Hello,

I hope you had a nice summer. It's been a busy start to the fall for the Honeywell IR team as the conference circuit has been in full swing in September. In this note we've compiled the most **Frequently Asked Investor Questions (FAIQ)** in our discussions in recent weeks. We appreciate your interest in Honeywell and welcome your questions and feedback as well.

Sean

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What are the key messages you've been communicating to investors recently?

The Honeywell value creation framework remains a differentiator, and we are **well-positioned to deliver the acceleration in growth** we outlined at our Investor Day in March, led by the success of our continuous focus on innovation. We believe our **mix of end markets is relatively favorable** under various economic scenarios in the coming quarters, with roughly two-thirds of revenue derived from the commercial aviation, defense, energy, and non-residential construction end markets, each of which offers favorable secular drivers. When coupled with a **record level of long-cycle backlog** and a **robust balance sheet** that offers +$25B in deployment potential, we believe **Honeywell is primed to deliver resilient financial results through the cycle**.

What is Honeywell's view of the forward macroeconomic outlook and how does that compare to its view of the company's prospects into next year?

We are closely monitoring the macroeconomic environment, especially in Europe and China, which are seeing additional challenges due to increased inflation from rising energy prices, elevated interest rates, and the continued threat of COVID-19. While we believe our portfolio is set up well to withstand a potential downturn, we don't expect Honeywell to be completely immune from economic headwinds. As we have discussed on recent earnings calls, we are seeing near-term demand headwinds in warehouse automation and could see impact in some pockets of the short-cycle, economically sensitive parts of the portfolio. We have already taken cost actions in Intelligrated and are prepared to do so in any short cycle businesses which may be impacted by a slowing economic environment. We **reiterated our third quarter and FY22 guidance** (p. 7) at multiple investor events during the quarter.

There are many factors that will impact our outlook for next year, and we will provide our official 2023 guidance during our fourth quarter earnings call. However, we believe **most of our end markets will remain resilient, allowing for revenue and EPS growth again next year**. We expect our top line to be driven by strong growth in Aerospace and PMT as those businesses continue to recover from the effects of the pandemic, as well as HBT as we see increased demand from sustainability initiatives.

The **volume growth we are starting to see in the second half of 2022 should continue**, and we expect to see tailwinds from pricing even as we lap the strong gains in 2022. **Operating leverage from growth**

in both volume and pricing, coupled with Honeywell's best-in-class productivity playbook, will support **further margin expansion in 2023**.

How is Honeywell's portfolio positioned for a recession sometime in the next 6-18 months?

Honeywell's portfolio is poised to be resilient for a recession if one were to materialize in the near term. We are sitting on a **record backlog of $29.5B**, with 60% related to our long-cycle businesses. This backlog will be a source of sustaining growth despite any potential short-cycle demand slowdowns tied to a recession. About **65% of our sales address the commercial aviation, defense, energy, and non-residential end markets**, which are all set up favorably to weather potential short cycle-demand softness.

In **commercial aviation**, pent-up demand for leisure and business travel will continue to drive aftermarket demand, particularly as international travel recovers. Commercial OEMs will continue to increase production rates due to record backlogs their customers want to clear. **Defense** will remain relatively stable with potential for upside as international budgets are poised to increase, with restocking from NATO allies adding upward momentum to this end market. The **energy markets** are also gaining traction with higher, relatively stable oil prices supporting an expected wave of capital reinvestment and LNG capacity additions which are required to replace Russian gas supply and power the energy transition. Infrastructure bills, both domestic and abroad, provide tailwinds for the **non-residential** sector, as does increased customer focus on sustainability and healthy buildings.

What does the appointment of Vimal Kapur to President and COO mean for Honeywell CEO Darius Adamczyk's own priorities?

The past few years at HON have been spent on **internal transformation** ("the great integration of Honeywell") across our supply chain and digital systems, which has proven invaluable as we **navigate through several macroeconomic difficulties** (e.g., COVID-19 pandemic, supply chain stresses, rising inflation, war in Ukraine). This rigorous focus on operational execution consumed considerable internal bandwidth, potentially at the expense of other priorities like M&A at a time when market valuations were more in favor of sellers.

Fortunately, Honeywell benefits from **a very deep bench of experienced leaders** like Vimal, who has proven his operational capabilities across many different industries, business models, regions, and cycles, with over 30 years of experience at Honeywell. As COO, Vimal will work closely with Darius to **drive the continued profitable growth** of Honeywell's operating businesses.

This appointment will **provide Darius with additional bandwidth** to focus on strategy, portfolio optimization (including M&A), greater customer engagement, innovation, brand building, and people development. We are entering **the next stage of Honeywell's transformation**, and Darius will leverage our deep customer relationships, differentiated technologies, and balance sheet firepower to further accelerate growth.

How is Honeywell's outlook and appetite for M&A shifting given the decline in public market prices?

M&A is a top priority for us, but we are focused on continuing to be **responsible stewards of our capital** as we have been in the past. While we anticipate that rising interest rates will help cool valuations, creating more opportunities for us, it takes time for sellers' expectations to reset along with public equity markets. Our balance sheet remains strong, with **$24-27B of capital available for deployment** (p. 153), and we remain ready to put capital to work for the right opportunities. As Vimal increasingly supports day-to-day operations, Darius will have additional bandwidth to focus on M&A strategy and portfolio optimization.

How is Honeywell expecting its Aerospace and Defense supply chain challenges to improve in 2H22 and into 2023? How does that compare to the demand outlook, including potential upside in Defense?

The current supply chain constraints in our Aerospace and Defense businesses are broad based. The root cause of supply shortages is a lack of qualified labor among (the fragmented set of) tier 3 and 4 suppliers precipitated by pandemic-related financial actions, post-COVID retirements, and job changes. We **anticipate modest improvement in the supply** of castings and forgings in 2H22 and recovery in 2023. **In the second quarter, we saw supplier output increase sequentially** from 1Q22, an encouraging step in the right direction.

The **strength of Aero demand** stands in stark contrast to the supply constraints. Our order book remains robust, and our backlog continues to grow. For example, simply holding past due backlog flat in 2Q from 1Q would have provided a 4% benefit to the 5% year-over-year sales growth we delivered in the quarter. Commercial flight hours continue to increase and have not yet reached pre-COVID levels. In particular, widebody flight is still in the earlier stages of recovery, providing strong growth opportunities for commercial aviation aftermarket over the next several quarters.

In Defense, the outlook is firming as budget uncertainties are now largely behind us. We have strong positions on a variety of platforms, and Honeywell remains the leading supplier of satellite stabilization and controls systems. To date, we have not yet seen a substantial improvement in orders due to the Russia-Ukraine conflict, but we are expecting that impact to become meaningful starting in 2023 due to anticipated uplift in budgets and the long-cycle nature of the business. We are positioned on the correct platforms for the current dynamics, leading to incremental growth opportunities going forward.

How does the greater emphasis on energy security globally impact both PMT's core businesses as well as the emerging energy verticals enabled by Sustainable Technology Solutions?

PMT is uniquely positioned within the energy space (energy represents ~40% of PMT and ~12% of HON overall)**.** We have the products and technologies needed to not only support the needed capacity investments in traditional energy, but also enable the energy transition to greater renewables. The current geopolitical dynamics, including critical energy security needs around the globe, paint a compelling demand picture for our PMT solutions.

We remain bullish on the coming **"dual" energy capital cycles** that will fund both the world's energy needs today as well as the emerging sustainable energy verticals of tomorrow. We saw strong bookings in 1H22, including ~20% orders growth in our process solutions business. We also anticipate **LNG**

capacity investments to be growth vector for Honeywell in the medium term, and we are already seeing increased quoting activity for our LNG technology.

The increased urgency for energy security has not diminished the focus on decarbonization, and our **Sustainable Technology Solutions** **continue to gain traction**. Our renewable fuels offerings are seeing the most commercial adoption today, with several notable wins (p. 75), including a large multi-national oil company. We have formed several partnerships and commercial agreements in other areas such as plastics recycling, carbon capture, and energy storage, and we see similar commercial adoption for these technologies as the markets form, bolstered by recently enacted legislation.

HBT has generated the strongest pricing power among Honeywell's segments in 2022, what are the opportunities and risks for that business heading into 2023?

Our **Building Technologies** business has performed exceptionally well in 2022. The investments we have made in Honeywell Digital over the past five years have enabled agile, targeted price increases to offset inflation. The data liquidity from Honeywell Digital and the strong market position of our Honeywell brands should continue to support pricing tailwinds into 2023.

Demand has also been robust this year, with double-digit orders growth in the first half while volumes remain constrained by supply challenges. Our strong backlog position combined with stimulus-driven infrastructure investment and sustainability trends provide a long runway for growth through the cycle.

The supply chain environment will be the most pivotal factor to our growth trajectory heading into 2023. Our direct partnerships with semiconductor suppliers as well as our proactive reengineering and product redesigning efforts have enabled us to improve our semiconductor receipts sequentially each quarter this year. Supply constraints across multiple components remain the primary gating factor to growth, and we expect continued (if gradual) improvement into next year.

SPS has experienced some of the rare demand headwinds in the HON portfolio, led by warehouse automation, what does that mean for SPS revenue growth and margin progression in the next 4-6 quarters?

The two largest demand headwinds SPS has faced this year are lower COVID-mask volumes as the pandemic has subsided and lower warehouse automation investment following years of hypergrowth. However, the difficult COVID-mask comps are now behind us, and **the impact is more on the top line than the bottom line for Honeywell.**

In **warehouse automation**, customers have widely telegraphed pushing new projects to the right as their near-term capacity needs are met with the accelerated investments they made during the COVID pandemic. We expect this **temporary slowdown in expansion** to result in lower warehouse automation sales year over year in 2022 and in 2023. However, **our long-term view of e-commerce** and warehouse automation demand **remains unchanged**, with 2023 likely a trough in demand. Intelligrated has exceeded our expectations since acquisition in 2016, growing at a 20%+ CAGR, and we expect Intelligrated to deliver accretive revenue growth to Honeywell over the long term.

Despite a lower top line due to Intelligrated, **we expect another year of margin expansion for SPS in 2023** through positive mix and discrete cost actions. Our warehouse automation service business is growing at strong double-digits rates with accretive margins. Outside of warehouse automation, we see strong performance by other parts of the SPS portfolio. For example, advanced sensing technologies has grown double-digits organically for three straight quarters, while serving multiple high-growth industries such as healthcare, semiconductor manufacturing, and EV transportation.

How is the rest of the SPS portfolio positioned?

While Intelligrated and COVID-19 masks have consumed most of the investor mindshare with respect to SPS in recent quarters, we highlighted both at Investor Day in March as well as in a recent conference that the rest of the portfolio deserves more attention among investors. The **SPS portfolio is built around deep domain expertise in sensing technology** which drives our success across a variety of end markets. In addition to e-commerce, the SPS strategy is deploying technology into both **healthcare** and **sustainability** markets to enable our customers to deliver better outcomes for patients and the environment. Our productivity solutions and services, advanced sensing technologies and gas detection businesses comprise approximately half the SPS portfolio, have been growing collectively at double-digit rates in recent quarters, and offer accretive margins.

When considering the U.S. Inflation Reduction Act, what are the incremental opportunities for Honeywell?

We are in the early days of this legislation, and we are still working through the full implications of the bill. However, we are excited about the potential opportunities and believe Honeywell is well-positioned to enable customers to benefit from the incentives in the bill. We believe the biggest impact for Honeywell will be **greater demand for our sustainable aviation fuel (SAF) technologies, followed by our carbon capture and green hydrogen** technologies. We will also see some impact through emissions reduction and monitoring and other energy provisions for which we have differentiated solutions.

This bill is expected to play a key part in helping the U.S. reach its emissions reduction targets by 2030. We expect the IRA will incentivize additional plants to begin producing SAF, in addition to encouraging existing plants to increase production. We believe the increased incentives will help drive companies which were researching carbon capture to accelerate their plans based on enhanced IRR assumptions.

About Honeywell

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