FIRST QUARTER 2024
EARNINGS RELEASE

APRIL 25, 2024

Honeywell

THE
FUTURE
IS
WHAT
WE
MAKE IT

Honeywell

FORWARD LOOKING STATEMENTS

We describe many of the trends and other factors that drive our business and future results in this presentation. 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, many of which are difficult to predict and outside of our control. 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, including ongoing macroeconomic and geopolitical risks, such as lower GDP growth or recession, capital markets volatility, inflation, and certain regional conflicts, 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 presentation can or will be achieved. These forward-looking statements should be considered in light of the information included in this presentation, 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.

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; Segment profit margin, on an overall Honeywell basis; Organic sales percentage; Free cash flow; Adjusted free cash flow; Free cash flow excluding impact of settlements; Free cash flow margin excluding impact of settlements; Adjusted free cash flow margin; Adjusted earnings per share; Adjusted earnings per share excluding pension headwind; Adjusted income before taxes; Adjusted income tax expense; and Adjusted effective tax rate, if and as noted in the presentation. 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 measures should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Certain measures 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 presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.

STRATEGIC PRIORITIES

1
ACCELERATE ORGANIC GROWTH

- Innovation playbook
- High growth regions
- Monetize installed base and scale software

2
EVOLVE ACCELERATOR OPERATING SYSTEM

- Integrated operating company
- Enhancing growth, margins, and cash generation
- Taking digital operations to the next level

3
OPTIMIZE PORTFOLIO

- Bolt-on acquisitions
- Divest non-core / simplify
- ↑ Recurring sales / gross margin

FOCUSED ON DELIVERING PROFITABLE GROWTH AND STRONG CASH GENERATION

Strategy Focused on Accelerating Value Creation

PORTFOLIO STRATEGY UNFOLDING

BOLT-ON M&A

- Prioritize attractive **bolt-on transactions** between $1B - $7B
- Deals **aligned to our three key megatrends** of automation, the future of aviation, and energy transition
- Target company characteristics include **above industry growth rate, high gross margin, less cyclical, technological differentiation**

Sparta Systems

COMPRESSOR CONTROLS CORPORATION

LENEL:S2/Onity/Supra

TUCK-IN M&A

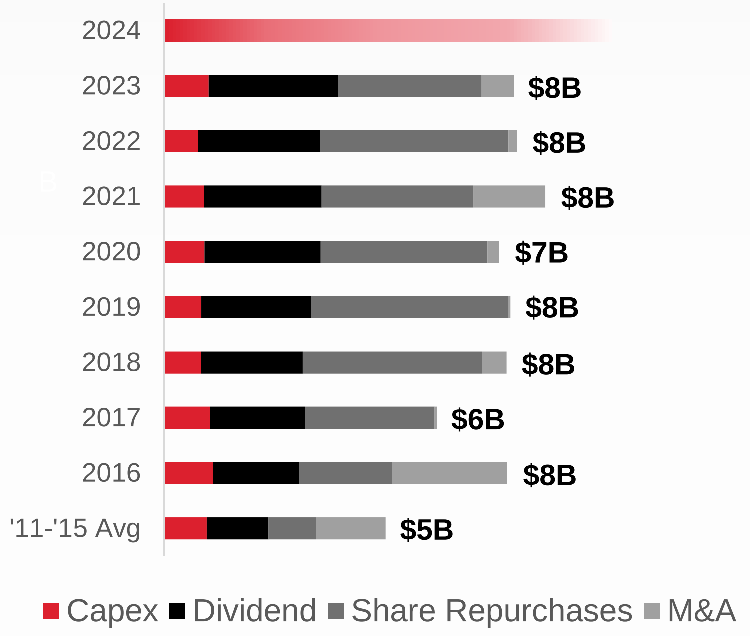
- **Smaller, strategic investments** that tuck-into ongoing business offerings
- **Technological adjacencies** that create incremental growth levers
- **Designed to complement** areas in the portfolio where Honeywell already has a strong presence

CIVITANAVI SYSTEMS®

SCADAfence

US DIGITAL DESIGNS by Honeywell

ACCELERATING CAPITAL DEPLOYMENT



On track to surpass commitment to deploy $25B+ of capital through 2025

Multi-Pronged Approach to M&A

COMMERCIAL PROOF POINTS

ALIGNED TO THREE KEY MEGATRENDS

AUTOMATION

- Supply chain diversification, reshoring, and resiliency
- Labor shortages, focus on IoT and AI

AEROSPACE

- Long-term recoupling to commercial flight demand; future of aviation
- Reprioritization of national defense

ENERGY AND SUSTAINABILITY

- Greater commitment to sustainability
- Global energy security at risk

RECENT NEWS ACROSS PORTFOLIO

Automation Solutions Win

- **Honeywell will provide automation, cybersecurity, and safety solutions to a new multibillion-dollar facility for a major energy company in the Middle East**. When completed in 2027, the facility will be able to fractionate more than 500k barrels per day of natural gas liquids.

Olathe Aero Facility Expansion

- Honeywell will invest over $80M to expand a key manufacturing facility in Kansas. **The expansion will enable the development of a strong and resilient supply chain for both next generation avionics and printed circuit board assemblies.**

Sustainable Aviation Fuel (SAF) Win

- **Honeywell FT Unicracking™ technology was chosen by DG Fuels for a new SAF refinery** that is expected to produce 600k metric tons of SAF each year using biomass as a feedstock. Honeywell's low-capital solution facilitates a 90% reduction in CO_2 intensity vs. fossil-based jet fuel.

Continuing to Strengthen Alignment to Megatrends

1Q 2024 RESULTS

	1Q 2024 Actual	1Q 2024 Guidance
ADJUSTED EARNINGS PER SHARE	$2.25	$2.12 - $2.22
ORGANIC SALES GROWTH	3%	Flat – Up 3%
SEGMENT MARGIN EXPANSION	20 bps	Down 10 bps – Up 20 bps
FREE CASH FLOW	$0.2B	
CAPITAL DEPLOYMENT	$1.6B Dividends, Share Repurchases, and Capital Expenditures	

1Q 2024 HIGHLIGHTS

- **Organic sales growth of 3%** led by ongoing long-cycle strength
- **Segment margin expanded 20 bps** achieving the high end of our guidance range, led by AT up 150 basis points
- **Segment profit growth of 4%**
- **Adjusted earnings per share grew 9%** exceeding the high end of our guidance range
- **Generated free cash flow** of $215M, up $1.2B vs. 1Q23
- **Backlog remains at a record level**, exiting the quarter +6% year over year at $32.0B
- **Deployed $1.6B of capital** to dividends, share repurchases, and high return capex; committed to accelerating deployment in FY24
- **Issued $5.8B in bonds** taking advantage of attractive long-term spreads and strong demand in Euro and U.S. Dollar markets

Adjusted EPS and adjusted EPS V% excludes 1Q24 Russian-related charges and 1Q23 Russian-related benefits.

Met or Exceeded High End of 1Q24 Guidance Across All Metrics

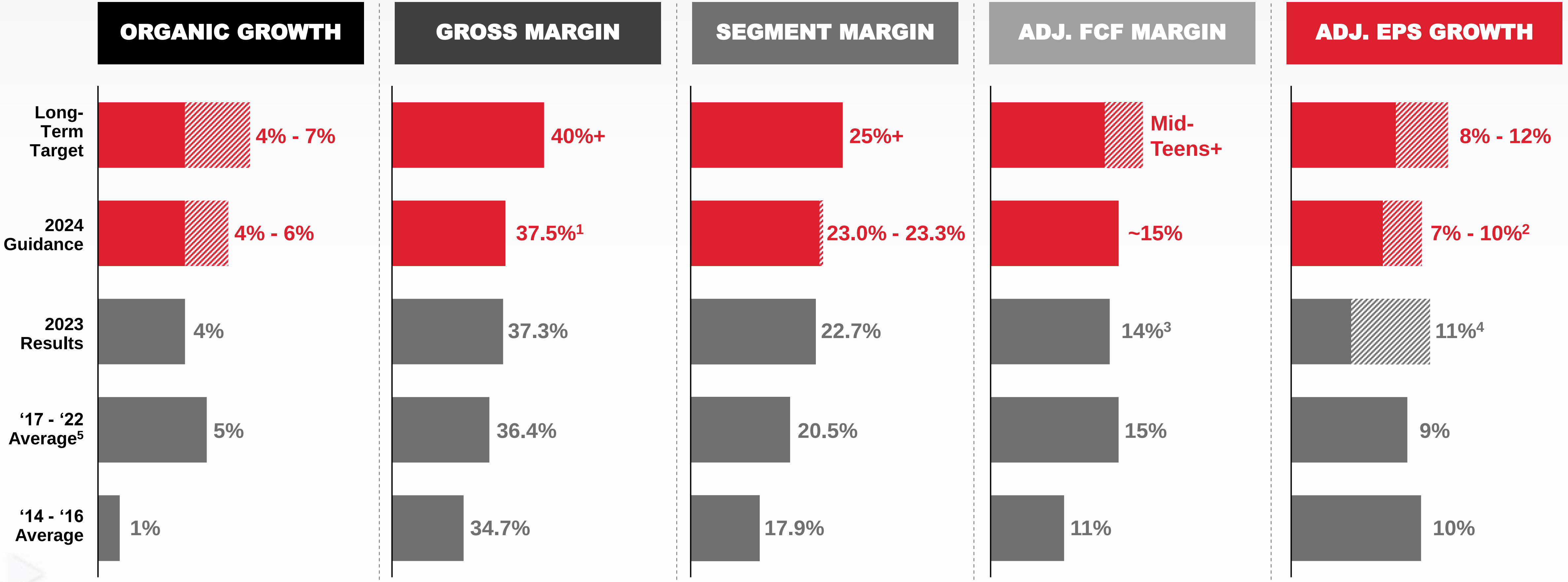
2Q AND FY 2024 OUTLOOK

2Q GUIDANCE		FY GUIDANCE	
SALES $9.2B - $9.5B Up 1% - 4% Organically	**SEGMENT MARGIN** 22.0% - 22.4% Down 40 - Flat bps	**SALES** $38.1B - $38.9B Up 4% - 6% Organically	**SEGMENT MARGIN** 23.0% - 23.3% Up 30 - 60 bps
ADJUSTED EPS $2.25 - $2.35 Up 1% - 5%	**NET BELOW THE LINE IMPACT** ($120M - $180M) **Effective tax rate** ~21% **Share count** ~655M	**ADJUSTED EPS** $9.80 - $10.10 Up 7% - 10%	**FREE CASH FLOW** $5.6B - $6.0B Up 6% - 13% excluding impact of prior year settlements

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 postretirement income, and repositioning and other charges. Adjusted EPS and Adjusted EPS V% guidance excludes 2024 Russian-related charges, 2Q23 Russian-related charges, 2Q23 net expense related to the NARCO Buyout and HWI sale, 2023 Russian-related charges, 2023 net expense related to the NARCO Buyout and HWI sale, 2023 pension mark-to-market expense, and 2023 adjustment to estimated future Bendix liability.

Maintaining Guidance in Line with Long-Term Framework

LONG-TERM FINANCIAL PROGRESSION



1. Represents gross margin from the last twelve months. Historical gross margin excludes company-funded R&D, in line with the reporting change made in 1Q23. 2. Adjusted EPS V% guidance excludes 2024 Russian-related charges, 2023 Russian-related benefits, 2023 net expense related to the NARCO Buyout and HWI sale, 2023 pension mark-to-market expense, and 2023 adjustment to estimated future Bendix liability. 3. Excluding impact of settlements related to the NARCO Buyout, HWI Sale, and UOP Matters. 4. Adjusted EPS excluding pension headwind excludes the impact of the year-over-year decrease in pension ongoing and other postretirement income 5. Excluding 2020.

Integrated Operating Company Delivering Value

SUMMARY

- Adjusted EPS up 9%, met or exceeded high end of 1Q24 guidance metrics; reaffirming 2024 guidance
- Record backlog and improving short-cycle fundamentals to deliver strong results in 2024 and beyond
- Improving business mix, commercial excellence, and productivity actions provide confidence in 2024 margin expansion guidance
- Portfolio actions accelerating; continuing to execute on $25B+ capital deployment commitment

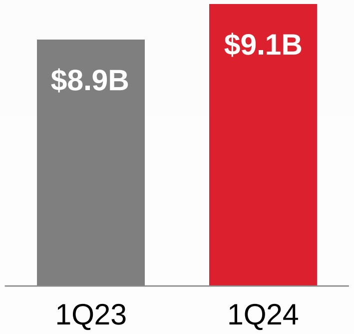
Strong Performance in 1Q; Conviction in 2024 and Long-Term Financial Algorithm

Appendix

1Q 2024 FINANCIAL SUMMARY

SALES

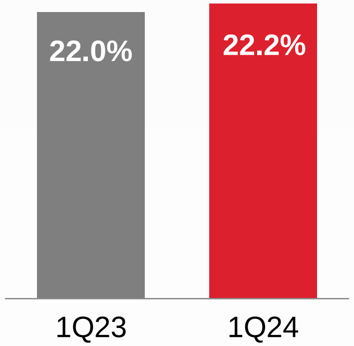
Up **3% Organic**



- + Double-digit organic growth in both commercial aviation and defense and space, Energy and Sustainability Solutions up 5%
- + Continued growth in building solutions and advanced materials
- – Warehouse automation and short-cycle headwinds as expected

SEGMENT MARGIN

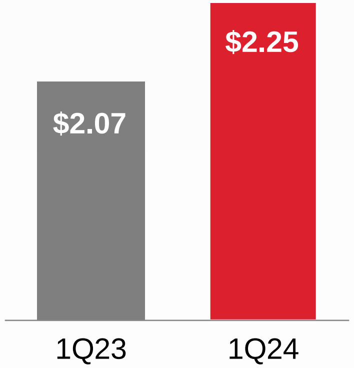
Up **20 bps**



- + Margin expansion led by Aerospace Technologies
- + Improved business mix, commercial excellence, and productivity actions more than offset inflation
- – Short-cycle mix headwinds in Building Automation and Industrial Automation

ADJUSTED EPS

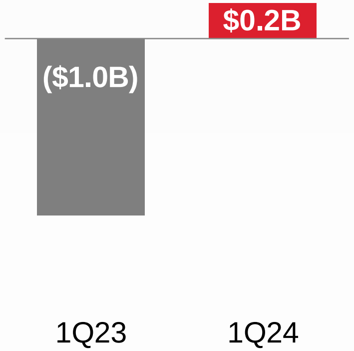
Up **9%**



- + Higher segment profit
- + Lower share count (657M vs. 673M)
- ± Lower repositioning and other, higher interest expense

FREE CASH FLOW

Up **$0.2B**
ex. Settlements



- + Deployed $1.6B to dividends, share repurchases, and capital expenditures
- + Higher net income
- + Lapping prior year settlement payments

Adjusted EPS and adjusted EPS V% excludes 1Q24 Russian-related charges and 1Q23 Russian-related benefits.

Strong Start to 2024

1Q 2024 SEGMENT RESULTS

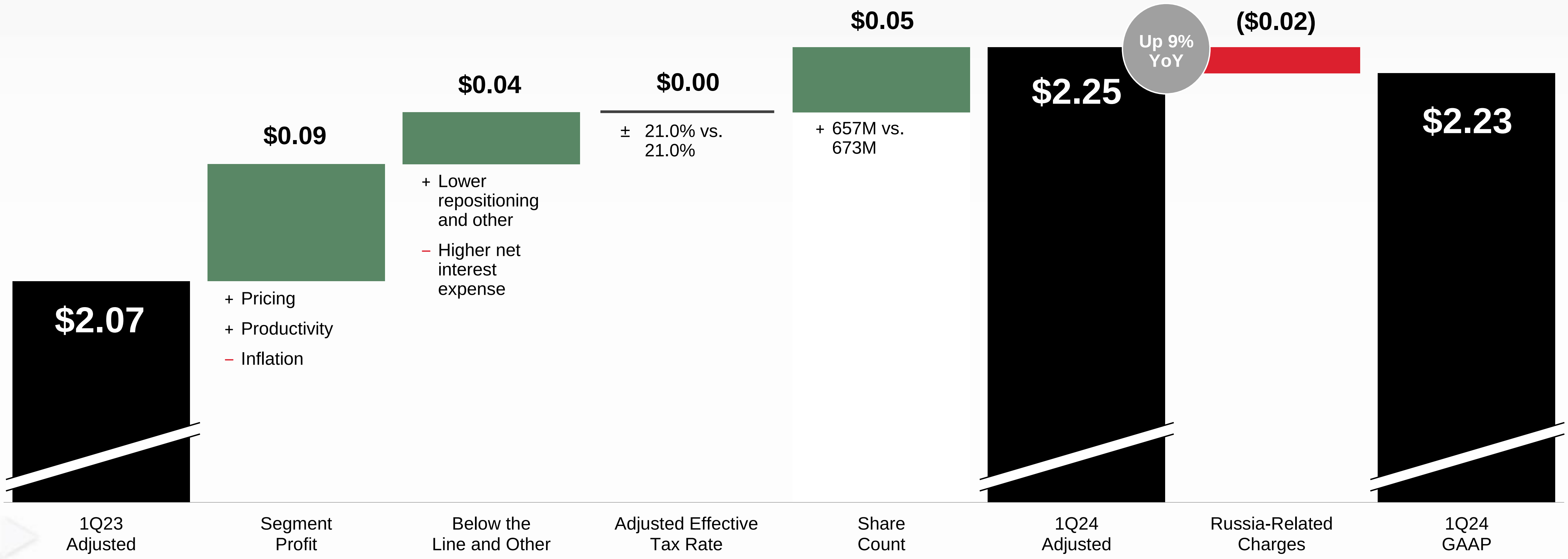
($M)	SALES	SEGMENT MARGIN CHANGE (BPS)	COMMENTARY
AT	**$3,669** Up 18% Organic	**28.1%** Up 150 bps	• 12th consecutive quarter of double-digit growth in commercial aviation; original equipment up over 20% • Robust 16% growth in defense and space as volumes unlock; book to bill of approximately 1.4x • Margin expansion driven by commercial excellence and volume leverage, partially offset by cost inflation and business mix pressure within original equipment
IA	**$2,478** Down (13%) Organic	**16.8%** Down (200) bps	• Second consecutive quarter of double-digit orders growth in productivity solutions and services • Lower warehouse automation volumes; double-digit growth in process solutions aftermarket services • Margin contraction due to lower volume leverage and cost inflation, partially offset by productivity actions and commercial excellence
BA	**$1,426** Down (3%) Organic	**24.0%** Down (120) bps	• Continued strength in building solutions, led by double-digit sales growth in projects • Sequential orders growth, highlighted by seasonal renewals in building services and modest improvement in fire products • Margin contraction due to product mix headwinds and cost inflation, partially offset by productivity actions and commercial excellence
ESS	**$1,525** Up 5% Organic	**19.8%** Down (70) bps	• Strength in advanced materials led by sequential and year-over-year improvement in fluorine products • Continued robust demand for petrochemical catalyst shipments and refining equipment driving growth in UOP • Margin contraction due to one-time factory restart costs were partially offset by favorable business mix and productivity actions

Long-Cycle Performance Remains Solid; Pockets of Short Cycle Recovery

1Q 2024 SALES GROWTH

	1Q Reported	1Q Organic
AEROSPACE TECHNOLOGIES	**18%**	**18%**
Commercial Aviation Original Equipment	25%	24%
Commercial Aviation Aftermarket	17%	17%
Defense and Space	17%	16%
INDUSTRIAL AUTOMATION	**(12%)**	**(13%)**
Process Solutions	2%	0%
Productivity Solutions and Services	(11%)	(11%)
Sensing and Safety Technologies	(8%)	(8%)
Warehouse and Workflow Solutions	(55%)	(55%)
BUILDING AUTOMATION	**(4%)**	**(3%)**
Building Products	(10%)	(10%)
Building Solutions	6%	7%
ENERGY AND SUSTAINABILITY SOLUTIONS	**4%**	**5%**
UOP	2%	3%
Advanced Materials	6%	6%

1Q 2024 EARNINGS PER SHARE BRIDGE



Adjusted EPS and adjusted EPS V% excludes 1Q24 Russian-related charges and 1Q23 Russian-related benefits.

Segment Profit the Primary Driver of EPS Growth

ADDITIONAL 2024 INPUTS

	1Q24	2Q24E	2024E	COMMENTARY
Pension / OPEB	$151M	~$145M	~$550M	• Pension income roughly flat to prior year
Repositioning	($34M)	($25M - $75M)	($200M - $300M)	• Retaining capacity for high-return projects to support cost management and productivity initiatives
Other Below the Line[1]	($250M)	($240M - $250M)	($900M - $950M)	• Increased year over year headwind from interest expense
Total Below the Line	($133M)	($120M - $180M)	($550M - $700M)	
Adjusted Effective Tax Rate	21%	~21%	~21%	
Share Count	657M	~655M	~656M	• Minimum 1% share count reduction
Corporate and Quantinuum	($71M)	(~$115M)	(~$450M)	• Segment profit for Corporate and Quantinuum

1. Other below the line includes asbestos, environmental expenses net of spin reimbursements, net interest, F/X, stock option expense, RSU expense, M&A, and other expense.

LONG-TERM FINANCIAL GROWTH ALGORITHM

MEGATRENDS

- Automation
- The Future of Aviation
- Energy Transition

ORGANIC SALES GROWTH
4% - 7%

SEGMENT MARGIN EXPANSION
40 - 60 bps

Segment Profit and Adj. EPS Growth
6% - 10%

+

SHARE REPURCHASES
Minimum 1% per year

Adj. EPS Growth
1% - 2%

+

M&A
Accretive bolt-on acquisitions

Adj. EPS Growth
1% - 2%

=

ADJUSTED EPS GROWTH
8% - 12%

Current HON Dividend Yield ~2%

Compelling Framework to Compound Growth

NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of certain non-GAAP financial measures presented in this presentation to which this reconciliation is attached to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP).

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 measures should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Certain measures 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. Other companies may calculate these non-GAAP measures differently, limiting the usefulness of these measures for comparative purposes.

Management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of these non-GAAP financial measures are that they exclude significant expenses and income that are required by GAAP to be recognized in the consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. Investors are urged to review the reconciliation of the non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate Honeywell’s business.

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

($M)	1Q23	2Q23	1Q24	2023
Operating income	$ 1,692	$ 1,883	$ 1,860	$ 7,084
Stock compensation expense[1]	59	50	53	202
Repositioning, Other[2,3]	180	103	92	952
Pension and other postretirement service costs[3]	16	16	16	66
Segment profit	$ 1,947	$ 2,052	$ 2,021	$ 8,304
Operating income	$ 1,692	$ 1,883	$ 1,860	$ 7,084
÷ Net sales	$ 8,864	$ 9,146	$ 9,105	$ 36,662
Operating income margin %	19.1 %	20.6 %	20.4 %	19.3 %
Segment profit	$ 1,947	$ 2,052	$ 2,021	$ 8,304
÷ Net sales	$ 8,864	$ 9,146	$ 9,105	$ 36,662
Segment profit margin %	22.0 %	22.4 %	22.2 %	22.7 %

1 Included in Selling, general and administrative expenses.

2 Includes repositioning, asbestos, environmental expenses, equity income adjustment, and other charges. For the three months ended March 31, 2024, March 31, 2023, and June 30, 2023, other charges include $17 million of expense, $2 million of benefit, and $1 million of expense, respectively, due to the Russia-Ukraine conflict.

3 Included in Cost of products and services sold and Selling, general and administrative expenses.

We define segment profit, on an overall Honeywell basis, as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We define segment profit margin, on an overall Honeywell basis, as segment profit divided by net sales. 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 operating income to segment profit, on an overall Honeywell basis, has not been provided for all forward-looking measures of segment profit and segment profit margin included herein. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit, particularly pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. 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 OPERATING INCOME TO SEGMENT PROFIT AND CALCULATION OF OPERATING INCOME AND SEGMENT PROFIT MARGINS

($M)	2014	2015	2016	2017	2018	2019	2021	2022
Operating income	$ 5,622	$ 6,238	$ 6,051	$ 6,303	$ 6,705	$ 6,851	$ 6,200	$ 6,427
Stock compensation expense[1]	187	175	184	176	175	153	217	188
Repositioning, Other[2,3]	590	569	674	962	1,100	598	636	942
Pension and other postretirement service costs[4]	297	274	277	249	210	137	159	132
Segment profit	$ 6,696	$ 7,256	$ 7,186	$ 7,690	$ 8,190	$ 7,739	$ 7,212	$ 7,689
Operating income	$ 5,622	$ 6,238	$ 6,051	$ 6,303	$ 6,705	$ 6,851	$ 6,200	$ 6,427
÷ Net sales	$ 40,306	$ 38,581	$ 39,302	$ 40,534	$ 41,802	$ 36,709	$ 34,392	$ 35,466
Operating income margin %	14.0 %	16.2 %	15.4 %	15.6 %	16.0 %	18.7 %	18.0 %	18.1 %
Segment profit	$ 6,696	$ 7,256	$ 7,186	$ 7,690	$ 8,190	$ 7,739	$ 7,212	$ 7,689
÷ Net sales	$ 40,306	$ 38,581	$ 39,302	$ 40,534	$ 41,802	$ 36,709	$ 34,392	$ 35,466
Segment profit margin %	16.6 %	18.8 %	18.3 %	19.0 %	19.6 %	21.1 %	21.0 %	21.7 %

1 Included in Selling, general and administrative expenses.
2 Includes repositioning, asbestos, environmental expenses, equity income adjustment, and other charges. For the twelve months ended December 31, 2022, other charges include an expense of $250 million related to reserves against outstanding accounts receivables, contract assets, and inventory, as well as the write-down of other assets and employee severance related to the initial suspension and wind down of our businesses and operations in Russia. For the twelve months ended December 31, 2022, and 2021, other charges includes $41 million and $105 million, respectively, of incremental long-term contract labor cost inefficiencies due to severe supply chain disruptions (attributable to the COVID-19 pandemic) relating to the warehouse automation business within the historical Safety and Product Solutions segment. These costs include incurred amounts and provisions for anticipated losses recognized when total estimated costs at completion for certain of the business' long-term contracts exceeded total estimated revenue. These certain costs represent unproductive labor costs due to unexpected supplier delays and the resulting downstream installation issues, demobilization and remobilization of contract workers, and resolution of contractor disputes.
3 Included in Cost of products and services sold, Selling, general and administrative expenses, and Other income/expense.
4 Included in Cost of products and services sold and Selling, general and administrative expenses.

We define segment profit, on an overall Honeywell basis, as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We define segment profit margin, on an overall Honeywell basis, as segment profit divided by net sales. We believe these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

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RECONCILIATION OF ORGANIC SALES PERCENT CHANGE

	1Q24
Honeywell	
Reported sales % change	3%
Less: Foreign currency translation	—%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	3%
Aerospace Technologies	
Reported sales % change	18%
Less: Foreign currency translation	—%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	18%
Industrial Automation	
Reported sales % change	(12)%
Less: Foreign currency translation	—%
Less: Acquisitions, divestitures and other, net	1%
Organic sales % change	(13)%
Building Automation	
Reported sales % change	(4)%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	(3)%
Energy and Sustainability Solutions	
Reported sales % change	4%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	5%

We define organic sales percentage 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.

A quantitative reconciliation of reported sales percent change to organic sales percent change has not been provided for forward-looking measures of organic sales percent change because management cannot reliably predict or estimate, without unreasonable effort, the fluctuations in global currency markets that impact foreign currency translation, nor is it reasonable for management to predict the timing, occurrence and impact of acquisition and divestiture transactions, all of which could significantly impact our reported sales percent change.

RECONCILIATION OF ORGANIC SALES PERCENT CHANGE

	2014	2015	2016	2017	2018	2019	2021	2022	2023
Honeywell									
Reported sales % change	3%	(4)%	2%	3%	3%	(12)%	5%	3%	3%
Less: Foreign currency translation	—%	(4)%	(1)%	—%	1%	(1)%	1%	(3)%	(1)%
Less: Acquisitions, divestitures and other, net	—%	—%	4%	(1)%	(4)%	(16)%	—%	—%	—%
Organic sales % change	3%	—%	(1)%	4%	6%	5%	4%	6%	4%

We define organic sales percentage 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.

A quantitative reconciliation of reported sales percent change to organic sales percent change has not been provided for forward-looking measures of organic sales percent change because management cannot reliably predict or estimate, without unreasonable effort, the fluctuations in global currency markets that impact foreign currency translation, nor is it reasonable for management to predict the timing, occurrence and impact of acquisition and divestiture transactions, all of which could significantly impact our reported sales percent change.

RECONCILIATION OF EPS TO ADJUSTED EPS AND ADJUSTED EPS EXCLUDING PENSION HEADWIND

	1Q23	2Q23	1Q24	FY2023	2Q24E	2024E
Earnings per share of common stock - diluted[1]	$ 2.07	$ 2.22	$ 2.23	$ 8.47	$2.53 - $2.63	$9.78 - $10.08
Pension mark-to-market expense[2]	—	—	—	0.19	No Forecast	No Forecast
Russian-related charges[3]	—	—	0.02	—	—	0.02
Net expense related to the NARCO Buyout and HWI Sale[4]	—	0.01	—	0.01	—	—
Adjustment to estimated future Bendix liability[5]	—	—	—	0.49	—	—
Adjusted earnings per share of common stock - diluted	$ 2.07	$ 2.23	$ 2.25	$ 9.16	$2.53 - $2.63	$9.80 - $10.10
Pension headwind[6]	0.15	0.15	—	0.55	No Forecast	No Forecast
Adjusted earnings per share of common stock excluding Pension headwind - diluted	$ 2.22	$ 2.38	$ 2.25	$ 9.71	$2.53 - $2.63	$9.80 - $10.10

1 For the three months ended March 31, 2024, and 2023, adjusted earnings per share utilizes weighted average shares of approximately 656.6 million and 673.0 million, respectively. For the three months ended June 30, 2023, adjusted earnings per share utilizes weighted average shares of approximately 670.2 million. For the twelve months ended December 31, 2023, adjusted earnings per share utilizes weighted average shares of approximately 668.2 million. For the three months ended June 30, 2024, and twelve months ended December 31, 2024, expected earnings per share utilizes weighted average shares of approximately 655 million and 656 million, respectively.

2 Pension mark-to-market expense uses a blended tax rate of 18%, net of tax benefit of $27 million, for 2023.

3 For the three months ended March 31, 2024, the adjustment was a $17 million expense, without tax benefit, due to the settlement of a contractual dispute with a Russian entity associated with the Company's suspension and wind down activities in Russia. For the three months ended March 31, 2023, and June 30, 2023, the adjustments were a $2 million benefit, without tax expense, and a $1 million expense, without tax benefit, respectively. For the twelve months ended December 31, 2023, the adjustment was a benefit of $3 million, without tax expense.

4 For the twelve months ended December 31, 2023, the adjustment was $8 million, net of tax benefit of $3 million, due to net expense related to the NARCO Buyout and HWI Sale.

5 Bendix Friction Materials ("Bendix") is a business no longer owned by the Company. In 2023, the Company changed its valuation methodology for calculating legacy Bendix liabilities. For the twelve months ended December 31, 2023, the adjustment was $330 million, net of tax benefit of $104 million, (or $434 million pre-tax) due to a change in the estimated liability for resolution of asserted (claims filed as of the financial statement date) and unasserted Bendix-related asbestos claims. The Company experienced fluctuations in average resolution values year-over-year in each of the past five years with no well-established trends in either direction. In 2023, the Company observed two consecutive years of increasing average resolution values (2023 and 2022), with more volatility in the earlier years of the five-year period (2019 through 2021). Based on these observations, the Company, during its annual review in the fourth quarter of 2023, reevaluated its valuation methodology and elected to give more weight to the two most recent years by shortening the look-back period from five years to two years (2023 and 2022). The Company believes that the average resolution values in the last two consecutive years are likely more representative of expected resolution values in future periods. The $434 million pre-tax amount was attributable primarily to shortening the look-back period to the two most recent years, and to a lesser extent to increasing expected resolution values for a subset of asserted claims to adjust for higher claim values in that subset than in the modelled two-year data set. It is not possible to predict whether such resolution values will increase, decrease, or stabilize in the future, given recent litigation trends within the tort system and the inherent uncertainty in predicting the outcome of such trends. The Company will continue to monitor Bendix claim resolution values and other trends within the tort system to assess the appropriate look-back period for determining average resolution values going forward.

6 For the twelve months ended December 31, 2023, the adjustment was the decline of $378 million of pension ongoing and other postretirement income between 2022 and 2023, net of tax expense of $99 million. For the three months ended March 31, 2023, the adjustment was the decline of $99 million of pension ongoing and other postretirement income compared to the three months ended March 31, 2023, net of tax expense of $26 million. For the three months ended June 30, 2023, the adjustment was the decline of $97 million of pension ongoing and other postretirement income compared to the three months ended June 30, 2022, net of tax expense of $26 million.

We define adjusted earnings per share as diluted earnings per share adjusted to exclude various charges as listed above. We define adjusted earnings per share excluding pension headwind as adjusted earnings per share adjusted for an actual or forecasted decline of pension ongoing and other postretirement income between the comparative periods in 2022 and 2023. We believe adjusted earnings per share and adjusted earnings per share excluding pension headwind are measures that are 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 as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. We therefore do not include an estimate for the pension mark-to-market expense. Based on economic and industry conditions, future developments, and other relevant factors, these assumptions are subject to change.

RECONCILIATION OF EPS TO ADJUSTED EPS

	2013	2014	2015	2016	2017	2018	2019	2021	2022
Earnings per share of common stock - diluted[1]	$ 4.92	$ 5.33	$ 6.04	$ 6.21	$ 2.00	$ 8.98	$ 8.41	$ 7.91	$ 7.27
Pension mark-to-market expense[2]	0.05	0.23	0.06	0.28	0.09	0.04	0.13	0.05	0.64
Debt refinancing expense[2]	—	—	—	0.12	—	—	—	—	—
Separation costs[3]	—	—	—	—	0.02	0.97	—	—	—
Impacts from U.S. Tax Reform	—	—	—	—	5.04	(1.98)	(0.38)	—	—
Garrett related adjustments[4]	—	—	—	—	—	—	—	0.01	—
Changes in fair value for Garrett equity securities[5]	—	—	—	—	—	—	—	(0.03)	—
Gain on sale of retail footwear business[6]	—	—	—	—	—	—	—	(0.11)	—
Expense related to UOP Matters[7]	—	—	—	—	—	—	—	0.23	0.07
Russian-related charges[8]	—	—	—	—	—	—	—	—	0.43
Gain on sale of Russian entities[9]	—	—	—	—	—	—	—	—	(0.03)
Net expense related to the NARCO Buyout and HWI Sale[10]	—	—	—	—	—	—	—	—	0.38
Adjusted earnings per share of common stock - diluted	$ 4.97	$ 5.56	$ 6.10	$ 6.61	$ 7.15	$ 8.01	$ 8.16	$ 8.06	$ 8.76

1 Adjusted earnings per share utilizes weighted average shares of 683.1 million, 700.4 million, 730.3 million, 753.0 million, 772.1 million, 775.3 million, 789.3 million, 795.2 million, and 797.3 million for the years ended December 31, 2022, 2021, 2019, 2018, 2017, 2016, 2015, 2014, and 2013, respectively.

2 Pension mark-to-market expense uses a blended tax rate of 16%, 25%, 24%, 24%, 23%, 21%, 36.1%, 28.1%, and 25.5% for 2022, 2021, 2019, 2018, 2017, 2016, 2015, 2014, and 2013, respectively. Debt refinancing expense uses a tax rate of 26.5%.

3 For the twelve months ended December 31, 2018, and 2017, separation costs were $732 million and $14 million, respectively, including net tax impacts.

4 For the twelve months ended December 31, 2021, the adjustment was $7 million, without tax benefit, due to a non-cash charge associated with a reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021.

5 For the twelve months ended December 31, 2021, the adjustment was $19 million, net of tax expense of $5 million, due to changes in fair value for Garrett equity securities.

6 For the twelve months ended December 31, 2021, the adjustment was $76 million, net of tax expense of $19 million, due to the gain on sale of the retail footwear business.

7 For the twelve months ended December 31, 2022, and 2021, the adjustments were $45 million and $160 million, respectively, without tax benefit, due to an expense related to UOP matters.

8 For the twelve months ended December 31, 2022, the adjustment was $297 million, without tax benefit, to exclude charges and the accrual of reserves related to outstanding accounts receivable, contract assets, impairment of intangible assets, foreign exchange revaluation, inventory reserves, the write-down of other assets, impairment of property, plant and equipment, employee severance, and called guarantees related to the initial suspension and wind down of our businesses and operations in Russia.

9 For the twelve months ended December 31, 2022, the adjustment was $22 million, without tax expense, due to the gain on sale of a Russian entities.

10 For the twelve months ended December 31, 2022, the adjustment was $260 million, net of tax benefit of $82 million, due to the net expense related to the NARCO Buyout and HWI Sale.

We define adjusted earnings per share as diluted earnings per share adjusted to exclude various charges as listed above. We believe adjusted earnings per share is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

RECONCILIATION OF EFFECTIVE TAX RATE TO ADJUSTED EFFECTIVE TAX RATE

($M)	1Q23	1Q24
Income before taxes	$ 1,782	$ 1,871
Russian-related charges (benefit)	(2)	17
Adjusted income before taxes	$ 1,780	$ 1,888
Income tax expense	$ 374	$ 396
Adjusted income tax expense	$ 374	$ 396
Income tax expense	$ 374	$ 396
÷ Income before taxes	$ 1,782	$ 1,871
Effective tax rate	21.0 %	21.2 %
Adjusted income tax expense	$ 374	$ 396
÷ Adjusted income before taxes	$ 1,780	$ 1,888
Adjusted effective tax rate	21.0 %	21.0 %

We define adjusted income before taxes as income before taxes adjusted for items presented above. We define adjusted income tax expense as income tax expense adjusted for items presented above. We define adjusted effective tax rate as adjusted income tax expense divided by adjusted income before taxes.

We believe that adjusted effective tax rate is a non-GAAP measure that is useful to investors and management as an ongoing representation of our tax rate excluding one-off and unusual transactions. This measure can be used to evaluate our tax rate on our recurring operations. For forward looking information, we do not provide effective tax rate guidance on a GAAP basis as management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expenses and other one-off and unusual transactions.

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW AND FREE CASH FLOW EXCLUDING THE IMPACT OF SETTLEMENTS AND CALCULATION OF FREE CASH FLOW MARGIN EXCLUDING IMPACT OF SETTLEMENTS

($M)	1Q23	1Q24	2023
Cash provided by operating activities	$ (784)	$ 448	$ 5,340
Capital expenditures	(193)	(233)	(1,039)
Free cash flow	(977)	215	4,301
Impact of settlements[1]	1,015	—	1,001
Free cash flow excluding impact of settlements	$ 38	$ 215	$ 5,302
Cash provided by operating activities	$ (784)	$ 448	$ 5,340
÷ Net sales	$ 8,864	$ 9,105	$ 36,662
Operating cash flow margin %	(9) %	5 %	15 %
Free cash flow excluding impact of settlements	$ 38	$ 215	$ 5,302
÷ Net sales	$ 8,864	$ 9,105	$ 36,662
Free cash flow margin excluding impact of settlements %	— %	2 %	14 %

1 For the three months ended March 31, 2023, impact of settlements was $1,015 million, net of tax benefit of $257 million, due to settlements related to the NARCO Buyout, HWI Sale, and UOP Matters. For the twelve months ended December 31, 2023, impact of settlements was $1,001 million, net of tax benefit of $252 million, due to settlements related to the NARCO Buyout, HWI Sale, and UOP Matters.

We define free cash flow as cash provided by operating activities less cash for capital expenditures. We define free cash flow excluding impact of settlements as free cash flow less settlements related to the NARCO Buyout, HWI Sale, and UOP Matters. We define free cash flow margin excluding impact of settlements as free cash flow excluding impact of settlements divided by net sales.

We believe that free cash flow, free cash flow excluding impact of settlements, and free cash flow margin excluding impact of settlements are non-GAAP measures that are 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. These measures 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 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	2021	2022
Cash provided by operating activities	$ 5,080	$ 5,519	$ 5,498	$ 5,966	$ 6,434	$ 6,897	$ 6,038	$ 5,274
Capital expenditures	(1,094)	(1,073)	(1,095)	(1,031)	(828)	(839)	(895)	(766)
Garrett cash receipts	—	—	—	—	—	—	586	409
Free cash flow	$ 3,986	$ 4,446	$ 4,403	$ 4,935	$ 5,606	$ 6,058	$ 5,729	$ 4,917
Separation cost payments	—	—	—	—	424	213	—	—
Adjusted free cash flow	$ 3,986	$ 4,446	$ 4,403	$ 4,935	$ 6,030	$ 6,271	$ 5,729	$ 4,917
Cash provided by operating activities	$ 5,080	$ 5,519	$ 5,498	$ 5,966	$ 6,434	$ 6,897	$ 6,038	$ 5,274
÷ Net sales	$ 40,306	$ 38,581	$ 39,302	$ 40,534	$ 41,802	$ 36,709	$ 34,392	$ 35,466
Operating cash flow margin %	13 %	14 %	14 %	15 %	15 %	19 %	18 %	15 %
Adjusted free cash flow	$ 3,986	$ 4,446	$ 4,403	$ 4,935	$ 6,030	$ 6,271	$ 5,729	$ 4,917
÷ Net sales	$ 40,306	$ 38,581	$ 39,302	$ 40,534	$ 41,802	$ 36,709	$ 34,392	$ 35,466
Adjusted free cash flow margin %	10 %	12 %	11 %	12 %	14 %	17 %	17 %	14 %

We define free cash flow as cash provided by operating activities less cash for capital expenditures plus cash receipts from Garrett. We define adjusted free cash flow as free cash flow plus separation cost payments. We define adjusted free cash flow margin as adjusted free cash flow divided by net sales.

We believe that free cash flow, adjusted free cash flow, and adjusted free cash flow margin are non-GAAP measures that are 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. These measures 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 EXPECTED CASH PROVIDED BY OPERATING ACTIVITIES TO EXPECTED FREE CASH FLOW

	2024E ($B)
Cash provided by operating activities	**~$6.7 - $7.1**
Capital expenditures	**~(1.1)**
Free cash flow	**~$5.6 - $6.0**

We define free cash flow as cash provided by operating activities less cash for capital expenditures.

We believe that free cash flow is a non-GAAP measure 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 measure 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.