BERNSTEIN
SOCIETE GENERALE GROUP

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U.S. Multi Industry & Electrical Equipment

Honeywell International Inc

Rating

Market-Perform

Price Target

HON **233.00 USD**

HON: It's all about the Honey, Honey, Honey; key questions before investor day + a recap of RemainCo. thesis

As a quick recap, Honeywell is spinning off it's Aerospace Technologies (AT) at the end of this month. AT had an investor day earlier this month, with automation-focused RemainCo. set to have theirs tomorrow. **We estimate the value of each remainco. share at $107**, based on our individual valuation of PA&T, IA, and BA. Listed below are key themes to get a point of view on.

- Is Honeywell just a combination of three different automation businesses? What's the through-line here - while spinning off aerospace does help narrow management bandwidth, each of these businesses already had CEOs, and they run relatively independently. What is going to change, if anything?

- We're genuinely worried about the outlook for PA&T. Catalysts and licensing technology are not growth businesses (peers trade at HSD EV/EBITDA multiples) and refining capex has also been muted. Honeywell has limited exposure to natural gas, pharma, and power (that are driving Emerson's growth). What are they doing here that is structurally different? Or are they at the mercy of the cycle?

- Industrial Automation (IA) is really a collection of six (soon to be four) sub-scale businesses. While we like the spin of WWS and PPS, the question that remains unanswered is the role the remaining sensors business has in Honeywell's broader portfolio. It's not really a growth driver and margins are OK - is that really what HON expects from this business?

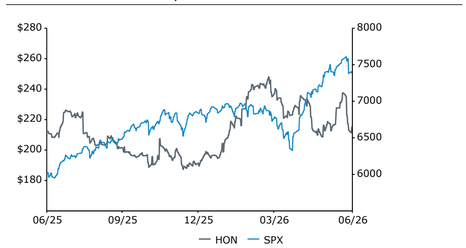
- The role of Forge is our last big question. Vimal has published multiple white papers highlighting Forge sitting at the heart of Honeywell's strategy going forward. But we are still unsure how it is different from OpenBlue or Building X (JCI and Siemens respectively), which are also brand agnostic optimization platforms. We're especially interested to understand how this offers a throughline through all of Honeywell's businesses, and why it isn't something a more digitally native 3P can develop on their own with AI.

Close Date	9 Jun 2026
HON Close Price (USD)	215.70
Price Target (USD)	233.00
Upside/(Downside)	8%
52-Week Range	248.18/186.76
SPX	7,386.65
FYE	Dec
Div Yield	2.3%
Market Cap (USD) (M)	132,747
EV (USD) (M)	159,185

Performance	YTD	1M	6M	12M
Absolute (%)	7.4	(1.7)	9.1	(1.7)
SPX (%)	7.9	(0.2)	8.0	23.0
Relative (%)	(0.5)	(1.5)	1.1	(24.7)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

We rate Honeywell Market-Perform **with TP - $** 233.00

Adjusted EPS	F25A	F26E	F27E
HON (USD)	9.79	10.42	11.37

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	40,340	39,388	41,715	--

Valuation Metrics	F25A	F26E	F27E
Adjusted P/E (x)	22.0	20.7	19.0

Source: Bloomberg, Bernstein estimates and analysis.

First Published: 10 Jun 2026 20:00 UTC Completion Date: 10 Jun 2026 16:49 UTC

DETAILS

Thesis summary:

We are Market-Perform on Honeywell's stock. We think the spin-off is the right strategic move, and will allow mgmt. to focus on the automation-focused RemainCo. With that said, the **three remaining BUs have very different types of automation within them** (and competing outlooks).

We're most bullish on building automation (BA); there's a clear use case for power efficiency as costs continue to rise and given BA is the largest, fastest growing, most profitable piece of RemainCo., it will receive the management attention it deserves. While there are other competitors in the space (JCI, Siemens, etc.), they all have data center exposure that is likely more important for management, **giving Honeywell a unique ability to focus on the space when competitors are somewhat distracted.**

We are not optimistic about the Process Automation and Technology business; Honeywell is much more O&G focused where CapEx is expected to be depressed (outside of LNG tailwinds), they do not have the exposure to life sciences or power that competitors like Emerson do. We also think **Honeywell is overexposed to the ME in PA&T** (26% vs. 9% for Emerson), which may be a good thing long term based on the resolution of ongoing conflicts but near-term creates a risk factor to valuation. The UOP business (which is effectively a catalyst / tech. licensing play) in PA&T also doesn't have a great outlook; refineries are running at lower util. which will lead to fewer or delayed catalyst recharges impacting growth.

We're not sure what to think about the Industrial Automation (IA business). It has been a bit of a "catch all" housing some very different business units (ranging from warehouse software to combustion sensors). Honeywell is spinning off the warehouse solutions (WWS) and ruggedized handheld equipment business that sits here (that have been drags on growth post COVID) which will bump up growth a few points, but we don't think we'll see much beyond LSD given mgmt. focus will be on BA and PA&T.

"Forge" is a wildcard. Management is talking about it as the heart of the company's strategy going forward; while we see some promising examples, we need to see more financial reporting on this similar to EMR / ROK before **we know if it is truly having large scale impact or is just wishful marketing.**

Comments on recent performance and company structure

Honeywell has underperformed both the broader market and its peers post-COVID (across aerospace and automation names). Growth has been tepid, at a time when aerospace in particular has had major tailwinds. The company has **undertaken a range of portfolio streamlining actions** - driven both organically and by activist investor pressure. In late 2024, the company **announced they were spinning off its advanced materials business** (now traded as Solstice); soon after, they also announced the **spin of their aerospace business leaving an automation-focused RemainCo.** Multiple sales of smaller business have also been completed / are in flight.

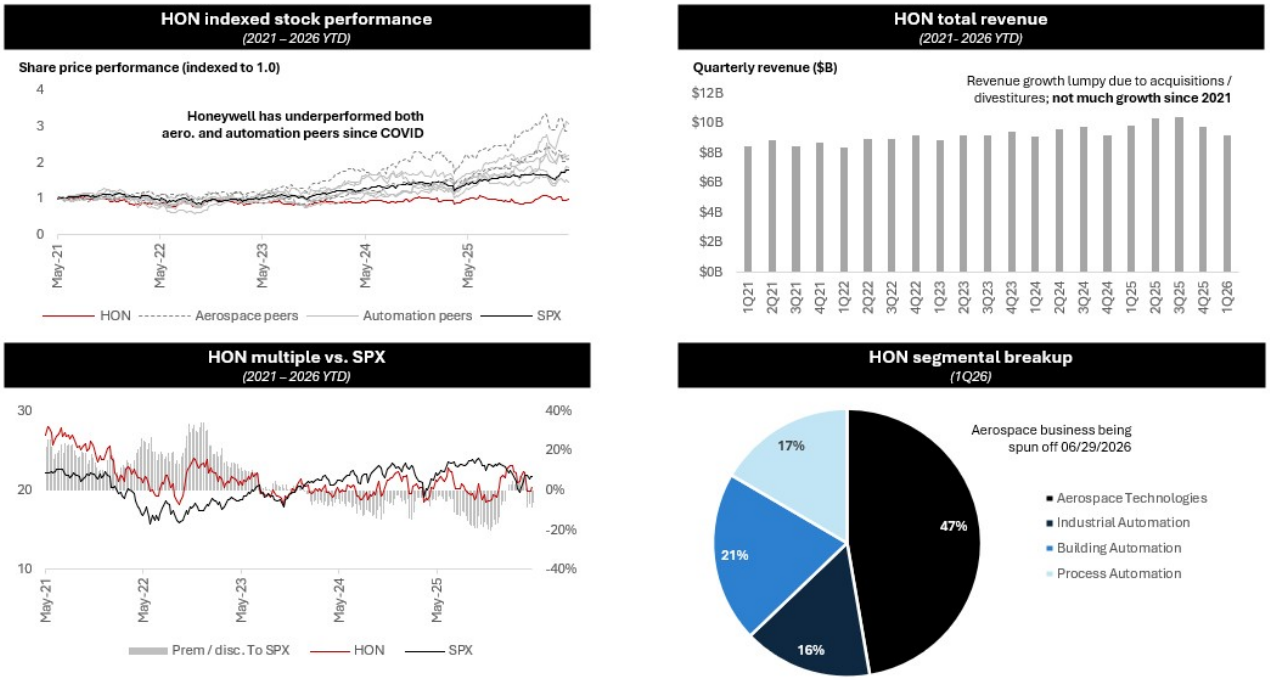
RemainCo. will house three BUs - **all named after some flavor of "automation". However, that is about where the similarities end.** Each of these business units differ significantly in products, customers, and growth outlook, with some of them also housing disparate sub-BUs within them.

- **Building Automation will be the largest of the three units** - it has also been the highest margin and fastest growing of the three segments. The product portfolio includes control panels, building management system software (BMS), fire alarms, intrusion detection, etc.

- **Process Automation and Technology is the next largest segment**; this business focused largely on Oil and Gas process automation (and Honeywell is considered a top player in the space). There are two distinct sub-BUs; core process automation focuses on distributed control systems and plant software while UOP (bamed for an earlier acquisition of Universal Oil Products) produces catalysts and licenses technologies for O&G facilities.

- **Industrial Automation is the final business** which is also the smallest and lowest margin of the three; it houses multiple distinct sub-business units ranging from warehouse solutions to thermal sensors for combustion to ruggedized barcode scanners. Margins have struggled given exposure to the warehouse sector (where overbuilding post COVID hurt demand) and commoditized retail products.

EXHIBIT 1: **HON Financial Performance Snapshot**



Source: Visible Alpha, Bloomberg, Company Reports, Bernstein Analysis

EXHIBIT 2: **HON Business Line Description**

Sector	**Building Automation** *(BA)*	**Process Automation and Tech.** *(PA&T)*	**Industrial Automation** *(IA)*	**Aerospace Technologies**
Overview	Building mgmt., HVAC controls, fire and life safety, security; **focused on office campuses, hospitals, public infrastructure etc.**	**Process automation business**; sensors, controls, software with exposure to chemicals, refining, paper and pulp, catalysts, etc.	**Sensing and metering business**; focus on warehouse and factory-floor equip., material handling, sensors, worker productivity, etc.	Avionics, propulsion, connectivity systems, environmental control for **commercial, business, defense, and space platforms**
Share of total (1Q26)	**20 - 25%**	**15 – 20%**	**15 – 20%**	**~45 – 50%**
Segment operating %	**Mid 20s**	**Mid 20s**	**High teens** *(Weakest business)*	**Mid to high 20s**
Illustrative products	 **Broad portfolio**; Control panels, thermostats, BMS, fire alarms, intrusion detection technology, occupancy sensors, etc.	 **Process Knowledge System** (flagship DCS), controllers, I/O modules, APC software, catalysts	 **Six distinct sub-units** with variety of products ranging from utility meters to palletizers to sensor units that feed OEM products	 Products across **cabin / cockpit, power & propulsion, sensors & navigation, control systems, emerging technologies**, etc.
Commentary	**Strong integrated building management solution product (BMS)** especially for complex sites **Good product breadth** in largely commoditized room devices, but less room to differentiate there vs. competition (JCI, Carrier, Schneider, Siemens, etc.)	**Considered a global leader in process automation** (DCS + APC + lifecycle services) on par with Emerson / Yokogawa, ABB **Strong moat with Experion PKS** that gives Honeywell a large install base in refining and natural gas	**"Plug figure"** business where products without a home sit Weakness driven by warehouse / handheld equipment due to **post-COVID overinvestment**; however, these businesses are being sold so the **growth and margin profile of the remaining BU should improve**	**Major player in aerospace systems;** particularly strong in cockpit / avionics / APUs Aerospace business expected to **be spun-off in June 2026 as an independent entity**

Source: Bernstein Analysis, Company Reports

Thesis Overview:

We are Market-Perform on Honeywell's RemainCo. because the **outlook is distinct (and not uniformly positive or negative)** for each of its three business units, there is **execution uncertainty associated with the spin**, and we are **unsure how effective its Forge strategy will be** in the long run given a lack of published data. In subsequent sections of this document, we share our opinions on these topics.

EXHIBIT 3: **Honeywell Investment Thesis**

Investment thesis

- We think the **spinoff of Honeywell's Aerospace business is the right strategic move** for the company to **re-focus on its automation core**; however, it is worth noting that the remaining business units are distinct types of automation without **significant tech. / customer overlap**
- Of the RemainCo. BUs, **the most important platform is building automation (BA)**. While other companies also focus on the space, it is the **core growth driver only for Honeywell** which will ensure it receives maximum mgmt. bandwidth (unlike JCI for example where the story is DCs)
- In addition, BA continues to gain importance with customers as **rising demand for power increases costs**, which Honeywell tech. **can play a key role in reducing**
- We think **outlook is less positive for PA&T[1] biz.**; HON **more exposed to geopolitical risk vs. peers** (which we think market underappreciates) and more weighted towards O&G where growth outlook ex-LNG is tepid
- For the remaining Industrial Automation (IA) unit, we think **the sale of WWS and PPS businesses are positives that can help solve margin challenges**, but we do not expect growth beyond LSD given end market exposure
- Lastly, Honeywell's **cross-BU "Forge" analytics is worth watching**; early results positive (delivers customer value), but **we need to see more data from Honeywell on metrics before this warrants multiple uprating**

Upside catalysts

- Continued growth in Building Automation
- Positive uptake of Forge product reflecting in more recurring revenue
- Margin expansion in IA business post WWS / PPS spin

Downside catalysts

- Power prices stay stable or decline as supply comes online (reducing impetus for building automation)
- Weakness / delays in LNG projects which market is not pricing
- Organizational drag from spin-off of aerospace

Bernstein vs. consensus

FORECAST	FY26			FY27			FY28		
	Bern	Consensus	%diff.	Bern	Consensus	%diff.	Bern	Consensus	%diff.
Revenue ($B)	39,388	39,454	0%	41,715	41,838	0%	44,165	43,970	0%
Adj. segment op. profit ($B)	9,010	9,060	-1%	9,774	9,912	-1%	10,484	10,593	-1%
EPS (Adj. Diluted) ($)	10.42	10.52	-1%	11.37	11.43	0%	12.53	12.49	0%

Valuation (ex-Aerospace)	Current	Target	Difference
EV/EBIT (NTM)	*N/A*	*16.1x*	*N/A*

1. Process automation and technology; 2. Only of core business, excludes investments in other companies
Note: Revenue / Profit / EPS shown in table above include aerospace

Valuation

	NTM +1 EBIT	Target multiple
IA	$1.1B	14.5x
BA	$2.4B	18x
PA&T[1]	$1.7B	14.5x
Target price[2]	$107	

Based on SOTP of HON's three BUs

Ratings distribution

Source: Bernstein Analysis and Estimates, Visible Alpha, Bloomberg

I. Building Automation

We think Building Automation will be the primary driver behind Honeywell's growth looking ahead for three reasons:

First, given it is the biggest, fastest growing, and most profitable of RemainCos.' three segments, **we expect BA will have the greatest share of management's bandwidth**. Other players in building automation (JCI, Siemens, etc.) have data center exposure as a more attractive distraction to pursue; we think part of Honeywell's right to win here is that it is the largest player **globally for whom building automation is the top priority.** We already see this manifesting as increased R&D spend and aggressive hiring (~600 engineers for new product development) which seems to skew towards BA. We do not think competitors in the space will be as aggressive **given they have other priority areas to deploy capital.**

Next, we also think building automation **has structural tailwinds from rising power prices**; building managers are constantly looking for ways to **reduce operating costs and any innovation here from Honeywell can give them an edge vs. peers**. Even if construction does slow down - software offerings that promise cost optimization (like Honeywell Forge which we discuss later in this document) have a clear value proposition.

Lastly, the **business is relatively concentrated with only a few competitors**; there is a heavy trust component to building automation that prevents new players from making meaningful inroads in the near-term. As incumbents deploy AI to drive more efficiency in their products, we expect this moat to only deepen further (giving Honeywell a relatively stable base to build off).

II. Process Automation and Technology

PA&T is the sector we are most bearish on for our outlook. First, we think HON is **overexposed to the Middle East compared to peers**; given we are experiencing an elevated level of volatility in the region, we have concerns around the growth outlook for that part of the business even if existing conflicts are resolved in the near term. As such, we have **applied a discount to Honeywell's PA&T business when valuing the BU.**

Second, we also think **PA&T is heavily exposed to O&G vs. other process industry sectors like life sciences and power that are faster growing**. CapEx outlooks are structurally lower for refining (plants running under capacity, uncertainty around future investments) which are **partially offset by strength in LNG investments (which for Honeywell are also concentrated in the Middle East).** We think the outlook for the UOP business (catalysts and licensing tech.) is also weak; lower utilization of refineries reduces / delays the need for catalyst recharges which also impacts the growth outlook for PA&T. **We also see this when looking at publicly traded catalyst names that trade at HSD EV/EBIT valuations.**

III. Industrial Automation

We're not sure what to make of the Industrial Automation business. It currently holds six distinct businesses - Sensing and Safety Technologies (SST), Process Measurement and Controls (PMC), Smart Energy, Thermal Solutions, Productivity Solutions and Services (PSS), Warehouse and Workflow Solutions (WWS). **Examples of products each segment offers include:**

1. SST - Sensors that go into OEM equipment in sectors like HVAC, Medical Devices, etc.; not sold directly to end customers.
2. PMC - Largely process industry related - sensors, transmitters, and fire / gas detection equipment (with an O&G lean)
3. Smart Energy - Metering for utilities (power, water, gas)
4. Thermal Solutions - Industrial combustion controls, burner management
5. WWS - Palletizers, sorters, conveyers, warehouse management software
6. PSS - Handheld barcode scanners, ruggedized equipment

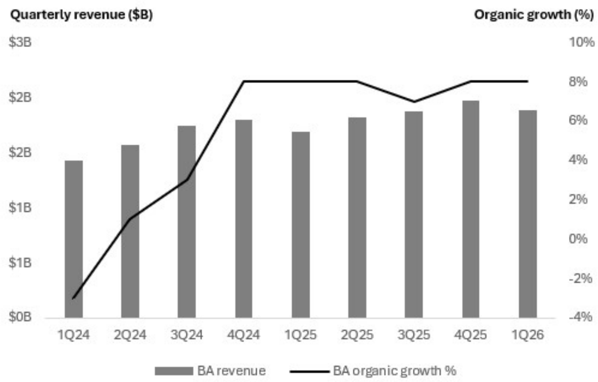
WWS and PSS have been significant drags on growth within IA over the last couple of years - Honeywell has announced their sale (expected to close in 2H26). With that said, we still think the remaining businesses are relatively disparate and outside of PMC (which should sit in PA&T) have a limited strategic role in the broader portfolio. At the aggregate level, we expect a better outlook for IA (ex WWS and PSS) than PA&T, but at the end of the day these are sub-scale businesses that we worry will not receive enough attention from management. We think it would be prudent for management to consider further spins / sales within this segment.

IV. Forge

Forge is Honeywell's hardware-agnostic software suite that can help clients manage their broader portfolio of buildings - and a technology that has been flagged as key to future growth of the company. It is not hard to understand why management is positioning it as such; solutions like Forge are priced as SaaS offerings creating a recurring revenue stream unlike existing BMS which are often sold as one time licenses. **Forge's ability to run predictive analytics and conduct energy optimization of a portfolio of buildings creates a clear value proposition for customers**. With that said, this is not a unique product, JCI, Siemens and other players have similar optimization solutions that sit one level above a facility-level BMS that compete with Forge. **We do not think the technology behind Forge is differentiated**, AI models are getting commoditized, and we expect that to eventually be the case here as well. Where Honeywell claims differentiation (and where we are still skeptical) **is that it plays in both building management and process automation at scale**, giving Forge the edge in more complex industrial companies with a mix of both facility types. This is true, the only real competitor that does both building automation and process automation at scale is Schneider Electric - other companies named skew heavily in one direction or the other. **But we are still in extremely early innings on adoption**; management has provided some curated examples on how the product has created value, but we are yet to see serious financial reporting that investors can look for during earnings releases. Until that happens, we think the narrative around Forge remains a "show me" story.

EXHIBIT 4: **Building Automation Outlook**

Recent performance trends for BA



- Strong performance in building automation with **HSD growth for the last 6Qs;** two major drivers behind solid growth; **data centers (for North America) and the Middle East (ex-recent conflict related headwinds)**
- **China is ~5% of the building automation portfolio** which limits the drag it can create from weak construction activity; **we believe this is not the case for other building automation players that are much more exposed**
- Growth relatively **broad-based across both products and solutions**

Three drivers behind continued strength for HON BA business

① Management focus vs. competitors

- Post-spin, **BA becomes Honeywell's fastest growing & most profitable biz.**; most competitors focusing on BA have other Bus that are larger and / or more attractive (e.g., JCI and Schneider with DC cooling equip.)
- **We think this gives Honeywell an edge**; can deploy more mgmt. focus

② Rising power costs drive demand

- Power prices continue to rise as demand increases; **creates a structural need for BA** (especially analytics) that can measurably optimize costs
- **Multiple underlying factors driving power costs;** data center usage, electrification, increased capex by utilities put upward pressure on it

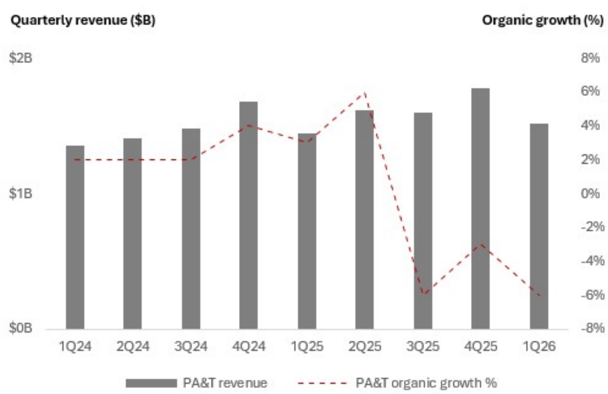
③ Nature of the industry

- This is **a market with a handful of players** (JCI, Honeywell, Schneider, Siemens); there are barriers to entry that prevent new entrants from easily capturing share **without a significantly better product**
- **We believe growth will be driven by the software layer** (BMS and overlaid cloud analytics); while all players claim to have differentiated offerings, we think these are incremental (e.g., everyone has vendor agnostic analytics layer)
- With that said, the nature of competition means **they don't need to be differentiated**; BMS are mission critical products with real cost benefits
- **We do not think there is material AI risk at either level**; (i) BMS need to be able to engage effectively with physical hardware and controllers and (ii) while AI can run cloud analytics, all players are weaving AI into their core offering

Source: Bernstein Estimates and Analysis, Company Reports

EXHIBIT 5: **Process Automation and Technology Outlook**

Recent performance trends for PA&T

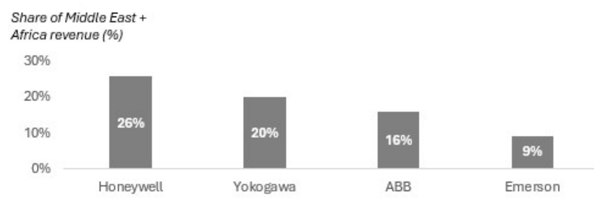


- Weak organic growth for multiple Qs; **turned negative in late 2025**
- Two distinct businesses sit within this BU; **Process Automation business is like EMR** (equipment and controls for process industries) while UOP is a separate business **focusing on licensing process technologies and supplying catalysts, adsorbents and specialty equip. for hydrocarbon industry**
- **UOP has seen the biggest hit in recent quarters**; lower utilization/throughput in refineries causing structurally less need for catalyst replacement **(aftermarket - which is where UOP sits - was down 10% organic in 1Q26)**

Two major concerns around PA&T business outlook

① Geopolitical exposure

- Honeywell's PA&T business has **significantly more exposure to the ME compared to its peers**; even if recent geopolitical tensions clear, we believe environment **warrants a risk premia on multiple**



② End segment exposure

- We believe HON's PA&T business is also much more exposed to **hydrocarbons / O&G vs. other process sectors** (pharma / power)
- Concerning because **refining capex expected to decline** (due to overcapacity / uncertainty around long-term demand)
- **LNG a real tailwind (double digit growth in 1Q26)** supported by Air Products acquisition for ~$2B, but HON **cannot take advantage of positive pharma and power trends like Emerson can**
- Compared to Emerson, **aftermarket revenues are also marginally lower as a share of the total (~55% for HON vs. 60%+ for EMR)** which also indicates less resilience to a downcycle in O&G capex

Source: Bernstein Estimates and Analysis, Company Financials

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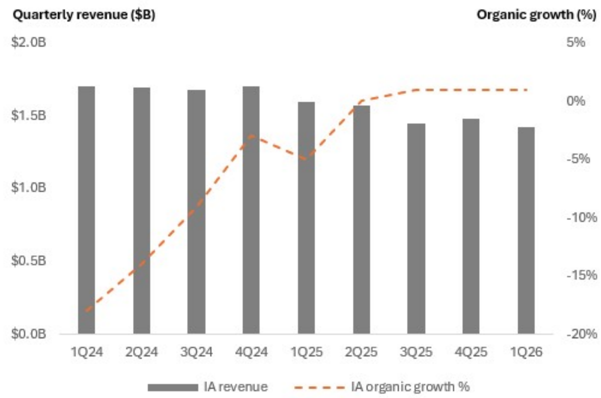
EXHIBIT 6: **Industrial Automation Outlook**

Recent performance trends for IA



- **Historically been a bit of a "plug figure"** for Honeywell where things without a home go to sit; lowest margin (<20%) business segment
- **Performance weakness** (both growth and margin)due to Workflow and Warehouse Solutions (WWS) and Productivity Solutions and Services (PSS) **which struggled due to over-investment after COVID**
- Along with aerospace spin, HON has also **found buyers for WWS and PSS which we think changes the profile of the BU**; these accounted a sizeable portion (>30%) and **contributed to all the performance drag**

Six distinct sub-businesses with differing outlooks and customers

SST

- **Portfolio of sensors** that are used as inputs by OEMs (e.g., HON temperature sensors would sit in an HVAC unit)
- **More focused on process and precision sensing;** not much of an overlap with discrete factory automation use cases

PMC

- **Process industry focused;** gas and flame detectors (largest part of business) and some process field instruments (e.g., flow sensors)
- **We're not sure why this still sits under IA and not PA&T**; would expect this moves sooner rather than later

Smart Energy

- **Utilities focused;** gas, power, and water meters / metering solutions sold to power / water companies and municipalities
- Limited strategic fit with rest of HON; **candidate for spin / sale**

Thermal Solutions

- Components for industrial boilers, furnaces, ovens (e.g., controls, burners, gas valves, etc.); **sold to OEMs making combustion equip.**
- **High quality (expect to see strong margins) with solid aftermarket potential**; limited strategic fit but good to keep

WWS

- E2E warehouse and distribution center automation (intelligent conveyers, sortation, execution software, etc.); **struggled post-COVID**
- **Sold to a strategic buyer; expected to be divested in 2H 2026**

PSS

- Mobile computers, ruggedized handheld items, barcode scanners; **mostly physical equipment in a commoditizing hardware market**
- **Also sold for $1.4B and expected to close in 2H 2026**

Source: Bernstein Estimates and Analysis, Company Reports

EXHIBIT 7: **Perspectives on Forge**

What is Honeywell Forge?

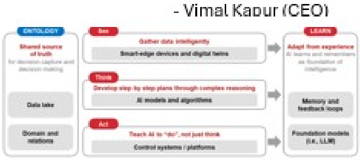
Digital platform **combining Honeywell's current install base of equipment with AI** to provide sector-specific insights

Cloud-based, vendor agnostic tool (can also connect to non-Hon equipment); more of a recurring revenue stream vs. one time

Can connect across multiple end segments – buildings and infrastructure, oil and gas facilities, power plants, etc.

Positioned as forward-looking growth driver; likely to see more information **in the run up to / immediately after the aerospace spin**

> **"Honeywell Forge is the heart of our growth strategy…and is at an inflection point"**
>
> \- Vimal Kapur (CEO)



Honeywell Forge framework

BERN perspective on Forge outlook … four key questions

1. **Can it create tangible value?**
   - **Yes. It already has.**
   - Honeywell has provided select examples in their automation whitepapers of customers that have seen value in using the Forge platform.
   - **For example:** "A global energy company currently utilizes Honeywell Forge Plantwide Optimizer offerings across multiple refineries where ops. were previously reactive and predefined to optimize inventory and logistics planning through real-time visibility / predictive control. This resolved complex interactions across refinery units and provided E2E connectivity between planning models & operational execution, resulting in **tens of millions in annualized benefits from lower product costs & improved demand fulfillment**.
2. **Is it differentiated?**
   - **Maybe – but we need more proof points to confirm.**
   - **We do not think Honeywell's edge is in the underlying technology itself**; most competitors have some version of this for their own end industry (e.g., OpenBlue from JCI, Building X from Siemens)
   - **The edge is more in Honeywell's overall breadth**; it's one of few players that offer solutions that encompass both building management (HVAC, security, cyber) and process operations which is valuable in industries where systems are operationally coupled (life sciences, DCs, hospitals, etc.) … **but there are still arguments to use multiple "best of breed" software**
   - We expect to see Honeywell have an edge **in complex industrial campuses** vs. simple facilities
3. **Can it move valuation?**
   - **Eventually, but we're not there yet.**
   - The argument that Forge is a valuation driver is **built on the thesis that it creates a high-margin, sticky, recurring revenue stream**; this is something multiple automation companies are pushing today (Rockwell with Plex, Emerson with Aspen, etc.).
   - While we agree with this in practice, **Honeywell has not yet scaled their Forge business to the level where we see this materialize in valuation** (only connects to LSD % of HON install base); the strategy is defined but **commercial execution must now play out**
   - We would want to see **more concrete tracking and reporting** from Honeywell in their engagement with the market (e.g., ARR revenue share, etc.); we fully expect to, once the aero. spin completes

Source: Bernstein Analysis, Company Reports

EXHIBIT 8: **Honeywell literature on Forge**

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*

Source: Honeywell White Papers

Valuation

We value Honeywell as a SOTP of its three RemainCo. BUs. Note that this does not include the value of any equity interests in other companies (where Honeywell has some exposure), it is a pure SOTP of the businesses only.

BA: We value this business at between **17 - 19x NTM+1 EBIT (estimated at $2.4B)** based on comps. We value Honeywell at the lower end of this range as there are no pure plays and most other companies have data center exposure which elevates their multiples.

PA&T: We value this business at **14 - 15x NTM+1 EBIT (estimated at $1.7B)** based on comps. This is at a discount to players like Emerson and ABB which are at the higher end of the range (given they have software exposure), with additional discounts for Honeywell's catalyst / Middle East heavy exposure.

IA: We value this business at **14 - 15x NTM+1 EBIT (estimated at $1.1B)**. This is around the average of other players with sensor / safety detection equipment, with a small discount for holding multiple sub-scale businesses.

Assuming RemainCo. retains ~$15B of Honeywell's debt, this **implies a share price range of $101 - 113 per share. We use the average of these numbers ($107) to set our share price target for the RemainCo.**

In addition, we also value Honeywell including the value of its Aerospace business at 20x NTM + 1 EPS (estimated at $11.64) giving us a target price for the full business of $233.00. However, we think the RemainCo. valuation is more important given it reflects value of the automation business.

EXHIBIT 9: **SOTP Share Price Calculation**

	Building Automation	Process Automation and Technology	Industrial automation
Comps. *(FY1 EV/EBIT)*	• **Johnson Controls** (23x) • **Siemens** (18x) • **Schneider Electric** (20x) **We value HON at around 17 – 19x NTM EV/EBIT**; most of these companies have other business lines that cloud the multiple. JCI's is heavily impacted by data center cooling where HON is not exposed	• **Emerson** (22x) • **Yokogawa** (13x) • **ABB** (26x) • **Clariant** (9x) • **KBR** (8x) **We value HON at around 14 – 15x NTM EV/EBIT**; closer to Yokogawa / Clariant / KBR given lower software revenue & exposure to catalyst tech. / Middle East	• **Sensata** (13x) • **Amphenol** (20x) • **TE Connectivity** (15x) • **MSA Safety** (15x) **We value HON at around 14 – 15x NTM EV/EBIT**; middle of the pack once sale of WWS / PPS focus the business unit; Amphenol not great comparable given high DC exposure from connectors
NTM + 1 EBIT *(Est.)*	**$2.4B**	**$1.7B**	**$1.1B**
Segment EV	**$40.1 – 44.9B**	**$23.4 – 25.1B**	**$15.7 – 16.8B**

Company level valuation	Implied enterprise value	Implied equity value	Implied share price
	$79.3 – 86.8B	**$64.3 – 71.8B** *(Assumed ~$15B of net debt with RemainCo.)*	**$101 – 113 / share** *(vs. ~$210 – 220 / share for full business pre-spin)*

Note: Excludes ownership stakes in any other entities

Source: Bernstein Analysis and Estimates, Visible Alpha

EXHIBIT 10: **Honeywell Thesis Recap**

- We think the **spinoff of Honeywell's Aerospace business is the right strategic move** for the company to **re-focus on its automation core**; however, it is worth noting that the remaining business units are distinct types of automation without **significant tech. / customer overlap**

- Of the RemainCo. BUs, **the most important platform is building automation (BA)**. While other companies also focus on the space, it is the **core growth driver only for Honeywell** which will ensure it receives maximum mgmt. bandwidth (unlike JCI for example where the story is DCs)

- In addition, BA continues to gain importance with customers as **rising demand for power increases costs**, which Honeywell tech. **can play a key role in reducing**

- We think **outlook is less positive for PA&T business**; HON **more exposed to geopolitical risk vs. peers** (which we think market underappreciates) and more weighted towards O&G where growth outlook ex-LNG is tepid

- For the remaining Industrial Automation (IA) unit, we think **the sale of WWS and PPS businesses are positives that can help solve margin challenges**, but we do not expect growth beyond LSD given end market exposure

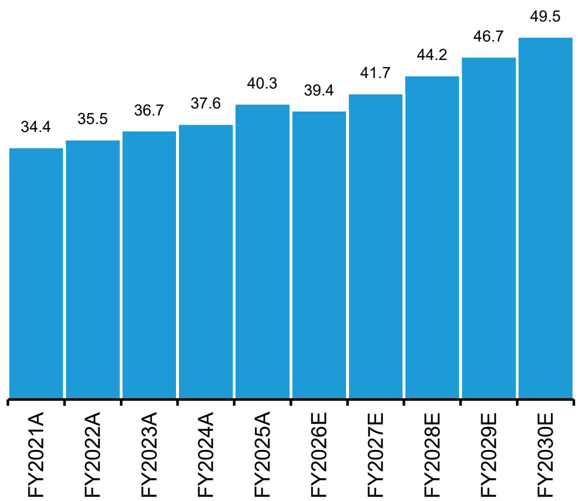
- Lastly, Honeywell's **cross-BU "Forge" analytics is worth watching**; early results positive (delivers customer value), but **we need to see more data from Honeywell on metrics before this warrants reflection in multiple**

Source: Bernstein Estimates and Analysis

APPENDIX - CHART BANK

EXHIBIT 11: **HON Revenue**

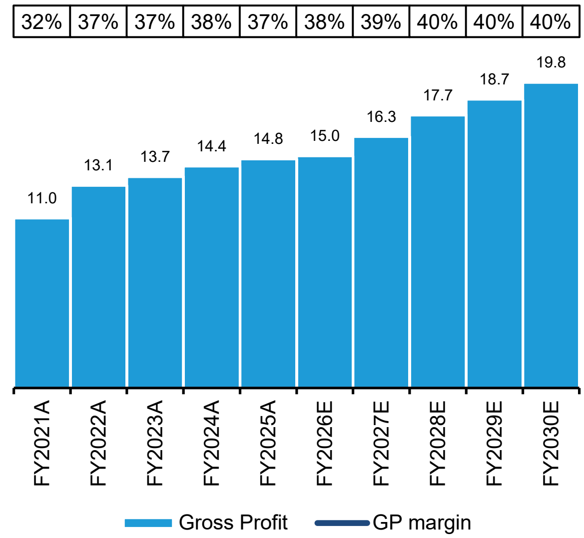
$bn



Source: Bloomberg, Company reports, Bernstein estimates and analysis

EXHIBIT 12: **HON Gross profit & GP margin**

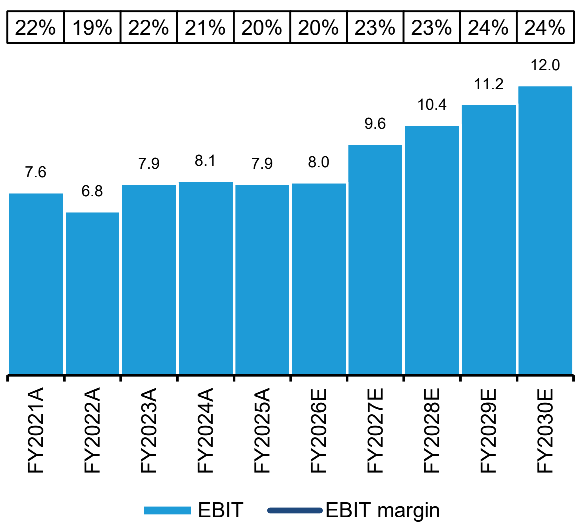
$bn



Source: Bloomberg, Company reports, Bernstein estimates and analysis

EXHIBIT 13: **HON EBIT & EBIT margin %**

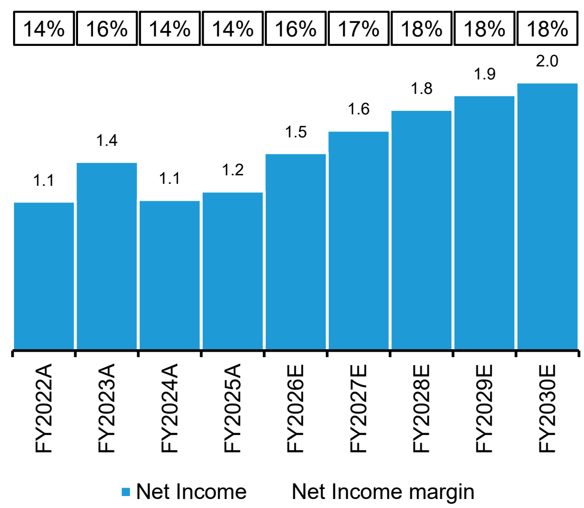
$bn



Source: Bloomberg, Company reports, Bernstein estimates and analysis

EXHIBIT 14: **ROK Adj. net income and net income margin %**

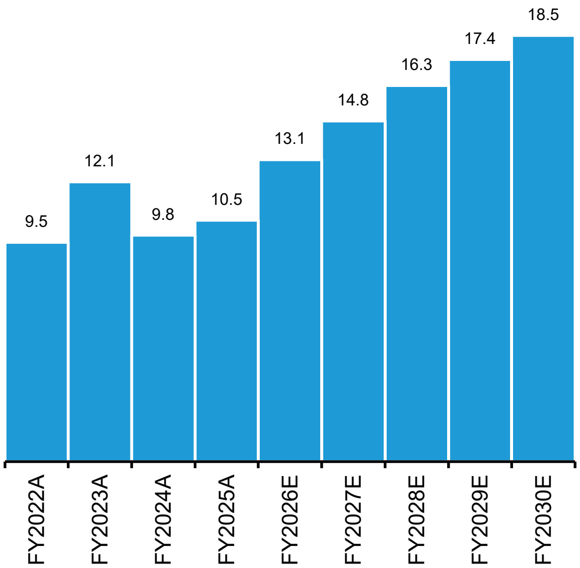
$bn



Source: Bloomberg, Company reports, Bernstein estimates and analysis

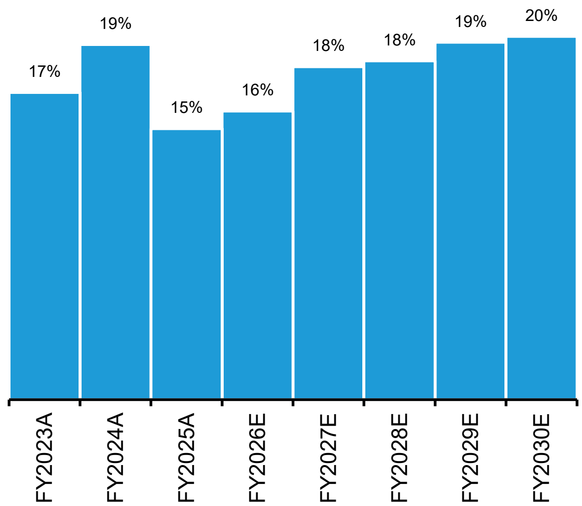
EXHIBIT 15: **ROK Adj. EPS**

$



Source: Bloomberg, Company reports, Bernstein estimates and analysis

EXHIBIT 16: **ROK ROIC (%)**



Source: Bloomberg, Company reports, Bernstein estimates and analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 17: **HON financial summary**

Income Statement (M)	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
New Equipment	25,643	25,960	25,773	25,468	27,201	5,867	-	-	-	-
Services	8,749	9,506	10,889	12,111	13,139	3,276	-	-	-	-
Total revenue	**34,392**	**35,466**	**36,662**	**37,579**	**40,340**	**39,388**	**41,715**	**44,165**	**46,743**	**49,453**
Total Gross Profit	**10,998**	**13,119**	**13,667**	**14,357**	**14,825**	**15,032**	**16,269**	**17,666**	**18,697**	**19,781**
Underlying EBIT	**7,578**	**6,793**	**7,924**	**8,061**	**7,943**	**7,986**	**9,581**	**10,378**	**11,234**	**12,010**
Group EBIT margin	**22.0%**	**19.2%**	**21.6%**	**21.5%**	**19.7%**	**20.3%**	**23.0%**	**23.5%**	**24.0%**	**24.3%**
Net Income to shareholders	5,542	4,966	5,658	5,558	5,139	5,507	6,716	7,433	8,301	8,930
Diluted underlying EPS ($)	**8.05**	**8.78**	**9.52**	**8.70**	**9.79**	**10.42**	**11.37**	**12.53**	**13.89**	**14.93**
Diluted shares outstanding (m)	700	683	668	655	643	638	637	635	633	631
Balance Sheet (M)	**FY2021A**	**FY2022A**	**FY2023A**	**FY2024A**	**FY2025A**	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**
PP&E	5,562	5,471	5,660	6,194	4,629	5,264	6,064	6,864	7,664	8,464
Other non-current assets	33,536	37,293	38,023	47,288	43,294	43,353	43,293	43,233	43,173	43,113
Other current assets	13,849	24,982	23,502	27,908	30,387	36,326	43,147	50,699	59,239	68,443
Cash and cash equivalents	11,523	10,110	8,095	10,953	12,930	16,702	22,705	29,402	36,917	45,045
Total assets	**64,470**	**62,275**	**61,525**	**75,196**	**73,681**	**79,679**	**86,440**	**93,932**	**102,412**	**111,556**
Current liabilities ex-debt	14,163	15,491	14,658	15,636	15,975	15,196	15,484	15,781	16,217	16,675
Total debt	19,599	19,570	20,443	31,099	34,580	36,739	36,739	36,739	36,739	36,739
Pension	208	146	134	112	111	108	108	108	108	108
Other non-current liabilities	11,251	9,742	9,849	9,188	7,985	8,118	8,118	8,118	8,118	8,118
Minorities	680	629	585	542	1,126	1,092	1,099	1,100	1,070	1,039
Total equity ex-minorities	18,569	16,697	15,856	18,619	13,904	18,427	24,892	32,085	40,160	48,877
Total equity and liabilities	**64,470**	**62,275**	**61,525**	**75,196**	**73,681**	**79,679**	**86,440**	**93,932**	**102,412**	**111,556**
Cash Flow Statement (M)	**FY2021A**	**FY2022A**	**FY2023A**	**FY2024A**	**FY2025A**	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**
Underlying EBIT	7,578	6,793	7,924	8,061	7,943	7,986	9,581	10,378	11,234	12,010
Deprecitation & Amortisation	1,223	1,204	1,176	1,288	1,493	1,452	1,460	1,460	1,460	1,460
Working capital	51	(1,334)	(150)	(375)	(791)	(1,524)	(529)	(558)	(589)	(619)
Net capex	(895)	(766)	(1,039)	(1,072)	(1,173)	(1,273)	(1,400)	(1,400)	(1,400)	(1,400)
Other cash movements	(11,273)	(7,229)	(9,613)	(5,260)	(5,552)	(2,840)	(3,109)	(3,183)	(3,189)	(3,323)
Change in cash and cash equivalents	**(3,316)**	**(1,332)**	**(1,702)**	**2,642**	**1,920**	**3,802**	**6,003**	**6,697**	**7,515**	**8,127**

Source: Bloomberg, Company reports, Bernstein estimates and analysis

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	9 Jun 2026 Closing Price	Price Target	TTM Rel. Perf.	Adjusted EPS Cur	Adjusted EPS 2025A	Adjusted EPS 2026E	Adjusted EPS 2027E	Adjusted P/E (x) 2025A	Adjusted P/E (x) 2026E	Adjusted P/E (x) 2027E
HON (Honeywell)	M	USD	215.70	233.00	(24.7)%	USD	9.79	10.42	11.37	22.0	20.7	19.0
SPX			7,386.65									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

Honeywell International Inc

We value Honeywell as a SOTP of its three RemainCo. BUs. Note that this does not include the value of any equity interests in other companies (where Honeywell has some exposure), it is a pure SOTP of the businesses only.BA: We value this business at between 17 - 19x NTM+1 EBIT (estimated at $2.4B) based on comps. We value Honeywell at the lower end of this range as there are no pure plays and most other companies have data center exposure which elevates their multiples.PA&T: We value this business at 14 - 15x NTM+1 EBIT (estimated at $1.7B) based on comps. This is at a discount to players like Emerson and ABB which are at the higher end of the range (given they have software exposure), with additional discounts for Honeywell’s catalyst / Middle East heavy exposure.IA: We value this business at 14 - 15x NTM+1 EBIT (estimated at $1.1B). This is around the average of other players with sensor / safety detection equipment, with a small discount for holding multiple sub-scale businesses.Assuming RemainCo. retains ~$15B of Honeywell’s debt, this implies a share price range of $101 - 113 per share. We use the average of these numbers $107 to set our share price target for Remain Co. In addition, we also value Honeywell including the value of its Aerospace business at 20x NTM + 1 EPS (estimated at $11.64) giving us a target price for the full business of $233.00.

RISKS

Honeywell International Inc

Upside: (i) Continued growth in Building Automation, Positive uptake of Forge product reflecting in more recurring revenue, Margin expansion in IA business post WWS / PPS spin

Downside: (i) Power prices stay stable or decline as supply comes online (reducing impetus for building automation), (ii) Weakness / delays in LNG projects which market is not pricing, (iii) Organizational drag from spin-off of aerospace

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
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Those denoted as ‘Feature’ (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	36.3%	17.8%
Underperform	SELL	12.6%	14.9%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of March 31, 2026. All figures are updated quarterly.

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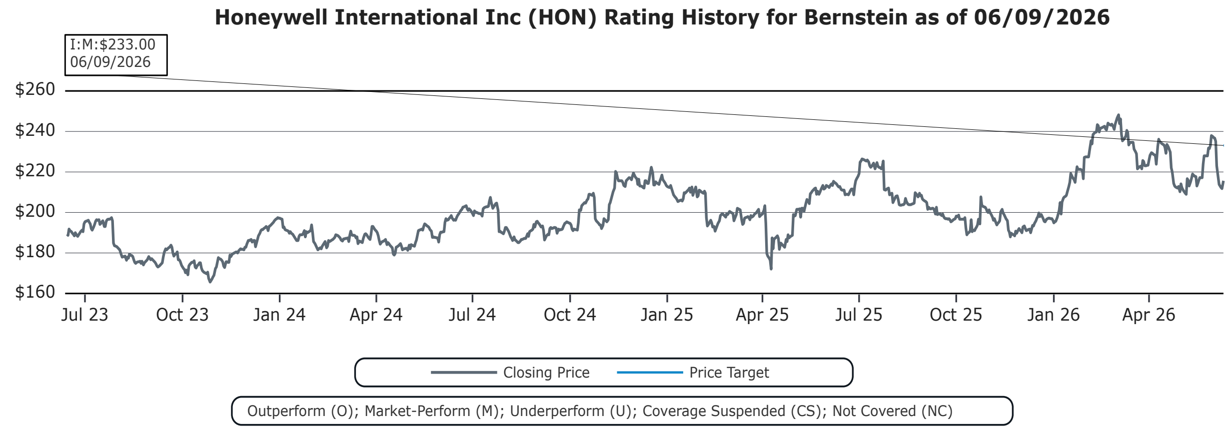

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