Initiating Coverage:

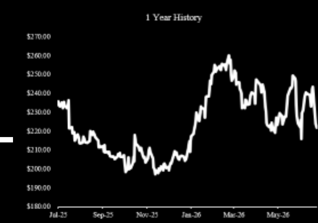
Honeywell International Inc. ($HON)

Sum of the Parts: Why Three Honeywells Beat One

Consortium Research Group
Industrials | Conglomerate
July 7th, 2026

Stock Rating:	Overweight
Price Target:	$489

Price:	$246.77
Potential Upside/Downside:	98.2%
Ticker:	$HON



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Key Take-away: Over the last 2 years, Honeywell has executed one of the most significant portfolio transformations seen in the industrial sector. The conglomerate completed the spin-off of Solstice Advanced Materials on October 30th, 2025, which began trading independently on Nasdaq under ticker SOLS. This past June 29th, 2026, the spin-off of Honeywell Aerospace was completed successfully, with the remaining business to continue to trade under ticker HON as Honeywell Technologies focusing on automation.

Breakup is Complete: Honeywell's separation unfolded with Honeywell filing its Form 10 with the SEC for Solstice in August 2025. This started with assembling a new management team and board, with the spin-off closing that October, with each Honeywell shareholder of record receiving one Solstice share for every four Honeywell shares held. Eight months later, each Honeywell shareholder, as of June 15th, 2026, received one share of the Honeywell Aerospace spinoff for every two shares of Honeywell Technologies owned, completing the second leg of the separation. What remains under the HON ticker is just a focus on the automation sector focused on Aerospace Technologies (now divested), Building Automation, Process Automation and Technology, and Industrial Automation. Removing two large businesses within the conglomerate removes the discount that's weighed on Honeywell's multiples and gives management a better sense of where to divert capital.

Operating Momentum and Cleanup: The separation isn't the only portfolio action. Honeywell has continued to remove dead weight on its main business focus that hasn't been bringing in value. The company completed the sale of its personal protective equipment business in May 2025 and by the end of 2025, its Productivity Solutions and Services businesses, as well as the Warehouse and Workflow Solutions business were for sale. In April 2026, Honeywell announced an agreement to sell the latter in an all-cash deal, with the former expected to close by the end of 2026. Management has deemed these moves as the final steps in a multi-year portfolio transformation. By simplifying the business model, Honeywell has seen operating momentum in the first quarter with Building Automation acceleration to 8% organic growth, up from 2% in 2024. Margin and multiple expansion should follow with a now clearly structed company.

Valuation: We initiate coverage with a $489 PT.

Company Overview

Company Description: Honeywell International Inc. (Nasdaq: HON) traces its roots to 1906 and has been in its modern form through the 1999 merger of Honeywell Inc. and AlliedSignal. Following the completed spinoffs of Solstice Advanced Materials and Honeywell Aerospace, the company operates today as Honeywell Technologies, a focused automation company based out of Charlotte, North Carolina. It's currently organized around three segments: Building Automation, Process Automation and Technology, and Industrial Automation. Process Automation and Technology now include Universal Oil Products alongside the main Honeywell Process Solutions business, while Industrial Automation covers smart energy and safety technologies. Together they are tied by the Honeywell Forge software platform and the Accelerator operating model. This is all part of a multi-step process towards higher margins and recurring revenue streams as the company focuses forward.

Conglomerate Taken Apart: Unlike most of the breakup stories that are due to pressure and distress, the separation of Honeywell was multi-year and calculated under CEO Vimal Kapur. The businesses being spun off were not underperformers in any way. They were separated because their end markets and investor bases had little in common with the automation businesses left behind. Honeywell is betting that three businesses are doing well within their own subindustries and valued on their own are worth more than own conglomerate all over the place.

Software Layer Investors Overlook: Beyond its three main segments, Honeywell also holds a stake in Quantinuum, a quantum computing venture that while not a great investment for present revenue, could potentially have serious upside when advancing computing becomes the focus of the future. In addition, Forge is the way Honeywell converts one-time equipment sales into recurring and higher revenue margin. As the only automation company simplifying its reporting and structure, this software can be expected to become a driver of the multiple the market will pay.

Industry Overview

Reshoring and Reindustrialization: Supply chain vulnerability exposed during the recent years of tension in the international climate has pushed investment into manufacturing capacity within a country's borders, from semiconductors to defense components to infrastructure. For Honeywell's Industrial Automation and Process Automation and Technology segments, this means new demand. Reshored factories need new systems and regulations built in from day one and there doesn't seem to be any signs of reversing as governments continue to treat this issue as a matter of security.

Electrification and Grid Investment: Data center buildout is tied to the AI demand and the ongoing renewable energy transition. Together they're driving a multi-year cycle of spending. Honeywell's strengths lie in two fronts here: Building Automation benefits from data center cooling, while Process Automation and Technology's business sit at the center of the energy transition. Security concerns following the conflicts as of lately have only reinforced government willingness to pour dollars into this.

Push Toward Automation, Robotics, and Software: Across industrial end markets, customers are paying for pure outcomes and not just equipment. So, this means companies that can tie hardware with software and speed things up and make things safe will dominate. This shift means higher margins and more revenue and gives Honeywell a chance to compete on the same playing field as other competitors in space. Execution on Honeywell Forge's adoption will be the swing factor in deciding who dominates space.

Peer Comparisons

Comparable Companies Analysis
Honeywell International Inc.
Full Table

Financial Data	
Debt	$37,751
Cash	$12,390
# of Shares Outstanding	317

Comparable Companies
$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Emerson Electric Co.	$79,288	$91,570	32.8x	$18,316	$5,875
3M Company	$83,007	$90,364	30.7x	$25,024	$6,240
Eaton Corporation plc	$160,531	$181,657	40.4x	$28,522	$6,343
Illinois Tool Works Inc.	$78,908	$87,230	25.5x	$16,221	$4,728
Honeywell International Inc.	$73,244	$99,682	18.6x	$37,660	$8,526

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin L	Yr Rev Growth Rate LF
Emerson Electric Co.	15.6x	52.7%	32.1%	24.5%	4.0%
3M Company	14.5x	39.7%	24.9%	19.6%	2.1%
Eaton Corporation plc	28.6x	37.1%	22.2%	18.6%	12.7%
Illinois Tool Works Inc.	18.4x	44.1%	29.1%	26.7%	2.9%
Honeywell International Inc.	11.7x	36.9%	22.6%	18.9%	9.0%
High	28.64x	52.7%	32.1%	26.7%	12.7%
75th Percentile	18.45x	44.1%	29.1%	24.5%	9.0%
Average	17.77x	42.1%	26.2%	21.7%	6.1%
Median	15.59x	39.7%	24.9%	19.6%	4.0%
25th Percentile	14.48x	37.1%	22.6%	18.9%	2.9%
Low	11.69x	36.9%	22.2%	18.6%	2.1%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	123,469
Implied Enterprise Value (Median)	**$**	**132,889**
Implied Enterprise Value (75th Percentile)	$	157,301
Implied Share Price (25th Percentile)	$	309.55
Implied Share Price (Median)	**$**	**339.27**
Implied Share Price (75th Percentile)	$	416.29

Source: CapIQ

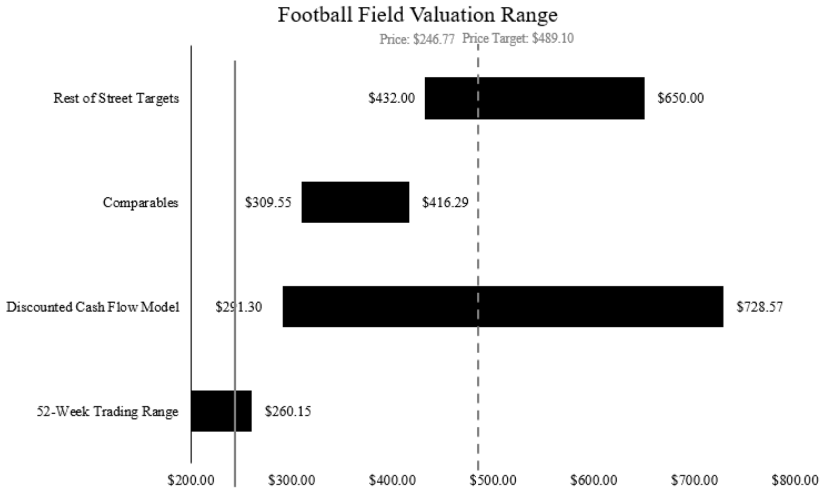
Investment Theses

Margin Expansion from Structural Simplification: Every major conglomerate breakup has a "stranded cost" problem in the near term, but Honeywell's shown trajectory shows that the opposite is happening faster than usual: 90 basis points of segment margin expansion and 11% adjusted earnings growth in just the first quarter of 2026, even though costs of separating from Aerospace exist. Combing with the pending divestitures of the lower-margin businesses, the remaining portfolio should move towards Honeywell's higher-margin options. The remaining revenue base is more concentrated in aerospace and automation products that have netter pricing power.

A Completed Breakup Not Fully Reflected: Even after the split, investors may not yet fully reflect the cleaner earnings base and grouping, as well as the margin profile of the remaining business. The attention in the immediate future should shift to how the management executes over a longer period. The first signs of how the post-separation portfolio is being valued should be seen soon.

Price Target & Valuation

Our analysis gives $HON a price target of $489 and an Overweight weight rating.



Potential Downsides to Our Rating

Execution Risk on the Remaining Cleanup: The sales of the Productivity Solutions and Services and Warehouse and Workflow are still pending with expectations to close by the second half of 2026. Any delay, reduction in price or other complications in closing the deals will push the expected timeline out for the clean and simple cost structure. This also is true for unwinding transition service agreements for the independent Solstice and Honeywell Aerospace.

End-Market Cyclicality and Regional Disruption: Process Automation and Technology's organic sales declined 6% in the first quarter of 2026, driven in part by an overall slowdown in Middle East activity tied to the conflict and trade issues. This still hasn't been resolved as of July 2026. This has caused delays in receiving key shipments and service upgrades. Continued instability in the region will cause a snowball effect and push Honeywell towards and downswing.

Competitive Pressure in Automation: Rockwell Automation, Siemens, Emerson, and others are all investing aggressively in the same software-enabled automation positioning Honeywell is pursuing through Forge. If competitors out-execute or price lower, Honeywell's margins could decrease and the re-rating theses could stall.

Our Price Target: $489

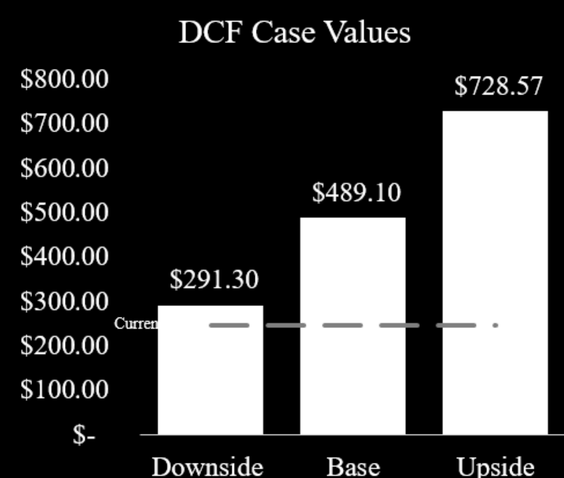
Our PT reflects the market's still incomplete re-rating of Honeywell as a focused automation company, following the spin-offs in the materials and aerospace sectors, continued segment margin expansion, and driven revenue across technology subdomains.

Our Upside Case: $729

Our upside case is moved by faster than expected restructuring and sales of existing low-margin inventories and a stronger demand from reshoring and grid electrification than modeled.

Our Downside Case: $291

Our downside case is based off slower execution on the remaining divestitures and prolonged dry period due to Middle East issues regarding trade yet to be solved.



Projections

Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	37,442	39,314	43,246	47,570	52,327	11.8%
EBITDA	8,468	8,634	10,401	11,441	12,585	14.1%
EBIT	7,080	7,434	9,082	9,990	10,989	15.8%
NOPAT	6,072	6,123	7,483	8,232	9,055	14.2%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	22.6%	22.0%	24.1%	24.1%	24.1%	23.3%
EBIT Margin	18.9%	18.9%	21.0%	21.0%	21.0%	20.2%
Revenue Growth	7.8%	5.0%	10.0%	10.0%	10.0%	8.6%
EBIT Growth	-2.4%	5.0%	22.2%	10.0%	10.0%	9.0%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	10.2x	11.0x	9.2x	8.3x	7.6x	9.3x
EV/Sales	2.9x	2.8x	2.5x	2.3x	2.1x	2.5x
EV/EBITDA	12.8x	12.6x	10.4x	9.5x	8.6x	10.8x
FCF Yield	9.8%	9.1%	10.9%	12.0%	13.2%	14.5%

About $HON

Honeywell International Inc. ($HON), founded in 1906 operates with a focus on automation based in Charlotte, North Carolina. Following the completed spin-offs of Solstice Advanced Materials and Honeywell Aerospace, the company is organized around building and processing automation and technology, as well as industrial automation. Using the Forge software platform and the Accelerator operating system, Honeywell's goal for the future is to lead the industrial world's transition from automation to autonomy.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Honeywell International Inc.
Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$246.77

DCF Analysis ($mm)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/30/2030	12/31/2031
Stub						1.59	2.59	3.59	4.59	5.59	6.59
Discount Period						(0.29)	(0.09)	0.91	1.91	2.91	3.91
Revenue	34,392	35,466	33,009	34,717	37,442	39,314	43,246	47,570	52,327	57,560	63,316
Revenue Growth	*0%*	*3%*	*-7%*	*5%*	*8%*	*5%*	*10%*	*10%*	*10%*	*10%*	*10%*
Technologies	0	0	0	0	0	0	0	0	0	0	0
Other	34,392	35,466	33,009	34,717	37,442	39,314	43,246	47,570	52,327	57,560	63,316
Other	0	0	0	0	0	0	0	0	0	0	0
EBIT	7,473	7,070	6,574	7,253	7,080	7,434	9,082	9,990	10,989	12,088	13,296
EBIT Margin	*22%*	*20%*	*20%*	*21%*	*19%*	*19%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax Expense	1,625	1,412	1,262	1,249	1,008	1,311	1,598	1,758	1,934	2,127	2,340
Effective Tax Rate	*22%*	*20%*	*19%*	*17%*	*14%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*
NOPAT	5,848.00	5,658.00	5,312.00	6,004.00	6,072.00	6,122.80	7,483.20	8,231.52	9,054.68	9,960.14	10,956.16
D&A	1,223	1,204	1,004	1,152	1,388	1,200	1,319	1,451	1,596	1,756	1,931
Capex	895	766	741	871	986	900	1,081	1,189	1,308	1,439	1,583
Changes in NWC	(116)	(298)	1,372	1,189	(478)	0	0	0	0	0	0
UFCF	6,292	6,394	4,203	5,096	6,952	6,423	7,721	8,493	9,342	10,277	11,304
PV of FCF						6,552	7,768	7,986	8,212	8,443	8,681

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.85
Risk Free Rate	4.69%
Cost of Equity	5.64%
Weighted Average Cost of Debt	5.00%
Tax Rate	17.50%
Cost of Debt	1.34%
Total Equity	$78,211
Total Debt	$25,361
Equity/Total Capitalization	67.45%
Debt/Total Capitalization	32.55%
WACC	6.99%

Terminal Value Perpetuity Growth Method	
2034 FCF	$11,304
Growth	10.00%
Terminal Value	-$374,989
PV of Terminal Value	-$287,960
PV of Projection Period	$47,641
PV of Terminal Value	-$287,960
Implied TEV	-$240,318
(-) Debt	$37,751
(+) Cash	$12,390
Implied Equity Value	-$265,679
Basic Shares Outstanding	317
Implied Share Price	-$838.26
Upside/Downside	-439.69%

Implied Exit BF EV/EBIT	-18.1x

Terminal Value Exit Multiple Method	
2034 EBIT	$13,296
EV/EBIT Exit Multiple	13.0x
Terminal Value	$172,852
PV of Terminal Value	$132,736
PV of Projection Period	$47,641
PV of Terminal Value	$132,736
Implied TEV	$180,377
(-) Debt	$37,751
(+) Cash	$12,390
Implied Equity Value	$155,016
Diluted Shares Outstanding	317
Implied Share Price	$489.10
Upside/Downside	98.2%

Implied PGR	-1.4%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$489.10
Upside/Downside	98.20%