

Hello,

I hope you are well. We've had a busy second quarter at Honeywell, and in this note we recap our most critical updates and recent investor engagements. Please reach out if you have any questions or feedback.

Best,  
Sean

**Sean C. Meakim, CFA**

Vice President, Investor Relations

**Honeywell International**

## Recent HON News

Following our [March Investor Day](#), we announced a [new set of commitments that further advance our sustainability goals](#) beyond the company's existing commitment to become carbon neutral in its facilities and operations by 2035. Honeywell will work with the **Science Based Targets initiative** (SBTi) to reduce our emissions in line with climate science. As part of SBTi's process, over the next two years, Honeywell will further quantify our Scope 3 emissions and work closely with SBTi to determine an appropriate reduction target for those emissions. Honeywell has already committed to carbon neutrality in Scope 1 and 2 emissions by 2035.

Additionally, we announced that we have joined the **U.S. Department of Energy's Better Climate Challenge**, and will reduce our Scope 1 and 2 emissions in the U.S. by 50% and improve energy efficiency by an additional 10% by 2030, from a 2018 baseline. Lastly, our **Performance Materials and Technologies** segment also [announced an Emissions Control & Reduction Initiative](#) designed to help customers achieve carbon neutrality in a wide range of areas. Our methane detection capability will be available to customers in 4Q22.

**Honeywell Connected Enterprise** launched our new [Honeywell Forge Connected Warehouse offering](#), which brings a scalable and cloud-based solution to help distribution centers accelerate their productivity, predictability, and transformation strategies. Partnering with **Safety and Productivity Solutions**, our warehouse automation customers will benefit from the real-time visibility across their warehouse site operations and advanced analytics to reduce unplanned downtime, address recurring challenges, and automate legacy processes to meet today's unprecedented demand for increased fulfillment performance.

In **Aerospace** we continue to lead the industry with innovation. We [announced a co-development effort](#) for a new electric motor (e-motor) with DENSO, a leading mobility supplier, for the Lilium Jet. Honeywell and DENSO will work with Lilium, developer of the first all-electric vertical take-off and landing ("eVTOL") jet, to integrate the e-motor into Lilium's aircraft engines. This is the first product developed by Honeywell and DENSO since formalizing their alliance, and it marks DENSO's entry into the aerospace market. DENSO and Honeywell began joint research in 2019 and [signed an alliance agreement](#) in early 2021 to design, develop, produce, and sell electric propulsion system products for electric and hybrid-electric aircraft.

In April, Honeywell's [GTCP 36-150 auxiliary power units \(APUs\) series](#), as well as Honeywell's main engine generator and APU generator, were selected by Lockheed Martin Sikorsky-Boeing for the

DEFIANT X® helicopter, currently a contender to win the U.S. Army's Future Long-Range Assault Aircraft (FLRAA) competition. These new selections of Honeywell technology come after LMT-BA previously announced the selection of Honeywell's [HTS7500 turboshaft engine](#) for the DEFIANT X®, which could exceed \$25B in potential lifetime revenue if awarded. An announcement on FLRAA is expected later this year.

In **Building Technologies**, Honeywell recently announced we are joining [City Possible](#), the ecosystem pioneered by Mastercard that brings cities, companies, and communities together to identify common challenges and develop solutions that advance inclusive and sustainable urban development. Honeywell's participation will allow City Possible communities to more easily work with [Honeywell City Suite](#), an artificial intelligence-enabled platform, to promote sustainable urban development, enhance citizen mobility, and create safer, more resilient communities. The announcement builds on Mastercard and Honeywell's work with Egypt's New Administrative Capital, where the Honeywell City Suite and Mastercard's electronic payment solutions will make the New Administrative Capital the first integrated smart city and first cashless city in Egypt.

In May, Honeywell was [recognized for exceptional user-friendly product design](#) with the [Red Dot](#) and [iF Design Awards](#). Honeywell collected nine awards in total among thousands of competing entries. In the past five years, Honeywell has won more than 50 international design awards which recognize the skills of the Honeywell User Experience (HUE) team, a collaborative group of designers around the world who partner to drive value in the design process. **Innovation is a core driver of our organic growth acceleration**, and over the last five years, our [New Product Introductions \(NPI\) Vitality has gone up ~50%](#) thanks of our investments in higher margin, end-to-end solutions that span across our portfolio.

## Recent Investor Engagement

Last week **Doug Wright** and **Mike Stepniak**, CEO and CFO of **Honeywell Building Technologies**, joined our latest Leadership Webcast Series with Credit Suisse analyst John Walsh to talk about sustainability as a secular macro tailwind for the business (slides available [here](#), replay [here](#)). In the 45-minute discussion, Doug and Mike talked about HBT's strategy, technology portfolio, and opportunity set tied to the megatrends of healthier buildings and decarbonization. Honeywell is uniquely positioned to help customers across a variety of buildings markets to optimize on a multimodal basis towards the dual goals of healthier occupant outcomes and energy savings. Doug reiterated his plan to grow our HBT sustainability business to +\$1B in 3-5 years with a +20% top line CAGR, which underscores HBT's acceleration in revenue growth (MSD-HSD) we committed to during Investor Day.

J.P. Morgan analysts Steve Tusa and Bill Peterson recently hosted a conference call with **Stephane Fymat**, VP and general manager of our **Urban Air Mobility** business on the [potential of the emerging UAM/UAS markets](#) (replay available [here](#)). Honeywell has announced +\$3.5B in content wins in this market with a pipeline of +\$7B and potential revenue of \$2B by 2030. Honeywell is a leader for UAM fly-by-wire, avionics with simplified vehicle operations, and aerospace grade motors that can be built at automotive scale.

**Mike Madsen**, president and CEO of **Honeywell Aerospace**, [presented at the UBS Industrials Conference](#) in New York in June. Mike highlighted the long-term tailwinds that will support continued growth for Aero and the levers available to push our best-in-class margin profile higher in the coming years. Investor questions were focused on the continued recovery in commercial flight hours, as well as the challenges in the aerospace supply chain and our ability to deliver higher volumes throughout 2022.

While Mike expects the supply chain recovery to take several quarters given the long-cycle nature of the industry, he's confident it will eventually return to pre-pandemic capacity. Meanwhile, Mike reaffirmed our commitment to maintaining best-in-class margins for Aerospace with a long-term target of 29%, even while accelerating our R&D spend, thanks to a combination of further productivity gains and positive mix through the introduction of new BTIs.

**Honeywell CFO Greg Lewis** attended the Wolfe Transportation and Industrials Conference in NYC last month (slides available [here](#)). Building on a theme from [Investor Day](#), Greg illustrated the next stage of Honeywell's transformation. Following what he called "The Great Integration" as a first act for the current HON leadership team (2016-2021), Honeywell is poised to benefit from those efforts in Act Two (2022+). These benefits are driving the acceleration in our financial growth algorithm, including 4-7% top line growth, 40-60bps of margin expansion, and a free cash flow margin in the mid-teens. Greg also reaffirmed our 2Q22 and FY22 guidance shared on [our 1Q22 earnings call](#).

**Vimal Kapur**, president and CEO of our **Performance Materials and Technologies** segment, [presented at the Goldman Sachs Industrials Conference](#) in New York in early May. Vimal reinforced the commitments he made at Investor Day in March with an acceleration in PMT's top line performance (MSD-HSD long-term sales CAGR), and spotlighted the success of our **Sustainable Technology Solutions** business, including its successful graduation from breakthrough innovation to full business unit. STS will be a key enabler of the energy transition, with leading technologies across a wide array of emerging growth vectors, including renewable fuels, carbon capture, battery storage, hydrogen, and advanced plastics recycling. Honeywell has committed to growing that business at a +50% CAGR to a \$700M business over the next several years.

## **About Honeywell**

*Honeywell ([www.honeywell.com](http://www.honeywell.com)) is a Fortune 100 technology company that delivers industry specific solutions that include aerospace products and services; control technologies for buildings and industry; and performance materials globally. Our technologies help everything from aircraft, buildings, manufacturing plants, supply chains, and workers become more connected to make our world smarter, safer, and more sustainable. For more news and information on Honeywell, please visit [www.honeywell.com/newsroom](http://www.honeywell.com/newsroom).*

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