The Spin-Off Report

COMPREHENSIVE REPORT

October 14, 2025 8:30 AM EDT

Honeywell International Inc. (Pre-Spin)
(BUY)

Current Share Price (10/14/2025): $202.91	Ticker: HON
Fair Value Estimate: $245 per share	Dividend: $4.76 per share
Shares Outstanding: ~641 million	Yield: ~2.35%
Market Capitalization: ~$130 billion	

Honeywell International Inc. (Post-Spin)

Fair Value Estimate: $229 per share	Ticker: HON
Shares Outstanding: ~641 million	Dividend: TBD
Market Capitalization: ~147 billion	Yield: N/A

Solstice Advanced Materials Inc. (Post-Spin)

Fair Value Estimate*: $63 per share	Ticker: SOLS
Shares Outstanding*: ~160 million	Dividend: TBD
Market Capitalization: ~$10 billion	Yield: N/A

TBD – To be determined. N/A – Not applicable.
* Fair value estimate and shares outstanding based on an assumed four-for-one share distribution ratio of 100% of SOLS shares.
Note: Market capitalization is based on fair value estimate for post-spin entities and current market cap for pre-spin HON.

Current coverage and research archive is available online at **spinoff.report**

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TRANSACTION OVERVIEW & INVESTMENT THESIS

On October 8, 2024, Honeywell International Inc. (NASDAQ: HON) announced plans for a tax-free spin-off of its Advanced Materials (AM) business into an independent, publicly traded entity, which will be named Solstice Advanced Materials and trade on the Nasdaq Stock Exchange under the ticker "SOLS". The transaction, which does not require shareholder approval, is expected to be completed on October 30, 2025. [Note: In conjunction with the impending separation, SOLS held an investor day in New York City on October 8, 2025, which we attended and will provide anecdotal color on, including verbal 2025E and medium-term guidance commentary, in the post-spin Solstice section of this report.] Shareholders of record will receive one share of SOLS for every four shares owned of Honeywell, which will continue to trade under the same listing and maintain the current corporate moniker. Separately, in addition to the impending Solstice transaction, on February 6, 2025, Honeywell announced plans for the tax-free separation, of its remaining Automation and Aerospace businesses, which is targeted for completion in 2H 2026, subject customary conditions, including the filing & effectiveness of a Form 10 registration statement with the Securities & Exchange Commission (SEC), the receipt of various regulatory approvals and final consent of HON's Board of Directors. For a degree of perspective on the decision to ultimately separate into three independent companies, rather than two, we would note that in November 2024, activist-investor Elliott Investment Management issued a public letter to HON's Board indicating it had made "a more than $5 billion" investment in the company (which, by our estimation, put them in the upper half of the top 10 institutional shareholders), suggesting, among other things, the further separation of HON's Aerospace & Automation businesses. Subsequently, in May 2025, the two parties entered into a so-called cooperation agreement where HON's 11-member Board was expanded by one to include Marc Steinberg, a partner at Elliott, as a new independent director.

For context, Honeywell has been actively engaged in a portfolio transformation in recent years focusing on what management views as three "compelling megatrends", specifically automation, aviation and the global energy transition, which precipitated the spin-offs of its home business, Residio (NYSE: REZI), and its transportation systems (i.e., turbochargers) business, Garrett Motion (NASDAQ: GTX), in 2018. More recently, the company has also made both acquisitions (e.g., CCC, SCADAfence, Access Solutions, Civitanavi, CAES Systems Air Products LNG, Sundyne, Catalyst Technologies, Li-Ion, and Johnson Matthey's CT business) & divestitures (e.g., PPE, Bendix as well as on-going strategic evaluations for PSS and WWS) in pursuit of its stated ends, ultimately culminating in the aforementioned separations, which will create three standalone Aerospace, Automation and Advanced Materials businesses.

For its part, Solstice (currently the Advanced Materials portion of HON's Energy & Sustainability Solutions segment) generated ~$3.8 billion of sales in 2024, split roughly 70%/30% between Refrigerants & Applied Solutions and Electronics & Specialty Materials, with adj. standalone EBITDA of nearly $1.0 billion (on a margin of 26.4%). For 2025E, the standalone company is anecdotally projected to post annual sales of $3.75-$3.85 billion with a projected EBITDA margin of ~25%, implying, by our calculation, adj. 2025E EBITDA of ~$935-$965 million. RemainCo (or NewHoneywell), which includes the Aerospace segment as well the broader Automation business (including the UOP portion of HON's current E&SS segment) will be comprised of two segments each generating roughly ~$17 billion of sales and ~$4.5-$5.0 billion of segment-level adjusted EBITDA.

In terms of post-spin leadership, Solstice will be led by current head of the Advanced Materials (AM) business David Sewell (formerly the CEO of Westrock) who will assume the president & chief executive officer (CEO) roles as well as join SOLS's 10-member board, which will be chaired by Dr. Rajeev Gautum (the retired head of HON's former Performance Materials & Technology business). Tina Pierce, the AM segment's current finance chief has been named SOLS's chief financial officer (CFO). Current, HON CEO, Vimal Kupur will maintain his position post-spin (but ultimately go with the Automation business following the Aerospace separation where the company is continuing to evaluate internal and external candidates for post-spin leadership although one could postulate that the current Aerospace business head, Jim Currier, would be in the "pole-position" to take the helm).

For context, this transaction comes within the backdrop of both company specific activist-investor pressure as well as a seemingly broader apathy on the part of investors toward so-called "multi-industry" conglomerates, such as HON. To that end, it is notable to point out that Dupont is on the verge of completing a step in its own journey toward a simpler, more focused portfolio with the impending spin-off of Qnity Electronics while a long-list of other companies have generated substantial overall shareholder value by reducing complexity in recent years, including, among others, Danaher, GE, United Technologies, Tyco, Ingersoll Rand, Johnson Controls, Pentair and ITT. In that context, while we would assert that the impending spin-off of Solstice will be an incremental positive when considering the obvious size disparity between SpinCo & RemainCo the transaction is likely to represent just the opening salvo in a wider value unlocking process that will stretch into late-2026/early-2027 with other impending portfolio actions, including the potential monetization of PSS and WWS, which will simplify the future standalone Automation company, as well as the planned spin-off of the Aerospace business and the latent potential for an initial public offering (IPO) of Quantinuum, representing other key milestones in a potentially significant multi-year re-rating process for legacy HON. In this context, we assign a BUY rating to pre-spin shares of HON. On a sum of the parts basis, we fairly value shares of pre-spin HON at ~$245 per share, consisting of $16 per share for Solstice and $229 per share for NewHoneywell. On a post-spin basis, reflecting the four-for-one distribution level, shares of Solstice are fairly valued at ~$63 per share (based on a diluted share count of ~160 million) with NewHoneywell at ~$229 per share (based on a diluted share count of ~641 million). Given the implied upside, we, again, recommend a pre-spin purchase of HON shares but would note that we think it is possible that post-spin shares of Solstice, which may have longer-term opportunities to participate in potential industry consolidation, may struggle to gain initial traction while it accumulates its own individual shareholder constituency; to that end, it seems reasonable to assert that the bulk of current HON shareowners are likely primarily focused on the larger Aerospace and Automation businesses. (In that context, while purely anecdotal and not necessarily a reflection of the current HON investor interest/sentiment in the standalone Solstice business we would note that attendance at SOLS's investor day in NYC was, in our opinion, sparse.)

COMPANY DESCRIPTION

Honeywell International Inc. (NASDAQ: HON), a diversified industrial company headquartered in Charlotte, NC, was initially founded in 1885 but as it relates to the most recent relevant history recall that as over the last several years the company has engaged in a portfolio transformation focusing on what management views as three "compelling megatrends", specifically automation, aviation and the global energy transition. To that end, the company completed the tax-free spin-offs of both its home business, Residio (NYSE: REZI), and its transportation systems (i.e., turbochargers) business, Garrett Motion (NASDAQ: GTX) during 2018. More recently, the company has made both acquisitions (e.g., CCC, SCADAfence, Access Solutions, Civitanavi, CAES Systems Air Products LNG, Sundyne and Johnson Matthey's CT business) & divestitures (e.g., Personal Protective Equipment or PPE and Bendix) in pursuit of its stated goals.

As mentioned earlier, in October 2024 HON announced plans for a tax-free spin-off of its Advanced Materials (AM) business into an independent, publicly traded entity, which will be named Solstice Advanced Materials and trade on the Nasdaq Stock Exchange under the ticker "SOLS". The transaction, which does not require shareholder approval, is expected to be completed on October 30, 2025. Shareholders of record will receive one share of SOLS for every owned of HON, which will continue to trade under the same listing and maintain the current corporate moniker. Subsequently, in February 2025, Honeywell, which came under a degree of pressure from activist-investor Elliott Management in late-2024, announced additional plans for the tax-free separation, of its remaining Automation and Aerospace businesses, which is targeted for completion in 2H 2026, subject customary conditions, including final Board approval. (Notably, the company is also currently evaluating the potential divestiture of its Productivity Solutions & Services or PSS and the Workflow Solutions or WSS businesses, which both represent ~$1 billion of annual sales, while also exploring a potential initial public offering of Quantinuum, a quantum computing company in which it has a majority stake and that recently raised capital at a ~$10 billion valuation, sometime over the next three years.)

Currently, the company reports four operating segments (see Exhibit 1): 1) Aerospace Technologies (~40% of consolidated sales and ~42% of adjusted EBITDA in 2024), which is a global supplier to the aircraft sector; 2) Industrial Automation (~26% of sales and 22.5% of adj. EBITDA), which includes provides automation solutions to a variety of industries, including energy, life sciences and warehouse/logistics sectors; 3) Building Automation (~17% of sales and 18% of adj. EBITDA), which provides efficiency, sustainability and productivity solutions to building owners; and 4) Energy & Sustainability Solutions (~17% of consolidated sales and 17.5% of adj. EBITDA in 2024), which includes the current ~$3.8 billion Advanced Materials business, which provides refrigerants, protective armor, healthcare packaging semiconductor materials, as well as the ~$2.6 billion UOP business, which provides sustainable aviation fuels, natural gas liquification technologies as well as carbon capture solutions and next-generation catalysts, among other things.

Exhibit 1 Honeywell International: Historical Consolidated Financial Results, Selected Items (2022 – 1H 2025)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales:					
Aerospace Technologies	$11,827	$13,624	$15,458	$7,560	$8,479
Industrial Automation	$11,638	$10,756	$10,051	$4,984	$4,758
Building Automation	$6,000	$6,031	$6,540	$2,997	$3,518
Energy & Sustainability Solutions	$5,996	$6,239	$6,425	$3,129	$3,398
Corporate	$5	$12	$24	$12	$21
Total	**$35,466**	**$36,662**	**$38,498**	**$18,682**	**$20,174**
Segment profit:					
Aerospace Technologies	$3,247	$3,760	$3,988	$2,095	$2,197
Industrial Automation	$2,152	$2,209	$1,962	$951	$880
Building Automation	$1,464	$1,529	$1,681	$747	$919
Energy & Sustainability Solutions	$1,555	$1,487	$1,522	$708	$789
Corporate	($396)	($387)	($454)	($208)	($161)
Total	**$8,022**	**$8,598**	**$8,699**	**$4,293**	**$4,624**
EBITDA:					
Aerospace Technologies	$3,532	$4,027	$4,287	$2,229	$2,391
Industrial Automation	$2,574	$2,595	$2,324	$1,129	$1,049
Building Automation	$1,556	$1,636	$1,879	$812	$1,036
Energy & Sustainability Solutions	$1,802	$1,740	$1,807	$838	$986
Corporate	($238)	($224)	($264)	($115)	($60)
Total	**$9,226**	**$9,774**	**$10,033**	**$4,893**	**$5,402**
Margin:					
Aerospace Technologies	29.9%	29.6%	27.7%	29.5%	28.2%
Industrial Automation	22.1%	24.1%	23.1%	22.7%	22.0%
Building Automation	24.4%	25.4%	25.7%	24.9%	26.1%
Energy & Sustainability Solutions	30.1%	27.9%	28.1%	26.8%	29.0%
Capital expenditures:					
Aerospace Technologies	$285	$310	$371	$142	$170
Industrial Automation	$422	$194	$214	$94	$78
Building Automation	$92	$79	$78	$35	$47
Energy & Sustainability Solutions	$247	$374	$373	$169	$193
Corporate	$158	$82	$128	$52	$66
Total	**$1,204**	**$1,039**	**$1,164**	**$492**	**$554**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

In terms of pre-spin guidance, for full year 2025E Honeywell's most recent outlook calls for sales of $40.8-$40.13 billion, implying 4%-5% organic growth (up from its initial outlook of 2%-5%) with adj. EPS of $10.45-$10.65 (up from its initial forecast of $10.10-$10.50) and free cash flow of $5.4-$5.8 billion (in-line with its initial guidance). On a segment basis, the

Aerospace Technologies unit is expected to post top-line growth in the high-single digits with Industrial & Building Automation sales down in the low-to-mid-single digits and up mid-to-high single digits, respectively. The Energy & Sustainability segment, comprised of the Advanced Materials business that will become Solstice as well as the UOP business, which will remain with the parent, was projected to post sales that are flat to up year over year (Exhibit 2).

For 3Q 2025E specifically, the company, on a consolidated basis, has forecasted quarterly sales of $10.0-$10.3 billion, implying growth of ~2%-4%, with adjusted EPS of $2.50-$2.60. On a segment basis, HON projects Aerospace Technologies will post quarterly top-line growth in the mid-to-high single digits with Industrial & Building Automation revenue down in the low-to-mid-single digits and up mid-single digits, respectively (see Exhibit 2). The Energy & Sustainability Solutions segment, of which the soon-to-be-standalone Advanced Materials portion comprises nearly ~60% sales, is projected to post a quarter-over-quarter sales decline in the low-single digits (see Exhibit 2). [Note: HON expects to release 3Q 2025 financial results before the market open on October 23, 2025.]

In terms of ancillary (but relevant) near-term items, we note that in August 2025, HON received a $1.59 billion one-time payment from its former subsidiary Resideo (NYSE: REZI) related to the termination of an indemnification & reimbursement agreement and subsequently in October 2025 the company divested/resolved all of its own legacy Bendix asbestos liabilities to Deleticus, a well-capitalized corporate liability aggregator platform, in return for a one-time cash payment of ~$1.68 billion. (From a financial perspective, the Deleticus transaction is expected to generate a one-time after tax loss of ~$115 million but that the elimination of associated liabilities will be a tailwind to free cash flow (FCF) of ~$100 million per year over the next several years.)

Exhibit 2 Honeywell International: Consolidated Pre-Spin Guidance Progression, Selected Items, 3Q 2025E & 2025E

	3Q 2025E *Initial*	2025E *Initial*	2025E *Previous*	2025E *Current*
Consolidated:				
Net sales	**$10.0 - $10.3 billion**	**$39.6 - $40.6 billion**	**$39.6 - $40.5 billion**	**$40.8 - $41.3 billion**
Organic growth	~2% - 4%	2% -5%	2% -5%	4% -5%
Organic growth, ex-BBD	-	1% -4% (ex-BBD)	1% -4% (ex-BBD)	3% -4% (ex-BBD)
Segment margin	**22.7% - 23.1%**	**23.2% - 23.6%**	**23.2% - 23.5%**	**23% - 23.2%**
Adj. EPS	**$2.50 - $2.60**	**$10.10 - $10.50**	**$10.20 - $10.50**	**$10.45 - $10.65**
Free cash flow (FCF)	**-**	**$5.4 - $5.8 billion**	**$5.4 - $5.8 billion**	**$5.4 - $5.8 billion**
Other:				
Below the line impacts	($250) - ($290) million	-	-	($875) - ($1,000) million
Corporate (& Quantinuum)	~($100) million	-	-	~($450 million)
Base tax rate	~20%	-	-	~20%
Diluted share count	~639 million	-	-	~643
Segment:				
Aerospace Technologies	Up mid- to high-single digits	Up high-single digits	Up high-single digits	Up high-single digits
Industrial Automation	Down low- to mid-single digits	Down low-single digits	Down mid-single digits	Down low- to mid- single digits
Building Automation	Up mid-single digits	Up low- to mid-single digits	Up mid-single digits	Up mid- to high- single digits
Energy & Sustainability Solutions	Down low-single digits	Up mid-single digits	Up low-single digits	Flat to Up

Source: Company reports.

For a broader context, at its most recent Investor Day in May 2023, prior to the Advanced Materials spin-off announcement (as well as the evolution to its current its segment-level reporting structure) management articulated guidance, that called for consolidated organic sales growth of 4%-7% with 40-60 basis points of annual segment margin expansion and a free cash flow margin of in the "mid-teens", which would support a capital deployment of more than ~$25 billion over a three-year period (see Exhibit 3).

Exhibit 3 Honeywell International: Longer-Term Market Perspective/Outlook (Historical, Pre-Spin)

	Long-Term Targets	
	March 2022 Investor Day	**May 2023 Investor Day**
Organic sales CAGR	3% - 5%	4% -7%
Segment margin expansion	30 - 50 basis points	40 - 60 basis points
Gross margin	-	> 40%
Segment marginOrganic growth, ex-BBD	-	> 25%
Adjusted free cash flow (FCF) margin	-	Mid-Teens
Capital deployment (3-year)	-	> $25 billion
Market growth rates:		
Energy Transition	-	Double Digit
Automation	-	Mid-Single Digit
Digitalization	-	Double Digit
Aerospace/eVTOL		High Single Digit to Double Digit

Source: Company reports.

More recently, in February 2026, the company provided some anecdotal insight into each post-spin segment's positioning from a cyclical, capital intensity, aftermarket exposure, go-to-market approach and customer concentration perspective (see Exhibit 4).

Exhibit 4 Honeywell International: Business & Industry Characteristics

	Automation	**Aerospace**	**Advanced Materials**
Cycle dynamics	Mixed (long & short)	Long	Short
Capital intensity	Low	Medium	High
Aftermarket presence	Medium	High	Low
Go-to-Market approach	Direct & Channel partners	Direct	Direct
Customer concentration	Low	Medium	Medium

Source: Company reports.

Aerospace Technologies (AT)

The Aerospace Technologies segment, which contributed ~42% of consolidated sales and ~42% of adj. EBITDA in 2024, is a global supplier of aerospace products, such as avionic (or electronic) and navigation systems as well as engines, auxiliary power units (APUs), environmental control & thermal systems, communication & connectivity systems, radar & surveillance systems, flight control systems, along with aircraft lighting, wheels & brakes. The company also provides all of the relevant maintenance, repair and overhaul (MRO) services for all the(see Exhibit 5) aforementioned products (i.e., spare parts) in the so-called "aftermarket", which comprised roughly 46% of segment sales in 2024 but are expected to grow to 50%-60% over the next decade, to original equipment manufacturers (OEMs) in the commercial aviation (~14.5% of segment sales) and defense & space (39.5% of segment sales) complexes. While no single platform consists of more than

~6% of sales, the company has content on the vast majority of all active commercial & defense aircraft platforms (i.e. a large global installed base) and possesses a $15.9 billion backlog at the end of 2Q 2025. The company also has a robust research & development (R&D)/technology pipeline for next generation avionic, engine & communication systems as well as emerging advanced air mobility (AAM) capabilities, such as electric vertical takeoff & landing, as well as urban air mobility capabilities, among others.

As mentioned earlier, following the announcement of the Advanced Materials spin-off in October 2024, Honeywell, in February 2025, announced additional plans for the tax-free separation, of its remaining Automation and Aerospace businesses. The transaction is expected to be completed in 2H 2026, subject to customary conditions, including the filing & effectiveness of a Form 10 registration statement with the Securities & Exchange Commission (SEC), the receipt of various regulatory approvals and final consent of HON's Board of Directors. In terms of post-spin leadership, HON is currently evaluating both internal and external candidates for the executive leadership team and expects to announce appointments to key positions in either late 2025 or early 2026. For context, with ~$15.5 billion of estimated sales the standalone Aerospace company (see Exhibit 4) will be among the largest pure-play, publicly traded aerospace & defense suppliers (and, at least anecdotally, we discern is viewed internally & externally as the company's "crown jewel").

Exhibit 5 Honeywell International: Aerospace Technologies Segment, Selected Historical Financial Items (2022A-1H 2025)

	2022	2023	2024	*6 mos.* 2024	*6 mos.* 2025
Sales	**$11,827**	**$13,624**	**$15,458**	**$7,560**	**$8,479**
Commercial Aviation OE	$2,089	$2,397	$2,223	$1,342	$1,213
Commercial Aviation Aftermarket	$5,108	$6,241	$7,144	$3,457	$3,815
Defense & Space	$4,630	$4,986	$6,091	$2,761	$3,451
Cost of goods	$7,183	$8,362	$9,781	$4,635	$5,310
SG&A	$1,397	$1,502	$1,689	$830	$972
Segment profit	**$3,247**	**$3,760**	**$3,988**	**$2,095**	**$2,197**
Depreciation & amortization	$285	$267	$299	$134	$194
Adj. EBITDA	**$3,532**	**$4,027**	**$4,287**	**$2,229**	**$2,391**
Margins:					
Gross margin	39.3%	38.6%	36.7%	38.7%	37.4%
Segment profit margin	27.5%	27.6%	25.8%	27.7%	25.9%
EBITDA margins	29.9%	29.6%	27.7%	29.5%	28.2%
Capital expenditures	**$246**	**$310**	**$371**	**$142**	**$170**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

While the long-term outlook is solid, as illustrated by the large and growing backlog, as well as the fact that nearly half of segment sales stem from higher-margin, recurring MRO/aftermarket work, of which ~70% is subject to long-term contracts, the Aerospace business has faced a degree of near-term/transitory pressure (see Exhibit 5), including some customer inventory de-stocking (e.g., Boeing) as well as incremental cost pressures, including from tariffs, and a roughly 100 basis point margin headwind from the September 2024 acquisition of CAES (within the Defense subsegment), which while initially margin dilutive has been growing at a high-double digit clip. All told, for full-year 2025E, as of the end of 2Q 2025, the Aerospace Technologies segment (Aero or AT) sales are expected to be up in the "high-single-digits, supported by an improving supply chain, and elevated global demand amid ongoing geopolitical uncertainty, with the Defense & Space business likely leading segment growth for the year. (For context, Aero's Defense & Space business is primarily driven by sales to the U.S. government both for themselves and for our allies generates ~25% of its sales internationally, most specifically in Europe but also in Asia and Australia, which is a portion of the business that has been growing at a double-digit clip over more than the last 3-years.) On the margin front, the company expects the Aerospace segment to post a margin in the 25%-26% range in 2025E (below its medium-term target of ~27% and its long-term profitability target of ~29%). As well, in terms of the medium-term margin cadence, management anecdotally indicates that given the long-term nature of its OEM contracts within Aerospace Technologies segment-level margins are likely to persist in the 25%-26% range through 2026E with an improvement toward 27% in 2027E as OEM contacts come due and re-price.

In terms of management's long-term vision for Aerospace Technologies, the company has articulated a long-term outlook calling for consistent organic top-line growth in the mid-to-high single digits along with a margin target of ~29%, driven by operating/supply chain leverage and its OEM/aftermarket mix. Anecdotally, management has indicated that the company's internal models, which look "out 10 years" lend confidence to management's aspiration for the Aerospace business achieving ~$30 billion of sales over the next decade, driven by organic/underlying market growth as well as investments into next generation technologies (e.g., eVTOL and electrification, among others) and to a lesser degree tuck-in acquisitions.

Automation

As a standalone, the Automation business (~43% of consolidated sales in 2024 and ~41% of adj. EBITDA, which will be comprised of the Industrial and Building Automation segments (as well as the UOP business, currently included in ES&S and Quantinuum, in which HON owns a majority stake), strives to be pure-play process technology & automation player with a "cohesive" portfolio across control, process and software solutions. In terms of some longer-term perspective, at the company's most recent management forecasted the broader automation market possessed underlying growth in the "mid-single digits" (see Exhibit 3).

Industrial Automation (IA)

The Industrial Automation (IA) segment, which contributed ~26% of consolidated sales and ~22.5% of adj. EBITDA in 2024, is comprised of four sub-segments (see Exhibit 6): 1) Sensing & Safety Technologies (18% of segment sales in 2024); 2) Productivity Solutions & Services or PSS (~12% of segment sales); 3) Process Solutions (~61% of segment sales); and 4) Warehouse & Workflow Solutions or WSS (~9% of segment sales in 2024). The segment provides automation solutions that deliver intelligent, sustainable and secure operations to customers across a range of industries, including the life sciences, refining/petrochemical, utility and warehouse & logistics sectors that aim to improve asset utilization, operational efficiency, and labor productivity while also reducing their carbon footprint/energy consumption and boosting cyber security, particularly for assets considered critical infrastructure. Offerings include control & instrumentation as well as smart energy products & solutions along with sensing & gas detection technologies and personal protective equipment. The company also provides system design services as well as advanced automation equipment and software (along with the relevant analytics) for facility (i.e., manufacturing and distribution/fulfilment) operators. (As an aside, the company's products & services utilize proprietary machine learning/artificial intelligence algorithms that are digitally enabled over its internal internet of things or IoT platform, dubbed Honeywell Forge.)

As mentioned earlier, in July 2205, HON announced an evaluation of strategic alternatives for its Productivity Solutions & Services (PSS) and Warehouse & Workflow Solutions (WSS), which, we note have seen persistent revenue declines in recent years (e.g., post-COVID) and, from our understanding, generate below-average margins relative to overall segment profitability. (While we view the potential asset dispositions as attractive in pursuit of having the remaining portfolio ultimately being valued more in-line with other leading diversified automation peers and could potentially generate $2.5-$3.5 billion in pre-tax proceeds they will likely be modestly dilutive from an overall corporate earnings perspective.)

For 2025E, HON's most recent pre-spin guidance projects Industrial Automation segment sales would be down in the low-to-mid single digits with so-called short cycle orders and customer capital spending plans growing increasingly uncertain in the current environment, particularly in the energy sector (see Exhibit 2).

Exhibit 6 Honeywell International: Industrial Automation Segment, Selected Historical Financial Items (2022A-1H 2025)

				6 mos.	*6 mos.*
	2022	**2023**	**2024**	**2024**	**2025**
Sales	**$11,638**	**$10,756**	**$10,051**	**$4,984**	**$4,758**
Sensing & Safety Tecgnologies	$2,145	$1,983	$1,824	$916	$764
Productivity Solutions & Services	$1,739	$1,313	$1,202	$620	$547
Process Solutions	$5,446	$6,017	$6,111	$3,005	$3,006
Warehouse & Workflow Solutions	$2,308	$1,443	$914	$443	$441
Cost of goods	$7,230	$6,379	$5,880	$2,897	$2,760
SG&A	$2,256	$2,168	$2,209	$1,136	$1,118
Segment profit	**$2,152**	**$2,209**	**$1,962**	**$951**	**$880**
Depreciation & amortization	$422	$386	$362	$178	$169
Adj. EBITDA	**$2,574**	**$2,595**	**$2,324**	**$1,129**	**$1,049**
Margins:					
Gross margin	37.9%	40.7%	41.5%	41.9%	42.0%
Segment profit margin	18.5%	20.5%	19.5%	19.1%	18.5%
EBITDA margins	22.1%	24.1%	23.1%	22.7%	22.0%
Capital expenditures	**$77**	**$194**	**$214**	**$94**	**$78**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Building Automation (BA)

The Building Automation (BA) segment, which contributed ~17% of consolidated sales and ~18% of adj. EBITDA in 2024, is a global provider of products, software solutions and technologies that help building owners (operators and occupants) improve the safety, efficiency, sustainability and productivity of their facilities (again, with digital capabilities offered via the Forge platform). Products & services include advanced software applications for building control & optimization, sensors, switches, control systems and energy management instruments as well as access control, surveillance and fire-safety products (as well as the related installation, maintenance and upgrade services/solutions). The Building Automation segment itself operates two sub-segments: 1) Products (~59% of segment sales in 2024); and 2) Building Solutions (~41% of segment sales in 2024; see Exhibit 7).

Over the last several years, HON has proactively pivoted the BA business to focus on what it views as higher-growth verticals, including **data centers, hospitality and healthcare** (while maintaining its relative geographic balance with the U.S., Europe and Asis each contributing roughly 1/3 of segment sales). For 2025E specifically, HON's most recent pre-spin guidance projects Building Automation segment sales would be up in the mid-to-high single digits (see Exhibit 2), while cautioning that comps grow modestly steeper in 2H, as well as the expectation that margins would expand "meaningfully" supported by volume leverage and productivity actions.

Exhibit 7 Honeywell International: Building Automation Segment, Selected Historical Financial Items (2022A–1H 2025)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales	**$6,000**	**$6,031**	**$6,540**	**$2,997**	**$3,518**
Products	$3,638	$3,583	$3,868	$1,721	$2,154
Building Solutions	$2,362	$2,448	$2,672	$1,276	$1,364
Cost of goods	$3,250	$3,240	$3,482	$1,608	$1,812
SG&A	$1,286	$1,262	$1,377	$642	$787
Segment profit	**$1,464**	**$1,529**	**$1,681**	**$747**	**$919**
Depreciation & amortization	$92	$107	$198	$65	$117
Adj. EBITDA	**$1,556.0**	**$1,636.0**	**$1,879.0**	**$812.0**	**$1,036.0**
Margins:					
Gross margin	45.8%	46.3%	46.8%	46.3%	48.5%
Segment profit margin	24.4%	25.4%	25.7%	24.9%	26.1%
EBITDA margins	25.9%	27.1%	28.7%	27.1%	29.4%
Capital expenditures	**$74**	**$79**	**$78**	**$35**	**$47**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

When all is said & done (i.e., post the Aero spin), we note that as mentioned earlier the post-spin standalone Automation business will also house HON's majority-stake (~54%) in Quantinuum, which was formed by the merger of Cambridge Quantum (software) & Honeywell Quantum Solutions (hardware) and is seemingly the largest integrated (or end-to-end) developer in the emerging quantum computing space. The business, in which HON invested $300 million in 2021, raised ~$300 million of pre-money equity capital with investors including J.P Morgan at a valuation of ~$5 billion in January 2024 and more recently raised ~$600 million from NVentures (Nvidia's venture capital arm), among others, at a pre-money equity valuation of ~$10 billon. (Additionally, the standalone Automation business will also ultimately include the UOP business that is currently reflected in the Energy & Sustainability Solutions segment; see Exhibit 8). For reference, within our sum-of-the parts valuation scenario HON's pro-rata, after-tax stake in Quantinuum is valued at ~$3.9 billion (see Exhibit 20).

Energy & Sustainability Solutions (E&SS)

The Energy & Sustainability Solutions segment, which contributed ~17% of consolidated sales and ~17.5% of adj. EBITDA in 2024, is currently comprised of two subsegments: 1) Advanced Materials (~59% of segment sales in 2024), which will primarily represent the soon to be standalone Solstice business and provides refrigeration & heating solutions as well as its Sectra-branded fibers for high-end protective armor (along with medical applications) and cutting-edge materials for semiconductors (see the post-spin Solstice section for more details; and 2) UOP (~41% of segment sales; see Exhibit 8), which provides sustainable fuels for aviation as well as technologies for the petrochemical, refining and natural gas liquification sectors along with process technology solutions and products, including catalysts & absorbents, used across multiple industries for carbon management along with the associated aftermarket services. Management describes the UOP business as the "McKinsey" or "Boston Consulting Group" (BCG) of energy, in that the business "invents technology by which new process operations get", adding the company has been in the space for 100 years (over which time it has helped usher in what it identifies as 8 individual energy transitions). For additional perspective management opines that UOP ultimately creates "molecules" and that from its perspective "the business model is simple. You sell technology to build a plant, charge a license fee. Historically, it was refining, now it's increasingly going to be petrochemicals and new energy molecules like SAF and hydrogen. And then make money through selling catalysts, which is evergreen because nobody shuts down their plant. And our catalyst sales exceed our process technology sales by a wide margin, and that's a cycle on that number. I mean, if one business I'm personally bullish on in Honeywell, it's UOP. This business will grow at the same rate like aerospace for the next many years. Because energy transition is a slow journey. This is -- there's no fast train. And slower it takes -- happens, better it is for UOP. Faster it happens, the projects will grow faster and catalysts will lap up. So, I think there are scenarios here. But we remain extremely bullish."

Notably, in late-May 2025, the UOP business announced the £1.8 billion purchase of Johnson Matthey's catalyst & process technologies business, which represented a purchase price of ~13.3x (or ~11x post synergies) off a 2024/2025 adj. EBITDA base of ~£136 million; the transaction is expected to close in 2H 2026. The business, which is headquartered in London, is complementary to UOP's existing business while also expanding the company's installed customer base across the energy complex.

Exhibit 8 Honeywell International: E&SS Segment, Selected Historical Financial Items (2022A-1H 2025)

	2022	2023	2024	*6 mos.* 2024	*6 mos.* 2025
Sales	**$5,996**	**$6,239**	**$6,425**	**$3,129**	**$3,398**
UOP	$2,404	$2,586	$2,644	$1,176	$1,471
Advanced Materials	$3,592	$3,653	$3,781	$1,953	$1,927
Cost of goods	$3,673	$3,950	$4,030	$1,995	$2,130
SG&A	$768	$802	$873	$426	$479
Segment profit	**$1,555**	**$1,487**	**$1,522**	**$708**	**$789**
Depreciation & amortization	$247	$253	$285	$130	$197
Adj. EBITDA	**$1,802.0**	**$1,740.0**	**$1,807.0**	**$838.0**	**$986.0**
Margins:					
Gross margin	38.7%	36.7%	37.3%	36.2%	37.3%
Segment profit margin	25.9%	23.8%	23.7%	22.6%	23.2%
EBITDA margins	30.1%	27.9%	28.1%	26.8%	29.0%
Capital expenditures	**$291**	**$374**	**$373**	**$169**	**$193**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Balance Sheet – Pre Spin

At the end of 2Q 2025, HON net debt of ~$26.2 billion, including ~$10.35 billion in cash and ~$36.5 billion of debt, implying a 12-month trailing (TTM) net leverage ratio of ~2.8x (see Exhibit 9). HON's pre-spin credit rating is A at both S&P and Fitch. For context, unlike the previous spin-offs of Residio and Garrett Motion, which suffered from disadvantaged financial profile from either an income statement (i.e., royalty) or balance sheet (i.e., un-related liability) perspective HON intends to set Solstice fee with a manageably levered balance sheet, which even despite its ~$1.5 billion distribution to the parent is expected to debut with a net leverage ratio of ~1.5x (with a high below investment grade credit rating of BB+). Additionally, as mentioned earlier, the company recently utilized proceeds from a $1.59 billion onetime payment from Residio related to the termination of an indemnification & reimbursement agreement to fund a one-time $1.68 billion cash distribution to Deleticus, a well-capitalized corporate liability aggregator platform, which resolves/indemnifies the company from any future asbestos-related liabilities. (From a financial perspective, the Deleticus transaction is expected to generate a one-time after tax loss of ~$115 million but that the elimination of associated liabilities will be a tailwind to free cash flow (FCF) of ~$100 million per year over the next several years.)

Exhibit 9 Honeywell International: Consolidated Historical Balance Sheet, Selected Items

	2022	2023	2024	2Q 2025
Cash	**$9,627**	**$7,925**	**$10,567**	**$10,349**
Debt:				
Short-term	$2,717	$2,085	$4,273	$6,271
Current portion	$1,730	$1,796	$1,347	$74
Long-term debt	$15,123	$16,562	$25,479	$30,167
Total	**$19,570**	**$20,443**	**$31,099**	**$36,512**
Net	**$9,943**	**$12,518**	**$20,532**	**$26,163**
Leverage ratio	2.1x	2.1x	3.1x	3.9x
Leverage ratio, net	**3.0x**	**1.3x**	**2.0x**	**2.8x**
Shareholders equity	**$17,319**	**$16,434**	**$19,154**	**$16,647**
Goodwill	$17,497	$18,049	$21,825	$23,804
Intangibles	$3,222	$3,231	$6,656	$7,356
Non-controlling interest	$622	$578	$535	$552

Source: Company reports.

Post-Spin Solstice Advanced Materials (SOLS)

As described earlier, on October 8, 2024, Honeywell announced plans for a tax-free spin-off of its Advanced Materials (AM) business, which has origins dating back to Allied Chemicals, into an independent, publicly traded entity, which will be named Solstice Advanced Materials, trade on the Nasdaq Stock Exchange under the ticker "SOLS" and be headquartered in Morris Plains, NJ. (Simply as an aside, Solstice is an existing, well-known brand within HON's portfolio of refrigerants, propellants & solvents and foam blowing agents.) The transaction is expected to be completed on October 30, 2025. Shareholders of record will receive one share of SOLS for every four shares owned of HON.

In terms of post-spin leadership, David Sewell, the current head of the Advanced Materials business (formerly the CEO of Westrock), will assume the president & chief executive officer (CEO) roles as well as join SOLS's 10-member board, which will be chaired by Dr. Rajeev Gautum (the retired head of HON's former Performance Materials & Technology business). Tina Pierce, the Advanced Materials segment's current finance chief has been named as SOLS chief financial officer (CFO).

Exhibit 10 Solstice Advanced Materials: Consolidated Business Overview, Selected Items (2024)

Product Mix:		**End Markets:**		**Geography:**	
Refrigerants	34%	HVAC	18%	United States	61.0%
Building Solutions & Intermediates	20%	Automotive	16%	EMEA	23.0%
Healthcare Packaging	6%	Alternative Energy	12%	Other International	16.0%
Alternative Energy Services	12%	Construction	11%		
Safety & Defense Solutions	5%	Chemicals	11%	**Customers:**	
Research & Performance Chemical	13%	Industrial & Other	10%	Largest customer	< 3%
Electronic Materials	10%	Semiconductors	10%	Top-10	16%
		Life Science & Medical	8%	Remainder (3,000)	~84%
		Defense	4%		

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Post-spin Solstice Advanced Materials, the former Advanced Materials business under the umbrella of its soon to be former parent, will be comprised of two businesses: 1) Refrigerants & Applied Solutions (~72% of sales and ~84% of adj. EBITDA in 2024); and 2) Electronic & Specialty Materials (~28% of sales and 16% of adj. EBITDA in 2024; see Exhibit 11). On a consolidated basis, the business generated compound annual net sales growth of ~4.4% in 2017-2024 (versus peers at ~3.9%), driven relatively evenly between volume & price, and ended the year with a standalone EBITDA margin profile of ~26.4%, reflecting segment margins of nearly 40% and ~20%, respectively (see Exhibits 12). SOLS's return on invested capital (ROIC) was ~21.5% in 2024. In terms of its manufacturing footprint, roughly 90% of U.S. sales are produced domestically with ~60% of international sales are manufactured locally.

Exhibit 11 Solstice Advanced Materials: Historical Financials, Selected Items (2022 – 1H 2025)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales:					
Refrigerants & Applied Solutions	$2,378	$2,629	$2,721	$1,445	$1,392
Electronic & Specialty Materials	$1,209	$1,020	$1,049	$505	$538
Total	**$3,587**	**$3,649**	**$3,770**	**$1,950**	**$1,930**
Segment profit:					
Refrigerants & Applied Solutions	$881	$876	$883	$467	$460
Electronic & Specialty Materials	$261	$143	$162	$69	$77
Corporate	($148)	($144)	($161)	($80)	($78)
Total	**$994**	**$875**	**$884**	**$456**	**$459**
Depreciation & Amortization:					
Refrigerants & Applied Solutions	$108	$163	$175	$90	$88
Electronic & Specialty Materials	$41	$52	$39	$19	$28
Corporate	$4	$6	$3	-	-
Total	**$153**	**$221**	**$217**	**$109**	**$116**
Adjusted EBITDA:					
Refrigerants & Applied Solutions	$989	$1,039	$1,058	$557	$548
Electronic & Specialty Materials	$302	$195	$201	$88	$105
Corporate	($144)	($138)	($158)	($80)	($78)
Total	**$1,147**	**$1,096**	**$1,101**	**$565**	**$575**
(As reported)	$1,143	$1,090	$1,108	$565	$575
Capital expenditures:					
Refrigerants & Applied Solutions	$163	$234	$228	$100	$89
Electronic & Specialty Materials	$91	$61	$63	$27	$49
Corporate	-	$4	$5	$4	-
Total	**$254**	**$299**	**$296**	**$131**	**$138**

Source: Company reports.

Exhibit 12 Solstice Advanced Materials: Refrigerants & Applied Solutions Segment, Selected Historical Financial Items (2022A-1H 2025)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales	**$2,378**	**$2,629**	**$2,721**	**$1,445**	**$1,392**
Refrigerants	$1,285	$1,372	$1,302	$668	$744
Building Solutions & Intermediates	$733	$718	$738	$367	$364
Alternative Energy Services	$177	$308	$446	$302	$182
Healthcare Packaging	$183	$231	$235	$108	$102
Cost of goods	$1,363	$1,591	$1,678	$895	$842
SG&A	$134	$162	$160	$83	$90
Segment profit	**$881**	**$876**	**$883**	**$467**	**$460**
Depreciation & amortization	$108	$163	$175	$90	$88
Adj. EBITDA	**$989**	**$1,039**	**$1,058**	**$557**	**$548**
Margins:					
Gross margin	42.7%	39.5%	38.3%	38.1%	39.5%
Segment profit margin	37.0%	33.3%	32.5%	32.3%	33.0%
EBITDA margins	41.6%	39.5%	38.9%	38.5%	39.4%
Capital expenditures	**$163**	**$234**	**$228**	**$100**	**$89**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

The Electronic & Specialty Materials segment will be comprised of three sub-segments (see Exhibit 13): 1) Research & Performance Chemicals (~46% of sub-segment sales in 2024), which provides reagents, high-purity solvents and fluorine-based salts, primarily under the Hydranal and Fluka brands, which serve a variety of industries, including pharma, automotive, electronics and construction; 2) Electronic Materials (~36.5% of subsegment sales), including high-purity copper sputtering targets, electronic polymers, wash solvents as well as heat spreaders & thermal interface materials; and 3) Safety & Defense Solutions (~17.5% of sub-segment sales in 2024), which produces Spectra-branded polyethylene fibers used for light-weight, ballistic resistant materials used for military & law enforcement applications (i.e., body & vehicle armor with customers such as Safariland) as well as in the medical space.

Exhibit 13 Solstice Advanced Materials: Electronic & Specialty Materials Segment, Selected Historical Financial Items (2022A-1H 2025)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales	**$1,209**	**$1,020**	**$1,049**	**$505**	**$538**
Research & Performance Chemicals	$600	$464	$482	$229	$253
Electronic Materials	$480	$407	$381	$188	$194
Safety & Defense Solutions	$129	$149	$186	$88	$91
Cost of goods	$842	$773	$784	$386	$409
SG&A	$106	$104	$103	$50	$52
Segment profit	**$261**	**$143**	**$162**	**$69**	**$77**
Depreciation & amortization	$41	$52	$39	$19	$28
Adj. EBITDA	**$302**	**$195**	**$201**	**$88**	**$105**
Margins:					
Gross margin	30.4%	24.2%	25.3%	23.6%	24.0%
Segment profit margin	21.6%	14.0%	15.4%	13.7%	14.3%
EBITDA margins	25.0%	19.1%	19.2%	17.4%	19.5%
Capital expenditures	**$91**	**$61**	**$63**	**$27**	**$49**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

On a post-spin, standalone basis, including ~$93 million of recurring costs associated with being a separate publicly traded entity, Solstice, as of the end of 2Q 2025, generated trailing-12-month (TTM) sales of $1.1 billion as well as ~$1.015 billion of adjusted EBITDA (or a margin of 27.1%) and a free cash flow (FCF) conversion ratio of ~70% (see Exhibit 14).

Exhibit 14 Solstice Advanced Materials: "Standalone" Solstice Financials, Selected Items

	2024	1H 2024	1H 2025	TTM 2Q 2025
Adjusted EBITDA *(historical)*	$1,098	$565	$575	$1,108
Adjusted EBITDA margin (%)	29.1%	29.0%	29.8%	29.5%
Adjustments:				
Recurring standalone costs	($44)	($22)	($28)	($50)
Other Recurring standalone costs	($59)	($30)	($14)	($43)
Total	($103)	($52)	($42)	($93)
Adjusted Standalone EBITDA	**$995**	**$513**	**$533**	**$1,015**
Adjusted EBITDA margin (%)	26.4%	26.4%	27.6%	27.1%
Capital expenditures	($296)	-	-	($303)
Adj. EBITDA less CapEx	**$699**	-	-	**$712**
Cash conversion	70.3%	-	-	70.1%

Source: Company reports.

In terms of guidance, at the October 8th investor day, which we attended, management verbally articulated a broad 2025E financial framework that points to full-year consolidated Solstice sales of $3.75-$3.85 billion along with a EBITDA margin of ~25%, implying 2025E adjusted EBITDA of ~$935-$365 million, by our calculation (see Exhibit 15). Capital expenditures are expected to be ~$365-$415 million in 2025E, representing~10% of sales (although that level of investment is expected to decline into the "mid-single digits" over the medium-term).

Exhibit 15 Solstice Advanced Materials: 2025E Financial Guidance, Selected Items

		2025E Guidance	
	Low	Mid-Point	High
2025E Sales	$3,750	**$3,800**	$3,850
Projected EBITDA margin	25.0%	**25.0%**	25.0%
2025E adj. EBITDA	$938	**$950**	$963
Capital expenditures	$365	**$390**	$415
% of projected sales	9.7%	**10.3%**	10.8%

Source: Company reports.

In terms of capitalization, SOLS is expected to debut with net debt of ~$1.5 billion, including ~$450 million in cash and slightly less than $2.0 billion in debt (and a high below investment grade credit rating of BB+), implying a net debt to leverage ratio of ~1.5x (see Exhibit 16) and a net debt to capitalization ratio of ~48%. To that end, the company issued a $1 billion Term Loan B (at SOFR plus 175 basis points) as well as $1 billion of 5.625% Senior Notes due 2033, which will be utilized to fund a ~$1.5 billion distribution to its former parent. The company will also possess an undrawn ~$1 billion revolving credit facility that will be available for working capital needs. The company intends to eventually payout a "modest" dividend, although any plans will need to be approved by the Board. Also, the company is open to opportunistic share repurchases (but, again, no authorization currently exists) as well as tuck-in acquisitions.

Exhibit 16 Solstice Advanced Materials: Pro Forma Balance Sheet, Selected Items

	2023	2024	As of June 30, 2025	
	Historical	Historical	Historical	Pro Forma
				Current
Assets:				
Cash & equivalents	**$606**	**$661**	**$873**	**$450**
Liabilities:				
Long-term debt	**-**	**-**	**-**	**$1,971**
Current portion	-	-	-	-
Long-term debt	-	-		$1,971
Net debt	**-**	**-**	**-**	**$1,521**
Total liabilities & equity	$4,657	$5,004	$5,457	$5,089
Stockholders' equity:				
Common stock	-	-	-	$2
Additional paid-in-capital	-	-	-	$1,420
Parent company net investment	-		$3,706	-
Accumulated comprehensive loss	-		($164)	($164)
Shareholders Equity	**$3,111**	**$3,258**	**$3,542**	**$1,258**
Non-controlling interest	($83)	($76)	($69)	($69)
Total equity	**$3,028**	**$3,182**	**$3,473**	**$1,189**
Total capitalization	**-**	**-**	**$3,473**	**$3,160**
Debt to capitalization	-	-	-	62.4%
Net debt to capitalization	**-**	**-**	**-**	**48.1%**
Total leverage ratio				1.9x
Net leverage ratio				**1.5x**

Source: Company reports.

More broadly, at the recent investor day, Solstice management also verbally articulated a "medium-term" financial framework calling for a compound annual organic top-line growth profile with adjusted EBITDA advancing at a "low-to-mid single digits" CAGR. Free cash flow conversion, as a % of adjusted EBITDA, is expected to be better than 70% while capital expenditures are projected to trend into the "mid-single digits", as a % of consolidated sales (see Exhibit 17).

Exhibit 17 Solstice Advanced Materials: Initial "Medium Term" Post-Spin Guidance Framework, Selected Items

	Medium-Term Targets
Organic growth CAGR	**Low - to Mid-Single Digits**
Adj. EBITDA CAGR growth	**Mid- Single Digits**
Free cash flow (FCF) conversion	>70%
CapEx (% of sales)	Mid-Single Digits
Net leverage ratio target	**~1.5x**

Source: Company reports.

VALUATION ANALYSIS

From an objective standpoint HON's stock has traded with average forward EV/EBITDA multiples of ~14.0x-15.0x over the last 1-, 3-, 5-, 7- and 10-year periods.

In terms of public peers, Solstice (the pre-spin Advanced Materials business), could, for valuation purposes, be compared with Arkema SA (AKE FP), Avient Corp. (NYSE: AVNT), Chemours (NYSE: CC), Eastman Chemical Co. (NYSE: EMN), Element Solutions (NYSE: ESI), Entegris Inc. (NASDAQ: ENTG), Materion Corp. (NYSE: MTRN), RPM International (NYSE: RPM), which trade at ~10x 2026E EV/EBITDA (in a range of 5x-17x). [Note: For its part, management has anecdotally indicated its contention that given the businesses' outsized margin profile relative to peers the standalone Advanced Materials (AM) business should trade at a premium to competitors, specifically Arkema and Chemours.]

For NewHoneywell, the Aerospace Technologies segment could, for valuation purposes, be compared with competitors, including Garmin Ltd. (NYSE: GRMN), L3Harris Technologies Inc. (NYSE: LHX), Northrop Grumman Corp. (NYSE : NOC), RTX Corp. (NYSE : RTX), Safran SA (SAF FP) and Thales SA (HO FP), which trade at ~17x 2026E EV/EBITDA (in a range of ~13.5x-21x), as well as a broader range of aerospace peers, such as General Electric (NYSE: GE), Heico Corp. (NYSE: HEI), Howmet Aerospace Inc. (NYSE: HWM), Roll-Royce Holdings (RR LN) and TransDigm Group Inc. (NYSE: TDG), which trade at ~26x 2026E EV/EBITDA (in a range of 18.5x-30x). The group as a whole trades, on average, at ~21x 2026E EV/EBITDA. Additionally, M&A activity in the broader Aerospace & Defense sector has averaged ~14x forward EV/EBITDA in recent years (within a range of 9x-23x; see Exhibit 18).

Exhibit 18 Honeywell International: Aerospace & Defense Sector M&A Activity, Selected Items

Announcement	Target	Acquirer	Offer Price / LTM EPS	TV/LTM EBITDA	TV/FY1 EBITDA
8/8/2019	Wesco Aircraft Holdings Inc	Platinum Equity LLC	28.3x	13.6x	-
7/24/2019	Cobham PLC	Advent International Corp	-	26.9x	12.3x
6/8/2019	Raytheon Co	United Technologies Corp	21.4x	17.0x	17.5x
10/13/2018	L3 Technologies Inc	Harris Corp	18.6x	14.5x	12.4x
10/9/2018	Esterline Technologies Corp	TransDigm Group Inc	28.6x	13.1x	12.5x
4/30/2018	Boeing Distribution Services Inc	Boeing Co/The	34.7x	12.8x	10.4x
9/17/2017	Northrop Grumman Innovation Systems Inc	Northrop Grumman Corp	24.6x	12.4x	12.2x
9/4/2017	Rockwell Collins Inc	United Technologies Corp	25.3x	18.2x	14.2x
1/11/2020	Hexcel Corp	Woodward Inc	21.8x	13.0x	12.2x
2/5/2015	Exelis Inc	L3Harris Technologies Inc	17.6x	8.7x	9.1x
8/9/2015	Precision Castparts Corp	Berkshire Hathaway Inc	21.2x	12.9x	12.0x
10/22/2016	B/E Aerospace Inc	Rockwell Collins Inc	18.3x	13.2x	12.3x
1/18/2017	Zodiac Aerospace	Safran SA	49.0x	17.1x	17.2x
12/19/2020	Aerojet Rocketdyne	Lockheed Martin	49.6x	16.6x	14.8x
8/1/2021	Meggitt	Parker Hannifin	160.0x	27.3x	22.7x
8/15/2021	Ultra Electronics	Cobham	28.5x	16.2x	16.7x
12/17/2022	Aerojet Rocketdyne	L3Harris	33.0x	16.6x	15.4x
1/18/2024	Kaman Corp	Arcline	83.6x	17.2x	15.4x
6/30/2024	Spirit Aerosystems	Boeing	-	-	-
7/10/2024	Heroux-Devtek	Platinum Equity	24.9x	12.6x	10.5x
10/6/2024	BARNES GROUP INC	APOLLO GLOBAL MA	51.8x	14.9x	11.8x
Average			**39.0x**	**15.7x**	**13.8x**

Source: Chain Bridge Research, Company reports, Bloomberg, and Institutional Research Group estimates.

Peers to the broader Automation segment (i.e. Industrial & Buildings), could include ABB Ltd. (ABB SS), Emerson Electric Co. (NYSE: EMR), Itron Inc. (NASDAQ: ITRI), MSA Safety Inc. (NYSE: MSA), Rockwell Automation Inc. (NYSE: ROK), TE

Connectivity Plc (NYSE: TEL), Zebra Technologies Corp. (NASDAQ: ZBRA), Johnson Controls International Plc (NYSE; JCI), Schneider Electric SE (SU FP), Siemens AG (SIE GY), which trade, on average at ~16.0x 2026E EV/EBITDA.

Applying a blended multiple of ~16x to Solstice/NewHoneywell, which broadly reflects the relevant peer/M&A multiples, yields a pre-spin sum of the parts fair value estimate of ~$157 billion or ~$245 per share (based on a diluted share count of ~641 million), consisting of ~$16 per share for Solstice and ~$229 per share for NewHoneywell (see Exhibit 19). Given the implied upside our fair value estimates, our pre-spin recommendation is BUY although as mentioned earlier while we view the Solstice spin-off as an incremental positive its overall scale relative to RemainCo likely leave the impending transaction as just the opening salvo in HON's multi-year re-rating opportunity with the potential monetization of the PPS & WSS businesses, which will garner incremental capital and further simplify the eventual standalone Automation business, along with the spin-off of the Aerospace Technologies business in 2H 2026 as well as the potential public float of Quantinuum, which we currently value at nearly $4 billion, at some point over the next 3 years also representing key (and perhaps more impactful) milestones. Again, we think it is possible that post-spin shares of Solstice, which could have longer-term opportunities to participate in potential industry consolidation, may struggle to gain initial traction while it accumulates its own individual shareholder constituency as it seems reasonable to assert that the bulk of current HON shareowners are likely primarily focused on the larger Aerospace and Automation businesses. (While, again, purely anecdotal and not necessarily a reflection of the current HON investor interest/sentiment in the standalone Solstice business we would note that attendance at SOLS's investor day in NYC was, in our opinion, sparse.)

Exhibit 19 Honeywell International: Pre-Spin Valuation Scenario

	2026E EBITDA	Multiple	EV/EBITDA Pre-Spin HON SOTP
Solstice	$1,024.6	11.4x	$10,108
Post-spin Honeywell	$10,208.0	16.7x	$146,773
Market Capitalization		**16.2x**	**$156,881**
Shares Outstanding			641
Fair value per share (pre-spin)			**$244.78**
Implied EV/EBITDA multiple			16.2x
Current Price			*$202.91*
Implied Upside			***20.6%***

Source: Company reports, Bloomberg and Institutional Research Group estimates.

On a post-spin basis, reflecting a 1-for-4 distribution ratio, shares of Solstice (NASDAQ: SOLS) are fairly valued at ~$66 per share (based on a diluted share count of ~160 million) with NewHoneywell (NASDAQ: HON) at ~$228 per share (based on a share count of ~641 million; see Exhibit 18).

Exhibit 20 Honeywell International: Post-Spin Valuation Scenario

	Solstice		Post-Spin HON
2025E Revenue	$3,760	2025E Revenue	$37,724
Growth	3.1%	Growth	4.9%
2026E Revenue	**$3,862**	**2026E Revenue**	**$39,587**
Refrigerants & Applied Solutions	$2,729	Aerospace Technologies	$18,452
Electronics Interconnect Solutions	$1,132	Automation	$21,135
Adj.EBITDA	**$1,025**	**Adj.EBITDA**	**$10,208**
EBITDA margin	26.5%	EBITDA margin	25.8%
Refrigerants & Applied Solutions	$1,023	Aerospace Technologies	$5,210
Electronics & Specialty Materials	$205	Automation	$5,548
Corporate costs	($203)	Corporate costs	($550)
Applied multiple	11.4x	Applied multiple	16.7x
Enterprise value	**$11,698**	**Enterprise value**	**$170,480**
Net debt	($1,590)	Net debt (incl. Quantinuum)	($23,708)
Market capitalization	**$10,108**	**Market capitalization**	**$146,773**
Diluted shares	160	Diluted shares	641
Fair value per share (pre-spin)	**$15.77**	**Fair value per share (pre-spin)**	**$229.01**
Fair value per share (post -spin)	$63.09	Fair value per share (post -spin)	$229.01
Net income	**$501.1**	**Net income**	**$6,236.8**
Diluted shares	160	Diluted shares	641
Earnings per share	**$3.13**	**Earnings per share**	**$9.73**
Earnings per share (pre-spin)	$0.78	Earnings per share (pre-spin)	$9.73
Implied multiple	20.2x	Implied multiple	23.5x
Fair value per share (pre-spin)	**$15.77**	**Fair value per share (pre-spin)**	**$229.01**
Fair value per share (post-spin)	$63.09	Fair value per share (post-spin)	$229.01

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Disclosures

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