

HVAC/Air Conditioning (HD, LOW) Conversation levels about increased temps and A/C units close in on all-time highs

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Industrial
Climate Control
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According to the National Oceanic and Atmospheric Association (NOAA), May 2018 hit record highs for eight states and was abnormally warm for 34 states (see Figure 8). In response, we are seeing the highest levels of conversation regarding heatwaves, A/C, and A/C units. Home Depot and Lowe's could stand to benefit greatly from the frenzy to purchase air conditioners, specifically window units.

- **Y/Y from May 1 to July 24, mention frequency for [heatwave] increased 199%.** Mention frequency of [heat +wave] increased 41%. Mention frequency of [hot out] increased by 226% Y/Y as well. See Figures 2, 4, and 5.
- **Y/Y mention frequency for [air conditioner] was up 111% during the same May 1 to July 24 time frame** (Figure 1).
- **US search interest in [air conditioner], [ac unit], and [a/c] all hit 5-year highs in the first week of July.** Canadian search interest in [air conditioner] also hit a 5-year high in the first week of July (Figures 6 and 7).
- **Cumulatively, US search interest for [air conditioner], [ac unit], and [a/c] has increased 22%, 41%, and 2%, respectively, indexed to [air conditioner] searches.** Canadian search interest in [air conditioner] is up 51%. All numbers reflect the same May 1 through July 24 time frame.

BACKGROUND

- **With record or abnormal highs around the states in May, many people appeared to be rushing out to buy A/C units.** We are also seeing tweets stating that Home Depot and Lowe's are sold out of A/C units. This content, paired with the increase in mention frequency and search terms relating to a heatwave and air conditioning units, leads us to believe Home Depot and Lowe's could stand to benefit.
- **Watsco, an HVAC distributor out of Florida, could also benefit from an increase in demand for air conditioning systems.** Watsco's earnings call this morning can provide further proof of this trend. Another HVAC distributor, Lennox International, reported on July 23 revenue records for both their commercial and residential heating and cooling segments. Carrier, an HVAC manufacturer, which is a part of United Technologies' UTC Climate, Controls & Security division, could also stand to benefit in FQ3 if the trend holds. Ingersoll Rand, which owns the HVAC manufacturers Trane and American Standard, could also benefit from a continued heatwave, although they mostly focus on whole home and commercial HVAC solutions.

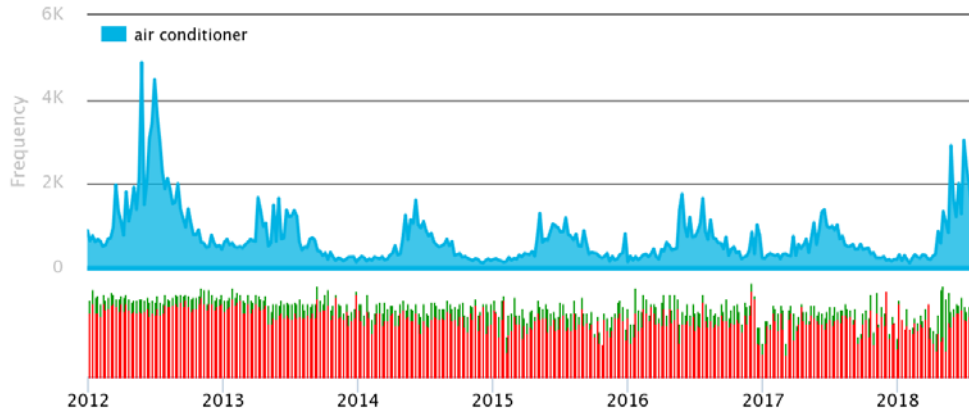


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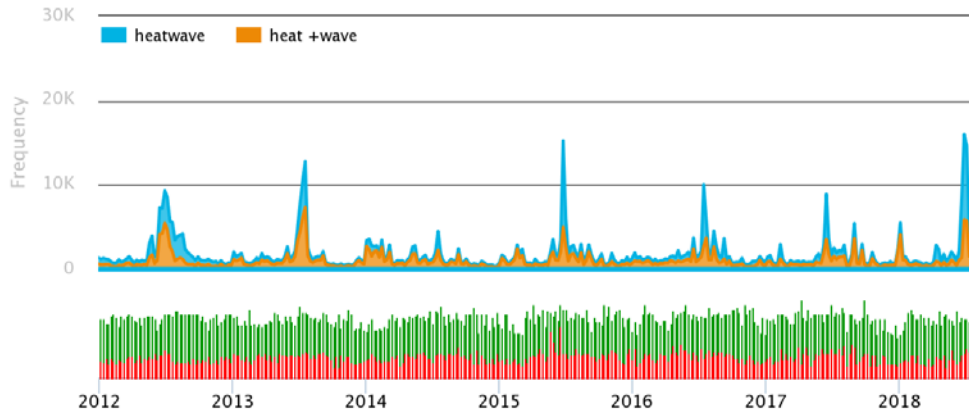
- **Levels of conversation regarding temperature and A/C have not been close to these levels since summer 2012.** According to NOAA, 42 states had spring temperatures in their top 10 recorded during 2012. Thirty-one states east of the Rockies had record temperatures in May 2012. June 2012 saw an increase in hot, dry weather and July 2012 saw 63% of the US in drought conditions.

FIGURE 1: TWITTER MENTION FREQUENCY OF [air conditioner]



Source: TickerTags

FIGURE 2: TWITTER MENTION FREQUENCY OF [heatwave] AND [heat +wave]



Source: TickerTags

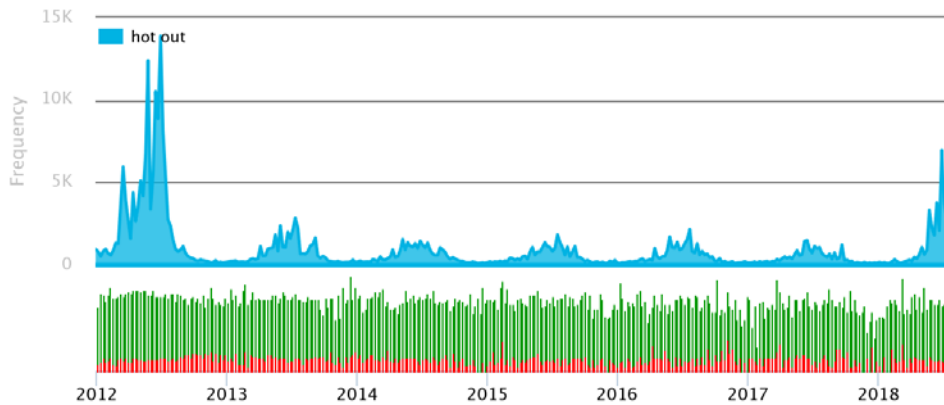
Home Depot and Lowe's stand to benefit the most from the sale of window AC units. There are reports on Twitter of stores being sold out of AC units (see Figure 3), most likely indicating window or portable units, as the majority of A/C units carried by the stores fall under one of those two categories. Brands such as GE, LG, Frigidaire, Honeywell, and Soleus are carried by both Home Depot and Lowe's.

FIGURE 3: TWEET EXAMPLE OF EXCESSIVE HEAT AND [sold out +ac]



Source: @ABC7, @CleanAirwanted

FIGURE 4: TWITTER MENTION FREQUENCY OF [hot out]



Source: TickerTags

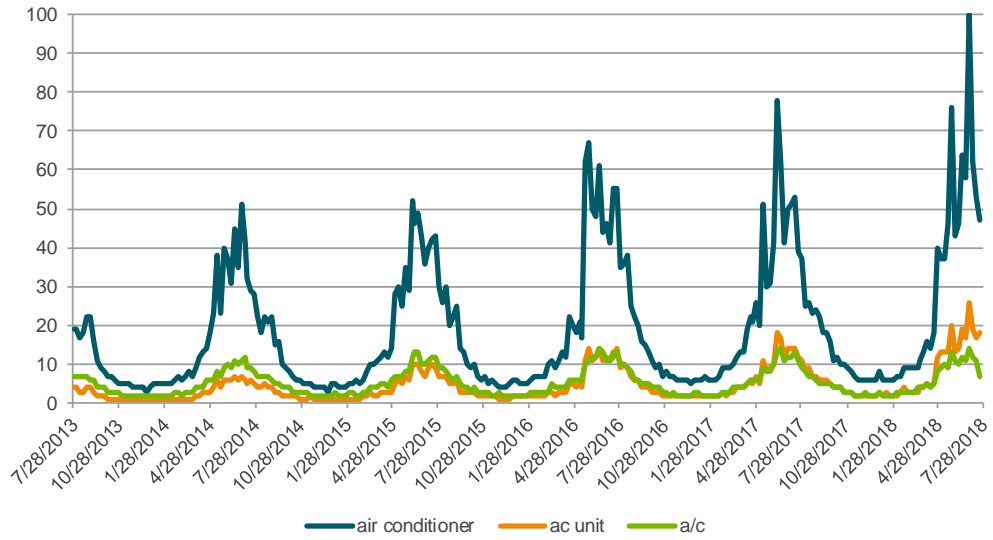
FIGURE 5: MAY 1 THROUGH JULY 24 TAG MENTION DATA TABLE

Tag	Approximate Mentions	Y/Y Change in Mention Frequency
hot out	49990	226%
heatwave	59300	199%
air conditioner	32860	111%
heat +wave	30910	41%

Source: TickerTags

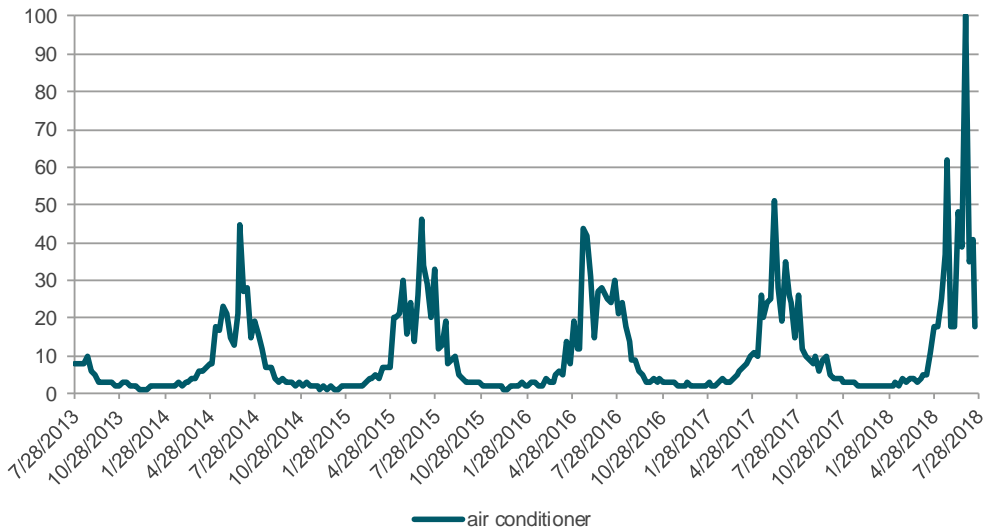
As a minimum barometer of reliability, the volume of estimated quarterly tag mentions on Twitter (different from normalized tag frequency) should be no less than 1,000. Tags with quarterly mention volume of less than 1,000 should be viewed with caution. Estimated Twitter mention volume is deduced by applying a 10x multiplier on the tag's volume of mentions originating from Twitter's Decahose. Twitter's Decahose comprises approximately 50 million tweets daily.

FIGURE 6: US SEARCH DATA FOR [air conditioner], [ac unit], AND [a/c]



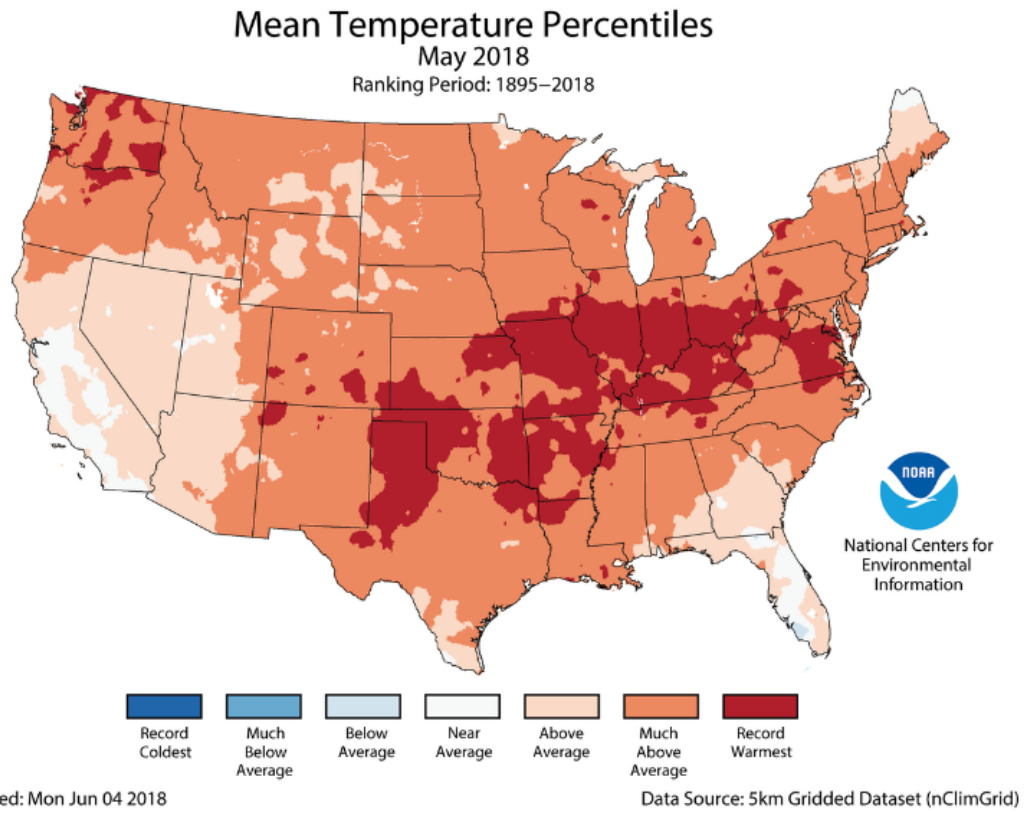
Source: Google Trends

FIGURE 7: CANADIAN SEARCH DATA FOR [air conditioner]



Source: Google Trends

FIGURE 8: MAY WEATHER PERCENTILES



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**ABOUT TICKERTAGS**

TickerTags maps the digital ecosystem and recognize insights in everyday conversation. With approximately 1 million tags mapped to nearly 3,000 public and private companies, TickerTags maps and monitors the multitude of tangible and intangible business drivers that move and influence companies and markets. Structuring alternative data for the investment industry is often a laborious, resource-intensive and time-consuming exercise. As a leading word mention frequency investment tool, TickerTags converts conversation activity into investment insight that is useful for investment analysis.

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ABOUT M SCIENCE

M Science is a data-driven research and analytics firm, uncovering new insights for leading financial institutions and corporations. Founded in 2002, M Science is revolutionizing research, discovering new data sets and pioneering methodologies to provide actionable intelligence. Our research teams have decades of expertise working with massive amounts of unstructured data in near real-time to discern critical insights that help clients make more informed decisions. We combine the best of finance, data and technology to create a truly unique value proposition for both financial services firms and top corporations.

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REFERENCES

On May 31, 2018, M Science LLC acquired substantially all of the business of TickerTags, Inc. Prior to this date, reports were prepared and distributed by TickerTags, Inc.

Mention frequency is derived from the total number of tag mentions divided by the number of total mentions. This is represented as tag mentions per 100 million total mentions. If total mentions fail to meet 100 million mentions in a period, then the data is scaled.

Data reflects English language messages excluding messages suspected to be spam and messages deemed NSFW. Organic mentions reflect tag mentions excluding retweets and tweets containing hyperlinks.

As a minimum barometer of reliability, the volume of estimated quarterly tag mentions on Twitter (different from normalized tag frequency) should be no less than 1000. Tags with quarterly mention volume less than 1000 should be viewed with caution. Estimated Twitter mention volume is deduced by applying a 10x multiplier on the tag's volume of mentions originating from Twitter's Decahose. Twitter's Decahose comprises approximately 50 million tweets daily. The context of 300 representative Tweets for comparable periods has been reviewed and has been found to be contextually similar.