



# LEADERSHIP WEBCAST SERIES

**NOVEMBER 23, 2021**

**DARIUS ADAMCZYK**

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**Honeywell**

## Forward Looking Statements

*This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current economic and industry conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this presentation are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental, technological, and COVID-19 public health factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance, and actual results, and other developments, including the potential impact of the COVID-19 pandemic, and business decisions may differ from those envisaged by such forward-looking statements. Any forward-looking plans described herein are not final and may be modified or abandoned at any time. 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 release contains financial measures presented on a non-GAAP basis. Honeywell’s non-GAAP financial measures used in this release 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 the transaction date; free cash flow, which we define as cash flow from operations less capital expenditures plus cash receipts from Garrett, if and as noted in the release; adjusted free cash flow, which we define as free cash flow adjusted to exclude the impact of separation costs related to the spin-offs of Reside and Garrett, if and as noted in the release; adjusted free cash flow margin, which we define as adjusted free cash flow divided by net sales; and adjusted earnings per share, which we adjust to exclude pension mark-to-market, changes in fair value for Garrett equity securities, an expense related to UOP matters, gain on the sale of the retail footwear business, the non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions, the favorable resolution of a foreign tax matter related to the spin-off transactions, and a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett’s emergence from bankruptcy on April 30, 2021, if and as noted in the release. 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. Certain metrics presented on a non-GAAP basis represent the impact of adjusting items net of tax. The tax-effect for adjusting items is determined individually and on a case-by-case basis. Refer to the Appendix attached to this release for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.*

# KEY MESSAGES

## Active Capital Deployment to Shape Honeywell

- Continual commitment to refreshing the portfolio on an ongoing basis and aligning to growth / ESG market segments
- Annual capital deployment consistently beyond FCF generation

## Innovation Enabling Continued Growth

- Demonstrated MSD growth combined with 70 bps of margin expansion (2017 – 2021 average, excluding 2020)
- Growth in core and via breakthrough initiatives enable acceleration
- Attractive markets underpin growth potential

## ESG Focus

- Focusing ~50% of our new product R&D activity towards solutions that improve environmental and social outcomes
- Accelerated growth in ESG focused businesses
- A leader in all three elements of E, S, and G

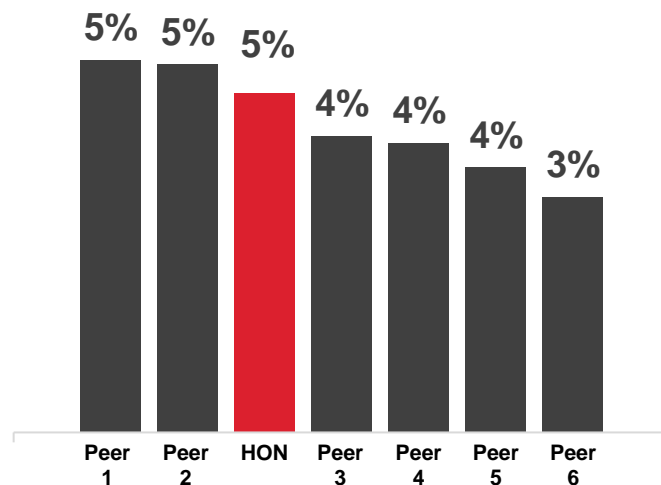
**Honeywell Uniquely Positioned to Differentiate in Ongoing Recovery**

# TRACK RECORD OF OUTPERFORMANCE

## 2017 – 2021E Average Financial Performance<sup>1</sup>

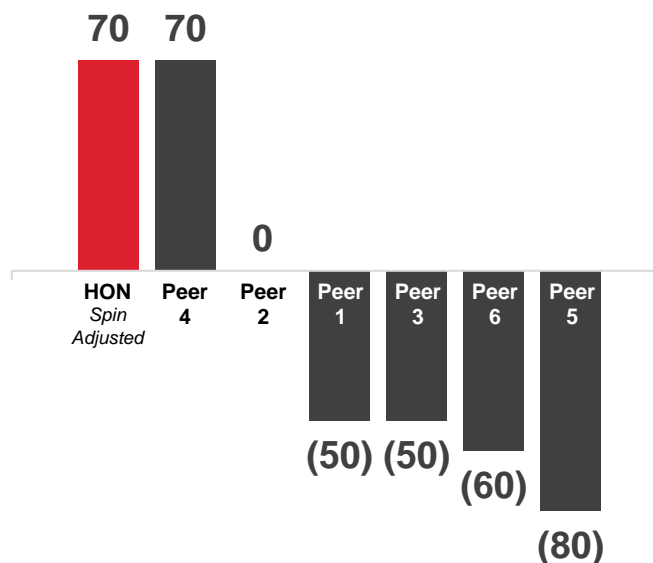
## Highlights

### Organic Sales Growth



### Margin Expansion

(bps, rounded)



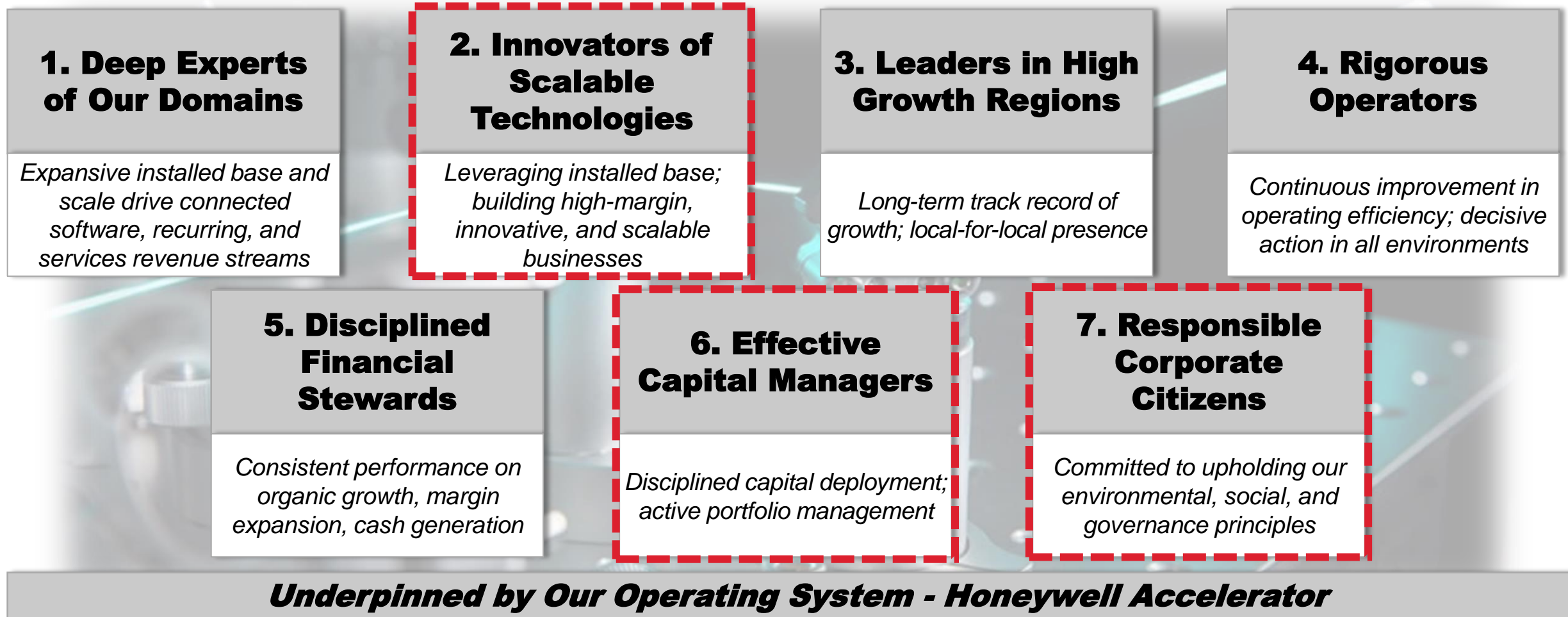
- Delivered 5% annual organic sales growth on average over the last 5 years<sup>1</sup>, outperforming our peer average
- Expanded margin annually by 70 basis points on average over the same period<sup>1</sup>, outperforming our peers
- Methodically repositioned portfolio to optimize for high growth and high margin businesses
- Consistently invested in differentiated technologies while maintaining industry leading margin expansion

Peer group consists of EMR, FTV, GE, ITW, MMM, and ROK

<sup>1</sup>Excludes 2020 financials. Uses midpoint of 2021 organic sales guidance and CapitalIQ consensus margin expansion for all companies except EMR and ROK, which are fiscal year 2021 actuals.

## Portfolio Transformation Driving Outperformance vs. Peers

# HONEYWELL VALUE CREATION FRAMEWORK



**Today's Focus on Innovation, Portfolio, and Sustainability**



# PRELIMINARY THOUGHTS ON 2022

## 2022 Drivers

### Planning Assumptions



Economic recovery driven by post-recession GDP growth



Lower COVID mortality rate due to continued distribution of vaccines in major economies; uneven recovery by region



Increasing demand for solutions that enhance sustainability



Continued market challenges from inflation (stimulus), labor force uncertainty (vaccine mandates), and supply availability (semiconductors)



Higher corporate tax rate (pending legislation)

### Vertical Outlook



Commercial flight hours continue to improve sequentially; stabilized defense budget spending



Oil prices supportive of customer capex / opex investments



Non-residential construction stable, sustainable solutions focus



e-Commerce demand driving investments in workflow technologies and automation

## Honeywell Outlook

### Top Line Drivers:

- + Strong air transport aftermarket recovery
- + Continued momentum in healthy solutions portfolio, warehouse automation, and productivity solutions
- + Double digit connected software growth
- + Strong backlog and orders position heading into 2022
- Supply chain challenges constrain growth in the first half, COVID-mask declines

### Margin Expansion Drivers:

- + Aftermarket recovery in Aerospace
- + Accelerating catalyst shipments in UOP
- + Improving warehouse and workflow solutions mix / execution
- ± Increasing inflationary trends temper 1H22 but offer upside opportunities as well
- Slight margin headwind from Quantum business combination

### Capital Deployment Dynamics:

- + Continued R&D and investments in growth / digital
- + Significant balance sheet capacity for M&A and share repurchases

**Demand and Macro Setup Remain Strong; Execution a Differentiator**

# PORTFOLIO TRANSFORMATION

## Organic Transformation



### Digital

\$1B in benefits since 2018 across sales, productivity, working capital



### ISC

\$1B cumulative manufacturing and material productivity since 2018



### Fixed Costs

\$1B permanent cost reduction from COVID-19 actions



### Connected

Enhanced SaaS offerings, double-digit recurring revenue growth annually



### ESG

>30% of 2021E sales related to environmental, social, safety, and public security outcomes

## Inorganic Transformation



**Honeywell**  
Intelligent<sup>®</sup>



**Garrett**

**Sparta Systems**

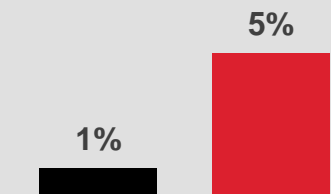
**Resideo**

- Adding differentiated technologies, increasing exposure to recurring and predictable revenue, aligning to megatrends, and investing in higher growth businesses
- Reducing cyclical and dilutive margins, sharpening focus on Honeywell's strategic objectives, and streamlining end markets

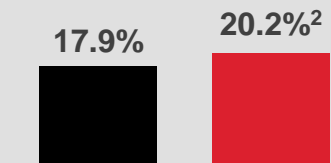
## Honeywell is a Different Company Today than in 2016

■ 2014 – 2016 Average ■ 2017 – 2021E Average<sup>1</sup>

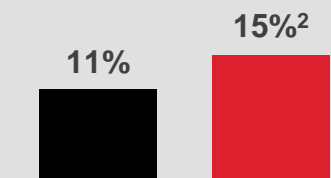
### Organic Growth



### Segment Margin



### Adjusted Free Cash Flow Margin



<sup>1</sup>Excludes 2020 financials and uses midpoint of guidance for 2021. <sup>2</sup>Segment margin and adjusted free cash flow margin averages are the same whether including or excluding 2020 financials

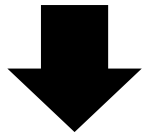
## Increasing Shareholder Value Through Self Help and Portfolio Transformation

# PORTFOLIO EXPANSION EXAMPLE: **LIFE SCIENCES**



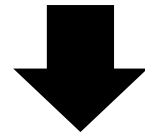
**December 2020**

AI-enabled enterprise quality management software (QMS), including a next-generation SaaS platform, for the life sciences industry

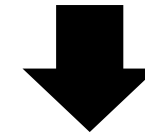


**Honeywell**  
Experion® Process  
Knowledge System (PKS)

Distributed control system (DCS) that integrates disparate data across facilities into a unified automation system

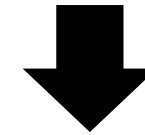


Enterprise performance management solution for digital transformation of operations



**September 2021**

Manufacturing Execution System (MES) software that helps pharmaceutical and biotech customers optimize complex manufacturing processes



Providing Solutions Across Entire Product Lifecycle:  
**Automation Project Execution → Optimal Production → Sustainable Quality**

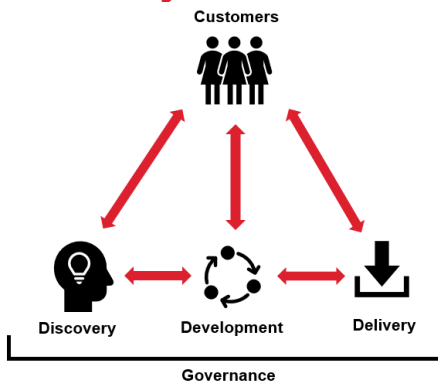
## **M&A Driving Deeper Penetration in Attractive New Verticals**



# CULTURE OF INNOVATION

## NPI Acceleration

- In 2020, **29% of total sales** were generated from organically developed new products introduced in the last three years, up from 21% in 2017
- Zero to One (Z21) NPI framework has **reduced the development cycle from years to months**



## Demonstrated BTI Successes



### Solstice®

- Ultra-low-global-warming refrigerants and blowing agents that improve energy efficiency

**~\$1B**      **\$30B**  
2021E Sales      2030 TAM  
**10 - 15%**  
Sales CAGR



### Cyber

- Delivered >5,000 OT cybersecurity projects across thousands of sites to date

**~\$110M**      **\$11B**  
2021E Sales      2030 TAM  
**>20%**  
Sales CAGR



### Coatings

- Ultra-thin material systems that protect vital parts from heat generated by a turbo engine

**~\$20M**      **\$2B**  
2021E Sales      2030 TAM  
**>100%**  
Sales CAGR

**Innovating to Meet Customer Needs in High Growth Vectors**

# QUANTUM TRANSFORMATION IN SUSTAINABILITY

## HQS + CQC Combination

**150+**

Technical  
Patents

**~\$2B**

Sales by  
2027

**~400**

Brightest  
Quantum minds

- Combining Honeywell's **leading hardware platform** with Cambridge Quantum's **advanced product software stack**
- Working with global customers to deliver solutions for markets with massive scalable commercialization opportunity; growing to **estimated \$2B in sales by 2027**
- Complete solution provider** with already developed solutions in cybersecurity, pharma research, finance, and optimization
- Combination expected to close in 4Q21

HQS: Honeywell Quantum Solutions; CQC: Cambridge Quantum Computing

## Sample Sustainable Quantum Applications



### Cybersecurity

Enable development of **keys and encryption** that **harness the power of today's quantum computers**



### Electric Vehicle Batteries

Aid in advancing EV battery technologies to **extend their range and charge more efficiently**



### Pharma and Healthcare

**Speed up discovery of new medicines** and enable individualized prescriptions



### Energy Efficiency

Enable development of advanced fertilizer production processes to **reduce massive energy requirements**

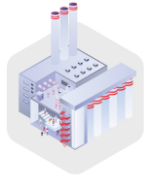
## Harnessing Nature's Logic to Transform Society

# HONEYWELL FORGE SOFTWARE SOLUTIONS

## HONEYWELL'S SOFTWARE VISION

We build tools for those who make, so that every day is their best day of performance  
Reinventing the way industries measure, analyze, and run their complex operations

## PROGRESS TO DATE ACROSS HCE (INSTALLED BASE)



**PLANT**  
51K managed assets



**BUILDING**  
~1M connected buildings



**AEROSPACE**  
14K connected aircraft



**WORKER**  
78K connected frontline workers from 1.7K customers



**OT CYBER**  
5K+ projects across thousands of sites



**LIFE SCIENCES**  
42 of the top 50 pharma companies



**WAREHOUSE**  
26K total sites, 4.4K large U.S. customers

## Sustainability Proof Point #1: Energy Optimization

Problem Statement	Honeywell Solution
Commercial buildings account for: <b>&gt;36%</b> of global final energy consumption <sup>1</sup>  <b>~40%</b> of total direct and indirect CO <sub>2</sub> emissions <sup>2</sup>	Hamdan Bin Mohammed Smart University in Dubai leveraged <b>Honeywell Forge's artificial intelligence</b> to autonomously optimize internal HVAC set points, leading to:  <b>10%</b> Reduced energy consumption

## Sustainability Proof Point #2: Predictive Maintenance

Problem Statement	Honeywell Solution
<b>80%</b> of companies have experienced an <b>unexpected outage</b> in the past 3 years <sup>3</sup>  <b>\$260K</b> Average cost of unplanned equipment failure <b>per hour</b> <sup>3</sup>	Globalworth, a leading office investor in Central and Eastern Europe, is using <b>Honeywell Forge's machine learning</b> to track and analyze asset performance across multiple systems and buildings, <b>identifying equipment faults before malfunctions occur</b>

<sup>1</sup>International Energy Agency, Buildings, <https://www.iea.org/topics/buildings> ; <sup>2</sup>American Council for an Energy Efficient Economy, <https://aceee.org/blog/2016/07/progress-commercial-building-energy> ; <sup>3</sup>"How Much is Equipment Downtime Costing Your Workplace?," iOffice, 18 June 2019, <https://www.iofficecorp.com/blog/equipment-downtime>

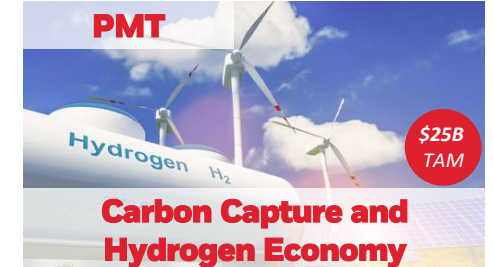
Providing Intelligent Solutions to Improve Efficiency



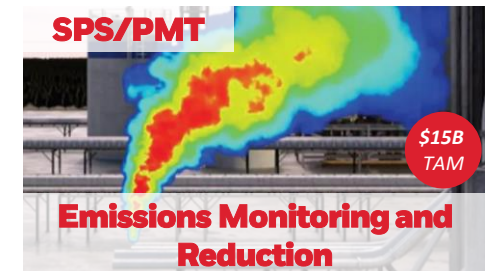
# INNOVATIONS IN SUSTAINABILITY

## Sustainability Megatrends

### Renewable / Green Energy



### Energy and Emissions Reductions



### Public Health and Safety



Sources: internal HON estimates; TAM: total addressable market. TAM refers to projected market size in 2030

## Leveraging HON Technology To Address Social and Environmental Megatrends

# DEMONSTRATED COMMITMENT TO ESG



**90%**

Reduction in our GHG emissions intensity over the past two decades

**2035**

Committed to achieve carbon neutrality in our facilities and operations by 2035

**5,700**

Sustainability projects completed since 2010, saving an annualized \$100M

**650K+**

People in rural India served by 185 safe drinking water stations funded through Safe Water Network partnership

**5 Year**

Sponsorship of the National Museum of African American History and Culture

**500**

Girls educated annually at Honeywell Center for Advancing Girls in Science in India

**9 of 10**

Directors are independent

**100K+**

Employees (our total HON workforce) receive training and certify compliance with our Code of Business Conduct annually

**>50%**

Of top executives are diverse by ethnic background, non-U.S. birthplace, or gender

**Integrity, Respect, and Diversity are Foundational to Our Strategy**



# DROVE A ROBUST COVID-19 RESPONSE



- Repurposed multiple facilities to produce critically-needed **N95 masks**
- Launched **Healthy Solutions** offerings that help reduce COVID-19 transmission
- Introduced **Honeywell Sine software** to track vaccination status and enable return to office
- Developed **Aclar Edge™ vials** for safer and more efficient vaccine distribution
- Converted two factories to produce **hand sanitizer** and donated the product



- Organized and conducted mass vaccination events, **enabling >150K people** to get vaccinated
- **Pledged or donated ~2M masks** to hospitals and nonprofits worldwide
- Created **critical care centers** and **intensive care units** across India with the equipment necessary for treating patients
- Launched the **Small Business Innovation Fund**, leading to \$4.6M in grants to more than 140 small businesses in 2.5 years



- Provided **special \$500 awards to each of our frontline production and production support employees**, recognizing their dedication in keeping manufacturing sites running
- Launched **\$10M Employee Relief Fund** to help those employees most affected by the pandemic
- **Paid for COVID-19 testing and treatment costs** that were not covered by employees' insurance

**Leveraged Our Resources to Fight the Pandemic**



# SUMMARY

## **Portfolio Transformation**

- Continuous portfolio optimization to maximize growth and shareholder value
- Capturing megatrends with organic and inorganic investments

## **Innovation**

- Innovation is a hallmark of Honeywell's success – foundation of controls and automation
- Focusing R&D and breakthroughs around disruptive trends shaping the global economy

## **Sustainability**

- Our technology portfolio is geared towards sustainability megatrends, such as energy transition, emissions reductions, and public health and safety

**The Future is What We Make It**

# Honeywell

# 4Q AND FY GUIDANCE

	4Q Guidance	FY Guidance
<b>Sales</b> <i>Organic Growth</i>	<b>\$8.5B - \$8.9B</b> <i>Down (4%) – Flat</i>	<b>\$34.2B - \$34.6B</b> <i>Up 4% – 5%</i>
<b>Segment Margin</b> <i>Margin Expansion</i>	<b>21.2% - 21.7%</b> <i>Up 10 – 60 bps</i>	<b>20.9% - 21.1%</b> <i>Up 50 – 70 bps</i>
Net Below the Line Impact Effective Tax Rate Share Count	(\$95M) – (\$10M) ~20% ~698M	\$40M – \$125M ~22% ~701M
<b>Earnings Per Share</b> <i>Adjusted Growth</i>	<b>\$2.03 - \$2.13</b> <i>Down (2%) – Up 3%</i>	<b>\$8.00 - \$8.10</b> <i>Up 13% - 14%</i>

*Net below the line impact is the difference between segment profit and income before tax. Impact includes interest and other financial charges, stock compensation expense, pension ongoing income, other post-retirement income, and repositioning and other charges. Adjusted EPS guidance excludes a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021, gain on the sale of the retail footwear business, an expense related to UOP matters, and any potential future one-time items that we cannot reliably predict or estimate such as pension mark-to-market or changes in fair value for Garrett equity securities. Adjusted EPS V% guidance also excludes 4Q20 pension mark-to market, non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.*

## Reaffirming Guidance

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

(\$M)	2014	2015	2016	2017	2018	2019	2020	2021E
Segment Profit	\$6,696	\$7,256	\$7,186	\$7,690	\$8,190	\$7,739	\$6,665	\$7,225
Stock compensation expense <sup>(1)</sup>	(187)	(175)	(184)	(176)	(175)	(153)	(168)	No Forecast
Repositioning, Other <sup>(2,3)</sup>	(590)	(569)	(674)	(962)	(1100)	(598)	(641)	No Forecast
Pension and other postretirement service costs <sup>(4)</sup>	(297)	(274)	(277)	(249)	(210)	(137)	(160)	No Forecast
Operating income	<u>\$5,622</u>	<u>\$6,238</u>	<u>\$6,051</u>	<u>\$6,303</u>	<u>\$6,705</u>	<u>\$6,851</u>	<u>\$5,696</u>	<u>No Forecast</u>
Segment profit <sup>(5)</sup>	\$6,696	\$7,256	\$7,186	\$7,690	\$8,190	\$7,739	\$6,665	\$7,225
÷ Net sales <sup>(6)</sup>	<u>\$40,306</u>	<u>\$38,581</u>	<u>\$39,302</u>	<u>\$40,534</u>	<u>\$41,802</u>	<u>\$36,709</u>	<u>\$32,637</u>	<u>\$34,400</u>
Segment profit margin % <sup>(5)</sup>	<u>16.6%</u>	<u>18.8%</u>	<u>18.3%</u>	<u>19.0%</u>	<u>19.6%</u>	<u>21.1%</u>	<u>20.4%</u>	<u>21.0%</u>
Operating income	\$5,622	\$6,238	\$6,051	\$6,303	\$6,705	\$6,851	\$5,696	No Forecast
÷ Net sales	<u>\$40,306</u>	<u>\$38,581</u>	<u>\$39,302</u>	<u>\$40,534</u>	<u>\$41,802</u>	<u>\$36,709</u>	<u>\$32,637</u>	<u>No Forecast</u>
Operating income margin %	<u>14.0%</u>	<u>16.2%</u>	<u>15.4%</u>	<u>15.6%</u>	<u>16.0%</u>	<u>18.7%</u>	<u>17.5%</u>	<u>No Forecast</u>

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

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

(3) Amounts 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.

(5) Expected Segment profit presented above is the midpoint of our current expected segment margin percentage guidance for 2021 of 20.9% to 21.1%, multiplied by the midpoint of or current net sales guidance for 2021 of \$34.2 to \$34.6 billion.

(6) Expected Net sales presented above is the midpoint of our current net sales guidance for 2021 of \$34.2 to \$34.6 billion.

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.

A quantitative reconciliation of segment profit, on an overall Honeywell basis, to operating income has not been provided for all forward-looking measures of segment profit and segment margin included herewithin. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit. The information that is unavailable to provide a quantitative reconciliation could have a significant impact on our reported financial results. To the extent quantitative information becomes available without unreasonable effort in the future, and closer to the period to which the forward-looking measures pertain, a reconciliation of segment profit to operating income will be included within future filings.

# RECONCILIATION OF ORGANIC SALES % CHANGE

Honeywell	2014	2015	2016	2017	2018	2019	2020	2021E
Reported sales % change	3%	(4%)	2%	3%	3%	(12%)	(11%)	5%
Less: Foreign currency translation	-	(4%)	(1%)	-	1%	(1%)	-	No Forecast
Less: Acquisitions, divestitures and other, net	-	-	4%	(1%)	(4%)	(16%)	-	No Forecast
Organic sales % change	<u>3%</u>	<u>0%</u>	<u>(1%)</u>	<u>4%</u>	<u>6%</u>	<u>5%</u>	<u>(11%)</u>	<u>5%</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 and acquisitions, net of divestitures, for the first 12 months following the transaction date. We believe this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

The quantitative reconciliation of reported sales percent change to organic sales percent change does not include an estimate for fluctuations in global currency markets or the occurrence and impact of acquisition and divestitures transactions, as management cannot reasonably predict or estimate these amounts without unreasonable effort.

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

(\$M)	2014	2015	2016	2017	2018	2019	2020	2021E
Cash provided by operating activities	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897	\$6,208	\$6,075
Expenditures for property, plant and equipment	(1,094)	(1,073)	(1,095)	(1,031)	(828)	(839)	(906)	(1,000)
Garrett cash receipts	-	-	-	-	-	-	-	375
Free cash flow	3,986	4,446	4,403	4,935	5,606	6,058	5,302	5,450
Separation cost payments	-	-	-	-	424	213	-	-
Adjusted free cash flow <sup>(1)</sup>	<u>\$3,986</u>	<u>\$4,446</u>	<u>\$4,403</u>	<u>\$4,935</u>	<u>\$6,030</u>	<u>\$6,271</u>	<u>\$5,302</u>	<u>\$5,450</u>
Cash provided by operating activities	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897	\$6,208	\$6,075
÷ Net sales <sup>(2)</sup>	<u>\$40,306</u>	<u>\$38,581</u>	<u>\$39,302</u>	<u>\$40,534</u>	<u>\$41,802</u>	<u>\$36,709</u>	<u>\$32,637</u>	<u>\$34,400</u>
Operating cash flow margin %	<u>13%</u>	<u>14%</u>	<u>14%</u>	<u>15%</u>	<u>15%</u>	<u>19%</u>	<u>19%</u>	<u>18%</u>
Adjusted free cash flow <sup>(1)</sup>	\$3,986	\$4,446	\$4,403	\$4,935	\$6,030	\$6,271	\$5,302	\$5,450
÷ Net Sales <sup>(2)</sup>	<u>\$40,306</u>	<u>\$38,581</u>	<u>\$39,302</u>	<u>\$40,534</u>	<u>\$41,802</u>	<u>\$36,709</u>	<u>\$32,637</u>	<u>\$34,400</u>
Adjusted free cash flow margin %	<u>10%</u>	<u>12%</u>	<u>11%</u>	<u>12%</u>	<u>14%</u>	<u>17%</u>	<u>16%</u>	<u>16%</u>

(1) Expected Adjusted free cash flow presented above is the midpoint of our current adjusted free cash flow guidance for 2021 of \$5.3 to \$5.6 billion.

(2) Expected Net sales presented above is the midpoint of our current net sales guidance for 2021 of \$34.2 to \$34.6 billion.

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

We believe that free cash flow is a non-GAAP metric that is useful to investors and management as a measure of cash generated by 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 operations and the impact that this cash flow has on our liquidity.



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

(\$M)	4Q20	2020
Aerospace	\$2,978	\$11,544
Honeywell Building Technologies	1,426	5,189
Performance Materials and Technologies	2,556	9,423
Safety and Productivity Solutions	1,940	6,481
<b>Net Sales</b>	<b>\$8,900</b>	<b>\$32,637</b>
Aerospace	\$822	\$2,904
Honeywell Building Technologies	305	1,099
Performance Materials and Technologies	478	1,851
Safety and Productivity Solutions	297	907
Corporate	(23)	(96)
<b>Segment Profit</b>	<b>\$1,879</b>	<b>\$6,665</b>
Stock compensation expense <sup>(1)</sup>	(50)	(168)
Repositioning, Other <sup>(2,3)</sup>	(111)	(641)
Pension and other postretirement service costs <sup>(4)</sup>	(42)	(160)
<b>Operating income</b>	<b>\$1,676</b>	<b>\$5,696</b>
Segment profit	\$1,879	\$6,665
÷ Net sales	\$8,900	\$32,637
<b>Segment profit margin %</b>	<b>21.1%</b>	<b>20.4%</b>
Operating income	\$1,676	\$5,696
÷ Net sales	\$8,900	\$32,637
<b>Operating income margin %</b>	<b>18.8%</b>	<b>17.5%</b>

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

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

(3) Amounts 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.

A quantitative reconciliation of segment profit, on an overall Honeywell basis, to operating income has not been provided for all forward-looking measures of segment profit and segment margin included herewithin. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit. The information that is unavailable to provide a quantitative reconciliation could have a significant impact on our reported financial results. To the extent quantitative information becomes available without unreasonable effort in the future, and closer to the period to which the forward-looking measures pertain, a reconciliation of segment profit to operating income will be included within future filings.

# RECONCILIATION OF EPS TO ADJUSTED EPS

	4Q20	2020
Earnings (loss) per share of common stock - assuming dilution (EPS) <sup>(1)</sup>	\$ 1.91	\$ 6.72
Separation related tax adjustment <sup>(2)</sup>	-	(0.26)
Pension mark-to-market expense <sup>(3)</sup>	0.05	0.04
Garrett related adjustments <sup>(4)</sup>	0.11	0.60
Adjusted earnings per share of common stock - assuming dilution	<u>\$ 2.07</u>	<u>\$ 7.10</u>

(1) For the three months ended December 31, 2020, adjusted earnings per share utilizes weighted average shares of approximately 710.0 million. For the twelve months ended December 31, 2020, adjusted earnings per share utilizes weighted average shares of 711.2 million.

(2) For the twelve months ended December 31, 2020, separation related tax adjustment of \$186 million, net of tax, includes the favorable resolution of a foreign tax matter related to the spin-off transactions.

(3) Pension mark-to-market expense uses a blended rate of 25% for 2020.

(4) For the three and twelve months ended December 31, 2020, adjustments were \$77 million and \$427 million net of tax due to the non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions.

We believe adjusted earnings per share is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. For forward looking information, management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expense and the changes in fair value for Garrett equity securities. Pension mark-to-market expense is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change. Changes in fair value for Garrett equity securities cannot be forecasted due to the inherent nature of changing conditions in the overall market.

# RECONCILIATION OF EPS TO ADJUSTED EPS

	<b>4Q21E</b>	<b>2021E</b>
<b>Earnings per share of common stock - assuming dilution <sup>(1)</sup></b>	<b>\$2.03 - \$2.13</b>	<b>\$7.87 - \$7.97</b>
<b>Gain on sale of retail footwear business <sup>(2)</sup></b>	<b>-</b>	<b>(0.11)</b>
<b>Garrett related adjustments <sup>(3)</sup></b>	<b>-</b>	<b>0.01</b>
<b>Expense related to UOP Matters <sup>(4)</sup></b>	<b>-</b>	<b>0.23</b>
<b>Adjusted earnings per share of common stock - assuming dilution</b>	<b><u>\$2.03 - \$2.13</u></b>	<b><u>\$8.00 - \$8.10</u></b>

(1) For the three months ended December 31, 2021, and twelve months ended December 31, 2021, expected earnings per share utilizes weighted average shares of approximately 698 million and 701 million, respectively.

(2) For the twelve months ended December 31, 2021, the adjustment was \$76 million net of tax due to the gain on sale of the retail footwear business.

(3) For the twelve months ended December 31, 2021, the adjustment was \$7 million net of tax due to a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021.

(4) For the twelve months ended December 31, 2021, adjustment was \$160 million with no tax benefit due to an expense related to UOP matters.

We believe adjusted earnings per share is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. For forward looking information, management cannot reliably predict or estimate any potential future one-time items, such as pension mark-to-market or changes in fair value for Garrett equity securities, without unreasonable effort. Pension mark-to-market expense is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change. Changes in fair value for Garrett equity securities cannot be forecasted due to the inherent nature of changing conditions in the overall market.