

CARLISLE COMPANIES INC

Form 10-Q

April 25, 2019

CARLISLE COMPANIES INCORPORATED000079005110-Q2019-03-31false--12-31YesLarge Accelerated

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

Commission file number 1-9278

www.carlisle.com

## CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

**Delaware 31-1168055**

(State of incorporation) (I.R.S. Employer Identification No.)

**(480) 781-5000**

(Telephone Number)

**16430 North Scottsdale  
Road, Suite 400,  
Scottsdale, Arizona 85254**

(Address of principal executive office, including zip code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated Accelerated  
filer filer

Non-accelerated Smaller  
filer reporting  
company

Emerging  
growth  
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

On April 18, 2019, there were 57,060,669 shares of the registrant's common stock outstanding, par value \$1.00 per share.

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## Carlisle Companies Incorporated

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**PART I****Item 1. Financial Statements****Carlisle Companies Incorporated****Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)**

| <i>(in millions, except<br/>per share amounts)</i>      | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2019</b>                             | <b>2018</b> |
| Revenues  | \$ 1,071.9                              | \$ 984.7    |
| Cost of goods sold                                      | 783.3                                   | 735.3       |
| Selling and administrative expenses                     | 164.2                                   | 148.6       |
| Research and development expenses                       | 14.4                                    | 13.9        |
| Other operating (income) expense, net                   | (4.7)                                   | (7.8)       |
| Operating income  | 114.7                                   | 94.7        |
| Interest expense, net                                   | 13.7                                    | 14.5        |
| Other non-operating (income) expense, net               | (0.4)                                   | 1.9         |
| Income from continuing operations before income taxes   | 101.4                                   | 78.3        |
| Provision for income taxes                              | 24.0                                    | 20.4        |
| Income from continuing operations                       | 77.4                                    | 57.9        |
| Discontinued operations:                                |   |             |
| Income before income taxes                              | —                                       | 299.0       |
| (Benefit) provision for income taxes                    | (2.0)                                   | 47.3        |
| Income from discontinued operations                     | 2.0                                     | 251.7       |
| Net income  | \$ 79.4                                 | \$ 309.6    |
| Basic earnings per share attributable to common shares: |   |             |
|   | \$ 1.34                                 | \$ 0.93     |

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|   |         |          |
|---|---------|----------|
| Income from continuing operations                                   |         |          |
| Income from discontinued operations                                 | 0.03    | 4.05     |
| Basic earnings per share  | \$ 1.37 | \$ 4.98  |
| Diluted earnings per share attributable to common shares:           |         |          |
| Income from continuing operations                                   | \$ 1.33 | \$ 0.92  |
| Income from discontinued operations                                 | 0.03    | 4.02     |
| Diluted earnings per share  | \$ 1.36 | \$ 4.94  |
| Average shares outstanding (in thousands):                          |         |          |
| Basic   | 57,547  | 61,684   |
| Diluted   | 57,870  | 62,164   |
| Comprehensive income:   |         |          |
| Net income  | \$ 79.4 | \$ 309.6 |
| Other comprehensive income:   |         |          |
| Foreign currency gains  | 3.9     | 22.2     |
| Amortization of unrecognized net periodic benefit costs, net of tax | 0.7     | 0.9      |
| Other, net of tax   | 1.6     | 0.2      |
| Other comprehensive income  | 6.2     | 23.3     |
| Comprehensive income  | \$ 85.6 | \$ 332.9 |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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**Carlisle Companies Incorporated**  
**Condensed Consolidated Balance Sheets (Unaudited)**

| <i>(in millions, except share and per share amounts)</i>                       | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS</b>  |                           |                              |
| Current assets:  |                           |                              |
| Cash and cash equivalents  | \$ 516.6                  | \$ 803.6                     |
| Receivables, net of allowance of \$5.6 million and \$5.1 million, respectively | 773.0                     | 698.3                        |
| Inventories, net   | 514.7                     | 457.5                        |
| Prepaid expenses   | 19.3                      | 22.0                         |
| Other current assets   | 53.7                      | 75.3                         |
| Total current assets   | 1,877.3                   | 2,056.7                      |
| Property, plant, and equipment, net  | 772.4                     | 760.1                        |
| Goodwill, net  | 1,504.8                   | 1,441.8                      |
| Other intangible assets, net   | 1,049.5                   | 967.7                        |
| Other long-term assets   | 97.7                      | 22.9                         |
| Total assets   | \$ 5,301.7                | \$ 5,249.2                   |
| <b>LIABILITIES AND EQUITY</b>  |                           |                              |
| Current liabilities:   |                           |                              |
| Accounts payable   | \$ 356.2                  | \$ 312.1                     |
| Accrued liabilities and other  | 250.8                     | 258.0                        |
| Deferred revenue   | 26.2                      | 25.5                         |
| Total current liabilities  | 633.2                     | 595.6                        |
| Long-term liabilities:   |                           |                              |
| Long-term debt   | 1,588.5                   | 1,587.8                      |
| Deferred revenue   | 204.0                     | 201.9                        |
| Other long-term liabilities  | 351.3                     | 266.5                        |
| Total long-term liabilities  | 2,143.8                   | 2,056.2                      |
| Shareholders' equity:  |                           |                              |
| Preferred stock, \$1 par value per   | —                         | —                            |

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|   |           |         |            |
|---|-----------|---------|------------|
| share (5,000,000<br>shares<br>authorized and<br>unissued)   |           |         |            |
| Common stock,<br>\$1 par value per<br>share<br>(200,000,000<br>shares;<br>56,802,175 and<br>57,957,912<br>shares<br>outstanding,<br>respectively) | 78.7      |         | 78.7       |
| Additional paid-in<br>capital   | 390.1     |         | 383.8      |
| Deferred<br>compensation<br>equity  | 7.8       |         | 8.0        |
| Treasury shares,<br>at cost<br>(21,677,133 and<br>20,534,652<br>shares,<br>respectively)  | (1,243.5) |         | (1,102.4)  |
| Accumulated<br>other<br>comprehensive<br>loss   | (115.9)   |         | (122.1)    |
| Retained<br>earnings  | 3,407.5   |         | 3,351.4    |
| Total<br>shareholders'<br>equity  | 2,524.7   |         | 2,597.4    |
| Total liabilities<br>and equity   | \$        | 5,301.7 | \$ 5,249.2 |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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**Carlisle Companies Incorporated**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

| <i>(in millions)</i>   | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2019</b>               | <b>2018</b> |
| Operating activities:  |                           |             |
| Net income   | \$ 79.4                   | \$ 309.6    |
| Reconciliation of net income to net cash provided by operating activities: |                           |             |
| Depreciation   | 21.3                      | 22.7        |
| Amortization   | 27.8                      | 28.3        |
| Stock-based compensation, net of tax benefit                               | 6.8                       | 6.8         |
| Deferred taxes   | (0.5)                     | (2.3)       |
| Gain on sale of discontinued operation, net of tax                         | —                         | (247.9)     |
| Other operating activities, net  | 8.1                       | (3.1)       |
| Changes in assets and liabilities, excluding effects of acquisitions:      |                           |             |
| Receivables  | (63.1)                    | (26.8)      |
| Inventories  | (18.6)                    | (55.8)      |
| Prepaid expenses and other assets  | 26.0                      | 11.5        |
| Accounts payable   | 53.4                      | 27.2        |
| Accrued liabilities and other  | (31.0)                    | (40.6)      |
| Deferred revenues  | 2.8                       | 3.3         |
| Other long-term liabilities  | (2.6)                     | 0.3         |
| Net cash provided by operating activities                                  | 109.8                     | 33.2        |
| Investing activities:  |                           |             |
| Acquisitions, net of cash acquired   | (202.0)                   | (0.7)       |

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|   |          |          |
|---|----------|----------|
| Capital expenditures  | (23.3)   | (42.5)   |
| Proceeds from sale of discontinued operation                                  | —        | 754.6    |
| Other investing activities, net   | 0.9      | 3.6      |
| Net cash (used in) provided by investing activities                           | (224.4)  | 715.0    |
| Financing activities:   |          |          |
| Repurchases of common stock   | (157.1)  | (122.0)  |
| Dividends paid  | (23.3)   | (23.1)   |
| Proceeds from exercise of stock options                                       | 10.6     | 1.7      |
| Withholding tax paid related to stock-based compensation                      | (3.3)    | (4.6)    |
| Net cash used in financing activities   | (173.1)  | (148.0)  |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 0.7      | 1.9      |
| Change in cash and cash equivalents   | (287.0)  | 602.1    |
| Less: change in cash and cash equivalents of discontinued operations          | —        | 1.3      |
| Cash and cash equivalents at beginning of period                              | 803.6    | 378.3    |
| Cash and cash equivalents at end of period                                    | \$ 516.6 | \$ 979.1 |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**Carlisle Companies Incorporated**  
**Condensed Consolidated Statement of Shareholders' Equity (Unaudited)**

|  | Common Stock |         |                            |                   | Deferred Compensation Equity | Accumulated Other Comprehensive Income (Loss) | Retained Earnings |              | Shares in Treasury |  | Total Shareholders' Equity |
|--|--------------|---------|----------------------------|-------------------|------------------------------|---|-------------------|--------------|--------------------|--|----------------------------|
|  | Share        | Amount  | Additional Paid-In Capital | Retained Earnings |                              |   | Retained Earnings | Shares       | Cost               |  |                            |
| <i>(in millions, except per share amounts)</i>                         |              |         |                            |                   |                              |   |                   |              |                    |  |                            |
| Balance as of December 31, 2017  | 61.8         | \$ 78.7 | \$ 353.7                   | \$ 10.4           | \$ (85.7)                    | \$ 2,820.8                                    | 16.6              | \$ (649.6)   | \$ 2,528.3         |  |                            |
| Adoption of accounting standards                                       | —            | —       | —                          | —                 | (6.5)                        | 13.0  | —                 | —            | 6.5                |  |                            |
| Net income   | —            | —       | —                          | —                 | —                            | 309.6   | —                 | —            | 309.6              |  |                            |
| Other comprehensive income, net of tax                                 | —            | —       | —                          | —                 | 23.3                         | —   | —                 | —            | 23.3               |  |                            |
| Cash dividends - \$0.37 per share                                      | —            | —       | —                          | —                 | —                            | (23.1)  | —                 | —            | (23.1)             |  |                            |
| Repurchases of common stock  | (1.2)        | —       | —                          | —                 | —                            | —   | 1.2               | (129.3)      | (129.3)            |  |                            |
| Issuances and deferrals, net for stock based compensation <sup>1</sup> | 0.1          | —       | 3.9                        | 0.7               | —                            | —   | (0.1)             | 0.9          | 5.5                |  |                            |
| Balance as of March 31, 2018   | 60.7         | \$ 78.7 | \$ 357.6                   | \$ 11.1           | \$ (68.9)                    | \$ 3,120.3                                    | 17.7              | \$ (778.0)   | \$ 2,720.8         |  |                            |
| Balance as of December 31, 2018  | 57.9         | \$ 78.7 | \$ 383.8                   | \$ 8.0            | \$ (122.1)                   | \$ 3,351.4                                    | 20.5              | \$ (1,102.4) | \$ 2,597.4         |  |                            |
| Net income   | —            | —       | —                          | —                 | —                            | 79.4  | —                 | —            | 79.4               |  |                            |
| Other comprehensive income, net of tax                                 | —            | —       | —                          | —                 | 6.2                          | —   | —                 | —            | 6.2                |  |                            |
| Cash dividends - \$0.40 per share                                      | —            | —       | —                          | —                 | —                            | (23.3)  | —                 | —            | (23.3)             |  |                            |

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|  |       |    |      |       |       |       |         |         |         |    |         |      |    |           |    |         |
|--|-------|----|------|-------|-------|-------|---------|---------|---------|----|---------|------|----|-----------|----|---------|
| Repurchases<br>of<br>common<br>stock   | (1.3) | —  | —    | —     | —     | 1.3   | (149.9) | (149.9) |         |    |         |      |    |           |    |         |
| Issuances<br>and<br>deferrals,<br>net for<br>stock<br>based<br>compensation <sup>1</sup> | 0.2   | —  | 6.3  | (0.2) | —     | (0.2) | 8.8     | 14.9    |         |    |         |      |    |           |    |         |
| Balance<br>as of<br>March<br>31,<br>2019   | 56.8  | \$ | 78.7 | \$    | 390.1 | \$    | 7.8     | \$      | (115.9) | \$ | 3,407.5 | 21.6 | \$ | (1,243.5) | \$ | 2,524.7 |

<sup>1</sup> Issuances and deferrals, net for stock based compensation reflects share activity related to option exercises, restricted and performance shares vested and net issuances and deferrals associated with deferred compensation equity.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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**Carlisle Companies Incorporated****Notes to Condensed Consolidated Financial Statements (Unaudited)****Note 1—Basis of Presentation**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Carlisle Companies Incorporated (the "Company" or "Carlisle"). The accompanying unaudited Condensed Consolidated Financial Statements do not include all disclosures as required by accounting principles generally accepted in the United States of America ("United States" or "U.S."), and should be read in conjunction with the Company's audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2018.

The accompanying unaudited Condensed Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the U.S. and, of necessity, include some amounts that are based upon management estimates and judgments. The accompanying unaudited Condensed Consolidated Financial Statements include assets, liabilities, revenues and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

In the Company's opinion, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting solely of adjustments of a normal, recurring nature, except as disclosed in Note 2 for new accounting standards adopted, necessary to present fairly the financial position, results of operations and cash flows for the periods presented.

**Note 2—New Accounting Pronouncements****New Accounting Standards Adopted**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02") which requires lessees to recognize a lease liability for the obligation to make lease payments, measured at the present value on a discounted basis, and a right-of-use ("ROU") asset for the right to use the underlying asset for the duration of the lease term, measured as the lease liability amount adjusted for lease prepayments, lease incentives received, and initial direct costs.

The Company adopted ASU 2016-02 and all related amendments ("ASC 842") on January 1, 2019, using the alternative modified retrospective method, also known as the transition relief method, permitted under ASC 842, which did not require restatement of prior periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company also elected the hindsight practical expedient to determine the lease term for existing leases. The standard did not materially impact consolidated net income or cash flows.

Following is a summary of the effects of adopting ASC 842 on the Consolidated Balance Sheet:

| <b>March 31, 2019</b>                |                    |   |  |
|--------------------------------------|--------------------|---|--|
| <i>(in millions)</i>                 | <b>As Reported</b> | <b>Balances Without Adoption of ASC 842</b> | <b>Effect of Change Higher/(Lower)</b> |
| Condensed Consolidated Balance Sheet |                    |   |  |
| Other current assets                 | \$ 53.7            | \$ 54.2                                     | \$ (0.5)                               |
| Other long-term assets               | 97.7               | 28.1  | 69.6                                   |
| Accrued liabilities and other        | 250.8              | 229.4                                       | 21.4                                   |
| Other long-term liabilities          | 351.3              | 303.6                                       | 47.7                                   |

**Note 3—Segment Information**

The Company has organized its operations into four primary segments, based on the products it sells, each of which represent a reportable segment as follows:

**Carlisle Construction Materials ("CCM")**—the principal products of this segment are rubber (EPDM), thermoplastic polyolefin (TPO) and polyvinyl chloride (PVC) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes and coatings

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and waterproofing products. CCM also manufactures and distributes energy-efficient rigid foam insulation panels for substantially all roofing applications, and metal panel roofing primarily for residential and commercial markets. The markets served primarily include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants and coatings and waterproofing. In addition, CCM offers a broad range of specialty polyurethane products and solutions across a broad diversity of markets and applications.

**Carlisle Interconnect Technologies ("CIT")**—the principal products of this segment are high-performance wire, cable, connectors, contacts and cable assemblies for the transfer of power and data primarily for the aerospace, medical, defense electronics, test and measurement equipment and select industrial markets.

**Carlisle Fluid Technologies ("CFT")**—the principal products of this segment are industrial liquid and powder finishing equipment and integrated system solutions for spraying, pumping, mixing, metering and curing of a variety of coatings used in the general industrial, transportation, auto refinishing, protective coating, wood and specialty markets.

**Carlisle Brake & Friction ("CBF")**—the principal products of this segment include high-performance brakes and friction material and clutch and transmission friction material for the construction, agriculture, mining, on-highway, aerospace and motor sports markets.

A summary of segment information follows:

| <i>(in millions)</i>                      | Three Months Ended March 31,<br>2019 |                            | 2018     |                            |
|---|--------------------------------------|----------------------------|----------|----------------------------|
|   | Revenues                             | Operating Income<br>(Loss) | Revenues | Operating<br>Income (Loss) |
| Carlisle<br>Construction<br>Materials     | \$ 671.1                             | \$ 92.9                    | \$ 598.6 | \$ 75.8                    |
| Carlisle<br>Interconnect<br>Technologies  | 246.4                                | 30.6                       | 224.3    | 27.2                       |
| Carlisle Fluid<br>Technologies            | 63.1                                 | 6.4                        | 63.5     | 5.7                        |
| Carlisle Brake<br>& Friction              | 91.3                                 | 6.5                        | 98.3     | 4.5                        |
| Segment total                             | 1,071.9                              | 136.4                      | 984.7    | 113.2                      |
| Corporate and<br>unallocated <sup>1</sup> | —                                    | (21.7)                     | —        | (18.5)                     |
| Total                                     | \$ 1,071.9                           | \$ 114.7                   | \$ 984.7 | \$ 94.7                    |

<sup>1</sup>Corporate operating loss includes other unallocated costs, primarily general corporate expenses.

#### **Note 4—Acquisitions**

##### ***Petersen Aluminum Corporation***

On January 11, 2019, the Company acquired 100% of the equity of Petersen Aluminum Corporation ("Petersen"), for consideration of \$207.2 million, including \$5.2 million of cash acquired, and post-closing adjustments, which were finalized in the first quarter of 2019. Petersen is a manufacturer and distributor of market leading architectural metal roof panels, steel and aluminum flat sheets and coils, wall panels, perimeter roof edge systems and related accessories for commercial, residential, institutional, industrial and agricultural markets.

Petersen contributed revenues of \$35.5 million and an operating loss of less than \$0.1 million for the period from January 11, 2019, to March 31, 2019. The results of operations of the acquired business are reported as part of the CCM segment.

The following table summarizes the consideration transferred to acquire Petersen and the preliminary allocation of the purchase price among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, which requires that consideration be allocated to the acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill. The fair values are preliminary and subject to change pending receipt of the final valuation studies for all acquired intangible assets.

| <i>(in millions)</i>  | <b>Preliminary<br/>Allocation<br/>As of 1/11/2019</b> |
|---|---|
| Total cash consideration transferred  | \$ 207.2  |
| Recognized amounts of identifiable assets acquired and liabilities assumed: |   |
| Cash and cash equivalents   | 5.2   |
| Receivables, net  | 11.5  |
| Inventories, net  | 39.5  |
| Prepaid expenses and other current assets                                   | 2.1   |
| Property, plant and equipment   | 17.8  |
| Definite-lived intangible assets  | 109.3   |
| Other long-term assets  | 9.5   |
| Accounts payable  | (5.9)   |
| Income tax payable  | 1.7   |
| Accrued liabilities and other   | (8.7)   |
| Other long-term liabilities   | (12.4)  |
| Deferred income taxes   | (25.4)  |
| Total identifiable net assets   | 144.2   |
| Goodwill  | \$ 63.0   |

The preliminary goodwill recognized in the acquisition of Petersen reflects market participant synergies attributable to significant raw material purchase synergies with CCM, other administrative synergies and the assembled workforce to Carlisle, in addition to opportunities for product line expansions. The Company acquired \$11.6 million of gross contractual accounts receivable, of which \$0.1 million was not expected to



be collected at the date of acquisition. All of the goodwill has been preliminarily assigned to the CCM reporting unit which aligns with the CCM reportable segment, and none of the goodwill is deductible for tax purposes. The \$109.3 million preliminary value allocated to definite-lived intangible assets consists of \$76.3 million of customer relationships with a useful life of 12 years, \$29.9 million of trade names with a useful life of 10 years and various acquired technologies of \$3.1 million with a useful life of 14 years. In accordance with the purchase agreement, Carlisle is indemnified for up to \$5.2 million, and recorded an indemnification asset of \$5.2 million in other long-term assets relating to the indemnification for pre-acquisition income tax liabilities. The Company has also recorded, as part of the purchase price allocation, deferred tax liabilities related to intangible assets of approximately \$25.4 million.

**Note 5—Discontinued Operations**

On March 20, 2018, the Company completed the sale of Carlisle FoodService Products ("CFS") to the Jordan Company of New York, NY, for gross proceeds of \$758.0 million, including a working capital adjustment, which was finalized in the third quarter of 2018. The sale of CFS is consistent with the Company's vision of operating a portfolio of businesses with highly engineered manufacturing products in strong growth markets.

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A summary of the results from discontinued operations included in the Condensed Consolidated Statements of Income for the three months ended March 31, follows:

| <i>(in millions)</i>                                    | <b>2018</b> |
|---|-------------|
| Revenues  | \$ 69.5     |
| Cost of goods sold                                      | 49.5        |
| Other operating expenses, net                           | 14.8        |
| Operating income  | 5.2         |
| Other non-operating (income) expense, net               | —           |
| Income from discontinued operations before income taxes | 5.2         |
| Gain on sale of discontinued operations                 | 293.8       |
| Provision for income taxes                              | 47.3        |
| Income from discontinued operations                     | \$ 251.7    |

Income from discontinued operations of \$2.0 million in the three months ended March 31, 2019, relates entirely to the settlement of prior income tax positions in the current year.

A summary of cash flows from discontinued operations included in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 follows:

| <i>(in millions)</i>   | <b>2018</b> |
|--|-------------|
| Net cash provided by operating activities                        | \$ 0.6      |
| Net cash used in investing activities                            | (8.1)       |
| Net cash provided by financing activities <sup>1</sup>           | 8.8         |
| Change in cash and cash equivalents from discontinued operations | \$ 1.3      |

1. Represents borrowings from the Carlisle cash pool to fund capital expenditures and acquisitions.

#### **Note 6—Earnings Per Share**

The Company's restricted shares contain non-forfeitable rights to dividends and are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The computation below of earnings per share excludes the income attributable to the unvested restricted shares

in the numerator and excludes the dilutive impact of those underlying shares in the denominator.

The computation below of earnings per share includes the income attributable to the vested and deferred restricted shares and restricted stock units in the numerator and includes the dilutive impact of those underlying shares in the the denominator.

Stock options are included in the calculation of diluted earnings per share utilizing the treasury stock method and performance share awards are included in the calculation of diluted earnings per share considering those are contingently issuable. Neither is considered to be a participating security as they do not contain non-forfeitable dividend rights.

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Income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method follows:

| <i>(in millions, except share and per share amounts)</i>  | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2019</b>                             | <b>2018</b> |
| Income from continuing operations   | \$ 77.4                                 | \$ 57.9     |
| Less: dividends declared  | (23.3)                                  | (23.1)      |
| Undistributed earnings  | 54.1                                    | 34.8        |
| Percent allocated to common shareholders <sup>1</sup>   | 99.7%                                   | 99.3%       |
|   | 53.9                                    | 34.5        |
| Add: dividends declared on common stock, restricted share units and vested and deferred restricted and performance shares | 23.2                                    | 22.8        |
| Income from continuing operations attributable to common shares   | \$ 77.1                                 | \$ 57.3     |
| Shares (in thousands):  |   |             |
| Basic weighted-average shares outstanding   | 57,547                                  | 61,684      |
| Effect of dilutive securities:  |   |             |
| Performance awards  | 73                                      | 131         |
| Stock options   | 250                                     | 349         |
| Diluted weighted-average shares outstanding   | 57,870                                  | 62,164      |
| Per share income from continuing operations attributable to common shares:  |   |             |
| Basic   | \$ 1.34                                 | \$ 0.93     |
| Diluted   | \$ 1.33                                 | \$ 0.92     |
| 1. Basic weighted-average common shares outstanding (in thousands)  | 57,547                                  | 61,684      |
| Basic weighted-average shares outstanding and unvested restricted shares expected to vest (in thousands)                  | 57,735                                  | 62,117      |
| Percent allocated to common shareholders  | 99.7%                                   | 99.3%       |

To calculate earnings per share for income from discontinued operations and for net income, the denominator for both basic and diluted earnings per share is the same as used in the above table.

| <i>(in millions, except share amounts presented in thousands)</i>  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2019</b>                             | <b>2018</b> |
| Income from discontinued operations attributable to common shareholders for basic and diluted earnings per share | \$ 2.0                                  | \$ 250.0    |
| Net income attributable to common shareholders for basic and diluted earnings per share                          | 79.1                                    | 307.3       |
| Anti-dilutive stock options excluded from EPS calculation <sup>1</sup>   | 340                                     | 564         |

1. Represents stock options excluded from the calculation of diluted earnings per share, as such options' assumed proceeds upon exercise would result in the repurchase of more shares than the underlying award.

### **Note 7—Revenue Recognition**

The Company receives payment at the inception of the contract for separately priced extended service warranties, and revenue is deferred and recognized on a straight-line basis over the life of the contracts. Remaining performance obligations for extended service warranties represent the transaction

price for the remaining stand-ready obligation to perform warranty services. A summary of estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied as of March 31, 2019, follows:

| <i>(in millions)</i>              | <b>Remainder of<br/>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>Thereafter</b> |
|-----------------------------------|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Extended<br>service<br>warranties | \$ 15.8                      | \$ 20.1     | \$ 19.1     | \$ 17.9     | \$ 16.7     | \$ 15.6     | \$ 120.1          |

The Company has applied the practical expedient to not disclose information about remaining performance obligations that have original expected durations of one year or less.

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**Contract Balances**

Contract liabilities relate to payments received in advance of performance under a contract, primarily related to extended service warranties in the CCM segment and systems contracts in the CFT segment. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract. A summary of the change in contract liabilities for the three months ended March 31, follows:

| <i>(in millions)</i>                 | 2019     | 2018     |
|--------------------------------------|----------|----------|
| Balance as of January 1              | \$ 227.4 | \$ 215.8 |
| Revenue recognized                   | (12.8)   | (14.9)   |
| Revenue deferred                     | 15.6     | 18.2     |
| Acquired liabilities                 | —        | 0.1      |
| Balance as of Balance as of March 31 | \$ 230.2 | \$ 219.2 |

Contract assets relate to the Company's right to payment for performance completed to date under a contract, primarily related to highly customized product contracts within the CIT segment. Accounts receivable are recorded when the right to payment becomes unconditional. A summary of the change in contract assets for the three months ended March 31, follows:

| <i>(in millions)</i>            | 2019    | 2018    |
|---------------------------------|---------|---------|
| Balance as of January 1         | \$ 44.7 | \$ —    |
| Adoption of ASC 606             | —       | 22.8    |
| Revenue recognized and unbilled | 58.1    | 33.8    |
| Revenue billed                  | (44.7)  | (22.8)  |
| Balance as of March 31          | \$ 58.1 | \$ 33.8 |

**Revenues by End-Market**

A summary of revenues disaggregated by major end-market industries and reconciliation of disaggregated revenue by segment follows:

| <i>(in millions)</i>         | Three Months Ended March 31, 2019 |          |         |         |            |
|------------------------------|-----------------------------------|----------|---------|---------|------------|
|                              | CCM                               | CIT      | CFT     | CBF     | Total      |
| General construction         | \$ 621.6                          | \$ —     | \$ —    | \$ —    | \$ 621.6   |
| Aerospace                    | —                                 | 173.8    | —       | 4.6     | 178.4      |
| Heavy equipment              | 27.2                              | —        | —       | 75.2    | 102.4      |
| Transportation               | —                                 | —        | 32.3    | 9.2     | 41.5       |
| Medical                      | —                                 | 31.0     | —       | —       | 31.0       |
| General industrial and other | 22.3                              | 41.6     | 30.8    | 2.3     | 97.0       |
| Total revenues               | \$ 671.1                          | \$ 246.4 | \$ 63.1 | \$ 91.3 | \$ 1,071.9 |

**Three Months Ended March 31, 2018**

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| <i>(in millions)</i>         | <b>CCM</b> | <b>CIT</b> | <b>CFT</b> | <b>CBF</b> | <b>Total</b> |
|------------------------------|------------|------------|------------|------------|--------------|
| General construction         | \$ 546.3   | \$ —       | \$ —       | \$ —       | \$ 546.3     |
| Aerospace                    | —          | 154.8      | —          | 6.3        | 161.1        |
| Heavy equipment              | 26.2       | —          | —          | 79.2       | 105.4        |
| Transportation               | —          | —          | 33.2       | 9.8        | 43.0         |
| Medical                      | —          | 34.7       | —          | —          | 34.7         |
| General industrial and other | 26.1       | 34.8       | 30.3       | 3.0        | 94.2         |
| Total revenues               | \$ 598.6   | \$ 224.3   | \$ 63.5    | \$ 98.3    | \$ 984.7     |

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**Revenues by Geographic Area**

A summary of revenues based on the country to which the product was delivered and reconciliation of disaggregated revenue by segment follows:

|                        | <b>Three Months Ended March 31, 2019</b> |            |            |            |              |
|------------------------|--|------------|------------|------------|--------------|
| <i>(in millions)</i>   | <b>CCM</b>                               | <b>CIT</b> | <b>CFT</b> | <b>CBF</b> | <b>Total</b> |
| United States          | \$ 591.2                                 | \$ 182.1   | \$ 28.0    | \$ 32.5    | \$ 833.8     |
| International:         |  |            |            |            |              |
| Europe                 | 52.1                                     | 18.4       | 13.1       | 30.5       | 114.1        |
| Asia                   | 4.1                                      | 23.8       | 19.0       | 20.4       | 67.3         |
| Canada                 | 17.5                                     | 1.1        | 1.6        | 0.5        | 20.7         |
| Mexico                 | 0.4                                      | 12.4       | 0.5        | 3.3        | 16.6         |
| Middle East and Africa | 3.4                                      | 7.3        | 0.6        | 0.4        | 11.7         |
| Other                  | 2.4                                      | 1.3        | 0.3        | 3.7        | 7.7          |
| Total international    | 79.9                                     | 64.3       | 35.1       | 58.8       | 238.1        |
| Total revenues         | \$ 671.1                                 | \$ 246.4   | \$ 63.1    | \$ 91.3    | \$ 1,071.9   |

|                        | <b>Three Months Ended March 31, 2018</b> |            |            |            |              |
|------------------------|--|------------|------------|------------|--------------|
| <i>(in millions)</i>   | <b>CCM</b>                               | <b>CIT</b> | <b>CFT</b> | <b>CBF</b> | <b>Total</b> |
| United States          | \$ 529.0                                 | \$ 155.6   | \$ 25.6    | \$ 41.5    | \$ 751.7     |
| International:         |  |            |            |            |              |
| Europe                 | 39.4                                     | 22.3       | 13.3       | 30.3       | 105.3        |
| Asia                   | 5.2                                      | 22.9       | 19.8       | 18.9       | 66.8         |
| Canada                 | 18.4                                     | 1.1        | 1.6        | 0.7        | 21.8         |
| Mexico                 | 0.9                                      | 12.0       | 2.1        | 3.6        | 18.6         |
| Middle East and Africa | 3.1                                      | 7.6        | 0.6        | 0.2        | 11.5         |
| Other                  | 2.6                                      | 2.8        | 0.5        | 3.1        | 9.0          |
| Total international    | 69.6                                     | 68.7       | 37.9       | 56.8       | 233.0        |
| Total revenues         | \$ 598.6                                 | \$ 224.3   | \$ 63.5    | \$ 98.3    | \$ 984.7     |

**Note 8—Stock-Based Compensation**

Stock-based compensation cost by award type follows:

|                           | <b>Three Months Ended</b> |             |
|---------------------------|---------------------------|-------------|
| <i>(in millions)</i>      | <b>March 31,</b>          |             |
|                           | <b>2019</b>               | <b>2018</b> |
| Stock option awards       | \$ 3.1                    | \$ 2.0      |
| Restricted stock awards   | 2.0                       | 1.9         |
| Performance share awards  | 1.6                       | 1.7         |
| Restricted stock units    | 1.3                       | 1.4         |
| Stock appreciation rights | 0.8                       | —           |
|                           | \$ 8.8                    | \$ 7.0      |



Total  
stock-based  
compensation  
cost

In 2018, the Board authorized a grant of stock options to U.S. employees and stock appreciation rights to employees outside of the U.S. This grant contributed \$1.8 million to stock-based compensation cost for the three months ended March 31, 2019. As of March 31, 2019, compensation cost of \$0.9 million was capitalized as inventory and will be recognized in costs of goods sold when that related inventory is sold.

**Note 9—Exit and Disposal Activities**

The Company has undertaken operational restructuring and other cost reduction actions to streamline processes and manage costs throughout various departments. These actions resulted in exit, disposal and employee termination benefit costs, primarily resulting from planned reductions in workforce, facility consolidations and relocations and lease termination costs. The primary actions are discussed below by operating segment.

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**CIT**

During 2019, the Company announced plans to relocate its manufacturing operations in El Segundo, California, and Riverside, California, to the existing manufacturing operations in North America. During the three months ended March 31, 2019, exit and disposal costs totaled \$3.5 million, primarily for employee termination benefit costs. The project is estimated to take 12 to 18 months to complete. Cumulative exit and disposal costs are expected to approximate \$8.5 million and will be recognized primarily in 2019.

**CFT**

During the first quarter of 2019, the Company initiated plans to reduce costs and streamline processes by eliminating certain positions within selling, general and administrative and manufacturing functions. The costs to complete this project totaled \$2.0 million and was recognized during the three months ended March 31, 2019.

**CBF**

The Company is substantially complete with its project to exit its manufacturing operations in Tulsa, Oklahoma, and relocate the majority of those operations to its existing manufacturing facility in Medina, Ohio. During the three months ended March 31, 2019, exit and disposal costs totaled \$0.7 million, primarily reflecting facility closure costs and employee termination benefits. Total associated exit and disposal costs are expected to approximate \$20.9 million, with cumulative exit and disposal costs of \$19.4 million recognized as of March 31, 2019. Remaining costs of approximately \$1.5 million are expected to be incurred throughout the remainder of 2019.

**Consolidated Summary**

The Company's exit and disposal costs by activity follows:

| <i>(in millions)</i>                        | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31,</b>          |             |
|   | <b>2019</b>               | <b>2018</b> |
| Employee severance and benefit arrangements | \$ 5.7                    | \$ 0.7      |
| Lease termination cost                      | 0.5                       | —           |
| Relocation costs                            | 0.1                       | 0.2         |
| Accelerated depreciation                    | —                         | 0.8         |
| Other restructuring costs                   | 0.5                       | 1.4         |
| Total exit and disposal costs               | \$ 6.8                    | \$ 3.1      |

The Company's exit and disposal activities costs by segment follows:

| <i>(in millions)</i>               | <b>Three Months Ended</b> |             |
|------------------------------------|---------------------------|-------------|
|                                    | <b>March 31,</b>          |             |
|                                    | <b>2019</b>               | <b>2018</b> |
| Carlisle Interconnect Technologies | \$ 3.9                    | \$ 1.1      |
| Carlisle Fluid Technologies        | 2.0                       | —           |
| Carlisle Brake & Friction          | 0.7                       | 2.0         |
| Carlisle Construction Materials    | 0.2                       | —           |

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Total exit and disposal costs           \$ 6.8           \$ 3.1

The Company's exit and disposal activities costs by financial statement line item follows:

| <i>(in millions)</i>                | <b>Three Months Ended</b> |             |
|-------------------------------------|---------------------------|-------------|
|                                     | <b>March 31,</b>          |             |
|                                     | <b>2019</b>               | <b>2018</b> |
| Cost of goods sold                  | \$ 3.6                    | \$ 2.3      |
| Selling and administrative expenses | 2.9                       | 0.6         |
| Other operating expense, net        | 0.2                       | 0.2         |
| Research and development expenses   | 0.1                       | —           |
| Total exit and disposal costs       | \$ 6.8                    | \$ 3.1      |

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The Company's change in exit and disposal activities liability follows:

| <i>(in millions)</i>            | <b>Total</b> |
|---------------------------------|--------------|
| Balance as of December 31, 2018 | \$ 1.2       |
| Charges                         | 6.8          |
| Cash payments                   | (1.9)        |
| Balance as of March 31, 2019    | \$ 6.1       |

The liability of \$6.1 million primarily relates to employee severance and benefit arrangements and is included in accrued liabilities and other.

#### **Note 10—Income Taxes**

The effective income tax rate on continuing operations for the three months ended March 31, 2019, was 23.6%, reflecting the anticipated full-year rate.

The effective income tax rate on continuing operations for the three months ended March 31, 2018, was 26.1%. The year-to-date provision for income taxes included taxes on earnings at an anticipated full-year rate of approximately 24.7%, and a year-to-date discrete tax expense of \$1.1 million.

#### **Note 11—Inventories, net**

| <i>(in millions)</i> | <b>March 31, 2019</b> | <b>December 31, 2018</b> |
|----------------------|-----------------------|--------------------------|
| Raw materials        | \$ 217.4              | \$ 195.1                 |
| Work-in-process      | 69.5                  | 59.5                     |
| Finished goods       | 263.7                 | 236.5                    |
| Reserves             | (35.9)                | (33.6)                   |
| Inventories, net     | \$ 514.7              | \$ 457.5                 |

#### **Note 12—Goodwill and Other Intangible Assets, net**

The changes in the carrying amount of goodwill, net by segment follows:

| <i>(in millions)</i>                       | <b>CCM</b> | <b>CIT</b> | <b>CFT</b> | <b>CBF1</b> | <b>Total</b> |
|--|------------|------------|------------|-------------|--------------|
| Balance as of December 31, 2018            | \$ 532.8   | \$ 643.1   | \$ 169.5   | \$ 96.4     | \$ 1,441.8   |
| Goodwill acquired during year <sup>2</sup> | 63.0       | —          | —          | —           | 63.0         |
| Currency translation and other             | (0.5)      | 0.1        | 0.3        | 0.1         | —            |
| Balance as of March 31, 2019               | \$ 595.3   | \$ 643.2   | \$ 169.8   | \$ 96.5     | \$ 1,504.8   |

<sup>1</sup>-CBF goodwill, net is presented net of accumulated impairment losses of \$130.0 million recorded in 2016. No other segments have incurred impairment losses.

<sup>2</sup>-Refer to Note 4 for further information on goodwill resulting from recent acquisitions.

A summary of the Company's other intangible assets, net follows:

**March 31, 2019**

**December 31, 2018**

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| <i>(in millions)</i>                          | <b>Acquired<br/>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value</b> | <b>Acquired<br/>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value</b> |
|---|--------------------------|-------------------------------------|---------------------------|--------------------------|-------------------------------------|---------------------------|
| Assets<br>subject to<br>amortization:         |                          |                                     |                           |                          |                                     |                           |
| Customer<br>relationships                     | \$ 920.5                 | \$ (304.4)                          | \$ 616.1                  | \$ 843.8                 | \$ (287.7)                          | \$ 556.1                  |
| Technology<br>and<br>intellectual<br>property | 273.7                    | (137.2)                             | 136.5                     | 268.8                    | (129.3)                             | 139.5                     |
| Trade<br>names<br>and other                   | 72.7                     | (18.8)                              | 53.9                      | 45.4                     | (16.4)                              | 29.0                      |
| Assets not<br>subject to<br>amortization:     |                          |                                     |                           |                          |                                     |                           |
| Trade<br>names                                | 243.0                    | —                                   | 243.0                     | 243.1                    | —                                   | 243.1                     |
| Other<br>intangible<br>assets, net            | \$ 1,509.9               | \$ (460.4)                          | \$ 1,049.5                | \$ 1,401.1               | \$ (433.4)                          | \$ 967.7                  |

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The net book values of other intangible assets, net by reportable segment follows:

| <i>(in millions)</i>                     | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|---------------------------|------------------------------|
| Carlisle<br>Construction<br>Materials    | \$ 381.1                  | \$ 285.3                     |
| Carlisle<br>Interconnect<br>Technologies | 304.8                     | 313.4                        |
| Carlisle Fluid<br>Technologies           | 277.1                     | 280.9                        |
| Carlisle Brake<br>& Friction             | 85.0                      | 86.6                         |
| Corporate                                | 1.5                       | 1.5                          |
| Total                                    | \$ 1,049.5                | \$ 967.7                     |

### **Note 13—Leases**

The Company determines if an arrangement is a lease at inception by evaluating if the asset is explicitly or implicitly identified or distinct, if the Company will receive substantially all of the economic benefit or if the lessor has an economic benefit and the ability to substitute the asset. Operating leases are included in other long-term assets, accrued liabilities and other, and other long-term liabilities.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of fixed and known lease payments over the lease term. Variable payments are not included in the ROU asset or lease liability and can vary from period to period based on our use of an asset during the period or our proportionate share of common costs. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense for these leases is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components and non-lease components. The Company has elected to apply the practical expedient to account for these components as a single lease component, for all classes of underlying assets.

### **Lease Costs, Assets and Liabilities**

The Company has operating leases primarily for manufacturing facilities, warehouses, offices and certain equipment. These leases have remaining lease terms of one to 11 years, some of which include one or more options to renew, with renewal terms that can extend the leases to one or 20 years or more. The components of lease cost for the three months ended March 31, follow:

| <i>(in millions)</i>     | <b>2019</b> |
|--------------------------|-------------|
| Operating<br>lease cost  | \$ 6.4      |
| Variable<br>lease cost   | 1.5         |
| Short-term<br>lease cost | 0.7         |
|                          | \$ 8.6      |

Total lease  
cost

A summary of lease assets and liabilities follows:

| <i>(in millions)</i>  | <b>March 31,<br/>2019</b> |
|---|---------------------------|
| Assets:   |                           |
| Operating<br>lease<br>right-of-use<br>assets <sup>1</sup>     | \$ 69.6                   |
| Liabilities:  |                           |
| Operating<br>lease<br>liabilities -<br>current <sup>2</sup>   | 21.9                      |
| Operating<br>lease<br>liabilities -<br>long-term <sup>3</sup> | 51.8                      |
| Total lease<br>liabilities                                    | \$ 73.7                   |

1. Included in other long-term assets.

2. Included in accrued liabilities and other.

3. Included in other long-term liabilities.

Maturity of lease liabilities as of March 31, 2019, follow:

| <i>(in millions)</i>    | Remainder of 2019 | 2020    | 2021    | 2022   | 2023   | 2024   | Thereafter | Total   |
|-------------------------|-------------------|---------|---------|--------|--------|--------|------------|---------|
| Lease payments          | \$ 19.2           | \$ 18.5 | \$ 12.9 | \$ 9.3 | \$ 7.6 | \$ 5.3 | \$ 9.1     | \$ 81.9 |
| Less: imputed interest  |                   |         |         |        |        |        |            | (8.2)   |
| Total lease liabilities |                   |         |         |        |        |        |            | \$ 73.7 |

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments for non-cancelable operating leases in future years would have been as follows:

| <i>(in millions)</i>          | 2019    | 2020    | 2021   | 2022   | 2023   | Thereafter |
|-------------------------------|---------|---------|--------|--------|--------|------------|
| Future minimum lease payments | \$ 16.7 | \$ 10.8 | \$ 6.8 | \$ 4.9 | \$ 4.2 | \$ 5.1     |

### **Lease Term and Discount Rate**

|  | March 31, 2019 |
|--|----------------|
| Operating leases:                                |                |
| Weighted-average remaining lease term (in years) | 5.0            |
| Weighted-average discount rate                   | 3.3%           |

### **Supplemental Cash Flow Information**

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$5.8 million for the three months ended March 31, 2019. Operating lease right-of-use assets obtained in exchange for new operating lease liabilities totaled \$70.1 million for the three months ended March 31, 2019.

### **Note 14—Long-term Debt**

| <i>(in millions)</i>                                 | March 31, 2019 | December 31, 2018 | Fair Value <sup>1</sup> | March 31, 2019 | December 31, 2018 |
|--|----------------|-------------------|-------------------------|----------------|-------------------|
| 3.75% Notes due 2027                                 | \$ 600.0       | \$ 600.0          | \$ 582.7                | \$ 579.4       |                   |
| 3.5% Notes due 2024                                  | 400.0          | 400.0             | 397.5                   | 386.4          |                   |
| 3.75% Notes due 2022                                 | 350.0          | 350.0             | 353.3                   | 345.5          |                   |
| 5.125% Notes due 2020                                | 250.0          | 250.0             | 255.9                   | 255.0          |                   |
| Unamortized discount, debt issuance costs, and other | (11.5)         | (12.2)            |                         |                |                   |



|                      |    |         |    |         |
|----------------------|----|---------|----|---------|
| Total long term-debt | \$ | 1,588.5 | \$ | 1,587.8 |
|----------------------|----|---------|----|---------|

1. The fair value is estimated based on current yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities. Based on these inputs, the debt instruments are classified as Level 2 in the fair value hierarchy.

### ***Revolving Credit Facility***

During the three months ended March 31, 2019, there were no borrowings or repayments under the Facility. As of March 31, 2019, and December 31, 2018, the Facility had no outstanding balance and \$1.0 billion available for use.

### ***Covenants and Limitations***

Under the Company's debt and credit facilities, the Company is required to meet various restrictive covenants and limitations, including limitations on certain leverage ratios, interest coverage, and limits on outstanding debt balances held by certain subsidiaries. The Company was in compliance with all covenants and limitations as of March 31, 2019 and December 31, 2018.

### ***Letters of Credit and Guarantees***

During the normal course of business, the Company enters into commitments in the form of letters of credit and bank guarantees to provide financial and performance assurance to third parties. As of March 31, 2019 and December 31, 2018, the Company had \$26.2 million and \$26.0 million in letters of credit and bank guarantees outstanding, respectively. The Company has multiple arrangements to obtain letters of credit, which include an agreement with unspecified availability and separate agreements for up to \$80.0 million in letters of credit, of which \$56.1 million was available for use as of March 31, 2019.

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**Note 15—Defined Benefit Plan**

The Company recognizes net periodic benefit cost based on the actuarial analysis performed at the previous year end, adjusted if certain significant events occur during the year.

The components of net periodic benefit cost follows:

| <i>(in millions)</i>                           | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2019</b>                             | <b>2018</b> |
| Service cost                                   | \$ 0.7                                  | \$ 0.8      |
| Interest cost                                  | 1.5                                     | 1.4         |
| Expected return on plan assets                 | (2.4)                                   | (2.6)       |
| Amortization of unrecognized loss <sup>1</sup> | 0.9                                     | 1.1         |
| Net periodic benefit cost                      | \$ 0.7                                  | \$ 0.7      |

<sup>1</sup>-Includes amortization of unrecognized actuarial (gain) loss and prior service credits and excludes provision for income tax of \$(0.2) million and \$(0.3) million for the three months ended March 31, 2019, and 2018, respectively.

The components of net periodic benefit cost, other than the service cost component, are included in other non-operating (income) expense, net.

**Note 16—Standard Product Warranties**

The Company offers various standard warranty programs on its products, primarily for certain installed roofing systems, high-performance cables and assemblies, fluid technologies and braking products. The Company's liability for such warranty programs is included in accrued expenses. The change in standard product warranty liabilities for the three months ended March 31, follows:

| <i>(in millions)</i>    | <b>2019</b> | <b>2018</b> |
|-------------------------|-------------|-------------|
| Balance as of January 1 | \$ 31.9     | \$ 30.4     |
| Current year provision  | 5.3         | 4.4         |
| Current year claims     | (4.5)       | (3.7)       |
| Currency translation    | (0.1)       | 0.2         |
| Balance as of March 31  | \$ 32.6     | \$ 31.3     |

**Note 17—Financial Instruments****Foreign Currency Forward Contracts**

The Company uses foreign currency forward contracts to hedge a portion of its foreign currency exchange rate exposure to forecasted foreign currency denominated cash flows. These instruments are not held for speculative or trading purposes.

A summary of the Company's designated and non-designated cash flow hedges follows:

| <i>(in millions)</i>  | <b>March 31, 2019</b>         |                       | <b>December 31, 2018</b>      |                       |
|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
|                       | <b>Fair Value<sup>1</sup></b> | <b>Notional Value</b> | <b>Fair Value<sup>1</sup></b> | <b>Notional Value</b> |
| Designated hedges     | \$ 1.7                        | \$ 74.6               | \$ 0.2                        | \$ 95.0               |
| Non-designated hedges | (0.2)                         | 60.3                  | 0.1                           | 49.9                  |

<sup>1</sup>The fair value of foreign currency forward contracts is included in other current assets. The fair value was estimated using observable market inputs such as forward and spot prices of the underlying exchange rate pair. Based on these inputs, derivative assets and liabilities are classified as

Level 2 in the fair value hierarchy.

For instruments that are designated and qualify as cash flow hedges, the Company had foreign currency forward contracts with maturities less than one year. The changes in the fair value of the contracts are recorded in accumulated other comprehensive income (loss) and recognized in the same line item as the impact of the hedged item, revenues or cost of sales, when the underlying forecasted transaction impacts earnings. Gains and losses on the contracts representing hedge components excluded from the assessment of hedged effectiveness are recognized in the same line item as the hedged item, revenues or cost of sales, currently.

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The change in accumulated other comprehensive income (loss) related to cash flow hedges for the three months ended March 31, follows:

| <i>(in millions)</i>   | 2019     | 2018     |
|--|----------|----------|
| Balance as of January 1  | \$ (3.2) | \$ (4.0) |
| Other comprehensive income before reclassifications            | 1.9      | 0.3      |
| Amounts reclassified from accumulated other comprehensive loss | (0.3)    | (0.1)    |
| Other comprehensive income                                     | 1.6      | 0.2      |
| Balance as of March 31   | \$ (1.6) | \$ (3.8) |

For instruments that are not designated as a cash flow hedge, the Company had foreign exchange contracts with maturities less than one year. The unrealized gains and losses resulting from these contracts were immaterial and are recognized in other non-operating (income) expense, net and partially offset corresponding foreign exchange gains and losses on these balances.

#### ***Deferred Compensation Rabbi Trust***

The Company has established a Rabbi Trust to provide for a degree of financial security to cover its obligations associated with its deferred compensation plan. Contributions to the Rabbi Trust by the Company are made at the discretion of management and generally are made in cash and invested in money-market funds. The Company consolidates the Rabbi Trust and therefore includes the investments in its Condensed Consolidated Balance Sheets. As of March 31, 2019 and December 31, 2018, the Company had \$11.4 million and \$10.7 million of cash, respectively, and \$5.5 million and \$4.3 million of short-term investments, respectively. The short-term investments are measured at fair value using quoted market prices in active markets (i.e., Level 1 measurements) with changes in fair value recorded in net income and the associated cash flows presented as operating cash flows.

#### ***Other Financial Instruments***

Other financial instruments include cash and cash equivalents, accounts receivable, net, accounts payable, accrued liabilities and other, and long-term debt. The carrying value for cash and cash equivalents, accounts receivable, net, accounts payable and accrued liabilities and other approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 14 for the fair value of long-term debt).

#### **Note 18—Commitments and Contingencies**

##### ***Litigation***

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940s and the mid-1980s. In addition to compensatory awards, these lawsuits may also seek punitive damages. Generally, the Company has obtained dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations, or cash flows. The Company maintains insurance coverage that applies to the Company's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits. At this time, the amount of reasonably possible asbestos

claims, if any, is not material to the Company's financial position, results of operations, or operating cash flows, although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

The Company may occasionally be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, are not expected to have a material adverse effect on the consolidated financial position or annual operating cash flows of the Company.

***Environmental Matters***

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management, and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment of, and compliance with, environmental permits. To date, costs of complying with environmental, health, and safety requirements have not been material, and the Company did not have any significant accruals

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related to potential future costs of environmental remediation as of March 31, 2019, nor are any asset retirement obligations recorded as of that date. However, the nature of the Company's operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired, could potentially result in material environmental liabilities or asset retirement obligations.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

**Note 19—Subsequent Events**

On April 1, 2019, the Company acquired MicroConnex Corporation ("MicroConnex") for approximately \$46.0 million in cash, subject to post-closing adjustments. MicroConnex is a manufacturer of highly engineered microminiature flex circuits and sensors for the medical and test and measurement markets. The initial accounting for the business combination is incomplete as a result of the timing of the acquisition. The results of operations of the acquired business will be reported within the CIT segment beginning in the second quarter of 2019.

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Carlisle Companies Incorporated ("Carlisle", the "Company", "we", "us" or "our") is a diversified, global portfolio of niche brands that manufacture highly engineered products. Carlisle is committed to generating superior shareholder returns by combining a unique management style of decentralization, entrepreneurial spirit, active mergers and acquisitions, and a balanced approach to capital deployment, all with a culture of continuous improvement as embodied in the Carlisle Operating System ("COS"). Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of Company management. All references to "Notes" refer to our Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

### ***Executive Overview***

We focus on achieving profitable growth in our segments both organically, through new product development, product line extensions and entering new markets, as well as through acquisitions of businesses that complement our existing technologies, products and market channels. Resources are allocated among the operating segments based on senior management's assessment of their ability to obtain leadership positions and competitive advantages in the markets they serve. We focus on obtaining profitable growth through the following strategic factors:

- Driving above-market organic growth;
- Utilizing COS consistently to drive efficiencies and operating leverage;
- Building scale with synergistic acquisitions;
- Continuing to invest in and develop exceptional talent; and
- Deploying capital into capital expenditures, share repurchases and dividends.

Our results in the first quarter reflected continued healthy demand across many of our key end markets, price discipline, efficiencies gained from COS, contributions from acquisitions and solid execution of our operating plans from Carlisle's employees around the globe. Building on the solid momentum we gained in 2018, we drove record first quarter revenues, operating income and diluted EPS. We also and continue to gain traction on the key objectives of Vision 2025, including:

- Achieving 5.9% organic revenue growth, in excess of our long-term growth target of 5%
- Leveraging revenue growth to deliver a 21% increase in operating income
- Maintaining price discipline across businesses, leading to positive price realization at all four segments
- Delivering cost savings of 1.3% of sales through COS, within our targeted range of 1-2%
- Utilizing our strong cash flow and balance sheet to deploy over \$180 million into share repurchases and dividends paid
- Continuing to reshape the portfolio and build out our capabilities by acquiring Petersen Aluminum Corporation ("Petersen") within CCM and, on April 1, 2019, MicroConnex Corporation ("MicroConnex") within CIT

**Summary of Financial Results**

| <i>(in millions, except per share amounts)</i>            | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2019</b>                             | <b>2018</b> |
| Revenues  | \$ 1,071.9                              | \$ 984.7    |
| Operating income  | \$ 114.7                                | \$ 94.7     |
| Operating margin percentage                               | 10.7%                                   | 9.6%        |
| Income from continuing operations                         | \$ 77.4                                 | \$ 57.9     |
| Income from discontinued operations                       | \$ 2.0                                  | \$ 251.7    |
| Diluted earnings per share attributable to common shares: |   |             |
| Income from continuing operations                         | \$ 1.33                                 | \$ 0.92     |
| Income from discontinued operations                       | \$ 0.03                                 | \$ 4.02     |
| Items affecting comparability: <sup>1</sup>               |   |             |
| Impact to operating income                                | \$ 7.2                                  | \$ 4.4      |
| Impact to income from continuing operations               | \$ 4.7                                  | \$ 3.4      |
| Impact on diluted EPS from continuing operations          | \$ 0.08                                 | \$ 0.05     |

<sup>1</sup> Items affecting comparability primarily include acquisition related costs, exit and disposal costs, facility rationalization costs, litigation settlement costs and gains from divestitures. Tax effect is based on the rate of the jurisdiction where the expense is deductible. Refer to *Items Affecting Comparability* in this MD&A for further discussion.

Revenues increased in the first quarter of 2019 primarily reflecting increased volume, company-wide price realization and contribution from the acquisition of Petersen, partially offset by foreign currency headwinds. The increase in operating income in the first quarter of 2019 primarily reflected the above revenue performance and benefits from the continued execution of COS. Partially offsetting the increase were higher labor-related, freight and restructuring costs.

Diluted earnings per share from continuing operations primarily benefited from the above operating income performance, a lower effective tax rate and reduced average shares outstanding, resulting from our share repurchase program.

**Outlook**

We are pleased with the start to 2019 and are optimistic about both our near and long-term prospects for growth despite persistent uncertainties around the China trade negotiations and Brexit.

We remain focused on executing the Vision 2025 objectives of exceeding 5% organic growth, utilizing COS to deliver efficiencies and operating leverage, building scale with synergistic acquisitions, continuing to invest in exceptional talent, and deploying over \$3 billion into capital expenditures, share repurchases and dividends.

**Consolidated Results of Operations****Revenues**

| <i>(in millions)</i> | <b>Three Months Ended March 31,</b> |             |               |          |          | <b>Acquisition Effect</b> | <b>Price / Volume Effect</b> | <b>Exchange Rate Effect</b> |
|----------------------|-------------------------------------|-------------|---------------|----------|----------|---------------------------|------------------------------|-----------------------------|
|                      | <b>2019</b>                         | <b>2018</b> | <b>Change</b> | <b>%</b> | <b>%</b> |                           |                              |                             |
| Revenues             | \$ 1,071.9                          | \$ 984.7    | \$ 87.2       | 8.9%     | 3.9%     | 5.9%                      | (0.9%)                       |                             |

The increase in revenues in the first quarter of 2019 primarily reflected increase sale volumes from favorable commercial construction demand at CCM and an increase in demand for aerospace products at CIT. Revenues also increased from company-wide price realization, particularly in the CCM segment.

Revenues from acquired businesses in the first quarter of 2019 primarily reflected a contribution of \$35.5 million from the acquisition of Petersen in the CCM segment. The increase in revenues was partially offset by unfavorable foreign currency rates due to a stronger U.S dollar.





**Gross Margin**

| <i>(in millions)</i>          | Three Months Ended March 31, |          |         |      |
|-------------------------------|------------------------------|----------|---------|------|
|                               | 2019                         | 2018     | Change  | %    |
| Gross margin                  | \$ 288.6                     | \$ 249.4 | \$ 39.2 | 15.7 |
| Gross margin percentage       | 26.%                         | 25.3%    |         |      |
| Depreciation and amortization | \$ 22.6                      | \$ 26.2  |         |      |

The increase in gross margin percentage (gross margin expressed as a percentage of revenues) in the first quarter of 2019 was driven by company-wide price realization, particularly in the CCM segment, higher sales volumes in the CCM and CIT segments and savings from COS. Partially offsetting these items was higher labor-related costs and unfavorable product mix. Also included in cost of goods sold were exit and disposal costs totaling \$3.6 million in the first quarter of 2019, compared with \$2.3 million in the first quarter of 2018, primarily at CIT, attributable to our restructuring initiatives.

**Selling and Administrative Expenses**

| <i>(in millions)</i>                | Three Months Ended March 31, |          |         |      |
|-------------------------------------|------------------------------|----------|---------|------|
|                                     | 2019                         | 2018     | Change  | %    |
| Selling and administrative expenses | \$ 164.2                     | \$ 148.6 | \$ 15.6 | 10.5 |
| As a percentage of revenues         | 15.%                         | 15.1%    |         |      |
| Depreciation and amortization       | \$ 25.9                      | \$ 19.3  |         |      |

The increase in selling and administrative expenses in the first quarter 2019 primarily reflected acquired selling general and administrative costs from the acquisition of Petersen, higher labor-related costs for equity and incentive compensation and charges for the facility rationalization and plant restructuring projects at CIT. The selling and administrative costs from the acquired businesses also included non-cash amortization of acquired customer-related intangible assets. Refer to Note 9 for further information on exit and disposal activities. These increases were partially offset by continuing cost savings from the integration of acquired businesses.

**Research and Development Expenses**

| <i>(in millions)</i>              | Three Months Ended March 31, |         |        |     |
|-----------------------------------|------------------------------|---------|--------|-----|
|                                   | 2019                         | 2018    | Change | %   |
| Research and development expenses | \$ 14.4                      | \$ 13.9 | \$ 0.5 | 3.6 |
| As a percentage of revenues       | 1.3%                         | 1.4%    |        |     |
| Depreciation and amortization     | \$ 0.5                       | \$ 0.4  |        |     |

Research and development expenses remained consistent in the first quarter of 2019, compared with the first quarter of 2018, and primarily reflected new product development at our CIT, CCM and CFT segments.

**Other Operating (Income) Expense, net**

| <i>(in millions)</i> | Three Months Ended March 31, |      |        |   |
|----------------------|------------------------------|------|--------|---|
|                      | 2019                         | 2018 | Change | % |

|                                       |          |          |        |    |
|---------------------------------------|----------|----------|--------|----|
| Other operating (income) expense, net | \$ (4.7) | \$ (7.8) | \$ 3.1 | NM |
|---------------------------------------|----------|----------|--------|----|

Other operating (income) expense, net in the first quarter of 2019 primarily reflected a \$3.0 million gain on contingent consideration at CFT and \$0.6 million of gains on sales of assets, primarily at CBF.

The increase in other operating (income) expense, net in the first quarter of 2018 primarily reflected the \$4.9 million gain on a legal settlement at CCM and \$2.0 million of gains on sales of assets primarily at CCM and CFT.

**Operating Income**

| <i>(in millions)</i>        | Three Months Ended March 31, |         |         | Change | % |
|-----------------------------|------------------------------|---------|---------|--------|---|
|                             | 2019                         | 2018    |         |        |   |
| Operating income            | \$ 114.7                     | \$ 94.7 | \$ 20.0 | 21%    |   |
| Operating margin percentage | 10.7%                        | 9.6%    |         |        |   |

Refer to *Segment Results of Operations* within this MD&A for further information related to segment operating income results.

**Interest Expense, net**

| (in millions)         | Three Months Ended March 31, |         |          |      |
|-----------------------|------------------------------|---------|----------|------|
|                       | 2019                         | 2018    | Change   | %    |
| Interest expense      | \$ 16.3                      | \$ 15.4 |          |      |
| Interest income       | (2.6)                        | (0.9)   |          |      |
| Interest expense, net | \$ 13.7                      | \$ 14.5 | \$ (0.8) | (5)% |

The decrease in interest expense, net during the first quarter of 2019 primarily reflected an increase in interest income associated with higher returns on our cash balance and improved mix of excess cash in higher yield assets. The decrease was partially offset by a lower amount of capitalized interest in the first quarter of 2019 as a result of lower capital expenditures.

**Other Non-operating (Income) Expense, net**

| (in millions)                        | Three Months Ended March 31, |        |          |       |
|--------------------------------------|------------------------------|--------|----------|-------|
|                                      | 2019                         | 2018   | Change   | %     |
| Other non-operating (income) expense | \$ (0.4)                     | \$ 1.9 | \$ (2.3) | (12)% |

The change in other non-operating (income) expense, net, primarily reflected the non-recurrence of the net impact of the resolution of certain tax uncertainties related to the Accella acquisition and release of the corresponding indemnification asset, and the weakening of the U.S. Dollar and related changes in foreign exchange losses.

**Income Taxes**

| (in millions)              | Three Months Ended March 31, |         |        |     |
|----------------------------|------------------------------|---------|--------|-----|
|                            | 2019                         | 2018    | Change | %   |
| Provision for income taxes | \$ 24.0                      | \$ 20.4 | \$ 3.6 | 17% |
| Effective tax rate         | 23.6%                        | 26.1%   |        |     |

The effective income tax rate on continuing operations for the three months ended March 31, 2019, was 23.6%, reflecting the anticipated full-year rate.

The effective income tax rate on continuing operations for the three months ended March 31, 2018, was 26.1%. The year-to-date provision for income taxes included taxes on earnings at an anticipated full-year rate of approximately 24.7%, and a year-to-date discrete tax expense of \$1.1 million.

**Income from Discontinued Operations**

| (in millions)                                    | Three Months Ended March 31, |          |            |    |
|--|------------------------------|----------|------------|----|
|  | 2019                         | 2018     | Change     | %  |
| Income from discontinued operations before taxes | \$ —                         | \$ 299.0 |            |    |
| (Benefit) provision for income taxes             | (2.0)                        | 47.3     |            |    |
| Income from discontinued operations              | \$ 2.0                       | \$ 251.7 | \$ (249.7) | NM |

Income from discontinued operations in 2019 relates solely to the settlement of prior income tax positions in the current year.

Income from discontinued operations in the first quarter of 2018 primarily reflects the pre-tax gain on sale of CFS totaling \$296.8 million. Excluding the gain on sale, income from discontinued operations reflects activity from January 1, 2018 through March 20, 2018, the date that the sale of CFS was completed.

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### Segment Results of Operations

#### Carlisle Construction Materials ("CCM")

On January 11, 2019, we acquired Petersen for estimated consideration of \$207.2 million. Petersen's primary business is the manufacture and distribution of market leading architectural metal roof panels, steel and aluminum flat sheets and coils, wall panels, perimeter roof edge systems and related accessories for commercial, residential, institutional, industrial and agricultural markets. Refer to Note 4 for further discussion.

| (in millions)                              | Three Months Ended March 31, |          |         |     | Acquisition Effect | Price / Volume Effect | Exchange Rate Effect |
|--|------------------------------|----------|---------|-----|--------------------|-----------------------|----------------------|
|  | 2019                         | 2018     | Change  | %   |                    |                       |                      |
| Revenues                                   | \$ 671.1                     | \$ 598.6 | \$ 72.5 | 12% | 6%                 | 6%                    | (0%)                 |
| Operating income                           | \$ 92.9                      | \$ 75.8  | \$ 17.1 | 22% |                    |                       |                      |
| Operating margin percentage                | 13.8%                        | 12.7%    |         |     |                    |                       |                      |
| Depreciation and amortization              | \$ 22.6                      | \$ 19.1  |         |     |                    |                       |                      |
| Items affecting comparability <sup>1</sup> | \$ 1.6                       | \$ (1.8) |         |     |                    |                       |                      |

1. Items affecting comparability include acquisition related costs of \$1.4 million and exit and disposal and facility rationalization costs of \$0.2 million in the first quarter of 2019 and gains from divestitures of \$(1.8) million in the first quarter of 2018, refer to *Items Affecting Comparability*.

CCM's revenue growth in the first quarter of 2019 primarily reflected higher sales volumes driven by U.S. roofing demand, growth in Europe, price realization, new product development and revenue contribution from the acquisition of Petersen.

CCM's operating margin percentage increase in the first quarter of 2019 was driven by price realization, higher sales volumes and cost savings from COS. Partially offsetting the increase in operating margin percentage were higher labor-related costs and the absence of a one-time gain in the first quarter of 2018 from a legal settlement.

#### Outlook

CCM's revenues and operating income are generally higher in the second and third quarters of the year due to increased construction activity during these periods, however could be impacted by unfavorable weather. CCM's commercial roofing business is comprised predominantly of revenues from re-roofing, which derives demand from a large base of installed roofs requiring replacement in a given year, and less from roofing for new commercial construction. Demand for commercial insulation products is also driven by increased enforcement of building codes related to energy efficiency. Growth in demand in the commercial construction market can be negatively impacted by changes in fiscal policy and increases in interest rates. The availability of labor to fulfill installations may also be a constraint on growth in the commercial roofing market.

CCM's ability to increase current selling price and volume levels is subject to significant competition, in particular from competitors that have added manufacturing capacity of commercial roofing and insulation, spray foam polyurethane products and metal roofing. Raw material input costs are expected to continue to increase moderately due to crude oil and related commodity pricing. Despite recent price realization, price competition could negatively impact CCM's ability to maintain current operating income margin levels or obtain incremental operating margin.

We now expect CCM to achieve low-double digit revenue growth in 2019, including contributions from acquisitions, with underlying demand and pricing supporting organic revenue growth.

#### Carlisle Interconnect Technologies ("CIT")

In January 2019, we announced we would exit our manufacturing operations in El Segundo, California, and Riverside, California, and relocate the majority of those operations to our existing manufacturing facility in North America. This project is expected to take 12 to 18 months to complete with total expected project costs of approximately \$20.3 million. As a result of these efforts, focused on improving operational efficiencies throughout the business, we anticipate continuing costs related to plant restructuring and facility rationalization throughout 2019. Refer to Note 9 for further information regarding exit and disposal activities.

On April 1, 2019, the Company acquired MicroConnex for approximately \$46.0 million in cash, subject to post-closing adjustments. MicroConnex is a manufacturer of highly engineered microminature flex circuits and sensors

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for the medical and test and measurement markets. The results of operations of the acquired business will be reported within the CIT segment beginning in the second quarter of 2019. Refer to Note 19 for further discussion.

| <i>(in millions)</i>                       | Three Months Ended March 31, |          |         |     | Acquisition Effect | Price / Volume Effect | Exchange Rate Effect |
|--|------------------------------|----------|---------|-----|--------------------|-----------------------|----------------------|
|  | 2019                         | 2018     | Change  | %   |                    |                       |                      |
| Revenues                                   | \$ 246.4                     | \$ 224.3 | \$ 22.1 | 9%  | 0%                 | 10%                   | (0%)                 |
| Operating income                           | \$ 30.6                      | \$ 27.2  | \$ 3.4  | 12% |                    |                       |                      |
| Operating margin percentage                | 12.4%                        | 12.1%    |         |     |                    |                       |                      |
| Depreciation and amortization              | \$ 14.5                      | \$ 14.6  |         |     |                    |                       |                      |
| Items affecting comparability <sup>1</sup> | \$ 4.9                       | \$ 2.6   |         |     |                    |                       |                      |

<sup>1</sup> Items affecting comparability include exit and disposal and facility rationalization costs (\$4.7 million in the first quarter of 2019 and \$2.6 million in the first quarter of 2018) and acquisition costs of \$0.2 million in the first quarter of 2019, refer to *Items Affecting Comparability*.

CIT's revenue growth in the first quarter of 2019 primarily reflected increases in the aerospace, test and measurement and space and defense markets.

CIT's operating margin percentage increased in the first quarter of 2019, driven by higher volumes, price realization and savings from COS, partially offset by higher restructuring and facility rationalization costs, unfavorable product mix and higher labor-related costs.

#### Outlook

The longer term outlook in the commercial aerospace market remains favorable with a strong delivery cycle for new commercial aircraft expected over the next several years. The outlook for the market for in-flight entertainment and connectivity applications also remains positive on increasing demand for on-board connectivity applications used in both installed aircraft seating and through personal mobile devices using wireless connectivity access.

CIT is actively pursuing new products, customers and complementary technologies to support its expansion into the growing medical technology market. The medical technology markets in which CIT competes are experiencing vendor consolidation trends among larger medical original equipment manufacturer's, to whom CIT offers improved product verification capabilities and value-added vertical integration through its multiple product offerings.

We now expect CIT to achieve mid-to-high single digit revenue growth in 2019.

#### Carlisle Fluid Technologies ("CFT")

| <i>(in millions)</i>                       | Three Months Ended March 31, |         |          |       | Acquisition Effect | Price / Volume Effect | Exchange Rate Effect |
|--|------------------------------|---------|----------|-------|--------------------|-----------------------|----------------------|
|  | 2019                         | 2018    | Change   | %     |                    |                       |                      |
| Revenues                                   | \$ 63.1                      | \$ 63.5 | \$ (0.4) | (0.6) | —%                 | 2%                    | (2%)                 |
| Operating income                           | \$ 6.4                       | \$ 5.7  | \$ 0.7   | 12%   |                    |                       |                      |
| Operating margin percentage                | 10.1%                        | 9.0%    |          |       |                    |                       |                      |
| Depreciation and amortization              | \$ 5.7                       | \$ 5.4  |          |       |                    |                       |                      |
| Items affecting comparability <sup>1</sup> | \$ (0.9)                     | \$ 0.5  |          |       |                    |                       |                      |



1. Items affecting comparability include exit and disposal and facility rationalization costs (\$2.0 million in the first quarter of 2019 and \$0.7 million in the first quarter of 2018), acquisition related costs of \$0.1 million in the first quarter of 2019, gain on contingent consideration of \$(3.0) million in the first quarter of 2019 and gain from divestiture of \$(0.2) million in the first quarter of 2018, refer to *Items Affecting Comparability*.

CFT's revenue was flat in the first quarter of 2019 and reflected strength of standard product sales in automotive refinish and general industrial markets, offset by softness in transportation end markets and foreign currency headwinds.

CFT's operating income and operating margin percentage performance for the first quarter of 2019 improved, reflecting price realization, savings from COS and a one-time gain on contingent consideration from a previous acquisition, partially offset by labor-related and raw material inflation and a one-time charge for organizational restructuring.

*Outlook*

The longer term outlook in the transportation and general industrial markets remains steady with a stable backlog of systems and standard products expected over the next year. We expect the opportunity for growth in the Asia-Pacific markets to continue to increase in conjunction with the expanding powder opportunities.

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We continue to expect CFT to achieve mid-single digit revenue growth in 2019.

**Carlisle Brake & Friction ("CBF")**

| (in millions)                              | Three Months Ended March 31, |         |          |      | Acquisition Effect | Price / Volume Effect | Exchange Rate Effect |
|--|------------------------------|---------|----------|------|--------------------|-----------------------|----------------------|
|  | 2019                         | 2018    | Change   | %    |                    |                       |                      |
| Revenues                                   | \$ 91.3                      | \$ 98.3 | \$ (7.0) | (7%) | —%                 | (3%)                  | (3%)                 |
| Operating (loss) income                    | \$ 6.5                       | \$ 4.5  | \$ 2.0   | 44%  |                    |                       |                      |
| Operating margin percentage                | 7.1%                         | 4.6%    |          |      |                    |                       |                      |
| Depreciation and amortization              | \$ 5.4                       | \$ 6.1  |          |      |                    |                       |                      |
| Items affecting comparability <sup>1</sup> | \$ 1.3                       | \$ 2.0  |          |      |                    |                       |                      |

1. Items affecting comparability and include exit and disposal and facility rationalization costs (\$1.3 million in the first quarter of 2019 and \$2.0 million in the first quarter of 2018), refer to *Items Affecting Comparability*.

CBF revenue decreased in the first quarter of 2019, reflecting weaker than expected sales volumes in the heavy equipment and aerospace markets and foreign currency headwinds, partially offset by price realization.

CBF's operating margin percentage increase in the first quarter of 2019 was driven by lower restructuring and facility rationalization costs, associated with our Tulsa, Oklahoma to Medina, Ohio facility consolidation, price realization and savings from COS, partially offset by lower sales volumes, labor-related and raw material inflation and unfavorable product mix.

**Outlook**

With certain customers adjusting their inventory levels, price discipline and product line rationalization actions taken by the team, we now expect CBF revenues to be flat in 2019.

**Liquidity and Capital Resources**

A summary of our cash and cash equivalents by region follows:

| (in millions)                           | March 31, 2019 | December 31, 2018 |
|---|----------------|-------------------|
| Europe                                  | \$ 72.6        | \$ 39.3           |
| North America (excluding U.S.)          | 28.0           | 28.6              |
| China                                   | 31.7           | 28.6              |
| Asia Pacific (excluding China)          | 35.7           | 19.5              |
| International cash and cash equivalents | 168.0          | 116.0             |
| U.S. cash and cash equivalents          | 348.6          | 687.6             |
| Total cash and cash equivalents         | \$ 516.6       | \$ 803.6          |

We maintain liquidity sources primarily consisting of cash and cash equivalents as well as availability under the Facility. Cash generated by operations is our primary source of liquidity. Another potential source of liquidity is access to public capital markets via our automatic registration statement on Form S-3 filed November 8, 2017, subject to market conditions at that time. The decrease in cash and cash equivalents compared to December 31, 2018, was primarily related to the acquisition of Petersen, which was completed on January 11, 2019. Additionally, during the first three months of 2019, we utilized cash on hand to fund share repurchases, capital expenditures and pay dividends to shareholders.

Cash held by subsidiaries in China is subject to local laws and regulations that require government approval for conversion of such cash to U.S. Dollars, as well as for transfer of such cash to entities that are outside of China.

We believe we have sufficient financial resources to meet our business requirements for at least the next 12 months, including capital expenditures for worldwide manufacturing, working capital requirements, dividends, common stock repurchases, acquisitions and strategic investments.

We also anticipate we will have sufficient cash on hand, as well as available liquidity under our revolving credit facility (the "Facility"), to pay outstanding principal balances of our existing notes by the respective maturity dates. We intend to obtain additional liquidity by accessing the capital markets to repay the outstanding balance if these sources of liquidity have been used for other strategic purposes by the time of maturity. Refer to *Debt Instruments* below.

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**Sources and Uses of Cash and Cash Equivalents**

| <i>(in millions)</i>                                     | Three Months Ended |          |
|--|--------------------|----------|
|  | March 31,          |          |
|  | 2019               | 2018     |
| Net cash provided by operating activities                | \$ 109.8           | \$ 33.2  |
| Net cash (used in) provided by investing activities      | (224.4)            | 715.0    |
| Net cash used in financing activities                    | (173.1)            | (148.0)  |
| Effect of foreign currency exchange rate changes on cash | 0.7                | 1.9      |
| Change in cash and cash equivalents                      | \$ (287.0)         | \$ 602.1 |

**Operating Activities**

We generated operating cash flows of \$109.8 million for the first three months of 2019 (including working capital uses of \$33.3 million), compared with \$33.2 million for the first three months of 2018 (including working capital uses of \$84.5 million). Higher operating cash flows in the first three months of 2019 primarily reflect higher cash earnings and more efficient investment in working capital.

**Investing Activities**

Cash used in investing activities of \$224.4 million for the first three months of 2019 primarily reflected the acquisition of Petersen, net of cash acquired, for \$202.0 million and capital expenditures of \$23.3 million. Cash provided by investing activities of \$715.0 million for the first three months of 2018 primarily reflects the sale of CFS for gross proceeds of \$754.6 million, partially offset by capital expenditures of \$42.5 million.

**Financing Activities**

Cash used in financing activities of \$173.1 million in the first three months of 2019 primarily reflected \$157.1 million of share repurchases and \$23.3 million of dividend payments, reflecting the increased dividend of \$0.40 per share. Cash used in financing activities of \$148.0 million during the first three months of 2018 primarily reflected \$122.0 million of share repurchases and \$23.1 million of dividend payments.

**Outlook**

Our priorities for the use of cash are to invest in growth and performance improvement opportunities for our existing businesses through capital expenditures, pursue strategic acquisitions that meet shareholder return criteria, pay dividends to shareholders and return value to shareholders through share repurchases.

**Debt Instruments****Senior Notes**

We have senior unsecured notes outstanding of \$250.0 million due December 15, 2020 (at a stated interest rate of 5.125%), \$350.0 million due November 15, 2022 (at a stated interest rate of 3.75%), \$400.0 million due December 1, 2024 (at a stated interest rate of 3.5%) and \$600.0 million due December 1, 2027 (at a stated interest rate of 3.75%) that are rated BBB by Standard & Poor's and Baa2 by Moody's.

*Revolving Credit Facility (the "Facility")*

During the first quarter of 2019, we had no borrowings or repayments under the Facility. As of March 31, 2019, the Facility had no outstanding balance and \$1.0 billion available for use.

We are required to meet various restrictive covenants and limitations under our senior notes and revolving credit facility including certain leverage ratios, interest coverage ratios and limits on outstanding debt balances held by certain subsidiaries. We were in compliance with all covenants and limitations as of March 31, 2019 and December 31, 2018.

Refer to Note 14 for further information on our debt instruments.

***New Accounting Pronouncements***

Refer to Note 2 for more information regarding new accounting pronouncements.

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**Items Affecting Comparability**

Items affecting comparability include costs, and losses or gains related to, among other things, growth and profitability improvement initiatives and other events outside of core business operations (such as asset impairments, exit and disposal and facility rationalization charges, costs of and related to acquisitions, litigation settlement costs, gains and losses from and costs related to divestitures, and discrete tax items). Because these items affect our, or any particular operating segment's, financial condition or results in a specific period in which they are recognized, we believe it is appropriate to present the total of these items to provide information regarding the comparability of results of operations period to period. The components of items affecting comparability follows:

| <i>(in millions, except per share amounts)</i> | Three Months Ended March 31, 2019 |   |  | Three Months Ended March 31, 2018 |   |  |
|--|-----------------------------------|---|--|-----------------------------------|---|--|
|  | Impact to Operating Income        | Impact to Income from Continuing Operations | Impact to Diluted EPS from Continuing Operations | Impact to Operating Income        | Impact to Income from Continuing Operations | Impact to Diluted EPS from Continuing Operations |
| Exit and disposal costs                        | \$ 6.8                            | \$ 5.1                                      | \$ 0.09  | \$ 3.1                            | \$ 2.4                                      | \$ 0.04  |
| Other facility rationalization costs           | 1.4                               | 1.1   | 0.02   | 2.2                               | 1.7   | 0.02   |
| Acquisition related costs:                     |                                   |   |  |                                   |   |  |
| Inventory step-up amortization                 | 0.5                               | 0.4   | —  | —                                 | —   | —  |
| Other acquisition costs                        | 1.5                               | 1.1   | 0.02   | 1.1                               | 0.8   | 0.01   |
| Gain from contingent consideration             | (3.0)                             | (3.0)                                       | (0.05)   | —                                 | —   | —  |
| Gains from divestitures                        | —                                 | —   | —  | (2.0)                             | (1.5)                                       | (0.02)   |
| Total items affecting comparability            | \$ 7.2                            | \$ 4.7                                      | \$ 0.08  | \$ 4.4                            | \$ 3.4                                      | \$ 0.05  |

The impact to income from continuing operations reflects the tax effect of items affecting comparability based on the statutory rate in the jurisdiction in which the expense or income is deductible or taxable. The per share impact of items affecting comparability to each period is based on diluted shares outstanding using the two-class method (refer to Note 6).

**Forward-Looking Statements**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally use words such as "expect," "foresee," "anticipate," "believe," "project," "should," "estimate," "will," "plans," "intends," "forecast" and similar expressions, and reflect our expectations concerning the future. Such statements are made based on known events and circumstances at the time of publication, and as such, are subject in the future to unforeseen risks and uncertainties. It is possible that our future performance may differ materially from current expectations expressed in these forward-looking statements, due to a variety of factors such as: increasing price and product/service competition by foreign and domestic competitors, including new entrants; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; our mix of products/services; increases in raw material costs which cannot be recovered in product pricing; domestic and foreign governmental and public policy changes including environmental and industry regulations; threats associated with and efforts to combat terrorism; protection and validity of patent and other intellectual property rights; the successful integration and identification of our strategic acquisitions; the cyclical nature of our businesses; and the outcome of pending and future litigation and governmental proceedings. In addition, such statements could be affected by general industry and market conditions and growth rates, the condition of the financial and credit markets, and general domestic and international economic conditions including interest rate and

currency exchange rate fluctuations. Further, any conflict in the international arena may adversely affect general market conditions and our future performance. We undertake no duty to update forward-looking statements.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

There have been no material changes in the Company's market risk for the three months ended March 31, 2019. For additional information, refer to "PART II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of the Company's 2018 Annual Report on Form 10-K.

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#### **Item 4. Controls and Procedures**

a. Evaluation of disclosure controls and procedures. Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation and as of March 31, 2019, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

b. Changes in internal controls. During the first three months of 2019, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **PART II**

#### **Item 1. Legal Proceedings**

##### ***Litigation***

Over the years, we have been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940's and the mid-1980's. In addition to compensatory awards, these lawsuits may also seek punitive damages. We typically obtain dismissals or settlements of our asbestos-related lawsuits with no material effect on our financial condition, results of operations, or cash flows. We maintain insurance coverage that applies to our defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits. At this time, we believe that the resolution of our pending asbestos claims will not have a material impact on our financial condition, results of operations, or cash flows, although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

In addition, we may occasionally be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, are not expected to have a material adverse effect on the consolidated financial position or annual operating cash flows of the Company.

##### ***Environmental Matters***

We are subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment, and compliance with, environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material, and we do not have any significant accruals related to potential future costs of environmental remediation as of March 31, 2019, nor are any asset retirement obligations recorded as of that date. The nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired could potentially result in material environmental liabilities.

While we must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on our business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

##### **Item 1A. Risk Factors**

During the three months ended March 31, 2019, there were no material changes to the risk factors disclosed in "PART I—Item 1A. Risk Factors" of the Company's 2018 Annual Report on Form 10-K.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table summarizes the repurchase of common stock during the three months ended March 31, 2019:

| Period        | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>1</sup> |
|---------------|----------------------------------|------------------------------|--|---|
| January 2019  | 786                              | \$ 105.24                    | 755  | 1,983   |
| February 2019 | 166                              | 110.77                       | 165  | 6,818   |
| March 2019    | 424                              | 122.73                       | 424  | 6,394   |
| Total         | 1,376                            |                              | 1,344  |   |

<sup>1</sup>Represents the remaining total number of shares that can be repurchased under the Company's stock repurchase program. On February 5, 2019, the Board approved a 5 million share increase in the Company's stock repurchase programs.

The Company may also reacquire shares outside of the repurchase program from time to time in connection with the forfeiture of shares in satisfaction of tax withholding obligations from the vesting of share-based compensation. There were approximately 32 thousand shares reacquired in transactions outside of the share repurchase program during the three months ended March 31, 2019.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

| Exhibit Number | Exhibit Title   | Filed with this Form 10-Q | Incorporated by Reference |           |            |
|----------------|---|---------------------------|---------------------------|-----------|------------|
|                |   |                           | Form                      | File No.  | Date Filed |
| <u>3.1</u>     | Restated Certificate of Incorporation of the Company.   |                           | 10-Q                      | 001-9278  | 10/21/2015 |
| <u>3.2</u>     | Amended and Restated Bylaws of the Company.   |                           | 8-K                       | 001-9278  | 12/14/2015 |
| 4.1P           | Form of Trust Indenture between the Company and Fleet National Bank.  |                           | S-3                       | 333-16785 | 11/26/1996 |
| <u>4.2</u>     | First Supplemental Indenture, dated as of August 18, 2006, among the Company, U.S. Bank National Association (as successor to State Street Bank and Trust Company, as successor to Fleet National Bank) and The Bank of New York Mellon Trust Company, N.A.   |                           | 8-K                       | 001-9278  | 8/18/2006  |
| <u>4.3</u>     | Second Supplemental Indenture, dated as of December 9, 2010, among the Company, U.S. Bank National Association (as successor to State Street Bank and Trust Company, as successor to Fleet National Bank) and The Bank of New York Mellon Trust Company, N.A. |                           | 8-K                       | 001-9278  | 12/10/2010 |
| <u>4.4</u>     | Third Supplemental Indenture, dated as of November 20, 2012, among the Company, U.S. Bank National Association (as successor to State Street Bank and Trust Company, as successor to Fleet National Bank) and The Bank of New York Mellon Trust Company, N.A. |                           | 8-K                       | 001-9278  | 11/20/2012 |
| <u>4.5</u>     | Form of 3.500% Notes due 2024.  |                           | 8-K                       | 001-9278  | 11/16/2017 |
| <u>4.6</u>     | Form of 3.750% Notes due 2027.  |                           | 8-K                       | 001-9278  | 11/16/2017 |
| <u>10.1</u>    | Carlisle LLC Amended and Restated Supplemental Pension  | X                         |                           |           |            |

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|             |  |   |
|-------------|--|---|
|             | Plan, effective January 1, 2019.   |   |
| <u>10.2</u> | Carlisle Companies Incorporated Amended and Restated Incentive Compensation Program, effective January 1, 2019.                        | X |
| <u>31.1</u> | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).   | X |
| <u>31.2</u> | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).   | X |
| <u>32.1</u> | Section 1350 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   | X |
| 101.INS     | The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document. | X |
| 101.SCH     | XBRL Taxonomy Extension Schema Document  | X |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase Document  | X |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document   | X |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase Document  | X |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase Document   | X |

P Indicates paper filing.

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CARLISLE  
COMPANIES  
INCORPORATED**

Date: April  
25,  
2019

By: /s/ Robert  
M. Roche

Robert M.  
Roche

*Vice  
President  
and Chief  
Financial  
Officer*