

Hello,

I hope you are well. It's been a busy first quarter at Honeywell, with several investor engagements coupled with some exciting company news (not least an acquisition in Aerospace we announced earlier today), which we recap in this note. We also highlight some **Frequently Asked Investor Questions (FAIQ)** that we heard on the road this quarter. As always, we welcome your feedback. Thank you for your interest in Honeywell.

All the best,
Sean

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Recent Investor Engagement

We kicked off conference season in February by attending both the Citi Global Industrial Tech and Mobility Conference ([webcast link here](#)) and Barclays Industrial Select Conference ([webcast link here](#)) in Miami. At each event, **CEO Vimal Kapur** updated investors on our progress towards his **strategic priorities**, highlighted the work we are doing to **improve our portfolio** and accelerate capital deployment, and emphasized our **long-term growth framework**.

In March, **CFO Greg Lewis** attended the J.P. Morgan Industrials Conference ([webcast replay / presentation](#)) in New York City. While there, Greg reiterated Vimal's strategic message and fielded questions regarding our plans for accelerating organic growth and portfolio strategy. Greg highlighted the strength we are seeing in our long-cycle aerospace and energy markets and our **commitment to delivering on our short- and long-term targets**.

Recent Honeywell News

Earlier today, **Honeywell** [announced our intention to acquire Civitanavi Systems](#) for approximately €200M. Civitanavi's technologies bolster our **leading navigation solutions** across aerospace, defense, and industrial platforms. This acquisition, which is in direct concert with Honeywell's alignment to the **megatrends of automation and the future of aviation**, furthers our ability to create value for our customers from nose to tail, whether they are traditional operators seeking to increase the **autonomous capability** of their existing fleets or new entrants in advanced air mobility space. Aerospace Technologies President Jim Currier said, "With this acquisition, we will be able to immediately expand our offerings to customers in the European Union through Civitanavi's navigation solutions, a capability we intend to further build out in the near-term. We look forward to adding this critical technology to our portfolio to help accelerate the growth of our Aerospace business."

In an interview with Bloomberg last week ([watch / listen](#) here), Vimal discussed **progress on priorities during his first year as CEO**, ways Honeywell is using deterministic AI to help solve labor shortages across industries, and our commitment to **accelerate capital deployment**.

Earlier this quarter, Chief Digital Officer Sheila Jordan [wrote in Forbes](#) about **the power of generative AI** and how Honeywell is developing and deploying this tool across our organization, emphasizing that we see many applications for gen AI to change how we innovate, make decisions, and operate as a business.

In early February, Honeywell announced **the Atlanta Hawks** [named us](#) the **official Sustainable Building Technology Partner** for their award-winning State Farm Arena. As part of a multi-year partnership, Honeywell will implement a series of high-tech upgrades to the arena's building operations systems to include Honeywell Forge software solutions, **decreasing energy consumption and emissions while increasing visibility and control of the indoor environment.**

Also in February, Honeywell [announced](#) that ENEOS, a leading energy company in Japan, will develop the world's first commercial scale **Liquid Organic Hydrogen Carrier (LOHC)** project using Honeywell's technology at multiple sites. Our solutions enable the **long-distance transportation of clean hydrogen** and can help meet the growing requirements for hydrogen use across various industries by leveraging existing assets and infrastructure.

Additionally, Honeywell is [teaming up](#) with Hai Robotics to deliver flexible, high-density storage and retrieval solutions to distribution centers (DC). The alliance couples Hai's innovative robotics technology with Honeywell's **Momentum Warehouse Execution Software, enhanced cybersecurity capabilities, and experience integrating robotics solutions.** Hai Robotics solutions integrate with Honeywell's software, enabling operators to analyze real-time performance KPIs across a DC and prioritize and redirect work as it is performed by both robotic systems and people, allowing for **reduced costs and greater customer service levels.**

Frequently Asked Investor Questions

Coming up on a year in the CEO role, what has Vimal learned and how is the company progressing on his key priorities?

About nine months into his tenure as CEO, Vimal has gained conviction in his strategy and its potential to unlock incremental value for HON shareholders. We are off to a great start with a lot already accomplished against our key goals. Beginning this year, we **simplified our portfolio** to focus on **three compelling megatrends of automation, the future of aviation, and the energy transition, all underpinned by digitalization**, which will guide how we focus our time, energy, and capital.

Our **portfolio transformation continues** – we are **committed to further accelerating capital deployment** with a bias towards accretive, bolt-on M&A. With the ~\$5B [Global Access Solutions acquisition](#) closing later this year, our capital deployment will exceed \$10B in 2024, ~25% above our multi-year run-rate of ~\$8B. Our **deal pipeline remains robust**, and we will continue to prosecute our M&A program to optimize the Honeywell portfolio in growth- and value-enhancing ways.

Accelerating organic growth remains Vimal's top priority; we are focused on achieving this through a robust innovation playbook to drive **faster new product introductions** and accretive levers of 1) **Honeywell Connected Enterprise** software (led by our Honeywell Forge IoT platform), 2) driving further penetration in our **High Growth Regions**, and 3) **maximizing our aftermarket entitlement** within our vast installed base by delivering innovative solutions that solve our customers' challenges.

Accelerator 3.0 continues to be a **powerful source of profitable growth**, including the **deployment of our global design models** (or GDMs). Accelerator is driving best practice adoption across our four main business models: products (~50% of sales), projects (~15%), aftermarket services (~30%), and software (~5%). We started by implementing standardized and digitized processes across each business model beginning in 2023 and we are already seeing results across each of the four models. **Critically, Accelerator is a lever for not only margin expansion, but also accelerating organic growth and boosting cash generation.**

What is the company doing differently to deliver stronger organic growth going forward?

We remain **committed to delivering our long-term 4% - 7% organic growth target**, and our 2024 guidance of 4% - 6% organic growth is inside the LT bracket. After delivering ~5% on average over the past three years, we have aspirations to accelerate our growth towards the upper-half of the range over time.

While we expect **our record backlog of ~\$32B** to support our organic growth expectations for years to come, we are also creating growth levers from our **new product offerings, particularly within our sustainability and software initiatives**. Honeywell has a robust innovation engine, and we continue to increase our **new product vitality** index and **grow Honeywell Connected Enterprise (HCE) at accretive levels**.

We believe extending our success in delivering new solutions to our existing customer base as well as driving greater commercial penetration of our current technologies to new markets will enable more robust organic growth. We are also leveraging our installed base to gain a **greater share of our aftermarket entitlement through increasingly connected solutions**. That, coupled with our **ongoing leadership in high-growth regions** (~25% of HON revenue), gives us confidence in our ability to deliver accelerated top line results.

How are Honeywell's short-cycle businesses progressing early in the year? What are the company's expectations for short cycle performance in 2024?

Our **short-cycle businesses are tracking largely as expected**. While we have seen select signs of green shoots in some of the end markets in 1Q, we expect **more tangible improvement to come** as we move into 2H24 as channel inventories become more favorable and end customer demand is better reflected in our results.

With the timing of an eventual recovery across our short-cycle markets playing a key role in our organic growth in 2024, we expect to make **improvement in our year-over-year growth rates during the year**, as modest sequential improvement in quarterly sales is met with more favorable comparisons to 2023. That **combination sets up for reacceleration in organic growth in the back half of 2024** and creates a **potentially exciting exit rate into 2025**.

Given recent emerging challenges in parts of the aero OEM supply chain, what are the implications for Honeywell's Aerospace Technologies segment in 2024?

Honeywell expects **another year of double-digit growth in our Aerospace Technologies segment as demand remains robust** and we continue to **make modest sequential improvement in output** by working with our supply chain to do the same. Our **supply constraints remain largely the same** as the past two years, with inadequate qualified labor among our tier three and four suppliers of forgings and castings. The electronics supply chain, a material constraint in 2021 and 2022, has largely healed, helping support AT's 20% increase in output and 15% revenue growth in 2023.

While there have been **additional challenges in the broader supply chain** highlighted by some OEMs that will likely lead to fewer aircraft deliveries than anticipated in the near term, **we do not foresee an impact to our operational cadence in 2024** and continue to deliver towards our commitments to all our customers, including OEMs. After growing material past due backlog in the last three years due to the limitations of our suppliers' output, **we will partner with our customers to maintain alignment on our shipments.**

We **continue to expect our 2024 AT segment margin to be consistent** with our performance in recent years as strong volume leverage is more or less offset by the impact of less favorable mix (outsized OEM sales growth) and our continued investments in our supply chain and R&D, allowing for some quarter-to-quarter variability.

Does Honeywell see opportunities for generative AI to deliver financial benefits in 2024, either through internal productivity or customer offerings?

Honeywell is committed to **utilizing generative AI to drive benefits in our commercial offerings as well as using it internally to enhance productivity.** The **investments we have made in digitizing and simplifying the company** over the past six years are **enabling us to unlock value today by utilizing the vast digital backbone of data we have created.** We are looking for opportunities to improve speed, accuracy, and automation by harnessing the power of **Honeywell's first generative AI-based applications.** For example, we developed and launched TechGPT, a gen AI-enabled customer service solution that transforms and streamlines our technical support and customer service processes. The solutions digitized previously manual processes to increase responsiveness and created a frictionless experience for customers.

We have **implemented AI into several internal initiatives** as well. One of the primary use cases for generative AI is **maximizing engineering and coding efficiency,** and we have begun to implement solutions in order to add capacity across the organization. In addition, we are using gen AI to harness, optimize, and transform existing digital infrastructure to drive solutions for ourselves and our customers through **our differentiated IoT platform,** that we bring to the market through Honeywell Forge. We see **AI as a material source of productivity and margin expansion in the years ahead.**

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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