10-plus percent.

Judy and Perry spoke about a few of the drivers, especially on the new equipment side. We're expecting the market to be flat. We gained 3.5 points of share. We'll still continue to grow share, but the keyword is grow share profitably and make sure that we trade off the balance between price, cost and share. Maintenance, repair has been good for us. We just need to continue to execute on it.

What I'm going to talk about in the next few pages, just trying to bring back the modernization, what that opportunity means for us, expand margins in both our segments, of which UpLift will play a critical role, continue to optimize our tax rate and return cash back to the shareholders. So, overall, we will control the controllables to drive EPS growth going forward in the medium term.

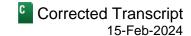
So starting with the top line, we do believe that even though the new equipment market is flattish, we can grow our sales low- to mid-single digit with modernization being the key enabler. So, the addressable modernization market, and addressable defined as new equipment units installed in China 15 years ago and the rest of the world 20 years ago, in 2023 was about 0.5 million units. The actual units got sold were about 300,000 to 350,000, because the penetration was about 60% to 70%.

If you look forward to the next five years, in 2028, this addressable market will grow from 0.5 million units to about 900,000, and that's because the big build that we saw in China in 2005-2010 timeframe and the rest of the world. So, it grows 2x. Even if we assume the penetration rates to be similar as of what it is today, modernization should grow about 2x. If penetration rates improve because of initiatives, regulations and other things, it could be between 2x to 3x.

Yeah. So taking a step back, if you look at 2023, new equipment plus MOD was about 1.1 million units, and this 1.1 million units because of the MOD growth can increase to 1.5 million to 1.8 million units, a mid- to high-single digit CAGR between the two put together. Now if the new equipment markets continue to soften a little bit, let's say they keep going down 2%, 3% every year, the 800,000 could become 700,000 by 2028. So the 1.5 million to 1.8 million becomes 1.4 million to 1.7 million, still a mid-single digit CAGR growth between new equipment and MOD. That's one side of the equation.

The other is, we spoke about taking our portfolio growth to 4-plus percent. Repair should grow little bit higher as there's still more for us to penetrate over there. So that should be around mid-single digit. So you put these two together, we feel that even if we grow in line with the market, we should be able to grow low- to mid-single digit

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over the medium-term and more closer to the mid-single digit. So, overall, a service-driven growth as we kind of look forward to the next few years.

Now let's move to operating profit. I did mention that we have grown our margins 170 basis points since we spun, 30 basis points over the past couple of years. Our guidance for this year is 40, 50 basis points, and we think we can continue to grow on that trajectory. First is just, so volume, largely driven because of service, which I spoke in the earlier page. If you continue on that path and service grows mid-single digit plus, that is an incremental \$0.5 billion to \$600 million of revenue every year for the next few years, with very high increments. Besides that, we're going to grow profit in both our segments.

New equipment, we ended 2023 with a backlog and 50 to 75 basis points of price increase on margin expansion. We'll see that flow through our P&L over the next couple of years. But we are not counting on price beyond that. It's more around productivity and all the initiatives that Perry spoke about earlier.

Service, we've grown 50 basis points for the past few years. Besides volume, key is price cost positive by driving productivity initiatives and other cost containment initiatives. UpLift will again help all of this. So we're really confident that we can grow 40 to 50 basis points of margin over the medium term.

Now I'm going to go into the two individual segments. So first starting with new equipment. So, we managed through some challenging macro cycles over the past few years, with China being down. Also some project mix headwinds because part of our share growth has come from winning some big major projects in infrastructure and other segments, which typically come with lower profitability. But we were able to mitigate all of that and still be around the 6.6% level.

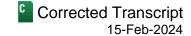
Going forward, we think profit, even in a flat new equipment market, could grow 10 basis points every year or low-single digits in absolute dollars. Definitely on the global platforms, we'll continue to reduce the cost. We'll leverage a global supply chain to make sure that we can bring down the material cost. But besides that, we also are going to look at our factory capacity and footprint. Today we have 17 locations at different cost points or production cost points, how can we optimize that. And more importantly, continue to drive field productivity.

We have an app called SipGo, which helps to install more efficiently delivery in time. The key metric is how do we work with our own colleagues as well as subcontractors to bring down the number of hours it takes to install an elevator, making good progress, but still a lot more runway to go. You put all of these things together which we control, we feel we can grow our margins by about 10 basis points every year, and this is in a flat new equipment market. If the new equipment market were to bounce back, these initiatives provide us with great operating leverage to expand margins more going forward.

Now, moving to service on slide 44, we've expanded our margins in service by about 240 basis points since we spoke. We have expanded 50 basis points over the past couple of years. We think we can continue on this trajectory and grow operating profit dollars high-single digit over the medium term. The key driver for us is going to be volume and productivity.

If you look back at the past couple of years, inflation was running high, the cost went high, but we were able to pass on this as price increase, especially in the developed world where most of our contracts have some sort of inflation-linked escalation clause. We were able to pass it on to not only mitigate the cost, but also mitigate the mix and churn headwind for ourselves, right. Volume and productivity actually helped us to expand margins by 50 basis points over the past couple of years and profit dollars at constant currency at about a 10% CAGR. Yeah.

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So, as we kind of look forward, inflation could be up, could be down, but we are confident with the price increases that we have. We should be able to mitigate the cost increase. And we focus on productivity, which is, our digitalization, mechanics specialization, route optimization, reducing the time it takes to maintain a unit. We still have a lot of runway to go. So this, combined with volume, gives us confidence that we can grow 50 basis points as well as high-single digit profit dollars over the medium-term.

In a nutshell, we need to continue doing what we have done. On MOD, really excited about the sales potential, but also about the margin growth, which will benefit the entire company. If you look at it today, MOD revenue is about a quarter of the new equipment revenue for us. Going forward, we think, given where the market trends are going towards, we can increase our MOD revenue by at least 50% going forward. Not too long ago, our MOD margins were lower than the new equipment margin. Today it's similar. Within the next few months or 12 months, MOD margins should be higher than the new equipment margins. And we see a path to take it up to 10%. If we put all of this together, the MOD operating profit dollars should grow up at least 2 times over the next five years.

So similarly, if we add the new equipment and the MOD profit dollars where it is in 2023 versus 2028, it would be a mid-single digit CAGR growth. The reason this gives us confidence on the profit is what Judy and Perry spoke about, all the initiatives we have on MOD. We have done this before in new equipment and other segments. We have to do it. Standardize the packages, then after that, within each package, take the cost down further, and make our sale go-to-market a little bit more effective and efficient. So confident of it definitely be higher than the new equipment margin and being dollar accretive to the entire company.

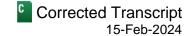
So now I'm going to move on to overhead. On the fourth quarter earning call, we discussed about UpLift and how we are continuing to drive initiatives to create value for all the stakeholders, including reducing SG&A cost as well as driving margins higher. We are well on our path to get to at least \$150 million of run rate savings by the middle of next year. We'll exit this year at about \$80 million. And all these savings come from these three buckets. First, leverage enterprise scale. We're going to streamline our operating model and reporting structure. What this means is, Perry spoke about what we did in supply chain and engineering and how it creates benefit to the company. Similarly, like in finance and sales and marketing, aligning our processes so we can remove layers with the new reporting model.

If you look at digital technology, we spend about \$0.5 billion in digital technology today. We can leverage the scale across \$14 billion revenue, reduce the number of licenses, rationalize the applications, combine our spend between global and local RFPs to get a better rate, while moving to cloud technology and leveraging that a little bit more. So really excited that we should be able to get more than a third of our savings from this bucket. Second, indirect and supply chain optimization. So besides the \$0.5 billion that we spend on digital technology, we spend another billion dollars on real estate, logistics, professional fees and other buckets on the overhead side. On real estate, we're taking a relook at our entire footprint, optimizing branch, factory, to see where we can get more savings out of.

On fleet, we've issued an RFP. As you know, we have a lot of vehicles in our company, given we service a lot of units, how we can get a better rate. But not only that, how we can get a better vehicle which can help save fuel costs and reduce cost as well. And also working with third-party logistics providers to bring the logistics cost down. Professional services, we have business partners in many regions of the world in finance, HR, legal, how we can combine that spend to get a better rate? So, lot of initiatives over here, but – that will help us to kind of reduce our indirect spend.

The last, but not the least, and probably the one we are the most excited about is process improvement and standardization. Because not only will this help us reduce costs, but it will help us get a faster speed to market

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with our customers and have higher customer satisfaction. We've identified five processes. Just to give an example, one process is audit of cash. The moment we get an order to the end we receive the cash in the account, how can we standardize these processes around the world and just be different as needed, so that we can get the branches to focus on the front end and how we can leverage the scale to do more on the back end, given that 85% of our revenue goes to a common ERP system called global JDE. So these are all the initiatives that we have we believe will not only drive value to all stakeholders, but provide a good platform to drive profitable growth and confident that we will achieve a minimum of \$150 million run rate savings by middle of 2025.

Now I'm just going to move to below the line on the next page. On Taxes, we've done very well and the team has done an excellent job since we spun. It's been down 800 basis points. On the last Investor Day, we said we saw a path to get to 25%. Today we see a path to get to at least 24%. It's driven by a few things. One is, I spoke about UpLift. It also gives us the opportunity to look at our geographic operating model, where we can find more efficiencies. As you're aware, we generate a lot of cash outside the US and we repatriate it back. The tax and treasuries team have been working very well together over the past few years to bring the withholding taxes down. We'll continue to kind of look at it and bring it down more efficiently. As we're investing in R&D and other forms of investments, how can we leverage credits different parts of the world so we can bring the corporate tax rate down.

Last is, as we spun off, we inherited a legal structure. We continue to take a look at it, how we can reduce some legal entities, which will reduce costs and also help us with financing. So, a combination of all these factors make us believe that we can at least get to 24% tax going forward, and the team is working on continuing to drive that.

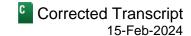
Finally, we will generate strong cash and distribute the cash to our shareholders. We expect our cash to grow at the rate of our net income growth over the medium-term to very strong cash flow generation. If you look at our capital structure today, we're quite pleased with the way it is. Our leverage is slightly north of two times. Last year we got an upgrade from Moody's. We like where we sit today. We will deleverage going forward just by growing EBITDA. And if you grow at high-single digit, we'll be at 1.5x leverage over the medium-term. So we don't really feel the need to pay down any more debt and the refinance as it comes along.

So with the cash that we have, we put a placeholder of \$50 million to \$100 million for bolt-on acquisitions. We have run a little bit late over the past couple of years. We're disciplined in terms of valuation and what we want to buy, because we have a thesis around density, around being accretive in a particular timeframe and how we integrate that. We do have a good pipeline. We put appraisal of \$500 million \$100 million. But obviously we will be very disciplined as we deploy that. So, other than that, the cash comes back to shareholders. Judy mentioned that since spin, we've increased our dividend by 70%, including 17% last year. We are almost at 40% payout ratio. Going forward, we believe that we will grow dividends with net income and be around the same payout ratio. That leaves more than \$5 billion, which we can deploy for share repurchases. And if we repatriate cash even better, I think it gives us more than \$5 billion to buy shares. This could result in a share count reduction of about 40 million shares or about 10%. So, overall, we will deploy more than \$8 billion to shareholders going forward in the medium term.

So, bringing it all together, we will grow EPS at 10-plus percent on the back of strong operational performance, robust capital deployment, reduction of the tax rate, net of some natural headwinds. Very confident about the 10-plus percent being an operationally-driven EPS for us.

So, to conclude on slide 50, we're very proud of what the team has accomplished so far, but more excited about what the future has in store for us. We believe we have a good line of sight, robust plan and a strong team to achieve our medium-term outlook. Even in a challenging new equipment environment, we can grow sales low-to

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mid-single digit, expand margins in both segments, grow EPS 10-plus percent and return all our cash to shareholders. Really confident that our team will execute on the service-driven business model, and we look forward to giving regular updates on our performance. Thank you.

regular updates on our performance. Thank you.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

We're going to break for about five minutes and then we'll come back for Q&A. So, we'll start at 11:00.

[Break] (01:57:29-02:02:27)

QUESTION AND ANSWER SECTION

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Α

All right. Thanks, everybody. We're going to start the Q&A now. We got a couple mic runners out here. As you get a mic, please announce your name and firm. Thank you. We'll start with Julian upfront.

Julian Mitchell

Analyst, Barclays Capital, Inc.



Thanks a lot. Julian Mitchell at Barclays. Maybe a first question just on the Asia ex China opportunity. It looks like you're assuming the new equipment growth there offsets China, shrinking perhaps in the next four or five years. So any sense of kind of magnitude that you're assuming of those two figures, just because China I think is still double the size of the Asia ex in new equipment revenue-wise. So any color on sort of the growth rates there? And I guess if everyone is trying to go after that Asia ex China business, whether equipment or service, how are you confident that the returns in the industry will be good if everyone's kind of trying to grow share in that region specifically?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

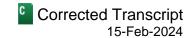


Yeah, well, let me talk to units, just to put it in perspective, Julian. If you think about, India is the second largest market in the world after China, but there is quite a difference. Although the India market is growing significantly and went from 50,000 two years ago to about 65,000 last year, and we see that trend continuing. That doesn't replace 400,000 or so in China. So, you're right at a unit level, although, as you know, the cost of a unit is not the cost of a unit depending where you are in the world. So there's never a one for one from that perspective country for country.

But on India specifically and I'll talk to Southeast Asia as well. Southeast Asia to us is a growing market. It's Thailand, Vietnam, it's Indonesia, Malaysia, Philippines, Cambodia, all of which are radically growing in population size. And as population density happens in emerging markets, we do see rise and we measure our business in terms of rise. So we are seeing more demand signal across the board. We've got strong businesses in each.

In India specifically, you need to manufacture there. It needs to be made in India, and they give you the percentage of your supply base that has to be in India. We've made that commitment and that investment over

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the years. And as Perry mentioned in his remarks, not only have we expanded our capacity, we now build both elevators and both types of escalators, both commercial and public escalators, the heavy-duty for infrastructure. But we also offer – we brought to market three years ago a new line in India for the entry-level as well that we design there and manufacture there. But the India market, it's a little – it's more mature. The number of OEMs is a relatively consolidated group that participate there, including some locals who are good. And so, we don't see that there will be this, like in China when there were almost 400 people in the heydays had manufacturing licenses, that's not the case in India. We're seeing price discipline. We're maintaining price discipline. And as I said, it feels and exhibits more of a mature market.

Southeast Asia, again, you need coverage. Everyone approaches it a little differently where they're sourcing from, how they're deploying. But population growth rates are astounding, especially Indonesia, Malaysia. And they will rise quicker than Africa. And we're already seeing that in terms of demand signal.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. And exactly, that's our strategy to kind of drive growth there. But looking at it mathematically, Julian, the value per unit in China is probably lower than the average value per unit in the rest of Asia Pacific, right. So if Asia Pacific grows at mid-single digit and China is declining at low-single digit, it should be able to make up for the China decline.

Julian Mitchell

Analyst, Barclays Capital, Inc.

That's great. Thank you. And then one quick follow-up more just thinking about the service business overall. It's on the way to high-20s margins later this decade. When you think about, like, benchmarking of other service businesses across different industries or something, is there any natural ceiling or you think the entitlement could be well into the 30s, just if you're benchmarking or thinking further out?

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah.

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

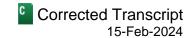
Yeah. We're not going to peg a number here as to what the ultimate ceiling could be. We don't manage by margins, let's be clear, that's not how we run the business. But we do see 50 bps of expansion every year in service. We've proven it and we see that continuing. When you look at other service industries, there's the [indiscernible] (02:07:41) collection, right, it's a service industry, there's subscription, there's technology, subscription service industries. We have a service-driven business model, but we're still an industrial that has that innovation in that product with it as well. So we like our position having a foot in both camps, but I don't think we see a hypothetical ceiling be a great problem to have as we approach it. But we've run this business I think very disciplined without the benefit of what's going to come in terms of MOD and offsetting portfolio growth higher, and each of those are going to just compound.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. And I think you said it, Judy. I think it's driven by all the initiatives which we feel we can expand on margin. And talking about benchmarks, we can just look at benchmarks within the Otis itself. We have some branches,

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some countries or some regions where the margins are at a particular level and what we can learn from then apply to throughout Otis. So I think that itself is a great benchmark for us.

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Yeah. And the last thing I would add is, and I think it was Perry who said it, but Otis is a combination of a lot of little things. Again, I love that it's elegant and simple, and yet, you look around and it's hard to replicate, and because it's all these little things. So it's culture, it's process, which we're going to drive more common process with UpLift. But when they all hit and we don't even have headwinds, we think there's tremendous potential here.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Steve?

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Congrats on fantastic execution over the last several years since the last time we were here. That chart on recapture is interesting. I mean, what happened to the ISPs? There's some company called APi Group that was talking about getting into the elevator service. They've kind of moved into different direction. It seemed like that was a bit more of the story several years ago. How do you guys been able to do what you've done with guys like that hanging around the hoop?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Yeah. So the ISPs have not gone away. They're proficient and prolific in China. We see them in lots of other parts of the world. But if you look at the segment, almost 75% of the China segment is still maintained by ISPs. So, add up all the OEMs and we only have 25% market share. And you could argue ours just by doing the rough math is 4%. So, lots of opportunity there. Where I see, and I think we said this at our last Investor Day, but I see it moving more and more is advantage OEM when you have IoT and we have Otis ONE. And so, that's happening simultaneous to ISPs retiring, some of them being acquired. But when you think about when ISPs really came to the market ex-China in Europe and other places, they're getting to the end of their careers, may not have succession planning with their children and are exiting the business.

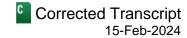
Now, will that be material if there were 40,000 or 50,000 of them during the medium term? I don't think Steve will be able to tell you if 40,000 or 50,000 went to 35,000. But the trend, we believe, as we gain portfolio – but 4.2% with a market that's growing at 5%. So you could argue, we will continue to try to aspire to gain more, that's what the 4%-plus is, but everyone's moving.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

And then just on a revenue per unit basis, putting kind of mix of geographies aside, you guys are connecting a lot more elevators. I think back in when you started this, you thought you could maybe get a little bit of revenue uplift. You've had some nice price tailwinds based on inflation. Is that to the point on the connected stuff that you've figured out the business model that you can start to turn the dial with some upside on a revenue per unit basis or should we think about revenue per unit as being roughly stable to what it's been on a growth basis for the last couple of years? Like, is there any upside from that we can think about in a blue sky scenario?

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Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

In a blue sky scenario, there's upside. The one area where you think we're going to see the best traction is the Otis ONE data plus voice, with the biggest applicability to replace the phones that are in elevators today, put our sensor in, digitally enable that voice communication. It hasn't taken off at a level that would be material, but if it were a blue sky scenario, that would be the one I would say.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Absolutely right. So in the medium term, we said we can get 50 basis points of margin expansion in the service business. And it's largely productivity driven, okay. We do have units on the multimedia and others where we get revenue per unit, but we have not really taken the full benefit of that into the 50 basis points. It's more productivity driven. We want to see how that penetration goes, how much of [indiscernible] (02:12:51). In some places, in Europe especially, we've been very encouraged in terms of the way we've been able to generate that. But we've got to see a little bit more traction.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Yeah, the benefit of Otis ONE comes from different channels. Subscription is one. And sometimes this is driven by the code, as Judy mentioned that the data plus voice is a code requirement. And the other part is the repair, right. So we sell those upgrades to the customers, they drop into the repair revenue.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Joe?

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Thanks. It's Joe O'Dea, Wells Fargo. Can you talk a little bit more about the repair side? It seems like previously you would characterize it as growth has been a little stronger than we expected, be mindful, this is a strong base. Now it looks like you've got it like roughly doubling over the next five years. And so, how much of this is seeing the market a little bit differently? How much of this is exploiting an opportunity a little bit differently?

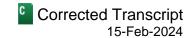
Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. So we have done very well in repair, double-digit growth over the past few years. What we've taken into account over year is mid-single digit plus, a little bit more than mid-single digit, not doubling of the business over the next five years.

We have been pleasantly surprised over the past year on the repair side of the business. The team is actually doing a very good job. In some geographies still today, 80% of our revenue comes from – on the repair side, comes from 20% of our customers. So there's more room to increase the penetration. Perry can talk a little bit about not only traditional, but also the digital offerings that we have on the repair side of the business, which can kind of help us grow. But for now, we've just assumed that whatever the portfolio growth is, a couple of points higher than that would be the repair growth. And if we continue to execute, it could grow faster.

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Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Yeah. No, definitely there is – so when we measure the repair with our customers, there's only a small portion of the customer have [indiscernible] (02:14:50) revenue. So there is a big...

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Repair.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Repair.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Sorry, repair revenue. And also when we measure our mechanics and sales force, there is still a big portion of them did not get the repair sales either. So, it's all about execution once we have the right product, and for traditional repair kits or the digital solutions, and to leveraging the customer touchpoints and to penetrate in markets. So we see the potential, but it's a great business.

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

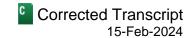
And then clearly progress on the recapture side of things. As you think about moving forward, what do you see as the biggest opportunity there in terms of connectivity in digital and how that can drive it or how modernizations can get you in the door and that can drive it, just trying to understand how that continues to be an opportunity moving forward?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Yeah, I would tell you, we have three approaches and they all have great opportunity on recapture. The first is, obviously, as you all know, elevators don't move out of a building if they operate normally. So we know where the install base is. And so, with our recapture specialists, we can tell them this unit or these 12, 10 units in this building are right along the route where we already have a mechanic. Here's where you can go in at price, because we know what the cost would be, because it's only the incremental cost. So that's just basic business today that says understand where the install base is, figure out what you can recapture.

The second is sweeten it with Otis ONE. And when you do that and you have the ability to demonstrate to a customer, whether it's our mechanic standing there, our sales rep, the Otis ONE app, and he or she can show them exactly what they will see and what he or she is able to know about in advance by using our data lake and other technology, the benefit of Otis ONE in doing that helps us. I think most of you know, we made a conscious decision early on in Otis ONE to determine how to roll this out on the install base. We weren't going to wait for customers to buy it or to pay for it, because then we wouldn't have the density we needed. So we did this very consciously. We're still doing that. We're shipping it with new equipment units. That's why we're adding Otis ONE units at a pretty good rate right now. So you keep doing that, and that gives us that that ability though in a recaptured, if that is the sweetener to get the customer, to do that without having to add that to the price. And that gives us a much better rate of recapture.



And then the third is modernization, which, we were, again, not organized, really not process focused on how to do it at an industrial level at scale. And now we are. So not only do we have modernization sales specialists, not only do we have these kits and this offering, we want to make MOD so simple that you go and see a customer and you say, listen, your building is this old. And oh, by the way, here's a capital planner. If you're not prepared to do this today, we'll work with you over a few years. But here are your five options. I want a MOD salesperson not to be the most bespoke, custom, skilled person. I want to take them right as we hire them out of school and say, you're going to sell MOD, because here are the five offerings you're going to give to this customer. And then our installers for MOD are going to be familiar with those same, I'm using the number five as representative, they're saying five kits. And our factories are going to be manufacturing with scale. Our supply chain is going to be buying with scale. So the MOD experience for the customer is going to be even more positive, because they're going to get it quicker, they're going to get an install to happen at a good price point for them, and then we're going to convert that, and then that's going to add as well in terms of what you call recapture, but that's going to happen as well. And we can do that for off-portfolio units. There's really three levers.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Yeah, just one more thing to add in, particularly for China, there's also a customer landscape change. And in past five years ago, we are dealing with a lot of small property management companies, but since then we saw a consolidation of our customer base, right. And those property management company attract a lot of capital and they go public, continue to expand their coverage, and they're willing to work with OEMs like us rather than the ISPs.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Rob.

Rob Wertheimer

Analyst, Melius Research LLC

Thank you. Rob Wertheimer, Melius Research. I have just a couple of questions on MOD, just kind of following up on what you talked about is, one is just on product. How do you differentiated from competition in offering a more standardized, easier sell? So you talked about the installed base dynamics and the sales dynamics and what you've done. I just don't know if there's a separation there. And then part of that momentum is that expanding and-or creating the market by making it easier for people to buy, and is this an offering that kind of changes what is possible for people to do? Thank you.

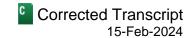
Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Yeah. So we do both. I think the MOD in the past is very segment specific or building specific or product specific, right. So, because the hoistway has been designed long time ago and we have to develop the package to fit their hoistway. And when we develop the standard packages and we put all this elements in consideration to be more focused on the [indiscernible] (02:20:38) potential of the verticals as well as the products. And that will give us a unique opportunity among the competition to win those jobs.

And one example is the hydro replacement that we released for North America. It's driven by obsolete. But this is a very easy package and very quick replace the old ones and to get rid of the concerns of the customer for the obsolescence. So that's from a product side. And in product side, I think one of the good benefit is that we have to

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leverage. We able to leverage the latest technology and new equipment components to put them together. And our global platforming, the global components library really give us the benefit to apply the existing technology into the MOD packages. So that's from the product side.

In the sales side, the process more or less like new equipment, with some differences. For example, to measure the existing hoistways, to get all the technical dimensions from a customer is slightly different when we use the new equipment where the design was made and be able to adjust it, right. So we developed these processes and the tools for our sales force and mechanics to be in the job site to take the information in once. And in the past they have to visit job site multiple times in order to get entire information. So this is just the one example, but all this kind of examples goes to the – in the factory, in the supply chain and in the field, to ease the sales, ease the configuration and ease the field execution. So that's all what we do.

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

I'm at the point where I'm really happy that this MOD didn't happen five years ago, when you think about the age, because we would have probably approached it differently. We we're getting ready for spin. We had to focus on product investment, get to this – to our global library. We were focused on growing the portfolio. We've now spent the last four years, and you've seen those results, really executing our strategy on new equipment and service.

Now we have this MOD tailwind and opportunity coming, and we're taking the best of what we learned there, is market segmentation. So as Perry said, we happen to know there are a good number of hydraulic elevators here in North America. There was a part going obsolete on a circuit board. And so we came out with a standardized kit, I call a kit, I know everybody uses different terms, a standardized kit, went to the market with a standard price and used digital marketing to go to every single building that has this. And the results have been phenomenal, because it's obsolescence. So sometimes you can create demand. We talked about this opportunity window, but we are ready for this because we're applying the strategies we implemented for new equipment and service, and now we're just — we're leveraging those. So, I'm happy that this is happening now, and it's going to happen — the MOD window, I mean, that window's not going to close, because just more units will get added every year. So, this is happening at the right time for Otis in our maturity and our offering and so that's why we're so excited about. It's a great market, but now we're ready, too, and we're just going to accelerate.

Rob Wertheimer

Analyst, Melius Research LLC

Thank you.

Michael Rednor
Vice President-Investor Relations, Otis Worldwide Corp.

Nick?

Nick Housden

Analyst, RBC Capital Markets

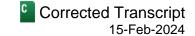
Yeah. Hi, Nick Housden from RBC. It's really just a follow-up on that one, really. I mean, the MOD market seems wonderful. Do you see it as more consolidated than the New Equipment market? Or do you think there's a risk that, it's growing quickly, the margin outlook is good. Do you see that attracting more competition?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.



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Well, ISPs play in the MOD market, certain ones choose to focus on the MOD market. You'll find that in certain markets, certainly in North America, you'll see that a little more. But so, I don't want people to think it's just OEMs playing, but it's certainly not the universe of ISPs. It's ones that specialize on it, because they have to get access to the parts, to everything else as they go. I don't – we've yet to see new entrants, if that's what you're asking, although there hasn't been a new OEM entrant in decades. Because, again, MODs actually – when you think about it, you're performing a modernization in an active building, right? You're in the middle of a mall replacing an escalator real-time in front of people, right? You're doing it in a building where you've got your barricades up and everyone's like, Ah! What's going on? I don't have access to my elevator. So, MOD is actually more visible than the New Equipment construction cycle to your users and your customers. And it has to, it actually drives this need for [ph] kit or (02:25:46) packages so that you can do it more efficiently. So, someone a new entrant, I don't believe they're going to have a lot of customer pull or confidence to want to risk that visibility in whatever building it is.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. Exactly. And just to add to that. Yeah, margins are picking up, but they still are really high margins, right, on the MOD piece first. And if you look at our strategy, it's two, what we call, on-portfolio and off-portfolio. We have 2.3 million units that we are servicing today. When they come off of modernization, we already have a relationship with them, okay. We – and there's some competition there, but that's how do we convert that relationship into another 20-year cycle. And the one which is off-portfolio, that's the one which is a huge target for us as well, and there we're competing with either the ISP who is servicing it or someone else. So, we do. And the packages that we're going to come up with and how are we going to market, I think is going to help us differentiate over there.

Nick Housden

Analyst, RBC Capital Markets

Yeah. Great. And then, similarly, so I think you're saying that the Chinese market's probably in a sort of steady decline phase now, but then you have the number of MOD eligible units tripling. So, do you think that you could actually grow the China portfolio, at least, in unit terms, faster than you have been in the past if you put those two pieces together?

Judith F. Marks

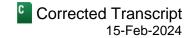
Chair, Chief Executive Officer & President, Otis Worldwide Corp.

So, I would – so our China portfolio has been growing. Last year, we grew at 20%. We've doubled it since spin from a low base for the Service portfolio. The China New Equipment market is certainly coming down. The – what I like about the China MOD market is different from Europe, different from mature Asia, different from North America. If you think about it, almost every elevator or escalator installed in China started early days, 2000, they're all the same rough technology or vintage. Certainly, from us, they're all similar Gen2s. So the ability to grow at scale in modern China is easier, because it's less bespoke or custom than anywhere else in the world. And that's why starting at a small base, that China – our China MOD business grew significantly well over double-digit last year. They're going to do the same this year. It's in our 2024 outlook. So that will then eventually return back into the portfolio. But in this – certainly, in our 2024 outlook, we're holding that China portfolio at a comparable growth rate.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

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Yeah. And just a rate of growth of 20% is almost 2x of the market growth rate in China. As we go forward, the rate of growth may slow down from 20%, but the absolute number of units that we're going to add because of the MOD growth is going to go up significantly every year, yeah.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

[ph] Chris (02:28:28)?

Q

Maybe just following up on that China Service portfolio growth. Obviously, it's been a big talent for the company since spin. Can you just maybe talk about why it has been such a good growth driver? And also, how long can the company sustain Service portfolio growth above the mid-single-digit or 4% company average?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

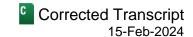
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Well, we think we can sustain it. With the market growing globally at 5%, we should be able to sustain it above 4-plus percent for forever, for as long as that market grows. In China, what we've done is we came up with a very focused strategy in China to be able to grow, and it meant improving our conversions. We can explain what – how we did that in China. It meant reducing the cancellations, improving our retention rate, and it meant recapturing. To do all that – and again, we're at 4% kind of share for portfolio – 4% share for portfolio in China. So there's lots of room for growth. Market share, out of those 8 million or 9 million units in China right now, we've got 380,000 units. So it's a lots of room for growth. And we knew that.

So we did a variety of things. First, we focused on service cover – sales coverage so that we had – because we sell service to different customers and we sell New Equipment. Perry mentioned property managers. It's those type of people. It's condominium associations. It's those type of – not the developers, not the GCs who buy our New Equipment. So we needed improved sales coverage and that was part of our agent and distributor growth in China. I know, you know, we doubled that to about 2,250 agents and developers, but a lot of those are service agents and developers, too. They're not just New Equipment, because we were getting ready for this.

The other thing we did is we made sure we had service people in location. So we now have 17,000 colleagues in China. Matter of fact, we're up now to 42,000 field professionals globally, a lot of those in China, as well as everywhere else. And so we've continued to add mechanics on so that we can provide service. It was especially important in China, because we had cities, we had no coverage. So as we spun, we stepped back and we said, if we're going to make an investment, where should we put service coverage, not just sales, but put our mechanics. And we opened about 30 service depots each year. We added them in China, because you're not going to convert a unit after warranty if you don't have service people there.

So we worked on sales, we worked on service. And then the last piece was we drove it through Otis ONE and that connectivity piece. And that's, as you saw in the prepared remarks, is giving us that lift we need. So, 20% growth in a market growing 10%, yeah, it's still going to grow in significant units. And our team in China is doing a great job in doing that. And I know you guys, or for those of you that heard me on earnings, even with that down-challenge on New Equipment last year, at constant currency, our China business grew profit 2023 over 2022, even with the rest of the market where it was. So we're not giving it up in price, because Service we build immediately. We're not – I mean, even with all those ISPs, our team is delivering.



Q

Appreciate that. And if I could follow up on the conversion rate, I think 65% in 2023 versus 62% in 2019. But it seems like China is up, at least, 10 percentage points over that period, which would imply, I mean, the remainder of the portfolio unchanged or even potentially down. Any color on that? Are there any regions where you're seeing that conversion rate actually deteriorate, or maybe that's just [indiscernible] (02:32:20)?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

wouldn't drive it differently. It's just the math.

Yeah. I think the conversion's flat everywhere else in the world – or I mean, relatively close to where it was, but it's so high that if it goes up, it's going to go up by like 10 bps. It's not going to matter. It's that China last piece. And remember, conversion rate is based on units and there's so many more units that we deliver in China that even if the rest of the world went up significantly, which it can't, it's in the 90s, it can't go up significantly, it still

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

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Joe, follow-up?

Joseph O'Dea

Analyst, Wells Fargo Securities LLC

Q

[ph] Throwing in (02:32:57) on New Equipment. Can you talk about the innovation side of things? And if you look over the past few years, where you think you have made the most progress on innovation, where you're most differentiated in the product portfolio, and then similarly, where you think you have the most ground to cover?

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.



Yeah. So, most significant innovation that we made is based on Gen360. So where we deployed a number of the different technologies, and Judy already mentioned that electronic safety system. But in addition to that, we also enhanced significantly the safety chain to make the elevators smarter. So in the past, anything happened in elevator, it will be shut down, and we don't know where the problem is, right? With the new safety chain, we are able to identify where the problem is and whether the elevator still safe and that's significantly reduce the [ph] entrapments (02:33:55), because we can really decide whether at that moment that the person in the car are at risk or not. Otherwise, we can release them in the nearest landing, open the door in the nearest landing.

We also enhanced the solution to improve the safety of our mechanics. So we have a platform within the car that allow mechanics to access the machines and the control systems in the hoist away, without put them into the rest in – on top of the car and risk. So those are the important development. Now how to deploy – and we are in the process to deploy those new technologies across the world. So this is another generation of the new technology after we release Gen2 in early 2000.

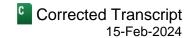
Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.



Yeah. So we've released Gen2 in 2000 and have sold 1 million units. The other – yeah, there's so many Gen360 factors. I'll just add another one. The single largest reason we get callbacks that OTISLINE picks up anywhere in the world is because of doors, door issues. If they're not leveling, they're not closing, because as you would call in

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an elevator, there's more than two doors, right? There's doors at every landing as well. We've put – now put a sensor so we can remote video and see the actual door closing mechanism from any remote place, from Otis ONE to any of our remote experts so that we can actually – and do some resets from – where code allows. So there's – I mean, well over 20% of our callbacks are on doors. It's the single largest Pareto item we have.

So again, it's just making the experience better for the passenger. As Perry said, if there is a need for the safety chain and we judge that it's safe, then we would gracefully have the elevator stop at the next landing so no one gets caught in between floors and the fire department doesn't have to come and knock down a wall and we know where they are, because we have precision location. So it's a – it's the integration of lots of technologies you're familiar with, but haven't been in the life safety part of the hoistway before. And that to us is where our integration skills, where our innovation really helps and it matters. And people are – they're willing to pay for that. And because of all the electronics we've miniaturized, Gen360 and a Gen2 hoistway in Europe, because the electronics are now along a side, along a hoistway, we can now fit nine people in a cab in what was an eight-person cab. So the customer gets an 11% throughput volume addition as well. So, it's just to add, I could talk about Gen360 all day, I'll.

Nick Housden

Analyst, RBC Capital Markets

Julian, follow-up?

Julian Mitchell

Analyst, Barclays Capital, Inc.

Thanks. Maybe just wanted to follow up on China Service margin. I know there's always skepticism about how high that can get. It's a super competitive industry. Possibly, as well, I guess, if modernizations out growing within your China Service business, there's a mix drag on the Service margin there. So, how do you think about the Service sort of margin rate developing in China? And people always try and compare it with rest of world, does it ever get there, this type of thing. Any update on that, please?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Well, I'll just say one thing, and I'll hand it over to Anurag. But our China New Equipment margins are better than our Service margins. So, Anurag's chart where we said MOD would equal New Equipment, holds for China too, and then improve over New Equipment. So I'll just – I'll leave that as the entry and let you.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

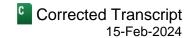
Thanks. I think that was the critical one. But when we look at a 50 basis point overall margin, Julian, clearly there is going to be a little bit of a mix impact from the portfolio growth that we have in China. Having said that, China, because of Otis ONE and other initiatives that we have in place, the margin is expanding in China as well on the Service. One is we just getting more scale. As we introduce new branches, we added more workforce. We're just getting – there is regulation about twice a month and so on. We are still getting a little bit more productivity over there. So that margin is going up. MOD is, as we said, we can get to 10% plus overall for the company. China could be up. China will be on the higher side over there. So you put that along with what we are doing on the portfolio and repair. It's not going to be as dilutive going forward, yeah.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

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Investor Day



Yeah. One opportunity that we continue to work on is the physical maintenance visits, right? With Otis ONE, we put the monitoring 7/24 for our units and supposedly, we can reduce the number of the visits. But code at that point hasn't opened the door for us. There is a regulation to experiment the service – demand-based service by reducing the number of the visits. We have already about over 20,000 – close, 10,000 to 20000 units in this pilot, which allow us to reduce the number of the visits. But if we want to continue to open to cover more portfolio, it really need the code to support. But our infrastructure is ready for us to take this opportunity.

Spencer Breitzke

Analyst, Cowen Inc.

It's Spencer Breitzke, TD Cowen. Can you talk about what assumptions are embedded in your China and New Equipment guidance around volume and price?

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. I can take that. And I assume you mean for the New Equipment side, right?

Spencer Breitzke

Analyst, Cowen Inc.

Yeah.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Yeah. So on China New Equipment, we have said that it's going to be a couple of points down the market every year as what we are saying and we are not assuming any market share growth in our New Equipment. On price/cost, we are – where we are today, it's neutral. So that's the assumption that we are taking as far as China is concerned.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

Any last questions. Steve, follow-up?

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

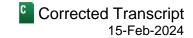
What are you like seeing on the ground today in China? I mean, I think everybody's trying to get visibility into what's happening there. You guys have a pretty good perch, obviously, with your how long you've been in the property markets, which is the cornerstone of everything there. Some optimism, I guess, just because it's been bad that it's going to get better, but just doesn't sound like you guys have that view. Or it is being conservative? Or is there something you're kind of seeing early in the year where you're like, yeah, this is like just feels a little bit different than past cycles, if you will?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Well, Steve, last year, as we entered 2023, we assumed a second half recovery in New Equipment in China that didn't happen. So as we sat back and talked to Sally and our team in China, we said is that a valid assumption as we come into 2024? And we decided for 2024 to call it as we saw it right now, which is kind of a sustained down market. If anything turns up, we're ready and we'll – obviously, our shareholders will see it and we'll deliver.

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They're still focused on share gain, but not at the expense of price or of backlog margin. And we're really trying to manage all those things.

In the interim, they've continued to grow the Service business. So, Service is now 25% of our revenue in China, where it's been, it was 15%. We're continuing on that trajectory with both the portfolio and MOD are going to contribute. So, we're just – we continue to see small stimulus measures, but that consumer confidence has not recovered yet. So, I think, we, like everyone else, are watching. Are there still bids? Absolutely. Are we still succeeding on infrastructure work? Absolutely. Residential slow, and office and commercial are kind of neutral. But residential is such a big part of the market over there that we're calling it down for this year. If anything comes back, we will take advantage of it.

Q

Yeah. Hello. It's [indiscernible] (02:42:45) I have a question to the callbacks. It's a bit difficult to understand. So you have 2.3 million units under servicing with all sort of many countries, ages, technologies, Otis plants, non-Otis plants, et cetera. And it looks to me extremely complex to capture that. And the – I mean, can you share with us a little bit insight into the quality of that portfolio? Do you have, for instance, statistics where you have most of the callbacks in both critical components? How do you address that? Is that then something that you address with, let's say, more training you see among the mechanics, also the differences, how they do perform on those critical components? Do you – I don't know, are they generalists, are they specialists? And how do you then kind of address that? What are the single biggest levers to reduce those callbacks? Is it preventive maintenance, et cetera? Just I know it's a broad question, but I would like to get a bit better understanding into the daily life of that?

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

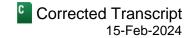


Yeah. So it's actually a great question, because that is – that's our customer's pain point, right? Their elevators down and they're calling us and we call that a callback. And obviously, we have millions of them throughout the year and we focus on everything to try and reduce those, first, to make our customers more satisfied, so we retain the customers, but second, from a productivity and a cost standpoint as well.

We, a few years ago, came to the conclusion that – we used to have territory mechanics. So a mechanic would be responsible for their route. And if they were doing scheduled maintenance and a callback happened, they would have to shut down from a safety perspective where they were, drive across town potentially to go do a callback. What we did is we moved to specialized mechanics. So we have a cadre of mechanics who focus on scheduled and preventive maintenance, and we have a cadre of callback mechanics we call them. They're troubleshooters. They're people who like to solve problems. And we've put some – obviously, we used some software and some intelligence for the supervisors to know, okay, when do I deploy whom and where. But we've moved that to the branch level at different parts of the world and we found – first of all, our mechanics find it more fulfilling, right?

There are people who like to do routine tasks. There are other people who love to solve problems, and who have that knowledge base. We found, obviously, it helps us with productivity. And we found that our customers are responding well to it. We had to go through some change management to do that, because everyone was used to seeing their mechanic all the time and they knew him or her by name and they're like, oh, here's my Otis mechanic. And now we're sending to different people depending on is it a scheduled visit or is it – is there an

Investor Day



issue. But our customers have – they've embraced it, because they're getting better service now. So that's where we are.

We do log every callback. I mean, we have an incredible data lake. That's how I can tell you. I wasn't going to get precise. How many door issues we have. We know how many callbacks. We know callbacks by unit. We know units. We call them [ph] rebel (02:46:14) units who have more than 12 callbacks. We – it's very sophisticated, but it's a common global system we do it by.

And so it really doesn't matter age of the equipment. It doesn't matter – we know what our mechanics are trained to do. So it's actually going to, I think, mature even more over time. Potential applicability over time to use some additional technology and tools, but we're really being very judicious in introducing generative AI in the life safety business. We're using it already for other activities, back office, et cetera. We actually have our own instance so that we're not sharing our data outside of Otis appropriately. But it's – we're trying to manage all this simultaneously.

I don't know Perry if you have any other thoughts.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

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Yeah. So, for the first time in our industry history, we have a huge data collected from all the units that is operating through Otis ONE in cloud. And what we did is to continuously analyze those data and to create some kind of [ph] low engine. And this low engine (02:47:22) is a kind of diagnostic formula and to really monitoring the elevators to detect the issues before it even occur. So, this ability, as you can imagine along with the more and more data and more and more units gets covered, will become even much more powerful, which provide a lot more insights to our mechanics when they perform the regular maintenance and save the time in the jobsite to [ph] meet 10 (02:47:53) units, but also save the time in the jobsite for trouble shooting.

And even further down to the line, those rules can be applied to the New Equipment design and to determine, which rule needs to be in the cloud and which needs to be in the edge and our elevator can be smarter. So, I think this is a very healthy cycle. We get more data from our service. We provide a lot of tools to our mechanics to improve the efficiency. But eventually, it's going to benefit to our New Equipment as well.

Michael Rednor

Vice President-Investor Relations, Otis Worldwide Corp.

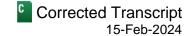
With that, Judy, maybe some closing remarks.

Judith F. Marks

Chair, Chief Executive Officer & President, Otis Worldwide Corp.

Oh, thank you and thank you, all, for joining us today. Listen, first and foremost, again, I really want to thank our colleagues around the globe. We would not be where we are without their dedication, without their resilience, without their tenacity, and without their commitment, commitment to our customers and to passengers. We've built a sustainable business model here. We've executed our strategy. And what we showed you today is the next phase of that strategy coming to maturity in a market that we find very exciting, in a market that we believe has great growth even with New Equipment being flattish, the service business-driven model, this customer-centric, service business-driven model gives us the confidence to be able to put up this medium-term guide.

Investor Day



So we thank you to our shareholders. We thank you. We will continue to return that \$8 billion of cash in multiple ways in terms of capital allocation while we grow. So it is about top line growth. It's about EPS growth. But more importantly, it's about growth in our industry and in an industry that's got really strong trends to take us many years into the future. Thank you very much.

Anurag Maheshwari

Executive Vice President & Chief Financial Officer, Otis Worldwide Corp.

Thank you.

Perry Zheng

Executive Vice President & Chief Product, Delivery and Customer Officer, Otis Worldwide Corp.

Thank you.

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