

Automation Thought Leadership Series

From the Desk of Honeywell Chairman and CEO Vimal Kapur

November 10, 2025

Hello,

I hope you found our [September publication](#) on the future of automation thought-provoking. Today I would like to share a deep dive into Honeywell's differentiated business model, which generates innovative solutions to our customers' toughest challenges, enhances our competitive edge, and delivers compelling financial results for our investors.

We have been retooling our business model since I first became COO in 2022, and this work has matured in my first couple years as CEO. As we continue to optimize the Honeywell business model to enhance our performance for all stakeholders, the [recent plan to update our reporting structure](#) is another critical step, further simplifying Honeywell. Following the planned separation of Aerospace in the second half of next year, the new segment alignment further positions Honeywell as a global, automation pure-play capable of solving enterprise-scale challenges and achieving new levels of transformation.

As we have for decades, we remain committed to leading the curve on innovations that will deliver step-change improvements in productivity, safety, and resilience, and transform industries worldwide. Looking ahead, we see a vast set of opportunities for us to create even more value for both our customers and shareholders.

Thank you for your interest in Honeywell.

Vimal

Vimal Kapur
Honeywell Chairman and CEO

Honeywell's strategy to value-chain participation

At Honeywell, **our approach to market participation is underpinned by a deep understanding of industry dynamics** and a strategic focus on addressing common customer challenges across multiple domains where we can leverage our unique capabilities, technology leadership, and domain expertise.

We have spent decades building leading franchises with compelling financial characteristics, including profitable growth, strong free cash flow, and high returns on investment. Even with our robust, A-rated balance sheet, we ultimately face finite capital and engineering resources and therefore **focus our efforts on the parts of a value chain where we see the best opportunities for both value creation and capture.**

While we continue to participate (and lead) in multiple end markets, there are connective threads across them that define the parts of a value chain in which Honeywell excels:

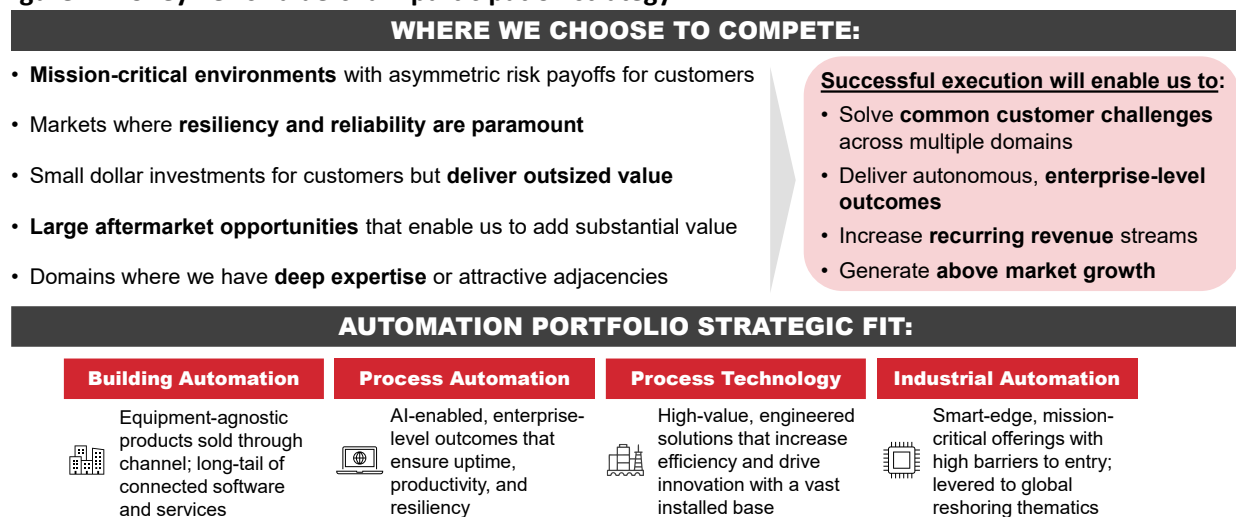
- 1) We devote our energy to **solving challenges in mission-critical environments with asymmetric risk payoffs for customers**, where resiliency and reliability are paramount, and sustainable competitive advantages can be established.
- 2) We innovate within **critical control points** that often represent only a single-digit percentage of a project's spend but deliver outsized value to ensure its success.
- 3) We deliver products through channels or strategic projects that **create large aftermarket opportunities** that enable us to add substantial value to the customer's operations over the life of their assets.

We believe this combination leads to our ability to both create more value for customers as well as participate in that value creation.

Today, our solutions help to prevent potentially catastrophic fires or security breaches in buildings and high-value infrastructure and avert economically-crippling downtime for process and industrial plants. **Customers depend on Honeywell to deliver on their most fundamental needs.** For example, while our building and process automation solutions represent less than 5% of the overall investment required to create and run a building or plant, they are critical for customers to operate and protect high-value assets and occupants. **We are deeply embedded into our customers' ecosystems, fostering long-term relationships built on trust and dependability.**

A core tenet of our strategy is **identifying opportunities that present large aftermarket service revenue tails**, where recurring income streams are bolstered by our connected, technology-driven solutions. For example, our advanced digital capabilities through our Honeywell Forge platform, combined with our deep domain expertise, provide unparalleled asset performance insights, predictive analytics and optimization, and enterprise-level outcomes, creating long-term value for both Honeywell and our customers. Through this approach, we can achieve above-market growth and profitability in the industries we serve.

Figure 1: Honeywell's value-chain participation strategy



Intentional about where we compete (and where we do not)

We believe a critical part of a **successful strategy is predicated not only on the areas we choose to devote our time and resources but also those we avoid**. As we have narrowed our focus and portfolio, we have eschewed certain paths that offer fast top line growth but often with thin margins and cash flow. Our project businesses represent our largest channel to deliver products to customers, but we are judicious about how much project work we take on and balance this with our channel-driven businesses. Our recent portfolio optimization efforts, including the planned separation into three leading public companies, are critical steps in creating greater focus for our businesses and generating compelling financial performance.

Honeywell's differentiated business model

Our decades of deep domain expertise combined with our cutting-edge technologies enable us to offer value-based solutions that span a complementary set of business models, including **products, projects, services, and software**. Our business model strategy is firmly rooted in leveraging our core competencies and mature Accelerator operating system, thereby meeting market demands for **high-ROI outcomes and integrated, enterprise-level solutions for customers**.

There are two ways in which we **grow our installed base**: selling critical products through channel or delivering strategic projects for customers. We then **mine this vast installed base** by providing customers with high-value, outcome-based solutions through a combination of innovative software and aftermarket services.

Figure 2: New Honeywell business model sales split

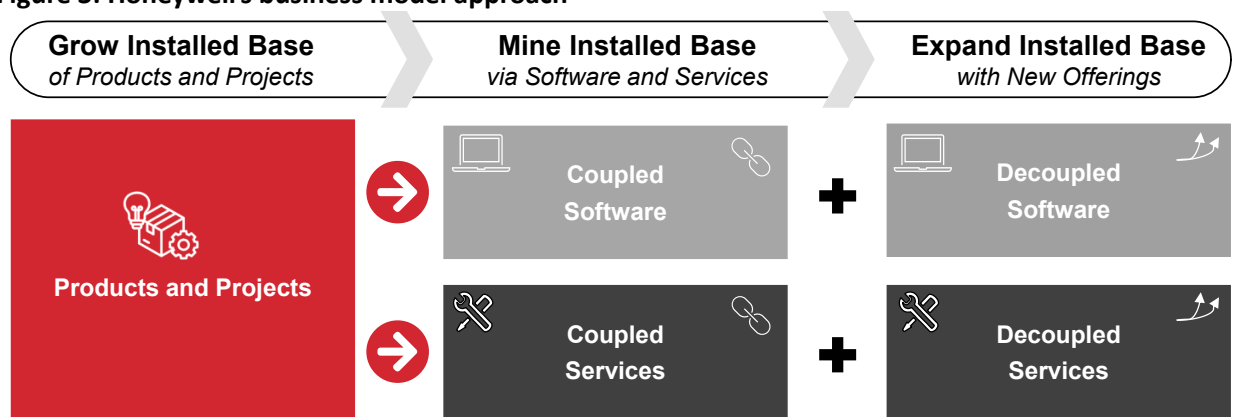


Note: Estimates of sales mix based on 2025 projected results, adjusted for the anticipated impact of completed acquisitions and dispositions

What characteristics lead to a successful projects business compared to one that sells through channel? Or how can we maximize the value that can be created serving an installed base? We believe the **80/20 principle applies to business models**. Only a handful of key variables set the foundation for the financial success of each model and transcend domains, while the balance of end market particulars (e.g., specific customer needs, fundamentals, competitive landscape) are critical but domain specific. This lens demonstrates how **Honeywell can organize and operate our businesses using global business models to drive best practices horizontally across segments**.

We estimate that **~80% of the execution required to deliver a strategic project – whether it is related to buildings or process technology – has the same basic tenets**: contracting, licensing, engineering, installation, compliance, and cost / labor management. Here, we utilize common operating principles through our Accelerator operating system and unified technology stacks. For the remaining ~20%, we tailor to the distinct requirements of each customer and asset type. Sharing learnings from best-in-class leaders horizontally enables faster delivery times, better outcomes, and lower costs for customers. This drives superior financial performance for Honeywell and closer intimacy with end customers, suppliers, system integrators, and other critical channel partners.

Figure 3: Honeywell's business model approach



Deep channel partner relationships are a competitive advantage

Our commitment to drive a **continuous cycle of product innovations** leads to value-added product refreshments built on deep, trusted relationships. Combined with **top-tier supply chain execution**, this enables our leading product businesses to generate both organic growth and margin expansion. Decades of leadership in both innovation and reliability have allowed Honeywell to forge cohesive relationships and pilot new technologies alongside key players in the industry, ensuring **we stay ahead of market trends and deliver solutions that meet our customers' evolving needs**.

Our product businesses collaborate closely with over 5,000 top-tier partners, while our digital platforms enable us to do business with over 21,000 other channel participants. This breadth strengthens our go-to-market strategies by **expanding our reach** within existing verticals as well as enabling us to penetrate new customer segments in industries undergoing meaningful transformation, such as datacenters, utilities, and life sciences. Our strategic advantages are strengthened through these relationships, providing us with **unique insights and access to fragmented channel markets**. This positions us favorably against our competitors and solidifies our reputation as a leader in our sector. Our channel partners are vital to our growth strategy, enabling us to adapt swiftly and effectively in a dynamic market landscape.

Projects are a critical channel to innovate with customers








Delivering strategic projects for customers represents a vital channel for Honeywell content. While projects widen our installed base, we are selective in our approach – we do not seek to maximize our project sales growth, but rather, we use these as a meaningful way to stay close to the market. Our high level of customer intimacy provides us with notable prospects for **co-innovation that not only benefit our existing customer base but can lead to incremental commercial wins**.

Our ability to manage and price execution risks enables us to deliver best-in-class projects on time and on budget. Our **global scale**, combined with our unparalleled **expertise** across multiple domains, creates opportunities for us to sell-through high-margin, aftermarket services and connected software solutions that provide superior customer outcomes.

Accelerating growth through decoupled offerings

Coupled sources of revenue growth rely on systematically increasing our installed base in line with the core market, while the decoupled software and services solutions that we offer to our vast installed base can grow at multiples of the rate of their underlying markets. With this strategy ingrained deeply into our DNA, we are not only positioning our business to benefit from growth coupled with market trends, but also to **generate incremental revenue streams that are decoupled from underlying secular trends** to achieve more consistent and reliable growth.

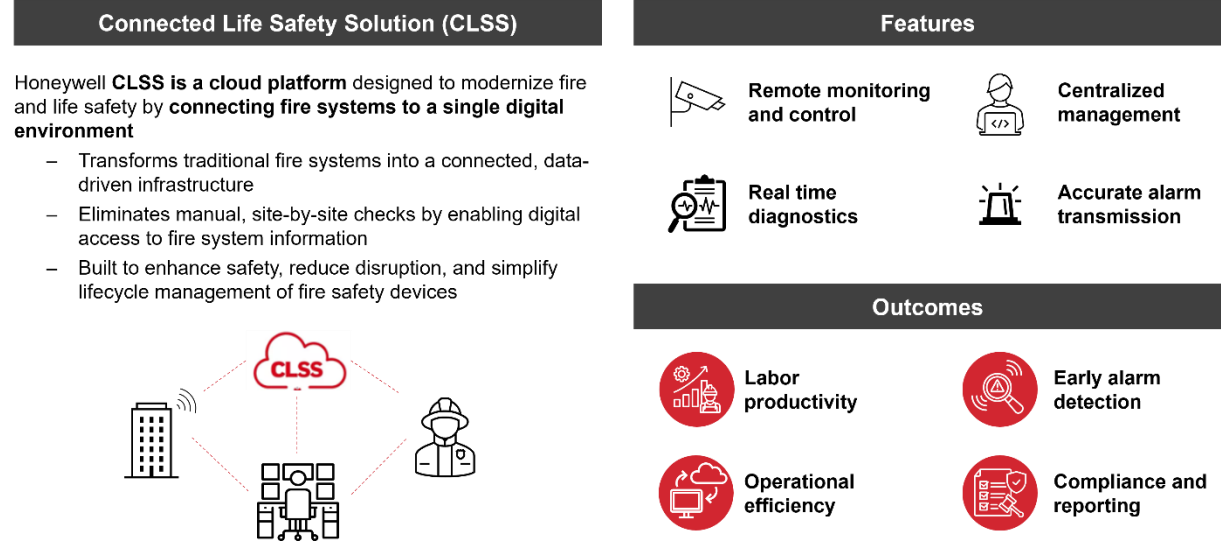
Figure 4: Honeywell's coupled and decoupled growth strategy

	 Coupled	 Decoupled
Description	Traditional aftermarket directly linked to installed base	Discretionary spend that adds offerings / capabilities to existing installed base
Market Dynamics	Tied to underlying market trends and equipment lifecycle	Compounding growth independent of market dynamics by driving outcomes
Offering Types	Parts and services centric	Software / AI and services centric
Examples	 Process Automation Enabled Services	 Connected Life Safety Solution (CLSS)
	 Measurement and Detection AI-enabled Maintenance Assist	 OT Cybersecurity
 Forge as unified platform across offerings		

Honeywell Aerospace has been successfully executing this strategy for years, and we are applying best practices throughout our automation organization. Aerospace has built a sizable, roughly \$1.5B revenue base (~10% of Aerospace sales) that consists of high-margin retrofits, modifications, and upgrades, and has grown at a 23% three-year CAGR since 2021. Examples of such high-ROI solutions include precision and resilient navigation, avionics and flight efficiency, and high-speed satellite connectivity – to name a few.

In our automation businesses, we have developed and commercialized multiple vendor-agnostic decoupled innovations that increase customer productivity and operational efficiency. Examples of these forward-leaning technologies include **connected life safety solutions** and our **integrated suite of cybersecurity solutions**. Our cloud-based, Forge offerings seamlessly integrate fire safety devices that empower remote monitoring, real-time diagnostics, and enhanced operational efficiency based on thousands of connected sites and millions of data points. With our acquisitions of [SCADAfence](#) and [Nextnine](#), we significantly expanded our cybersecurity offerings, ensuring proper handling of sensitive data, regulatory compliance, and security that is embedded at every level of our customers' operations – from individual devices to enterprise systems.

Figure 5: Connected life safety solutions delivering successful decoupled growth



Our focus on services and software enables reliable recurring revenue streams

While there has been a significant push to digitalize the industrial space, there remains a long runway for Honeywell to transform how organizations leverage technologies to automate complex operations, improve performance, and respond to challenges proactively. Our strong foundation will enable us to usher in an increasingly autonomous future for industrials. This significant opportunity combined with our business model approach is also **strategically enhancing our Annual Recurring Revenue (ARR) streams**. By integrating our offerings into our connected Forge platform, we are transitioning from traditional transactional sales to subscription-based models for both services and software that ensure a consistent, steady revenue flow.

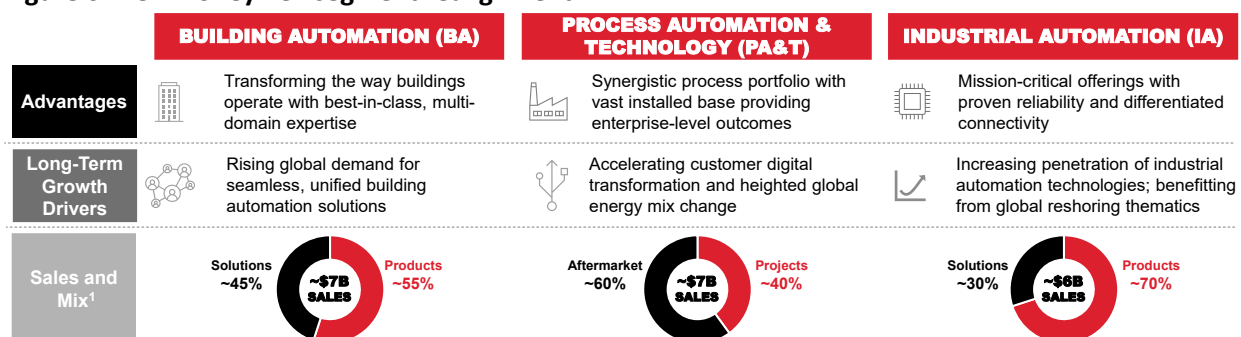


Continuous innovative enhancements allow us to capitalize on long-term customer relationships and strengthen our recurring revenue streams. Additionally, our emphasis on digital transformation and connectivity enables us to offer differentiated services tailored to customer needs, improving customer retention and increasing upsell opportunities. **As we expand our ecosystem with channel partners and develop comprehensive solutions across industries, we are poised to grow our ARR significantly while driving sustainable growth for the company.** This client-centric approach has enabled us to realize consistent profitable growth, ensuring we are well positioned amid changing secular dynamics.

Re-segmentation aligns to business model structure

In line with the way we are increasingly driving our operations through consistent business models, we are planning to **reorganize the Honeywell Automation segments into a simplified structure**. As such, effective beginning the first quarter of 2026, we plan to report four business segments: Aerospace Technologies, Building Automation, Process Automation & Technology, and Industrial Automation. The three Honeywell Automation reporting segments will be organized into six strategic business units, with each of our businesses aligned to our unified automation strategy.

Figure 6: New Honeywell segment realignment



1. Estimates of sales and mix based on 2025 projected results, adjusted for the anticipated impact of completed acquisitions and dispositions

Note: Honeywell Automation segment realignment planned to take effect beginning first quarter 2026

Building Automation will continue to be a leading provider of unified building automation solutions delivering safer, more sustainable, integrated building and infrastructure assets, and maintain its Products and Solutions business unit structure. **Process Automation & Technology** is a combination of core Honeywell Process Solutions and UOP, the global leader in process technology, and will report Projects and Aftermarket business units. These businesses have natural commercial synergies, enjoy strong positions in process industries globally with vast installed bases, and share very similar business model characteristics. **Industrial Automation's** portfolio of Products and Solutions businesses includes mission-critical offerings with proven reliability and tenured channel relationships, positioning us to benefit from ongoing global reshoring thematics.

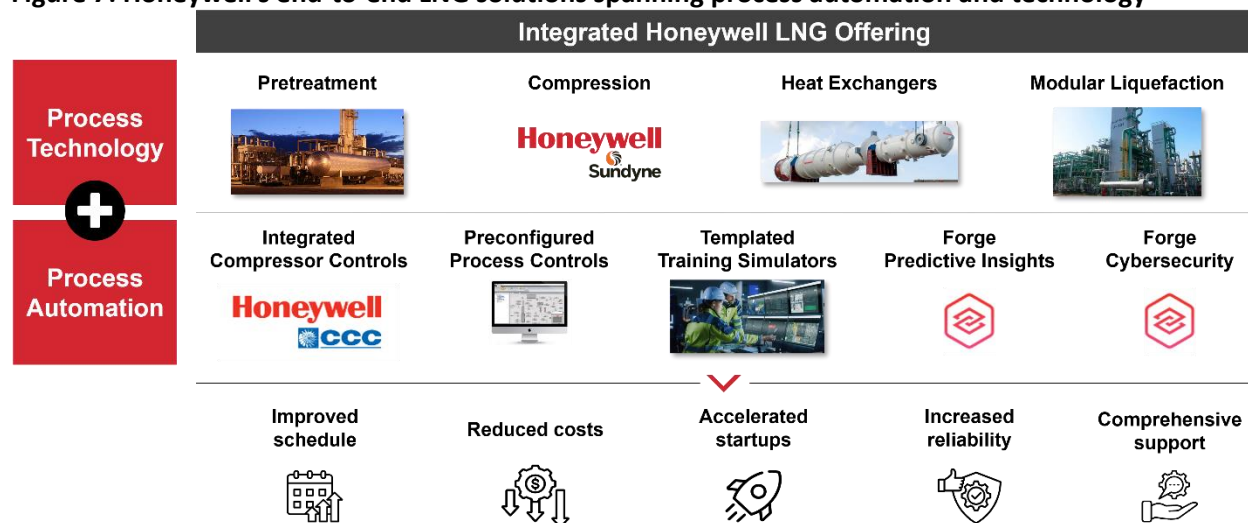
This new structure will allow us to better prioritize R&D efforts, capital expenditures, and go-to-market strategies with a growth mindset.

Case Study: Commercial synergies between Process Automation and Technology

Operating our Process Automation and Process Technologies as a single segment will enable us to **unlock significant commercial synergies as we are singularly positioned to deliver end-to-end solutions** when combining our molecule expertise with our controls and software leadership. Going to market with a **holistic, integrated offering** is enabling meaningful automation and production efficiency benefits for our customers. In fact, **through our LNG acquisition last year, we now provide customers with a full-service set of solutions** that encompasses natural gas pre-treatment, state-of-the-art liquefaction, and enterprise-level digital automation technologies unified under the Honeywell Forge and Experion platforms.

Process environments often pose asymmetric payoffs for customers, thereby requiring high levels of reliability and resilience, creating **demand for innovative solutions at mission critical control points**. For example, our Integrated Control and Safety System (ICSS) automation suite and Experion will be installed at the [AMIGO LNG export terminal](#) in Mexico to provide full coverage control of the facility. Combined with advanced fire, gas, and surveillance safety systems, the technology is able to proactively detect any hazardous conditions and rapidly trigger emergency responses. Furthermore, the export terminal will adopt Honeywell's modular liquefied natural gas pretreatment technology, which will remove impurities prior to the liquefaction process to extend equipment lifespan, prevent unexpected downtime, and broadly enhance operational efficiency.

Figure 7: Honeywell's end-to-end LNG solutions spanning process automation and technology

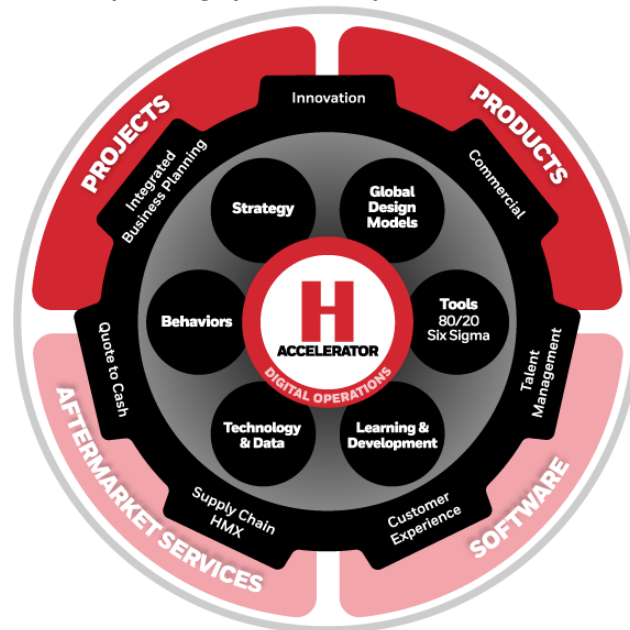


Driving a growth mindset with the Accelerator operating system

Our **culture of execution** has always been foundational to the way we operate, and our operating system is not merely a set of tools to help drive incremental efficiencies, but more importantly a **powerful set of principles that are driving a growth mindset** across the organization.

Business models are a big part of that transition because we **collect best practices from high-performing businesses and apply lessons learned across segments**. This is done in a systematic, consistent way through our Accelerator operating system, enabling us to drive growth through operational excellence and standardization. This system is designed to enhance cross-departmental collaboration and accelerate decision-making while optimizing our workforce.

Figure 8: Honeywell Accelerator operating system incorporates business model approach



Integration of advanced technologies and capabilities

The integration of advanced technologies is essential to our Accelerator operating system. By leveraging data analytics, artificial intelligence, and machine learning, we can capture real-time insights into operational performance and customer needs. This **data-centric approach enables us to optimize resource allocation, enhance product development, and improve customer service.**

Our investments in technology are not only geared toward product innovation but also operational efficiencies, ensuring that we deliver quality solutions faster and at a reduced cost. **As we continue to execute our own digital transformation, we reaffirm our commitment to embedding innovation into every aspect of our operations.**

Influence of our business model strategy on capital allocation

Our capital allocation strategy utilizes our business model approach as a filter to identify and fund investments (both organically and inorganically) that not only enable us to continue **scaling our installed base in high priority domains**, but also give us **new incremental avenues for high-margin services and software growth opportunities.**

Organically, **our R&D investments are pivotal in driving strong growth in new product introductions that not only sustain our core business but also generate incremental decoupled revenue streams.** By focusing on innovation, we are developing advanced technologies and solutions that meet evolving customer needs, enhance operational efficiencies, and deliver additional value. As an example, we have generated meaningful NPI success in our Industrial Automation product businesses, continuously developing new solutions that transform customer operations through product upgrades, data analytics, and AI-based offerings. From intelligent software to smart-edge devices, we are innovating in industries where precision and ultra-low latency are paramount, such as utilities, life sciences, and manufacturing.

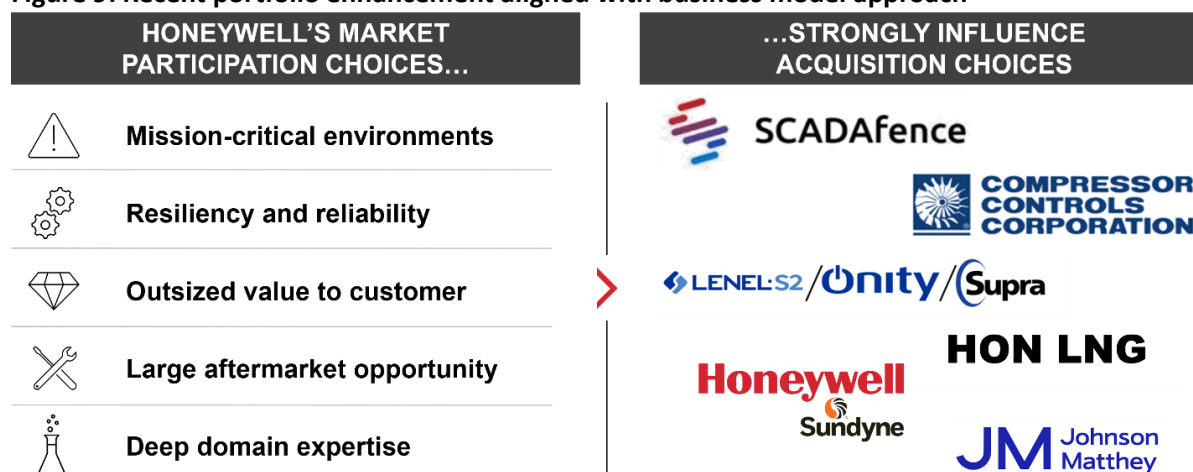
Portfolio optimization is an evergreen process

Since 2023, we have deployed over \$34 billion of total capital (including the [recently announced](#) agreement to acquire Johnson Matthey's Catalyst Technologies), meaningfully exceeding our 2023 investor day commitment to spend \$25 billion through 2025. We deployed over \$14 billion of this capital to strategic bolt-on acquisitions that have substantially enhanced our existing portfolio. Each M&A target is rigorously evaluated against our business model lens **to ensure alignment with our long-term strategic vision**. In some cases, we see opportunities to apply our models to create incremental value where the prior owner lacked our capabilities. This rubric also applies to strategic portfolio pruning where business model fit is limited, particularly with assets that have less opportunity to drive recurring, connected, and aftermarket offerings.

Our [Access Solutions](#) acquisition (closed 2Q24) in Building Automation exemplifies our desire to enhance our mission-critical product portfolio in attractive growth segments, while creating value for customers through cloud-based, enterprise-level attached software and services offerings. Sales are split between 60% products and 40% software and services, with over one third recurring revenue. This strong aftermarket tail not only sustains revenue but also reinforces our position as a trusted partner throughout the lifecycle of customer operations.

[Compressor Controls Corporation](#) is another addition to our portfolio (closed 2Q23) that has strengthened Honeywell's leadership in compressor control and asset protection. This deal brought an expansive installed base of more than 14,000 control applications (at the time of acquisition) to Honeywell as well as software and services capabilities that were immediately complementary to Forge's connected asset performance management offerings, serving industries with critical production, safety, and efficiency needs.

Figure 9: Recent portfolio enhancement aligned with business model approach



Looking ahead: sustainable profitable growth

Our approach reflects a commitment to integrating strategic foresight with disciplined execution, ensuring Honeywell evolves into an agile, market-responsive organization poised for sustainable success. I am pleased with each step we have taken to evolve Honeywell into a streamlined portfolio with the aim of delivering common, high-ROI, enterprise-level outcomes, while unlocking incremental value and driving long-term growth and margin expansion. By strategically choosing where and how we operate, we are well-positioned as leaders ushering in the future of automation.

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.