Automation Thought Leadership Series

From the Desk of Honeywell Chairman and CEO Vimal Kapur

January 7, 2026

Hello,

I hope you had a nice and restful holiday. Ahead of a busy earnings season, I am pleased to share the third installation of our automation white papers, building upon our September publication on Honeywell's leadership in delivering the future of automation and our November publication on Honeywell's differentiated business model. In this final publication, I wanted to share my perspective on Honeywell's growth strategy as we prepare to become a pure-play automation company, focused on accelerating financial performance through the innovation of enterprise-level, outcomes-based solutions that create the highest value for our customers.

While we progress on our transformation efforts, our continued focus on new product innovation, connected solutions strategy, and portfolio shaping has created a powerful foundation for Honeywell to generate compelling growth. This technology-led strategy is aimed at solving common customer challenges in mission-critical environments where resiliency and reliability are vital. As we create incremental value for customers, we expect to accelerate our growth further.

We look forward to continuing our engagement with the investment community as we progress on our key separation milestones that will result in the creation of two leading public companies in the second half of 2026.

Thank you for your interest in Honeywell.

Vimal

Vimal Kapur
Honeywell Chairman and CEO

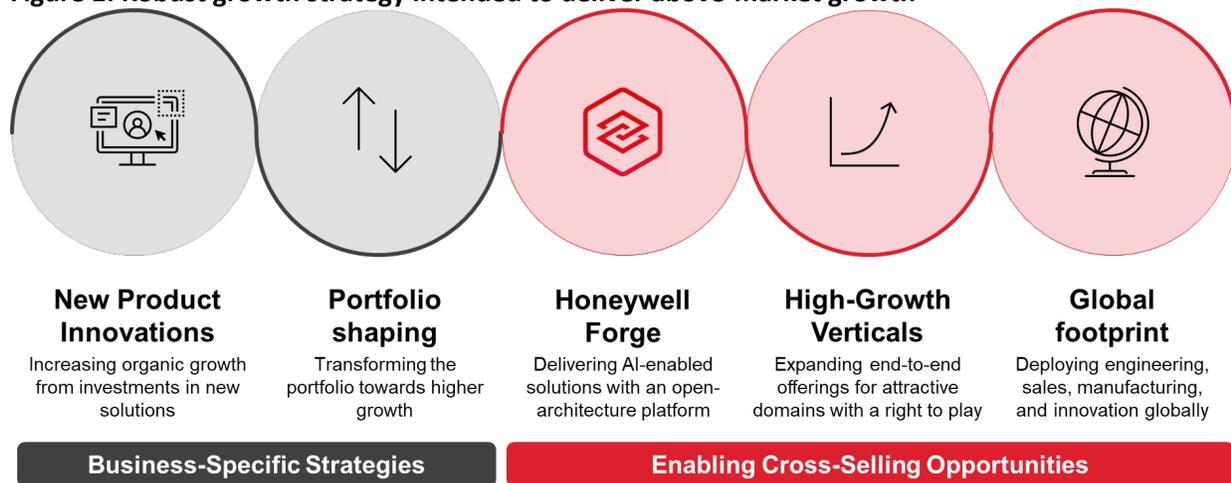# Growth algorithm derived from our differentiated business model

Honeywell's financial framework, coupled with our Accelerator operating system, is designed to drive sustainable growth at scale. As we outlined in our last publication, we aim to grow our installed base by **selling critical products through channel or delivering strategic projects for customers**. We then leverage this vast installed base by providing customers with high-value, outcome-based solutions through a combination of **innovative software and services across businesses**.

A core tenet of this strategy is identifying **"decoupled" growth opportunities** (i.e. those not tied to underlying market activity) that present large aftermarket service revenue tails, where recurring revenue streams are bolstered by our connected, technology-driven solutions. Through this approach, we can create long-term value for both Honeywell and our customers while achieving above-market growth and profitability in the industries we serve. OT (operational technology) cybersecurity and connected life safety solutions are examples of forward-leaning decoupled offerings that are both vendor-agnostic as well as software-based.

Honeywell's strategy for accelerating profitable growth

As we embark on our journey to become a pure-play automation company this year, we are positioning the business to **drive accelerated profitable growth** with a strategy underpinned by innovating leading-edge, end-to-end solutions, leveraging our global scale, and enhancing growth through strategic M&A. We expect that growth to come with **attractive incremental margins** and lead to **compounding free cash flow per share** at a compelling rate.

Figure 1: Robust growth strategy intended to deliver above-market growth

New Product Innovations	Portfolio shaping	Honeywell Forge	High-Growth Verticals	Global footprint
Increasing organic growth from investments in new solutions	Transforming the portfolio towards higher growth	Delivering AI-enabled solutions with an open-architecture platform	Expanding end-to-end offerings for attractive domains with a right to play	Deploying engineering, sales, manufacturing, and innovation globally

Business-Specific Strategies | **Enabling Cross-Selling Opportunities**

Honeywell Forge is the heart of our growth strategy…and is at an inflection point

Significant advancements in computing power and data science represent a paradigm shift in our ability to unlock an autonomous future for our customers through innovations in the Honeywell Forge platform. **Honeywell Forge is our hardware-agnostic, open-architecture platform** designed to harness the power of our extensive domain expertise to provide scalable, customizable, AI-enabled solutions that **deliver actionable enterprise-level insights in real-time**. We intend to share much more about Honeywell Forge closer to the separation in the second half of this year.

Ontology plays an increasingly critical role within the Honeywell Forge ecosystem and represents a meaningful source of differentiation for our offerings. Ontology is a formal, structured representation of knowledge that defines concepts, properties, and relationships within a specific domain. The advancement in large language models over the last 18 months has fundamentally transformed our ability to bridge unstructured and unusable historical data from decades of text-based reports, technician notes, and operational documentation into a formal ontology, creating a shared vocabulary and logical structure for complex information.

Key components of an ontology:

	Concepts / Classes	Categories or type of things in a domain *Ex: customers, sites, assets, points, etc.*
	Attributes / Properties	Characteristics that describe the objects *Ex: age, serial number, measures, etc.*
	Relationships / Connections	Connections between different entities *Ex: is_part_of, located_in, supplied_by*

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Combining this framework with AI uniquely positions Honeywell to understand, share, and reason with knowledge from our vast installed base and **seamlessly connect disparate applications and systems**, reducing data silos and ensuring smooth integration throughout operational platforms.

As an example, connecting a building with an average of 3,000 critical control points used to take over 100 labor hours to complete. With the benefit of this structured framework and optimized onboarding process, **we are reducing time to achieve frictionless connectivity down to a single-digit number of hours, making it easier for customers and channel partners to adopt our Honeywell Forge platform** across thousands of assets. These connections are enabled by domain-based AI models codifying Honeywell's deep industry knowledge to **extend asset life, operational efficiency, and enhance customer decision-making for customers.**

This creates a virtuous cycle of value capture – we deliver better outcomes for customers, while simultaneously incorporating learnings from each incremental asset which further strengthens our ontology framework. For example, we connected over one hundred Vanderbilt University's buildings (greater than an eight million square foot footprint) into Honeywell Forge's AI-powered platform, seamlessly integrating critical building software and technologies with comprehensive data from disparate assets into a single interface. Through these connections, campus personnel gained real-time visibility into critical systems and actionable insights that lower maintenance costs, optimize energy utilization, and improve occupant experience.

After nearly a decade of organic investment, **Honeywell Forge is at an inflection point**. The digital platform has already connected over 20,000 customers and nearly 250,000 sites. Yet this only represents a low single-digit percentage of assets connected within the Honeywell installed base. **We expect the positive network effect from strong growth in connections to drive accretive growth in recurring revenue**.

Honeywell's substantial data reservoir fuels machine learning algorithms and AI capabilities, enhancing our ability to predict maintenance needs, optimize energy consumption, bolster cybersecurity measures, and improve asset resiliency. **Our demonstrated prowess in deploying forward-leaning technology** allows us to effectively deliver high-value solutions that address these **common customer needs across multiple domains**.

Figure 2: Creating a path to intelligent autonomous operations
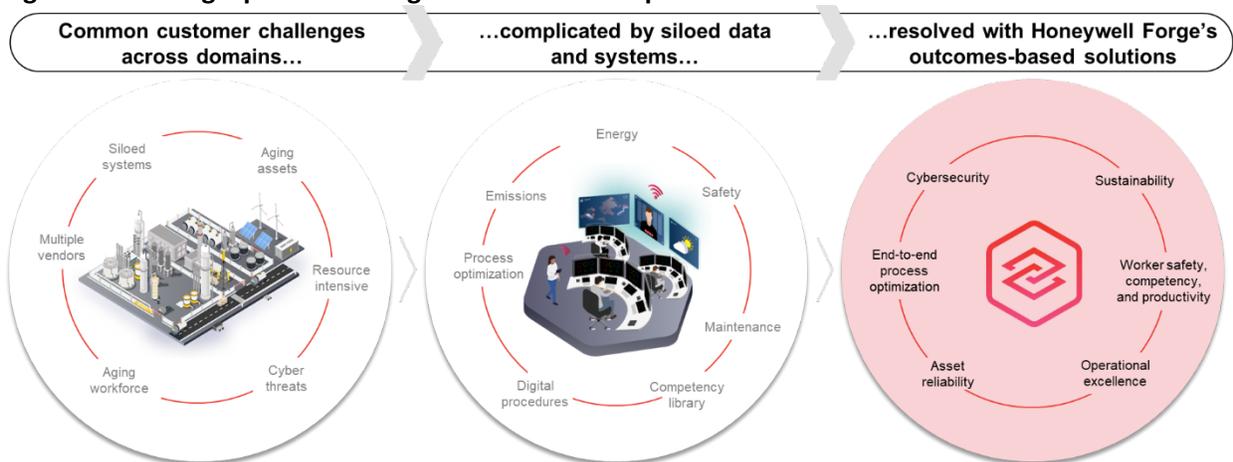
The continuous evolution of Honeywell Forge is essential to our growth algorithm. As technology evolves, we have established a culture of innovation that ensures our portfolio can adapt and scale with changing market demands. This enables us to **pioneer decision-enabling software solutions and usher in an increasingly autonomous future for industrials.**

Increasing organic growth through greater new product innovation

Transformative growth at Honeywell will largely stem from our commitment to launching innovative products that address common, but critical customer challenges. We focus our R&D investments on establishing a refreshed pipeline of solutions that create significant incremental outcomes that **extend asset life, operational efficiency, and enhance customer decision-making** across our segments. We are also prioritizing innovations in areas we can provide cross-business, integrated offerings to enable the most optimized client experience.

The journey of innovation begins with our New Product Introductions (NPI) framework, which includes a **holistic, disciplined approach that focuses on every element from accelerating ideation through to the commercialization phase**. Our rigorous prioritization of investment dollars is successfully accelerating organic growth from new products and will remain an important growth lever for us as a pure-play automation company.

Future-proofed innovation strategy enhancing high-growth recurring revenue

We prioritize our new product roadmaps on innovations that leverage the interplay of our core technologies in controls and sensing, resulting in end-to-end and closed-loop solutions. **Our use of AI-based advanced data analytics within the "See, Think, Act, Learn" framework empowers organizations to transform their operations** through continuous feedback loops and actionable insights, while creating multiple avenues of recurring software and services revenue streams for Honeywell.

We are at the leading-edge of a new computing paradigm – one in which we are driving a virtuous cycle of value creation. An autonomous future for industrials is a near-term reality as we stitch edge devices and digital twins that "**see**" with AI models that "**think**" and reason to create a plan of "**action**" deployed by our control systems – all in a closed loop that adapts and "**learns**" to optimize outcomes. And the cycle begins again.

Figure 3: Honeywell's See-Think-Act-Learn framework for an autonomous future
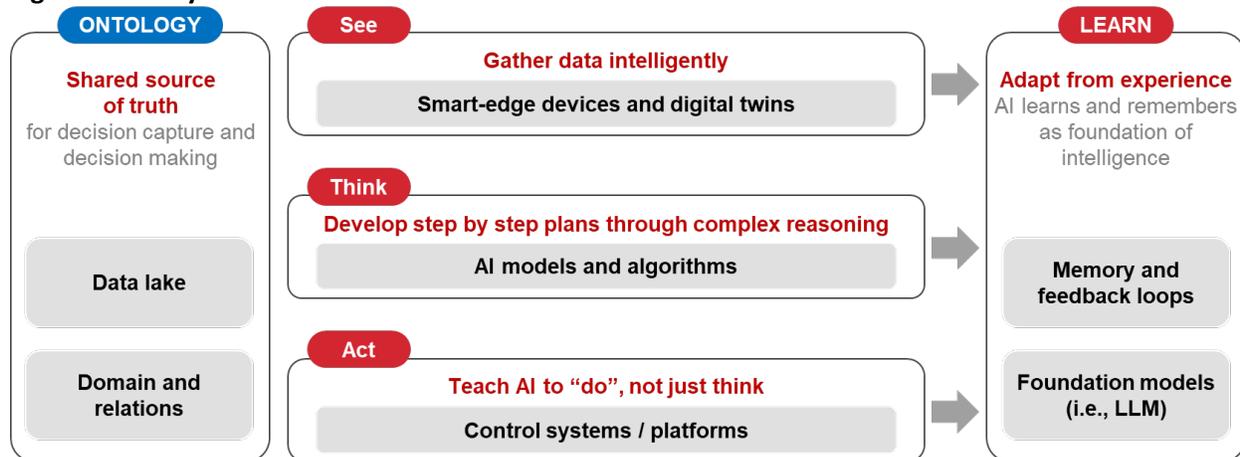
"See" represents the sensory foundation of autonomous operations. Honeywell combines hardware-agnostic, software-based automation technologies with smart-edge devices to **gather and contextualize data from disparate sources and create a high-fidelity view of operations that is continuously updated and tailored to stakeholder needs.** Our vast installed base of sensors, fire detectors, surveillance products, field devices, controls, access solutions, smart meters, and gas detectors are deeply embedded in our customers' operations, bolstered by our decades-long legacy as a controls and sensing company. In fact, roughly half of all datacenters globally use our fire detection systems and over two-thirds of all semiconductor fabrication plants utilize our sensing technologies, exemplifying our significant scale in mission-critical environments with asymmetric risk payoffs for customers, where resiliency and reliability are paramount.

The **"Think"** layer is the cognitive heart of the **"See, Think, Act, Learn"** framework, transforming perception into insights and action plans that proactively evaluate opportunities for optimization, risk mitigation, and regulatory compliance. **By leveraging Honeywell Forge, we transition from the constraints of deterministic-model reasoning - where outcomes are rigidly predefined - to the agility of probabilistic models that incorporate uncertainty and real-time data for more resilient and predictive enterprise performance.** A global energy company currently utilizes our Honeywell Forge Plantwide Optimizer offerings across multiple refineries where operations were previously reactive and predefined to optimize inventory and logistics planning through real-time visibility and predictive control. This resolved our customers' complex interactions across refinery units and provided end-to-end connectivity between planning models and operational execution, which resulted in tens of millions in annualized benefits from lower product costs and improved demand fulfillment.

"Act" translates digital reasoning into both digital and physical actions, closing the loop from insights to outcomes. This layer initiates immediate targeted actions for humans or machines to address operational issues. Examples include **self-regulating and self-configuring controls making real-time adjustments in production lines, managing supply chain logistics, or controlling HVAC systems based on domain-specific models augmented with AI**. Honeywell's Forge Predictive Maintenance enabled a large global hospitality chain to move to a proactive maintenance and occupant experience strategy. This customer deployed our AI-enhanced Building Management Solutions to dynamically control heating, ventilation, air conditioning (HVAC), lighting, and security systems based on occupancy and environmental data. By integrating these functionalities, Honeywell helped this organization reduce energy consumption and increase asset longevity, while also maximizing occupant comfort.

Finally, **"Learn"** makes our AI-based solutions truly future-proofed. Every event, decision, and human interaction becomes a learning opportunity that strengthens the framework. **We enable better predictions, diagnosis, and resolutions over time by capturing feedback from the loop and continuously refining decision models and adapting action protocols.** Aker BP, a leading oil and gas exploration and production company, deployed Honeywell's Forge Asset Performance Management (APM) across assets in the North Sea. Their application of Honeywell Forge integrates seamlessly across a range of platforms, creating a unified, OEM-agnostic approach to asset health monitoring. The AI-driven analytics continuously learn based on actions taken and outcomes observed leading to improved maintenance recommendations over time, reducing unplanned downtime and optimizing asset performance over time.

Delivering end-to-end automation solutions for focused high-growth verticals

Our ability to deliver **end-to-end solutions across business segments enables us to optimize operational outcomes and provide holistic offerings to our customers**.

For example, Honeywell's end-to-end life sciences offering **integrates a comprehensive suite of building management controls, fire safety systems, and security solutions, all tailored to meet the unique demands of mission-critical pharmaceutical and biotechnology environments**. Our advanced building management controls enable precise monitoring and management of facility conditions, ensuring optimal environments for critical processes while enhancing energy efficiency. Coupled with state-of-the-art fire and security solutions, we provide life sciences customers with robust protection and compliance with stringent safety regulations. Moreover, this offering is seamlessly integrated with our process automation software and controls, which enhances operational efficiency and real-time data visibility across the entire production lifecycle. **This holistic approach not only mitigates risks associated with regulatory compliance but also significantly lowers operational costs**.

Figure 4: Integrated Building and Process Automation offering for life sciences customers
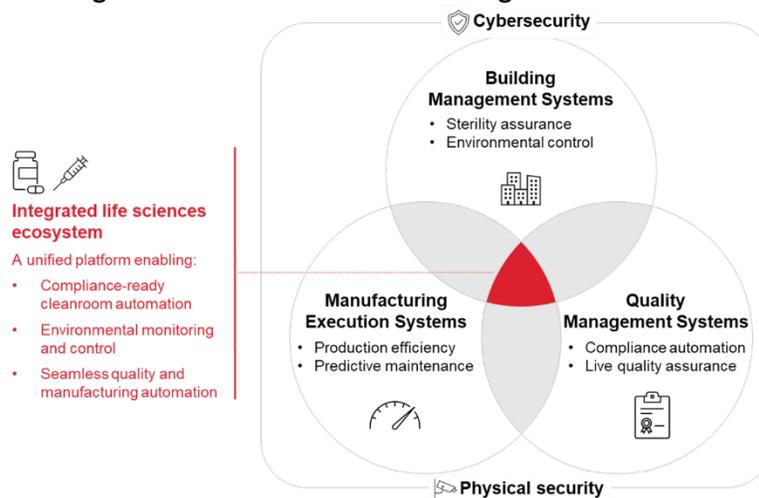
Additionally, our **utilities and commercial customers benefit from both "front of the meter" and "behind the meter" software-enabled solutions**. We seamlessly integrate Building Automation's advanced building management systems, Process Automation's battery energy storage solutions and Experion energy control systems, as well as Industrial Automation's smart metering technology. This combination, bolstered by Honeywell Forge for Utilities and Honeywell Forge Sustainability +, exemplifies our ability to merge cross-business solutions that enhance overall operational efficiency, reduce costs, increase grid stability, and accelerate decarbonization.

Our ability to migrate learnings horizontally from one domain to another represents another lever for delivering meaningful benefits to existing customers, while increasing our share of wallet. As an example, our cybersecurity journey started in process industries, where our integrated suite of solutions involves a customized approach that embeds security at every level of customer operations, from device to enterprise systems. We have now applied expertise and created tailored cybersecurity solutions for our life sciences customers, and we see significant opportunities to pursue innovative solutions in the utilities sector.

Capitalizing on our unique global footprint as an automation leader

As a pure-play automation company, we truly exemplify a company with global scale with **two-thirds of total sales from outside of the United States**, **and approximately one third of total sales from high-growth regions**. As reshoring investments remain strong, this global mix positions us well to meet the local needs of customers for longevity of human life, energy demand / security, and increased consumption.

Our global scale and reach are bolstered by the strength of our trusted brands and the depth of our channel partnerships. Our local-for-local strategy applies across our **regional commercial structure** and our **global engineering services model**, which enables us to both maintain customer intimacy and deliver on precise requirements and specifications that differ from country to country with speed and agility.

Shaping the portfolio for accretive growth with strategic M&A

In addition to our focus on organic growth strategies, **we deploy a robust M&A playbook to further fortify our growth-oriented portfolio**. Our M&A approach is characterized by a disciplined framework, ensuring that we target opportunities that align with our core strategies and add value to our existing businesses.

This has been exemplified by the bolt-on acquisitions completed over the last couple of years, including [Compressor Controllers Corporation](#) (closed 2Q23), [Access Solutions](#) (2Q24), [LNG acquisition](#) (3Q24), [Sundyne](#) (2Q25), and our recently announced agreement to acquire [Johnson Matthey's Catalyst Technologies](#). **Each of these acquisitions enhances our technological capabilities, creates cross-selling opportunities, and enables us to scale in higher-growth domains, while creating integrated, end-to-end solutions that deliver better outcomes for customers.**

Growth strategy yielding attractive incremental margins

Inherently, **our growth strategy focuses on delivering incremental revenue streams that are fundamentally higher margin**. Namely, we prioritize higher software and services growth, which often come with a higher recurring revenue mix and favorable margin profile. We choose to innovate within **critical control points** that represent only a single-digit percentage of a customer's overall spend but deliver outsized value to ensure success, leading to **our ability to participate in that value creation**.

Operational efficiency is another critical driver of margin expansion

Honeywell employs rigorous operating principles and lean management practices to streamline processes and reduce resources required. The implementation of advanced AI-analytics and digital tools across our own operations further identifies inefficiencies, enabling continuous supply chain improvement and cost reduction. Further, as our technology-led growth strategy leads to enhanced revenue growth, we expect volume leverage to be a meaningful lever for higher levels of profitability. **Our Accelerator operating system is not only targeted to benefit top- and bottom-line performance, but also our cash flow performance.** Efficient working capital management ensures that we are able to consistently compound free cash flow per share.

Compelling foundation for delivering accelerated profitable growth

As Honeywell transitions into a pure-play automation company, our growth strategy is meticulously structured around **delivering enterprise-level, outcomes-based solutions that create the highest levels of productivity, resiliency, and optimization for customers**. This strategy, which is implemented through our business model approach, ensures that we are well positioned to respond to customer needs while achieving sustainable, profitable growth. And finally, **the virtuous cycle of software and services attachment to our growing installed base enables us to participate in our customers' success, reinforcing our continued growth and accelerating our cash flow generation**.

We look forward to sharing our progress as we implement this strategy and welcome ongoing discussions with our investors regarding our growth initiatives. We will forge ahead into the next era of automation, creating a future that is safe, efficient, and founded on innovation.

About Honeywell
Honeywell is an integrated operating company serving a broad range of industries and geographies around the world, with a portfolio that is underpinned by our Honeywell Accelerator operating system and Honeywell Forge platform. As a trusted partner, we help organizations solve the world's toughest, most complex challenges, providing actionable solutions and innovations for aerospace, building automation, industrial automation, process automation, and process technology, that help make the world smarter and safer as well as more secure and sustainable. For more news and information on Honeywell, please visit www.honeywell.com/newsroom.

Forward Looking Statements
We describe many of the trends and other factors that drive our business and future results in this publication. Such discussions contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), including statements related to the proposed spin-off of the Company's Advanced Materials business into a standalone, publicly traded company, the proposed separation of Automation and Aerospace, and the sale of the personal protective equipment business. Forward-looking statements are those that address activities, events, or developments that we or our management intend, expect, project, believe, or anticipate 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, including Honeywell's current expectations, estimates and projections regarding, among other things, the proposed spin-off of the Company's Advanced Materials business into a standalone, publicly traded company, the proposed separation of Automation and Aerospace, and the sale of the personal protective equipment business. 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, including the consummation of the spin-off of the Advanced Materials business, the proposed separation of Automation and Aerospace, and the sale of our personal protective equipment business, and the anticipated benefits of each. 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, supply chain disruptions, capital markets volatility, inflation, and certain regional conflicts, which 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 release can or will be achieved. These forward-looking statements should be considered in light of the information included in this release, our Form 10-K, and our 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.