

Hello,

I hope you are well and able to enjoy some downtime with friends and family this holiday season. In this note we recap a busy fourth quarter that included several investor engagements, highlight some exciting company announcements, and address a few **Frequently Asked Investor Questions (FAIQ)** on our acquisition of Carrier's Global Access Solutions business, among other key topics. As always, we welcome your feedback and appreciate your interest in Honeywell.

All the best,
Sean

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Frequently Asked Investor Questions

How are you reorienting the business to prioritize growth acceleration and how does the recently announced segment realignment help you progress against this goal?

As a reminder, Honeywell CEO Vimal Kapur's key priorities are simplifying the portfolio, accelerating organic growth, continuing Honeywell's transformation by evolving our Accelerator operating system, and optimizing the portfolio through strategic capital deployment. Of these initiatives, **Honeywell's top priority is to accelerate our organic growth rate** with aspirations to achieve the high end of our long-term range of 4% to 7%. We are accomplishing this through 1) a favorable multi-year end market set-up, 2) our enhanced innovation playbook, 3) continued emphasis on High Growth Regions, and 4) accretive growth drivers as we monetize our installed base (through Honeywell Connected Enterprise and greater share of aftermarket entitlement).

Honeywell is an **integrated operating company aligned to the three megatrends** of automation, the future of aviation, and the energy transition, and the realignment enables a **simpler, stronger focus on these compelling megatrends**. This strategic clarity empowers our business leaders to better prioritize R&D efforts, capital expenditures, and go-to-market strategies, enabling us to make the **right choices to drive higher levels of organic growth**.

How does the new structure clarify your portfolio optimization strategy?

The realignment provides the **foundation for further portfolio optimization** as we endeavor to fully align to our three compelling themes, underpinned by digitalization. Our robust acquisition pipeline is focused on adding **bolt-on businesses that fit these themes**, while we are targeting select dispositions by **trimming lines of business that are not aligned**.

What is the strategic rationale for acquiring Carrier's Global Access Solutions business?

This acquisition supports Honeywell's recently announced [plans to align our portfolio to three compelling megatrends](#) (specifically automation in this case) and enables Honeywell to become a **leader in providing security solutions** for the digital age. Vimal went on both [CNBC](#) and [Bloomberg](#) on Friday to discuss the deal in further detail, and the key points are summarized below:

1. **Creating scale in a higher growth, attractive end market:** With this addition of over \$700M in revenue and accretive margin profile, we are transforming our building security products business into an access-focused, +\$1B revenue player alongside our leading fire and building management system franchises. The fragmented asset safety space remains a high priority for mission critical sectors like data centers, pharmaceuticals, and critical infrastructure, with differentiated growth prospects driven by demand for digitalization. We believe this combination creates a compelling security products platform that will enable further inorganic growth opportunities as well.
2. **Enhancing software exposure:** This acquisition bolsters Honeywell's existing software position, adding to our multi-domain system integration offerings enabled by the Honeywell Forge platform, including Connected Life Safety Systems, Tridium, and Enterprise Buildings Integrator (EBI). The Access portfolio will also enhance our right to play in the buildings cybersecurity space as there are close linkages with IT and OT Security.
3. **Increasing high margin products mix:** We are also enhancing our equipment-agnostic products business mix, further improving our already best-in-class margin profile and differentiating ourselves from equipment providers.

Can you tell us more about the business? What are the high-level financial implications? What are the products that come with this transaction?

Honeywell's overall **security portfolio will be more than \$1 billion in sales** once the Global Access Solutions deal closes, **growing at accretive rates** to support Honeywell's long-term growth framework. The deal will increase the product mix in our buildings segment from ~60% to ~closer to 70% while enhancing our software and recurring revenue mix. Historically, this business has grown sales at an average mid-single digit rate over the last several years with **EBITDA margins around ~40%**. We believe we have multiple levers to accelerate the growth profile of the business going forward.

Three primary brands are included in the transaction:

- **LenelS2** has been a leading business for over 25 years in commercial and enterprise access solutions (mobile credentials, alarm and video management, and more), including well-known offerings OnGuard and NetBox, and has multiple Fortune 100 customers. Gross margin for this business will be accretive to Honeywell.
- **Supra** includes cloud-based electronic real estate lockboxes that offer mobile credentials and access management, as well as a leading digital platform to optimize scheduling for property showings. This business is nearly 100% recurring, software-based revenue, with accretive gross margins to Honeywell.
- **Onity** offers electronic locks, including hospitality access, mobile credentials, and self-storage access, and is used by nine of the top ten hotel chains. Gross margin for this business are in line with overall Honeywell.

What are the cost synergies and potential commercial synergies that you expect?

The internal transformations we have completed over the past 5 years through **Honeywell Accelerator and Honeywell Digital enable us to achieve higher synergies** as we bring this business into our integrated operating system and combine it with our existing security product portfolio. We expect cost synergies to represent a high single-digit percentage of sales to enhance the margin profile of the business beyond current levels, including commercial and business operational efficiencies, as well as supply chain optimization.

Commercially, **Honeywell's existing buildings portfolio has a significantly larger high growth region footprint** (over 1/3rd of revenue), while Access Solutions has higher software mix, enabling cross-selling both ways once the acquisition closes. LenIS2 will have **vertical expansion** options through our existing EBI installed base, and we see integration opportunities with our building management systems. These factors leave us confident in **our ability to accelerate the growth** of the business.

How is Honeywell Connected Enterprise performing this year?

Growth across the portfolio continues to be supported by accretive results in Honeywell Connected Enterprise (HCE), providing further evidence of Honeywell's **strong software franchise** across our businesses. We anticipate organic growth for HCE in the mid-teens in 2023 to be supported by strength in connected industrial, cybersecurity, connected buildings, and connected aircraft. Orders growth of approximately 20% this year remains a powerful indicator of the continued robust demand for HCE offerings. Since 2019, HCE has grown at a 15% CAGR to approximately \$1.5 billion.

What are the moving pieces for your 2024 outlook? Any update on how 4Q is progressing?

We believe our **2024 growth framework will be consistent with our long-term growth algorithm** of 4% - 7% growth in sales and 40 - 60 basis points of margin expansion. While the timing of an eventual recovery in the short cycle is less certain and therefore a swing variable to our sales outcome, our **end market exposures remain favorable**, particularly in aerospace and energy. We expect continued commercial aviation **fleet growth and replenishment**, increased domestic and international **defense investment**, heightened **focus on automation** due to labor scarcity, increased **energy demand**, and intensifying **decarbonization goals**. All of these compelling vertical tailwinds, as well as ongoing customer demand to enable digitalization, give us confidence that all four of our reconstituted businesses will deliver growth next year.

We expect to end the year with strong momentum with **4Q and FY23 results within our previously provided guidance ranges**. The demand profile for our technologically differentiated products and solutions remains healthy, with record backlog levels and favorable orders performance, giving us confidence in our ability to execute on **our near- and long-term commitments**.

Recent Investor Engagement

We kicked off conference season by attending the [Baird Global Industrial Conference](#) in Chicago (replay available [here](#)). There, **Aerospace CEO Jim Currier** highlighted Honeywell's excitement for the long-term growth prospects of the Aerospace industry, how we are helping create the future of aviation through our advanced aerial mobility offerings, and our focus on long-term margin expansion. Investors were most interested in our expectations for further improvement of the aerospace supply chain and the growth trajectory for original equipment sales vs. aftermarket in 2024.

In December, **Honeywell CEO Vimal Kapur and CFO Greg Lewis** hosted the latest edition of our [Leadership Webcast Series](#) with Wolfe Research (replay [here](#)) to recap Vimal's first six months in the role and further discuss the portfolio changes announced [in October](#). On the call, Vimal reiterated his key priorities from Investor Day in May – portfolio simplification and optimization, organic growth acceleration, and transformation via Honeywell Accelerator.

Vimal also attended two other conferences in December – the **Nasdaq Investor Conference** in London and the **Melius Research Conference** in New York. In London, our segment realignment announcement resonated with investors, who provided positive feedback on Honeywell's simplified message. In New York, Vimal highlighted his confidence in Honeywell's long-term growth algorithm and the strong multi-year end-market setup. Investor questions were primarily focused on Honeywell's portfolio optimization strategy and ability to deploy capital towards meaningful, accretive M&A.

Recent Honeywell News

In October, we [announced an order for 41 T55 engines](#) to support South Korea's procurement of new CH-47F aircraft. **Our T55 engine is a world leader in powering heavy lift helicopters**, and over 1,000 CH-47 helicopters powered by T55s are operated today by militaries and civil aviation entities around the world. This order highlights the **demand strength we are seeing in our defense and space business** this year as countries around the world increase their focus on national defense.

Also in October, we announced an [agreement with GranBio](#) to combine Honeywell's ethanol to jet (ETJ) technology with GranBio's cellulosic ethanol AVAP technology to **produce carbon neutral sustainable aviation fuel (SAF)** at GranBio's forthcoming U.S. demonstration plant. Using forest biomass-derived ethanol from the AVAP process, **jet fuel produced using Honeywell's ETJ process can reduce GHG emissions to net zero on a total lifecycle basis**.

At the Dubai Air Show in November, [we announced](#) that **our Advanced Aerial Mobility business has secured contracts worth over \$10B**. We have formed partnerships with several industry leaders, and surpassing \$10B in wins demonstrates our ability to innovate and deliver the future of aviation.

In December, we announced that [Honeywell will provide VIElectron](#) its first installment of battery energy storage solutions (BESS) at six solar parks strategically positioned across the U.S. Virgin Islands. When completed, the solar array and BESS will boost the islands' decarbonization efforts by fulfilling 30% of its energy consumption through renewable resources, all while smoothing out the energy peaks and valleys that can result from solar power.

About Honeywell

Honeywell is an integrated operating company serving a broad range of industries and geographies around the world. Our business is aligned with three powerful megatrends - automation, the future of aviation, and energy transition - underpinned by our Honeywell Accelerator operating system and Honeywell Connected Enterprise integrated software platform. As a trusted partner, we help organizations solve the world's toughest, most complex challenges, providing actionable solutions and innovations that help make the world smarter, safer, and more sustainable. For more news and information on Honeywell, please visit www.honeywell.com/newsroom.

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Forward Looking Statements

We describe many of the trends and other factors that drive our business and future results in this publication. Such discussions contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are those that address activities, events, or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements, except as required by applicable securities law. Our forward-looking statements are also subject to material risks and uncertainties that can affect our performance in both the near- and long-term. In addition, no assurance can be given that any plan, initiative, projection, goal, commitment, expectation, or prospect set forth in this publication can or will be achieved. These forward-looking statements should be considered in light of the information included in this publication, our Form 10-K and other filings with the Securities and Exchange Commission. Any forward-looking plans described herein are not final and may be modified or abandoned at any time.