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Q4 2021 RESULTS PRESENTATION

February 15, 2022





Disclaimer

Forward-Looking Statements

This presentation contains “forward-looking statements.” All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risks and uncertainties, which may cause the actual results or performance of the Company to differ materially from such forward-looking statements. Such risks and uncertainties include, but are not limited to, (1) our ability to achieve our outlook regarding the first quarter 2022 and full year 2022, (2) the duration and severity of the COVID-19 pandemic and the disruption to our business and the global economy caused by it, including its effect on our and our business partners’ supply chains, (3) the amount of our obligations and nature of our contractual restrictions pursuant to, and disputes that have or may hereafter arise under the agreements we entered into with Honeywell in connection with our spin-off, (4) the likelihood of continued success of our transformation programs and initiatives, (5) risks related to our pending acquisition of First Alert, including the timing for the consummation thereof, our ability to achieve the targeted amount of annual cost synergies and otherwise successfully integrate the acquired operations, and the expected net present value of tax benefits resulting from the transaction and (6) the other risks described under the headings “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements” in our Annual Report on Form 10-K for the year ended December 31, 2021 and other periodic filings we make from time to time with the Securities and Exchange Commission. Forward-looking statements are not guarantees of future performance, and actual results, developments, and business decisions may differ from those envisaged by our forward-looking statements. Except as required by law, we undertake no obligation to update such statements to reflect events or circumstances arising after the date of this presentation and we caution investors not to place undue reliance on any such forward looking statements.

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Resideo 2021 Highlights

- Record revenue in 2021, up 15% y/y, with growth and margin expansion at Products & Solutions and ADI
- Navigated significant supply chain, logistic and inflationary headwinds
- Reduction in corporate costs, down 14% y/y to 4% of total revenue
- Further solidified balance sheet with strong cash generation and debt refinancing



RECORD REVENUE
$5.8B for 2021

+15% Y/Y



EXPANDING OPERATING MARGIN
9.6% for 2021

+340 bps Y/Y



STRONG CASH GENERATION
$315M operating cash flow for 2021

+29% Y/Y

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Products & Solutions 2021 Highlights

- Record revenue in 2021, up 16% y/y, with strong demand across products and channels
- Significant material and freight cost headwinds limiting impact of transformation gains
- Investment in foundational systems, process and innovation initiatives driving margin improvement and positioning business for sustained, long-term growth
- Successful launch of Pro Series security enhancements



RECORD REVENUE
$2.5B for 2021

+16% Y/Y



EXPANDING OPERATING MARGIN
21.9% for 2021

+270 bps Y/Y



PRICE REALIZATION
+$55M for 2021

~$40M in Q4

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ADI Global Distribution 2021 Highlights

- Record revenue in 2021, up 15% y/y, with strength in commercial and residential categories
- Significant expansion in digital transactions, refocusing resources on value-added selling
- Gross margin and operating margin expansion while investing in systems and digital tools
- Completed Norfolk and Shoreview acquisitions and integrations, expanding presence in attractive adjacent markets of audio visual and data communications



E-COMMERCE REVENUE
>$500M for 2021

+47% Y/Y



GROSS MARGIN EXPANSION
18.0% for 2021

+100 bps Y/Y



SALES PRODUCTIVITY
Annual Revenue per Sales Employee of $2.2M

+14% Y/Y

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First Alert – A Leader in Home Safety Products

First Alert Overview

- Announced agreement to acquire First Alert on Feb. 7, 2022
- A leader in home safety market
- Offers comprehensive portfolio of detection and suppression devices marketed through First Alert®, BRK®, and Onelink® brands
- Strong omni-channel presence serving end users directly through retail and e-commerce channels and professional contractors through relationships with distributors and homebuilders
- For the year ended Dec. 2021, generated ~$395M in sales and adjusted EBITDA of ~$55M
- Headquartered in Aurora, Illinois with manufacturing in Juarez, Mexico and distribution in El Paso, Texas; ~2800 employees

Key Brands

FIRST ALERT — Umbrella brand that provides fire safety products including smoke alarms, CO detectors, and suppression devices

Onelink. — Premium brand that provides smart home safety products

BRK THE PROFESSIONAL STANDARD — A category leading brand in the commercial / pro contractor channel

Key Products


Smoke Alarms

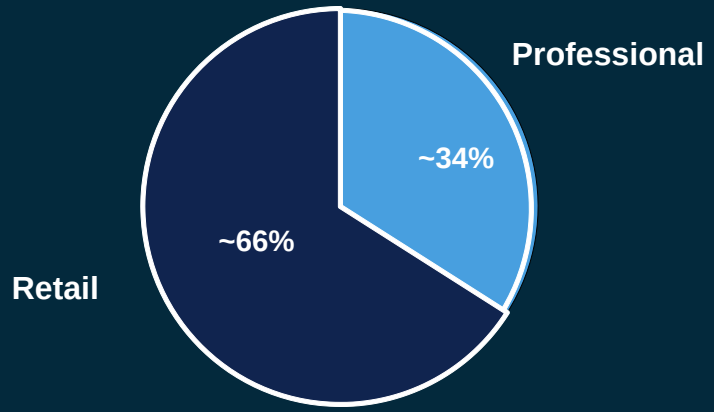

CO Alarms


Combo / Gas Alarms


Connected Safety


Fire Suppression

Sales Channel Mix



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First Alert Transaction Highlights

Strategic Rationale

- ***Brand and Category Leadership***
- ***More Real Estate to Own Inside the Home with Strategic Position on Ceiling***
- ***Enhances Resideo's Retail Presence***
- ***Expands and Grows Resideo's Position with Professional Channels***
- ***Significant Potential for Cost and Operational Synergies***
- ***Potential Socket for Connected and Intelligent Sensors***

Overview

Purchase Price	▪ $593M or approximately $547M net of expected future tax benefits ▪ Represents ~6.4x 2021 adjusted EBITDA multiple (including synergies and tax benefits)
Synergies	▪ $30M in annual cost synergies by end of 2023 from integration of manufacturing, distribution, and supply chain operations and business support efficiencies
Tax Basis Step-Up	▪ Anticipate $46M in net present value of tax benefits as a result of making a joint election with Newell under Section 338(h)(10) of the Internal Revenue Code for majority of assets
Funding / Timing	▪ Anticipate funding through existing cash and $200M addition to Term Loan B ▪ Expected to close in late Q1 22, subject to regulatory approvals

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Q4 2021 and Full Year 2021 Financial Performance Summary

($ in millions, except per share)	Q4 2021	Q4 2020	% change Y/Y	FY 2021	FY 2020	% change Y/Y
Net Revenue	**1,454**	**1,501**	**-3%**	**5,846**	**5,071**	**+15%**
P&S Revenue (1)	633	676	-6%	2,468	2,121	+16%
ADI Revenue	821	825	-0%	3,378	2,950	+15%
Gross Margin	**27.2%**	**28.2%**	**-100 bps**	**26.7%**	**25.9%**	**+80 bps**
P&S Gross Margin	37.9%	41.9%	-390 bps	38.9%	38.7%	+20 bps
ADI Gross Margin	19.1%	17.5%	+160 bps	18.0%	17.0%	+100 bps
SG&A and R&D	**255**	**271**	**-6%**	**1,002**	**1,002**	**0%**
Operating Profit	**141**	**152**	**-7%**	**559**	**311**	**+80%**
P&S Operating Profit	125	166	-25%	541	407	+33%
ADI Operating Profit	70	59	+19%	268	194	+38%
Corporate Costs	(54)	(73)	-26%	(250)	(290)	-14%
Net Income	**67**	**59**	**+14%**	**242**	**37**	**+554%**
EPS – Diluted	**0.45**	**0.44**	**+2%**	**1.63**	**0.29**	**+462%**

(1) Net segment revenue excluding intersegment revenue

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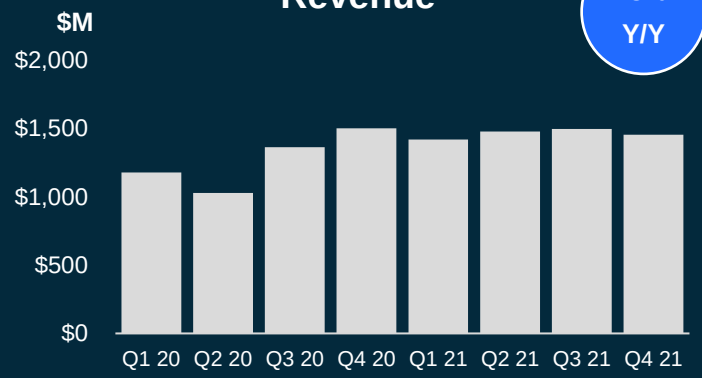
Resideo Key Financial Trends

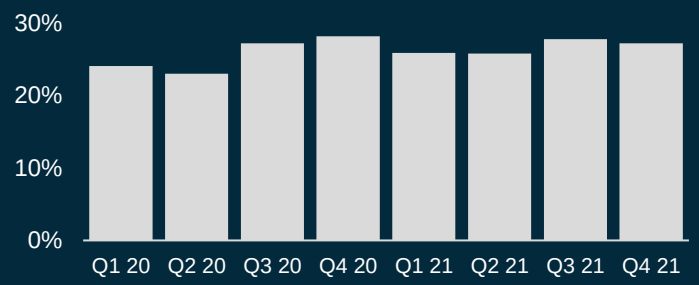
Revenue

-3% Y/Y



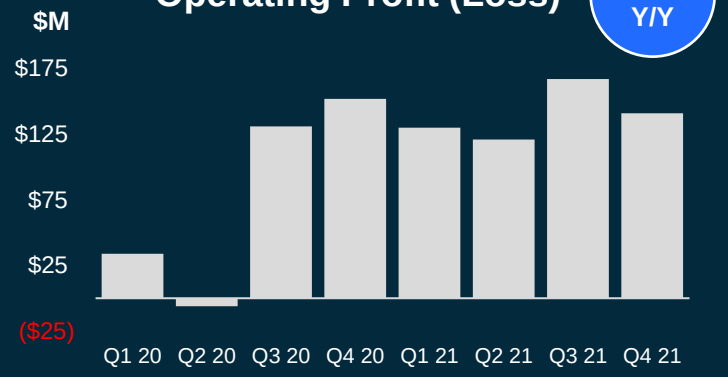
Gross Margin

-100 bps



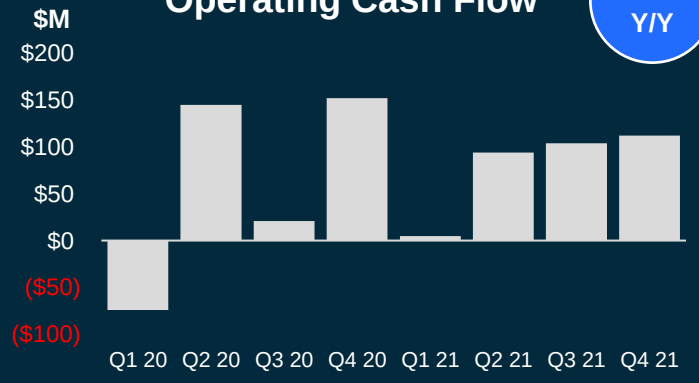
Operating Profit (Loss)

-7% Y/Y



Operating Cash Flow

-26% Y/Y



Q4 2021 HIGHLIGHTS

- Volumes impacted by supply constraints as end demand remains healthy
- Gross margin expansion at ADI offset by lower P&S volumes and increased material and freight costs
- Total OPEX down 6% y/y even as investment in both businesses accelerated
- Corporate costs down $19M y/y due to lower transformation expenses partially offset by higher compensation costs

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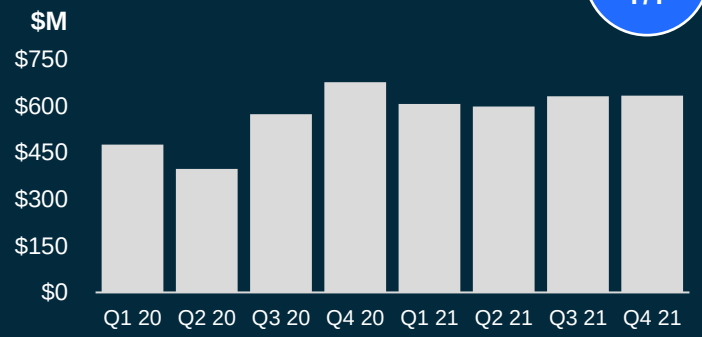
Products & Solutions Financial Trends

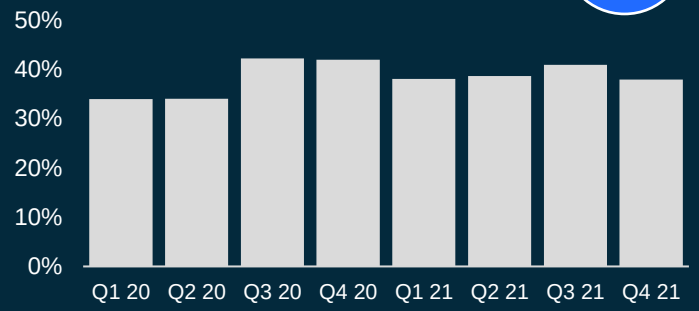
P&S Revenue (1)

-6% Y/Y



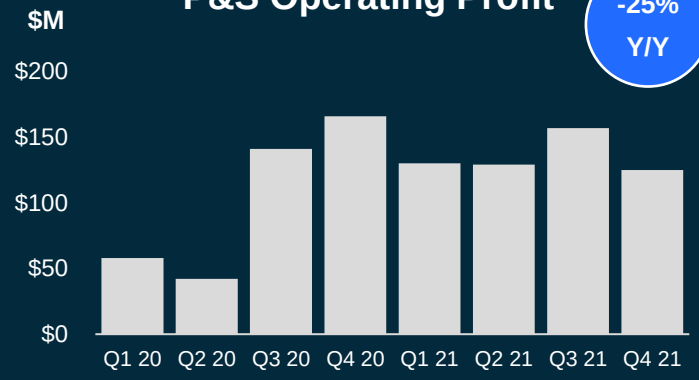
P&S Gross Margin

-390 bps



P&S Operating Profit

-25% Y/Y



(1) Net segment revenue excluding intersegment revenue

Q4 2021 HIGHLIGHTS

- Revenue decline compared with strong Q4 20 driven by ongoing supply chain challenges
- Strong price increase realization, added ~$40M to sales in Q4 21 y/y
- Gross margin impacted by lower volumes, materials inflation and higher freight costs
- Materials cost inflation was ~$39M y/y headwind and freight costs grew by ~$9M y/y

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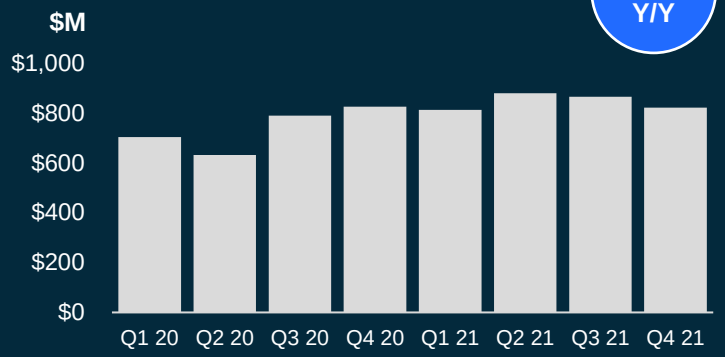
ADI Global Distribution Financial Trends

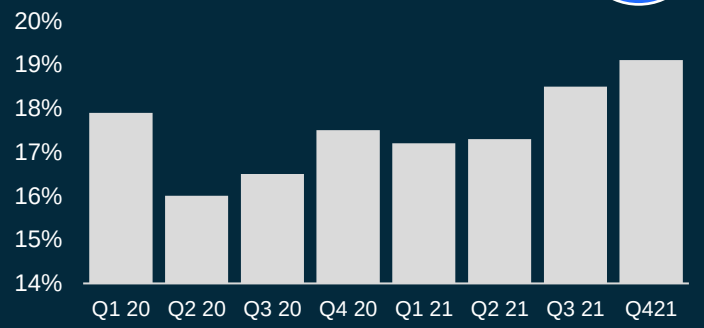
ADI Revenue

Flat Y/Y



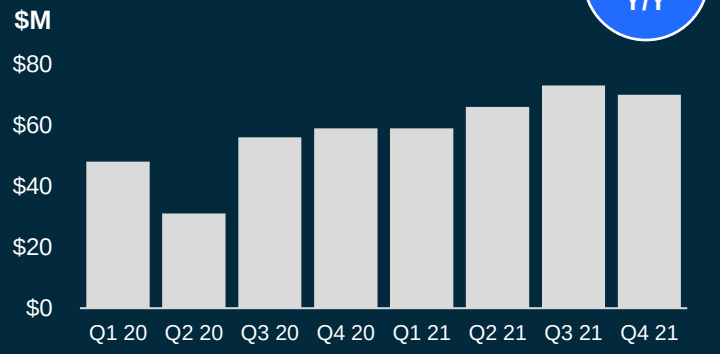
ADI Gross Margin

+160 bps



ADI Operating Profit

+19% Y/Y



Q4 2021 HIGHLIGHTS

- Daily Sales Average up 8% y/y, reported sales flat on five fewer selling days
- Fire, Access Control and Wire remained strong; supply chain impacting Intrusion and Video
- Strong growth in e-commerce of 27% y/y, 17% of total ADI sales in Q4, and private brands +30% y/y
- Gross margin benefiting from improved product line margin driven by pricing initiatives and vendor price increases
- Continued investment in tools for pricing optimization, sales effectiveness and digital

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Balance Sheet and Cash Flow Summary

($ in millions)	Q4 2021	Q3 2021	Q4 2020
Cash and cash equivalents	779	686	517
Total debt	1,230	1,232	1,162
Accounts receivable, net	876	932	863
Inventories	740	710	672
Accounts payable	883	905	936
Cash provided by operating activities	112	104	152
Cash capital expenditures	15	13	20

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2022 Outlook

($ in millions)	Q1 2022	2022
Revenue	$1,425 to $1,475	$5,950 to $6,200
Gross margin	27.5% to 28.5%	27.0% to 28.0%
GAAP Operating profit	$140 to $150	$610 to $650
Additional items	Avg. diluted shares ~149M One-time First Alert transaction costs ~$10M	Corporate costs ~$240 Stock-based comp ~$50 D&A ~$95 Capital expenditures ~$90 Interest expense ~$45 Avg. diluted shares ~150M Effective tax rate mid-20s (1)

(1) Honeywell reimbursement agreement payments have limited tax deductibility; implied income statement tax rate likely will exceed effective rate

Outlook excludes any impact from the anticipated acquisition of First Alert beyond the ~$10M of expected transaction costs in Q1 2022

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APPENDIX

Summary Financial Results (Unaudited)

(In millions)	Q4 2021 Products & Solutions	Q4 2021 ADI Global Distribution	Q4 2021 Corporate	Q4 2021 Total Company	Full Year 2021 Products & Solutions	Full Year 2021 ADI Global Distribution	Full Year 2021 Corporate	Full Year 2021 Total Company
Revenue (1)	$ 633	$ 821	$ -	$ 1,454	$ 2,468	$ 3,378	$ -	$ 5,846
Cost of goods sold	393	664	1	1,058	1,509	2,769	7	4,285
Gross profit (loss)	240	157	(1)	396	959	609	(7)	1,561
Research and development expenses (2)	23	-	-	23	85	-	1	86
Selling, general and administrative expenses (2)	92	87	53	232	333	341	242	916
Operating profit (loss)	$ 125	$ 70	$ (54)	$ 141	$ 541	$ 268	$ (250)	$ 559

	Q4 2020 Products & Solutions	Q4 2020 ADI Global Distribution	Q4 2020 Corporate	Q4 2020 Total Company	Full Year 2020 Products & Solutions	Full Year 2020 ADI Global Distribution	Full Year 2020 Corporate	Full Year 2020 Total Company
Revenue (1)	$ 676	$ 825	$ -	$ 1,501	$ 2,121	$ 2,950	$ -	$ 5,071
Cost of goods sold	393	681	4	1,078	1,300	2,449	9	3,758
Gross profit (loss)	283	144	(4)	423	821	501	(9)	1,313
Research and development expenses (2)	21	-	1	22	74	-	3	77
Selling, general and administrative expenses (2)	96	85	68	249	340	307	278	925
Operating profit (loss)	$ 166	$ 59	$ (73)	$ 152	$ 407	$ 194	$ (290)	$ 311

	Q4 2021 % change compared with prior period Products & Solutions	Q4 2021 % change compared with prior period ADI Global Distribution	Q4 2021 % change compared with prior period Corporate	Q4 2021 % change compared with prior period Total Company	Full Year 2021 % change compared with prior period Products & Solutions	Full Year 2021 % change compared with prior period ADI Global Distribution	Full Year 2021 % change compared with prior period Corporate	Full Year 2021 % change compared with prior period Total Company
Revenue (1)	(6)%	(0)%	N/A	(3)%	16%	15%	N/A	15%
Cost of goods sold	0%	(2)%	(75)%	(2)%	16%	13%	(22)%	14%
Gross profit (loss)	(15)%	9%	(75)%	(6)%	17%	22%	(22)%	19%
Research and development expenses (2)	10%	N/A	N/A	5%	15%	N/A	(67)%	12%
Selling, general and administrative expenses (2)	(4)%	2%	(22)%	(7)%	(2)%	11%	(13)%	(1)%
Operating profit (loss)	(25)%	19%	(26)%	(7)%	33%	38%	(14)%	80%

(1) Represents Product & Solutions revenue, excluding intersegment revenue of $87 million and $373 million for the three and twelve months ended December 31, 2021 and $97 million and $367 million for the three and twelve months ended December 31, 2020. ADI Global Distribution does not have any intersegment revenue.

(2) Prior year information was reclassified to present Research and development expenses as a separate line item. Research and development expenses were formerly included within Selling, general and administrative expenses.

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Consolidated Interim Statements of Operations (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions except share and per share data)			
Net revenue	$ 1,454	$ 1,501	$ 5,846	$ 5,071
Cost of goods sold	1,058	1,078	4,285	3,758
Gross profit	396	423	1,561	1,313
Research and development expenses (1)	23	22	86	77
Selling, general and administrative expenses (1)	232	249	916	925
Operating profit	141	152	559	311
Other expense, net	28	41	158	147
Interest expense	11	14	48	63
Income before taxes	102	97	353	101
Tax expense	35	38	111	64
Net income	$ 67	$ 59	$ 242	$ 37
Weighted Average Number of Common Shares Outstanding (in thousands)				
Basic	144,560	131,406	144,036	125,348
Diluted	148,675	134,424	148,448	126,324
Earnings Per Share				
Basic	$ 0.46	$ 0.45	$ 1.68	$ 0.30
Diluted	$ 0.45	$ 0.44	$ 1.63	$ 0.29

(1) The prior year unaudited Consolidated Interim Statements of Operations were reclassified to present Research and development expenses as a separate line item within the statements. Research and development expenses were formerly included within Selling, general and administrative expenses.

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Consolidated Interim Balance Sheets (Unaudited)

	December 31, 2021	December 31, 2020
	(In millions, except number of shares which are reflected in thousands and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 779	$ 517
Accounts receivables – net	876	863
Inventories – net	740	672
Other current assets	146	173
Total current assets	2,541	2,225
Property, plant and equipment – net	287	318
Goodwill	2,661	2,691
Other assets	364	376
Total assets	$ 5,853	$ 5,610
LIABILITIES		
Current liabilities:		
Accounts payable	$ 883	$ 936
Current maturities of long-term debt	10	7
Accrued liabilities	601	595
Total current liabilities	1,494	1,538
Long-term debt	1,220	1,155
Obligations payable under Indemnification Agreements	585	590
Other liabilities	302	334
EQUITY		
Common stock, $0.001 par value, 700,000 shares authorized, 146,248 and 144,808 shares issued and outstanding as of December 31, 2021, 143,959 and 143,059 shares issued and outstanding as of December 31, 2020, respectively	-	-
Additional paid-in capital	2,121	2,070
Treasury stock, at cost	(21)	(6)
Retained earnings	317	75
Accumulated other comprehensive loss	(165)	(146)
Total equity	2,252	1,993
Total liabilities and equity	$ 5,853	$ 5,610

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Consolidated Interim Statements of Cash Flows (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions)			
Cash flows provided by operating activities:				
Net income	$ 67	$ 59	$ 242	$ 37
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	21	22	88	86
Stock compensation expense	10	8	39	29
Deferred income taxes	6	22	6	22
Loss on extinguishment of debt	-	-	41	-
Other	(1)	1	3	21
Changes in assets and liabilities, net of acquired companies:				
Accounts receivable	48	37	(30)	(27)
Inventories – net	(33)	(45)	(73)	19
Other current assets	33	(10)	27	5
Accounts payable	(23)	61	(42)	(1)
Accrued liabilities	(12)	(21)	14	31
Obligations payable under Indemnification Agreements	(2)	4	(5)	(4)
Other	(2)	14	5	26
Net cash provided by operating activities	112	152	315	244
Cash flows used for investing activities:				
Expenditures for property, plant, equipment and other intangibles	(15)	(20)	(63)	(70)
Cash paid for acquisitions, net of cash acquired	-	-	(11)	(35)
Other	6	2	9	2
Net cash used for investing activities	(9)	(18)	(65)	(103)
Cash flows provided by (used for) financing activities:				
Issuance of common stock through public offering, net of issuance cost	-	279	-	279
Proceeds from long-term debt	-	-	1,250	-
Net repayments from revolving credit facility	-	(150)	-	-
Payment of debt facility issuance and modification costs	-	-	(39)	-
Repayment of long-term debt	(3)	(11)	(1,188)	(22)
Other	(5)	-	(3)	(4)
Net cash provided by (used for) financing activities	(8)	118	20	253
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	5	(8)	1
Net increase in cash and cash equivalents	93	257	262	395
Cash and cash equivalents at beginning of period	686	260	517	122
Cash and cash equivalents at end of period	$ 779	$ 517	$ 779	$ 517

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