



SECOND QUARTER 2020 EARNINGS RELEASE

JULY 24, 2020

Honeywell

These materials contain forward-looking business plans subject to modification based on many factors, including changing economic and business conditions. Unless otherwise noted, the plans and proposals described herein are not final and may be modified or even abandoned at any time. No final decision will be taken with respect to such plans or proposals without prior satisfaction of any applicable requirements with respect to informing, consulting or negotiating with employees or their representatives.

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No final decision will be taken with respect to such plans or proposals without prior satisfaction of any applicable requirements with respect to informing, consulting or negotiating with employees or their representatives. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

Non-GAAP Financial Measures

This presentation contains financial measures presented on a non-GAAP basis. Honeywell’s non-GAAP financial measures used in this presentation are as follows: segment profit, on an overall Honeywell basis, a measure by which we assess operating performance, which we define as operating income adjusted for certain items as presented in the Appendix; segment margin, on an overall Honeywell basis, which we define as segment profit divided by sales; organic sales growth, which we define as sales growth less the impacts from foreign currency translation and acquisitions and divestitures for the first 12 months following transaction date; EBITDA, which we define as income before taxes adjusted for interest and other financial charges, interest income, depreciation, and amortization; free cash flow, which we define as cash flow from operations less capital expenditures; adjusted free cash flow, which we define as cash flow from operations less capital expenditures and which we adjust to exclude the impact of separation costs related to the spin-offs of Resideo and Garrett, if and as noted in the presentation; adjusted free cash flow conversion, which we define as adjusted free cash flow divided by net income attributable to Honeywell, excluding separation costs related to the spin-offs and the impact of the favorable resolution of a foreign tax matter related to the spin-off transactions, if and as noted in the presentation; and adjusted earnings per share, which we adjust to exclude the favorable resolution of a foreign tax matter related to the spin-off transactions. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in the analysis of ongoing operating trends. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.

2Q 2020 OVERVIEW

Adjusted earnings per share down (40%) on lower volumes, higher repositioning charges, and higher tax rate, partially offset by cost actions and lower share count

Organic sales decline driven by impact of COVID-19 disruptions and oil price volatility

Segment margin contraction driven by Aero and PMT, partially offset by margin expansion in HBT and SPS

Generated \$1.3B in free cash flow due to cost actions and customer collections despite macro challenges

Deployed capital to dividends and committed ~\$250M of incremental growth capital expenditures compared to our previous allocated budget for new projects to accelerate our investments in safety products, Intelligrated, and other growth opportunities

2Q 2020 Actual

\$1.26

Adjusted Earnings Per Share

(18%)

Organic Sales Decline

(280 bps)

Segment Margin Contraction

140%

Adjusted Free Cash Flow Conversion

\$0.9B

Primarily Dividends, Capital Expenditures

Adjusted EPS and adjusted EPS % exclude 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions. Adjusted free cash flow conversion excludes 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.

Aggressively Managing Through the Current Environment

MOBILIZING TO ADDRESS NEW OPPORTUNITIES

Recent Highlights

Expansion of PPE Business

- New face mask manufacturing line in the U.K. at our Newhouse site in Scotland
- Collaborating with Mubadala subsidiary Strata Manufacturing to produce N95 masks in the UAE



Partnership with SAP

- Partnering with SAP to improve building performance with integrated, cloud-based data
- Providing building owners and operators with aggregated financial and operational intelligence



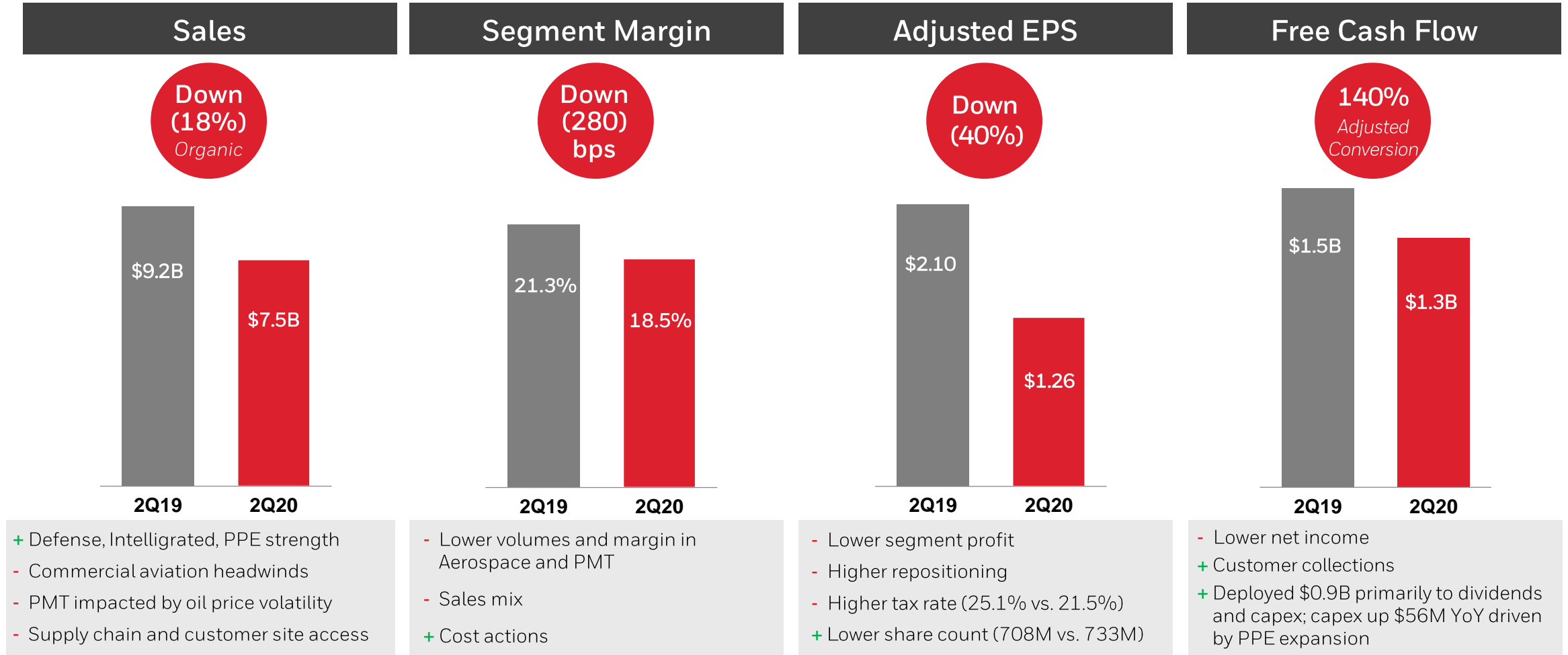
Innovating to Address Customer Needs



- Mobilizing resources across the organization to address new customer needs
- Creating new offerings in high growth end markets including healthcare and consumer safety
- Formed new business units dedicated to growing industries for sustainable technology solutions and unmanned aerial systems
- Committed to addressing the world's toughest challenges

Rapidly Innovating to Provide New Solutions for Customer Needs

2Q 2020 FINANCIAL SUMMARY



Adjusted EPS and adjusted EPS V% exclude 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions. Adjusted free cash flow conversion excludes 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.

Agile Reaction to Revenue Challenge Enabled Respectable Outcome

2Q 2020 SEGMENT RESULTS

(\$M)	Sales	Segment Margin Change (bps)	Commentary
Aero	\$2,543 <i>Down (27%) Organic</i>	20.8% <i>Down (510)</i>	<ul style="list-style-type: none"> + Continued strength in U.S. defense and space + Cost actions enabled lower decremental margin - Lower commercial aftermarket demand due to steep decline in flight hours - Reduced volumes in commercial OE; 737 MAX impact in air transport OE
HBT	\$1,177 <i>Down (17%) Organic</i>	21.2% <i>Up 50</i>	<ul style="list-style-type: none"> - Lower volumes in security, building management systems, and fire driven by global demand softness - Delays in Building Solutions projects in key verticals + Margin performance driven by commercial excellence and productivity actions
PMT	\$2,218 <i>Down (17%) Organic</i>	18.9% <i>Down (460)</i>	<ul style="list-style-type: none"> - Volume declines in HPS products (thermal, field instruments, smart energy); delays in automation projects - Lower gas processing demand, licensing, and catalyst shipments in UOP + Minimal project cancellations ± Specialty products strength offset by lower auto refrigerant volumes
SPS	\$1,539 <i>Up 1% Organic</i>	13.8% <i>Up 150</i>	<ul style="list-style-type: none"> + Double-digit Intelligated growth driven by major systems projects; orders up over 300% to \$1.2B + Strength in personal protective equipment led by respiratory products; healthcare demand in SloT - Short-cycle softness (portable gas sensing, productivity products, SloT)

Broad COVID-19 Impact; Strength in Defense, Intelligated, PPE

COST ACTIONS

Actions

Mobilized quickly to deploy our recession playbook

- Immediate curtailments of discretionary expenses
- Canceled 2020 merit increase across the enterprise
- Reduced executive and Board of Directors pay
- Initiated reduced work schedules across the enterprise
- Funded over \$250M of repositioning in 2Q, \$325M in 1H
- Implemented targeted, permanent census reductions

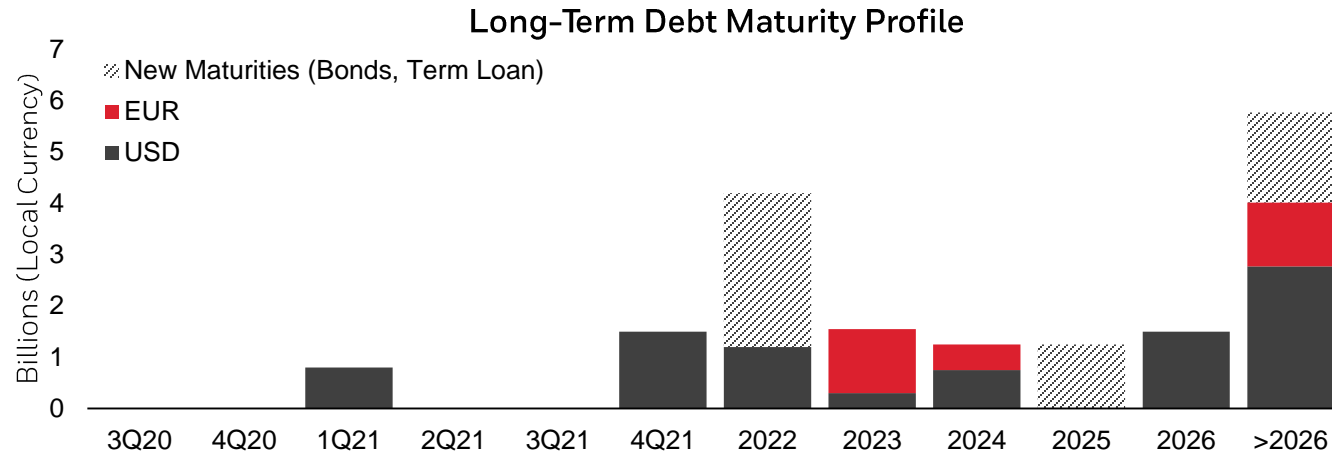
Cost Savings Update

- Expect to reduce cost by \$1.4B - \$1.6B in 2020
 - Phase One tracking to top end of original range (~\$1.3B)
 - Phase Two expected to reduce cost by ~\$200M, primarily permanent actions
 - Overall 2020 cost actions 60% - 70% permanent
- Reduced cost by ~\$0.5B in 2Q and ~\$0.7B in 1H20; overdelivered 2Q savings
 - Accelerated permanent cost reduction actions
 - Overdrove discretionary spend control

Preliminary – not final – no decision will be taken without satisfaction of any applicable consultation or negotiation requirements.

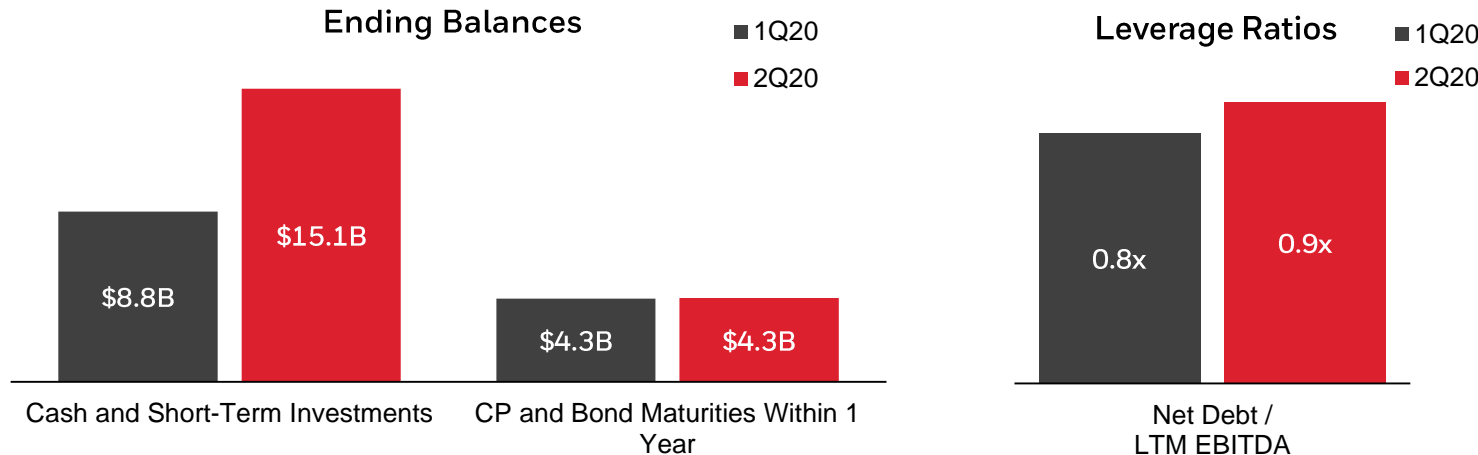
Executing Our Recession Playbook; Significant Cost Actions Buffer Margins

BALANCE SHEET STRENGTH AND LIQUIDITY



2Q Actions:

- Issued \$3B in long-term debt with maturities in 2025, 2030, and 2050 at a weighted average interest rate of 1.9%
- Reduced our two-year term loan from \$6B to \$3B and fully drew the remaining balance
- Ended quarter with ~\$15B in cash and short-term investments vs. \$4.3B CP and bond maturities due within one year



Capital Deployment:

- Deployed ~\$875M to dividends and high-return capex in 2Q; expecting full year capex to be ~\$900M
- Committed to holding share count flat for the remainder of 2020; open to additional share repurchases and M&A

Leverage ratio source: internal HON estimate; debt is defined as long-term debt, commercial paper and other short-term borrowings and current maturities of long-term debt; net debt is defined as debt less cash and cash equivalents and short-term investments.

Highly Liquid; Modest Leverage

3Q PREVIEW

Aero | Sales Down >25%

- Growth in Defense and Space
- ATR aftermarket benefits from improved flight hours, but some offsets by used serviceable materials
- 737 MAX impacts coupled with air transport OEM build rate delays
- Lower business jet deliveries

HBT | Sales Down >10%

- Customer site access continues to improve
- Ongoing project delays
- Deferred demand for products begins to recover
- New growth opportunities in healthy buildings

PMT | Sales Down >10%

- Long-cycle project backlog conversion; customer capex constrained for new projects
- Auto refrigerant volumes begin to recover
- Refining and petrochemical volume decline
- Continued weakness in gas processing

SPS | Sales Up <7%

- Double-digit Intelligrated growth, strong backlog conversion
- Ongoing strength in PPE, new capacity coming online
- Macroeconomic conditions pressuring other short-cycle businesses

3Q Watchlist

- Infection rate and potential for additional lockdowns
- Fiscal stimulus outlook / further actions
- Geopolitical environment and trade stability
- ATR flight hour recovery, retirements, used serviceable materials
- Oil price volatility; capex and opex budgets
- Customer solvency and aging receivables

Signs of Stabilization; Risk of COVID-19 Resurgence; Sales Down >15%

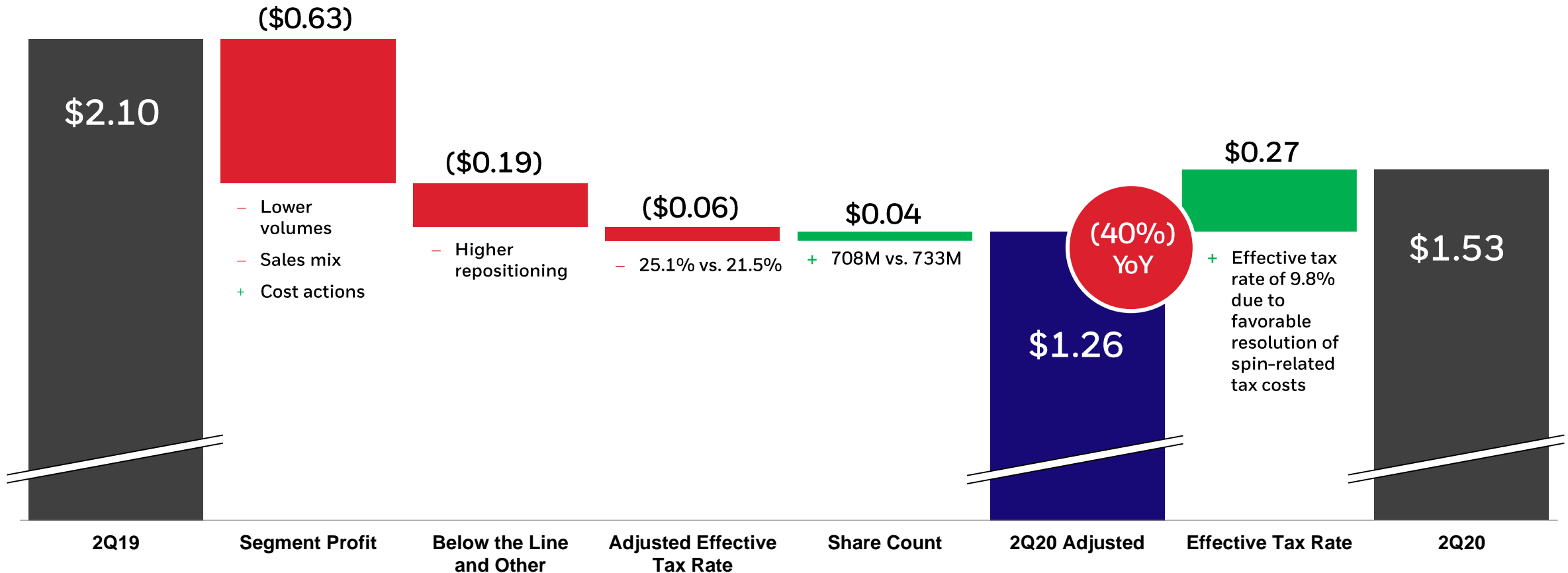
SUMMARY

- Effectively managed through difficult quarter; delivered strong cash flow; 2H remains uncertain
- Significant cost actions protecting margins due to top-line declines; funded over \$250M additional repo in 2Q
- Delivering growth in multiple parts of the portfolio, including defense, Intelligrated, and PPE
- Investing in growth opportunities; launching new innovative solutions to address customer needs due to COVID

Managing the Downturn; Positioning for the Recovery

Appendix

2Q 2020 EARNINGS PER SHARE BRIDGE



Adjusted EPS and adjusted EPS V% exclude 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions

Executed Significant Cost Actions, Leveraged Repositioning for Future

2Q 2020 SALES

	2Q Reported	2Q Organic
Aerospace	(28%)	(27%)
Commercial Aviation Original Equipment	(39%)	(39%)
Commercial Aviation Aftermarket	(54%)	(54%)
Defense & Space	7%	7%
Honeywell Building Technologies	(19%)	(17%)
Buildings	(19%)	(17%)
Performance Materials And Technologies	(19%)	(17%)
UOP	(26%)	(25%)
Honeywell Process Solutions	(15%)	(13%)
Advanced Materials	(18%)	(18%)
Safety And Productivity Solutions	(1%)	1%
Safety	(8%)	(7%)
Productivity Solutions	4%	5%

ADDITIONAL 3Q 2020 INPUTS

	3Q 2019	3Q 2020E	Commentary
Pension / OPEB	\$162M	~\$210M	<ul style="list-style-type: none"> Larger asset base from robust 2019 portfolio returns and lower discount rates reducing expenses, resulting in higher pension income
Repositioning	(\$86M)	(\$125M – \$175M)	<ul style="list-style-type: none"> Retain capacity for high-return projects to support cost management and productivity initiatives; tracking to top end of \$375M – \$500M range for full year
Other Below the Line	(\$37M)	(\$115M – \$135M)	<ul style="list-style-type: none"> Asbestos and environmental expenses net of spin reimbursements, net interest, F/X, stock option expense, RSU expense, M&A and other expenses
Total Below the Line	\$39M	(\$30M – \$100M)	
Effective Tax Rate	22.0%	~24%	
Weighted Average Share Count	727M	~708M	<ul style="list-style-type: none"> Committed to holding share count flat for the remainder of 2020

RECONCILIATION OF SEGMENT PROFIT TO OPERATING INCOME AND CALCULATION OF SEGMENT PROFIT AND OPERATING INCOME MARGINS

(\$M)	2Q19	2Q20
Aerospace	\$3,508	\$2,543
Honeywell Building Technologies	1,450	1,177
Performance Materials and Technologies	2,735	2,218
Safety and Productivity Solutions	1,550	1,539
Net sales	\$9,243	\$7,477
Aerospace	\$907	\$528
Honeywell Building Technologies	300	250
Performance Materials and Technologies	644	419
Safety and Productivity Solutions	191	213
Corporate	(72)	(25)
Segment profit	\$1,970	\$1,385
Stock compensation expense ⁽¹⁾	(34)	(34)
Repositioning, Other ^(2,3)	(137)	(295)
Pension and other postretirement service costs ⁽⁴⁾	(37)	(38)
Operating income	\$1,762	\$1,018
Segment profit	\$1,970	\$1,385
÷ Net sales	\$9,243	\$7,477
Segment profit margin %	21.3%	18.5%
Operating income	\$1,762	\$1,018
÷ Net sales	\$9,243	\$7,477
Operating income margin %	19.1%	13.6%

(1) Amounts included in Selling, general and administrative expenses.

(2) Includes repositioning, asbestos, environmental expenses and equity income adjustment.

(3) Included in Cost of products and services sold, Selling, general and administrative expenses, and Other income/expense.

(4) Amounts included in Cost of products and services sold and Selling, general and administrative expenses.

We define segment profit as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We believe these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

RECONCILIATION OF ORGANIC SALES % CHANGE

Honeywell	2Q20
Reported sales % change	(19%)
Less: Foreign currency translation	(1%)
Less: Acquisitions, divestitures and other, net	-
Organic sales % change	<u>(18%)</u>
Aerospace	
Reported sales % change	(28%)
Less: Foreign currency translation	-
Less: Acquisitions, divestitures and other, net	(1%)
Organic sales % change	<u>(27%)</u>
Honeywell Building Technologies	
Reported sales % change	(19%)
Less: Foreign currency translation	(2%)
Less: Acquisitions, divestitures and other, net	-
Organic sales % change	<u>(17%)</u>
Performance Materials and Technologies	
Reported sales % change	(19%)
Less: Foreign currency translation	(2%)
Less: Acquisitions, divestitures and other, net	-
Organic sales % change	<u>(17%)</u>
Safety and Productivity Solutions	
Reported sales % change	(1%)
Less: Foreign currency translation	(2%)
Less: Acquisitions, divestitures and other, net	-
Organic sales % change	<u>1%</u>

We define organic sales percent as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation, acquisitions, net of divestitures and non-comparable impacts from adoption of the new revenue recognition standard. We believe this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED FREE CASH FLOW AND CALCULATION OF ADJUSTED FREE CASH FLOW CONVERSION

<i>(\$M)</i>	2Q19	2Q20
Cash provided by operating activities	\$1,678	\$1,480
Expenditures for property, plant and equipment	(171)	(227)
Free cash flow	1,507	1,253
Separation cost payments	28	-
Adjusted free cash flow	<u>\$1,535</u>	<u>\$1,253</u>
Net income (loss) attributable to Honeywell	\$1,541	\$1,081
Separation-related tax adjustment	-	(186)
Adjusted net income attributable to Honeywell	<u>\$1,541</u>	<u>\$895</u>
Cash provided by operating activities	\$1,678	\$1,480
÷ Net income (loss) attributable to Honeywell	\$1,541	\$1,081
Operating cash flow conversion	<u>109%</u>	<u>137%</u>
Adjusted free cash flow	\$1,535	\$1,253
÷ Adjusted net income attributable to Honeywell	\$1,541	\$895
Adjusted free cash flow conversion %	<u>100%</u>	<u>140%</u>

We define free cash flow as cash provided by operating activities less cash expenditures for property, plant and equipment.

We believe that this metric is useful to investors and management as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, pay dividends, repurchase stock or repay debt obligations prior to their maturities. This metric can also be used to evaluate our ability to generate cash flow from business operations and the impact that this cash flow has on our liquidity.

RECONCILIATION OF INCOME BEFORE TAXES TO EBITDA

						Last twelve months (LTM) 1Q20	Last twelve months (LTM) 2Q20
(\$M)	2Q19	3Q19	4Q19	1Q20	2Q20		
Income Before Taxes	\$1,982	\$1,967	\$1,768	\$1,935	\$1,219	\$7,652	\$6,889
Interest and other financial charges	85	96	91	73	90	\$345	350
Interest income	(63)	(64)	(61)	(44)	(22)	(232)	(191)
Depreciation and amortization	295	263	269	243	250	1,070	1,025
EBITDA	<u>\$2,299</u>	<u>\$2,262</u>	<u>\$2,067</u>	<u>\$2,207</u>	<u>\$1,537</u>	<u>\$8,835</u>	<u>\$8,073</u>

We define EBITDA as Income before taxes adjusted for Interest and other financial charges, Interest income and Depreciation and amortization.

We believe that EBITDA is a measure useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends

RECONCILIATION OF EPS TO ADJUSTED EPS

	<u>2Q19</u>	<u>2Q20</u>
Earnings per share of common stock - assuming dilution (EPS) ⁽¹⁾	\$2.10	\$1.53
Separation-related tax adjustment ⁽²⁾	-	(0.27)
Adjusted earnings per share of common stock - assuming dilution	<u>\$2.10</u>	<u>\$1.26</u>

(1) For the three months ended June 30, 2020 and 2019, adjusted earnings per share utilizes weighted average shares of approximately 708.1 million and 733.0 million

(2) For the three months ended June 30, 2020, separation-related tax adjustment of \$186 million (\$186 million net of tax) includes the favorable resolution of a foreign tax matter related to the spin-off transactions.

We believe Adjusted EPS is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Honeywell